

BELOIT CONVENTION & VISITORS BUREAU, INC.
Beloit, Wisconsin

Financial Statements

**Together With Independent
Auditor's Report**

December 31, 2018 and 2017

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Beloit Convention & Visitors Bureau, Inc.
Beloit, Wisconsin

We have audited the accompanying financial statements of Beloit Convention & Visitors Bureau, Inc. (BCVB) (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 BCVB'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 BCVB'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.

Board of Directors
Beloit Convention & Visitors Bureau, Inc.

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 Beloit Convention & 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.

SIEPERT & CO., LLP

A handwritten signature in black ink that reads "Siefert & Co. LLP". The signature is written in a cursive, slightly slanted style.

Beloit, Wisconsin
August 13, 2019

BELOIT CONVENTION & 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	\$ 368,876	\$ 446,636
Accounts receivable	253,338	203,938
Prepayments	16,186	21,067
Other current assets	73	1,021
Total current assets	<u>638,473</u>	<u>672,662</u>
Property and Equipment:		
Office equipment	56,093	54,849
Furniture and fixtures	32,789	32,789
Vehicles	45,977	45,977
Website	66,296	58,996
Total property and equipment	<u>201,155</u>	<u>192,611</u>
Less: Accumulated depreciation and amortization	142,289	112,303
Total net property and equipment	<u>58,866</u>	<u>80,308</u>
Total Assets	<u>\$ 697,339</u>	<u>\$ 752,970</u>
 LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 23,009	\$ 60,353
Grants payable	23,168	13,295
Deferred revenue	27,488	27,488
Accrued payroll	11,146	8,239
Other payroll liabilities	1,030	4,764
Total current liabilities	<u>85,841</u>	<u>114,139</u>
Net Assets:		
Without donor restrictions-		
Undesignated	362,442	399,707
Designated	249,056	239,124
Total net assets	<u>611,498</u>	<u>638,831</u>
Total Liabilities and Net Assets	<u>\$ 697,339</u>	<u>\$ 752,970</u>

The accompanying notes are an integral part of this statement.

BELOIT CONVENTION & VISITORS BUREAU, INC.
Statements of Activities
For the Years Ended December 31, 2018 and 2017

Changes in Net Assets Without Donor Restrictions:	<u>2018</u>	<u>2017</u>
Revenues:		
City room tax	\$ 848,970	\$ 814,178
Grants	67,475	66,975
Expense reimbursements	45,782	2,388
Special events	27	-
Sponsorship fees	26,555	20,488
Other sales income, net of cost of sales of \$0 for 2018 and \$400 for 2017	3,085	12,055
In-kind contributions	29,583	4,931
Interest	433	374
Miscellaneous income	-	700
Total revenues	<u>1,021,910</u>	<u>922,089</u>
Expenses:		
Program services	925,123	827,811
Supporting services-		
Management and general	124,120	100,374
Total expenses	<u>1,049,243</u>	<u>928,185</u>
Change in net assets without donor restrictions	<u>(27,333)</u>	<u>(6,096)</u>
Change in Net Assets	(27,333)	(6,096)
Net Assets, Beginning of Year	<u>638,831</u>	<u>644,927</u>
Net Assets, End of Year	<u>\$ 611,498</u>	<u>\$ 638,831</u>

The accompanying notes are an integral part of this statement.

BELOIT CONVENTION & VISITORS BUREAU, INC.
Statements of Functional Expenses
For the Years Ended December 31, 2018 and 2017

