

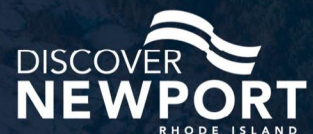
Newport and Bristol County Convention and Visitors' Bureau and Subsidiary

ANNUAL COMPREHENSIVE FINANCIAL REPORT

Fiscal year ended June 30, 2022

EVAN SMITH
President & CEO

ALYSON C. ADKINS, CPA
*Vice President of Finance
& Human Resources*



DiscoverNewport.org

Newport and Bristol County Convention and Visitors' Bureau and Subsidiary
Annual Comprehensive Financial Report
For the Year Ended June 30, 2022

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Newport and Bristol County Convention and Visitors' Bureau and Subsidiary
Annual Comprehensive Financial Report
For the Year Ended June 30, 2022

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INTRODUCTORY SECTION



Board of Directors
Discover Newport
44 Long Wharf Mall
Newport, RI 02840

We are pleased to present this Annual Comprehensive Financial Report (ACFR) for the Newport and Bristol County Convention and Visitors' Bureau and Subsidiary (the Bureau) for the year ended June 30, 2022.

The Finance Department oversees the audit and assumes responsibility for the completeness and reliability of the information presented in this report. To provide a reasonable basis for making these representations, the Finance Department established a comprehensive internal control framework that is designed to provide reasonable assurance that the Bureau's assets are protected from loss, theft, or misuse. The concept of reasonable assurance recognizes that the cost of maintaining internal controls should not exceed the benefits derived based on management's estimates and judgments. All internal control evaluations occur within this framework. We believe the Bureau's internal controls adequately safeguard assets and provide reasonable assurance of the proper recording of financial transactions.

Sansiveri, Kimball & Co, a public accounting firm fully licensed and qualified to perform audits of local governments within the State of Rhode Island has audited the Bureau's consolidated financial statements. The goal of the independent audit was to provide reasonable assurance that the basic financial statements of the Bureau as of and for the fiscal year ended June 30, 2022, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statements presentation. The independent auditors concluded, based upon the audit, that the Bureau's consolidated financial statements as of and for the fiscal year ended June 30, 2022, are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States (GAAP). The independent auditors' report is presented as the first two pages of the financial section of this ACFR.

Management's Discussion and Analysis (MD&A) follows the independent auditors' report. It provides an analytical overview of the Bureau's operations for fiscal year (FY) 2022. This letter of transmittal is intended to complement the MD&A and other information contained in this report and should be read in conjunction with it.

REPORTING ENTITY

This ACFR includes all funds of the Bureau. The Bureau is comprised of two entities, Newport and Bristol County Convention and Visitors' Bureau (DBA Discover Newport) and the Newport Tourism Marketing Management Authority (DBA Newport Hotel Collection).

Discover Newport is unique, as it does not operate as a typical membership-based convention and visitors' bureau. It is a quasi-governmental organization established by state law, funded primarily by room tax revenues, and the governing body is composed of an autonomous Board of Directors (the Discover Newport Board).

Discover Newport's mission statement is:

“To positively influence the economy of Newport and Bristol Counties, Rhode Island, which includes Barrington, Bristol, Jamestown, Little Compton, Middletown, Newport, Portsmouth, Tiverton, and Warren, by marketing the region as a travel and tourism destination.”

Discover Newport is charged with marketing and branding Newport and Bristol Counties as a premier travel destination. Its primary responsibility is attracting visitors to its destination. While resorts advertise and market their individual properties, Discover Newport markets and brands the destination as a whole. Discover Newport integrates its branding campaigns with sales, marketing, and public relations activities, as well as special events, to attract visitors.

The Newport Hotel Collection is a District Management Authority and was established by the Newport City Council in September 2017. It is 100% funded by a special assessment tourism fee of \$1/per room/per night for properties over 20 rooms within the district. In June 2021, the Newport City Council approved the rooms within the district to be properties over 18 rooms within the district. It is governed by an autonomous Board of Directors (the Newport Hotel Collection Board).

The Newport Hotel Collection is charged with marketing and branding the district by sponsoring and promoting recreational, cultural, and retail activities and providing general marketing and promotion efforts. The Newport Hotel Collection has no employees; it is managed by Discover Newport.

Funding received by both Discover Newport and the Newport Hotel Collection is received two months in arrears.

ECONOMIC CONDITION

The travel & tourism industry is one of the largest contributors to and principle economic drivers in Newport and Bristol Counties. As a result, U.S. and international travel trends are closely monitored. Newport and Bristol Counties have a hotel room inventory exceed over 4,500, with approximately 4,000 of those rooms located in Newport and Middletown.

Fiscal year 2022 was a year of recovery for our industry, though the industry continued to struggle finding qualified employees to work. The trend of people fleeing metropolitan areas & cities for resort areas (mountains, lakes & coastal areas) continued and our nine towns benefited. Fiscal year 2022 occupancy increased from 43.18% to 57.18%, and average daily room rates increased by 33%. We believe there were multiple factors that were a positive influence on our success: 1st- Newport is within 400 miles (one gas tank) of 15% of the American population. 2nd- Newport continued offering a lot of outdoors activities for

travelers to enjoy and events came back in force. 3rd- Industry partners and the city administration took a very proactive approach to public safety & health guidelines. This resulted in high visitor confidence that Newport was a safe destination to visit.

As we look to fiscal year 2023, Discover Newport is keeping a close eye on the economy. Inflation increased by approximately 4% during fiscal year 2022, and while it has decreased slightly, it is still at a 40 year high. Discover Newport has operating reserves that can be used to offset any shortfalls in projected revenues to keep sales and marketing plans intact.

The Discover Newport staff have been and will continue to work cooperatively with many alliance partners to promote Newport & Bristol Counties as a safe and interesting travel option to consider for those that are ready to travel at this time. We recognize and embrace that safe travel is a shared responsibility between our visitors, our industry employees, and our residents.

