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November 20, 2020

Board of Directors
Howard County Convention and Visitors Commission, Inc.
700 East Firmin Street, Suite 200
Kokomo, IN 46902

We have reviewed the audit report of Howard County Convention and Visitors Commission, Inc., which was opined upon by LWG CPAs & Advisors, Independent Public Accountants, for the period January 1, 2018 to December 31, 2019. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of Howard County Convention and Visitors Commission, Inc. as of December 31, 2019 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, LWG CPAs & Advisors prepared the audit report in accordance with the guidelines established by the State Board of Accounts.

The audit 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

**HOWARD COUNTY CONVENTION
AND VISITORS COMMISSION, INC.**

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

HOWARD COUNTY CONVENTION AND VISITORS COMMISSION, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Howard County Convention and Visitors Commission, Inc.

We have audited the accompanying financial statements of Howard County Convention and Visitors Commission, Inc., which comprise the statements of financial position as of December 31, 2019 and 2018, 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.

Auditors' 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 significant accounting estimates made by management as well as evaluating the overall presentation of financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Howard County Convention and Visitors Commission, Inc. as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

In accordance with Government Auditing Standards, we have issued our report dated August 12, 2020 on our consideration of Howard County Convention and Visitors Commission, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

LWG CPAs & Advisors

LWG CPAs & Advisors
Indianapolis, Indiana
August 12, 2020

HOWARD COUNTY CONVENTION AND VISITORS COMMISSION, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 2,527,149	\$ 2,040,804
Receivables	80,916	47,174
Prepaid expenses	<u>9,451</u>	<u>7,655</u>
TOTAL CURRENT ASSETS	<u>2,617,516</u>	<u>2,095,633</u>
Fixed Assets		
Furniture and equipment	49,784	49,784
Vehicles	0	18,735
Less: Accumulated depreciation	<u>(49,784)</u>	<u>(68,519)</u>
TOTAL FIXED ASSETS	<u>0</u>	<u>0</u>
TOTAL ASSETS	<u>\$ 2,617,516</u>	<u>\$ 2,095,633</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable	\$ 215,634	\$ 9,117
Payroll liabilities	<u>31</u>	<u>31</u>
TOTAL CURRENT LIABILITIES	<u>215,665</u>	<u>9,148</u>
Net Assets		
Without Donor Restrictions	<u>2,401,851</u>	<u>2,086,485</u>
TOTAL NET ASSETS	<u>2,401,851</u>	<u>2,086,485</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,617,516</u>	<u>\$ 2,095,633</u>

The accompanying notes are an integral part of these statements.

HOWARD COUNTY CONVENTION AND VISITORS COMMISSION, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS Year Ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Innkeepers tax revenue	\$ 839,826	\$ 0	\$ 839,826
Total revenue	<u>839,826</u>	<u>0</u>	<u>839,826</u>
Other revenue			
Interest income	22,585	0	22,585
Miscellaneous income	<u>1</u>	<u>0</u>	<u>1</u>
Total other revenue	<u>22,586</u>	<u>0</u>	<u>22,586</u>
TOTAL SUPPORT AND REVENUE	<u>862,412</u>	<u>0</u>	<u>862,412</u>
EXPENSES			
Program services	521,874	0	521,874
Management and general	<u>25,172</u>	<u>0</u>	<u>25,172</u>
TOTAL EXPENSES	<u>547,046</u>	<u>0</u>	<u>547,046</u>
CHANGE IN NET ASSETS	315,366	0	315,366
NET ASSETS AT BEGINNING OF YEAR	<u>2,086,485</u>	<u>0</u>	<u>2,086,485</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,401,851</u>	<u>\$ 0</u>	<u>\$ 2,401,851</u>

The accompanying notes are an integral part of these statements.

HOWARD COUNTY CONVENTION AND VISITORS COMMISSION, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS Year Ended December 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Innkeepers tax revenue	\$ 673,915	\$ 0	\$ 673,915
Total revenue	<u>673,915</u>	<u>0</u>	<u>673,915</u>
Other revenue			
Interest income	9,573	0	9,573
In-kind contributions	<u>69</u>	<u>0</u>	<u>69</u>
Total other revenue	<u>9,642</u>	<u>0</u>	<u>9,642</u>
TOTAL SUPPORT AND REVENUE	<u>683,557</u>	<u>0</u>	<u>683,557</u>
EXPENSES			
Program services	284,101	0	284,101
Management and general	<u>32,574</u>	<u>0</u>	<u>32,574</u>
TOTAL EXPENSES	<u>316,675</u>	<u>0</u>	<u>316,675</u>
CHANGE IN NET ASSETS	366,882	0	366,882
NET ASSETS AT BEGINNING OF YEAR	<u>1,719,603</u>	<u>0</u>	<u>1,719,603</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,086,485</u>	<u>\$ 0</u>	<u>\$ 2,086,485</u>

The accompanying notes are an integral part of these statements.