	2018		
	Program Services	Supporting Services Management and General	Total
Salaries	\$ 279,417	\$ 33,489	\$ 312,906
Payroll taxes	20,155	3,557	23,712
Employee benefits	46,956	5,718	52,674
Occupancy	22,764	22,764	45,528
Office supplies and expense	21,899	5,094	26,993
Telephone	5,539	1,125	6,664
Internet access and website	5,061	893	5,954
Postage	12,146	1,349	13,495
Printing	-	-	-
Maintenance and repairs	-	-	-
Research expense	45,710	-	45,710
Group sales expense	4,731	-	4,731
Advertising and promotion	178,768	-	178,768
Marketing	43,488	-	43,488
Welcome vehicle expense	8,807	-	8,807
Conferences and meetings	22,209	2,834	25,043
Travel	20,031	2,225	22,256
Membership dues and subscriptions	13,923	1,547	15,470
Grants and donations	30,463	-	30,463
Sponsorships	83,564	-	83,564
Professional fees	24,058	24,058	48,116
General insurance	2,854	2,088	4,942
Depreciation and amortization	25,488	4,498	29,986
Interest	112	20	132
Merchandising	4,916	-	4,916
Remodeling expense	-	11,901	11,901
Miscellaneous	2,064	960	3,024
Total Expenses	\$ 925,123	\$ 124,120	\$ 1,049,243

The accompanying notes are an integral part of this statement.

2017		
Program Services	Supporting Services	Total
	Management and General	
\$ 247,513	\$ 43,679	\$ 291,192
22,472	3,966	26,438
35,749	6,308	42,057
10,466	10,465	20,931
18,439	6,172	24,611
5,768	1,018	6,786
5,536	977	6,513
7,664	852	8,516
2,587	288	2,875
1,160	1,160	2,320
12,759	-	12,759
8,952	-	8,952
192,402	-	192,402
35,491	-	35,491
13,555	-	13,555
25,024	3,440	28,464
19,963	2,217	22,180
8,045	1,420	9,465
42,285	-	42,285
77,283	5,257	82,540
5,842	5,843	11,685
1,984	2,113	4,097
21,310	3,761	25,071
-	-	-
2,891	-	2,891
-	-	-
2,671	1,438	4,109
<u>\$ 827,811</u>	<u>\$ 100,374</u>	<u>\$ 928,185</u>

The accompanying notes are an integral part of this statement.

BELOIT CONVENTION & VISITORS BUREAU, INC.
Statements of Cash Flows
For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ (27,333)	\$ (6,096)
Adjustments to reconcile change in net assets to net cash provided by operating activities-		
Depreciation and amortization	29,986	25,071
(Increase) decrease in current assets-		
Accounts receivable	(49,400)	(21,396)
Prepayments	4,881	39,415
Other current assets	948	1,018
Increase (decrease) in current liabilities-		
Accounts payable	(37,344)	11,857
Grants payable	9,873	13,295
Deferred revenue	-	(7,247)
Other payroll liabilities	(827)	3,101
Net cash (used) provided by operating activities	<u>(69,216)</u>	<u>59,018</u>
 Cash Flows From Investing Activities:		
Purchase of property and equipment	(8,544)	(18,871)
Decrease in Stateline Community Foundation pass through account	-	9,200
Net cash used by investing activities	<u>(8,544)</u>	<u>(9,671)</u>
 Change in Cash and Cash Equivalents	(77,760)	49,347
 Cash and Cash Equivalents, Beginning of Year	<u>446,636</u>	<u>397,289</u>
 Cash and Cash Equivalents, End of Year	<u>\$ 368,876</u>	<u>\$ 446,636</u>

The accompanying notes are an integral part of this statement.

BELOIT CONVENTION & VISITORS BUREAU, INC.
Notes to Financial Statements

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Beloit Convention & Visitors Bureau, Inc. (BCVB), a nonprofit corporation located in Beloit, Wisconsin, was incorporated in 1987. Its purpose is to promote the Beloit area as a convention location and tourist area and to provide staff development and promotional services for the tourism industry to municipalities and other entities contracting with BCVB for such services.

Basis of Accounting

BCVB's financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues and support are being reported when earned regardless of when received and expenses are reported when incurred regardless of when payment is made.

Accounting 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

Cash equivalents include highly liquid cash investments with an original maturity date of three months or less. Accounts at each institution are insured by Federal Deposit Insurance Corporation (FDIC) up to \$250,000 for all accounts. As of December 31, 2018 and 2017, BCVB had no uninsured deposits.

Accounts Receivable

Accounts receivable reported on the Statements of Financial Position are typically due 30 days after billing, and uncollectable receivables are written off as deemed necessary. Management has evaluated accounts receivable as of December 31, 2018 and 2017, and management feels the amounts are fully collectable.

