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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
Hendricks County Convention and Visitors Bureau, Inc.
8 West Main Street
Danville, IN 46122

We have reviewed the audit report of Hendricks County Convention and Visitors Bureau, Inc., which was opined upon by Somerset CPAs and Advisors, PC, Independent Public Accountants, for the period January 1, 2019 to December 31, 2019. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of Hendricks County Convention and Visitors Bureau, 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, Somerset CPAs and Advisors, 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.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

**HENDRICKS COUNTY CONVENTION AND
VISITORS BUREAU, INC.
Financial Statements
For the Period from July 1, 2019 (Commencement)
through December 31, 2019**

HENDRICKS COUNTY CONVENTION AND VISITORS BUREAU, INC.

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Independent Auditor's Report

**To the Board of Directors
HENDRICKS COUNTY CONVENTION AND VISITORS BUREAU, INC.
Danville, Indiana**

We have audited the accompanying financial statements of HENDRICKS COUNTY CONVENTION AND VISITORS BUREAU, INC., which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and changes in net assets, functional expenses and cash flows for the period from July 1, 2019 (commencement) through December 31, 2019, 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 audit. We conducted our audit 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 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of HENDRICKS COUNTY CONVENTION AND VISITORS BUREAU, INC., as of December 31, 2019, and the changes in its net assets and its cash flows for the period from July 1, 2019 (commencement) through December 31, 2019, in accordance with accounting principles generally accepted in the United States of America.

Somerset CPAs PC

Indianapolis, Indiana
November 12, 2020

HENDRICKS COUNTY CONVENTION AND VISITORS BUREAU, INC.
Statement of Financial Position
December 31, 2019

Assets

Current Assets

Cash and cash equivalents	\$	670,618
Accounts receivable		800
		800
Total Current Assets		671,418

Property and Equipment

Furniture and fixtures		18,500
Accumulated depreciation		(1,762)
		(1,762)
Total Property and Equipment, net		16,738

Total Assets		\$ 688,156
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Liabilities and Net Assets

Current Liabilities

Accounts payable	\$	5,800
Accrued liabilities		45,341
		45,341
Total Current Liabilities		51,141

Net Assets

Net assets without restrictions		637,015
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Total Liabilities and Net Assets		\$ 688,156
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See accompanying notes.

HENDRICKS COUNTY CONVENTION AND VISITORS BUREAU, INC.
Statement of Activities and Changes in Net Assets
For the Period from July 1, 2019 (Commencement) through December 31, 2019

	Without Restrictions	With Restrictions	Total
Revenues			
Contract services	\$ 658,260	\$ 0	\$ 658,260
Contributions	1,000	0	1,000
Interest income	2,142	0	2,142
Loss on disposal of property and equipment	(7,841)	0	(7,841)
Total Revenues	653,561	0	653,561
Expenses			
Program services	595,061	0	595,061
Management and general	172,643	0	172,643
Total Expenses	767,704	0	767,704
Net Changes in Net Assets	(114,143)	0	(114,143)
Net Assets, at July 1, 2019 (Commencement)	0	0	0
Transfer of Net Assets	751,158	0	751,158
Net Assets, End of Year	\$ 637,015	\$ 0	\$ 637,015

See accompanying notes.

HENDRICKS COUNTY CONVENTION AND VISITORS BUREAU, INC.
Statement of Functional Expenses
For the Period from July 1, 2019 (Commencement) through December 31, 2019

	<u>Program</u>	<u>Management and General</u>	<u>Total</u>
Wages, taxes and benefits	\$ 242,040	\$ 103,732	\$ 345,772
Advertising	266,019	0	266,019
Professional fees	11,508	26,851	38,359
Research	29,340	0	29,340
Travel and client development	13,728	5,884	19,612
Training and recruitment	0	10,167	10,167
Dues and subscriptions	7,142	1,786	8,928
Maintenance	0	5,272	5,272
Grants and programming	7,429	0	7,429
Rental and leases	5,922	1,481	7,403
Phone and internet	3,686	3,686	7,372
Insurance	0	6,394	6,394
Supplies and miscellaneous	912	3,650	4,562
Postage	4,044	449	4,493
Utilities	1,951	1,951	3,902
Depreciation	1,340	1,340	2,680
	<u>\$ 595,061</u>	<u>\$ 172,643</u>	<u>\$ 767,704</u>

See accompanying notes.

