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September 17, 2019

Board of Directors
Evansville Convention & Visitors Bureau
401 S.E. Riverside
Evansville, IN 47113

We have reviewed the audit report of the Evansville Convention & Visitors Bureau which was opined upon by Timothy J. Otte, CPA, PC, Independent Public Accountants, for the period January 1, 2017 to December 31, 2018. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of Evansville Convention & Visitors Bureau as of December 31, 2018 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Timothy J. Otte, CPA, PC prepared the audit report in accordance with 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

Timothy J.  Otte CPA, PC

**EVANSVILLE CONVENTION AND VISITORS BUREAU
FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

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**EVANSVILLE CONVENTION AND VISITORS BUREAU
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Evansville Convention and Visitors Bureau
Evansville, Indiana 47713

We have audited the accompanying financial statements of Evansville Convention and Visitors Bureau, which comprise the statements of assets, liabilities, and net assets- modified cash basis as of December 31, 2018 and 2017, and the related statements of revenue and expenses- 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 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 misstatements, 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain 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 net assets of Evansville Convention and Visitors Bureau as of December 31, 2018 and 2017, and its revenues and expenses 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 describe 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.

Timothy J. Otte, C.P.A., P.C.



Evansville, Indiana

June 27, 2019

**EVANSVILLE CONVENTION AND VISITORS BUREAU
STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS
MODIFIED CASH BASIS
DECEMBER 31, 2018 and 2017**

ASSETS

	<u>2018</u>	<u>2017</u>
Current Assets		
Cash & Cash Equivalents- Operational	\$ 385,952	\$ 671,390
Cash & Cash Equivalents- Capital Development	5,206,957	6,915,049
Certificate of Deposit- Operational	362,640	356,302
Certificate of Deposits- Capital Development	-	510,569
Accounts Receivable- Casino Admission Tax	48,000	74,152
Total Current Assets	<u>\$ 6,003,549</u>	<u>\$ 8,527,461</u>

LIABILITIES AND NET ASSETS

Liabilities

Encumbrances	\$ -	\$ 57,000
Due to Visitors Center	1,328	996
Accruals	5,997	6,333
Total Liabilities	<u>7,324</u>	<u>64,328</u>

Net Assets Without Donor Restrictions

Tourism Promotional	754,863	992,604
Capital Development	5,241,362	7,470,530
Total Net Assets	<u>5,996,225</u>	<u>8,463,133</u>

Total Liabilities and Net Assets	<u>\$ 6,003,549</u>	<u>\$ 8,527,461</u>
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See notes to financial statements

**EVANSVILLE CONVENTION AND VISITORS BUREAU
STATEMENTS OF REVENUE AND EXPENSES- MODIFIED CASH BASIS
FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017**

	<u>Net Assets Without Donor Restrictions</u>	
	<u>2018</u>	<u>2017</u>
REVENUE		
Innkeeper Tax	\$ 3,717,593	\$ 3,549,718
Tropicana Admission Tax	163,936	202,200
Interest Income	15,382	11,026
Total Revenue	<u>3,896,911</u>	<u>3,762,944</u>
 EXPENSES		
Tourism Promotional	1,722,340	1,712,181
Capital Development	4,462,297	234,760
Management and General	236,182	226,106
Total Expenses	<u>6,420,819</u>	<u>2,173,048</u>
 CHANGE IN NET ASSETS	 (2,523,908)	 1,589,896
 NET ASSETS- beginning of year	 <u>8,520,133</u>	 <u>6,873,237</u>
 NET ASSETS- end of year	 <u>\$ 5,996,225</u>	 <u>\$ 8,463,133</u>