BELOIT CONVENTION & VISITORS BUREAU, INC.
Notes to Financial Statements

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable (Continued)

Accounts receivable consists of the following as of December 31:

	2018	2017
City room taxes	\$ 193,997	\$ 181,766
Vision Beloit partner reimbursements	310	579
Other	59,031	21,593
 Total	 \$ 253,338	 \$ 203,938

Property and Equipment

Property and equipment are recorded at original cost if purchased or estimated fair value at date of the gift if donated. All acquisitions of property and equipment in excess of \$1,000 with a useful life in excess of 1 year are capitalized. Maintenance, repairs, and minor improvements are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income on the Statements of Activities.

Property and equipment are depreciated/amortized using the straight-line method over their estimated useful lives which range from 3 to 10 years.

Classification of Net Assets

Net assets and revenues, support, expenses, gains and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, BCVB's net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets without donor restrictions are available for use at the discretion of the Board of Directors and management for general operating purposes. From time to time, the Board may designate a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion.

BELOIT CONVENTION & VISITORS BUREAU, INC.
Notes to Financial Statements

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification of Net Assets (Continued)

Net Assets With Donor Restrictions – Net assets with donor restrictions consist of assets whose use is limited by donor imposed, time and/or purpose restrictions. BCVB reports grants, funding and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restrictions and reported in the Statements of Activities as net assets released from restrictions. There were no net assets with donor restrictions as of December 31, 2018 and 2017.

Revenues

BCVB's revenues are substantially provided by room taxes collected by the City of Beloit, WI and the City of South Beloit, IL to help promote tourism, conventions, expositions, theatrical, sport, and cultural activities. During 2018, the City of Beloit, WI and the City of South Beloit, IL remitted 80% and 1%, respectively, of the room taxes collected to BCVB. During 2017, the City of Beloit, WI and the City of South Beloit, IL remitted 85% and 1%, respectively, of the room taxes collected to BCVB. This revenue amounted to approximately 83% and 88% of total revenues for the years ended December 31, 2018 and 2017, respectively.

Income Taxes

BCVB is a nonprofit organization exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) as other than a private foundation. As a result, there is no provision for income taxes in the financial statements.

Management of BCVB has evaluated uncertain tax positions and has determined there are no uncertain tax positions as of December 31, 2018. BCVB is subject to informational reporting requirements in the United States federal jurisdiction and the State of Wisconsin. Tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require significant judgment to apply. Tax returns remain open for federal examination for the past three years and state examination for the past four years. At December 31, 2018, there are no ongoing income tax audits or unresolved disputes with the various taxing authorities BCVB currently files, or has filed, with.

BELOIT CONVENTION & VISITORS BUREAU, INC.
Notes to Financial Statements

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expense Allocation

Directly identifiable expenses are charged to program activities or appropriate supporting services. Expenses related to more than one function are charged to program activities and supporting services based on BCVB's analysis of personnel time and management's actual and estimated allocation of the expense. Management and general expenses include those expenses that are not directly identifiable with any specific function but provide for the overall support and direction of BCVB.

Advertising and Promotion Costs

BCVB expenses costs of advertising and promotion at the time incurred. Advertising and promotion expenses were \$178,768 and \$192,402 for the years ended December 31, 2018 and 2017, respectively.

Subsequent Events

BCVB has evaluated subsequent events through August 13, 2019, which was the date these financial statements were available for issuance, and determined that there were no significant non-recognized subsequent events through that date.

NOTE B LIQUIDITY AND AVAILABILITY

BCVB regularly monitors liquidity required to meet its operating needs, while also striving to maintain liquid financial assets to cover 3 months of operating expenditures. Financial assets in excess of daily cash requirements are invested in money market funds. BCVB receives support without donor restrictions; such support has historically funded annual programs and supporting service needs.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, BCVB considers all administrative and general expenses, which are expected to be paid in the subsequent year, to be general expenditures.