Respectfully submitted,

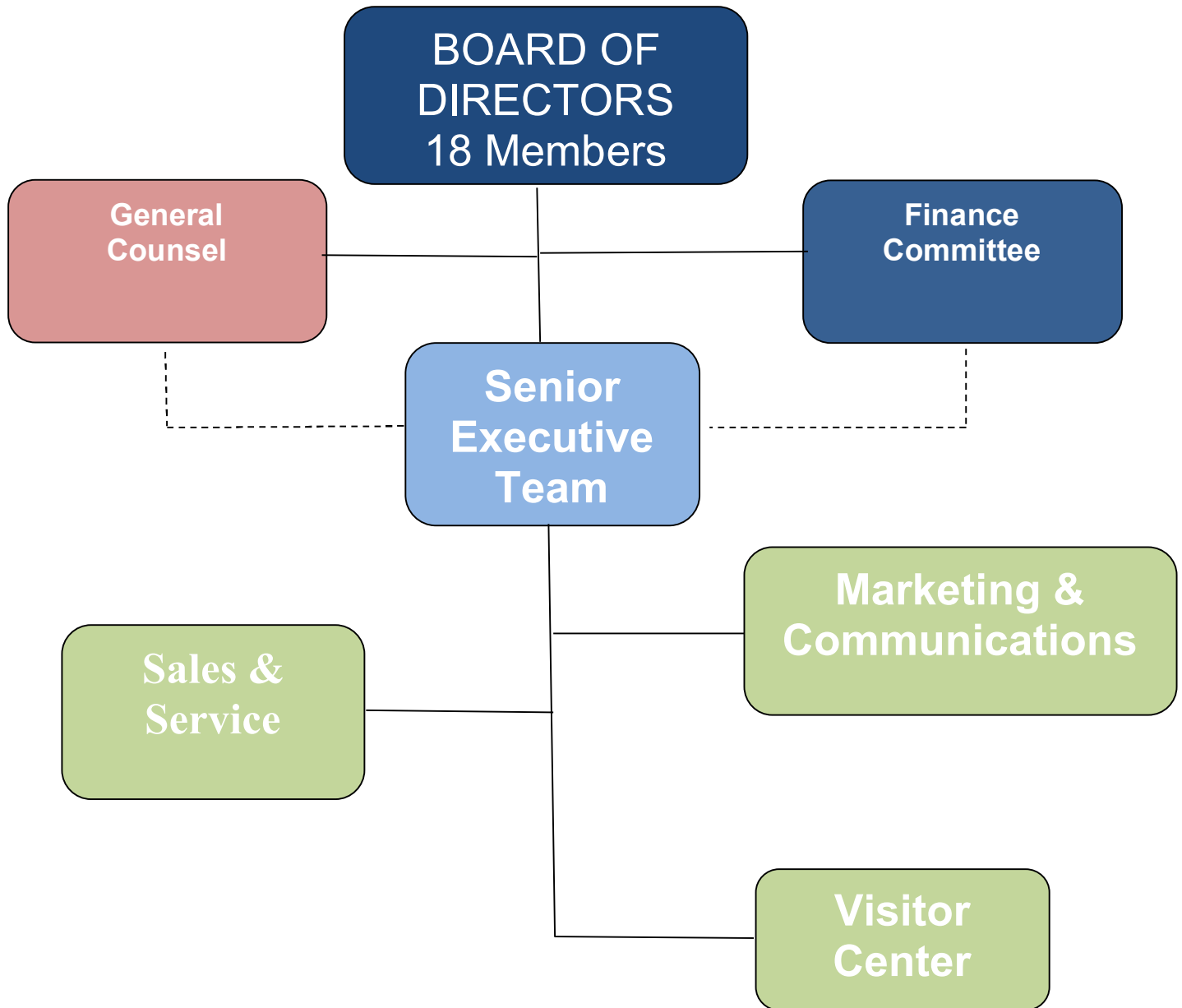


Evan Smith
President & CEO



Alyson Adkins, CPA
VP of Finance

ORGANIZATION CHART
NEWPORT AND BRISTOL COUNTY CONVENTION AND VISITORS'
BUREAU
JUNE 30, 2022



Newport and Bristol County Convention and Visitors' Bureau and Subsidiary

Board of Directors

For the Year Ended June 30, 2022

The Discover Newport Board

This eighteen-member board is comprised of thirteen members appointed by the nine-town councils within Newport and Bristol Counties and five representatives who are nominated by the Discover Newport Board to represent the hotel industry (over 100 rooms), the hotel industry (under 100 rooms), restaurant industry, attractions industry, and general business interests. The members serve a three-year term and can be reappointed for one additional three-year term. As of June 30, 2022, members of the board included:

Term Expires

Appointed by the City of Newport

Gillian Freidman-Fox	September 2022
Sean O' Connor	September 2022
Charlie Holder *	September 2022

Appointed by the Town of Middletown

Rocky Kempenaar	September 2022
Dennis Turano	September 2022
TR McGrath-Board Chair *	September 2022

Appointed by the Town of:

Portsmouth - Matt Gray	September 2023
Jamestown - Tom McNiff	September 2023
Tiverton - Christine Francis	September 2023
Little Compton - Andrew Moore	September 2023
Bristol - Karen Binder-Secretary	September 2023
Warren - Bob Rulli	September 2023
Barrington - Ann Hof	September 2024

Nominated by Discover Newport Board:

Lodging over 100 rooms - Pamela Baldwin*	September 2024
Lodging under 100 rooms - Keith Chouinard-Vice Chair	September 2024
Restaurant representative – Open	September 2024
Attraction's representative – John Nunes	September 2024
Member of the public - Missy Varao	September 2024

* Member of the Finance Committee

Note: Treasurer resigned effective June 28, 2022, seat was unfilled as of June 30, 2022

Newport and Bristol County Convention and Visitors' Bureau and Subsidiary
Board of Directors
For the Year Ended June 30, 2022

The Newport Hotel Collection Board

This nine-member board is comprised of seven members appointed by Discover Newport and two members appointed by the City of Newport. All board members come from properties within the district. The members serve a three-year term until their successors are appointed and will have qualified. As of June 30, 2022, members of the board included:

Term Expires

Appointed by the Discover Newport Board

Walter Andrews – Newport Marriott-Board Chair	June 2022
Ian Legros – Newport Harbor Hotel and Marina	June 2022
Randi Milewski - Hammetts Wharf Hotel	June 2023
Mary Desrosiers – Hotel Viking	June 2023
Andy Ross – Brenton Hotel	June 2025
David Smiley - Gurney's-Vice Chair	June 2025
Brian Young - Castle Hill Inn-Treasurer	June 2025

Appointed by the City of Newport

Term Expires

Jenna Vallee -Wayfinder Hotel	June 2022
Lynn Ceglie - City Council Representative	June 2023

Newport and Bristol County Convention and Visitors' Bureau and Subsidiary
Senior Executive Team
For the Year Ended June 30, 2022

The Discover Newport Senior Executive Team

The Discover Newport Board of Directors serves as a policy-making body and employs a President to serve as Chief Executive Officer. As of June 30, 2022, the Discover Newport senior executive team consists of:

Evan Smith-President/Chief Executive Officer

Alyson Adkins-Vice President of Finance and Human Resources

Kathryn Farrington-Vice President of Marketing

John (Tim) Walsh-Vice President of Sales

FINANCIAL SECTION



SANSIVERI, KIMBALL & CO., LLP
CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Newport and Bristol County Convention and Visitors' Bureau:

Opinion

We have audited the accompanying consolidated financial statements of Newport and Bristol County Convention and Visitors' Bureau and Subsidiary (the Bureau) as of and for the years ended June 30, 2022 and 2021, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Newport and Bristol County Convention and Visitors' Bureau and Subsidiary as of June 30, 2022 and 2021, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 the Bureau, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 the consolidated financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Bureau's ability to continue as a going concern for twelve months beyond the consolidated financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 consolidated 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 consolidated 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 consolidated 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 the Bureau'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Bureau'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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic consolidated financial statements. Such information is the responsibility of management and, although not a part of the basic consolidated financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of

management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audit of the basic consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplemental schedules 1 and 2 are presented for purposes of additional analysis and are 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 respects in relation to the basic consolidated financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basis financial statements and our auditors' report thereon. Our opinions on the basis financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audits of the basis financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basis financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Dansie, Kimball & Co., LLP

Providence, Rhode Island
November 16, 2022

Management's Discussion and Analysis

Newport and Bristol County Convention and Visitors' Bureau and Subsidiary
Management's Discussion and Analysis
For the Year Ended June 30, 2022

As management of the Newport and Bristol County Convention and Visitors' Bureau (Discover Newport) and the Newport Tourism Marketing Management Authority (Newport Hotel Collection), collectively referred to as the Bureau we offer readers of the Bureau's financial statements this narrative overview and analysis of the Bureau's financial performance for the fiscal year (FY) ended June 30, 2022. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the letter of transmittal, which can be found on pages i to iii of this report.

