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September 26, 2019

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 audit report of Nashville/Brown County Convention and Visitors Bureau, Inc. which was opined upon by Blue & Co., LLC, Independent Public Accountants, for the period January 1, 2018 to December 31, 2018. Per the *Independent Auditors' Report* 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, 2018 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 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, CPA
State Examiner

NASHVILLE/BROWN COUNTY CONVENTION AND VISITORS BUREAU, INC.

FINANCIAL STATEMENTS

(MODIFIED CASH BASIS)

DECEMBER 31, 2018 AND 2017

CPAs / ADVISORS



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

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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, 2018 and 2017, and the related statements of activities – modified cash basis, and cash flows – modified cash basis for the years then ended, the related statement of functional expenses – modified cash basis for the year ended December 31, 2018, 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, 2018 and 2017, 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.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, effective January 1, 2018, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statement of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

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

July 15, 2019

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

STATEMENTS OF FINANCIAL POSITION – MODIFIED CASH BASIS
DECEMBER 31, 2018 AND 2017

ASSETS

	<u>2018</u>	<u>2017</u> As Restated
Cash	\$ 91,996	\$ 102,092
Restricted cash	-0-	185,566
Inventory	7,226	8,894
Property and equipment, net	<u>467,377</u>	<u>364,010</u>
	<u>\$ 566,599</u>	<u>\$ 660,562</u>

LIABILITIES AND NET ASSETS

Liabilities

Taxes withheld or collected	\$ 593	\$ -0-
Assets held for others	<u>-0-</u>	<u>185,566</u>
Total liabilities	593	185,566

Net assets

Without donor restrictions	<u>566,006</u>	<u>474,996</u>
	<u>\$ 566,599</u>	<u>\$ 660,562</u>

See accompanying notes to financial statements.

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

STATEMENTS OF ACTIVITIES – MODIFIED CASH BASIS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017 As Restated
Revenues and support		
Claims from Brown County Convention and Visitors Commision	\$ 712,500	\$ 912,500
Interest income	37	93
Retail sales	11,831	1,379
Website and other promotional revenue	55,023	24,790
Total revenues and support	779,391	938,762
Expenses		
Programs		
Marketing	337,457	288,314
Visitors Center	253,109	151,223
Total program expenses	590,566	439,537
Management and general	97,815	111,914
Total expenses	688,381	551,451
Change in net assets without donor restrictions	91,010	387,311
Net assets without donor restrictions, beginning of year	474,996	87,685
Net assets without donor restrictions, end of year	\$ 566,006	\$ 474,996

See accompanying notes to financial statements.

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

STATEMENT OF FUNCTIONAL EXPENSES – MODIFIED CASH BASIS
YEARS ENDED DECEMBER 31, 2018

	Programs			Management and General	Total
	Marketing	Visitors Center	Total		
Salaries	\$ 97,335	\$ 82,875	\$ 180,210	\$ 38,460	218,670
Payroll taxes	7,854	6,687	14,541	3,104	17,645
Employee benefits	9,366	7,974	17,340	3,701	21,041
Pension/profit sharing	4,517	3,846	8,363	1,785	10,148
Advertising	88,331	-0-	88,331	-0-	88,331
Marketing	34,050	1,107	35,157	2,817	37,974
Insurance	-0-	601	601	1,511	2,112
Professional services	-0-	52	52	12,518	12,570
Professional development	-0-	4,675	4,675	-0-	4,675
Media promotions	12,091	-0-	12,091	-0-	12,091
Office supplies	-0-	13,471	13,471	6,244	19,715
Telephone	-0-	10,384	10,384	2,362	12,746
Rent and leases	-0-	38,040	38,040	16,146	54,186
Agency	72,305	-0-	72,305	-0-	72,305
Depreciation	3,425	55,195	58,620	724	59,344
Loss on disposals	-0-	-0-	-0-	693	693
Visitors guide ad cost of sales	4,160	16,318	20,478	-0-	20,478
Retail cost of sales	-0-	6,554	6,554	-0-	6,554
Vehicle	-0-	-0-	-0-	265	265
Holiday promotion	4,023	-0-	4,023	-0-	4,023
Bank service charges	-0-	1,827	1,827	837	2,664
Interest expense	-0-	-0-	-0-	2,065	2,065
Repairs and maintenance	-0-	3,503	3,503	4,583	8,086
Total expense	<u>\$ 337,457</u>	<u>\$ 253,109</u>	<u>\$ 590,566</u>	<u>\$ 97,815</u>	<u>\$ 688,381</u>

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, 2018 AND 2017

	2018	2017
Operating activities		
Change in net assets	\$ 91,010	\$ 387,311
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	59,344	1,620
Loss on disposal of property and equipment	693	4,660
Changes in operating assets and liabilities:		
Restricted cash	185,566	(124,790)
Inventory	1,668	(1,376)
Taxes withheld or collected	593	(1,022)
Assets held for others	(185,566)	124,790
Net cash flows from operating activities	153,308	391,193
Investing activities		
Purchases of property and equipment	(163,404)	(362,594)
Net change in cash	(10,096)	28,599
Cash, beginning of year	102,092	73,493
Cash, end of year	\$ 91,996	\$ 102,092
Supplemental disclosure of cash flow information		
Interest paid	\$ 2,065	\$ 777

See accompanying notes to financial statements.

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

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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 pertained to amounts belonging to the Commission, which were being held by the Organization and required to be held in separate bank account. These funds were spent as directed by the Commission and closed out in 2018.

