

Forward Together

SUNSHINE 811 2017-18 ANNUAL REPORT



MISSION

The mission of Sunshine 811 is to promote and facilitate excavation safety and underground facility damage prevention.

VISION

Florida, the safest place to dig.

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Dear Members & Stakeholders,

On behalf of the Board of Directors and employees of Sunshine 811, I am very pleased to present this Annual Report for 2017-18.

At Sunshine 811, our work is driven by a shared dedication to preventing excavation damage to Florida’s critical underground facility infrastructure and more importantly, preventing harm or injury to the people working and living nearby.

Over the past year, we faced many challenges and responded with creative solutions for our utility members and excavating stakeholders.

Please join me now in reviewing some of the major milestones that Sunshine 811 has achieved in our continual effort to make *Florida - the safest place to dig*.

Strong Financial Position

Sunshine 811 remains in a strong financial position at the fiscal year-end with total assets of \$9.2 million and net unrestricted assets of \$8.7 million. The Independent Auditor’s Report to the Board of Directors stated our financial position was accurately reported throughout the year in conformity with accounting principles generally accepted in the U.S., and there were no reportable conditions with regard to the adequacy of Sunshine 811’s system of internal controls.

Proposed Legislation Drafted to Amend Chapter 556, Florida Statutes

Several industry stakeholders including the Florida Natural Gas Association, TECO Peoples Gas, AT&T, Florida Internet and Television, the National Utility Contractors Association of Florida, and the Florida Energy Pipeline Association, joined with Sunshine 811’s Board of Directors in May in asking the Legislature to conduct a study of Florida’s damage prevention law enforcement program with recommendations for future legislation as appropriate.

2017-18

\$7.8 million
Revenues

\$7.7 million
Expenses

1.7 million
Tickets

11.3 million
Transmissions

73%
ITE Tickets



The Sunshine 811 Legislative Ad-Hoc Committee also held several meetings to develop a proposed enforcement framework that includes a nine-member review panel. The panel will review non-compliance reports, conduct hearings and make recommendations for training and education and/or payment of civil penalties from \$1,000 to \$50,000 for violations of certain provisions of Chapter 556 that were determined by the panel to have occurred.

Also included in the proposed legislation approved by the Board of Directors November 16, 2018, is an increase in the 811 excavation notification and member response requirement from two to three full business days; and a definition and protection for permanent underground utility markers.

I offer a special thank you to Legislative Ad-Hoc Committee members, the public, our Board of Directors, General Counsel, Legislative Counsel, and staff who worked diligently in gathering comment from concerned stakeholders and drafting the proposed legislation to improve and strengthen Florida's damage prevention law.

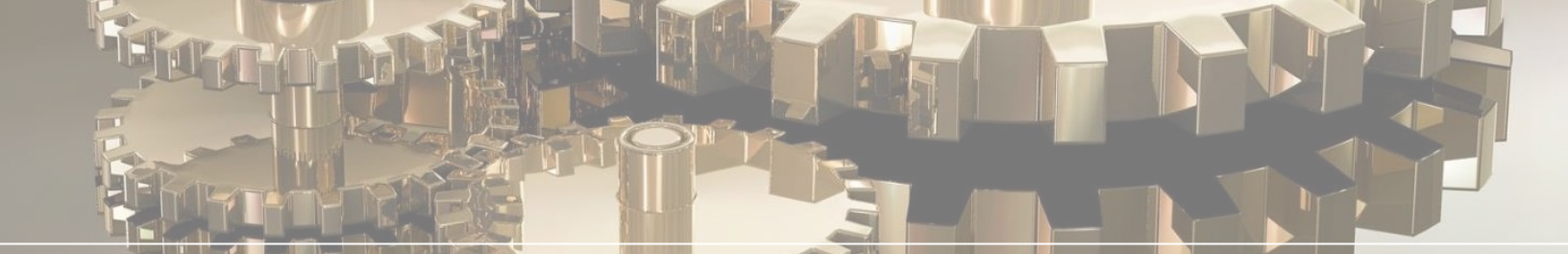
First High-Priority Subsurface Installation Incident Hearing

This year, Sunshine 811 received the first High-Priority Subsurface Installation Incident Report for a January 8, 2018, incident in Stuart, FL, in which an excavator - working without prior notification to 811 - ruptured a six-inch, high-pressure, gas line. The incident resulted in the evacuation of a nearby school, loss of utility service to commercial and residential customers, and costly restoration for the pipeline operator.

