



**HAMILTON COUNTY TOURISM, INC.**

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2019**

# HAMILTON COUNTY TOURISM, INC.

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YEAR ENDED DECEMBER 31, 2019

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

## **INDEPENDENT AUDITORS' REPORT**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Hamilton County Tourism, Inc. (the "Organization"), which comprise the statement of financial position as of December 31, 2019, 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.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 Organization'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 Organization'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 Hamilton County Tourism, Inc. as of December 31, 2019, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Peachin, Schwartz & Weingardt, P.C.*

July 9, 2020  
Indianapolis, Indiana

# HAMILTON COUNTY TOURISM, INC.

## STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2019

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### ASSETS

#### Current assets:

Cash and cash equivalents	\$ 1,067,590
Restricted cash - board designated replacement reserves	74,259
Accounts receivable	1,222
Prepaid expenses (Notes 6 and 7)	306,592
<i>Total current assets</i>	<u>1,449,663</u>

Property and equipment, net (Note 4) 909,731

*Total assets* \$ 2,359,394

### LIABILITIES AND NET ASSETS

#### Current liabilities:

Accounts payable	\$ 183,084
Accrued expenses	5,981
Accrued payroll and compensated absences	133,801
Deferred revenue	61,545
<i>Total current liabilities</i>	<u>384,411</u>

#### Commitments and contingencies (Notes 8 and 12)

#### Net assets

Net assets without donor restrictions	<u>1,974,983</u>
	<u>1,974,983</u>

*Total liabilities and net assets* \$ 2,359,394

**HAMILTON COUNTY TOURISM, INC.**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEAR ENDED DECEMBER 31, 2019**

	<b>Net Assets Without Donor Restrictions</b>	<b>Net Assets With Donor Restrictions</b>	<b>Total</b>
<b>Revenues and support</b>			
Hamilton County Visitors and Convention Commission	\$ -	\$ 5,300,000	\$ 5,300,000
Hamilton County Economic Development Corporation	-	304,979	304,979
Memberships (Note 5)	38,348	-	38,348
Grants	-	10,000	10,000
Advertising co-op revenues (Note 5)	9,683	-	9,683
Interest income	104	-	104
Net assets released from restrictions	5,614,979	(5,614,979)	-
Total revenues and support	<u>5,663,114</u>	<u>-</u>	<u>5,663,114</u>
<b>Expenses</b>			
Program expense	4,965,437	-	4,965,437
Management and general expense	467,634	-	467,634
Total expenses	<u>5,433,071</u>	<u>-</u>	<u>5,433,071</u>
<b>Change in net assets</b>	230,043	-	230,043
Net assets, beginning of year	<u>1,744,940</u>	<u>-</u>	<u>1,744,940</u>
<b>Net assets, end of year</b>	<u>\$ 1,974,983</u>	<u>\$ -</u>	<u>\$ 1,974,983</u>

**HAMILTON COUNTY TOURISM, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**YEAR ENDED DECEMBER 31, 2019**

	<u>Program</u>	<u>Management and general</u>	<u>Total</u>
Advertising	\$ 2,181,687	\$ -	\$ 2,181,687
Salaries	1,137,736	298,984	1,436,720
Grants disbursed	770,441	-	770,441
Other employee benefits	231,774	60,390	292,164
Contracted services costs	114,540	-	114,540
Payroll taxes	85,760	22,030	107,790
Office expense	68,677	4,579	73,256
Conferences and meetings	69,292	-	69,292
Pension	54,669	8,900	63,569
Occupancy	48,620	7,915	56,535
Information technology	46,412	7,555	53,967
Depreciation	42,698	6,952	49,650
Dues and subscriptions	33,712	-	33,712
Equipment rent, repair, and maintenance	28,418	4,626	33,044
Insurance	27,677	4,506	32,183
Travel	21,644	-	21,644
Accounting fees	-	15,668	15,668
Legal fees	-	13,500	13,500
Other professional fees	-	11,755	11,755
Property taxes	1,680	274	1,954
<i>Total functional expenses</i>	<u>\$ 4,965,437</u>	<u>\$ 467,634</u>	<u>\$ 5,433,071</u>

# HAMILTON COUNTY TOURISM, INC.

## STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2019

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<b>Cash flows from operating activities:</b>	
Increase in net assets	\$ 230,043
<b>Adjustments to reconcile increase in net assets to net cash provided by operating activities:</b>	
Depreciation and amortization	49,650
(Increase) decrease in:	
Accounts receivable	56,671
Prepaid expenses	(66,298)
Increase (decrease) in:	
Accounts payable	75,031
Accrued expenses	4,309
Accrued payroll and compensated absences	(1,363)
Deferred revenue	21,997
<b>Total adjustments</b>	<u>139,997</u>
<b>Net cash provided by operating activities</b>	<u>370,040</u>
<b>Cash flows from investing activities:</b>	
Capital expenditures	(13,015)
<b>Net cash used in investing activities</b>	<u>(13,015)</u>
<b>Net increase in cash</b>	357,025
Cash, beginning of year	<u>784,824</u>
<b>Cash, end of year</b>	<u>\$ 1,141,849</u>



# HAMILTON COUNTY TOURISM, INC.

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

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### *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, 2019

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**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, 2019

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**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
Software	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, 2019

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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, 2019, HCT made matching contributions totaling \$63,569 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.

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, 2019, the Organization expensed \$2,181,687 in advertising costs.