See notes to financial statements

**EVANSVILLE CONVENTION AND VISITORS BUREAU
STATEMENTS OF FUNCTIONAL EXPENSES- MODIFIED CASH BASIS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	Program Services			2018 Total
	Tourism Promotional	Capital Development	Management and General	
EXPENSES				
Advertising	\$ 384,533	\$ -	\$ -	\$ 384,533
Auto Lease	7,041	-	2,474	9,514
Contractual Services	495,118	-	34,688	529,805
Conventions Sales	92,176	-	-	92,176
Community Relations	6,191	-	-	6,191
Dues & Subscriptions	15,629	-	-	15,629
Grants	-	4,462,297	-	4,462,297
Insurance	17,416	-	4,354	21,770
Legal Fees	-	-	33,808	33,808
Office Expenses	-	-	8,305	8,305
Postage & Freight	9,080	-	-	9,080
Public Relations	1,317	-	-	1,317
Research	12,200	-	-	12,200
Seminars & Education	3,945	-	-	3,945
Special Events Grants	149,753	-	-	149,753
Sports Sales	45,871	-	-	45,871
Telephone	8,020	-	2,818	10,837
Travel/Mileage	52,444	-	-	52,444
Wages, Taxes & Fringes	421,608	-	149,735	571,343
Total Expenses	<u>\$ 1,722,340</u>	<u>\$ 4,462,297</u>	<u>\$ 236,182</u>	<u>\$ 6,420,819</u>

	Program Services			2017 Total
	Tourism Promotional	Capital Development	Management and General	
EXPENSES				
Advertising	\$ 501,353	\$ -	\$ -	\$ 501,353
Auto Lease	3,468	-	1,283	4,750
Contractual Services	493,556	-	36,166	529,722
Conventions Sales	100,266	-	-	100,266
Community Relations	8,399	-	-	8,399
Dues & Subscriptions	14,475	-	-	14,475
Grants	-	234,760	-	234,760
Insurance	16,401	-	6,066	22,467
Legal Fees	-	-	31,043	31,043
Office Expenses	-	-	9,735	9,735
Postage & Freight	10,970	-	-	10,970
Public Relations	131	-	-	131
Research	6,300	-	-	6,300
Seminars & Education	657	-	-	657
Special Events Grants	78,261	-	-	78,261
Sports Sales	38,044	-	-	38,044
Telephone	9,148	-	3,383	12,531
Travel/Mileage	58,094	-	-	58,094
Wages, Taxes & Fringes	372,660	-	138,430	511,090
Total Expenses	<u>\$ 1,712,181</u>	<u>\$ 234,760</u>	<u>\$ 226,106</u>	<u>\$ 2,173,048</u>

See notes to financial statements

**Evansville Convention and Visitors Bureau
Notes to Financial Statements
December 31, 2018 and 2017**

NOTE 1- NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Evansville Convention & Visitors Bureau (ECVB) serves as the official tourism organization for Evansville and Vanderburgh County, which markets and supports local hotels and attractions by developing and facilitating the convention and visitors industry in Evansville. The ECVB enhances the economy of the area by selling and marketing the region as the premier destination for conventions, meetings, sports events, recreation and business. The funding of this operation is primarily with a tax generated on hotel rooms commonly known as the Innkeepers tax, which rates must be approved by the Indiana Legislature. Since the funding is with tax revenues, the County Council must appropriate the funds and approve the annual budget.

Basis of Accounting

The ECVB prepares its financial statements 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. The ECVB records revenues from Tropicana Casino on a monthly basis and reduces the receivable when they receive funds indirectly from the State through Vanderburgh County. The ECVB also records encumbrances at year end which are then recorded as expenses at the time they are encumbered.

Basis of Presentation

The ECVB reports information regarding its financial position and activities according to two classifications of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets without Donor Restrictions- These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program related services, raising contributions, and performing administrative functions.

Net Assets with Donor Restrictions- These net assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished, the net assets are restricted.

Income Tax Status

The ECVB is exempt from filing federal and state income tax returns since it is a quasi-governmental organization.

Liquidity

Assets are presented in the accompanying statements of financial position according to their nearest conversion to cash and liabilities according to the nearness of their maturity and resulting use of cash.