The procedures set forth in Chapter 556.116, F.S., were followed and an Administrative Hearing was held by the Florida Division of Administrative Hearings (DOAH), March 14, 2018. The Final Order was issued May 15, 2018, imposing a \$15,000 civil penalty on the excavator for violating Section 556.107(1) (a) and causing the incident. The fine was payable to Sunshine 811 and the \$10, 937.62 remaining after reimbursement of DOAH's expenses will be used for damage prevention education.

Extended Hours - Hurricane Michael Restoration Efforts

When a hurricane strikes the State of Florida, our Call Center and Member Services Departments remain open during regular business hours on weekends to assist our members with their service restoration activities by taking emergency tickets and processing extraordinary circumstance declarations. In the aftermath of Hurricane Michael, Sunshine 811 extended its regular business hours for three weekends: October 13-14, 20-21, and 27-28.



New Technology

Our technology focus was on addressing the everyday challenges our members and excavators face while looking at new solutions to give them increased ticket accuracy and a better end-user experience. After extensive research and review, our Board of Directors made the decision to participate jointly with two other high performing 811 notification centers: Dig Safely New York and Arizona 811 in developing the new Exactix 811 ticket management system from 4iQ Solutions, Inc.

The new system will use the most up-to-date mapping and computing technologies to create accurate dig site locations and member service area registrations. It also offers mobile friendly features and application program interface functionality.

Our call center and technical operations teams are working collaboratively with the other two centers and the software developer to thoroughly test new software releases to identify and resolve any technical issues that arise and make recommendations on system features. The new internet component promises an easy-to-learn platform with equally easy training for our ITE users. We anticipate roll out of the new system in early 2020 with training and onboarding beginning a few months before then to ensure a smooth transition.

In December, our technical operations team coordinated the flawless installation of a new phone system in the center with no interruptions in service to our 811 callers.

Our member services team has made sure that all of our members are aware of our operations goal to end fax transmissions of locate tickets after December 31st. We proactively encourage all of our members to use the irthNet member ticket management system - available free of charge - to receive all of their locate tickets from Sunshine 811. Our Member Services Department reports that member conversions to irthNet have gone very well. Some have even commented that they wish they had converted earlier. It's always satisfying when we can provide our members with effective solutions to help them protect their underground facilities.

Technical Key Performance Indicators:

Systems remained operational 99.7% for the entire year

73% average Internet Ticket Entry (ITE) volume (out of 1.7 million tickets and 11.3 million transmissions)

22-second average answer speed



Damage Prevention Education & Awareness

Communications was at the forefront of our education and awareness efforts this year. We spent a great deal of time doing behind-the-scenes prep work so we could hit the ground running with new initiatives planned for 2019.

Of course, face-to-face interactions are the cornerstone to building lasting relationships with our stakeholders, and that's what our damage prevention liaisons do best. Over 17,000 people attended their presentations, safety forums and meetings throughout Florida this year.

Last year we began a three-letter email campaign for first time callers, with each letter sent at key times within the 811 process. The primary purpose was to get homeowners to check the Positive Response System. Later, we rolled out a similar campaign for professional excavators with the addition of low impact marking requirements.

By implementing these programs, we saw significant increases in visits to our Positive Response System. For instance, total page visits to the homeowner positive response page increased 17% to 211,145, a 27% increase in unique visitors. We also saw visits to our homeowner webpage top out at almost 40,000, an increase of 28%.

Professional excavators checking positive response increased to 660,702 (3%), with 13% of traffic from unique visitors. As a side note, excavators using a tablet to check positive response increased the most at 25,459, a 767% increase!

Safe Digging Month and 811-Day were our big awareness campaigns. We ran radio, digital, outdoor billboard, banner ads, and other targeted advertising delivering results that exceeded the previous fiscal year numbers. The results are captured to the right.

Awareness Campaign Results



35 million
Impressions
from 30-second
Radio PSA
broadcast



6 million
Impressions
from 30-second
television
PSA broadcast



25%
overall traffic
driven to web by
digital ads



24,000
web sessions
from
digital ads



44,000
web banner
clicks



Looking Ahead

Florida now ranks as the third most populous state in the nation at 21.3 million residents with more new residents arriving daily. As our population and economy continues to grow, new construction and excavation work is occurring nearly everywhere. Now more than ever, it is important for all Floridians to always *call 811 before digging* to avoid damaging underground facilities.

For several years our damage prevention team has conducted first time caller surveys to determine how our callers learned about calling 811 before digging. The survey results consistently show that “talking to friends, family members and neighbors,” was the top way callers learned about 811. Therefore, I encourage everyone reading this report to take this simple lesson to heart and share our 811 damage prevention and safety message with your family, your friends and your neighbors.