FINANCIAL HIGHLIGHTS

- Total revenues increased approximately \$2.29 million for FY 2022. Hotel taxes improved by 85% and the tourism fee improved by 53% over the prior year. Total grant income (public and private) declined by 30% over the prior year. Private source revenue (advertising, promotional participation, etc.) improved by 140% over the prior year. We continued to offer a 50% discount on our advertising products for FY 2022, we also continued the complimentary participation for all restaurants participating in Newport Restaurant Week and Burger Bender. The improvement in revenue is directly attributable to the recovery of the travel and tourism sector since coronavirus first hit the United States in March 2020. Average daily room rate (ADR) improved from \$168.83 for FY 2021 to \$224.30 for FY 2022.
- Discover Newport invested approximately \$3.9 million in sales and marketing efforts. Some of the leisure investments supported the creation, management and marketing of Newport Restaurant Week, and off-season product development such as Burger Bender, HBO Gilded Age and Holiday, Winter and Spring campaigns, which also included expanding our feeder markets for these campaigns to Philadelphia, Baltimore, DC, and Virginia. Other investments included a series of leisure e-blasts to our feeder markets, creation of off-season commercials, creation and production of a destination travel guide, the continued sponsorship of the Gateway bathrooms, and the sponsorship of line 67 RI Public Transit Authority bus route. On the corporate sales side investments included a mix of print and digital advertising campaigns, hosting 11 client events, attendance at 25 trade shows, and hosted 35 meeting planners site inspections.
- Discover Newport reopened a 700 a square foot Visitor Center at 21 Long Wharf Mall after being closed for over a year. The decision to remain closed for the summer 2020 season was made after reviewing guidelines from the CDC and the RI Department of Health. Based on those guidelines, Discover Newport made the decision to open a smaller Visitor Center for the 2022 season.
- The Newport Hotel Collection invested approximately \$90 thousand in sales and marketing efforts. Some of the investments included website advertising, and the development of photo and video assets of the 2 properties, and RI Hospitality membership dues for all members. The Board voted for these to be annual membership benefits for all properties. All remaining funds have been reserved for future years.
- Net position increased approximately \$925 thousand to approximately \$4 million during FY 2022. This is a direct result of the Bureau's management to apply and receive government grants and the exponential increase in ADR. The Bureau will be using the funds to establish an operating reserve funds to support projects such as the Ocean race and US Men's Senior Open, and to combat any shortfalls in revenue due to economic slowdown.

Newport and Bristol County Convention and Visitors' Bureau and Subsidiary
Management's Discussion and Analysis
For the Year Ended June 30, 2022

CONDENSED COMPARATIVE DATA

ASSETS, DEFERRED OUTFLOWS, LIABILITIES, DEFERRED INFLOWS, AND NET POSITION

The Bureau's change in net position increased approximately \$925 thousand during the year as follows:

CHANGES IN NET POSITION				
	FY 2021	FY 2022	Increase (Decrease)	
			Amount	Percent
Net position – beginning	\$1,917,185	\$ 3,131,669	\$1,214,484	63%
Revenues	3,426,937	5,703,274	2,276,337	66%
Expenses	2,212,453	4,778,277	2,565,824	116%
Change in net position	1,214,484	924,997	(289,487)	-24%
Net position – ending	\$3,131,669	\$ 4,056,666	\$924,997	30%

The Bureau restated the FY 2021 for GASB Statement 87, Leases, which resulted in a net increase of expenses of approximately \$11 thousand. Growth in overall net position is a function of the Bureau receiving government grants and the exponential increase in ADR.

During FY 2022, net position consists of the following:

CONSOLIDATED STATEMENT OF NET POSITION				
	June 30, 2021	June 30, 2022	Increase (Decrease)	
			Amount	Percent
Current and other assets	\$ 3,786,094	\$ 4,401,005	\$ 614,911	16%
Capital assets	829,439	751,968	(77,471)	-9%
Total assets	\$ 4,615,533	\$ 5,152,973	\$ 537,440	12%
Current liabilities	\$ 494,263	\$ 476,781	\$ (17,482)	-4%
Long-term liability	989,601	619,526	(370,075)	-37%
Total liabilities	\$ 1,483,864	\$ 1,096,307	\$ (387,557)	-26%
Net position				
Net investment in capital assets	64,067	55,975	(8,092)	-13%
Board-designated	1,000,000	955,192	(44,808)	-4%
Unrestricted	2,067,602	3,045,499	977,897	47%
Total net position	\$ 3,131,669	\$ 4,056,666	\$ 924,997	30%

Capital assets and long-term liabilities were restated for GASB Statement 87, leases. The Bureau brought on the right of use assets with the corresponding lease liability for their office and copier leases, which was approximately \$805 thousand, for FY 2021. The PPP loan, which totaled approximately \$357,000, was forgiven in September 2022, and recognized as grant revenue. A small portion of net position reflects an investment in capital assets net of debt used to acquire those assets. Board-designated net position is reported separately to show resources the Boards have deemed for long-term use, net of unrealized losses. Unrestricted net position improved approximately \$925 thousand, as a result of the changes above.

Newport and Bristol County Convention and Visitors' Bureau and Subsidiary
Management's Discussion and Analysis
For the Year Ended June 30, 2022

REVENUES

Revenues are classified as either public or private. Private revenues are those directly generated by an activity of the Bureau. For example, the sale of advertising on the website, co-op fees for trade shows, participation fees for Newport Restaurant Week, etc.

The public revenue classification includes all hotel taxes and tourism fees because the income is not derived by an activity of the Bureau. The State of Rhode Island levies a hotel tax on all transient lodging establishments in Newport and Bristol Counties, and the Bureau receives a portion of that tax, which is the Bureau's primary source of revenue. The Newport Management Authority assesses a tourism fee on all transient lodging establishments with greater than eighteen rooms in Newport. The Bureau receives 97% of this fee. Grant income received from a government institution is also classified as public revenue.

Total revenues for FY 2022 amounted to \$5.7 million, a 66% increase over FY 2021.

	FY 2021	FY 2022	Increase (Decrease)	
			Amount	Percent
Public revenues				
Hotel taxes	\$ 2,659,844	\$ 4,917,813	\$ 2,257,969	85%
Tourism fee	191,033	292,677	101,644	53%
Government grants and funding	481,814	357,060	(124,754)	-26%
Total public revenue	3,332,691	5,567,550	2,234,859	67%
Private revenues				
Advertising	41,759	102,425	60,666	145%
Promotional participation	-	5,500	5,500	100%
Event hosting	-	2,900	2,900	100%
Grants	31,806	-	(31,806)	-100%
Other	20,681	9,649	(11,031)	-53%
Gain on disposal of property and equipment	-	15,250	15,250	100%
Total private revenues	94,246	135,724	41,478	44%
Total revenues	\$ 3,426,937	\$ 5,703,274	\$ 2,276,337	66%

Hotel taxes provided approximately \$4.92 million during FY 2022, an increase of approximately \$2.2 million. The hotel tax is affected by the number of lodging rooms available, occupancy rate, and average daily room rate (ADR). By the end of FY 2022, room inventory decreased by approximately 9%, two hotels went offline due to fires at their properties, and one went offline due to renovations. Occupancy percentage increased from 43.18% to 57.18% in FY 2022. The most volatile factor in calculating room taxes is ADR. With hotel rooms being booked over the internet, price fluctuations are common, with hotels having the ability to respond quickly to occupancy trends. ADR averaged \$224.30 in FY 2022, a 33% increase over the \$168.83 result in FY 2021. The tourism fee is a \$1 fee per room night on all transient lodging establishments within Newport County greater than twenty rooms. The tourism fee provided \$292 thousand during FY 2022, an increase of \$101 thousand. The increase in hotel taxes and the tourism fee is directly attributed to the recovery of the tourism and travel market after coronavirus.

