

**Greater Des Moines Convention and Visitors Bureau, Inc.**

Financial Statements  
With Independent Auditor's Report Thereon

June 30, 2020

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### **Independent Auditor's Report**

To the Board of Directors of  
Greater Des Moines Convention & Visitors Bureau

We have audited the accompanying financial statements of Greater Des Moines Convention & Visitors Bureau (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020 and 2019, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the 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.

#### Auditor's 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 Greater Des Moines Convention and Visitors Bureau as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Internal Auditor's Report (continued)**

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Activities – Actual to Budget is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information, except for that portion marked unaudited, on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material aspects, in relation to the financial statements as a whole.

*Arthur & Company, LLP*

September 25, 2020

**Greater Des Moines Convention & Visitors Bureau, Inc.**  
**Statement of Financial Position**  
**June 30, 2020 and 2019**

Assets	2020	2019
<b>Current Assets</b>		
Cash & cash equivalents	\$ 2,306,950	\$ 2,284,680
Certificates of deposit	225,756	220,591
Hotel/Motel tax receivable	341,766	335,341
Prepaid expenses	224,395	112,138
<b>Total Current Assets</b>	<b>3,098,867</b>	<b>2,952,750</b>
<b>Property &amp; Equipment</b>		
Automobile	34,365	34,365
Furniture & equipment	139,492	141,638
Lease improvements	40,498	40,498
Computer equipment	487,466	409,220
Accumulated depreciation	(496,712)	(400,945)
<b>Total Property &amp; Equipment</b>	<b>205,109</b>	<b>224,776</b>
<b>Total Assets</b>	<b>\$ 3,303,976</b>	<b>\$ 3,177,526</b>
<b>Liabilities &amp; Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 56,615	\$ 476,787
Accrued expenses	354,696	379,863
Deferred revenue	56,972	14,600
<b>Total Current Liabilities</b>	<b>468,283</b>	<b>871,250</b>
<b>Noncurrent Liabilities</b>		
Lease obligations - noncurrent	37,117	47,043
<b>Total Noncurrent Liabilities</b>	<b>37,117</b>	<b>47,043</b>
<b>Total Liabilities</b>	<b>505,400</b>	<b>918,293</b>
<b>Net Assets</b>		
Without donor restrictions:		
Undesignated	1,514,246	980,117
Board designated	1,284,330	1,279,116
<b>Total Net Assets</b>	<b>2,798,576</b>	<b>2,259,233</b>
<b>Total Liabilities &amp; Net Assets</b>	<b>\$ 3,303,976</b>	<b>\$ 3,177,526</b>

See accompanying notes to the financial statements.

**Greater Des Moines Convention & Visitors Bureau, Inc.**  
**Statement of Activities**  
**For the Years Ended June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
Revenue & Support		
Hotel/Motel tax	\$ 5,174,089	\$ 5,146,312
Sponsorships & special events	16,091	146,241
Marketing opportunities	343,287	574,232
Other	217,143	255,386
Interest	14,239	18,079
In-kind contributions	5,000	10,500
Total Revenue & Support	<u>5,769,849</u>	<u>6,150,750</u>
Expenses		
Program services	4,083,203	4,876,275
Management & general	1,147,303	1,269,261
Fundraising	-	-
Total Expenses	<u>5,230,506</u>	<u>6,145,536</u>
Change in Net Assets	539,343	5,214
Net Assets - Beginning	<u>2,259,233</u>	<u>2,254,019</u>
Net Assets - Ending	<u>\$ 2,798,576</u>	<u>\$ 2,259,233</u>

See accompanying notes to the financial statements.