I want to gratefully acknowledge and thank our employees for everything that they do each day at Sunshine 811 to help build a safer Florida for all of us. We have a tremendously dedicated team of talented people at Sunshine 811.

In closing, I am excited about the changes that we are making to our systems and procedures. I’m confident in our ability to continue delivering outstanding damage prevention services to our utility member organizations, professional excavators and homeowners in our great state of Florida.

Executive Director

2017 Enforcement

County Data

| County | Citations Written |
|----------|-------------------|
| Bay | 1 |
| Broward | 3 |
| Collier | 12 |
| Lake | 1 |
| Lee | 1 |
| Manatee | 3 |
| Okaloosa | 1 |
| Polk | 3 |

Violation Types

| Violation | Quantity |
|--|----------|
| No Ticket | 18 |
| Failure to stop digging after damaging an underground facility | 2 |
| Digging before legal | 4 |
| Failure to mark facilities | 1 |

Totals

Total citations issued: 25

Total fines levied: \$12,644

17 Total fines paid: \$8,599

Mandatory Damage Reporting

This year was the first year Sunshine 811 received data under the mandatory damage reporting requirement in the Underground Facility Damage Prevention and Safety Act, Chapter 556, F.S.

As a result, we saw a significant increase in the number of reports. In total, 10,437 incidents were reported to the Florida Damage Information Reporting Tool (DIRT). Florida DIRT is a personalized version of the Common Ground Alliance's National DIRT.

The top six damaging counties were Broward with 1,747 damages; Duval with 1,014; Dade, 977; Orange, 957; Palm Beach, 861; and St. Johns, 514.

Telecommunications was the facility operation most affected by these incidents with a total of 8,589. The top three root causes were consistently no ticket (2,388); insufficient excavation practices (1,515); and unknown (2,848).

Further, of the telecoms affected, 4,844 were distribution and 3,743 were service drops.

Gas came in at number two with 1,274 damages, 1,272 of those being distribution lines. The top three root causes were no ticket (626); insufficient excavation practices (320); and notification to center not sufficient (90).

A breakdown of these numbers appears on page 11.

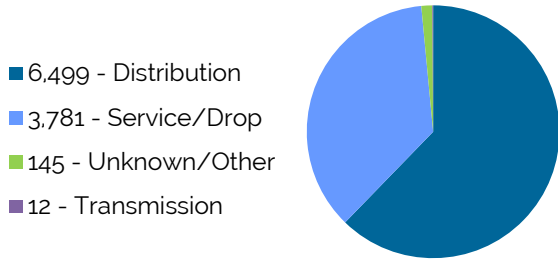


Worth noting, Florida also saw another 11,439 incidents reported through national DIRT bringing the total damages reported to just shy of 22,000. Those 11,000-plus incidents reported by Florida stakeholders are not included in Sunshine 811's data because these stakeholders did not share their data with us. When data is not shared, we don't have access to county information necessary to plan education and awareness activities by county.

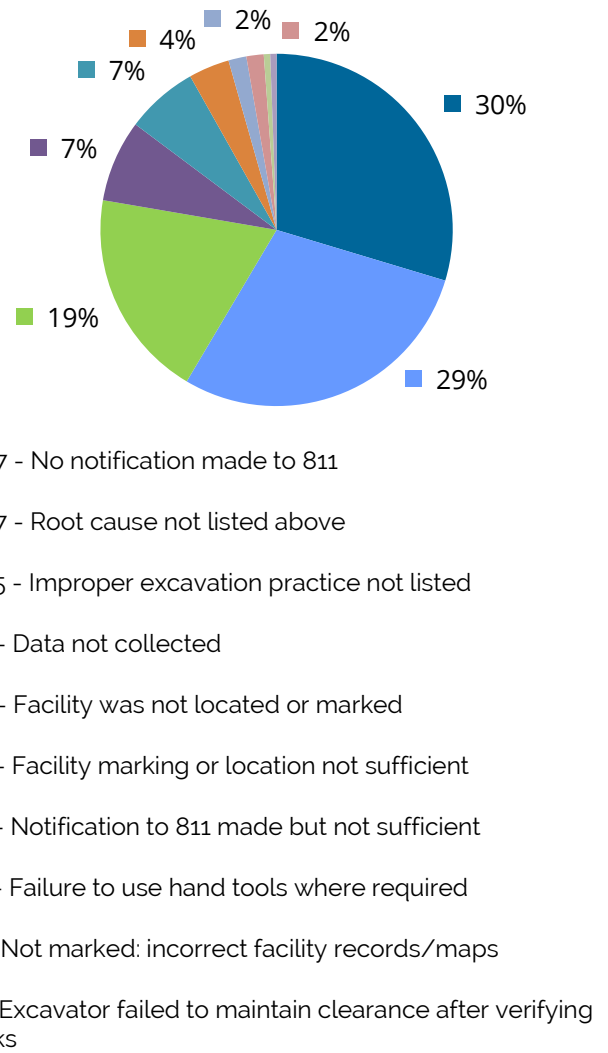
Damage reporting and sharing that data will continue to be a priority this next fiscal year. We have a web page set up to walk you through everything needed to get started; sunshine811.com/florida-dirt.

