

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

CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FIFTEEN-MONTH  
PERIOD ENDED JUNE 30, 2018

INDEPENDENT AUDITORS' REPORT



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



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## **INDEPENDENT AUDITORS' REPORT**

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

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

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 fifteen-month period ended June 30, 2018, and the related notes to the consolidated financial statements.

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

Management is responsible for the preparation and fair presentation of these consolidated 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 the consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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 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, 2018, and the changes in its financial position and its cash flows for the fifteen-month period ended June 30, 2018 in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### ***Required Supplemental Information***

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic consolidated financial statements. Such missing information, 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. Our opinion on the basic consolidated financial statements is not affected by this missing information.

### **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplemental schedules are presented for purposes of additional analysis and are not a required part of the consolidated 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 audit 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 consolidated financial statements as a whole.

*Sansiveri, Kimball & Co., LLP*

Providence, Rhode Island  
November 20, 2018

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

CONSOLIDATED STATEMENT OF NET POSITION  
JUNE 30, 2018

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ASSETS	
CURRENT ASSETS:	
Cash - operating fund	\$ 354,322
Accounts receivable, net of allowance for doubtful accounts	438,653
Prepaid expenses and other current assets	181,597
Total current assets	<u>974,572</u>
PROPERTY AND EQUIPMENT - NET	257,720
OTHER ASSETS:	
Board-designated cash:	
Reserve fund	367,961
Capital improvement fund	387,603
Intangible assets, net	33,940
Total other assets	<u>789,504</u>
TOTAL	<u>\$ 2,021,796</u>
LIABILITIES AND NET POSITION	
CURRENT LIABILITIES:	
Accounts payable	\$ 102,416
Deferred revenue	162,119
Accrued expenses:	
Payroll and related liabilities	72,106
Other	100,160
Total current liabilities	<u>436,801</u>
COMMITMENTS	
NET POSITION:	
Net investment in capital assets	291,660
Unrestricted:	
Board-designated cash reserves	755,564
General purpose	537,771
Total unrestricted net position	<u>1,293,335</u>
Total net position	<u>1,584,995</u>
TOTAL	<u>\$ 2,021,796</u>

See notes to consolidated financial statements.

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

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGE IN NET POSITION  
FOR THE FIFTEEN-MONTH PERIOD ENDED JUNE 30, 2018

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REVENUES:	
Public sources:	
Room and occupancy taxes	\$ 3,696,233
Newport tourism fee	78,353
Total public sources	3,774,586
Private sources:	
Advertising income	270,098
Ticket commission income	160,372
Promotional participation income	69,284
Event hosting income	11,986
Other income	78,763
Total private sources	590,503
TOTAL REVENUES	4,365,089
EXPENDITURES:	
Visitor's center, maintenance and general operations	1,245,781
Marketing and communications	1,335,666
Sales and services	1,142,432
Administrative	828,158
Loss on disposal of property and equipment	403
TOTAL EXPENDITURES	4,552,440
CHANGE IN NET POSITION	(187,351)
NET POSITION, MARCH 31, 2017	1,772,346
NET POSITION, JUNE 30, 2018	\$ 1,584,995

See notes to consolidated financial statements.

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

CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE FIFTEEN-MONTH PERIOD ENDED JUNE 30, 2018

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CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net position	\$ (187,351)
Adjustments to reconcile change in net position to net cash used by operating activities:	
Depreciation and amortization	97,628
Loss on disposal of property and equipment	403
Changes in assets and liabilities:	
Accounts receivable	(170,744)
Prepaid expenses and other current assets	8,078
Accounts payable	5,431
Deferred revenue	80,895
Accrued expenses	(78,848)
NET CASH USED BY OPERATING ACTIVITIES	<u>(244,508)</u>
NET CASH USED BY CAPITAL ACTIVITIES -	
Purchases of property and equipment	<u>(17,157)</u>
DECREASE IN CASH	(261,665)
CASH, MARCH 31, 2017	<u>1,371,551</u>
CASH, JUNE 30, 2018	<u><u>\$ 1,109,886</u></u>
COMPONENTS OF CASH:	
Operating fund	\$ 354,322
Reserve fund	367,961
Capital improvement fund	387,603
Total	<u><u>\$ 1,109,886</u></u>

See notes to consolidated financial statements.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2018

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## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### General

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. The Bureau 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 County 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.