HOWARD COUNTY CONVENTION AND VISITORS COMMISSION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2019

	<u>Program Services</u>	<u>Management and General</u>	<u>Total Expenses</u>
Salaries	\$ 46,920	\$ 9,610	\$ 56,530
Payroll taxes	4,208	862	5,070
Employee benefits	13,926	2,852	16,778
Contract labor	36,605	7,498	44,103
General insurance	5,939	1,048	6,987
Postage	1,771	363	2,134
Telephone	1,758	360	2,118
Dues and subscriptions	6,884	0	6,884
Travel	1,691	0	1,691
Meals and entertainment	431	0	431
Vehicle expense	3,907	0	3,907
General office expense	1,359	278	1,637
Marketing	87,561	0	87,561
Professional expense	979	1,375	2,354
Bank charges	115	0	115
Research services	4,519	926	5,445
Sponsorships and events	3,275	0	3,275
Training expense	245	0	245
Grant expense	299,781	0	299,781
TOTAL FUNCTIONAL EXPENSES	\$ 521,874	\$ 25,172	\$ 547,046

The accompanying notes are an integral part of these statements.

HOWARD COUNTY CONVENTION AND VISITORS COMMISSION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2018

	Program Services	Management and General	Total Expenses
Salaries	\$ 45,237	\$ 9,265	\$ 54,502
Payroll taxes	4,079	835	4,914
Employee benefits	12,451	2,550	15,001
Contract labor	36,523	7,481	44,004
General insurance	5,420	957	6,377
Postage	2,135	437	2,572
Telephone	3,879	795	4,674
Dues and subscriptions	7,432	0	7,432
Travel	333	0	333
Meals and entertainment	271	0	271
Vehicle expense	2,830	0	2,830
General office expense	1,769	362	2,131
Marketing	72,376	0	72,376
Professional expense	70	9,050	9,120
Bank charges	0	0	0
Research services	4,109	842	4,951
Sponsorships and events	4,022	0	4,022
Training expense	140	0	140
Grant expense	81,025	0	81,025
	81,025	0	81,025
TOTAL FUNCTIONAL EXPENSES	\$ 284,101	\$ 32,574	\$ 316,675

The accompanying notes are an integral part of these statements.

HOWARD COUNTY CONVENTION AND VISITORS COMMISSION, INC.

STATEMENTS OF CASH FLOWS Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contributors	\$ 806,084	\$ 674,029
Cash paid to employees and suppliers	(342,325)	(321,751)
Interest received	22,585	9,573
Miscellaneous income	<u>1</u>	<u>69</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>486,345</u>	<u>361,920</u>
NET INCREASE (DECREASE) IN CASH	486,345	361,920
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>2,040,804</u>	<u>1,678,884</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 2,527,149</u></u>	<u><u>\$ 2,040,804</u></u>
RECONCILIATION OF NET MARGINS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Change in net assets	\$ 315,366	\$ 366,882
Decrease (increase) in assets		
Contracts receivable	(33,742)	114
Prepaid expenses	(1,796)	1,617
Increase (decrease) in liabilities		
Accounts payable and other liabilities	<u>206,517</u>	<u>(6,693)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$ 486,345</u></u>	<u><u>\$ 361,920</u></u>

The accompanying notes are an integral part of these statements.

HOWARD COUNTY CONVENTION AND VISITORS COMMISSION, INC.

NOTES TO FINANCIAL STATEMENTS Years Ended December 31, 2019 and 2018

(1) Summary of significant accounting policies

The significant accounting policies followed by the Howard County Convention and Visitors Commission, Inc. (CVB) are summarized below.

Nature of operations – The CVB was established to promote the development and growth of the convention and visitors industry in Howard County. Effective January 1, 2012 the CVB is under a management agreement with the Greater Kokomo Economic Development Alliance (Alliance) to recognize the benefits of shared management and services. The activities of the CVB are reported in the financial statements of Alliance. The CVB retains its corporate legal status.

Preparation of financial statements - The financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP). On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. CVB has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. ASU 2016-14 has been applied retrospectively to all periods presented, which did not have a material effect on the financial statements.

The CVB is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. The CVB had no assets with donor restrictions during 2019 and 2018. In addition, the CVB is required to present a statement of cash flows.