Florida DIRT Data

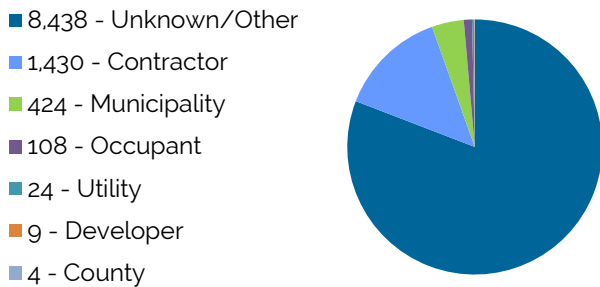
Damages by Facility Affected



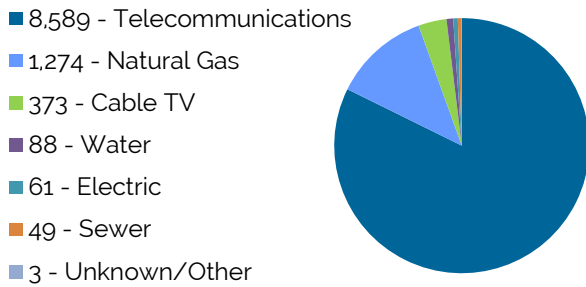
Damages by Root Cause



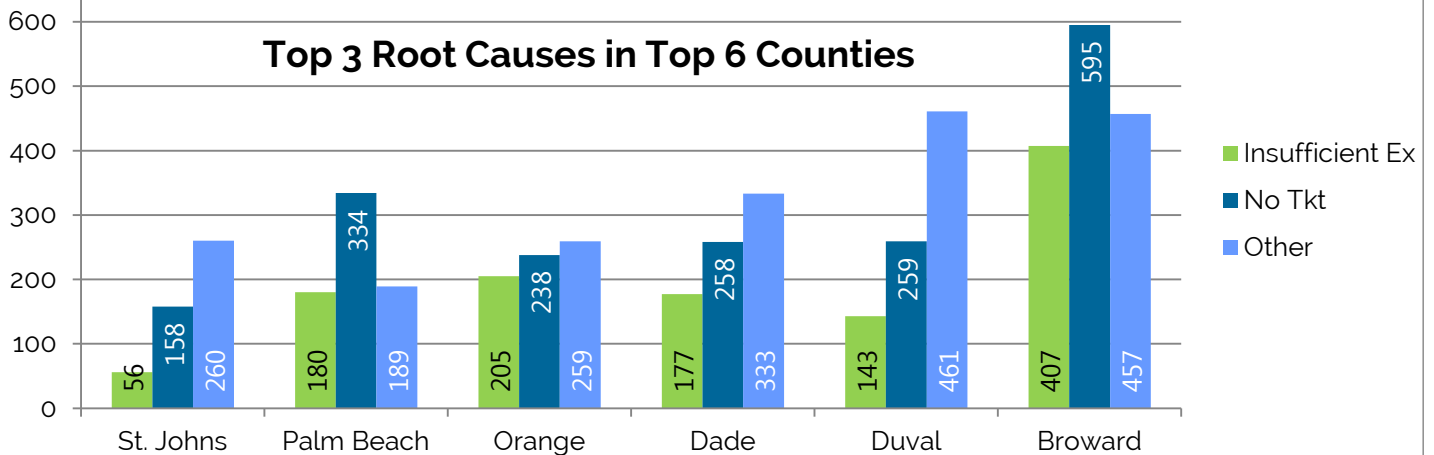
Damages by Excavator Type



Damages by Facility Operation Damaged



Top 3 Root Causes in Top 6 Counties



Board of Directors

for fiscal year 2017/18



Steve Marshall
Chair
Bright House
Networks



Dino Farruggio
Vice Chair
AT&T



Terrill Booker
Secretary
Lake Apopka
Natural Gas District



Sandra Panos
Treasurer & Finance
Committee Chair
TECO Peoples Gas



Lorenzo Jones
Operations
Committee Chair
TECO



Rick Barrett
Damage Prevention
Committee Chair
Florida Gas
Transmission



Carlos Bates
Frontier
Communications



Michael Borg
Lakeland Water



Mike DeGraw
CenturyLink



Shawn Deutscher
Williams/
Gulfstream
Natural Gas System



Oscar Estrada
City of Tampa



Joe Heatherly
FPL



Lisa Jackson
Hillsborough
County
Public Utilities



Michelle Johnson
Duke Energy



Bruce Kershner
R. Bruce Kershner
Company



Gordon Land
Reedy Creek
Energy Services



Patrick Thompson
USIC



Pedro Vigil
Miami-Dade Water/
Sewer Department



Brad Warren
JEA



Wayne Flowers
Legal Counsel

* Phillip "Tiny" Reese,
S&N Communications not pictured.



July 16, 2018

To those charged with governance of
Sunshine State One-Call of Florida, Inc. d/b/a Sunshine 811

We have audited the financial statements of Sunshine State One-Call of Florida, Inc. d/b/a Sunshine 811 for the year ended May 31, 2018 and have issued our report thereon dated July 13, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 22, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Sunshine State One-Call of Florida, Inc. d/b/a Sunshine 811 are described in Note B to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended May 31, 2018. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of contributions is based on conditional and unconditional promises to give and receipts. We evaluated the key factors and assumptions used to develop contributions in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

Note B and Note F

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 13, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Organization’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of those charged with governance of Sunshine State One-Call of Florida, Inc. d/b/a Sunshine 811 and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Assurance Dimensions

ASSURANCE DIMENSIONS CERTIFIED PUBLIC ACCOUNTANTS & ASSOCIATES

TAMPA BAY: 4920 W Cypress Street, Suite 102 | Tampa, FL 33607 | Office: 813.443.5048 | Toll free: 888.410.2323 | Fax: 813.443.5053

