



HAMILTON COUNTY TOURISM, INC.

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

HAMILTON COUNTY TOURISM, INC.

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YEAR ENDED DECEMBER 31, 2022

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PEACHIN SCHWARTZ & WEINGARDT, P.C.
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Directors
Hamilton County Tourism, Inc.
Carmel, Indiana

Opinion

We have audited the accompanying financial statements of Hamilton County Tourism, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hamilton County Tourism, Inc. as of December 31, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Hamilton County Tourism, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibility of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Hamilton County Tourism, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Hamilton County Tourism, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Hamilton County Tourism, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Peachin, Schwartz & Weingardt, P.C.

July 12, 2023
Indianapolis, Indiana

HAMILTON COUNTY TOURISM, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2022

ASSETS

Current assets:

Cash and cash equivalents	\$	4,336,118
Accounts receivable		153,973
Prepaid expenses (Notes 6 and 7)		295,221
Total current assets		<u>4,785,312</u>

Property and equipment, net (Note 4)

840,158

Other assets:

Note receivable (Note 8)		50,000
Right-of-use assets (Note 9)		5,521
Deferred rent (Note 9)		62
		<u>55,583</u>

Total assets

\$ 5,681,053

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	\$	405,645
Accrued payroll and compensated absences		117,771
Deferred revenue (Note 6)		19,620
Current portion of operating lease liabilities (Note 9)		3,887
Total current liabilities		<u>546,923</u>

Operating lease liabilities, net of current portion (Note 9)

1,696

Net assets

Net assets without donor restrictions		<u>5,132,434</u>
		<u>5,132,434</u>

Total liabilities and net assets

\$ 5,681,053

HAMILTON COUNTY TOURISM, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2022

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Revenues and support			
Hamilton County Visitors and Convention Commission	\$ -	\$ 4,791,173	\$ 4,791,173
ARPA funds <i>(Note 2)</i>	-	3,000,000	3,000,000
Hamilton County Economic Development Corporation	-	492,133	492,133
Grants	-	147,867	147,867
Memberships <i>(Note 5)</i>	13,087	-	13,087
Advertising co-op revenues <i>(Note 5)</i>	7,569	-	7,569
Interest income	1,259	-	1,259
Net assets released from restrictions	8,508,656	(8,508,656)	-
Total revenues and support	8,530,571	(77,483)	8,453,088
Expenses			
Program expense	5,011,298	-	5,011,298
Management and general expense	827,896	-	827,896
Total expenses	5,839,194	-	5,839,194
Change in net assets	2,691,377	(77,483)	2,613,894
Net assets, beginning of year	2,441,057	77,483	2,518,540
Net assets, end of year	\$ 5,132,434	\$ -	\$ 5,132,434

HAMILTON COUNTY TOURISM, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2022

	<u>Program</u>	<u>Management and general</u>	<u>Total</u>
Advertising	\$ 2,168,551	\$ -	\$ 2,168,551
Salaries	676,130	553,198	1,229,328
Grants disbursed	778,419	-	778,419
Contracted services costs	585,872	-	585,872
Development projects	299,698	-	299,698
Employee benefits	104,550	85,540	190,090
Payroll taxes	49,897	40,825	90,722
Conferences and meetings	78,988	-	78,988
Information technology	47,399	8,365	55,764
Other professional fees	-	54,429	54,429
Pension	44,452	7,844	52,296
Depreciation	34,240	6,042	40,282
Dues and subscriptions	33,046	-	33,046
Insurance	27,054	4,774	31,828
Office expense	29,534	1,554	31,088
Occupancy	25,928	4,576	30,504
Lobbying fees	-	25,000	25,000
Equipment rent, repair, and maintenance	20,119	3,550	23,669
Accounting fees	-	17,390	17,390
Legal fees	-	13,500	13,500
Travel	6,020	1,062	7,082
Property taxes	1,401	247	1,648
<i>Total functional expenses</i>	<u>\$ 5,011,298</u>	<u>\$ 827,896</u>	<u>\$ 5,839,194</u>

HAMILTON COUNTY TOURISM, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2022

