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January 24, 2020

Board of Directors
Kosciusko County Convention and Visitors Bureau, Inc.
111 Capital Drive
Warsaw, IN 46580

We have reviewed the audit report of Kosciusko County Convention and Visitors Bureau, Inc., which was opined upon by Dahms & Yarian, Inc., 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 Kosciusko 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, Dahms & Yarian, Inc. prepared the audit report in accordance with the 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

KOSCIUSKO COUNTY CONVENTION AND
VISITORS BUREAU, INC.
Warsaw, Indiana

FINANCIAL STATEMENTS

Years Ended December 31, 2018 and 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Kosciusko County Convention and Visitors Bureau, Inc.

We have audited the accompanying financial statements of Kosciusko County Convention and Visitors Bureau, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses and cash flows 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 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.

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 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.

Since 1943

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kosciusko County Convention and Visitors Bureau, Inc. 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 accounting principles generally accepted in the United States of America.

Dahms & Yarian, Inc.

Warsaw, Indiana
September 25, 2019

KOSCIUSKO COUNTY CONVENTION AND
VISITORS BUREAU, INC.

STATEMENTS OF FINANCIAL POSITION
December 31, 2018 and 2017

ASSETS	<u>2018</u>	<u>2017</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 92,633	\$ 129,394
Accounts receivable	950	1,250
Prepaid expenses	22,765	9,659
Total Current Assets	<u>\$ 116,348</u>	<u>\$ 140,303</u>
PROPERTY AND EQUIPMENT		
Land	\$ 125,169	\$ 125,169
Land improvements	31,875	31,875
Building	265,422	265,422
Office equipment	85,053	83,339
	<u>\$ 507,519</u>	<u>\$ 505,805</u>
Less: accumulated depreciation	253,251	238,204
Property and Equipment - Net	<u>\$ 254,268</u>	<u>\$ 267,601</u>
	<u><u>\$ 370,616</u></u>	<u><u>\$ 407,904</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 4,127	\$ 5,845
Accrued liabilities and expenses	10,700	7,899
Unearned revenue	81,816	82,872
Total Current Liabilities	<u>\$ 96,643</u>	<u>\$ 96,616</u>
NET ASSETS		
Net assets without donor restrictions	<u>\$ 273,973</u>	<u>\$ 311,288</u>
	<u><u>\$ 370,616</u></u>	<u><u>\$ 407,904</u></u>

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

KOSCIUSKO COUNTY CONVENTION AND
VISITORS BUREAU, INC.

STATEMENTS OF ACTIVITIES
Years ended December 31, 2018 and 2017

	2018	2017
SUPPORT AND REVENUE		
Commission contract	\$ 347,000	\$ 340,000
Visitor guide	82,041	94,065
Grant income	4,300	-0-
Other income	5,711	15,892
Interest	86	89
Total support and revenue	\$ 439,138	\$ 450,046
EXPENSES		
Program services	\$ 317,669	\$ 286,584
Management and general	158,784	144,510
Total expenses	\$ 476,453	\$ 431,094
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	\$ (37,315)	\$ 18,952
NET ASSETS WITHOUT DONOR RESTRICTIONS AT BEGINNING OF YEAR	311,288	292,336
NET ASSETS WITHOUT DONOR RESTRICTIONS AT END OF YEAR	\$ 273,973	\$ 311,288

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

KOSCIUSKO COUNTY CONVENTION AND
VISITORS BUREAU, INC.

