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August 22, 2016

Board of Directors  
Hendricks County Tourism Commission  
8 West Main Street  
Danville, IN 46122

We have reviewed the audit report prepared by Donovan PC, for the period January 1, 2015 to December 31, 2015. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of Hendricks County Tourism Commission, as of December 31, 2015, and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner

**HENDRICKS COUNTY TOURISM COMMISSION  
d/b/a VISIT HENDRICKS COUNTY**

FINANCIAL STATEMENTS  
Together with Independent Auditors' Report

For the Year Ended December 31, 2015



**DONOVAN**  
CPAs | ADVISORS

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### ***Independent Auditors' Report***

To the Commission Members of  
Hendricks County Tourism Commission  
d/b/a Visit Hendricks County

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

We have audited the accompanying financial statements of Hendricks County Tourism Commission d/b/a Visit Hendricks County, which comprise the statement of financial position as of December 31, 2015, and the related statements of activities and changes in net assets, cash flows and functional expenses for the year then ended and the related notes to the financial statements.

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

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

#### ***Auditors' Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hendricks County Tourism Commission d/b/a Visit Hendricks County as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Other Matters***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Program Services Expenditures for the year ended December 31, 2015 is presented for purposes of additional analysis, and is not a required part of the financial statements. The Schedule of Program Services Expenditures is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Program Services Expenditures for the year ended December 31, 2015 is fairly stated in all material respects in relation to the financial statements as a whole.

DONOVAN

A handwritten signature in dark ink, appearing to read "Donovan", with a stylized, cursive script.

Avon, Indiana  
July 21, 2016

**HENDRICKS COUNTY TOURISM COMMISSION**  
**d/b/a VISIT HENDRICKS COUNTY**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2015**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 1,350,336
Accounts receivable	142,517
<i>Total current assets</i>	<u>1,492,853</u>

**PROPERTY AND EQUIPMENT**

Land	1,856,500
Building and improvements	1,048,110
Automobiles	71,056
Furniture and equipment	95,238
	<u>3,070,904</u>
Less accumulated depreciation	(333,013)
<i>Net property and equipment</i>	<u>2,737,891</u>

**OTHER ASSET**

Beneficial interest in Hendricks County Community Foundation	<u>25,100</u>
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**TOTAL ASSETS**

\$ 4,255,844

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Current portion of notes payable	\$ 202,338
Accounts payable	104,030
Accrued payroll and related benefits	36,677
<i>Total current liabilities</i>	<u>343,045</u>

**LONG-TERM LIABILITIES**

Notes payable, net of current portion	<u>1,360,883</u>
<i>Total liabilities</i>	<u>1,703,928</u>

**COMMITMENTS (NOTE 8)**

**NET ASSETS**

Unrestricted net assets	2,526,816
Temporarily restricted net assets	25,100
<i>Total net assets</i>	<u>2,551,916</u>

**TOTAL LIABILITIES AND NET ASSETS**

\$ 4,255,844

See independent auditors' report and accompanying notes to financial statements

**HENDRICKS COUNTY TOURISM COMMISSION**  
**d/b/a VISIT HENDRICKS COUNTY**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**For the Year Ended December 31, 2015**

**REVENUE**

Public Sources	
Gross county innkeepers' tax	\$ 2,228,370
Less: obligation back to county	(411,934)
<i>Net public sources</i>	<u>1,816,436</u>
Private Sources	
Change in fair market value of beneficial interest in scholarship fund	(5,800)
Co-op advertising income	4,850
Investment income	840
County map income	396
Rental income	3,242
Miscellaneous income	196
<i>Total private sources</i>	<u>3,724</u>
<i>Total revenue</i>	<u>1,820,160</u>

**EXPENSES**

Program Services	
Marketing	527,426
Salaries and wages	325,408
Employee benefits	139,293
Professional fees	42,850
Payroll taxes	25,598
Depreciation	25,022
Office supplies	24,961
Repairs and maintenance	13,420
Telephone	11,676
Insurance	9,695
Vehicle expense	9,024
Utilities	7,964
Interest expense	6,435
Postage and shipping	4,604
Real estate taxes	142
Gain on asset trade-in	(10,953)
<i>Total program services</i>	<u>1,162,565</u>
Supporting Services	
Management and general	963,786
<i>Total expenses</i>	<u>2,126,351</u>