Cash flows from operating activities:	
Increase in net assets	\$ 2,613,894
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation and amortization	40,282
(Increase) decrease in:	
Accounts receivable	(152,878)
Prepaid expenses	8,017
Increase (decrease) in:	
Accounts payable	(46,329)
Accrued expenses	(1,291)
Accrued payroll and compensated absences	23,317
Deferred revenue	5,673
Total adjustments	<u>(123,209)</u>
Net cash provided by operating activities	<u>2,490,685</u>
Cash flows from investing activities:	
Capital expenditures	<u>(62,647)</u>
Net cash used in investing activities	<u>(62,647)</u>
Net increase in cash	2,428,038
Cash, beginning of year	<u>1,908,080</u>
Cash, end of year	<u>\$ 4,336,118</u>

HAMILTON COUNTY TOURISM, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

1. Nature of operations and summary of significant accounting policies:

Nature of operations:

Hamilton County Tourism, Inc. ("HCT" or "Organization") is an Indiana 501(c)(6) non-profit organization incorporated on June 28, 1990. HCT's purpose is to promote and encourage conventions, trade shows, visitors, tourism, festivals and other special events in Hamilton County, Indiana. The mission of HCT is to promote tourism growth through strategic marketing, hospitality, and community development initiatives. The Organization's revenues and other support are derived principally from an annual renewable contract with the Hamilton County Visitors and Convention Commission ("HCVCC"), a governmental body. Under the terms of the contract, the Commission pays a portion of the funds collected from the Hamilton County Innkeeper's tax to the Organization. The funds must be used by the Organization for administration and to fulfill its principal activities.

Summary of significant accounting policies:

The following is a summary of significant accounting policies followed in the preparation of the accompanying financial statements:

Basis of presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting. The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restriction.

Net Assets Without Donor Restrictions – Net assets that are not subject to or are no longer subject to donor-imposed restrictions.

Net Assets With Donor Restrictions – Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Expirations of donor restrictions on the net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. The Organization has adopted a policy to classify donor restricted contributions as with donor restrictions even if the donor restrictions were met in the year the contribution was received.

HAMILTON COUNTY TOURISM, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2022

1. *Nature of operations and summary of significant accounting policies (continued):*

Summary of significant accounting policies (continued):

Use of estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities and the 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 materially from those estimates. These estimates are based on historical experience and information that is available to management about current events and actions that the Organization may take in the future. Significant items subject to estimates and assumptions include, but are not limited to, the carrying value of long-lived assets; valuation allowances for receivables; and depreciable lives of long-lived assets.

Support and expense

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a stipulated time restriction ends or the purpose for restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activity as net assets released from restrictions.

The Organization derives nearly all of its revenues from contributors, primarily from Hamilton County Visitors and Convention Commission (see Note 2). These funds are provided to the Organization to aid in furthering the Organization's objectives of improving tourism and economic development in Hamilton County, Indiana. In line with FASB ASU No. 2018-08, revenues provided with the intent of benefitting the community at large, as opposed to providing a direct benefit to the contributor, are classified as contributions. Revenues from contributions are recognized in the period they are received.

The Organization also derives revenues from exchange transactions. These exchange transactions are accounted for as contracts with customers under guidance provided in FASB ASU No. 2014-09. Revenues from these contracts are derived from providing advertising services to various organizations within Hamilton County. Revenues are recognized as these services are performed. Contracts are written to last for one year and cover the annual, fiscal year ended December 31, with payment due in advance. As such, revenues received, and costs incurred are recorded as deferred revenue and prepaid expenses in the year received. Revenues and related costs are then recognized during the following year as services are performed.

HAMILTON COUNTY TOURISM, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2022

1. Nature of operations and summary of significant accounting policies (continued):

Summary of significant accounting policies (continued):

Support and expense (continued)

The Organization does not have any significant financing components as services are completed within one year of receiving payment. Costs incurred to obtain a contract are expensed as incurred. Due to the nature of the services performed, the Organization is not subject to obligations for returns, warranties, or refunds. The contracts do not contain variable consideration and contract modifications are generally minimal.

Non-contract expenses are recorded when incurred in accordance with the accrual basis of accounting.