SOUTH FLORIDA: 5489 Wiles Road, Unit 303 | Coconut Creek, FL 33073 | Office: 754.205.6417 | Fax: 754.205.6519

JACKSONVILLE: 4350 Pablo Professional Court | Jacksonville, FL 32224 | Office: 904.296.2024 | Fax: 904.296.0054

www.assurancedimensions.com



A S S U R A N C E D I M E N S I O N S

Financial Statements and Independent
Auditor's Report

Sunshine State One-Call of Florida, Inc.
d/b/a Sunshine 811

May 31, 2018 and 2017

Sunshine State One-Call of Florida, Inc.
d/b/a Sunshine 811

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors

Sunshine State One-Call of Florida, Inc. d/b/a Sunshine 811

We have audited the accompanying statements of financial position of **Sunshine State One-Call of Florida, Inc. d/b/a Sunshine 811** (the "Organization") as of May 31, 2018 and 2017, the related statements of activities, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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.

Auditor's Responsibility

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

ASSURANCE DIMENSIONS CERTIFIED PUBLIC ACCOUNTANTS & ASSOCIATES

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Opinion

In our opinion, the financial statements referred to above represent fairly, in all material respects, the financial position of **Sunshine State One-Call of Florida, Inc. d/b/a Sunshine 811** as of May 31, 2018 and 2017, the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Assurance Dimensions

Tampa, Florida
July 13, 2018

ASSURANCE DIMENSIONS CERTIFIED PUBLIC ACCOUNTANTS & ASSOCIATES

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Sunshine State One Call of Florida, Inc.
d/b/a Sunshine 811
Statements of Financial Position
As of May 31, 2018 and 2017

| <u>Assets</u> | <u>2018</u> | <u>2017</u> |
|--|---------------------|---------------------|
| Current assets: | | |
| Cash | \$ 2,468,926 | \$ 2,854,795 |
| Investments | 3,285,885 | 2,764,297 |
| Accounts receivable, net | 1,305,309 | 1,268,091 |
| Prepaid and other assets | 443,915 | 425,222 |
| Deposits | 127,945 | 27,044 |
| Total current assets | <u>7,631,980</u> | <u>7,339,449</u> |
| Property and equipment, net | <u>1,586,750</u> | <u>1,785,106</u> |
| Total assets | <u>\$ 9,218,730</u> | <u>\$ 9,124,555</u> |
| <u>Liabilities and Net Assets</u> | | |
| Current liabilities: | | |
| Accounts payable | \$ 43,975 | \$ 211,645 |
| Accrued liabilities | 460,760 | 360,801 |
| Deferred revenue | 38,587 | 32,088 |
| Total liabilities | <u>543,322</u> | <u>604,534</u> |
| Net assets: | | |
| Unrestricted net assets | <u>8,675,408</u> | <u>8,520,021</u> |
| Total liabilities and net assets | <u>\$ 9,218,730</u> | <u>\$ 9,124,555</u> |

