

NEW YORK STATE TOURISM INDUSTRY ASSOCIATION, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2018

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
New York State Tourism Industry Association, Inc.
Pittsford, New York

We have audited the accompanying financial statements of New York State Tourism Industry Association, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New York State Tourism Industry Association, Inc. as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adjustments to Prior Period Financial Statements

The financial statements of New York State Tourism Industry Association, Inc. as of December 31, 2017, were reviewed by other accountants, and their report thereon, dated June 25, 2018, stated they were not aware of any material modifications that should be made to those financial statements for them to be in conformity with accounting principles generally accepted in the United States of America. As discussed in Note 7, the Organization has restated its December 31, 2017 financial statements during the current year to properly account for deferred grant activity, in accordance with accounting principles generally accepted in the United States of America. The other accountants reported on the 2017 financial statements before the restatement. The comparative summarized information for the year ending December 31, 2017 was derived from those financial statements

As part of our audit of the 2018 financial statements, we also audited adjustments described in Note 7 that were applied to restate the 2017 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review or apply any procedures to the 2017 statements of the Organization other than with respect to the adjustments, and accordingly, we do not express an opinion or any form of assurance on the 2017 financial statements as a whole.

EFPR Group, CPAs, PLLC

EFPR Group, CPAs, PLLC
Rochester, New York
November 12, 2019

NEW YORK STATE TOURISM INDUSTRY ASSOCIATION, INC.
Statements of Financial Position
December 31, 2018 and 2017

	2018	Restated
	<u>(Audited)</u>	<u>2017</u>
		<u>(Reviewed)</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 355,890	\$ 326,126
Accounts receivable	135,347	122,600
Prepaid expenses	380,900	34,065
Total current assets	<u>872,137</u>	<u>482,791</u>
Restricted Cash	<u>36,190</u>	<u>28,448</u>
Total Assets	<u>\$ 908,327</u>	<u>\$ 511,239</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accrued expenses	\$ 2,671	\$ -
Deferred revenue	156,637	115,626
Loan payable	375,091	-
Total current liabilities	<u>534,399</u>	<u>115,626</u>
Total Liabilities	<u>534,399</u>	<u>115,626</u>
Net Assets		
Net assets without donor restrictions	337,738	367,165
Net assets with donor restrictions	36,190	28,448
Total net assets	<u>373,928</u>	<u>395,613</u>
Total Liabilities and Net Assets	<u>\$ 908,327</u>	<u>\$ 511,239</u>

The accompanying notes are an integral part of these financial statements.

NEW YORK STATE TOURISM INDUSTRY ASSOCIATION, INC.
Statement of Activities
For the Year Ended December 31, 2018
(With Comparative Totals for the Year Ended December 31, 2017)

	Without Donor Restrictions	With Donor Restrictions	2018 (Audited)	Restated 2017 (Reviewed)
Support and Revenue				
Advertising income	\$ 317,000	\$ -	\$ 317,000	\$ 406,869
Annual dues	58,083	-	58,083	59,375
Grant income	110,813	-	110,813	14,217
Interest income	334	-	334	28
Special event income	24,331	-	24,331	16,715
Scholarship fund income - net	-	17,742	17,742	14,501
Program income	182,033	-	182,033	205,910
Net assets released from restrictions	10,000	(10,000)	-	-
Total support and revenue	<u>702,594</u>	<u>7,742</u>	<u>710,336</u>	<u>717,615</u>
Expenses				
Program services	658,817	-	658,817	652,767
General and administrative	73,204	-	73,204	73,983
Total expenses	<u>732,021</u>	<u>-</u>	<u>732,021</u>	<u>726,750</u>
Change in Net Assets	(29,427)	7,742	(21,685)	(9,135)
Net Assets - Beginning - As Restated	<u>367,165</u>	<u>28,448</u>	<u>395,613</u>	<u>404,748</u>
Net Assets - Ending	<u>\$ 337,738</u>	<u>\$ 36,190</u>	<u>\$ 373,928</u>	<u>\$ 395,613</u>

The accompanying notes are an integral part of these financial statements.

NEW YORK STATE TOURISM INDUSTRY ASSOCIATION, INC.
Statement of Functional Expenses
For the Year Ended December 31, 2018
(With Comparative Totals for the Year Ended December 31, 2017)

	<u>Program Services</u>	<u>Management and General</u>	<u>Total 2018 (Audited)</u>	<u>Total 2017 (Reviewed)</u>
Conferences	\$ 81,152	\$ -	\$ 81,152	\$ 66,585
Contract services	23,853	5,963	29,816	-
Co-Op advertising expense	367,847	-	367,847	339,299
Co-Op program expense	63,273	-	63,273	72,307
Dues and subscriptions	960	3,840	4,800	1,378
Employee benefits	774	194	968	3,810
Insurance	7,554	-	7,554	9,004
Marketing	1,416	5,664	7,080	1,642
Office expense	4,002	16,009	20,011	16,968
Payroll	81,450	20,363	101,813	158,558
Payroll taxes	7,077	1,769	8,846	13,124
Professional fees	4,432	17,727	22,159	24,486
Telephone and internet	419	1,675	2,094	4,131
Travel	8,606	-	8,606	7,725
Website	6,002	-	6,002	7,733
Total functional expenses	<u>\$ 658,817</u>	<u>\$ 73,204</u>	<u>\$ 732,021</u>	<u>\$ 726,750</u>

The accompanying notes are an integral part of these financial statements.