SCHEDULE OF FUNCTIONAL EXPENSES
Year ended December 31, 2018

	PROGRAM SERVICES	MANAGEMENT & GENERAL	TOTAL
Salaries and wages	\$ 59,546	\$ 110,585	\$ 170,131
Payroll tax expense	4,822	8,955	13,777
Total Salaries and Payroll Expenses	\$ 64,368	\$ 119,540	\$ 183,908
Advertising	98,954	-0-	98,954
Bank charges	1,300	52	1,352
Computer support	8,651	-0-	8,651
Depreciation	3,762	11,285	15,047
Dues and subscriptions	6,718	1,928	8,646
Grant expenses	4,300	-0-	4,300
Insurance	1,481	442	1,923
Leased equipment	-0-	2,585	2,585
Legal and accounting	-0-	14,009	14,009
Meals and entertainment	250	-0-	250
Meetings	2,724	-0-	2,724
Postage	852	150	1,002
Promotional	3,538	-0-	3,538
Property taxes	6	-0-	6
Publications and printing	79,417	-0-	79,417
Repairs and maintenance	21,865	713	22,578
Sales expenses	157	-0-	157
Special events	3,996	-0-	3,996
Supplies	4,969	2,173	7,142
Telephone	5,258	-0-	5,258
Training	-0-	521	521
Travel	3,371	188	3,559
Utilities	1,732	5,198	6,930
Total Expenses	\$ 317,669	\$ 158,784	\$ 476,453

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

KOSCIUSKO COUNTY CONVENTION AND
VISITORS BUREAU, INC.

SCHEDULE OF FUNCTIONAL EXPENSES
Year ended December 31, 2017

	PROGRAM SERVICES	MANAGEMENT & GENERAL	TOTAL
Salaries and wages	\$ 53,885	\$ 100,071	\$ 153,956
Payroll tax expense	5,219	9,693	14,912
Total Salaries and Payroll Expenses	\$ 59,104	\$ 109,764	\$ 168,868
Advertising	84,989	-0-	84,989
Bank charges	1,321	102	1,423
Computer support	13,628	-0-	13,628
Depreciation	3,746	11,237	14,983
Dues and subscriptions	4,050	460	4,510
Insurance	3,103	927	4,030
Miscellaneous	-0-	2,624	2,624
Leased equipment	-0-	3,404	3,404
Legal and accounting	-0-	8,342	8,342
Meals and entertainment	192	-0-	192
Meetings	1,185	-0-	1,185
Postage	1,756	310	2,066
Promotional	2,808	-0-	2,808
Property taxes	6	-0-	6
Publications and printing	77,328	-0-	77,328
Repairs and maintenance	15,303	500	15,803
Special projects	6,322	-0-	6,322
Supplies	1,352	2,028	3,380
Telephone	6,190	-0-	6,190
Training	-0-	623	623
Travel	2,878	222	3,100
Utilities	1,322	3,967	5,289
Loss on disposal	1	-0-	1
Total Expenses	\$ 286,584	\$ 144,510	\$ 431,094

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

KOSCIUSKO COUNTY CONVENTION AND
VISITORS BUREAU, INC.

STATEMENTS OF CASH FLOWS
Years ended December 31, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (37,315)	\$ 18,952
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	15,047	14,983
(Gain)/loss on asset disposal	-0-	1
(Increase) decrease in:		
Accounts receivable	300	1,120
Prepaid expenses	(13,106)	3,253
Increase (decrease) in:		
Accounts payable	(1,718)	(30,597)
Accrued liabilities and expenses	2,801	(1,816)
Unearned revenue	(1,056)	(3,389)
Net Cash Provided (Used) by Operating Activities	\$ (35,047)	\$ 2,507
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	\$ (1,714)	\$ (941)
Net Cash Provided (Used) by Investing Activities	\$ (1,714)	\$ (941)
NET CASH PROVIDED (USED)	\$ (36,761)	\$ 1,566
CASH AT BEGINNING OF YEAR	129,394	127,828
CASH AT END OF YEAR	\$ 92,633	\$ 129,394

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

KOSCIUSKO COUNTY CONVENTION AND
VISITORS BUREAU, INC.NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Activity – The Kosciusko County Convention and Visitors Bureau, Inc. (the Organization) is a not-for-profit corporation formed under Indiana law pursuant to Articles of Incorporation, on April 8, 1987. The Kosciusko County Convention and Visitors Bureau, Inc. was formed for the promotion and creation of tourism in Kosciusko County by maintaining a climate to attract conventions and visitors to Kosciusko County and by providing recreational facilities. The primary source of revenue is from the Innkeeper's Tax, which is provided through the Kosciusko County Convention, Recreation, and Visitor's Commission.