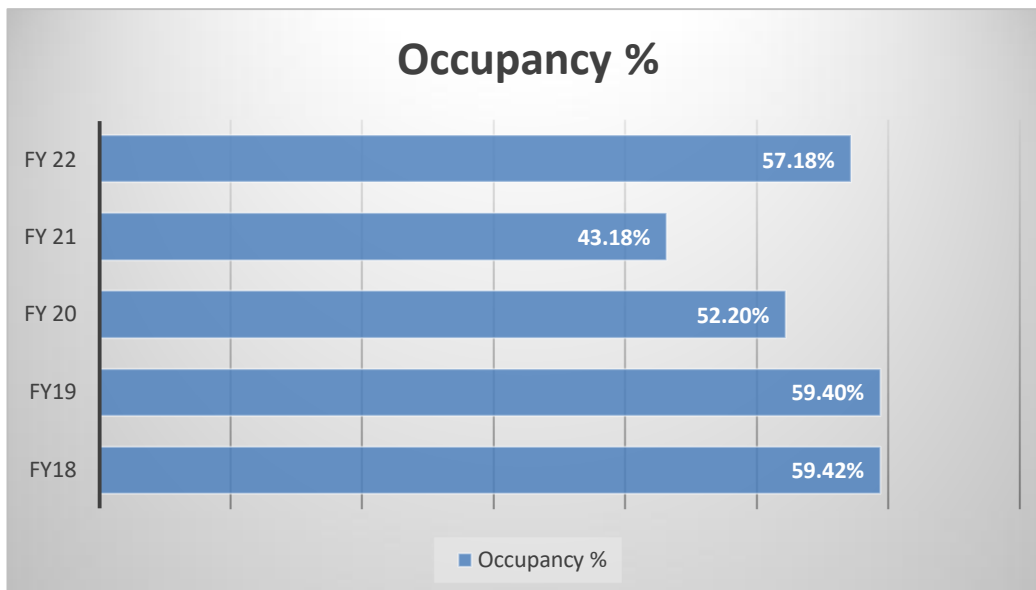
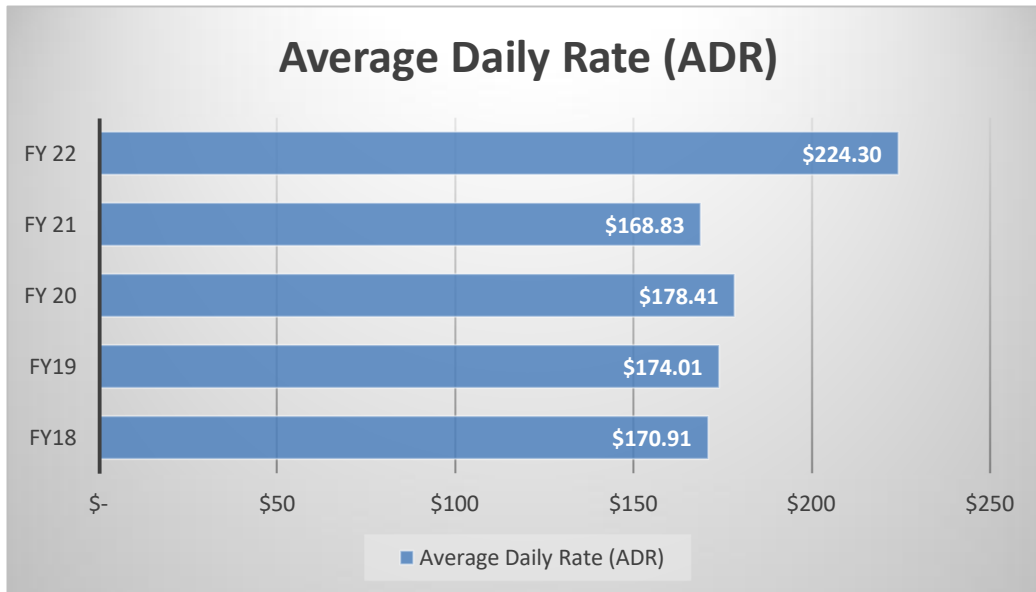
The majority of hotel tax revenue was generated in the City of Newport (\$3.4 million or 70%). The second-largest generator of hotel taxes is the Town of Middletown, at \$1.3 million (27%). The other incorporated

Newport and Bristol County Convention and Visitors' Bureau and Subsidiary
Management's Discussion and Analysis
For the Year Ended June 30, 2022

towns of Bristol, Barrington, Jamestown, Little Compton, Portsmouth, Warren, and Tiverton combined to provide the remaining 3%.

Private revenues increased \$41.5 thousand as compared to FY 2021. This is also attributable to several factors; with the recovery of the tourism and travel market, our industry partners were able to participate in co-op advertising, promotional participation in trade shows, and event hosting. These events, trade shows and client events, are where industry partners join us for a fee, started to come back for FY 2022. We also sold the mobile visitor van for a gain.

Below is a five-year analysis of the average daily room rate (ADR), occupancy, and actual hotel tax and tourism fee received.



Newport and Bristol County Convention and Visitors' Bureau and Subsidiary
Management's Discussion and Analysis
For the Year Ended June 30, 2022



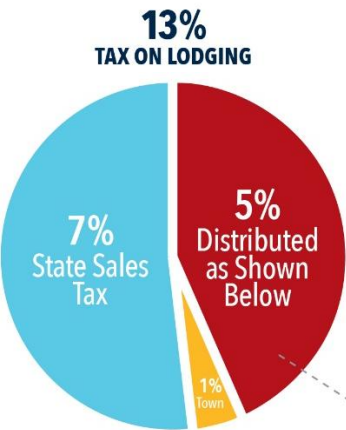
The hotel tax rate is 6% on lodging facilities in the Newport and Bristol Counties, and such rate can only be modified by the action of the Rhode Island State Legislature. 1% of the hotel tax goes to the town that the lodging facility is physically located in. The remaining 5% hotel tax for hotel room rentals is distributed as follows:

45%	Discover Newport
25%	City/Town where the lodging property is physically located
25%	Rhode Island Commerce Corporation
5%	Greater Providence-Warwick Convention and Visitor's Bureau

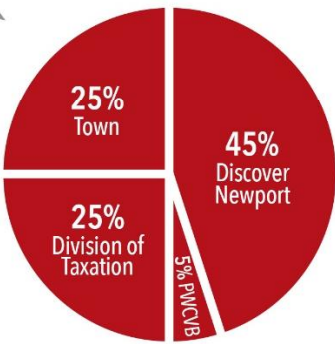
HOW LODGING TAXES ARE DISTRIBUTED

(For hotels and inns, but not for short-term rentals)

GROSS LODGING REVENUE



Lodging Tax: When a traveler stays in a Newport and Bristol County hotel or inn they pay 13% tax. That is a combination of a 7% state sales tax and a 6% lodging tax. Of the 6% lodging tax, 5% is distributed by a formula; the additional 1% is distributed directly to the city/township.



Newport and Bristol County Convention and Visitors' Bureau and Subsidiary
Management's Discussion and Analysis
For the Year Ended June 30, 2022

EXPENSES

Total expenses by function were as follows:

	FY 2021	FY 2022	Increase (Decrease)	
			Amount	Percent
Visitor's services	\$ 23,303	\$ 96,518	\$ 73,215	314%
Marketing and communications	1,225,005	3,059,145	1,834,140	149%
Sales and services	425,890	867,009	441,119	103%
Administrative	510,052	633,337	123,285	24%
Loss on disposal of property and equipment	13,457	-	(13,457)	(100)%
Interest expense	14,746	29,371	14,625	99%
Investment return, net	-	92,897	92,897	100%
	\$ 2,212,453	\$4,778,277	\$ 2,565,824	116%

With the recovery in the travel and tourism industry, we were able to bring back two positions in the sales department plus add a new position in the marketing department, plus we were able to bring all of our employees back to full pay during FY 2022. In the leisure market, we invested approximately \$2.2 million in advertising and sponsorships. Working with the Rhode Island Public Transit Authority, we sponsored line 67, which runs from the Transportation Center to Bellevue Ave, for six months. We also partnered with HBO promoting Newport through their series the Gilded Age. We also gave out \$250,000 in community grants to our nine cities and towns to be used for tourism-related projects. The sales and services market, which consists of corporate sales side, the increase in expenses is attributable to the recovery of business travel. Trade shows, which were held virtually in FY 2021, went back to in person. In person trade shows cost substantially more than virtual events. The attendance at trade shows also increased by 213%. We also held 11 in person client events vs. 4 virtual events in FY 2021.

The visitor center expenses increase is attributed to being open for 12 months versus two months in FY 2021. The visitor center is a 700 square foot space and employs 1 full time equivalent for FY 2022.

For FY 2023, high priorities will include, but not be limited to:

1. Continue to target promotional investments that will help grow our shoulder and off- peak visitation. The summer months are now close to reaching maximum visitation capacity, so our organization must shift our focus and marketing plans to adapt to this situation.
2. Utilize the resources of our PR agency to maximize media coverage for our 9-town destination. Growing media coverage provides a high conversion rate to visitation making it a high priority investment.
3. Work with community partners to invest in key local programs that can help support their goals & objectives. We want to be sure our travel program is doing its part to support the efforts of community organizations.
4. Continue to work with the Chamber of Commerce to help support their efforts to support both our existing business base and where possible grow our business base.
5. Special focus on rebuilding the meetings market and inbound international travel.