Financial statement estimates - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents – The CVB considers cash in bank accounts and certificates of deposit with original maturities of three months or less to be cash and cash equivalents. At times, such investments may be in excess of the FDIC insurance limit. As part of the CVB’s liquidity management, it structures financial assets to be available as its general expenditures, liabilities, and other obligations come due. The CVB maintains adequate cash to help manage any unanticipated liquidity needs.

Receivables – The CVB carries its accounts receivable at cost. An allowance for uncollectible amounts has not been recorded, as the CVB believes these receivables to be fully collectible.

HOWARD COUNTY CONVENTION AND VISITORS COMMISSION, INC.

NOTES TO FINANCIAL STATEMENTS Years Ended December 31, 2019 and 2018

(1) Summary of significant accounting policies (continued)

Fixed assets – Fixed assets are recorded at cost at date of acquisition. Depreciation is calculated on a straight-line basis over the estimated useful lives of the asset. Depreciation expense was \$0 for 2019 and \$0 for 2018. Fixed asset expenditures in excess of \$250 are capitalized at cost.

Revenue recognition – During the year, the CVB adopted Accounting Standards Codification Topic 606, Revenue from Contracts with Customers (“Contract Revenue”). Under Contract Revenue, a performance obligation is a promise within a contract to transfer a distinct good or service, or a series of distinct goods and services, to a customer. Revenue is recognized when performance obligations are satisfied and the customer obtains control of promised goods or services. The amount of revenue recognized reflects the consideration to which the CVB expects to be entitled to receive in exchange for goods or services. The adoption of the Contract Revenue standard did not result in any prior period adjustments.

The CVB’s source of revenue is the remission from Howard County of the innkeeper’s tax. Amounts are received monthly from the county for the previous month’s tax collection. Therefore, the CVB has accounts receivable related to the previous month’s collection of innkeeper’s tax.

Functional allocation of expenses – The cost of program services and management and general expenses have been summarized on a functional basis in the statements of functional expenses. Expenses that are identified with a specific program or administrative and general function are charged directly to the appropriate function. Other shared costs have been allocated based on management’s estimate of the relative effort expended for the related functions.

Provision for income taxes –The CVB follows “Accounting for Uncertainty in Income Taxes.” The generally accepted accounting principal provides detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in an organization’s financial statements. The accounting principal requires an organization to recognize the financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. The adoption of this accounting principal does not have a material effect on its financial position, results of operations or cash flows as the CVB does not believe they are taking any uncertain tax positions.

The CVB operates as a nonprofit organization as provided for in Section 501(c)(6) of the Internal Revenue Code, and therefore is exempt from income taxes. The CVB has tax years 2016 through 2018 open for both Federal and State filings. No penalties or interest have been included in these financial statements.

HOWARD COUNTY CONVENTION AND VISITORS COMMISSION, INC.

NOTES TO FINANCIAL STATEMENTS Years Ended December 31, 2019 and 2018

(1) Summary of significant accounting policies (continued)

Subsequent events – Management has evaluated subsequent events through August 12, 2020, the date the financial statements were made available to be issued.

(2) Retirement plan

The CVB offers a retirement plan for the benefit of employees. The employee must complete one year of service, earn over \$363 and be at least 21 years old to be eligible to participate. The amount contributed was \$3,381 in 2019 and \$3,270 in 2018.

(3) Concentrations

The primary source of revenue for the CVB is a remission from Howard County of the innkeeper's tax. This tax is assessed on hotel revenues at 8% less a 0.083% collection allowance. The hotels subject to the tax fill out a monthly return and submit with payment to Howard County. The county then issues a check to the CVB.

(4) Management agreement

The CVB is under a management agreement with the Alliance for management and other services. Amounts paid under the agreement were \$42,000 in both 2019 and 2018.

(5) Commitments

The CVB entered into an operating lease for a vehicle in January of 2019. The lease term is 36 months. Total expense for the operating lease was \$2,668 and \$0 for the years ended December 31, 2019 and 2018, respectively. There is an option to purchase the vehicle at the end of the lease for \$16,369.

The future minimum lease payments for the years ended December 31 are as follows:

2020	2,910
2021	2,910
2022	<u>243</u>
	<u>\$ 6,063</u>



Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

To the Board of Directors
of Howard County Convention and Visitors Commission, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Howard County Convention and Visitors Commission, Inc. (the "Organization") as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements, and have issued our report thereon dated August 12, 2020

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and recommendations that we consider to be significant deficiencies.

There is an absence of appropriate segregation of duties in certain accounting areas consistent with control objectives. However, the hiring of additional employees in order to segregate the duties may not be economically practical for the benefit to be derived.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Purpose of the Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Governmental Auditing Standards in considering the entity's internal control and compliance. Accordingly, the communication is not suitable for any other purpose.



LWG CPAs & Advisors
August 12, 2020