**CHANGE IN NET ASSETS** (306,191)

**NET ASSETS, BEGINNING OF YEAR** 2,858,107

**NET ASSETS, END OF YEAR** \$ 2,551,916

See independent auditors' report and accompanying notes to financial statements

**HENDRICKS COUNTY TOURISM COMMISSION**  
**d/b/a VISIT HENDRICKS COUNTY**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2015**

**OPERATING ACTIVITIES**

Change in net assets	\$ (306,191)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Change in fair market value of beneficial interest in scholarship fund	5,800
Depreciation expense	50,044
Gain on asset trade-in	(12,170)
Impairment of land value	774,421
Changes in certain assets and liabilities:	
Accounts receivable	(142,517)
Accounts payable	11,607
Accrued payroll and related benefits	<u>6,094</u>
 <i>Net cash provided by operating activities</i>	 387,088

**INVESTING ACTIVITIES**

Purchase of property and equipment	(5,000)
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**FINANCING ACTIVITIES**

Principal payments on notes payable	<u>(190,228)</u>
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**NET CHANGE IN CASH AND CASH EQUIVALENTS**

191,860

**CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR**

1,158,476

**CASH AND CASH EQUIVALENTS, END OF YEAR**

\$ 1,350,336

**SUPPLEMENTAL CASH FLOW DISCLOSURES**

Cash paid for interest	<u><u>\$ 64,349</u></u>
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During 2015, the Commission purchased a new vehicle with a downpayment of \$5,000 and a note payable of \$13,344. The note payable portion is excluded from the statement of cash flow.



**HENDRICKS COUNTY TOURISM COMMISSION**  
**d/b/a VISIT HENDRICKS COUNTY**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2015**

	<b><u>Program</u></b> <b><u>Services</u></b>	<b><u>Supporting</u></b> <b><u>Services</u></b>	<b><u>Total</u></b>
Marketing	\$ 527,426	\$ -	\$ 527,426
Salaries and wages	325,408	36,157	361,565
Employee benefits	139,293	15,477	154,770
Professional fees	42,850	42,851	85,701
Interest expense	6,435	57,914	64,349
Depreciation	25,022	25,022	50,044
Payroll taxes	25,598	2,844	28,442
Office supplies	24,961	2,773	27,734
Repairs and maintenance	13,420	1,491	14,911
Telephone	11,676	1,297	12,973
Insurance	9,695	1,077	10,772
Vehicle expense	9,024	1,003	10,027
Utilities	7,964	885	8,849
Postage and shipping	4,604	512	5,116
Real estate taxes	142	1,279	1,421
Gain on disposal of asset	(10,953)	(1,217)	(12,170)
Impairment of land value	-	774,421	774,421
	<hr/>	<hr/>	<hr/>
<i>Total functional expenses</i>	<u><u>\$ 1,162,565</u></u>	<u><u>\$ 963,786</u></u>	<u><u>\$ 2,126,351</u></u>

See independent auditors' report and accompanying notes to financial statements

**HENDRICKS COUNTY TOURISM COMMISSION**  
**d/b/a VISIT HENDRICKS COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Organization – Hendricks County Tourism Commission d/b/a Visit Hendricks County (the Commission) was established in 1999 to promote tourism in Hendricks County, Indiana. The Commission advertises for area attractions, lodging facilities and restaurants to attract tourists to the County and is headquartered in Danville, Indiana.

The Commission derives nearly all of its revenues from innkeepers' tax remitted by Hendricks County innkeepers. The tax rate is 8%. The Commission has an obligation to return 1.5% of the tax back to Hendricks County. Area innkeepers remit the tax they collect monthly to the Hendricks County Treasurer. The Commission requests and receives funds from the County twice a year.

Basis of Accounting – The financial statements of the Commission have been prepared on the accrual basis of accounting as required by accounting principles generally accepted in the United States of America.

Effective January 1, 2015, the Commission changed its method of accounting to the accrual basis from the modified cash basis. This change in accounting method requires retroactive application, and therefore impacted the beginning balance in net assets presented on the statement of activities and changes in net assets.