**Greater Des Moines Convention & Visitors Bureau, Inc.**  
Statement of Functional Expenses  
For the Years Ended June 30, 2020 and 2019

	2020			2019			
	Program Services	Management & General	Fundraising	Program Services	Management & General	Fundraising	Total
<b>Salaries &amp; Related Expenses</b>							
Salaries & wages	\$ 1,689,229	\$ 504,575	\$ -	\$ 1,619,014	\$ 483,602	\$ -	\$ 2,102,616
Payroll taxes	118,826	35,494	-	112,843	33,706	-	146,549
Employee benefits	209,847	62,681	-	203,870	60,895	-	264,765
<b>Total Salaries &amp; Related Expenses</b>	<b>2,017,902</b>	<b>602,750</b>	<b>-</b>	<b>1,935,727</b>	<b>578,203</b>	<b>-</b>	<b>2,513,930</b>
<b>Other Expenses</b>							
Rent	145,156	-	-	-	173,779	-	173,779
Promotion & brochures	1,292,791	-	-	2,055,208	-	-	2,055,208
Meetings, solicitation, & travel	97,625	9,000	-	149,372	9,000	-	158,372
F.A.M. trips	58,668	-	-	33,674	-	-	33,674
Trade shows & conferences	384,357	-	-	618,701	-	-	618,701
Office expenses	-	277,084	-	-	327,994	-	327,994
Utilities & telephone	-	58,418	-	-	46,137	-	46,137
Professional, legal, & audit fees	-	31,311	-	-	33,758	-	33,758
Maintenance	-	1,755	-	-	681	-	681
Dues & subscriptions	58,796	-	-	54,357	-	-	54,357
Insurance	-	20,079	-	-	21,413	-	21,413
Other	27,908	28,777	-	29,236	8,645	-	37,881
Income tax	-	861	-	-	-	-	-
<b>Total Other Expenses</b>	<b>2,065,301</b>	<b>427,285</b>	<b>-</b>	<b>2,940,548</b>	<b>621,407</b>	<b>-</b>	<b>3,561,955</b>
Depreciation	-	117,268	-	-	69,651	-	69,651
<b>Total Expenses</b>	<b>\$ 4,083,203</b>	<b>\$ 1,147,303</b>	<b>\$ -</b>	<b>\$ 4,876,275</b>	<b>\$ 1,269,261</b>	<b>\$ -</b>	<b>\$ 6,145,536</b>

See accompanying notes to the financial statements.

**Greater Des Moines Convention & Visitors Bureau, Inc.**

Statement of Cash Flows

For the Years Ended June 30, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Change in net assets	\$ 539,343	\$ 5,214
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	117,268	69,651
Gain on disposal of asset	-	11,550
Reinvested interest	(5,165)	(4,002)
(Increase)/Decrease in receivables	(6,425)	165,566
(Increase)/Decrease in prepaid expenses	(112,257)	9,394
Increase/(Decrease) in payables	(420,172)	213,154
Increase/(Decrease) in accrued liabilities	(25,166)	25,827
Increase/(Decrease) in income tax payable	-	(1,361)
Increase/(Decrease) in deferred revenue	42,372	(123,820)
Increase/(Decrease) in deferred lease incentive	(9,927)	(9,927)
Net Cash Provided/(Used) by Operating Activities	119,871	361,246
Cash Flows from Investing Activities		
Principal payments on capital leases	-	(734)
Purchase of property & equipment	(97,601)	(170,902)
Net Cash Provided/(Used) by Investing Activities	(97,601)	(171,636)
Net Increase/(Decrease) in Cash & Cash Equivalents	22,270	189,610
Cash & Cash Equivalents - Beginning	2,284,680	2,095,070
Cash & Cash Equivalents - Ending	\$ 2,306,950	\$ 2,284,680
Supplemental Disclosures		
Interest paid	\$ -	\$ 596
Income tax paid	\$ 861	\$ 270

See accompanying notes to the financial statements.



Greater Des Moines Convention & Visitors Bureau, Inc.

Notes to the Financial Statements  
For the Years Ended June 30, 2020 and 2019

**Note 1. The Organization and its Significant Accounting Policies**

Nature of the Organization

The Greater Des Moines Convention and Visitors Bureau, Inc. (Bureau) was incorporated on December 29, 1983 to promote and develop the visitors and convention industry in the greater Des Moines area, and to encourage the utilization of the facilities of visitors and conventions. Hotel/motel tax, which constitutes approximately 90% and 84% of total revenues during the years ended June 30, 2020 and 2019 respectively, is collected from 14 communities in the greater Des Moines area which participate in the 28E Agreement in effect.

