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January 26, 2018

Board of Directors
LaPorte County Convention & Visitors Bureau
4073 S. Franklin St.
Michigan City, IN 46360

We have reviewed the report prepared by LaPorte County Convention & Visitors Bureau and opined upon by Applegate & Company, PC, Independent Public Accountants, for the period January 1, 2016 to December 31, 2016. Per the *Report of Independent Auditors* the financial statements included in the report present fairly the financial condition of LaPorte County Convention & Visitors Bureau as of December 31, 2016 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Applegate & Company, PC prepared all required independent auditor's reports in accordance with generally accepted auditing standards and guidelines established by the State Board of Accounts.

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


Paul D. Joyce, CPA
State Examiner

LAPORTE COUNTY CONVENTION &
VISITORS BUREAU

ANNUAL REPORT
December 31, 2016

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REPORT OF INDEPENDENT AUDITORS

**Board of Managers
LaPorte County Convention & Visitors Bureau
Michigan City, Indiana**

We have audited the accompanying financial statements of LaPorte County Convention & Visitors Bureau (a nonprofit organization), which comprise the statements of assets, liabilities, and fund balance - modified cash basis as of December 31, 2016 and 2015, and the related statements of revenue collected, expenses paid, and fund balance - modified cash basis for the years 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 the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balance of LaPorte County Convention & Visitors Bureau as of December 31, 2016 and 2015, and its revenue collected, expenses paid, and fund balance for the years then ended in accordance with the modified cash basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.


APPLEGATE & COMPANY
Certified Public Accountants

Michigan City, Indiana
October 12, 2017

LAPORTE COUNTY CONVENTION & VISITORS BUREAU

STATEMENTS OF REVENUE COLLECTED, EXPENSES PAID, AND FUND BALANCE -
MODIFIED CASH BASIS

For the years ended December 31, 2016 and 2015

	<u>2 0 1 6</u>		<u>2 0 1 5</u>	
	<u>Amount</u>	<u>% To Total Income</u>	<u>Amount</u>	<u>% To Total Income</u>
<u>REVENUES COLLECTED</u>				
Innkeepers tax	\$1,267,542	72.93%	\$1,216,225	67.88%
Gaming tax	325,511	18.73	389,957	21.76
Distribution services revenue	51,272	2.95	48,811	2.73
Special events revenue	57,702	3.32	117,748	6.57
Retail store revenue	30,589	1.76	8,529	.48
Interest revenue	191	.01	246	.01
Miscellaneous revenue	5,263	.30	10,231	.57
Total income	<u>1,738,070</u>	<u>100.00</u>	<u>1,791,747</u>	<u>100.00</u>
<u>EXPENSES PAID</u>				
Program service expenses	986,446	56.75	1,000,473	55.84
General and administrative	610,015	35.10	636,882	35.54
Total operating expenses	<u>1,596,461</u>	<u>91.85</u>	<u>1,637,355</u>	<u>91.38</u>
<u>OTHER EXPENSE</u>				
Interest expense	(1,298)	(.08)	(1,813)	(.10)
Total other expense	<u>(1,298)</u>	<u>(.08)</u>	<u>(1,813)</u>	<u>(.10)</u>
<u>EXCESS OF REVENUE COLLECTED OVER EXPENSES PAID</u>				
	140,311	<u>8.07%</u>	152,579	<u>8.52%</u>
<u>FUND BALANCE AT BEGINNING OF YEAR</u>				
	<u>495,409</u>		<u>342,830</u>	
<u>FUND BALANCE AT END OF YEAR</u>				
	<u>\$ 635,720</u>		<u>\$ 495,409</u>	

The accompanying notes are an integral part of these financial statements.

LAPORTE COUNTY CONVENTION & VISITORS BUREAU

STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCE - MODIFIED CASH BASIS
December 31, 2016 and 2015

	<u>ASSETS</u>		<u>2016</u>	<u>2015</u>
<u>CURRENT ASSETS</u>				
Cash and cash equivalents			\$621,267	\$462,630
Employee receivable			4,810	5,070
Prepaid rent				<u>4,371</u>
Total current assets			<u>626,077</u>	<u>472,071</u>
 <u>PROPERTY AND EQUIPMENT (Note 1)</u>				
Leasehold improvements			57,873	57,873
Office furnishings and equipment			71,467	71,467
Vehicles			<u>75,038</u>	<u>75,038</u>
Total cost			204,378	204,378
Accumulated depreciation			<u>191,373</u>	<u>174,864</u>
Net property and equipment			<u>13,005</u>	<u>29,514</u>
 <u>OTHER ASSETS</u>				
Security deposit			<u>8,000</u>	<u>8,000</u>
Total other assets			<u>8,000</u>	<u>8,000</u>
 Total assets			 <u>\$647,082</u>	 <u>\$509,585</u>
 <u>LIABILITIES AND FUND BALANCE</u>				
<u>CURRENT LIABILITIES</u>				
Current portion of capital lease obligation (Note 4)			\$ 4,569	\$ 3,977
Payroll liabilities			2,740	2,613
Retirement contribution payable			1,096	137
United Way payable			100	100
Sales tax payable			<u>322</u>	<u>245</u>
Total current liabilities			<u>8,227</u>	<u>7,072</u>
 <u>LONG-TERM LIABILITIES</u>				
Capital lease obligation (Note 4)			<u>2,535</u>	<u>7,104</u>
 <u>FUND BALANCE</u>				
Fund balance			<u>635,720</u>	<u>495,409</u>
 Total liabilities and fund balance			 <u>\$647,082</u>	 <u>\$509,585</u>

