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AN EQUAL OPPORTUNITY EMPLOYER

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July 26, 2018

Board of Directors  
Nashville/Brown County Convention and Visitors Bureau, Inc.  
211 S. Van Buren St, P.O. Box 840  
Nashville, IN 47448

We have reviewed the report prepared by Nashville/Brown County Convention and Visitors Bureau, Inc. and opined upon by Blue & Co., LLC, 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 Nashville/Brown County Convention and Visitors Bureau, Inc. 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, Blue & Co., LLC 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*  
Paul D. Joyce, CPA  
State Examiner

# **NASHVILLE/BROWN COUNTY CONVENTION AND VISITORS BUREAU, INC.**

**FINANCIAL STATEMENTS**

**(MODIFIED CASH BASIS)**

**DECEMBER 31, 2016 AND 2015**

*CPAs / ADVISORS*



**NASHVILLE/BROWN COUNTY CONVENTION AND  
VISITORS BUREAU, INC.**

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DECEMBER 31, 2016 AND 2015

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## REPORT OF INDEPENDENT AUDITORS

The Board of Directors  
Nashville/Brown County Convention and Visitors Bureau, Inc.  
Nashville, Indiana

### Report on the Financial Statements

We have audited the accompanying financial statements – modified cash basis of Nashville/Brown County Convention and Visitors Bureau, Inc. (the “Organization”) which comprise the statements of financial position – modified cash basis as of December 31, 2016 and 2015, and the related statements of activities – modified cash basis, and cash flows – 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 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. Management is also responsible for the design, implementation, and maintenance of internal controls 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 financial position of the Organization as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with the modified cash basis of accounting 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 that matter.

*Blue & Co., LLC*

Seymour, Indiana

October 5, 2017

**NASHVILLE/BROWN COUNTY CONVENTION AND  
VISITORS BUREAU, INC.**

STATEMENTS OF FINANCIAL POSITION – MODIFIED CASH BASIS  
DECEMBER 31, 2016 AND 2015

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**ASSETS**

	<u>2016</u>	<u>2015</u>
Cash	\$ 73,493	\$ 38,280
Restricted cash	60,776	56,570
Inventory	7,518	5,215
Property and equipment, net	<u>7,696</u>	<u>12,261</u>
	<u>\$ 149,483</u>	<u>\$ 112,326</u>

**LIABILITIES AND NET ASSETS**

**Liabilities**

Taxes withheld or collected	\$ 1,022	\$ 1,177
Assets held for others	<u>60,776</u>	<u>56,570</u>
Total liabilities	61,798	57,747

**Net assets**

Unrestricted net assets	<u>87,685</u>	<u>54,579</u>
	<u>\$ 149,483</u>	<u>\$ 112,326</u>

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*See accompanying notes to financial statements.*

**NASHVILLE/BROWN COUNTY CONVENTION AND  
VISITORS BUREAU, INC.**

STATEMENTS OF ACTIVITIES – MODIFIED CASH BASIS  
YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
<b>Revenues and support</b>		
Claims from Brown County Convention and Visitors Commision	\$ 693,500	\$ 693,500
Interest income	77	53
Retail sales	16,891	10,751
Maple syrup festival	60,255	15,283
Website and other promotional revenue	47,748	46,154
Total revenues and support	818,471	765,741
<b>Expenses</b>		
Leisure market program	321,103	352,832
Group market program	2,655	273
Communications public relations program	6,000	11,346
Professional development	3,302	6,157
Visitors center program	149,754	148,257
Total program expenses	482,814	518,865
Management and general	302,551	272,170
Total expenses	785,365	791,035
Change in net assets	33,106	(25,294)
<b>Net assets, beginning of year</b>	54,579	79,873
<b>Net assets, end of year</b>	\$ 87,685	\$ 54,579

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*See accompanying notes to financial statements.*

