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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

October 21, 2021

Board of Directors
Hamilton County Tourism, Inc.
37 E. Main St.
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, 2020 to December 31, 2020. 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, 2020 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 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



HAMILTON COUNTY TOURISM, INC.

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

HAMILTON COUNTY TOURISM, INC.

TABLE OF CONTENTS

YEAR ENDED DECEMBER 31, 2020

CONTENTS

	<u>Page(s)</u>
Independent Auditors' Report	1-2
Financial Statements	
Statement of financial position	3
Statement of activities and changes in net assets	4
Statement of functional expenses	5
Statement of cash flows	6
Notes to financial statements	7-14



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

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Hamilton County Tourism, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, 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, 2020, 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 2, 2021
Indianapolis, Indiana

HAMILTON COUNTY TOURISM, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2020

ASSETS

Current assets:

Cash and cash equivalents	\$ 1,268,049
Restricted cash - board designated replacement reserves	74,277
Accounts receivable	249,810
Prepaid expenses (Notes 6 and 7)	176,786
Total current assets	<u>1,768,922</u>

Property and equipment, net (Note 4)	<u>862,650</u>
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Total assets	<u><u>\$ 2,631,572</u></u>
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LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	\$ 213,693
Accrued expenses	1,225
Accrued payroll and compensated absences	88,777
Deferred revenue (Note 6)	13,305
Total current liabilities	<u>317,000</u>

Commitments and contingencies (Notes 9 and 13)

Net assets

Net assets without donor restrictions	2,194,072
Net assets with donor restrictions	120,500
	<u>2,314,572</u>

Total liabilities and net assets	<u><u>\$ 2,631,572</u></u>
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HAMILTON COUNTY TOURISM, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2020

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Revenues and support			
Hamilton County Visitors and Convention Commission	\$ -	\$ 3,195,504	\$ 3,195,504
COVID-19 related revenues <i>(Note 8)</i>	-	314,286	314,286
Hamilton County Economic Development Corporation	-	282,867	282,867
Grants	-	189,068	189,068
Memberships <i>(Note 5)</i>	48,036	-	48,036
Advertising co-op revenues <i>(Note 5)</i>	3,225	-	3,225
Interest income	115	-	115
Loss on disposal of equipment	(2,499)	-	(2,499)
Net assets released from restrictions	3,861,225	(3,861,225)	-
Total revenues and support	<u>3,910,102</u>	<u>120,500</u>	<u>4,030,602</u>
Expenses			
Program expense	3,286,540	-	3,286,540
Management and general expense	404,473	-	404,473
Total expenses	<u>3,691,013</u>	<u>-</u>	<u>3,691,013</u>
Change in net assets	219,089	120,500	339,589
Net assets, beginning of year	<u>1,974,983</u>	<u>-</u>	<u>1,974,983</u>
Net assets, end of year	<u>\$ 2,194,072</u>	<u>\$ 120,500</u>	<u>\$ 2,314,572</u>

HAMILTON COUNTY TOURISM, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2020

	<u>Program</u>	<u>Management and general</u>	<u>Total</u>
Advertising	\$ 1,267,893	\$ -	\$ 1,267,893
Salaries	784,973	261,870	1,046,843
Grants disbursed	368,749	-	368,749
Employee benefits	177,098	46,144	223,242
Development projects	176,717	-	176,717
Contracted services costs	106,320	-	106,320
Payroll taxes	61,683	19,486	81,169
Occupancy	60,737	9,888	70,625
Office expense	51,143	3,410	54,553
Information technology	42,753	6,960	49,713
Depreciation	39,956	6,505	46,461
Pension	34,637	5,639	40,276
Insurance	29,473	4,798	34,271
Dues and subscriptions	28,576	-	28,576
Conferences and meetings	26,133	-	26,133
Equipment rent, repair, and maintenance	14,893	2,425	17,318
Accounting fees	-	15,940	15,940
Legal fees	-	13,500	13,500
Travel	12,971	-	12,971
Other professional fees	-	7,609	7,609
Property taxes	1,835	299	2,134
<i>Total functional expenses</i>	<u>\$ 3,286,540</u>	<u>\$ 404,473</u>	<u>\$ 3,691,013</u>