Basis of Presentation

The accompanying financial statements have been prepared in conformity with the accounting principles appropriate for not-for-profit entities. The accrual basis of accounting is used by the Bureau. Under this method, revenue is recognized in the period earned and expenses are recognized in the period incurred.

Financial statement presentation follows the guidelines set forth by the Financial Account Standards Board (FASB) in *Not-for-Profit Entities – Presentation of Financial Statements*. As part of the FASB guidelines, the Bureau is required to report information regarding its financial position and activities according to two classes of net assets:

*With donor restrictions* – assets that are required to be used in a later period or after a specified date (time restriction), or that are required to be used for a specific purpose (purpose restriction), or both.

*Without donor restrictions* – assets without any donor-imposed restrictions; although, a portion of these assets may have self-imposed limits (board-designated net assets).

Liquidity

The Bureau's financial assets available within one year of the balance sheet date for general expenditures are as follows:

Cash & cash equivalents	\$ 2,306,950
Certificates of deposit	225,756
Hotel/Motel tax receivable	341,766
	<u>\$ 2,874,472</u>

The Bureau considers cash and cash equivalents to be investments and other assets that can be converted to cash within three months. Of the cash and cash equivalents, \$1,824,289 and \$1,806,192 exceeded federally insured limits as of June 30, 2020 and 2019, respectively.

Certificates of Deposit

Certificates of deposit are measured at the amount initially invested, plus accrued interest.

**Greater Des Moines Convention & Visitors Bureau, Inc.**  
Notes to the Financial Statements  
For the Years Ended June 30, 2020 and 2019

**Note 1. The Organization and its Significant Accounting Policies (continued)**

Accounts Receivables

Accounts receivable is recorded at the amount the Bureau expects to collect on the balances outstanding at year-end. An allowance for doubtful accounts is recorded when accounts are deemed uncollectible. Management considers all accounts to be fully collectible; therefore, an allowance for doubtful accounts has not been recorded. Receivables are written off when they are determined to be uncollectible.

Property & Equipment

Property and equipment purchases are recorded at cost. Property and equipment cost in excess of \$1,000 is considered for capitalization, all lesser purchases are expensed. Depreciation is computed using the straight-line method over the estimated useful life of the asset.

Deferred Revenue

Deferred revenue consists of advance billings or payments received in advance that relate to services to be rendered in a future period and are deferred and recognized as revenue in the period earned.

Board Designated Net Assets

During the years ended June 30, 2020 and 2019 the Board adopted a policy to reserve 5% of the annual operating budget to be kept in a fund designated for future business opportunities that may arise outside of the normal operating budget. An additional 17% of the annual operating budget will be reserved as an operating reserve.

In-Kind Contributions

The Bureau receives advertising services and miscellaneous goods donated by various corporations. Donated services and goods are recorded at their fair market value on the date of the donation. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Bureau.

Advertising Costs

Advertising and promotion costs are charged to operations in the year the expense is incurred. Total costs charged to operations were \$942,744 and \$1,406,046, including \$5,000 and \$10,500 of in-kind advertising expense for the years ended June 30, 2020 and 2019, respectively.

**Greater Des Moines Convention & Visitors Bureau, Inc.**  
Notes to the Financial Statements  
For the Years Ended June 30, 2020 and 2019

**Note 1. The Organization and its Significant Accounting Policies (continued)**

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain 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.

Income Taxes

The Bureau is exempt from income taxes under the provisions of Section 501(c)(6) of the Internal Revenue Code except to the extent of taxes on certain lobbying and political expenditures. As required by the FASB *Income Taxes* topic, the Bureau has evaluated their material tax positions and determined no income tax affects with respect to the financial statements. The Bureau is no longer subject to U.S. Federal or State income tax examinations by tax authorities for years prior to 2016. The Bureau has not been notified of any impending examinations by tax authorities, and no examinations are in process.