BELOIT CONVENTION & VISITORS BUREAU, INC.
Notes to Financial Statements

NOTE B LIQUIDITY AND AVAILABILITY (Continued)

As of December 31, the following tables show the total financial assets held by BCBV and the amounts of those financial assets that could readily be made available within one year of the balance sheet date to meet general expenditures:

	<u>2018</u>	<u>2017</u>
Financial assets at year-end-		
Cash and cash equivalents	\$ 368,876	\$ 446,636
Accounts receivable	253,338	203,938
Other current assets	<u>73</u>	<u>1,021</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 622,287</u>	<u>\$ 651,595</u>

NOTE C OFFICE RENOVATION PROJECT

In 2017, a renovation project was started on the building where BCBV previously leased its office by the lessor. As part of this project, BCBV was responsible for certain leasehold improvements, including initial design and engineering costs and other costs related to renovating and furnishing BCBV's office space. Costs totaling \$44,204 and \$13,479 were incurred by BCBV during 2018 and 2017, respectively, related to this project.

In June 2018, due to a construction issue, it was determined that it would not be possible for BCBV to move back to its office after the renovation project was completed. As a result, the lessor has provided BCBV with a temporary office and has agreed to reimburse BCBV for \$45,782 for costs incurred related to this renovation project, as well as the estimated value of \$2,389 for supplies stolen from BCBV's office during the renovation project. As of December 31, 2018 and 2017, a receivable from the lessor of \$48,171 and \$15,868, respectively, has been recorded and is included in accounts receivable in the Statements of Financial Position.

NOTE D OFFICE LEASES

Through October 2017, BCBV maintained its office operating under a ten-year operating lease which expired on October 31, 2017. This lease called for monthly rental payments of \$4,158 including amounts for real estate taxes and building maintenance.

On August 15, 2017, BCBV entered into a new ten-year operating lease for its office. This lease began on November 1, 2017 and expires October 31, 2027, and called for monthly rental payments of \$1,236 including amounts for real estate taxes and building maintenance. Due to the office renovation project described in Note C, this lease was amended so that the ten-year lease term would begin on the date BCBV moved back to their remodeled office.

BELOIT CONVENTION & VISITORS BUREAU, INC.
Notes to Financial Statements

NOTE D OFFICE LEASES (Continued)

On October 13, 2017, BCVB entered into a month-to-month lease agreement for a temporary office space due to the office renovation project described in Note C. Under this agreement, BCVB is not required to make rent or utility payments, but is responsible for all other costs incurred related to this temporary office space.

As described in Note C, due to a construction issue, it was determined that it would not be possible for BCVB to move back to its office after the renovation project was completed. On November 20, 2018, the ten-year operating lease for BCVB's office was mutually terminated, and BCVB intends to continue leasing its temporary office space until a new office location is determined.

BCVB subleases a portion of its office. See Note E.

NOTE E SUBLEASES

In connection with and under terms similar to the operating lease which expired on October 31, 2017 as detailed in Note D, BCVB subleased office space to the Greater Beloit Economic Development Corporation, Greater Beloit Chamber of Commerce and Downtown Beloit Association (Vision Beloit Partners) through October 2017. Total monthly sublease amounts were \$3,540, which included reimbursement of BCVB for their share of the utilities, real estate taxes, and building maintenance.

In connection with and under terms similar to the operating lease beginning on November 1, 2017, BCVB is subleasing office space to the Greater Beloit Economic Development Corporation and Downtown Beloit Association. Total monthly sublease amounts are \$699, which includes reimbursement of BCVB for their share of the utilities, real estate taxes, and building maintenance. Due to the operating lease amendment described in Note D, the sublease terms will not take effect until BCVB moves back to their remodeled office.

BCVB has not formally signed sublease agreements with the Greater Beloit Economic Development Corporation and Downtown Beloit Association related to the temporary office space lease agreement as described in Note D, but is providing office space to these organizations in exchange for reimbursement of a portion of shared expenses.

The Greater Beloit Economic Development Corporation and Downtown Beloit Association mutually terminated their subleases on October 17, 2018 and September 27, 2018, respectively.