Property and equipment

The Organization reports gifts of goods and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Property and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization are provided by use of the straight-line method over the estimated useful lives of the related assets. Estimated useful lives by major asset category are as follows:

<u>Asset category</u>	<u>Life (In Years)</u>
Building	30-40
Equipment and fixtures	5-40
Computer equipment	5-7

Fully depreciated assets are retained in property and accumulated depreciation accounts until they are removed from service. When property or equipment is sold or otherwise disposed of, the related cost and accumulated depreciation is removed from the respective accounts and the gain or loss realized on disposition is reflected in earnings. Expenditures for maintenance, repairs and minor renewals are expensed as incurred. Major overhauls that extend the useful lives of existing assets are capitalized.

HAMILTON COUNTY TOURISM, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2022

1. Nature of operations and summary of significant accounting policies (continued):

Summary of significant accounting policies (continued):

Property and equipment (continued)

The Organization evaluates property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When undiscounted future cash flows will not be sufficient to recover an asset's carrying amount, the asset is written down to its fair value.

Cash and cash equivalents

For the purpose of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of twelve months or less to be cash equivalents. Restricted cash is combined with cash and cash equivalents for purposes of the statement of cash flows.

Profit sharing plan

Employees of HCT may participate in a Safe Harbor 401(k) savings plan (the "Plan"). Contributions to the Plan are comprised of elective contributions by HCT's employees and matching contributions by HCT. During the year ended December 31, 2022, HCT made matching contributions totaling \$52,296 to the Plan. Although HCT has not expressed any intent to do so, it has the right under the Plan to discontinue its contributions and to terminate the Plan subject to the provisions of the Employee Retirement Income Security Act.

Income taxes

The Internal Revenue Service has determined that the Organization meets the requirements of the Internal Revenue Code and is exempt from federal income tax under Section 501(c)(6) of the Code.

Concentrations of credit risk

Financial instruments that potentially subject the Organization to credit risk consist principally of cash and cash equivalents.

HCT attempts to minimize credit risk by maintaining its cash deposits with major banks and financial institutions. Accounts at each such institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. Management of the Organization does not expect any counterparties to fail to meet their obligations.

Advertising costs

The Organization expenses advertising costs as they are incurred. During the year ended December 31, 2022, the Organization expensed \$2,168,551 in advertising costs.

HAMILTON COUNTY TOURISM, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2022

1. Nature of operations and summary of significant accounting policies (continued):

Recently adopted accounting standards

Effective January 1, 2022, the Organization adopted FASB ASC 842, *Leases*. HCT determines if an arrangement contains a lease at inception based on whether the Organization has the right to control the asset during the contract period and other facts and circumstances. The Organization elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed it to carry forward the historical lease classification.

The adoption of FASB ASC 842 resulted in the recognition of right-of-use assets and operating lease liabilities of \$9,640 as of January 1, 2022. Results for periods beginning prior to January 1, 2022, continue to be reported in accordance with HCT's historical accounting treatment. The adoption of FASB ASC 842 did not have a material impact on the Organization's results of operations or cash flows.

Date of management's review

The date to which events occurring after December 31, 2022, the date of the most recent statement of financial position, have been evaluated for possible adjustment to the financial statements or disclosure is July 12, 2023 which is the date the financial statements were available to be issued.

2. Public support and concentration risk:

During the year ended December 31, 2022, public support revenue was provided by the Hamilton County Visitors & Convention Commission ("HCVCC"). This revenue amounted to \$4,791,173 for 2022, which represented 56.2% of the total revenue of the Organization for the year. Additionally, the Organization was the recipient of \$3,000,000 in allocated funds from Hamilton County Indiana as part of the American Rescue Plan Act.

3. Accounting and budget:

The Organization develops its annual cash-basis expense budget based on the expected annual cash revenue. Projected budget expenditures may vary from the expenses in these statements because of the difference between the cash basis and the accrual basis of accounting.

HAMILTON COUNTY TOURISM, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2022

4. *Property and equipment:*

Property and equipment at December 31, 2022, consisted of the following:

Building	\$	978,035
Equipment and fixtures		181,600
Computer equipment		93,934
Vehicles		26,568
		1,280,137
Less accumulated depreciation and amortization		(491,079)
		789,058
Land		41,400
Construction in progress		9,700
	\$	840,158

During the year ended December 31, 2022, depreciation and amortization expense amounted to \$40,282.