# HAMILTON COUNTY TOURISM, INC.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2019

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

***Recently adopted accounting standards***

On January 1, 2019, the Organization adopted FASB ASU No. 2014-09 (Topic 606)- *Revenue from Contracts with Customers* ("Topic 606"), which provides guidance for revenue recognition that superseded the revenue recognition requirements in Accounting Standards Codification ("ASC" Topic 605, *Revenue Recognition* ("Topic 605")) and most industry specific guidance. Under Topic 606, revenue is recognized when promised goods or services are transferred to customers in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services. The Organization adopted Topic 606 under the modified retrospective approach, applying the amendments to prospective reporting periods. Results for reporting periods beginning after January 1, 2019 are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with the historic accounting under Topic 605. No adjustments were required to beginning net assets to reflect changes in the accounting for contract activity.

The Organization also adopted FASB ASU No. 2018-08- *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* effective January 1, 2019. FASB ASU No. 2018-08 provides guidance for classifying transactions as either contributions, which would follow recognition methods provided in 2018-08, or exchange transactions, which would follow recognition methods provided in Topic 606. Under FASB ASU No. 2018-08, revenue derived from a contribution transaction is recognized once any applied restrictions or results stipulated by the contributor are completed. The Organization adopted FASB ASU No. 2018-08 under the modified retrospective approach, applying the amendments to prospective reporting periods. Results for reporting periods beginning after January 1, 2019 are presented under FASB ASU No. 2018-08, while prior period amounts are not adjusted and continue to be reported in accordance with historic accounting methods. No adjustments were required to beginning net assets to reflect changes for contribution transactions.

***Date of management's review***

The date to which events occurring after December 31, 2019, the date of the most recent statement of financial position, have been evaluated for possible adjustment to the financial statements or disclosure is July 9, 2020 which is the date the financial statements were available to be issued.

**2. Public support and concentration risk:**

During the year ended December 31, 2019, most of HCT's public support revenue was provided by the Hamilton County Visitors & Convention Commission ("HCVCC"). This revenue amounted to \$5,300,000 for 2019, which represented 93.6% of the total revenue of the Organization for the year.

# HAMILTON COUNTY TOURISM, INC.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2019

### 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.

### 4. *Property and equipment:*

Property and equipment at December 31, 2019, consisted of the following:

Building	\$	969,360
Equipment and fixtures		235,167
Computer equipment		112,472
Software		103,574
		<u>1,420,573</u>
Less accumulated depreciation and amortization		<u>(552,242)</u>
		868,331
Land		41,400
	\$	<u>909,731</u>

During the year ended December 31, 2019, depreciation and amortization expense amounted to \$49,650.

### 5. *Contract revenues:*

For the year ended December 31, 2019, contract revenues consisted of the following:

Memberships	\$	38,348
Advertising co-op revenues		9,683
	\$	<u>48,031</u>

### 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 \$46,924 and \$35,738 at December 31, 2019 and 2018, respectively.

Contract liabilities are presented in the financial statements as deferred revenue. Contract liabilities were \$61,545 and \$39,548 at December 31, 2019 and 2018, respectively.

The Organization had no contract receivables as of December 31, 2019 and 2018.

# HAMILTON COUNTY TOURISM, INC.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2019

### 7. *Prepaid expenses:*

At December 31, 2019, the Organization's prepaid expenses are comprised of the following:

Prepaid program expenses	\$	240,798
Prepaid in-kind trade (see Note 6)		46,924
Prepaid dues and subscriptions		14,547
Prepaid rent and utilities		4,323
	\$	<u>306,592</u>

### 8. *Commitments and contingencies:*

#### *Operating leases*

HCT leases office space in Carmel, Indiana. The lease began in October 2016 and was renewed in November 2019. The lease expires October 2020 and has a monthly rent payable in the amount of \$1,998.

HCT also has various non-cancelable long-term operating leases on equipment and automobiles expiring through April 2023. Future minimum lease payments remaining under the long-term operating leases at December 31, 2019 are as follows: 2020 - \$34,307; 2021 - \$9,233; 2022 - \$4,259; and 2023 - \$345.

Payments related to the long-term operating leases during 2019 were \$47,671 and have been included in operating expenses.

#### *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, 2019 totaled \$485,833. 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, 2019, NPHRR was current with their obligations under the loan agreement.

### 9. *Significant suppliers:*

HCT's largest supplier accounted for approximately 14% of expenditures during the year ended December 31, 2019. 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, 2019

### 10. *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.

### 11. *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	\$	1,067,590
Accounts receivable		1,222
Available without restriction within one year		<u>1,068,812</u>
Financial assets held as board-designated reserves		<u>74,259</u>
Total financial assets	\$	<u>1,143,071</u>

### 12. *Subsequent event:*

In December 2019, a novel strain of coronavirus was reported in Wuhan, China. The World Health Organization has declared the outbreak to constitute a "Public Health Emergency of International Concern." The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our donors, employees, and vendors, all of which are uncertain and cannot be predicted.

At this point, the full extent to which COVID-19 may impact the Organization's financial condition or results of operations is uncertain, however the Organization has taken several actions to date in 2020 in their efforts to reduce the overall impact on the Organization's financial condition. The Organization reduced staffing by 50% and reduced remaining staff members' wages by 25-50%. The Organization also cut other benefits, including employer health savings account deposits and the Organization's 401k employer match. The Organization prepared a revised budget for the remainder of 2020 that included budget cuts totaling \$2,167,120 and the use of \$620,460 of reserve funds.