HENDRICKS COUNTY CONVENTION AND VISITORS BUREAU, INC.
Statement of Cash Flows
For the Period from July 1, 2019 (Commencement) through December 31, 2019

Cash Flows from Operating Activities

Changes in net assets	\$ (114,143)
Adjustments to reconcile changes in net assets to net cash used in operating activities:	
Depreciation	2,680
Loss on disposal of property and equipment	7,841
Increase in certain assets:	
Accounts receivable	(800)
Increase (decrease) in certain liabilities:	
Accounts payable	5,800
Accrued liabilities	(2,676)
	(101,298)
Net cash used in operating activities	(101,298)

Cash Flows from Investing Activities

Proceeds from sale of equipment	5,000
	5,000

Cash Flows from Financing Activities

Transfer in of net assets	768,000
Principal payments on note payable	(1,083)
	766,917
Net cash provided by financing activities	766,917

Net Increase in Cash

670,619

Cash and Cash Equivalents, July 1, 2019 (Commencement)

0

Cash and Cash Equivalents, End of Year

\$ 670,619

Supplemental Disclosure of Cash Flow Information

Interest paid	\$ 13
	13

See accompanying notes.

HENDRICKS COUNTY CONVENTION AND VISITORS BUREAU, INC.
Notes to the Financial Statements
December 31, 2019

Note A - Nature of Operations and Summary of Significant Accounting Policies:

Nature of Operations

The Hendricks County Convention and Visitors Bureau, Inc. (the Bureau) was originally incorporated in 1999 as a part of the Hendricks County Tourism Commission. In July 2019, the Bureau began operations as a separate Indiana nonprofit organization under Section 501(c)(6) of the Internal Revenue Code. The Bureau is contracted by the Hendricks County Tourism Commission to perform duties associated with promoting and encouraging conventions, visitors and tourism. As the destination marketing organization for Hendricks County, the Bureau promotes and develops the visitor experience to targeted markets for sustainable economic growth and quality of place.

Basis of Accounting and Presentation

The financial statements of the Bureau have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Use of 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 certain assets and liabilities and 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 from those estimates.

Revenue Recognition

The Bureau receives payment from the Hendricks County Tourism Commission as part of an agreement to provide services to and on behalf of the Commission such as promoting and encouraging conventions, visitors and tourism in Hendricks County, and provide funding for the related activities. Contract revenue received from the Hendricks County Tourism Commission is recognized as earned during the established contract period of service.

Cash Flows

For purposes of the Statement of Cash Flows, the Bureau considers all highly liquid instruments purchased within three months or less of an instrument's maturity date to be cash and equivalents.

Accounts Receivable

Receivables are recorded when billed or accrued and represent claims against third parties that will be settled in cash. The carrying value of receivables, net of the allowance for doubtful accounts, represents their estimated net realizable value. The Bureau uses the allowance method to determine uncollectible accounts. The allowance is based on prior experience and management's analysis of specific accounts. The Bureau has determined that any allowance would be immaterial.

HENDRICKS COUNTY CONVENTION AND VISITORS BUREAU, INC.
Notes to the Financial Statements
December 31, 2019

Note A - Nature of Operations and Summary of Significant Accounting Policies (Continued):

Property and Equipment

Property and equipment are carried at cost or estimated fair value at the time of donation. Depreciation has been provided on the straight-line method over the estimated service lives of the equipment. Depreciable lives generally range from five to seven years.