NEW YORK STATE TOURISM INDUSTRY ASSOCIATION, INC.
Statements of Cash Flows
For the Years Ended December 31, 2018 and 2017

	2018	Restated
	<u>(Audited)</u>	<u>2017</u>
		<u>(Reviewed)</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (21,685)	\$ (9,135)
Changes in assets and liabilities		
Accounts receivable	(12,747)	(74,177)
Prepaid expenses	(346,835)	(7,323)
Accrued expenses	2,671	-
Deferred revenue	41,011	90,036
Net cash flows from operating activities	<u>(337,585)</u>	<u>(599)</u>
Cash Flows from Financing Activities		
Proceeds from loan payable	<u>375,091</u>	<u>-</u>
Net Change in Cash and Cash Equivalents	37,506	(599)
Cash and Cash Equivalents - Beginning	<u>354,574</u>	<u>355,173</u>
Cash and Cash Equivalents - Ending	<u>\$ 392,080</u>	<u>\$ 354,574</u>
Presented on the Statements of Financial Position as follows:		
Cash and cash equivalents	\$ 355,890	\$ 326,126
Restricted cash	36,190	28,448
Total	<u>\$ 392,080</u>	<u>\$ 354,574</u>

The accompanying notes are an integral part of these financial statements.

NEW YORK STATE TOURISM INDUSTRY ASSOCIATION, INC.
Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies and Nature of Organization

Nature of Organization - New York State Tourism Industry Association, Inc. (the "Organization") is a non-profit organization, formed to represent New York State's tourism industry through collaboration, research, legislative awareness, and exceptional marketing. Through member involvement and association programming the New York State Tourism Industry Association strives to make our industry "Stronger Together".

Basis of Accounting - The Organization prepares its financial statements on the accrual basis of accounting. Financial statement presentation follows the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, "Not-for-Profit Entities (Topic 958) Presentation of Financial Statement of Not-for-Profit Entities." ASU 2016-14 contains several provisions that change the presentation of and disclosures within the financial statements of a not-for-profit entity. These changes include an updated net asset classification scheme from three classes to two classes, quantitative and qualitative disclosures regarding liquidity and disclosure of expenses by functional classification. In addition, the Organization is required to present a statement of cash flows. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restriction - Net assets without donor restriction represent net assets that are not subject to donor imposed stipulations and are generally available for support of the Organization's activities. The Board of Directors has discretionary control over these resources to carry out the operations of the Organization in accordance with its by-laws.

Net Assets With Donor Restriction - Net assets with donor restriction represent net assets that are subject to donor imposed stipulations.

Liquidity - The Organization has \$527,427 of financial assets available within one year of the statement of financial position date consisting of \$392,080 of cash and cash equivalents and \$135,347 of accounts receivable. Of these financial assets, \$36,190 are subject to donor or contractual restrictions that make them unavailable for general expenditures within one year of the statement of financial position date.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents - For the purposes of the statements of financial position and statements of cash flows, cash and cash equivalents include deposits, certificates of deposit and all highly liquid debt instruments with original maturities of three months or less. The Organization maintains cash and cash equivalents at financial institutions which periodically may exceed federally insured limits.

Restricted Cash - The Organization's restricted cash consists of scholarship funds sponsored by the Community Foundation of Orange and Sullivan - Destinations of New York State Travel, Tourism, Hospitality and Culinary College Education Scholarship Fund. The activity of the fund is recorded as scholarship income and expense on the Statement of Activities and scholarships disbursed are recorded as net assets released from restrictions. Restricted cash at December 31, 2018 and 2017 amounted to \$36,190 and \$28,448, respectively.

NEW YORK STATE TOURISM INDUSTRY ASSOCIATION, INC.
Notes to Financial Statements

Accounts Receivable - The Organization provides services that are paid for through member support and grants. The Organization does not accrue interest on these receivables. Accounts for which no payments have been received for a significant amount of time are considered delinquent and the account is written-off when customary collection efforts are exhausted. The Organization records an allowance for doubtful accounts in anticipation of future write-offs, based on the historical collection experience of the Organization. No allowance for doubtful accounts was considered necessary at December 31, 2018 or 2017.

Prepaid Expenses - Expenses paid in advance of the current fiscal year are recorded as an asset. Prepaid expenses relate to expenses incurred under the Brand USA NYS International Cooperative Working Capital AB428 Grant.

Deferred Revenues - Grant awards accounted for as exchange transactions are recorded as revenue when expenditures have been incurred in compliance with the grant restrictions. Amounts unspent are recorded in the accompanying statement of financial position as deferred revenue.