Newport and Bristol County Convention and Visitors' Bureau and Subsidiary

Management's Discussion and Analysis

For the Year Ended June 30, 2022

OVERALL FINANCIAL POSITION

The Bureau demonstrated strong financial results for FY 2022 in the face of tough economic times. Management remains vigilant to maintain fiscal sustainability through conservative budgeting and continuous monitoring of actual financial results and economic trends at the local, state, and national levels. Such an approach allows the Bureau the ability to react swiftly to changing conditions and sustain operations during challenging periods. The Bureau is dedicated to the preservation of adequate balances to meet operating cash flow requirements.

Newport and Bristol County Convention and Visitors' Bureau and Subsidiary
Management's Discussion and Analysis
For the Year Ended June 30, 2022

ADDITIONAL FINANCIAL INFORMATION

The Bureau's financial statements are designed to present users (citizens, taxpayers, customers, and industry partners) with a general overview of the Bureaus' finances and to demonstrate accountability. If you have any questions about the report or need additional financial information, please contact:

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Vice President of Finance
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Newport and Bristol County Convention and Visitors' Bureau and Subsidiary
Annual Comprehensive Financial Report
For the Year Ended June 30, 2022

Basic Financial Statements

**NEWPORT AND BRISTOL COUNTY
CONVENTION AND VISITORS' BUREAU AND SUBSIDIARY**

CONSOLIDATED STATEMENTS OF NET POSITION
JUNE 30, 2022 AND 2021

	2022	2021
ASSETS		
CURRENT ASSETS:		
Cash - operating fund	\$ 1,563,744	\$ 2,148,797
Receivables:		
Accounts	713,775	369,953
Other	-	113,905
Prepaid expenses and other current assets	215,614	153,439
Total current assets	<u>2,493,133</u>	<u>2,786,094</u>
 PROPERTY AND EQUIPMENT - NET	 43,077	 14,708
 RIGHT-OF-USE ASSETS, NET	 676,805	 773,432
 OTHER ASSETS:		
Board-designated cash	2,500	1,000,000
Investments:		
Board-designated	952,692	-
General purpose	952,680	-
Intangible assets, net	32,086	41,299
Total other assets	<u>1,939,958</u>	<u>1,041,299</u>
 TOTAL	 <u><u>\$ 5,152,973</u></u>	 <u><u>\$ 4,615,533</u></u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES:		
Current portion of note payable - Paycheck Protection Program	\$ -	\$ 63,452
Current portion of lease liability	76,467	69,379
Accounts payable	194,379	85,842
Deferred revenue	4,712	10,819
Accrued expenses:		
Payroll and related liabilities	189,199	254,338
Other	12,024	10,433
Total current liabilities	<u>476,781</u>	<u>494,263</u>
 LONG-TERM LIABILITIES:		
Note payable - Paycheck Protection Program, less current portion	-	293,608
Lease liability, less current portion	619,526	695,993
Total liabilities	<u>1,096,307</u>	<u>1,483,864</u>
 COMMITMENTS		
 NET POSITION:		
Net investment in capital assets	55,975	64,067
Unrestricted:		
Board-designated cash reserves	955,192	1,000,000
General purpose	3,045,499	2,067,602
Total unrestricted net position	<u>4,000,691</u>	<u>3,067,602</u>
Total net position	<u>4,056,666</u>	<u>3,131,669</u>
 TOTAL	 <u><u>\$ 5,152,973</u></u>	 <u><u>\$ 4,615,533</u></u>

See notes to consolidated financial statements.

**NEWPORT AND BRISTOL COUNTY
CONVENTION AND VISITORS' BUREAU AND SUBSIDIARY**

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGE IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
REVENUES:		
Public sources:		
Hotel taxes	\$ 4,917,813	\$ 2,659,844
Newport tourism fee	292,677	191,033
Government grants and funding	357,060	481,814
Total public sources	5,567,550	3,332,691
Private sources:		
Advertising income	102,425	41,759
Promotional participation income	5,500	-
Event hosting income	2,900	-
Grants and funding	-	31,806
Other income	9,649	20,681
Gain on sale of property and equipment	15,250	-
Total private sources	135,724	94,246
TOTAL REVENUES	5,703,274	3,426,937
EXPENDITURES:		
Visitor's center	96,518	23,303
Marketing and communications	3,059,145	1,225,005
Sales and services	867,009	425,890
Administrative	633,337	510,052
Loss on disposal of property and equipment	-	13,457
Interest expense	29,371	14,746
Investment return, net	92,897	-
TOTAL EXPENDITURES	4,778,277	2,212,453
CHANGE IN NET POSITION	924,997	1,214,484
NET POSITION, BEGINNING OF YEAR	3,131,669	1,917,185
NET POSITION, END OF YEAR	\$ 4,056,666	\$ 3,131,669

See notes to consolidated financial statements.

**NEWPORT AND BRISTOL COUNTY
CONVENTION AND VISITORS' BUREAU AND SUBSIDIARY**

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net position	\$ 924,997	\$ 1,214,484
Adjustments to reconcile change in net position to net cash provided by operating activities:		
Depreciation and amortization	119,274	86,614
Change in provision for doubtful accounts	-	(2,400)
(Gain) loss on sale of property, equipment and intangible assets	(15,250)	13,457
Unrealized loss on investments	107,142	-
Paycheck Protection Program - loan forgiveness income	(357,060)	-
Income from public source - government grants and funding	-	(481,814)
Income from private source - grants and funding	-	(31,806)
Changes in assets and liabilities:		
Receivables	(229,917)	(428,082)
Prepaid expenses and other current assets	(62,175)	5,562
Accounts payable	108,537	69,333
Deferred revenue	(6,107)	(9,142)
Accrued expenses	(63,548)	159,062
Lease liability	(69,379)	765,372
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>456,514</u>	<u>1,360,640</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Right-of-use assets acquired	-	(826,408)
Purchases of investments	(2,012,514)	-
NET CASH USED BY INVESTING ACTIVITIES	<u>(2,012,514)</u>	<u>(826,408)</u>
CASH FLOWS FROM CAPITAL ACTIVITIES:		
Purchases of property and equipment	(41,803)	-
Purchases of intangible assets	-	(32,200)
Proceeds from sale of property and equipment	15,250	-
NET CASH USED BY CAPITAL ACTIVITIES	<u>(26,553)</u>	<u>(32,200)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Proceeds from Paycheck Protection Program note payable	-	357,060
Proceeds from public source - government grants and funding	-	481,814
Proceeds from private source - grants and funding	-	31,806
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>-</u>	<u>870,680</u>
NET INCREASE (DECREASE) IN CASH	(1,582,553)	1,372,712
CASH, BEGINNING OF YEAR	<u>3,148,797</u>	<u>1,776,085</u>
CASH, END OF YEAR	<u>\$ 1,566,244</u>	<u>\$ 3,148,797</u>
COMPONENTS OF CASH:		
Operating fund	\$ 1,563,744	\$ 2,148,797
Reserve fund	2,500	1,000,000
Total	<u>\$ 1,566,244</u>	<u>\$ 3,148,797</u>

See notes to consolidated financial statements.

NEWPORT AND BRISTOL COUNTY CONVENTION AND VISITORS' BUREAU AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Discover Newport

Newport and Bristol County Convention and Visitors' Bureau (DBA Discover Newport) was created by the General Assembly of the State of Rhode Island (the State), having a distinct legal existence from the State and not constituting a department of state government. Discover Newport is a governmental agency and public instrumentality of the State.