Basis of Accounting – The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis of accounting, revenues are recorded as earned and expenses are recorded when liabilities are incurred.

Classification and Reporting of Net Assets – The Organization's financial statement presentation follows the recommendation of the Financial Accounting Standards Board (FASB) in its Accounting Standards Update (ASU) 2016-14, "Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities". Under ASU 2016-14, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. A description of the net asset classes follows:

Net assets with donor restrictions represent the portion of net assets of the Chamber that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulate that resources be maintained in perpetuity.

Net assets without donor restrictions represent the portion of net assets of the Organization that are not restricted by donor-imposed stipulations. Net assets without donor restrictions include expendable funds available for the support of the Organization.

Cash and Cash Equivalents – For the purpose of reporting cash flows, the Organization considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

Accounts Receivable and Unearned Revenue – Accounts receivable are due from businesses advertising in the Visitors Guide. Based on historical collection experience with these businesses, no allowance for doubtful accounts is considered necessary. Unearned revenue is the business advertising associated with the Visitors Guide. Revenues from the advertising are earned when the Guide is distributed.

KOSCIUSKO COUNTY CONVENTION AND
VISITORS BUREAU, INC.NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2018 and 2017NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Property and Equipment – Fixed assets are stated at cost or, if donated, at fair value at the date of the gift. Items with a cost or value of \$1,000 or more and a useful life of one year or more are capitalized. The Organization follows the policy of providing depreciation on the straight-line and declining balance methods for financial reporting purposes over the estimated useful lives of the assets as follows:

<u>Assets</u>	<u>Years</u>
Building	15-39
Land Improvements	15
Equipment	3-10
Website Design	3

Depreciation – Depreciation expense totaled \$15,047 and \$14,983 for the years ended December 31, 2018 and 2017, respectively.

The carrying value of long lived assets is reviewed annually to determine if facts and circumstances suggest that the assets may be impaired or that the useful life may need to be changed. The Organization considers internal and external factors relating to each asset in making this determination. If these factors and the projected undiscounted cash flows of the business over the remaining useful life indicate that the asset will not be recoverable, the carrying value will be adjusted to the estimated fair value.

Income Taxes - The Organization is exempt from income taxes under Section 501(c)(6) of the Internal Revenue Code on its business income related to its exempt purposes. The Organization has not been classified by the Internal Revenue Service as a private foundation.

The Organization has adopted the accounting standard on accounting for uncertainty in income taxes. This standard addresses the determination of whether tax benefits claimed, or expected to be claimed, on a tax return should be recorded in the financial statements. Under this guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits that could be recognized in the financial statements from such positions would be measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods.

At December 31, 2018 and 2017, there were no unrecognized tax benefits identified or recorded as liabilities. The Organization files Form 990 and the related State of Indiana return, and remains subject to examination by the Internal Revenue Service for the most recent three years.

KOSCIUSKO COUNTY CONVENTION AND
VISITORS BUREAU, INC.NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2018 and 2017NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues, expenses, and changes in net assets during the reporting period. Actual results could differ from those estimates.

Donated Services – A substantial number of volunteers donate significant amounts of time in providing the Organization's services. No amounts have been recognized in the financial statements for these services because the criteria for recognition of such volunteer effort as contributed services has not been satisfied.

Advertising – Advertising costs are charged to operations as incurred. Total advertising expense during the years ended December 31, 2018 and 2017 was \$98,954 and \$84,989, respectively.

NOTE B – CONCENTRATIONS

The Organization received 79% and 76% of its support and revenues from the Kosciusko County Innkeepers Tax as of December 31, 2018 and 2017, respectively.