**NASHVILLE/BROWN COUNTY CONVENTION AND  
VISITORS BUREAU, INC.**

STATEMENTS OF CASH FLOWS – MODIFIED CASH BASIS  
YEARS ENDED DECEMBER 31, 2016 AND 2015

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	<u>2016</u>	<u>2015</u>
<b>Operating activities</b>		
Change in net assets	\$ 33,106	\$ (25,294)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	4,565	5,376
Changes in operating assets and liabilities:		
Restricted cash	(4,206)	(18,500)
Inventory	(2,303)	(753)
Taxes withheld or collected	(155)	1,131
Assets held for others	<u>4,206</u>	<u>18,500</u>
Net cash flows from operating activities	35,213	(19,540)
<b>Cash, beginning of year</b>	<u>38,280</u>	<u>57,820</u>
<b>Cash, end of year</b>	<u><u>\$ 73,493</u></u>	<u><u>\$ 38,280</u></u>

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*See accompanying notes to financial statements.*

**NASHVILLE/BROWN COUNTY CONVENTION AND  
VISITORS BUREAU, INC.**

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

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**1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Operations

Nashville/Brown County Convention and Visitors Bureau, Inc. ("the Organization") is a not-for-profit organization whose mission and principal activities are to promote and encourage conventions, trade shows, visitors and special events held in Brown County, Indiana. The Organization's revenues and other support are derived principally from an annual renewable contract with the Brown County Convention and Visitors Commission (the "Commission"), under which the Commission transfers funds collected from the Brown County Innkeeper's tax to the Organization. The Organization also operates a visitor's center that offers a limited amount of merchandise produced in or pertaining to Brown County.

Basis of Accounting

The accompanying financial statements have been prepared on the modified cash basis of accounting. The basis differs from accounting principles generally accepted in the United States of America primarily because revenues are recognized when received rather than when earned and expenses are recognized when cash is disbursed rather than when the obligation is incurred. However, acquisitions of assets having an estimated useful life beyond one year are capitalized and depreciated over the estimated useful life of the asset, and inventory is recorded as an asset and the related cost is expensed when sold.

Management's Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with their basis of accounting. Those estimates and assumptions affect the reported amounts of assets and liabilities and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Restricted Cash

Restricted cash pertains to amounts belonging to the Commission, which are being held by the Organization and are required to be held in separate bank accounts. These funds will be spent as directed by the Commission. The Organization also holds money received from a grant for maps of Brown County, which is to be held in a separate bank account and spent toward the purpose of producing and advertising the maps.

**NASHVILLE/BROWN COUNTY CONVENTION AND  
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NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

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Inventory

Inventory consists of retail merchandise that pertains to Brown County, Indiana. Inventory is stated at the lower of cost or market. Cost of retail merchandise is determined using the first-in, first-out (FIFO) method. Cost of sales totaled \$11,935 and \$7,432 for the years ended December 31, 2016 and 2015, respectively.

Property and Equipment

Property and equipment are recorded at cost and include expenditures that substantially increase the useful life of existing facilities. Maintenance, repairs, and minor improvements are expensed when incurred. Property and equipment of the Organization is being depreciated over estimated useful lives ranging from five to ten years using the straight-line method.

Basis of Presentation

Net assets, revenues, support, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. The net assets of the Organization are classified and reported as unrestricted net assets as they are not subject to donor-imposed restrictions.

Advertising Costs

Advertising costs are charged to operations when the cash is disbursed and totaled \$165,507 and \$208,570 for the years ended December 31, 2016 and 2015, respectively.

Expense Allocation

The costs of providing the Organization's various programs and activities have been summarized on a functional basis in the Statements of Activities. Accordingly, certain expenses have been allocated among the programs and supporting services benefited. While the methods of allocation are considered appropriate, other methods could produce different results.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(6) of the Internal Revenue Code and a similar provision of state law. However, the Organization is subject to income tax on any unrelated business taxable income. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. As such, the Organization is generally exempt from income taxes. However, the Organization is required to file Federal Form 990 – Return of Organization Exempt from Income Tax which is an informational return only.

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**NASHVILLE/BROWN COUNTY CONVENTION AND  
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NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

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The Organization has filed its federal and state income tax returns for periods through December 31, 2015. These income tax returns are generally open to examination by the relevant taxing authorities for a period of three years from the later of the date the return was filed or its due date (including approved extensions).

Going Concern Evaluation

Management evaluates whether there are conditions or events that raise substantial doubt about the Organization's ability to continue as a going concern for a period of one year from the date the financial statements are available to be issued.

Subsequent Events

The Organization has evaluated events or transactions occurring subsequent to the Statement of Financial Position date for recognition and disclosure in the accompanying financial statements through the date the financial statements are available to be issued, which is October 5, 2017.