The change in accounting method had the following impact on net assets as January 1, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
Net assets, January 1, 2015, modified cash basis	\$ 2,947,880	\$ 30,900
Impact on the following liabilities resulting from change in accounting method:		
Accounts payable	(91,173)	-
Accrued payroll and related benefits	<u>(29,500)</u>	<u>-</u>
Net assets, January 1, 2015, accrual basis	\$ <u>2,827,207</u>	\$ <u>30,900</u>

Basis of Presentation – The Commission reports financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Unrestricted net assets include unrestricted resources which represent the portion of funds that are available for the operating objectives of the Commission. Temporarily restricted net assets represent resources restricted by donors for specific purposes for which restrictions have not yet been met. Permanently restricted net assets represent donated resources with stipulations that they be used for specific purpose, be preserved, or be invested to provide a permanent source of income. The Commission has no permanently restricted net assets at December 31, 2015 or 2014.

Income Taxes – The Commission is exempt from federal and Indiana state taxes as a quasi-governmental unit.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles 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 financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**HENDRICKS COUNTY TOURISM COMMISSION**  
**d/b/a VISIT HENDRICKS COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

Cash and Cash Equivalents – For purposes of the statement of cash flows, the Commission considers all demand deposit accounts, money market funds and securities with original maturities of three months or less to be cash equivalents.

Property and Equipment – Property and equipment is valued at historical cost, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 5 to 40 years. It is the Commission's policy to capitalize purchases of property and equipment that benefit future periods and exceed \$1,500 in cost.

Subsequent Events – Subsequent events have been evaluated by management through July 21, 2016, which is the date the financial statements were available to be issued.

**NOTE 2 - BENEFICIAL INTEREST IN ENDOWMENT**

The Hendricks County Tourism Commission is the sole beneficiary of an irrevocable endowment with the Hendricks County Community Foundation whose balance is \$37,986 as of December 31, 2015. This endowment was created in 2008 to support an annual Hendricks County Tourism Scholarship Fund to benefit Hendricks County students who are majoring or will be majoring in the field of tourism. The spending policy of the endowment fund is a maximum 4.5% of the ending fund balance applied each quarter for the average amount in 2015. The fair value of the Endowment has been included in beneficial interest in endowment and temporarily restricted net assets. Spendable amounts available in 2015 were \$1,690, with the entire balance reinvested. The balance in the beneficial interest in endowment is valued using the discounted cash flow method as described in Note 3.

**NOTE 3 - FAIR VALUE MEASUREMENT**

The Commission's investments are reported at fair value in the statement of financial position as of December 31, 2015:

	<u><b>Fair Value</b></u>	<b>Significant Unobservable Inputs (Level 3)</b>
Beneficial interest in Hendricks County Community Foundation	\$ 25,100	\$ 25,100

FASB Accounting Standards Codification Topic 855, *Fair Value Measurements*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, and Level 3 inputs have the lowest priority. The Commission uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Commission measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. No Level 2 inputs were available to the Commission, and Level 3 inputs were only used when Level 1 or Level 2 inputs were not available.

**HENDRICKS COUNTY TOURISM COMMISSION**  
**d/b/a VISIT HENDRICKS COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2015**

**NOTE 3 - FAIR VALUE MEASUREMENT, Continued**

*Level 3 Fair Value Measurements*

The beneficial interest in the Hendricks County Community Foundation is not actively traded and significant other observable inputs are not available. Thus, the fair value of the beneficial interest investment is determined by discounting the related cash flows based on current yields of similar instruments with comparable durations. It is currently calculated as the present value of the 2016 spending percent available of the ending balance calculated for 30 years and discounted at 3.5%

**NOTE 4 - NOTES PAYABLE**

Notes payable consist of the following as of December 31, 2015:

Note payable to First National Bank, monthly payments of \$19,968, including interest at 3.94%, due December 2024, secured by real estate and land	\$ 1,405,224
Note payable to First National Bank, monthly payments of \$1,080, including interest at 2.38%, due May 2029, secured by real estate	144,892
Note payable to finance company, monthly payments of \$236, including interest at 2.39%, due November 2020, secured by a vehicle	13,105
	<u>1,563,221</u>
Less: current portion	<u>(202,338)</u>
Long-term portion	\$ <u><u>1,360,883</u></u>

Future maturities of notes payables are as follows:

2016	\$ 202,338
2017	207,691
2018	215,824
2019	224,279
2020	232,812
Thereafter	<u>480,277</u>
Total	\$ <u><u>1,563,221</u></u>

**HENDRICKS COUNTY TOURISM COMMISSION**  
**d/b/a VISIT HENDRICKS COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2015**

**NOTE 5 - PUBLIC SUPPORT**

The Commission is funded by innkeepers' taxes collected by lodging facilities in Hendricks County. The tax is paid monthly to the Hendricks County Treasurer and disbursed to the Commission twice during each year. The gross innkeepers' tax received by the Commission for 2015 was \$2,228,370. The Commission is obligated to return back to Hendricks County a portion of the tax, which totaled \$411,934 for 2015, to fund other county agencies. The net innkeepers' tax received by the Commission for the year ended December 31, 2015 was \$1,816,436, which constituted 99% of total revenue for the year.