Expenditures for normal repairs and maintenance are charged to operations as incurred. The cost of property or equipment retired or otherwise disposed of and the related accumulated depreciation are removed from the accounts in the year of disposal with the resulting gain or loss reflected in earnings.

The provision for depreciation amounted to \$2,679 for the period from July 1, 2019 through December 31, 2019.

Net Assets

The financial statements report amounts separately by class of net assets as follows:

Net assets without restrictions - Net assets that are not subject to stipulations and are, therefore, available for the general operation of the Bureau.

Net assets with restrictions - Net assets that are subject to restrictions. Some restrictions are temporary in nature; for example, restrictions that may or will be met by the passage of time or other events specified by the supporter. Other imposed restrictions are perpetual in nature; for example, stipulating that resources be maintained in perpetuity.

Advertising

The Bureau charges advertising costs to expense as incurred. Advertising expenses amounted to approximately \$266,000 for the period from July 1, 2019 through December 31, 2019.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services in reasonable ratios determined by management.

Fair Value Measurements

The Bureau categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

HENDRICKS COUNTY CONVENTION AND VISITORS BUREAU, INC.
Notes to the Financial Statements
December 31, 2019

Note A - Nature of Operations and Summary of Significant Accounting Policies (Continued):

Income Taxes

The Bureau is exempt from federal income taxes under Section 501(c)(6) of the Internal Revenue Code. Authoritative accounting standards require the Bureau to examine its tax positions for uncertain positions. Management is not aware of any tax positions that are more likely than not to change in the next 12 months or that would not sustain an examination by applicable taxing authorities. Although the Bureau has not incurred any interest and penalties associated with these positions, it is their policy to expense them in the statement of activities.

Recently Adopted Standard

In June 2018, the FASB issued ASC Update No. 2018-08, (Topic 958) clarifying the scope and the Accounting Guidance for Contributions Received and Contributions Made. This ASU provides a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction. The ASU also provides additional guidance to help determine whether a contribution is conditional or unconditional. This standard was adopted by the Bureau effective July 1, 2019.

Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, "*Revenue from Contracts with Customers*", which supersedes nearly all existing revenue recognition guidance under accounting principles generally accepted in the United States of America. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. In June 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)*, which deferred the effective date for one year. This ASU will be effective for the Bureau for the year ended December 31, 2020. The Bureau is currently evaluating the effect the provisions of ASU 2014-09 will have on the financial statements.

In February 2016, the FASB issued Accounting Standards Update 2016-02, "*Leases*". The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard also requires a lessor to classify leases as either sales-type, finance or operating. A lease will be treated as a sale if it transfers all of the risks and rewards, as well as control of the underlying asset, to the lessee. If risks and rewards are conveyed without the transfer of control, the lease is treated as financing. If the lessor doesn't convey risks and rewards or control, an operating lease results. In June 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)*, which deferred the effective date for one year. This ASU will be effective for the Bureau for the year ended December 31, 2022. The Bureau is currently evaluating the impact of this accounting standards update.

HENDRICKS COUNTY CONVENTION AND VISITORS BUREAU, INC.
Notes to the Financial Statements
December 31, 2019

Note B - Transfer of Net Assets:

On July 1, 2019, the Commission transferred in certain assets and liabilities related to operations of the Bureau. The Bureau utilized applicable guidance under ASC 805-50, *Business Combinations – Common Control Transactions*, related to these transfers. The management of the Bureau has evaluated the guidance contained in ASC 805 with respect to the creation of the Bureau and the transferring of assets and liabilities and concluded that since the Bureau is controlled by the same board of directors of the Commission, this is a common control transaction and does not result in a change in control at the ultimate parent or the controlling level. Therefore, common control transactions are generally accounted for at the carrying amount of the net assets or equity interests transferred. The following table summarizes each major class of assets and liabilities transferred:

Assets	
Cash	\$ 768,000
Property and equipment	33,500
	801,500
Liabilities	
Accrued liabilities	48,017
Note payable	2,325
	50,342
Net Assets	\$ 751,158

Note C - Note Payable:

In July 2019, the Bureau transferred in a liability with an original note payable balance of \$13,244 with an interest rate of 2.39%, requiring 60 monthly payments of principal and interest of \$236. The balance of the note at the transfer date was \$2,325 and is secured by a vehicle also transferred to the Bureau. The note was paid off during November 2019.