Discover Newport was created to achieve the following purposes:

- Establish an operating program to promote and encourage tourism,
- Coordinate tourism activities within Newport and Bristol Counties and the State,
- Establish a fund to promote and encourage tourism, and
- Aid the municipalities in Newport and Bristol Counties in resolving problems that may arise due to growth in the tourism industry and to improve the quality of life in Newport and Bristol Counties.

Newport Hotel Collection

Established by the Newport City Council on September 13, 2017 as a District Management Authority, Newport Tourism Marketing Management Authority (DBA Newport Hotel Collection) was created to achieve an increase in room night sales and revenue therefrom at assessed lodging properties within the district by performing the following:

- Sponsor and promote recreational, cultural and retail activities,
- Promote the development of the district including collecting and disseminating information, and
- Provide general marketing and promotion efforts.

Discover Newport holds the power to appoint the majority of the governing board of the Newport Hotel Collection. As a result, Newport Hotel Collection is considered a subsidiary of Discover Newport and is consolidated with Discover Newport in the accompanying consolidated financial statements. Discover Newport and Newport Hotel Collection are collectively referred to as the Bureau.

Funding Source

Public source revenue - Discover Newport's principal funding source is a percentage of hotel tax collected regionally by the State and locally by the City of Newport (the City). Newport

See independent auditors' report.

NEWPORT AND BRISTOL COUNTY CONVENTION AND VISITORS' BUREAU AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

Hotel Collection's principal funding source is a special assessment tourism fee collected by the City. The Bureau's revenues received directly from the State represented approximately 26% and 24% of total revenues for the years ended June 30, 2022 and 2021, respectively. The Bureau's revenues which were collected by the City represented approximately 65% and 59% of total revenues for the years ended June 30, 2022 and 2021, respectively. Accounts receivable from the State and the City represent approximately 20% and 80%, respectively, of total accounts receivable at June 30, 2022.

Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting, under which revenues are recognized in the period in which they are earned and become measurable. Expenses are recognized in the period incurred.

Basis of Consolidation

The accompanying consolidated financial statements include the accounts of Discover Newport and Newport Hotel Collection.

All significant intercompany accounts have been eliminated in consolidation.

Accounts Receivable

The Bureau reports its accounts receivable net of an allowance for doubtful accounts. Appropriate provisions for doubtful accounts are based upon factors surrounding the credit risk and activity of specific customers, historical trends, and other information. The Bureau determined an allowance for doubtful accounts was not necessary for the years ended June 30, 2022 and 2021.

Interest is not accrued on accounts receivable. Accounts are written off when management has determined that there is no likelihood of collection.

Investments

Investments consist of two investment portfolio accounts both invested in cash and marketable securities. Cash of approximately \$186,000 is reported at cost. Investments in marketable securities which consist of mutual funds of approximately \$759,000 and exchange traded funds of approximately \$960,000 are reported at fair value. Investment return includes interest, dividends and unrealized gains and losses. During the year ended June 30, 2022, the Bureau recognized approximately \$107,000 of unrealized losses that relate to equity securities held at June 30, 2022.

See independent auditors' report.

NEWPORT AND BRISTOL COUNTY CONVENTION AND VISITORS' BUREAU AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

Property and Equipment

Property and equipment are recorded at cost, or if donated, at fair market value. Depreciation is computed on the straight-line method over the estimated useful lives of the assets.

Intangible Assets

Intangible assets consist of computer software, website costs, and costs to develop a brand name and are being amortized on a straight-line basis over periods ranging from five to twelve years.

Leases

Implementation of and Transition to New Accounting Policy

In February 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 87, *Leases* which requires that a lessee recognize an operating lease for a term of greater than twelve months as a liability and capitalize a right-of-use asset in the lessee's balance sheet. Such amounts are recorded at the present value of the lease payments.

The Bureau adopted the provisions of GASB No. 87 for the year ended June 30, 2022 and applied them retrospectively by restating financial statements for all prior periods presented.

The following table sets for the previously reports and restated items within the June 30, 2021 financial statements:

	As previously reported	As restated
Included in the accompanying statement of net position:		
Property and equipment, net	\$ 34,341	\$ 14,708
Right-of-use assets, net	-	773,432
Lease liability	-	765,372
Net position	3,143,242	3,131,669

See independent auditors' report.

NEWPORT AND BRISTOL COUNTY CONVENTION AND VISITORS' BUREAU AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

	As previously reported	As restated
Included in the accompanying statement of activities and changes in net position:		
Expenditures:		
Marketing and communications	\$ 1,227,558	\$ 1,225,005
Sales and services	427,804	425,890
Administrative	508,758	510,052
Interest expense	-	14,746
Change in net position	1,226,057	1,214,484

Leases are recorded on the statements of net position as either contracts that transfer ownership or all other leases. A contract that transfers ownership is a lease with the following characteristics:

- transfers ownership of the underlying asset to the lessee by the end of the contract and
- does not contain termination options but that may contain a fiscal funding or cancellation clause that is not reasonably certain of being exercised

As of and during the year ended June 30, 2022, the Bureau did not have any leases that transfer ownership.

All other leases are classified as other leases or short-term leases.

Short-term leases are defined as leases that, at the commencement of the lease term, has a maximum possible term under the lease contract of 12 months, including any options to extend, regardless of their probability of being exercised. Short-term leases will recognize lease payments as lease expense on the straight-line basis over the lease term and any variable lease payments in the period in which the obligation for those payments is incurred.

Lease liabilities are discounted to the present value of the future payments expected to be made during the lease term. The future lease payments should be discounted using the interest rate the lessor charges the lessee, which may be the interest rate implicit in the lease. If the interest rate cannot be readily determined by the lessee, the lessee's estimated incremental borrowing rate should be used. The Bureau applied the incremental borrowing rate applicable to the lease term.

The right-of-use (ROU) asset is measured using the lease liability plus any lease payments made before the commencement date, plus any initial direct costs less any lessor incentives.

See independent auditors' report.

NEWPORT AND BRISTOL COUNTY CONVENTION AND VISITORS' BUREAU AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

ROU assets are amortized over the assets' lease periods. Interest calculated on the lease liability is recorded to interest expense and amortization of the ROU assets are recorded to depreciation and amortization which equal the aggregate total of lease payments straight-lined over the lease term.

Paycheck Protection Program

Discover Newport has accounted for loan proceeds received under the Coronavirus Aid, Relief and Economic Security Act's (CARES Act) Paycheck Protection Program (PPP) as a liability under the GASB Statement No. 70 whereby Discover Newport recognized a liability for the full amount of PPP proceeds and the related interest payable. Income from the extinguishment of the liability has been recognized in the consolidated statement of activities and change in net position as government grants and funding income when Discover Newport was legally released from being the loan's primary obligor.

Revenue Recognition

Revenue is substantially derived from the hotel tax imposed by the State on the hospitality industry in Newport and Bristol Counties. Discover Newport receives a percentage of the hotel tax collected by the State and the City in accordance with Rhode Island General Law Title 42 Chapter 42-63.1. Discover Newport recognizes its percentage of the hotel tax as revenue in the month in which the tax was collected by the State and the City.

Newport Hotel Collection receives a special assessment tourism fee which is collected by the City from the district members in accordance with Rhode Island General Law Title 45 Chapter 45-59-15. Newport Hotel Collection recognizes the fee as revenue in the month in which the assessment was collected by the City.

Discover Newport receives advertising income for advertisements placed primarily on its website. Advertising income is earned over the term of the advertising agreement. Revenue billed in advance is deferred and recognized when earned.

Occupancy Expenses

For the year ended June 30, 2021, Discover Newport paid the City approximately \$20,000 in connection with its occupancy of facilities owned by the City related to property leased through December 2020. The fair market rental value of the facilities has not been determined and, accordingly, any market value adjustments in rent are not included in Discover Newport's operating results.

See independent auditors' report.

NEWPORT AND BRISTOL COUNTY CONVENTION AND VISITORS' BUREAU AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

Allocation of Expenses

Expenses which are allocated to the marketing, sales, and administration departments include: occupancy expenses, depreciation, office supplies, telecommunication, insurance, and other, and are allocated on the full-time equivalent basis.