Allocation of Functional Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the Statement of Functional Expenses.

**Note 2. Related Party**

The Bureau shares a board of directors with the Des Moines Area Sports Commission (Commission), a 501(c)(3) supporting organization formed under the provision of IRC section 5059(a)(3). The Commission operates to attract, promote, and support amateur sporting events and activities that stimulate economic growth in the greater Des Moines community. While the organizations share common control, the Bureau does not maintain an economic interest in the Commission; therefore, the organizations are not consolidated for financial statement reporting purposes.

**Note 3. Board Designated Net Assets**

Unrestricted net assets for the years ended June 30, 2020 and 2019 are designated by the board for the following purposes:

	2020	2019
Future bid incentive fund	\$ 327,768	\$ 290,708
Operating reserves	956,562	988,408
	\$ 1,284,330	\$ 1,279,116

**Greater Des Moines Convention & Visitors Bureau, Inc.**  
Notes to the Financial Statements  
For the Years Ended June 30, 2020 and 2019

**Note 4. 28E Agreements**

The Bureau has entered into agreements with various municipalities to receive an allocated portion (2/7) of the hotel/motel taxes to be used in promotion of the greater Des Moines area. The agreements are automatically extended for an additional three-year term unless Board members holding a two-thirds majority vote to terminate. Such action to terminate the agreements shall be taken no more than 18 months nor less than 12 months prior to expiration of an extension period. The agreements are automatically extended through June 30, 2021.

**Note 5. Pension & Retirement Plan**

The Bureau maintains a 401(k) retirement plan for its employees. Employees who meet eligibility requirements as specified by the plan may contribute based on a percentage of their total compensation, within limits established by the IRC. The Bureau's contributions were \$85,122 and \$78,733 for the years ended June 30, 2020 and 2019, respectively.

**Note 6. Lease Agreements**

The Bureau entered into extensions on the lease obligation for office space that began August 1, 2005 and expires January 31, 2022. Monthly rent is \$14,564 and increases approximately 2% annually. The Bureau is responsible for its common area share of actual property tax and maintenance expenses. The Bureau also pays utilities.

The Extension agreements provide for a six-month base rent abatement, which must be used by the Bureau prior to August 2016. As required by the Leases Topic of the FASB ASC, a portion of rent abatement provided under the lease agreement is being deferred in order to expense the total lease payments required under the extension agreement on a straight-line basis over the term of the agreement. The rent abatement deferred was \$37,117 and \$47,043 for the years ended June 30, 2020 and 2019, respectively, and is reported as a deferred lease incentive on the accompanying statements of financial position.

Office space rental expense was \$145,156 and \$173,779 for the years ended June 30, 2020 and 2019, respectively.

The Bureau entered into a vehicle lease which expires June 25, 2021. The lease is cancelable at any time with additional payment requirements. The vehicle lease expense was \$9,000 the years ended June 30, 2020 and 2019.

**Greater Des Moines Convention & Visitors Bureau, Inc.**  
Notes to the Financial Statements  
For the Years Ended June 30, 2020 and 2019

**Note 6. Lease Agreements (continued)**

The Bureau has entered into several office equipment and maintenance operating leases with various terms and conditions. The office equipment lease expense was \$11,110 for the years ended June 30, 2020 and 2019.

Future minimum lease commitments for office space, vehicle, and equipment and maintenance will be:

<u>Years</u>	<u>Amount</u>
2021	\$ 198,011
2022	188,639
2023	5,630
	<u>\$ 392,281</u>

**Note 7. Subsequent Events**

Management has reviewed and evaluated material subsequent events from the Statement of Financial Position date of June 30, 2020 through the financial statement issue date of September 25, 2020. There were no subsequent events requiring adjustment to the financial statements.