Established by the Newport City Council on September 13, 2017, Newport Tourism Marketing Management Authority, a District Management Authority (DMA) 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 DMA. As a result, DMA is considered a subsidiary of Discover Newport and is consolidated with Discover Newport in the accompanying consolidated financial statements. Discover Newport and DMA are collectively referred to as the Bureau.

The Bureau's principal funding source is a percentage of hotel tax collected regionally by the State and locally by the City of Newport (the City). The Bureau's revenues received directly from the State represented approximately 26% of total revenues for the fifteen-month period ended June 30, 2018. In addition, the Bureau's revenues, which were collected by the City, represented approximately 60% of total revenues for the fifteen-month period ended June 30, 2018. Also, accounts receivable from the State and the City represent approximately 76% of total accounts receivable at June 30, 2018.

See independent auditors' report.

**NEWPORT AND BRISTOL COUNTY  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2018

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Basis of Accounting

The accompanying consolidated financial statements of the Bureau 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.

Discover Newport changed its fiscal year from March 31 to June 30. As a result, Discover Newport has reported its financial results for a fifteen-month transitional period from April 1, 2017 to June 30, 2018.

Basis of Consolidation

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

All significant intercompany accounts have been eliminated in consolidation. As of and for the fifteen-month period ended, there were no intercompany accounts requiring elimination.

Accounts Receivable

Accounts receivable include hotel tax receivables due from the City and State, assessment fees, and advanced billings related to advertising. The Bureau reports its accounts receivable net of an allowance for doubtful accounts. The Bureau provides appropriate provisions for doubtful accounts based upon factors surrounding the credit risk and activity of specific customers, historical trends, and other information.

The Bureau does not accrue interest on accounts receivable. Accounts are written off when the Bureau has determined that there is no likelihood of collection.

Property and Equipment

Property and equipment is 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

The Bureau's 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.

See independent auditors' report.



**NEWPORT AND BRISTOL COUNTY  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2018

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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 Laws Title 42 Chapter 42-63.1 and Title 45 Chapter 45-59-15. 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.

DMA receives a special assessment tourism fee from the district members which is recognized as revenue in the month in which the fee was collected by the City.

The Bureau receives advertising income for advertisements placed in the visitor center and on their websites. Advertising income is earned over the life of the advertising contract. Revenue billed in advance is deferred and recognized when earned. The Bureau also receives commission income for tickets they sell for attractions throughout Newport and Bristol Counties.

Occupancy Expenses

For the fifteen-month period ended June 30, 2018, the Bureau paid the City approximately \$51,000 in connection with its occupancy of facilities owned by the City. The fair market rental value of the facilities has not been determined and, accordingly, any market value adjustments in rent are not included in the Bureau's operating results.

Advertising

Advertising costs are expensed in the period in which the advertisement appears for the first time. Advertising costs amounted to approximately \$530,000 for the fifteen-month period ended June 30, 2018.

Recent Accounting Pronouncements

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 would be recorded at the present value of the lease payments. Currently, entities are only required to disclose the future minimum payments under such operating leases and to record expenses as such amounts are paid. The Statement is effective for the Bureau's fiscal year ending June 30, 2021, with early adoption permitted. Management has not elected to early adopt this Statement and is currently evaluating the effect it will have on the Bureau's consolidated financial statements and related disclosures.

See independent auditors' report.