The accompanying notes are an integral part of these financial statements.

LAPORTE COUNTY CONVENTION & VISITORS BUREAU

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF ACTIVITY - LaPorte County Convention & Visitors Bureau is a not-for-profit organization located in LaPorte County, Indiana. The Bureau promotes tourism and provides information on current events in LaPorte County. The Bureau receives most of its revenue from the local innkeepers tax and gaming tax.

ACCOUNTING METHOD - The records of the LaPorte County Convention & Visitors Bureau are maintained on a modified cash basis of accounting. Under this method of accounting, with the exception of recording depreciation, transactions are recorded only as cash is received or disbursed. Consequently, certain revenue and the related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred.

PROPERTY AND EQUIPMENT - Leasehold improvements, office furnishings, equipment, and vehicles are stated at cost. Major improvements and renewals are capitalized while ordinary maintenance and repairs are expensed. Depreciation is computed according to estimated useful lives of the respective assets on the straight-line method as follows:

Building	31-1/2 - 39 years
Office equipment and furnishings	5 - 10 years
Vehicles	5 years

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LAPORTE COUNTY CONVENTION & VISITORS BUREAU

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2016 and 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

When properties are retired or otherwise disposed of, the appropriate accounts are relieved of cost and accumulated depreciation and any resultant gains or losses are credited or charged to income.

Depreciation expense was \$16,509 and \$17,830 for the years ended December 31, 2016 and 2015, respectively.

IN-KIND DONATIONS - The Bureau receives a significant amount of support in the form of goods and services from donors in connection with its fundraising activities. The modified cash basis of accounting does not require that these in-kind contributions be recognized. Accordingly, these financial statements do not reflect these contributions. If these contributions were recorded, revenues would increase by the fair market value change of the contributions.

USE OF ESTIMATES - The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the valuation of investments. Actual results could differ from those estimates.

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LAPORTE COUNTY CONVENTION & VISITORS BUREAU

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2016 and 2015

NOTE 2 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The Bureau has a number of financial instruments, none of which are held for trading purposes. The Bureau estimates that the fair value of all financial instruments at December 31, 2016 and 2015 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position. The estimated amounts have been determined by the Bureau using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and, accordingly, the estimates are not necessarily indicative of the amounts that the Bureau could realize in a current market exchange.

NOTE 3 - INCOME TAXES

The Bureau is a not-for-profit corporation that is exempt from federal and state income tax under Section 501(c)(6) of the Internal Revenue Code and a similar section of the state income tax law. The Bureau has unrelated business income from souvenir sales. No provision has been made for income tax as the Bureau anticipates the associated expenses will exceed revenue.

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LAPORTE COUNTY CONVENTION & VISITORS BUREAU

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2016 and 2015

NOTE 3 - INCOME TAXES (Continued)

The Financial Accounting Standards Board (FASB) issued Accounting Standards Codification "Accounting for Uncertainty in Income Taxes," that clarifies the accounting and recognition for income tax positions taken or expected to be taken in the Bureau's income tax returns. The Bureau has adopted the Standard. The Bureau evaluates all significant tax positions as required by generally accepted accounting principles in the United States. As of December 31, 2016, the Bureau does not believe that it has taken any tax positions that would require the recording of any tax liability nor does it believe that there are any unrealized tax benefits that would either increase or decrease within the next twelve months. The Bureau's income tax returns are subject to examination by the appropriate taxing jurisdictions and the open tax years are 2013-2016.

NOTE 4 - CAPITAL LEASE

The Bureau leases a copier from Great America Leasing Corporation under a capital lease. The economic substance of the lease is that the Bureau is financing the acquisition of the asset through the lease, and accordingly, it is recorded in the Bureau's assets and liabilities.