**NOTE 6 - FUNCTIONAL ALLOCATION OF EXPENSE**

Expenses are classified according to the functional purpose for which the costs are incurred. The cost of providing program and management and general services has been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited.

**NOTE 7 - RETIREMENT PLAN**

The Commission maintains a Safe Harbor 401(k) retirement plan for all eligible employees as provided by the plan document. Participating employees may elect to contribute, on a deferred tax basis, a portion of their compensation in accordance with Section 401(k) of the Internal Revenue Code. The Commission maintains a discretionary matching policy whereby the Commission may match up to 3% of employee compensation. In addition, the Commission makes a 3% safe harbor contribution to all eligible employees. The Commission made contributions totaling \$20,863 to the Plan in 2015. Retirement plan contributions are included with employee benefits on the statement of activities.

**NOTE 8 - EQUIPMENT LEASES**

The Commission leases postage equipment and a copier under non-cancelable operating leases. The current postage equipment lease calls for quarterly payments of \$360 through September 2019. The copier lease calls for monthly payments of \$515 through January 2020.

The total lease expense for the year ended December 31, 2015 was \$7,304. Equipment leases are included with office supplies expenses on the statement of activities.

The following is a schedule of future minimum lease payments required under the non-cancelable operating leases:

2016	\$	7,625
2017		7,625
2018		7,625
2019		7,265
2020		<u>515</u>
Total	\$	<u><u>30,655</u></u>

**HENDRICKS COUNTY TOURISM COMMISSION**  
**d/b/a VISIT HENDRICKS COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2015**

**NOTE 9 - CONCENTRATION OF RISK**

At times during the year, the Commission maintained balances in bank accounts at high credit financial institutions that exceeded the Federal Deposit Insurance Company's guarantee limit of \$250,000. This occurs because the Commission requests funds from Hendricks County on a periodic basis in large, lump-sum amounts.

**NOTE 10 - SUBSEQUENT EVENTS**

During 2016, the Commission engaged two land appraisers to value the land owned in Plainfield, Indiana. Based on the average of these appraisals, the land cost is in excess of the current market value. Therefore, the land is impaired and an impairment of \$774,421 has been recognized as of December 31, 2015. This impairment is recorded in management and general expenses on the statement of activities.

On June 21, 2016, the Commission approved the sale of 2 of the 3 parcels of land it owns to a developer to construct a hotel and convention center. The land sales price is anticipated to be \$881,500. Closing is expected by September, 2016. As part of the incentive package to the developer, Hendricks County will issue approximately \$6 million in bonds in order to provide \$6 million in funds for the project. Annual repayments of the bonds will be approximately \$400,000, which will be repaid by a pledge of revenue from the Commission's share of the innkeepers' tax.

## SUPPLEMENTARY INFORMATION

**HENDRICKS COUNTY TOURISM COMMISSION**  
**d/b/a VISIT HENDRICKS COUNTY**  
**SCHEDULE OF PROGRAM SERVICES EXPENDITURES**  
**For the Year Ended December 31, 2015**

Advertising	\$ 204,164
Creative services	75,783
Website production and maintenance	42,191
Research	29,641
Printing	24,706
Tourism enhancement	19,991
County and community promotions	19,741
Lucas Oil Raceway suite	17,228
Cultural trail	16,881
Association dues	16,441
Miscellaneous	15,542
Seminars and trade shows	12,040
Travel and entertainment	10,375
Continuing education	9,336
Promotional items	6,991
Trade publications	4,509
Photography / videography	1,866
	<hr/>
<i>Total direct expenditures</i>	527,426
Allocation of overhead to program services	635,139
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<i>Total program services expenditures</i>	<u><u>\$ 1,162,565</u></u>

See independent auditors' report