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STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

December 11, 2019

Board of Directors  
Hamilton County Tourism, Inc.  
37 E Main Street  
Carmel, IN 46032

We have reviewed the audit report of Hamilton County Tourism, Inc. which was opined upon by Peachin, Schwartz & Weingardt, PC, Independent Public Accountants, for the period January 1, 2018 to December 31, 2018. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of Hamilton County Tourism, 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, Peachin, Schwartz & Weingardt, 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.

A handwritten signature in blue ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA  
State Examiner



**HAMILTON COUNTY TOURISM, INC.**

**FINANCIAL STATEMENTS**

**YEAR ENDED  
DECEMBER 31, 2018**

**HAMILTON COUNTY TOURISM, INC.**

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**YEAR ENDED DECEMBER 31, 2018**

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**PEACHIN, SCHWARTZ & WEINGARDT, P.C.**  
*Certified Public Accountants*

**INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Hamilton County Tourism, Inc.  
Carmel, IN

**Report on the Financial Statements**

We have audited the accompanying financial statements of Hamilton County Tourism, Inc. (the "Organization"), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities and changes in net assets, functional expenses, and cash flows 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 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 auditors' 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 Organization'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 Organization'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 Hamilton County Tourism, Inc. as of December 31, 2018, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Peachin, Schwartz & Weingardt, P.C.*

July 26, 2019  
Indianapolis, Indiana

# HAMILTON COUNTY TOURISM, INC.

## STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2018

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### ASSETS (Notes 3 and 4)

**Current assets:**

Cash and cash equivalents	\$ 710,595
Restricted cash - board designated replacement reserves	74,229
Accounts receivable	57,893
Prepaid expenses (Note 5)	240,294
<i>Total current assets</i>	<u>1,083,011</u>

**Property and equipment, net (Note 4)** 946,366

*Total assets* \$ 2,029,377

### LIABILITIES AND NET ASSETS

**Current liabilities:**

Accounts payable	\$ 79,917
Accrued expenses	31,108
Accrued payroll and compensated absences	135,164
Deferred revenue	38,248
<i>Total current liabilities</i>	<u>284,437</u>

**Commitments and contingencies (Note 6)**

**Net assets**

Net assets without donor restrictions	<u>1,744,940</u>
	<u>1,744,940</u>

*Total liabilities and net assets* \$ 2,029,377

**HAMILTON COUNTY TOURISM, INC.**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEAR ENDED DECEMBER 31, 2018**

	<b>Net Assets Without Donor Restrictions</b>	<b>Net Assets With Donor Restrictions</b>	<b>Total</b>
<b>Revenues and support</b>			
Hamilton County Visitors and Convention Commission	\$ 4,864,253	\$ -	\$ 4,864,253
White River Regional Plan contributions	-	65,000	65,000
Memberships	37,889	-	37,889
Advertising co-op revenues	64,670	-	64,670
Interest income	90	-	90
Loss on disposal of equipment	(381)	-	(381)
Net assets released from restrictions	65,000	(65,000)	-
<b>Total revenues and support</b>	<b>5,031,521</b>	<b>-</b>	<b>5,031,521</b>
<b>Expenses</b>			
Program expense	4,791,846	-	4,791,846
Management and general expense	440,951	-	440,951
<b>Total expenses</b>	<b>5,232,797</b>	<b>-</b>	<b>5,232,797</b>
<b>Change in net assets</b>	<b>(201,276)</b>	<b>-</b>	<b>(201,276)</b>
Net assets, beginning of year, as previously reported	996,527	949,689	1,946,216
Prior period adjustment (Note 10)	949,689	(949,689)	-
Net assets, beginning of year, restated	1,946,216	-	1,946,216
<b>Net assets, end of year</b>	<b>\$ 1,744,940</b>	<b>\$ -</b>	<b>\$ 1,744,940</b>

See Independent Auditors' Report and Notes to Financial Statements.

# HAMILTON COUNTY TOURISM, INC.

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018

	<u>Program</u>	<u>Management and general</u>	<u>Total</u>
Advertising	\$ 2,116,792	\$ -	\$ 2,116,792
Salaries	1,008,555	286,167	1,294,722
Grants disbursed	979,279	-	979,279
Other employee benefits	200,702	55,720	256,422
Payroll taxes	75,919	21,045	96,964
Office expense	68,183	4,546	72,729
Conferences and meetings	66,822	-	66,822
Pension	46,878	7,631	54,509
Occupancy	46,151	7,513	53,664
Depreciation	44,157	7,188	51,345
Information technology	40,620	6,612	47,232
Equipment rent, repair, and maintenance	27,030	4,400	31,430
Dues and subscriptions	29,404	-	29,404
Insurance	19,798	3,223	23,021
Travel	20,125	-	20,125
Legal fees	-	15,265	15,265
Accounting fees	-	11,500	11,500
Other professional fees	-	9,908	9,908
Property taxes	1,431	233	1,664
<i>Total functional expenses</i>	<u>\$ 4,791,846</u>	<u>\$ 440,951</u>	<u>\$ 5,232,797</u>

See Independent Auditors' Report and Notes to Financial Statements.