The spread of COVID-19, a novel strain of coronavirus, is altering the behavior of businesses and people throughout the United States. Further, financial markets have recently experienced a significant decline attributed to coronavirus concerns. The continued spread of COVID-19 may adversely impact the local, regional, and national economies. The extent to which the coronavirus impacts the Bureau's results will depend on further developments, which are highly uncertain and cannot be predicted. Accordingly, management cannot presently estimate the impact to the Bureau, but such an impact could have a material adverse effect on the Bureau's financial condition.

**Greater Des Moines Convention & Visitors Bureau, Inc.**  
**Schedule of Activities - Actual to Budget**  
**For the Year Ended June 30, 2020**

	Actual	Budget (Unaudited)	Actual Over/(Under) Budget
Revenue			
Hotel Motel - Overall	\$ 5,174,089	\$ 5,663,067	\$ (488,978)
Marketing Opportunities	343,287	652,053	(308,766)
Grant Revenue	50,000	50,000	-
Sales Co-ops	7,599	31,900	(24,301)
Event Hosting	8,492	54,495	(46,003)
Convention Services	46,393	92,345	(45,952)
Other Private Funding	1,369	3,500	(2,131)
Interest Income	14,239	9,000	5,239
Miscellaneous Income	119,381	-	119,381
In-kind contributions	5,000	-	5,000
<b>Total Revenue</b>	<b>\$ 5,769,849</b>	<b>\$ 6,556,360</b>	<b>\$ (786,511)</b>

See independent auditor's report.

**Greater Des Moines Convention & Visitors Bureau, Inc.**  
Schedule of Activities - Actual to Budget (continued)  
For the Year Ended June 30, 2020

	Actual	Budget (Unaudited)	Actual (Over)/Under Budget
<b>Expenses</b>			
Salary - Base	\$ 1,708,116	\$ 1,841,827	\$ 133,711
Salary - Hourly	161,603	184,593	22,990
Salary - Incentives	316,522	335,276	18,754
Deferred Compensation	16,500	16,500	-
FICA Taxes	152,668	170,000	17,332
Federal Unemployment Tax	1,652	1,700	48
Pension Expense	85,122	80,000	(5,122)
Employee Individual Insurance	107,561	138,969	31,408
Employee Group Insurance	2,895	5,250	2,355
Short Term Disability	6,466	7,450	984
Parking	53,983	56,733	2,750
Staff Training & Development	27,908	54,730	26,822
Travel & Business Development	97,625	198,242	100,617
Trade Show Participation	36,505	64,739	28,234
FAM Tours/Site Visits	58,667	54,970	(3,697)
Event Hosting, Industry Sales	21,214	86,575	65,361
Event Hosting, Member/Community	326,638	377,525	50,887
Advertising/Marketing	937,744	1,377,806	440,062
Merchandise	5,611	17,550	11,939
Contract Labor	7,563	92,000	84,437
Research Expense	38,640	57,440	18,800
Fulfillment	4,947	15,000	10,053
Bid Incentives (other promo)	300,848	528,857	228,009
Dues & Subscriptions	58,766	55,465	(3,301)
Audit/Professional Fees	13,938	14,500	562
Depreciation	117,268	92,242	(25,026)
Insurance - Office	20,079	17,600	(2,479)
Data Processing/Computer	229,339	266,573	37,234
Rent Expense	145,156	195,823	50,667
Bank Fees	4,650	8,000	3,350
Telecommunications	58,418	47,300	(11,118)
Postage Expense	21,622	36,925	15,303
Photocopying	15,090	16,000	910
Other Equipment Rental/Leases	9,000	9,000	-
Office Supply Expense	11,033	11,000	(33)
Repairs & Improvements	1,755	1,500	(255)
Payroll Expense	17,373	20,000	2,627
Miscellaneous	25,021	-	(25,021)
In-kind Advertising Expense	5,000	-	(5,000)
<b>Total Expenses</b>	<b>\$ 5,230,506</b>	<b>\$ 6,555,660</b>	<b>\$ 1,325,154</b>

See independent auditor's report.