HAMILTON COUNTY TOURISM, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2020

Cash flows from operating activities:	
Increase in net assets	\$ 339,589
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation and amortization	46,461
Loss on disposal of equipment	2,499
(Increase) decrease in:	
Accounts receivable	(248,588)
Prepaid expenses	129,806
Increase (decrease) in:	
Accounts payable	30,609
Accrued expenses	(4,756)
Accrued payroll and compensated absences	(45,024)
Deferred revenue	(48,240)
Total adjustments	<u>(137,233)</u>
Net cash provided by operating activities	<u>202,356</u>
Cash flows from investing activities:	
Capital expenditures	(1,879)
Net cash used in investing activities	<u>(1,879)</u>
Net increase in cash	200,477
Cash, beginning of year	<u>1,141,849</u>
Cash, end of year	<u><u>\$ 1,342,326</u></u>

HAMILTON COUNTY TOURISM, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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 (“HCVCC”), 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 (CONTINUED)

YEAR ENDED DECEMBER 31, 2020

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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activity as net assets released from restrictions.

The Organization derives nearly all of its revenues from contributors, primarily from Hamilton County Visitors and Convention Commission (see Note 2). These funds are provided to the Organization to aid in furthering the Organization's objectives of improving tourism and economic development in Hamilton County, Indiana. In line with FASB ASU No. 2018-08, revenues provided with the intent of benefitting the community at large, as opposed to providing a direct benefit to the contributor, are classified as contributions. Revenues from contributions are recognized in the period they are received.

The Organization also derives revenues from exchange transactions. These exchange transactions are accounted for as contracts with customers under guidance provided in FASB ASU No. 2014-09. Revenues from these contracts are derived from providing advertising services to various organizations within Hamilton County. Revenues are recognized as these services are performed. Contracts are written to last for one year and cover the annual, fiscal year ended December 31, with payment due in advance. As such, revenues received, and costs incurred are recorded as deferred revenue and prepaid expenses in the year received. Revenues and related costs are then recognized during the following year as services are performed.

HAMILTON COUNTY TOURISM, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2020

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

Summary of significant accounting policies (continued):

Support and expense (continued)

The Organization does not have any significant financing components as services are completed within one year of receiving payment. Costs incurred to obtain a contract are expensed as incurred. Due to the nature of the services performed, the Organization is not subject to obligations for returns, warranties, or refunds. The contracts do not contain variable consideration and contract modifications are generally minimal.

Non-contract 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.

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.

HAMILTON COUNTY TOURISM, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2020

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

Summary of significant accounting policies (continued):

Property and equipment (continued)

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, 2020, HCT made matching contributions totaling \$40,276 to the Plan. Although HCT has not expressed any intent to do so, it has the right under 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 and cash equivalents.

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, 2020, the Organization expensed \$1,267,893 in advertising costs.

HAMILTON COUNTY TOURISM, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2020

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

Date of management's review

The date to which events occurring after December 31, 2020, the date of the most recent statement of financial position, have been evaluated for possible adjustment to the financial statements or disclosure is July 2, 2021 which is the date the financial statements were available to be issued.

2. Public support and concentration risk:

During the year ended December 31, 2020, most of HCT's public support revenue was provided by the Hamilton County Visitors & Convention Commission ("HCVCC"). This revenue amounted to \$3,195,504 for 2020, which represented 81.7% 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, 2020, consisted of the following:

Building	\$	969,360
Equipment and fixtures		196,376
Computer equipment		102,710
Software		2,452
		<u>1,270,898</u>
Less accumulated depreciation and amortization		<u>(449,648)</u>
		821,250
Land		41,400
	\$	<u>862,650</u>

During the year ended December 31, 2020, depreciation and amortization expense amounted to \$46,461.