# HAMILTON COUNTY TOURISM, INC.

## STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2018

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<b>Cash flows from operating activities:</b>	
Decrease in net assets	\$ (201,276)
<b>Adjustments to reconcile decrease in net assets to net cash used in operating activities:</b>	
Depreciation and amortization	51,345
Loss on disposal of equipment	381
(Increase) decrease in:	
Trade accounts receivable	(40,068)
Prepaid expenses	(45,178)
Increase (decrease) in:	
Accounts payable	(173,409)
Deferred revenue	1,719
Accrued payroll and compensated absences	17,814
Accrued expenses	27,636
<b>Total adjustments</b>	<u>(159,760)</u>
<b>Net cash used in operating activities</b>	<u>(361,036)</u>
 <b>Cash flows from investing activities:</b>	
Capital expenditures	(18,519)
<b>Net cash used in investing activities</b>	<u>(18,519)</u>
 <b>Net decrease in cash</b>	(379,555)
 Cash, beginning of year	<u>1,164,379</u>
 <b>Cash, end of year</b>	<u><u>\$ 784,824</u></u>

# HAMILTON COUNTY TOURISM, INC.

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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1. *Nature of operations and summary of significant accounting policies:*

***Nature of operations:***

Hamilton County Tourism, Inc. ("HCT" or "Organization") is an Indiana 501(c)(6) non-profit organization incorporated on June 28, 1990. HCT's purpose is to promote and encourage conventions, trade shows, visitors, tourism, festivals and other special events in Hamilton County, Indiana. The mission of HCT is to promote tourism growth through strategic marketing, hospitality and community development initiatives. The Organization's revenues and other support are derived principally from an annual renewable contract with the Hamilton County Visitors and Convention Commission (the "Commission"), a governmental body. Under the terms of the contract, the Commission pays a portion of the funds collected from the Hamilton County Innkeeper's tax to the Organization. The funds must be used by the Organization for administration and to fulfill its principal activities.

***Summary of significant accounting policies:***

The following is a summary of significant accounting policies followed in the preparation of the accompanying financial statements:

***Basis of presentation***

The financial statements of the Organization have been prepared on the accrual basis of accounting. The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restriction.

Net Assets Without Donor Restrictions – Net assets that are not subject to or are no longer subject to donor-imposed restrictions.

Net Assets With Donor Restrictions – Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Expirations of donor restrictions on the net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. The Organization has adopted a policy to classify donor restricted contributions as with donor restrictions even if the donor restrictions were met in the year the contribution was received.

# HAMILTON COUNTY TOURISM, INC.

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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1. *Nature of operations and summary of significant accounting policies (continued):*

*Summary of significant accounting policies (continued):*

*Use of estimates*

Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities and the 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. Actual results could differ materially from those estimates. These estimates are based on historical experience and information that is available to management about current events and actions that the Organization may take in the future. Significant items subject to estimates and assumptions include, but are not limited to, the carrying value of long-lived assets; valuation allowances for receivables; and depreciable lives of long-lived assets.

*Support and expense*

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a stipulated time restriction ends or the purpose for restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activity as net assets released from restrictions.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

*Property and equipment*

The Organization reports gifts of goods and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

# HAMILTON COUNTY TOURISM, INC.

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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1. *Nature of operations and summary of significant accounting policies (continued):*

*Summary of significant accounting policies (continued):*

***Property and equipment (continued)***

Property and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization are provided by use of the straight-line method over the estimated useful lives of the related assets. Estimated useful lives by major asset category are as follows:

<u>Asset category</u>	<u>Life (In Years)</u>
Building	30-40
Equipment and fixtures	5-40
Computer equipment	5-7
Software	5-7

Fully depreciated assets are retained in property and accumulated depreciation accounts until they are removed from service. When property or equipment is sold or otherwise disposed of, the related cost and accumulated depreciation is removed from the respective accounts and the gain or loss realized on disposition is reflected in earnings. Expenditures for maintenance, repairs and minor renewals are expensed as incurred. Major overhauls that extend the useful lives of existing assets are capitalized.

The Organization evaluates property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When undiscounted future cash flows will not be sufficient to recover an asset's carrying amount, the asset is written down to its fair value.

***Cash and cash equivalents***

For the purpose of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of twelve months or less to be cash equivalents. Restricted cash is combined with cash and cash equivalents for purposes of the statement of cash flows.

***Profit sharing plan***

Employees of HCT may participate in a Safe Harbor 401(k) savings plan (the "Plan"). Contributions to the Plan are comprised of elective contributions by HCT's employees and matching contributions by HCT. During the year ended December 31, 2018, HCT made matching contributions totaling \$54,509 to the Plan. Although HCT has not expressed any intent to do so, it has the right under

# HAMILTON COUNTY TOURISM, INC.

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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1. *Nature of operations and summary of significant accounting policies (continued):*

*Summary of significant accounting policies (continued):*

***Profit sharing plan (continued)***

the Plan to discontinue its contributions and to terminate the Plan subject to the provisions of the Employee Retirement Income Security Act.