**Evansville Convention and Visitors Bureau
Notes to Financial Statements
December 31, 2018 and 2017**

Cash and Cash Equivalents

For the purpose of the statement of assets, liabilities and net assets, the ECVB considers all highly liquid investments, which are readily converted into known amounts of cash and have a maturity of three months or less when acquired to be cash equivalents. At December 31, 2018 and 2017, management believes that the carrying amount of cash equivalents approximates fair value because of the short maturity of these investments.

Accounts Receivable – Casino Admission Tax

Accounts receivable are stated at the amount the ECVB expects to collect from outstanding balances. As of December 31, 2018 and 2017, management has determined, based on historical experience that all amounts are fully collectible and no allowance for doubtful accounts is necessary.

Revenue Recognition

Revenue from the Innkeepers tax is recognized when received and the estimated funds from the Casino are being recorded monthly as income. Management believes this provides a better representation of revenues since the receipt is sporadic from the State of Indiana as it relates to the Casino admissions tax even though the tax is paid on a monthly basis to the State.

Use of Estimates

The preparation of the financial statements in conformity with the modified cash basis of accounting 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 dates of the financial statements and reported amounts of expenses during the reporting periods. Actual results could differ from those estimates.

Advertising

Advertising costs are expensed as incurred. Advertising costs for the years ended December 31, 2018 and 2017 were \$384,533 and \$501,353, respectively.

Functional Allocation of Expenses

The costs of providing the various programs and supporting activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, costs have been allocated among the program and services benefited. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Expenses have been classified based on the actual direct expenditures and cost allocation based on time estimates made by management. Salaries, payroll taxes, employee benefits, retirement, and contractual services included both direct expenses and allocated expenses based on time estimates. Auto Lease, insurance and telephone are allocated solely based on time estimates.

**Evansville Convention and Visitors Bureau
Notes to Financial Statements
December 31, 2018 and 2017**

New Accounting Pronouncement

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The Organization has applied the changes retroactively to the comparative period. There is no effect on the net assets, or change in net assets of the ECVB due to the implementation of this new standard. The new standard changes the following aspects of the ECVB's financial statements:

- The unrestricted net asset class has been renamed *net assets without donor restrictions*.
- Emphasizing the amounts and purposes of board-designated net assets (Note 9).
- The financial statements include a new disclosure about liquidity and availability of resources (Note 8).
- The financial statements expand the disclosure requirements of functional expenses related to the allocation of expenses to include a description of the methods used to allocate those expenses (Note 1).

NOTE 2- RETIREMENT PLAN

The ECVB maintains an employees' Retirement Plan for eligible employees in the form of a SEP-IRA. The ECVB contributes 10% of annual compensation into each employee's individual account. The ECVB's contribution for the year ended December 31, 2018 and 2017 were \$37,325 and \$36,956, respectively.

NOTE 3- EXPENDITURES

If the ECVB's expenditures exceed any budgetary line item, they have the ability to transfer unspent funds from any budgeted account, with the exception of any budgeted account related to personnel expenses, to cover the overspent account. This transfer must be reported when submitting year-end financial information provided by the ECVB's accounting firm to the County Council and County Auditor.

NOTE 4- CONCENTRATIONS

The ECVB has deposits at local financial institutions which are in excess of the insured limits of the Federal Deposit Insurance Corporation (FDIC). These deposits exceeded available insurance by \$4,955,349 at December 31, 2018 and \$7,453,110 at December 31, 2017. These financial institutions have not made any guarantees on these deposits in addition to the FDIC guarantee. ECVB has not experienced any losses and does not believe that significant credit risk exist as a result of this practice.

NOTE 5- RELATED PARTY

The ECVB pays the Evansville Visitors Center, Inc. a monthly stipend of \$10,000 for 2017 and \$7,500 for 2018. This stipend is used to fund the Visitors Centers operations and to provide office space for the ECVB. In addition, the Visitor Center is reimbursed for expenses attributed to the ECVB. The Visitors Center and the ECVB also have a common governance board.