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

Sunshine State One Call of Florida, Inc.
d/b/a Sunshine 811
Statements of Activities
For the Years Ended May 31, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|---|---------------------|---------------------|
| Unrestricted revenue and other support: | | |
| Member fees | \$ 7,801,389 | \$ 7,785,348 |
| Interest income | 29,550 | 18,924 |
| Miscellaneous income | 16,001 | 1,944 |
| Total revenue | <u>7,846,940</u> | <u>7,806,216</u> |
| Expenditures: | | |
| Salary | 4,882,352 | 4,498,606 |
| Computer and software maintenance | 695,262 | 576,825 |
| Advertising | 513,848 | 528,701 |
| Depreciation and amortization | 440,525 | 434,166 |
| Communication | 421,544 | 404,817 |
| Legal and professional fees | 148,223 | 144,812 |
| Repairs and maintenance | 121,550 | 117,260 |
| Meetings and seminars | 115,562 | 115,555 |
| Office and operating expenses | 113,067 | 109,143 |
| Insurance | 85,009 | 81,349 |
| Utilities | 61,766 | 54,218 |
| Travel | 41,733 | 43,003 |
| Bad debts | 2,760 | 34,542 |
| Property taxes | 35,877 | 33,673 |
| Miscellaneous expenses | 3,751 | 14,925 |
| Income taxes | 14,583 | 14,350 |
| Equipment, rent and maintenance | 12,141 | 12,480 |
| Total expenditures | <u>7,709,553</u> | <u>7,218,425</u> |
| Other income: | | |
| Gain on sale of assets | 18,000 | - |
| Changes in net assets | 155,387 | 587,791 |
| Unrestricted net assets beginning of year | 8,520,021 | 7,932,230 |
| Unrestricted net assets end of year | <u>\$ 8,675,408</u> | <u>\$ 8,520,021</u> |

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

Sunshine State One Call of Florida, Inc.
Statements of Cash Flows
For the Years Ended May 31, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|--|---------------------|---------------------|
| Cash flows from operating activities: | | |
| Change in net assets: | \$ 155,387 | \$ 587,791 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Bad debt expense | 2,760 | 34,542 |
| Depreciation | 440,525 | 434,166 |
| Gain on investments | (21,588) | (11,918) |
| Gain on sales of assets | (18,000) | - |
| Increase (decrease) | | |
| Accounts receivable, net | (39,978) | (247,302) |
| Prepaid and other assets | (119,594) | (56,644) |
| Accounts payable and accrued liabilities | (67,711) | 32,521 |
| Deferred revenue | 6,499 | 32,088 |
| Net cash provided by operating activities | <u>338,300</u> | <u>805,244</u> |
| Cash flows from investing activities: | | |
| Net purchases of fixed assets | (224,169) | (460,122) |
| Purchase of investments | (500,000) | - |
| Net cash used by investing activities | <u>(724,169)</u> | <u>(460,122)</u> |
| Net increase (decrease) in cash | (385,869) | 345,122 |
| Cash, beginning of period | 2,854,795 | 2,509,673 |
| Cash, end of period | <u>\$ 2,468,926</u> | <u>\$ 2,854,795</u> |

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

Sunshine State One-Call of Florida, Inc. d/b/a Sunshine 811

Notes to Financial Statements May 31, 2018 and 2017

Note A – Organization and Description of Business

The Organization was incorporated on February 1, 1993. The purpose of the Organization is to serve as a central contact point for owners of underground utilities and excavators. The Organization acts as an information conduit, enabling its members to take appropriate action to protect their underground facilities from damage as well as to protect their customers from service interruption and promote a safer environment for excavators. The Organization is funded primarily through member fees.

Note B – Significant Accounting Policies

The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

In accordance with authoritative guidance, the Organization is required to report information regarding its financial position and activities according to three net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted Net Assets – Net assets representing resources generated from operation that are not subject to donor imposed stipulations.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that must be maintained permanently by the Organization. Generally, the donors of these assets permit the use of all or part of the income earned on related investments for general or specific purposes.