In January 2017, the Organization entered into a three-year lease agreement at \$2,500 per month for office and space to conduct business.

**2. RECENTLY ISSUED ACCOUNTING STANDARDS**

On May 28, 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The core principle of this new guidance is that "an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services". On August 12, 2015, the FASB further amended this guidance and issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606)*, which deferred the effective date for all entities by one year. These new standards, which the Organization is not required to adopt until its year ending December 31, 2019, deal with the timing of reporting revenues from contracts with customers, and disclosures related thereto.

On February 25, 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This new standard, which the Organization is not required to adopt until its year ending December 31, 2020, is intended to improve financial reporting about leasing transactions by requiring entities that lease assets to recognize on their balance sheet the assets and liabilities for the rights and obligations created by those leases, and to provide additional disclosures regarding the leases. Leases with terms (as defined in the ASU) of twelve months or less are not required to be reflected on an entity's balance sheet.

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NOTES TO FINANCIAL STATEMENTS  
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On August 18, 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)* that amends how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. This new standard, which the Organization is not required to adopt until its year ending December 31, 2018, requires improved presentation and disclosures to help not-for-profits provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. This ASU completes the first phase of a two-phase project to amend not-for-profit financial reporting requirements.

The Organization is presently evaluating the effects that these ASUs will have on its future financial statements, including related disclosures.

**3. PROPERTY AND EQUIPMENT**

A summary of property and equipment at December 31, 2016 and 2015 is as follows:

	<u>2016</u>	<u>2015</u>
Furniture and equipment	\$ 52,742	\$ 52,742
Leasehold improvements	<u>90,185</u>	<u>90,185</u>
	142,927	142,927
Less accumulated depreciation	<u>135,231</u>	<u>130,666</u>
	<u>\$ 7,696</u>	<u>\$ 12,261</u>

**4. OPERATING LEASES**

Non-cancellable operating leases for office space and various items of equipment expire in various years through October 2019. These leases generally require the Organization to pay all executory costs (property taxes, maintenance and insurance). Rental expense for all operating leases for the years ended December 31, 2016 and 2015 was \$56,311 and \$57,561, respectively.

Future minimum lease payments subsequent to December 31, 2016 are as follows:

<u>Year</u>	<u>Amount</u>
2017	\$ 4,236
2018	4,236
2019	3,530

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**NASHVILLE/BROWN COUNTY CONVENTION AND  
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NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

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**5. RETIREMENT PLAN**

The Organization had a simplified employee pension plan covering employees 21 years of age or older with over one year of employment service. This Plan was discontinued and a 401(k) plan began January 1, 2015 with the same eligibility requirements. The board of directors of the Organization determines the amount of the Organization's matching contribution to the plan. Retirement plan expense was \$10,757 and \$10,838 for the years ended December 31, 2016 and 2015, respectively.

**6. CONCENTRATIONS**

The Organization maintains its cash in bank accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. Management does not believe a significant credit risk on cash exists.

During 2016 and 2015, the Organization received 85 and 91 percent of its revenues from the Indiana Uniform County Innkeeper Tax, respectively.

**7. LINE OF CREDIT**

The Organization has a line-of-credit agreement with a bank in the amount of \$75,000, which matures December 2017. The line of credit bears interest at 1 percent over the banks' established prime rate. The applicable interest rate at December 31, 2016 was 4.75 percent. The line-of-credit agreement is secured by substantially all assets of the Organization. There were no outstanding borrowings under this line-of-credit agreement at December 31, 2016 and 2015.

**NASHVILLE/BROWN COUNTY CONVENTION AND  
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NOTES TO FINANCIAL STATEMENTS  
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**8. STATE, COUNTY AND LOCAL FUNDING**

In compliance with the Indiana State Board of Account's Guidelines for Examination of Entities Receiving Financial Assistance from Governmental Sources, state, local, and county funding must be disclosed for the current year. During 2016, the Organization received the following:

<u>Grantor</u>	
State	
Maple Syrup Grant	\$ 27,830
Mt. Bike Grant	15,000
County	
Innkeepers Tax	<u>730,000</u>
Total county and state awards	<u>\$ 772,830</u>