**Evansville Convention and Visitors Bureau
Notes to Financial Statements
December 31, 2018 and 2017**

NOTE 6 - SCHEDULE OF REVENUE- SBOA

The following is a schedule of revenue as required by the State Board of Accounts (SBOA) prepared on a cash basis.

	<u>Tourism</u>	<u>Capital Develop.</u>	<u>2018 Total</u>
Innkeepers Tax	\$ 1,548,997	\$ 2,168,596	\$ 3,717,593
Tropicana Admission Tax	281,858	-	281,858
	<u>\$ 1,830,855</u>	<u>\$ 2,168,596</u>	<u>\$ 3,999,450</u>

	<u>Tourism</u>	<u>Capital Develop.</u>	<u>2017 Total</u>
Innkeepers Tax	\$ 1,479,049	\$ 2,070,669	\$ 3,549,718
Tropicana Admission Tax	190,088	-	190,088
	<u>\$ 1,669,137</u>	<u>\$ 2,070,669</u>	<u>\$ 3,739,806</u>

Admission tax reflects actual cash collected and differs than what is recorded on the statements of revenues and expenses- modified cash basis which is based on estimates due to timing of collections.

NOTE 7 - ENCUMBRANCES

The Organization provides a balance sheet compiled by their accounting firm to the County Auditor and can request that the County Auditor approve the encumbrance of unspent budgeted funds at the year end. The unspent funds, if approved, are then encumbered and they can be spent in addition to the budgeted funds during the next budgetary period.

A summary of the funds encumbered at December 31, 2018 and 2017 are as follows:

<u>Description</u>	<u>2018</u>	<u>2017</u>
Capital Devel.- Sports Complex	-	57,000
	<u>\$ -</u>	<u>\$ 57,000</u>

**Evansville Convention and Visitors Bureau
Notes to Financial Statements
December 31, 2018 and 2017**

NOTE 8- LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

As of December 31, 2018, ECVB has \$6,003,549 of financial assets available within one year of the statement of asset, liabilities and net assets date to meet cash needs for general expenditures consisting of cash and equivalents of \$385,952 and a certificate of deposit of \$362,640 to be used for operations, cash and equivalents of \$5,206,957 to be used for capital development, and accounts receivable of \$48,000 from casino admission tax to be used for operations. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general or capital development expenditures within one year of the statement of assets, liabilities, and net assets date. The casino admission tax accounts receivable are subject to time restrictions but are normally collected within four months. ECVB's objective is to maintain liquid financial assets without donor restrictions sufficient to cover 60 days of operating expenditures. As part of its liquidity plan, ECVB has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations become due. Of the \$385,952 listed above, ECVB has set aside \$364,058 in a savings account to be drawn upon in the event of financial distress or an immediate liquidity need which is enough on the average to cover 60 days of normal operating expenditures.

NOTE 9- BOARD DESIGNATED NET ASSETS

At December 31, 2018, ECVB has \$5,206,957 specifically designated for capital improvement projects, with \$1,090,000 contractually obligated to pay the bond debt related to the Evansville Sports Complex. \$4,696,967 is available for immediate access in two savings accounts and one money market account, with \$509,990 in a six month certificate of deposit that was transferred to a money market on March 22, 2019.

At December 31, 2017, ECVB has \$7,425,618 specifically designated for capital improvement projects, with \$1,090,000 contractually obligated to pay the bond debt related to the Evansville Sports Complex. \$6,154,380 is available for immediate access in one money market account and one savings account with \$1,271,238 invested in certificates of deposit subject to maturity dates.

NOTE 10- SUBSEQUENT EVENTS

The ECVB has evaluated subsequent events and transactions through June 27, 2019, the date the financial statements were available to be issued. There were no subsequent events that require recognition in the financial statements.