**NEWPORT AND BRISTOL COUNTY  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2018

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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 20, 2018, which is the date the consolidated financial statements were available to be issued.

**2. ACCOUNTS RECEIVABLE**

As of June 30, 2018, accounts receivable consisted of the following:

Hotel tax due from:	
City of Newport	\$ 206,039
State of Rhode Island	94,200
Newport tourism fee due from City of Newport	31,533
Other, net of allowance for doubtful accounts of \$2,400	<u>106,881</u>
Accounts receivable, net	<u><u>\$ 438,653</u></u>

**3. PROPERTY AND EQUIPMENT**

As of June 30, 2018, property and equipment consisted of the following:

Leasehold improvements	\$ 1,064,960
Computer, office equipment and furnishings	278,522
Vehicles	<u>71,217</u>
Total property and equipment	<u>1,414,699</u>
Less accumulated depreciation	<u>1,156,979</u>
Property and equipment, net	<u><u>\$ 257,720</u></u>

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**NEWPORT AND BRISTOL COUNTY  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**4. INTANGIBLE ASSETS**

As of June 30, 2018, intangible assets consisted of the following:

Computer software	\$ 37,927
Website	51,750
Brand name	<u>8,970</u>
Total	98,647
Less accumulated amortization	<u>64,707</u>
Intangible assets, net	<u><u>\$ 33,940</u></u>

As of June 30, 2018, the aggregate future amortization expense is as follows:

<u>Year</u>	<u>Amount</u>
2019	\$ 11,390
2020	11,390
2021	7,785
2022	1,040
2023	1,040
2024 and thereafter	<u>1,295</u>
Total	<u><u>\$ 33,940</u></u>

Amortization expense for the fifteen-month period ended June 30, 2018 was approximately \$14,200.

**5. 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, 2018, the financial institution's base rate was 5%. There were no outstanding borrowings on the line-of-credit as of June 30, 2018.

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**6. ROOM AND OCCUPANCY TAX REVENUE**

The Bureau 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 fifteen-month period ended June 30, 2018, the Bureau recorded hotel tax revenue as follows:

Collected by:	
City of Newport	\$ 2,544,919
State of Rhode Island	<u>1,151,314</u>
 Total	 <u><u>\$ 3,696,233</u></u>

**7. EMPLOYEE BENEFIT PLAN**

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 Bureau's contribution is discretionary and determined by its Board of Directors on an annual basis. For the fifteen-month period ended June 30, 2018, the Bureau contributed \$125,000 to the plan.

Discover Newport also maintains a deferred compensation plan which qualifies under Section 457(b) of the IRC which allows eligible employees to contribute on a voluntary basis. Discover Newport does not contribute to this plan.

**8. COMMITMENTS**

Operating Leases - Lessee

The Bureau leases its facility on a month-to-month basis. In addition, the Bureau leases an automobile and certain equipment under non-cancelable operating lease agreements expiring at various dates through September 2022.

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As of June 30, 2018, the approximate future minimum lease payments under non-cancelable operating leases with terms of one year or more consisted of the following:

<u>Year</u>	<u>Amount</u>
2019	\$ 50,000
2020	36,000
2021	31,000
2022	<u>26,000</u>
Total	<u>\$ 143,000</u>

Rent expense, under all operating lease agreements, for the fifteen-month period ended June 30, 2018 was approximately \$101,000.

Operating Leases - Lessor

The Bureau sub-leases certain space in the Visitor Center that is operated as a gift shop under a non-cancelable operating lease agreement that expires in February 2019. As of June 30, 2018, the approximate future minimum rental income under this agreement is approximately \$13,000.

In addition, the Bureau sub-leases certain space in the Visitor Center under a cancelable operating lease agreement that expires in July 2021 and requires annual lease payments of \$15,000

Rental income from cancelable and noncancelable operating lease agreements for the fifteen-month period ended June 30, 2018 was approximately \$42,000 and is included within other income on the accompanying consolidated statement of activities and change in net position.