HAMILTON COUNTY TOURISM, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2020

5. *Contract revenues:*

For the year ended December 31, 2020, contract revenues consisted of the following:

Memberships	\$	48,036
Advertising co-op revenues		3,225
	\$	<u>51,261</u>

6. *Opening and closing contract account balances:*

Contract assets are presented in the financial statements as prepaid in-kind trade within prepaid expenses. See Note 7 for the detail of prepaid expenses. Contract assets were \$13,305 and \$46,924 at December 31, 2020 and 2019, respectively.

Contract liabilities are presented in the financial statements as deferred revenue. Contract liabilities were \$13,305 and \$61,545 at December 31, 2020 and 2019, respectively.

The Organization had no contract receivables as of December 31, 2020 and 2019.

7. *Prepaid expenses:*

At December 31, 2020, the Organization's prepaid expenses are comprised of the following:

Prepaid program expenses	\$	152,650
Prepaid in-kind trade (see Note 6)		13,305
Prepaid dues and subscriptions		8,792
Prepaid rent and utilities		2,039
	\$	<u>176,786</u>

8. *COVID-19 related revenues:*

The Organization received several grants associated with the Coronavirus pandemic that occurred in 2020. These funds were provided to the Organization as part of the CARES Act, as well as to assist with advertising safe travels during the holidays. COVID-19 related funds for the year ended December 31, 2020 consisted of the following:

Safe travels advertising	\$	249,727
CARES Act payroll support		54,559
Economic Injury Disaster Loan Grant		10,000
	\$	<u>314,286</u>

HAMILTON COUNTY TOURISM, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2020

9. *Commitments and contingencies:*

Operating leases

HCT leases office space in Carmel, Indiana. The lease began in October 2016 and was renewed in November 2019. The lease was terminated in December 2020 and had 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, 2020 are as follows: 2021 - \$9,233; 2022 - \$4,259; and 2023 - \$345.

Payments related to the long-term operating leases during 2020 were \$45,153 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, 2020 totaled \$430,833. 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, 2020, NPHRR was current with their obligations under the loan agreement.

10. *Significant suppliers:*

HCT's largest supplier accounted for approximately 20% of expenditures during the year ended December 31, 2020. It is management's opinion that alternate suppliers could be used if the current supplier terminated operations.

11. *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.

HAMILTON COUNTY TOURISM, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2020

12. *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	\$	1,268,049
Accounts receivable		249,810
Available without restriction within one year		1,517,859
Financial assets held as board-designated reserves		74,277
Total financial assets	\$	1,592,136

13. *Subsequent event:*

In January 2021, the Organization entered into a loan agreement pursuant to the Paycheck Protection Program ("PPP") under the newly enacted Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (the "Economic Aid Act") administered by the U.S. Small Business Administration. The Organization received loan proceeds of \$352,695. The loan is scheduled to mature in January 2026, carries a 1% interest rate, and is subject to the terms and conditions applicable to loans administered by the U.S. Small Business Administration. The loan may be prepaid by the Organization at any time prior to maturity with no prepayment penalties. The loan contains customary events of default relating to, among other things, payment defaults and breaches of representations and warranties. Subject to certain conditions, the loan may be forgiven in whole or in part by applying for forgiveness pursuant to the CARES Act and the PPP. The amount of loan proceeds eligible for forgiveness is determined on a formula based on a number of factors, including the amount of loan proceeds used by the Organization during a to-be-determined specified period after the loan origination for certain purposes, including payroll costs, rent payments on certain leases, and certain qualified utility payments, provided that, among other matters, the Organization either maintains or rehires employees, and maintains salaries at certain levels. In accordance with the requirements of the CARES Act and the PPP, the Organization plans to use the proceeds from the loans primarily for payroll costs. The Organization received full forgiveness of the PPP loan effective June 30, 2021.