Advertising

Advertising costs are expensed in the period in which the advertisement appears for the first time. Advertising costs amounted to approximately \$2,334,000 and \$594,000 for the years ended June 30, 2022 and 2021, respectively.

Accounting Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through November 16, 2022, which is the date the consolidated financial statements were available to be issued.

2. ACCOUNTS RECEIVABLE

As of June 30, 2022 and 2021, accounts receivable consisted of the following:

	2022	2021
Hotel tax due from:		
City of Newport	\$ 518,233	\$ 240,580
State of Rhode Island	144,290	104,378
Tourism fee due from City of Newport	50,952	21,889
Other	300	3,106
Accounts receivable	<u>\$ 713,775</u>	<u>\$ 369,953</u>

See independent auditors' report.

NEWPORT AND BRISTOL COUNTY CONVENTION AND VISITORS' BUREAU AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

3. PROPERTY AND EQUIPMENT

As of June 30, 2022 and 2021, property and equipment consisted of the following:

	2022	2021
Computers, office equipment and furnishings	\$ 69,267	\$ 80,492
Vehicles	62,123	45,948
Total property and equipment	131,390	126,440
Less accumulated depreciation	88,313	111,732
Property and equipment, net	<u>\$ 43,077</u>	<u>\$ 14,708</u>

4. INTANGIBLE ASSETS

As of June 30, 2022 and 2021, intangible assets consisted of the following:

	2022	2021
Website	\$ 92,550	\$ 92,550
Brand names	12,020	12,020
Total	104,570	104,570
Less accumulated amortization	72,484	63,271
Intangible assets, net	<u>\$ 32,086</u>	<u>\$ 41,299</u>

As of June 30, 2022, the aggregate future amortization expense is as follows:

<u>Year</u>	<u>Amount</u>
2023	\$ 9,213
2024	8,596
2025	6,745
2026	6,745
2027	787
Total	<u>\$ 32,086</u>

See independent auditors' report.

NEWPORT AND BRISTOL COUNTY CONVENTION AND VISITORS' BUREAU AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

5. CAPITAL ASSETS

For the years ended June 30, 2022 and 2021, changes in capital assets were as follows:

	Property and Equipment		Intangible Assets	
	Cost Basis	Accumulated Depreciation	Cost Basis	Accumulated Amortization
Balance as of June 30, 2020	\$ 399,194	\$ (348,519)	\$ 75,299	\$ (55,072)
Capital acquisitions			32,200	
Dispositions	(272,754)	260,786	(2,929)	1,440
Depreciation and amortization		(23,999)		(9,639)
Balance as of June 30, 2021	\$ 126,440	\$ (111,732)	\$ 104,570	\$ (63,271)
Capital acquisitions	41,803			
Dispositions	(36,853)	36,853		
Depreciation and amortization		(13,434)		(9,213)
Balance as of June 30, 2022	<u>\$ 131,390</u>	<u>\$ (88,313)</u>	<u>\$ 104,570</u>	<u>\$ (72,484)</u>

6. FAIR VALUE MEASUREMENTS

Fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, U.S. GAAP established a fair value hierarchy that prioritizes observable inputs used to measure fair value into three broad levels, which are described below:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the organization has the ability to access at the measurement date.

Level 2: Observable prices, other than quoted prices within Level 1, including:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in markets that are not active, that is, markets in which there are few transactions for the asset or liability, the prices are not current, or price quotations vary substantially either over time or among market makers, or in which little information is released publicly.
- Inputs other than quoted prices that are observable for the asset or liability.

See independent auditors' report.

NEWPORT AND BRISTOL COUNTY CONVENTION AND VISITORS' BUREAU AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Unobservable inputs which are used when little or no market activity is available at the measurement date. The fair value hierarchy gives the lowest priority to Level 3 inputs.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodology used for assets measured at fair value.

Investments in marketable securities - Valued using quoted prices in active markets.

The method used to determine fair value may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Assets carried at fair value at June 30, 2022 are as follows:

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
<u>2022</u>				
Investments in marketable securities	\$ 1,719,676	\$ -	\$ -	\$ 1,719,676

7. SHORT-TERM FINANCING ARRANGEMENT

Discover Newport maintains a line of credit with a financial institution that provides for maximum available borrowings of \$100,000. Borrowings on the line of credit are due on demand and collateralized by substantially all assets of Discover Newport. Interest is payable monthly and is computed at the financial institution's base rate plus .50%. As of June 30, 2022, the financial institution's base rate was 4.75%. There were no outstanding borrowings on the line of credit as of June 30, 2022 and 2021.

See independent auditors' report.

**NEWPORT AND BRISTOL COUNTY
CONVENTION AND VISITORS' BUREAU AND SUBSIDIARY**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

8. HOTEL TAX REVENUE

Discover Newport receives funding from the State in the form of a percentage of the hotel tax collected by the State and by the City. For the years ended June 30, 2022 and 2021, Discover Newport recorded hotel tax revenue as follows:

	2022	2021
Collected by:		
City of Newport	\$ 3,420,625	\$ 1,822,104
State of Rhode Island	1,497,188	837,740
Total	<u>\$ 4,917,813</u>	<u>\$ 2,659,844</u>

9. PAYCHECK PROTECTION PROGRAM LOAN FORGIVENESS

On February 5, 2021, Discover Newport executed an unsecured promissory note with a bank to provide borrowings of \$357,060. The note was guaranteed by the Small Business Administration (SBA) under the Paycheck Protection Program (PPP) and accrued interest at 1%. The PPP provisions contained in the promissory note restricted the use of the loan proceeds and included a provision in which the SBA may provide loan forgiveness of principal and accrued interest based on the terms set forth in the promissory note. On September 2, 2021, Discover Newport was notified by the bank that its PPP loan forgiveness application was approved, and such note was forgiven in its entirety by the SBA. As such, Discover Newport has recognized the full amount of the loan forgiveness income as government grants and funding in the accompanying consolidated statement of activities and change in net position for the year ended June 30, 2022.

10. GOVERNMENT GRANTS AND FUNDING

During the year ended June 30, 2021, Discover Newport received federal and state assistance from the following programs:

State of Rhode Island Assistance Programs	\$ 309,090
Refundable Tax - Employee Retention Credit	172,724
Total	<u>\$ 481,814</u>

See independent auditors' report.

NEWPORT AND BRISTOL COUNTY CONVENTION AND VISITORS' BUREAU AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

State of Rhode Island Assistance Programs

During the year ended June 30, 2021, Discover Newport received the following state grants:

Hotel, Arts & Tourism Grant	\$ 249,090
Take it Outside Grant	60,000
Total cash received and expended for qualified costs	<u>\$ 309,090</u>

Refundable Tax – Employee Retention Credit

During the year ended June 30, 2021, Discover Newport applied for the employee retention credits in the aggregate of \$172,724, which related to its employer tax filing for the periods from April 2020 through December 2020 and April 2021 through June 2021. As of June 30, 2021, the remaining portion not yet refunded was \$113,905 and was included in receivables on the accompanying consolidated statements of net position. The remaining portion of \$113,905 was received during the year ended June 30, 2022.

11. EMPLOYEE BENEFIT PLANS

Discover Newport maintains a defined contribution retirement plan, which qualifies under Section 401(a) of the Internal Revenue Code (IRC), for employees who have completed one year of service and have attained the age of twenty-one. The plan is a noncontributory plan whereby the only contributions to the plan are those of the employer. Discover Newport's contribution is discretionary and determined by its Board of Directors on an annual basis. For the year ended June 30, 2022, Discover Newport contributed \$97,200 to the plan. For the year ended June 30, 2021, Discover Newport contributed \$177,624 to the plan.

Discover Newport also maintains a deferred compensation plan created in accordance with the IRC Section 457. All employees are eligible upon commencement of employment. The assets of the plan are held in trust as described in IRC Section 457(g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodian of the plan holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The administrators act as agents of the employer for purposes of providing direction to the custodian related to investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement 97, plan balances and activities are not reflected in the Bureau's consolidated financial statements.