BELOIT CONVENTION & VISITORS BUREAU, INC.
Notes to Financial Statements

NOTE E SUBLEASES (Continued)

Net rent expense, after deducting sublease amounts described above, was \$24,346 and \$11,122 for the years ended December 31, 2018 and 2017, respectively. These amounts are included in occupancy costs along with other office costs and reimbursements on the Statements of Activities. Year-end amounts due from these entities for sublease and expense reimbursements amounted to \$310 and \$579 for the years ended December 31, 2018 and 2017, respectively.

NOTE F EXPENSE REIMBURSEMENTS

During 2018 and 2017, BCVB received reimbursements of \$2,535 and \$14,869, respectively, from the Vision Beloit Partners for shared expenses. Other 2018 and 2017 expense reimbursements of \$45,782 and \$2,388, respectively, as reported in the Statements of Activities relates to reimbursement from BCVB's lessor for costs incurred related to the renovation project at BCVB's prior office and items stolen from BCVB's office during the renovation project.

NOTE G IN-KIND CONTRIBUTIONS

As discussed in Note D, BCVB is currently under a month-to-month lease for a temporary office space that does not require rent or utility payments. As of December 31, 2018, in-kind contributions for 2018 rent and utilities totaling \$29,583 have been reported in the Statements of Activities. As of December 31, 2017, in-kind contributions for November and December 2017 rent and utilities totaling \$4,931 have been reported in the Statements of Activities.

NOTE H NET ASSETS - DESIGNATED

As of December 31, 2018 and 2017, respectively, the Board designated \$249,056 and \$239,124 of net assets as an operating reserve to ensure net assets equal to three months of expected operating expenses would be designated for future expense payments. These amounts as of December 31, 2018 and 2017 are reported as designated net assets in the Statements of Financial Position.

NOTE I COMMITMENTS AND CONTINGENCIES

During 2017, a civil lawsuit was filed related to an injury sustained as a 2012 event of which BCVB was a sponsor. This suit named BCVB as one of many defendants involved with this event. This suit was settled on December 14, 2018 via a settlement payment by BCVB's insurance provider that formally released BCVB from liability related to this matter.

BELOIT CONVENTION & VISITORS BUREAU, INC.
Notes to Financial Statements

NOTE J SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash payments for interest totaled \$132 for 2018 as reported in the Statements of Activities. There was no cash paid for interest in 2017. There was no cash paid for income taxes in 2018 or 2017.

NOTE K NEW ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board (FASB) has issued a number of new pronouncements that will affect the accounting for nonprofit organizations. They are:

Accounting Standards Update (ASU) 2014-09 *Revenue from Contracts with Customers*. This will amend revenue recognition to a more principle based accounting. It will be effective for BCVB's year ending December 31, 2019.

ASU 2016-02 *Leases*. This will amend the treatment of operating leases by lessees by requiring them to be recorded on the Statements of Financial Position as an asset and a liability. It will be effective for BCVB's year ending December 31, 2020.

Management is in the process of reviewing its records to ensure BCVB is prepared to implement the new standards as required. No determination has been made as to the effect of these on BCVB's financial statements.

NOTE L CHANGE IN ACCOUNTING PRINCIPLE

In 2018, BCVB adopted, retrospectively, ASU 2016-14 *Presentation of Financial Statements of Not-for-Profit Entities*. It amends the current net asset classification requirements to include only two classes of net assets (net assets with donor restrictions and net assets without donor restrictions) and the accounting and presentation of net assets. It also provides more clarity regarding liquidity, transparency in reporting of financial performance measures and consistency in reporting expenses by function and nature.

NOTE M CHANGE IN CLASSIFICATION

In conjunction with the adoption of ASU 2016-14, certain amounts in the 2017 financial statements have been reclassified to be consistent with the 2018 presentation. These reclassifications had no effect on 2017 total assets, liabilities, net assets or change in net assets.

BELOIT CONVENTION & VISITORS BUREAU, INC.
Notes to Financial Statements

NOTE N SUBSEQUENT EVENTS

In 2019, BCVB will be acquiring a property for its new office from the City of Beloit and will begin a two-phase project to remodel the existing building and add additional office space and conference rooms. The project is expected to be completed by 2021, and BCVB will be financing this project with a local bank. Phase one is expected to cost approximately \$330,000 and phase two is expected to cost approximately \$2,186,000.