Recently Issued Accounting Standards

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update, *Revenue from Contracts with Customers*. The effective date for this Standard for nonpublic entities is annual reporting periods beginning after December 15, 2018, with early adoption permitted for annual periods beginning after December 15, 2016. ASU 2014-09 outlines a new, single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. This new revenue recognition model provides a five-step analysis in determining when and how revenue is recognized. The new model will require revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration a company expects to receive in exchange for those goods or services. The Company is currently assessing the impact that adopting this new accounting guidance will have on its financial statements and footnote disclosures.

Sunshine State One-Call of Florida, Inc.

d/b/a Sunshine 811

Notes to Financial Statements May 31, 2018 and 2017

Note B – Significant Accounting Policies (continued)

In February 2016, the FASB issued Accounting Standards Update, *Leases* (Topic 842), intended to improve financial reporting about leasing transactions. The ASU affects all companies and other organizations that lease assets such as real estate, airplanes, and manufacturing equipment. Under the new guidance, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than 12 months. Consistent with current Generally Accepted Accounting Principles (GAAP), the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. However, unlike current GAAP—which requires only capital leases to be recognized on the balance sheet—the new ASU will require both types of leases to be recognized on the balance sheet. The ASU on leases will take effect for all non-public companies for fiscal years beginning after December 15, 2019.

On August 18, 2016, the FASB released ASU 2016-14, Presentation of Financial Statements of Not-for-Profit Entities, with the goal of improving not-for-profit entity (NFP) financial statements to provide more useful information to donors, grantors, creditors, and other financial statement users. The ASU significantly changes how NFPs present net assets on the face of the financial statements, as well as requires additional disclosures for expenses by nature and function and for the liquidity and availability of resources. The ASU will take effect for all fiscal years beginning after December 15, 2018.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase.

Accounts Receivable

Receivables consist of monthly billings to clients for services. The Organization performs periodic evaluations of the collectability of its receivables and does not require collateral on its accounts receivable. Losses on uncollectible receivables are provided for in the financial statements based on management's expectations. As of May 31, 2018 and 2017, the Organization recorded an allowance for doubtful accounts of approximately \$25,000. Actual write-offs may exceed the allowance.

Advertising

The Company expenses advertising costs as incurred. Advertising and promotion expense for the years ended May 31, 2018 and 2017 was approximately \$514,000 and \$529,000, respectively.

Investments

Investments, if any, are carried at fair market value. Certificates of deposit with an original maturity of greater than three months are considered investments and are carried at amortized cost. Changes in market value are recorded as investment income.

Property and Equipment

Property and equipment are recorded at cost purchased or fair value at date of gift, if contributed. Maintenance and repairs are charged to expense as incurred. When items of property and equipment are sold or otherwise disposed of, the asset and related accumulated depreciation are eliminated, and any gain or loss is included in operations. Depreciation expense is calculated using the straight-line method over the estimated useful lives of the respective assets, which range from 3 to 40 years.

Sunshine State One-Call of Florida, Inc.

d/b/a Sunshine 811

Notes to Financial Statements
May 31, 2018 and 2017

Note B – Significant Accounting Policies (continued)

Fair Value Measurement

The Organization categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level I) and the lowest priority to unobservable inputs (Level III). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

The Organization adopted the fair value option for financial assets and liabilities on January 1, 2008. This allows entities the irrevocable option to elect fair value for the initial and subsequent measurement for certain financial assets and liabilities on an instrument-by-instrument basis. The Organization has not elected to measure any existing financial instruments, other than investments, at fair value, as permitted under the guidance. However, the Organization may elect to measure newly acquired financial instruments at fair value in the future.

Revenue Recognition

The Organization bills members on an assessment based billing system. All members who have more than twelve months of billing history, and more than ten tickets per month are assessed a percentage of the Organization's annual budget based on their pro rata share of the prior year's ticket volume. Revenue is recognized when fees are declared and invoiced.

Member dues and grants from governmental agencies are recognized as revenue when the dues or grants are received. All dues and grants are considered to be available for unrestricted use unless specifically restricted by the donor.

Deferred Revenue

Deferred revenue is recorded when the Company receives membership payments in at the start of the of the membership term. Revenue is recognized ratably over the term of the membership.

Sunshine State One-Call of Florida, Inc. d/b/a Sunshine 811

Notes to Financial Statements May 31, 2018 and 2017

Note B – Significant Accounting Policies (continued)

Income Taxes

The Organization qualifies as a tax-exempt organization under Section 501(c)(4) of the Internal Revenue Code (IRC). The Organization periodically assesses whether it has incurred income tax expense or related interest or penalties in accordance with accounting for uncertain tax positions. No such amounts were recognized for the years ending May 31, 2018 and 2017, respectively. The Organization incurred income tax expense in the amount of \$14,583 and \$14,350 for the years ended May 31, 2018 and 2017 for federal income taxes, as a result of lobbying expense paid by the Organization.