The following is a schedule of future minimum rentals under the lease at December 31, 2016:

2017	\$4,569
2018	<u>2,535</u>
Total	<u>\$7,104</u>

- Continued -

LAPORTE COUNTY CONVENTION & VISITORS BUREAU

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2016 and 2015

NOTE 5 - DEFINED CONTRIBUTION PLAN

The Bureau contributed to a defined contribution plan administered by Putnam Fiduciary Trust for the years ended December 31, 2016 and 2015. For each qualifying employee who elects to contribute a minimum \$10 per pay period of his or her salary, the Bureau will, in turn, contribute an amount equal to 5% of his or her wages. The Bureau's defined contribution plan expense for the years ended December 31, 2016 and 2015 was \$41,351 and \$37,146, respectively.

NOTE 6 - COMMITMENTS

On April 27, 2012, the Bureau signed a new five-year lease agreement with Marquette Mall Properties, LTD. The lease began January 1, 2013 with monthly payments of \$4,000. There will be an increase of 3% per year in the rent payments for the term of the lease.

The following is a schedule of future minimum rentals under the lease at December 31, 2016:

2017	<u>\$54,024</u>
Total	<u>\$54,024</u>

The rent expense for the years ended December 31, 2016 and 2015 was \$52,451 and \$50,823, respectively.

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LAPORTE COUNTY CONVENTION & VISITORS BUREAU

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2016 and 2015

NOTE 7 - CONCENTRATIONS OF CREDIT RISK

The Bureau maintains its cash balances in a local financial institution. At December 31, 2016, the Bureau's cash balances totaled \$628,793. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. The remaining balance was insured by the state of Indiana's Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

NOTE 8 - SUBSEQUENT EVENTS

During 2016, the Bureau is involved in continued litigation involving the applicability of innkeeper's tax on complimentary hotel rooms provided to guests. The Bureau does not believe there will be any future liability involving this matter. However, they do feel it may affect future revenue.

As of October 12, 2017, which is the date the financial statements were available to be issued, there were no further subsequent events to be disclosed.

APPLEGATE & COMPANY, PC

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**Board of Managers
LaPorte County Convention &
Visitors Bureau
Michigan City, Indiana**

We have audited the financial statements of LaPorte County Convention & Visitors Bureau as of and for the years ended December 31, 2016 and 2015, and have issued our report thereon dated October 12, 2017, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole.

The schedules of expenses paid are presented for the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional 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 statement 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 financial statements as a whole.


APPLEGATE & COMPANY
Certified Public Accountants

Michigan City, Indiana
October 12, 2017

LAPORTE COUNTY CONVENTION & VISITORS BUREAU

SCHEDULES OF EXPENSES PAID

For the years ended December 31, 2016 and 2015

	<u>2 0 1 6</u>		<u>2 0 1 5</u>	
	<u>Amount</u>	<u>% to</u> <u>Income</u>	<u>Amount</u>	<u>% to</u> <u>Income</u>
Program service expenses				
Salaries and wages	\$ 297,131	17.10%	\$ 260,435	14.53%
Payroll taxes	25,762	1.48	23,836	1.33
Group insurance	83,660	4.81	76,426	4.27
Employer retirement expense	23,315	1.34	19,513	1.09
Printing expense	12,684	.73	11,288	.63
Research and development	9,400	.54	7,050	.39
Advertising expense	156,485	9.00	171,554	9.58
Sponsorship expense	68,792	3.96	85,651	4.78
Distribution expense	8,925	.51	11,020	.62
Technology expense	27,510	1.58	20,650	1.15
Professional services	27,305	1.57		
Special event activities expense	219,643	12.64	309,599	17.28
Retail store cost of goods sold	25,834	1.49	3,451	.19
Total program service expenses	<u>986,446</u>	<u>56.75</u>	<u>1,000,473</u>	<u>55.84</u>
General and administrative expenses				
Salaries and wages	229,860	13.22	235,340	13.14
Payroll taxes	19,930	1.15	21,540	1.20
Group insurance	64,720	3.73	69,062	3.85
Training	4,245	.24	4,772	.27
Employer retirement expense	18,036	1.04	17,633	.98
Rent expense	52,451	3.02	50,823	2.84
Dues and subscriptions	17,081	.98	17,898	1.00
Depreciation	16,509	.95	17,830	1.00
Seminar expense	2,597	.15	3,960	.22
Office supplies	2,768	.16	1,993	.11
Lease expense	3,063	.17	3,619	.20
Utilities	15,764	.91	19,234	1.07
Telephone	14,071	.81	14,750	.82
Small tools and supplies	7,336	.42	10,651	.59
Postage	7,124	.41	7,633	.43
Maintenance and repairs	23,493	1.35	18,903	1.06
Insurance	13,192	.76	13,497	.75
Professional services	64,451	3.71	66,526	3.71
Travel	29,662	1.71	37,476	2.09
Charges and fees	3,662	.21	3,742	.21
Total general and administrative expenses	<u>610,015</u>	<u>35.10</u>	<u>636,882</u>	<u>35.54</u>
Total expenses	<u>\$1,596,461</u>	<u>91.85%</u>	<u>\$1,637,355</u>	<u>91.38%</u>