See independent auditors' report.

NEWPORT AND BRISTOL COUNTY CONVENTION AND VISITORS' BUREAU AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

12. RIGHT-OF-USE ASSETS AND LEASE LIABILITY

The Bureau leases office space and certain equipment under lease obligations that mature at various dates through December 2030.

The related cost of the right-of-use assets and accumulated amortization at June 30, 2022 and 2021, is as follows:

	2022	2021
Right-of-use assets:		
Office space	\$ 686,540	\$ 686,540
Equipment	139,869	139,869
Less accumulated amortization	(149,604)	(52,977)
Total right-of-use assets, net	<u>\$ 676,805</u>	<u>\$ 773,432</u>

Future minimum lease payments under such leases as of June 30, 2022 are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2023	\$ 102,934
2024	107,250
2025	111,761
2026	89,661
2027	84,300
2028 and thereafter	<u>321,360</u>
Total minimum lease payments	817,266
Less amount representing interest	<u>121,273</u>
Present value of net minimum lease payments	695,993
Current portion of obligations under lease liability	<u>76,467</u>
Long-term portion of obligations under lease liability	<u><u>\$ 619,526</u></u>

See independent auditors' report.

**NEWPORT AND BRISTOL COUNTY
CONVENTION AND VISITORS' BUREAU AND SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

13. RISKS AND UNCERTAINTIES

Financial instruments which potentially subject the Bureau to concentrations of credit risk consist principally of cash, investments and accounts receivable. Investments are also exposed to other risks such as market and interest rate risks.

The Bureau maintains its cash deposits in accounts at a high credit quality financial institution. From time to time, cash deposits exceed the Federal Deposit Insurance Corporation (FDIC) insurance limit of \$250,000. As of June 30, 2022, the Bureau had approximately \$1,073,000 of cash deposits at one financial institution in excess of the FDIC insurance limit. Management considers such circumstances to be normal business risks.

As of June 30, 2022, investments consisted of a diversified portfolio of cash, mutual funds and exchange traded funds. Management believes the diversity of the portfolio minimizes the risk of loss.

The Bureau's exposure to credit risk associated with receivables is concentrated to amounts due from the State and City as disclosed in Note 1.

See independent auditors' report.

**NEWPORT AND BRISTOL COUNTY
CONVENTION AND VISITORS' BUREAU AND SUBSIDIARY**

CONSOLIDATING STATEMENTS OF NET POSITION
JUNE 30, 2022 AND 2021

	2022			2021		
	Discover Newport	Newport Hotel Collection	Total	Discover Newport	Newport Hotel Collection	Total
ASSETS						
CURRENT ASSETS:						
Cash - operating fund	\$ 1,100,334	\$ 463,410	\$ 1,563,744	1,861,689	\$ 287,108	\$ 2,148,797
Receivables:						
Accounts	662,823	50,952	713,775	348,064	21,889	369,953
Other	-	-	-	113,905	-	113,905
Prepaid expenses and other current assets	197,232	18,382	215,614	127,280	26,159	153,439
Total current assets	1,960,389	532,744	2,493,133	2,450,938	335,156	2,786,094
PROPERTY AND EQUIPMENT - NET	43,077		43,077	14,708		14,708
RIGHT-OF-USE ASSETS, NET	676,805		676,805	773,432		773,432
OTHER ASSETS:						
Board-designated cash	2,500		2,500	1,000,000		1,000,000
Investments:						
Board-designated	952,692		952,692			-
General purpose	952,680		952,680			-
Intangible assets, net	27,068	5,018	32,086	34,256	7,043	41,299
Total other assets	1,934,940	5,018	1,939,958	1,034,256	7,043	1,041,299
TOTAL	\$ 4,615,211	\$ 537,762	\$ 5,152,973	\$ 4,273,334	\$ 342,199	\$ 4,615,533
LIABILITIES AND NET POSITION						
CURRENT LIABILITIES:						
Current portion of note payable - Paycheck Protection Program	\$ -		\$ -	\$ 63,452		\$ 63,452
Current portion of lease liability	76,467		76,467	69,379		69,379
Accounts payable	194,379		194,379	85,842		85,842
Deferred revenue	4,712		4,712	10,819		10,819
Accrued expenses:						
Payroll and related liabilities	189,199		189,199	254,338		254,338
Other	12,024		12,024	10,433		10,433
Total current liabilities	476,781	-	476,781	494,263	-	494,263
LONG-TERM LIABILITIES:						
Note payable - Paycheck Protection Program, less current portion	-		-	293,608		293,608
Lease liability, less current portion	619,526		619,526	695,993		695,993
Total liabilities	1,096,307	-	1,096,307	1,483,864	-	1,483,864
COMMITMENTS						
NET POSITION:						
Net investment in capital assets	50,957	5,018	55,975	57,024	7,043	64,067
Unrestricted:						
Board-designated cash reserves	955,192		955,192	1,000,000		1,000,000
General purpose	2,512,755	532,744	3,045,499	1,732,446	335,156	2,067,602
Total unrestricted net position	3,467,947	532,744	4,000,691	2,732,446	335,156	3,067,602
Total net position	3,518,904	537,762	4,056,666	2,789,470	342,199	3,131,669
TOTAL	\$ 4,615,211	\$ 537,762	\$ 5,152,973	\$ 4,273,334	\$ 342,199	\$ 4,615,533

See independent auditors' report.

**NEWPORT AND BRISTOL COUNTY
CONVENTION AND VISITORS' BUREAU AND SUBSIDIARY**

CONSOLIDATING STATEMENTS OF ACTIVITIES AND CHANGE IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022				2021			
	Discover Newport	Newport Hotel Collection	Eliminations	Total	Discover Newport	Newport Hotel Collection	Eliminations	Total
REVENUES:								
Public sources:								
Hotel taxes	\$ 4,917,813	\$ -	\$ -	\$ 4,917,813	\$ 2,659,844	\$ -	\$ -	\$ 2,659,844
Newport tourism fee		292,677		292,677		191,033		191,033
Government grants and funding	357,060			357,060	481,814			481,814
Total public sources	5,274,873	292,677	-	5,567,550	3,141,658	191,033		3,332,691
Private sources:								
Advertising income	158,425		(56,000) (A)	102,425	94,259		(52,500) (A)	41,759
Promotional participation income	5,500			5,500				-
Event hosting income	2,900			2,900				-
Grants and funding				-	31,806			31,806
Other income	9,649			9,649	20,681			20,681
Gain on sale of property and equipment	15,250			15,250				-
Total private sources	191,724	-	(56,000)	135,724	146,746	-	(52,500)	94,246
TOTAL REVENUES	5,466,597	292,677	(56,000)	5,703,274	3,288,404	191,033	(52,500)	3,426,937
EXPENDITURES:								
Visitor's center	96,518			96,518	23,303			23,303
Marketing and communications	3,038,641	76,504	(56,000) (A)	3,059,145	1,191,939	85,566	(52,500) (A)	1,225,005
Sales and services	857,183	9,826		867,009	422,204	3,686		425,890
Administrative	622,553	10,784		633,337	485,641	24,411		510,052
Loss on disposal of property and equipment				-	13,457			13,457
Interest expense	29,371			29,371	14,746			14,746
Investment return, net	92,897			92,897				-
TOTAL EXPENDITURES	4,737,163	97,114	(56,000)	4,778,277	2,151,290	113,663	(52,500)	2,212,453
CHANGE IN NET POSITION	729,434	195,563		924,997	1,137,114	77,370		1,214,484
NET POSITION, BEGINNING OF YEAR	2,789,470	342,199		3,131,669	1,652,356	264,829		1,917,185
NET POSITION, END OF YEAR	\$ 3,518,904	\$ 537,762	\$ -	\$ 4,056,666	\$ 2,789,470	\$ 342,199		\$ 3,131,669

(A) Elimination of intercompany income/expense.

See independent auditors' report.