***Income taxes***

The Internal Revenue Service has determined that the Organization meets the requirements of the Internal Revenue Code and is exempt from federal income tax under Section 501(c)(6) of the Code.

***Concentrations of credit risk***

Financial instruments that potentially subject the Organization to credit risk consist principally of cash.

HCT attempts to minimize credit risk by maintaining its cash deposits with major banks and financial institutions. Accounts at each such institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. Management of the Organization does not expect any counterparties to fail to meet their obligations.

***Advertising costs***

The Organization expenses advertising costs as they are incurred. During the year ended December 31, 2018, the Organization expensed \$2,116,792 in advertising costs.

***New accounting pronouncement***

During the year ended December 31, 2018, the Organization adopted the requirements of the Financial Accounting Standards Board's Accounting Standards Update No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). This Update addresses the liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. A key change required by ASU 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions. A footnote on liquidity has also been added (Note 9).

# HAMILTON COUNTY TOURISM, INC.

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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1. *Nature of operations and summary of significant accounting policies (continued):*

*Summary of significant accounting policies (continued):*

*Date of management's review*

The date to which events occurring after December 31, 2018, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosure is July 26, 2019 which is the date the financial statements were available to be issued.

2. *Public support and concentration risk:*

During the year ended December 31, 2018, most of HCT's public support revenue was provided by the Hamilton County Visitors & Convention Commission ("HCVCC"). This revenue amounted to \$4,864,253 for 2018, which represented 96.9% of the total revenue of the Organization for the year.

3. *Accounting and budget:*

The Organization develops its annual cash-basis expense budget based on the expected annual cash revenue. Projected budget expenditures may vary from the expenses in these statements because of the difference between the cash basis and the accrual basis of accounting.

4. *Property and equipment:*

Property and equipment at December 31, 2018, consisted of the following:

Building	\$	969,360
Equipment and fixtures		235,167
Computer equipment		108,902
Software		103,574
		<u>1,417,003</u>
Less accumulated depreciation and amortization		<u>(512,037)</u>
		904,966
Land		<u>41,400</u>
	\$	<u>946,366</u>

During the year ended December 31, 2018, depreciation and amortization expense amounted to \$51,345.

# HAMILTON COUNTY TOURISM, INC.

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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### 5. *Prepaid expenses:*

At December 31, 2018, the Organization's prepaid expenses are comprised of the following:

Prepaid program expenses	\$	176,748
Prepaid in-kind trade		35,738
Prepaid dues and subscriptions		20,924
Prepaid rent and utilities		6,884
	\$	<u>240,294</u>

### 6. *Commitments and contingencies:*

#### *Operating leases*

HCT leases office space in Carmel, Indiana. The lease began in October 2016 and was renewed in October 2018. The lease expires September 2019 and has a monthly rent payable in the amount of \$1,998.

HCT also has various non-cancelable long-term operating leases on equipment and automobiles expiring through April 2023. Future minimum lease payments remaining under the long-term operating leases at December 31, 2018 are as follows: 2019 - \$33,445; 2020 - \$10,566; 2021 - \$3,473; 2022 - \$1,379; and 2023 - \$345.

Payments related to the long-term operating leases during 2018 were \$46,595 and have been included in operating expenses.

#### *Guarantees*

HCT is the guarantor of a face value \$550,000 term loan between Nickel Plate Heritage Railroad, Inc. ("NPHRR") and a bank. Amounts outstanding under the loan at December 31, 2018 totaled \$540,833. The loan matures on October 24, 2023, requires monthly principal and interest payments of \$4,583 and requires a balloon payment of \$280,923 at maturity. At December 31, 2018, NPHRR was current with their obligations under the loan agreement.

### 7. *Significant suppliers:*

HCT's largest supplier accounted for approximately 22% of expenditures during the year ended December 31, 2018. It is management's opinion that alternate suppliers could be used if the current supplier terminated operations.

# HAMILTON COUNTY TOURISM, INC.

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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**8. *Functional allocation of expenses:***

The cost of providing the various programs and other activities has been summarized on the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and other activities benefited. Labor costs and benefits were allocated based on the amount of time spent in the activities. All other costs were allocated based on actual expenses or a reasonable estimate of the amount used in the activity.

**9. *Liquidity and availability of financial assets:***

The Organization's primary source of support is derived from HCVCC (see Note 2). The Organization's objective is to maintain liquid financial assets without donor restrictions to cover 90 days of program expenditures. As shown on the face of the statement of financial position, and summarized below, most of the Organization's financial assets are not subject to donor-imposed restrictions on use:

Financial assets available within one year and free of donor restrictions:

Cash and cash equivalents	\$	710,595
Accounts receivable		57,893
Available without restriction within one year		<u>768,488</u>
Financial assets held as board-designated reserves		<u>74,229</u>
Total financial assets	\$	<u>842,717</u>

**10. *Prior period adjustment:***

Net assets without donor restrictions and net assets with donor restrictions as of December 31, 2017 have been restated to reflect the correction of a classification error in previously issued financial statements. Net assets without donor restrictions has been increased by \$949,689 and net assets with donor restrictions has been decreased by a similar amount as of December 31, 2017 to reflect the correction of this error.