**9. CONCENTRATION OF CREDIT RISK**

Financial instruments which potentially subject the Bureau to concentrations of credit risk consist principally of cash and cash equivalents.

The Bureau maintains its cash deposits and money market funds in accounts at a high credit quality financial institution. As of June 30, 2018, total cash on deposit at the financial institution exceeded the FDIC insurance limit of \$250,000. Management considers this a normal business risk.

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See independent auditors' report.

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

CONSOLIDATING STATEMENT OF NET POSITION  
JUNE 30, 2018

	Discover Newport	Newport Tourism Marketing Management Authority	Total
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash - operating fund	\$ 309,852	\$ 44,470	\$ 354,322
Accounts receivable, net of allowance for doubtful accounts	407,121	31,532	438,653
Prepaid expenses and other current assets	181,597		181,597
Total current assets	898,570	76,002	974,572
<b>PROPERTY AND EQUIPMENT - NET</b>	257,720	-	257,720
<b>OTHER ASSETS:</b>			
Board-designated cash:			
Reserve fund	367,961		367,961
Capital improvement fund	387,603		387,603
Intangible assets, net	33,940		33,940
Total other assets	789,504	-	789,504
<b>TOTAL</b>	\$ 1,945,794	\$ 76,002	\$ 2,021,796
<b>LIABILITIES AND NET POSITION</b>			
<b>CURRENT LIABILITIES:</b>			
Accounts payable	\$ 102,416		\$ 102,416
Deferred revenue	162,119		162,119
Accrued expenses:			
Payroll and related liabilities	72,106		72,106
Other	100,160		100,160
Total current liabilities	436,801	\$ -	436,801
<b>COMMITMENTS</b>			
<b>NET POSITION:</b>			
Net investment in capital assets	291,660		291,660
Unrestricted:			
Board-designated cash reserves	755,564		755,564
General purpose	461,769	76,002	537,771
Total unrestricted net position	1,217,333	76,002	1,293,335
Total net position	1,508,993	76,002	1,584,995
<b>TOTAL</b>	\$ 1,945,794	\$ 76,002	\$ 2,021,796

See independent auditors' report.

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

CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGE IN NET POSITION  
FOR THE FIFTEEN MONTH PERIOD ENDED JUNE 30, 2018

	Discover Newport	Newport Tourism Marketing Management Authority	Total
<b>REVENUES:</b>			
Public sources:			
Room and occupancy taxes	\$ 3,696,233		\$ 3,696,233
Newport tourism fee	-	\$ 78,353	78,353
Total public sources	3,696,233	78,353	3,774,586
Private sources:			
Advertising income	270,098		270,098
Ticket commission income	160,372		160,372
Promotional participation income	69,284		69,284
Event hosting income	11,986		11,986
Other income	78,763		78,763
Total private sources	590,503	-	590,503
<b>TOTAL REVENUES</b>	<b>4,286,736</b>	<b>78,353</b>	<b>4,365,089</b>
<b>EXPENDITURES:</b>			
Visitor's center, maintenance and general operations	1,245,781		1,245,781
Marketing and communications	1,335,666		1,335,666
Sales and services	1,142,432		1,142,432
Administrative	825,807	2,351	828,158
Loss on disposal of property and equipment	403		403
<b>TOTAL EXPENDITURES</b>	<b>4,550,089</b>	<b>2,351</b>	<b>4,552,440</b>
<b>CHANGE IN NET POSITION</b>	<b>(263,353)</b>	<b>76,002</b>	<b>(187,351)</b>
<b>NET POSITION, MARCH 31, 2017</b>	<b>1,772,346</b>		<b>1,772,346</b>
<b>NET POSITION, JUNE 30, 2018</b>	<b>\$ 1,508,993</b>	<b>\$ 76,002</b>	<b>\$ 1,584,995</b>

See independent auditors' report.