Support and Revenue - A portion of the Organization's revenue is derived from grants. Amounts received but not yet earned are reported as deferred revenue.

Funding sources may, at their discretion, amend the grant and contract amounts. In addition, reimbursement for expenses or return of funds, or both, may be requested as a result of noncompliance by the Organization with the terms of the grants and contracts. The Organization records such amendments, reimbursements, and returns of funds as an adjustment to revenue in the year of the amendment.

Income Tax Status - The Organization is exempt from federal income taxes under section 501(c)(6) of the Internal Revenue Code as an organization which is not a private foundation. Therefore, no provision for income taxes has been included in the financial statements. In accordance with FASB ASC 74, Income Taxes, the Organization recognizes the tax benefits from uncertain tax positions only if it is more-likely-than-not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. There are no such uncertain tax positions for the Organization for the year ended December 31, 2018. The Organization's income tax filings are subject to audit by various taxing authorities.

Advertising - The Organization expenses all advertising costs, except for costs associated with direct-response advertising, as they are incurred. If applicable, the costs of direct-response advertising are capitalized and amortized over the period during which future benefits are expected to be received. Advertising expense amounted to \$367,847 and \$339,299 for the years ended December 31, 2018 and 2017, respectively.

Functional Allocation of Expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Subsequent Events - The Organization has evaluated subsequent events through the date of the report, which is the date the financial statements were available to be issued.

NEW YORK STATE TOURISM INDUSTRY ASSOCIATION, INC.
Notes to Financial Statements

Note 2. Loan Payable

The Organization has a loan payable with Miles Partnership (the "Partnership") in the original amount of \$375,091, interest free. The loan payable agreement relates directly to the funds to be received from the Brand USA NYS International Cooperative Working Capital AB428, Grant Disbursement Agreement (the "Grant"). The Partnership advanced the funds to the Organization to cover expenses that would be reimbursed under the Grant. The outstanding balance at December 31, 2018 was \$375,091. Subsequent to year end, the loan was paid in full.

Note 3. Grant Funding

The Organization was the recipient of a Brand USA NYS International Cooperative Working Capital Grant, AB428, effective August 2017. The terms of the grant allow for reimbursements of up to \$375,091 and require the Organization to obtain matching funds of \$125,030. The grant completion date was December 31, 2018, with final reporting due by April 2019. For the years ended December 31, 2018 and 2017, the Organization recognized \$110,813 and \$14,217 of grant income, respectively.

The Organization was the recipient of a Brand USA NYS International Cooperative Working Capital Grant, AC682, effective July 2018. The terms of the grant allow for reimbursements of up to \$382,500 and require the Organization to obtain matching funds of \$127,500. The grant completion date is December 31, 2019, with final reporting due by April 2020. For the year ended December 31, 2018, the Organization had secured \$118,637 of the matching funds, which are classified as deferred revenue on the Statement of Financial Position.

Note 4. Net Assets with Donor Restrictions

The Organization has an interest in the Community Foundation of Orange and Sullivan, and participates in the Destinations of New York State Travel, Tourism, Hospitality and Culinary College Education Scholarship Fund. At December 31, 2018 and 2017, the Organization had net assets with donor restrictions of \$36,190 and \$28,448, respectively.

Note 5. Employee Benefit Plan

The Organization sponsors a defined contribution retirement plan covering substantially all employees. The plan is a discretionary contribution plan, which allows for 3% of eligible employee compensation. Expenses recognized under the terms of the Plan for the years ended December 31, 2018 and 2017 amounted to \$968 and \$3,810, respectively.

Note 6. Reclassifications

Certain reclassifications have been made to the financial statements for the year ended December 31, 2017. These reclassifications are for comparative purposes only and have no effect on net assets as originally reported.

NEW YORK STATE TOURISM INDUSTRY ASSOCIATION, INC.
Notes to Financial Statements

Note 7. Correction of Error

During 2018, the Organization's December 31, 2017 deferred grant activity was adjusted to properly reflect the period in which the Organization recognized the related expense activity. The impact of the correction is as follows:

	2017	Net	2017
	as Originally	Changes	as
	<u>Stated</u>	<u>Changes</u>	<u>Restated</u>
<u>Statement of Financial Position</u>			
Deferred revenue	\$ 76,355	\$ 39,271	\$ 115,626
Total current liabilities	<u>\$ 76,355</u>	<u>\$ 39,271</u>	<u>\$ 115,626</u>
<u>Statement of Activities</u>			
Support and Revenue			
Advertising income	\$ 406,869	\$ -	\$ 406,869
Annual dues	59,375	-	59,375
Grant income	53,488	(39,271)	14,217
Interest income	28	-	28
Special event income	16,715	-	16,715
Scholarship fund income – net	14,501	-	14,501
Program income	205,910	-	205,910
Net assets released from restrictions	-	-	-
Total support and revenue	<u>\$ 756,886</u>	<u>\$ (39,271)</u>	<u>\$ 717,615</u>
Changes in Net Assets	<u>\$ 30,136</u>	<u>\$ (39,271)</u>	<u>\$ (9,135)</u>