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

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Inventory

Inventory consists of retail merchandise that pertains to Brown County, Indiana. Inventory is stated at the lower of cost or net realizable value. Cost of retail merchandise is determined using the first-in, first-out (FIFO) method. Cost of sales totaled \$6,554 and \$1,554 for the years ended December 31, 2018 and 2017, 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 three to eight years using the straight-line method.

Basis of Presentation

The accompanying financial statements have been prepared on the modified cash basis of accounting, and have been prepared with a focus on the entity as a whole. Net assets, support, revenues, gains, and losses are classified based on the existence or absence of donor restrictions. Net assets that are currently available for operating purposes under the direction of the board are classified and reported as net assets without donor restrictions. Currently, the Organization does not have any net assets subject to donor stipulations for specific purposes or time restrictions.

Advertising Costs

Advertising costs are charged to operations when the cash is disbursed and totaled \$88,331 and \$15,093 for the years ended December 31, 2018 and 2017, 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 and Statement of Functional Expenses. Accordingly, certain expenses have been allocated among the programs and supporting services benefited.

The financial statements report expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. All expenses are allocated on the basis of estimates of time, effort, and usage. While the methods of allocation are considered appropriate, other methods could produce different results.

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

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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.

The Organization has filed its federal and state income tax returns for periods through December 31, 2017. 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 July 15, 2019.

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

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

2. CHANGE IN ACCOUNTING PRINCIPLE

Effective January 1, 2018, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU simplifies and improves how a not-for-profit organization classifies its net assets, as well as information it presents in the financial statements and notes about its liquidity, financial performance and cash flows. The Organization has adjusted the presentation of its 2018 financial statements herein and retrospectively restated the prior year financial statements. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and the availability of resources (Note 7), and disclosures related to the functional allocation of expenses were expanded (Note 1).

The impact of the adoption of ASU No. 2016-14 on the Organization's net assets are as follows:

Statement of Financial Position

	As previously stated, December 31, 2017	Adjustment	As restated December 31, 2017
Unrestricted net assets	\$ 474,996	\$ (474,996)	\$ -0-
Without donor restrictions	<u>-0-</u>	<u>474,996</u>	<u>474,996</u>
Total net assets	<u>\$ 474,996</u>	<u>\$ -0-</u>	<u>\$ 474,996</u>

Statement of Activities

	As previously stated, December 31, 2017	Adjustment	As restated December 31, 2017
Changes in unrestricted net assets	\$ 387,311	\$ (387,311)	\$ -0-
Changes in net assets with donor restrictions	<u>-0-</u>	<u>387,311</u>	<u>387,311</u>
Total changes in net assets	<u>\$ 387,311</u>	<u>\$ -0-</u>	<u>\$ 387,311</u>

There was no significant impact to the statement of cash flows as a result of adopting this ASU.

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

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

3. PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Furniture and equipment	\$ 28,696	\$ 31,296
Leasehold improvements	464,348	-0-
Website	61,650	-0-
Construction in process	<u>-0-</u>	<u>362,594</u>
	554,694	393,890
Less accumulated depreciation	<u>87,317</u>	<u>29,880</u>
	<u>\$ 467,377</u>	<u>\$ 364,010</u>

4. ASSETS HELD FOR OTHERS

Assets held for others represent funds placed on deposit with the Organization by the Brown County Convention and Visitors Commission (the "Commission"). The Organization accounts for these transfers as a liability in accordance with standards set forth by the Financial Accounting Standards Board. Contributions received and distributions on behalf of the Commission are reflected as adjustments to the liability account and are not reflected in the Statements of Activities.

Following is a progression of assets held for others during 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 185,566	\$ 60,776
Contributions	-0-	177,595
Transfer to the Commission	(63,467)	-0-
Disbursements	<u>(122,099)</u>	<u>(52,805)</u>
Ending balance	<u>\$ -0-</u>	<u>\$ 185,566</u>

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

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

5. OPERATING LEASES

Non-cancellable operating leases for office space and various items of equipment expire in various years through August 2020 with optional renewal terms through January 2026. 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, 2018 and 2017 was \$54,186 and \$45,289, respectively.

Future minimum lease payments subsequent to December 31, 2018 are as follows:

<u>Year</u>	<u>Amount</u>
2019	\$ 49,029
2020	3,297

6. RETIREMENT PLAN

The Organization has a 401(k) plan covering employees 21 years of age or older with over one year of employment service. The board of directors of the Organization determines the amount of the Organization's matching contribution to the plan. Retirement plan expense was \$10,148 and \$9,783 for the years ended December 31, 2018 and 2017, respectively.

7. LIQUIDITY AND AVAILABILITY

The Organization has \$91,966 of financial assets available within one year of the Statement of Financial Position date to meet cash needs for general expenditures consisting of cash that is not subject to donor or other contractual restrictions. As more fully described in Note 9, the Organization also has a line of credit in the amount of \$125,000, which it could draw upon in the event of unanticipated liquidity needs. The Organization also has a five-year contractual agreement with the Commission to receive a minimum of \$712,500 each year through 2023.

8. 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 2018 and 2017, the Organization received 91 and 97 percent of its revenues from the Indiana Uniform County Innkeeper Tax, respectively.

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

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

9. LINE OF CREDIT

The Organization has a line-of-credit agreement with a bank in the amount of \$125,000, which matures December 2019. The line of credit bears interest at 1 percent over the bank's established prime rate. The applicable interest rate at December 31, 2018 was 6.35 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, 2018 and 2017.

10. 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 2018, the Organization received the following:

Grantor	
<hr/>	
County	
Innkeepers Tax	<u>\$ 712,500</u>

11. RECENTLY ISSUED ACCOUNTING STANDARDS

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.

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