NOTE C – EMPLOYEE BENEFITS

The Organization supplements the salary of full-time employees by contributing to a personal retirement plan. Employees must be employed three consecutive years to be eligible to participate. Supplemental payments are based on a board approved amount, plus applicable taxes. Supplemental payments made by the Organization totaled \$3,375 and \$3,544 for the years ended December 31, 2018 and 2017, respectively.

NOTE D – SUBSEQUENT EVENTS

The Organization evaluated all events or transactions that occurred after December 31, 2018 up through September 25, 2019, which is the date the financial statements were available to be issued. During this period, management has determined that the Organization did not have any material recognizable or disclosable subsequent events.

KOSCIUSKO COUNTY CONVENTION AND
VISITORS BUREAU, INC.NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2018 and 2017

NOTE E – COMMITMENTS

The Organization entered into a contract in November, 2001 with an annual term for an advertisement in the 80/90 Toll Road Directory. The contract has been renewed each year with annual terms. The annual expense under this contract totaled \$1,500 and \$1,465 for 2018 and 2017, respectively. The contract has not been renewed for 2019.

The Organization entered into a contract in July, 2011 for an advertisement in a state travel guide and a directory listing. The contract had a term of 36 months. The contract was renewed in July 2014 with a term of 36 months. In 2017, the contract term changed to 12 months and was renewed for both 2017 and 2018. The annual expense under this contract totaled \$3,060 and \$2,580 for the years ended December 31, 2018 and 2017, respectively. The contract has been renewed for 2019.

The Organization enters into a contract in August of each year to participate in a regional marketing program. The contract has a term of 12 months. The annual expense under this contract totaled \$41,000 and \$41,000 for 2018 and 2017, respectively. The contract has not been renewed for 2019.

The Organization entered into a contract in August, 2017 with a regional marketing program for a discounted customer relations management software. The contract has a term of 12 months. The annual expense under this contract totaled \$4,500 and \$4,500 for 2018 and 2017, respectively. The contract has been renewed for 2019.

Future minimum contract payments for the above contracts are as follows:

2019 \$ 6,700

NOTE F – LEASES

The Organization entered into an operating lease agreement in 2015 for a postage meter. The lease has a term of sixty months expiring July, 2020. Rental expense under this lease was \$696 and \$696 for the years ended December 31, 2018 and 2017, respectively.

The Organization entered into an operating lease agreement in 2016 for a multi-function copier for an initial term of twelve months expiring February 2017. The lease has a year to year renewal term and has been renewed thru February, 2020. Rental expense under this lease was \$600 and \$1,100 for the years ended December 31, 2018 and 2017, respectively.

Future minimum rental payments are as follows:

2019 \$ 1,296

KOSCIUSKO COUNTY CONVENTION AND
VISITORS BUREAU, INC.NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2018 and 2017

NOTE J – COST ALLOCATION

The Organization allocates its expenses on a functional basis among its various program and supporting services. Expenses that can be identified with a specific program service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by various statistical bases, such as time and effort estimates, usage, or square footage.

NOTE K – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization has \$93,583 of financial assets available within 1 year of the balance sheet date to meet cash needs for general expenditures consisting of cash of \$92,633 and accounts receivable of \$950. Financial assets totaling \$-0- are subject to donor restrictions that make them unavailable for general expenditures within one year of the balance sheet date. The accounts receivable are subject to implied time restrictions but are expected to be collected within one year. The available financial assets may be drawn upon, if necessary, to meet unexpected liquidity needs or in the event of financial distress.

NOTE L – GOVERNMENT FUNDING

The Organization received the following government funds for the year ended December 31, 2018.

Program Title: Commission Contract
Government Agency: Kosciusko County
Amount Received: \$347,000
Amount Disbursed: \$347,000
Source: Local funding

Program Title: Smith Travel Research
Government Agency: Kosciusko County
Amount Received: \$1,800
Amount Disbursed: \$1,800
Source: Local funding

Program Title: Trail Branding & Wayfinding Project
Government Agency: Kosciusko County
Amount Received: \$2,500
Amount Disbursed: \$2,500
Source: Local funding