The Organization follows the income tax standard for uncertain tax positions. The Organization has evaluated their tax positions and determined they have no uncertain tax positions as of May 31, 2018. Should the Organization's tax-exempt status be challenged in the future, the Organization's 2016, 2017, and 2018 tax years are open for examination by the IRS.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets, liabilities and net assets and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, gains and other support and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Note C – Investments

The Organization's investments as of May 31, 2018 and 2017 consist primarily of CDs and mutual funds and are recorded at fair value. Investments are recorded at Level 1 within the fair value hierarchy; see Note B for fair value measurement disclosure.

The fair value of the Organization's investments consists of the following as of May 31:

| | 2018 Market Value | 2017 Market Value |
|-------------------------|----------------------|----------------------|
| Certificate of deposits | \$ 250,000 | \$ 250,000 |
| Investment accounts | 3,035,885 | 2,514,297 |
| | <u>\$ 3,285,885</u> | <u>\$ 2,764,297</u> |

Investment gains (losses) on the above investments for the years ended May 31, 2018 and 2017 were approximately \$21,600 and \$12,000, respectively.

Sunshine State One-Call of Florida, Inc. d/b/a Sunshine 811

Notes to Financial Statements May 31, 2018 and 2017

Note D – Fixed Assets

Fixed assets consist of the following at May 31:

| | 2018 | 2017 | Life (in years) |
|---|---------------------|---------------------|--------------------|
| Land | \$ 249,956 | \$ 249,956 | |
| Building | 1,515,620 | 1,409,925 | 5 to 40 years |
| Communication Equipment | 956,914 | 956,914 | 5 to 7 years |
| Vehicles | 170,409 | 158,747 | 5 years |
| Furniture, Fixtures, and Office Equipment | 517,767 | 517,767 | 3 to 15 years |
| Computers and Software | 4,057,798 | 4,020,627 | 3 to 10 years |
| | 7,468,464 | 7,313,936 | |
| Less accumulated depreciation | (5,881,714) | (5,528,830) | |
| | <u>\$ 1,586,750</u> | <u>\$ 1,785,106</u> | |

The Organization had depreciation expense for the years ended May 31, 2018 and 2017 of \$440,525 and \$434,166, respectively.

Note E – Retirement Plan

The Organization has entered into an agreement to lease all employees from an employee leasing company. Such agreement may be terminated with a 30 day advance written notice. In accordance with this agreement, the employees are participants in the employee leasing company's 401(k) retirement savings plan. The Organization provides matching contributions based on 75% of the first 6% contributed by the leased employee. Matching contributions for the years ended May 31, 2018 and 2017 were approximately \$105,000 and \$87,000, respectively. In addition, the Organization made safe harbor contributions of 3% of gross compensation for the years ended May 31, 2018 and 2017 of approximately \$104,000 and \$96,000, respectively.

Note F – Concentration of Credit Risk

Financial instruments, which potentially subject the Organization to significant concentrations of credit risk, consist principally of cash and accounts receivable.

The Organization maintains cash balances at high credit quality financial institutions to limit the amount of credit exposure. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of May 31, 2018, cash balances exceeded federally insured limits by approximately \$1,219,000.

Concentrations of credit risk with respect to accounts receivable relates to the Organization's business activity. The Organization monitors this risk and does not anticipate losses beyond the allowance for doubtful accounts.

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Notes to Financial Statements May 31, 2018 and 2017

Note G – Operating Leases

The Organization leases office equipment under an operating lease with quarterly payments of \$1,454 including sales tax, expiring in 2021. The Organization is committed to minimum lease payments as follows:

| | | |
|-------|----|--------|
| 2019 | \$ | 5,816 |
| 2020 | | 5,816 |
| 2021 | | 5,816 |
| <hr/> | | |
| Total | \$ | 17,448 |

The rent expense relating to these leases amounted to \$4,470 and \$4,435 for the years ended May 31, 2018 and 2017, respectively.

Note H – Commitments and Contingencies

Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Organization but which will only be resolved when one or more future events occur or fail to occur. The Organization's management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Organization or unasserted claims that may result in such proceedings, the Organization's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Organization's financial statements. If the assessment indicates that a potentially material loss contingency is not probable, but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, would be disclosed.

Note I – Subsequent Events

Subsequent events have been evaluated through July 13, 2018, which is the date the financial statements were available to be issued.