Note D - Operating Leases:

The Bureau has three operating leases for certain office equipment and a vehicle. The equipment leases expire at various dates through October 2024 and the vehicle lease expires in October 2022. The total lease expense for the period July 1, 2019 through December 31, 2019, was \$4,407.

HENDRICKS COUNTY CONVENTION AND VISITORS BUREAU, INC.
Notes to the Financial Statements
December 31, 2019

Note D - Operating Leases (Continued):

Future minimum commitments under these agreements are as follows at December 31, 2019:

<u>Year Ending December 31,</u>	
2020	\$ 11,525
2021	11,525
2022	10,765
2023	5,922
2024	590
	<hr/>
	\$ 40,327
	<hr/> <hr/>

Note E - Retirement Plan:

The Bureau maintains a Safe Harbor 401(k) retirement plan for all eligible employees as provided by the plan document. Participating employees may elect to contribute, on a deferred tax basis, a portion of their compensation in accordance with Section 401(k) of the Internal Revenue Code. The Bureau maintains a discretionary matching policy whereby the Bureau may match up to 3% of employee compensation. In addition, the Bureau makes a 3% safe harbor contribution to all eligible employees. The Bureau made contributions totaling \$13,247 to the plan during the period from July 1, 2019 through December 31, 2019. Retirement plan contributions are included with benefits on the statement of activities and changes in net assets.

Note F - Related Party Transactions:

The Bureau shares common board of directors and derives nearly all of its revenues from a service agreement with the Hendricks County Tourism Commission, which is funded as a part of the innkeepers' tax remitted by Hendricks County innkeepers. Payments are remitted to the Bureau twice a year. Additionally, as part of the service agreement with the Hendricks County Tourism Commission, the Bureau has agreed to lease certain space through December 31, 2020, for a nominal amount. The agreement will automatically renew for two additional one-year periods. Total revenues received from the Hendricks County Tourism Commission for the period July 1, 2019 through December 31, 2019, was approximately \$658,000.

Note G - Concentrations:

Concentrations of Credit Risk

The Bureau's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents. The Bureau places its cash and cash equivalents with primarily one financial institution. At times, such amounts may be in excess of the FDIC insured limit. The Bureau has never experienced any losses related to these balances.

HENDRICKS COUNTY CONVENTION AND VISITORS BUREAU, INC.
Notes to the Financial Statements
December 31, 2019

Note G - Concentrations (Continued):

Revenues

The Bureau received approximately 100% of its revenues from the Hendricks County Tourism Commission, a related party, for the period July 1, 2019 through December 31, 2019.

Note H - Liquidity Management:

Under ASU 2016-14, the Bureau is required to disclose the assets it has available at December 31, 2019, to meet its cash needs for general expenditures within one year of the date of the statement of financial position.

Cash and cash equivalents	\$	670,618
Accounts receivable		800
		671,418
Financial assets as of December 31, 2019		671,418
Less amounts not due within one year		0
		671,418
Financial assets available to meet cash needs for general expenditures within one year	\$	671,418

Note I - Management Evaluation of Subsequent Events:

On January 20, 2020, the World Health Organization (“WHO”) announced a global health emergency stemming from a new strain of coronavirus that was spreading globally (the “COVID-19 outbreak”). On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, triggering volatility in financial markets and a significant negative impact on the global economy. Bureau management is unable to estimate the full impact of the COVID-19 outbreak on the assets of the Bureau at this time, as it continues to evolve as of the date of this report.

The Bureau has evaluated subsequent events through November 12, 2020, the date on which the financial statements were available to be issued.