5. *Contract revenues:*

For the year ended December 31, 2022, contract revenues consisted of the following:

Memberships	\$	13,087
Advertising co-op revenues		7,569
	\$	20,656

6. *Opening and closing contract account balances:*

Contract assets are presented in the financial statements as prepaid in-kind trade within prepaid expenses. See Note 7 for the detail of prepaid expenses. Contract assets were \$19,620 and \$13,087 at December 31, 2022 and 2021, respectively.

Contract liabilities are presented in the financial statements as deferred revenue. Contract liabilities were \$19,620 and \$13,687 at December 31, 2022 and 2021, respectively.

The Organization had no contract receivables as of December 31, 2022 and 2021.

HAMILTON COUNTY TOURISM, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2022

7. *Prepaid expenses:*

At December 31, 2022, the Organization's prepaid expenses are comprised of the following:

Prepaid program expenses	\$	249,863
Prepaid dues and subscriptions		23,853
Prepaid in-kind trade (see Note 6)		19,620
Prepaid rent and utilities		1,885
	\$	<u>295,221</u>

8. *Note receivable:*

On October 1, 2021, HCT loaned Nickel Plate Heritage Railroad, Inc. \$50,000 under the terms of an unsecured promissory note. The note is repayable at interest only (interest at .17%) for the first three years of the note. On the third anniversary of the note, the principal balance outstanding shall be amortized at the applicable federal rate over a ten (10) year period with payments made monthly until the fifth anniversary of the note at which time all amounts are due.

9. *Leases:*

The Company leases certain equipment under operating leases with 3-year initial terms. The lease agreements do not include any material residual value guarantees or restrictive covenants.

The following summarizes the line items in the statement of financial position which include amounts for operating leases at December 31, 2022:

Operating lease right-of-use assets	\$	<u>5,521</u>
Current portion of long-term operating lease liabilities	\$	3,887
Operating lease liabilities, net of current portion		<u>1,696</u>
Total operating lease liabilities	\$	<u>5,583</u>

The components of operating lease expenses that are included in Operating Expenses in the consolidated statements of operations and retained earnings / members' equity for the year ended December 31, 2022 were as follows:

Operating lease cost	\$	<u>3,762</u>
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HAMILTON COUNTY TOURISM, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2022

9. Leases (continued):

The following summarizes the cash flow information related to operating leases for the year ended December 31, 2022:

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows for operating leases	\$ <u>4,020</u>
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Weighted average lease term and discount rate as of December 31, 2022 were as follows:

Weighted average remaining lease term	1.5 years
Weighted average discount rate	3.25%

The maturities of operating lease liabilities as of December 31, 2022, were as follows:

2023	\$ 4,020
2024	<u>2,010</u>
Total lease payments	6,030
Less: interest	<u>(447)</u>
Present value of lease liability	\$ <u>5,583</u>

10. Commitments and contingencies:

Guarantees

HCT is the guarantor of a face value \$550,000 term loan between Nickel Plate Heritage Railroad, Inc. ("NPHRR") and a bank. Amounts outstanding under the loan at December 31, 2022 totaled \$320,834. The loan matures on October 24, 2023, requires monthly principal and interest payments of \$4,583 and requires a balloon payment of \$280,923 at maturity. At December 31, 2022, NPHRR was current with their obligations under the loan agreement. NPHRR paid all outstanding principal and interest on this note on January 9, 2023.

11. Significant suppliers:

HCT's largest supplier accounted for approximately 32% of expenditures during the year ended December 31, 2022. It is management's opinion that alternate suppliers could be used if the current supplier terminated operations.

HAMILTON COUNTY TOURISM, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2022

12. Functional allocation of expenses:

The cost of providing the various programs and other activities has been summarized on the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and other activities benefited. Labor costs and benefits were allocated based on the amount of time spent in the activities. All other costs were allocated based on actual expenses or a reasonable estimate of the amount used in the activity.

13. Liquidity and availability of financial assets:

The Organization's primary source of support is derived from HCVCC (see Note 2). The Organization's objective is to maintain liquid financial assets without donor restrictions to cover 90 days of program expenditures. As shown on the face of the statement of financial position, and summarized below, most of the Organization's financial assets are not subject to donor-imposed restrictions on use:

Financial assets available within one year and free of donor restrictions:

Cash and cash equivalents	\$	4,336,117
Accounts receivable		<u>153,973</u>
Available without restriction within one year		<u>4,490,090</u>
Total financial assets	\$	<u>4,490,090</u>