

BELOIT CONVENTION & VISITORS BUREAU, INC.
Beloit, Wisconsin

Financial Statements

Together With Independent
Auditor's Report

December 31, 2017 and 2016

BELOIT CONVENTION & VISITORS BUREAU, INC.

Table of Contents

INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	7
Notes to Financial Statements	8



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, 2017 and 2016, 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.

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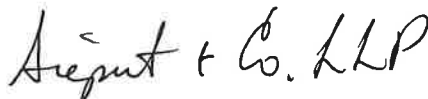
Board of Directors
Beloit Convention & Visitors Bureau, Inc.

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.

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, 2017 and 2016, 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
Certified Public Accountants

Beloit, Wisconsin

August 16, 2018

BELOIT CONVENTION & VISITORS BUREAU, INC.
 Statements of Financial Position
 December 31, 2017 and 2016

<u>ASSETS</u>	<u>2017</u>	<u>2016</u>
Current Assets:		
Cash and cash equivalents	\$ 446,636	\$ 397,289
Accounts receivable	203,938	182,542
Prepayments	21,067	60,482
Other current assets	1,021	2,039
Total current assets	<u>672,662</u>	<u>642,352</u>
Property and Equipment:		
Office equipment	54,849	47,898
Furniture and fixtures	32,789	31,054
Vehicles	45,977	42,042
Website	58,996	52,746
Total property and equipment	<u>192,611</u>	<u>173,740</u>
Less: Accumulated depreciation and amortization	<u>112,303</u>	<u>87,232</u>
Total net property and equipment	<u>80,308</u>	<u>86,508</u>
Other Assets:		
Stateline Community Foundation pass through account		<u>9,200</u>
Total Assets	<u>\$ 752,970</u>	<u>\$ 738,060</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts payable	\$ 60,353	\$ 48,496
Grants payable	13,295	
Deferred revenue	27,488	34,735
Accrued payroll	8,239	8,115
Other payroll liabilities	4,764	1,787
Total current liabilities	<u>114,139</u>	<u>93,133</u>
Net Assets:		
Unrestricted net assets-		
Undesignated	399,707	430,796
Designated	239,124	214,131
Total net assets	<u>638,831</u>	<u>644,927</u>
Total Liabilities and Net Assets	<u>\$ 752,970</u>	<u>\$ 738,060</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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Revenues:		
City hotel tax	\$ 814,178	\$ 801,477
Grants	66,975	68,438
Expense reimbursements	2,388	
Sponsorship fees	20,488	16,675
Other sales income, net of cost of sales of \$400 for 2017 and \$80 for 2016	12,055	3,957
In-kind contributions	4,931	
Interest	374	257
Miscellaneous income	700	2,000
Total revenues	<u>922,089</u>	<u>892,804</u>
Expenses:		
Program services	827,811	666,974
Supporting services - Management and general	100,374	87,337
Total expenses	<u>928,185</u>	<u>754,311</u>
Change in Net Assets	(6,096)	138,493
Net Assets, Beginning of Year	<u>644,927</u>	<u>506,434</u>
Net Assets, End of Year	<u>\$ 638,831</u>	<u>\$ 644,927</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, 2017 and 2016

	2017		Total
	Program Services	Supporting Services Management and General	
Salaries	\$ 247,513	\$ 43,679	\$ 291,192
Payroll taxes	22,472	3,966	26,438
Employee benefits	35,749	6,308	42,057
Occupancy	10,466	10,465	20,931
Office supplies and expense	18,439	6,172	24,611
Telephone	5,768	1,018	6,786
Internet access and website	5,536	977	6,513
Postage	7,664	852	8,516
Printing	2,587	288	2,875
Maintenance and repairs	1,160	1,160	2,320
Research expense	12,759		12,759
Group sales expense	8,952		8,952
Advertising and promotion	192,402		192,402
Marketing	35,491		35,491
Welcome vehicle expense	13,555		13,555
Conferences and meetings	25,024	3,440	28,464
Travel	19,963	2,217	22,180
Membership dues and subscriptions	8,045	1,420	9,465
Grants and donations	42,285		42,285
Sponsorships	77,283	5,257	82,540
Professional fees	5,842	5,843	11,685
General insurance	1,984	2,113	4,097
Depreciation and amortization	21,310	3,761	25,071
Merchandising	2,891		2,891
Miscellaneous	2,671	1,438	4,109
Total Expenses	\$ 827,811	\$ 100,374	\$ 928,185

The accompanying notes are an integral part of this statement.

2016		
Program Services	Supporting Services Management and General	Total
\$ 218,167	\$ 38,499	\$ 256,666
22,435	3,959	26,394
16,400	2,895	19,295
9,213	9,211	18,424
15,858	5,988	21,846
8,943	1,577	10,520
901	159	1,060
4,281	476	4,757
6,772	753	7,525
14,370		14,370
113,868		113,868
17,615		17,615
20,047		20,047
19,237	2,551	21,788
21,852	2,429	24,281
8,043	1,420	9,463
44,389		44,389
71,618	3,900	75,518
6,837	6,837	13,674
457	1,624	2,081
18,578	3,278	21,856
3,789		3,789
3,304	1,781	5,085
<u>\$ 666,974</u>	<u>\$ 87,337</u>	<u>\$ 754,311</u>

BELOIT CONVENTION & VISITORS BUREAU, INC.
 Statements of Cash Flows
 For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ (6,096)	\$ 138,493
Adjustments to reconcile change in net assets to net cash provided by operating activities-		
Depreciation and amortization	25,071	21,856
(Increase) decrease in current assets-		
Accounts receivable	(21,396)	56,235
Prepayments	39,415	(46,572)
Other current assets	1,018	(2,039)
Increase (decrease) in current liabilities-		
Accounts payable	11,857	42,718
Grants payable	13,295	
Deferred revenue	(7,247)	7,285
Other payroll liabilities	3,101	(2,006)
Net cash provided by operating activities	<u>59,018</u>	<u>215,970</u>
Cash Flows From Investing Activities:		
Purchase of property and equipment	(18,871)	(15,236)
Decrease (increase) in Stateline Community Foundation pass through account	9,200	(9,200)
Net cash used by investing activities	<u>(9,671)</u>	<u>(24,436)</u>
Change in Cash and Cash Equivalents	49,347	191,534
Cash and Cash Equivalents, Beginning of Year	<u>397,289</u>	<u>205,755</u>
Cash and Cash Equivalents, End of Year	<u>\$ 446,636</u>	<u>\$ 397,289</u>

The accompanying notes are an integral part of this statement.

BELOIT CONVENTION & VISITORS BUREAU, INC.
Notes to Financial Statements
For the Years Ended December 31, 2017 and 2016

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

BCVB considers all highly liquid, short-term investments with an original maturity date of three months or less to be cash equivalents. BCVB's bank deposits are insured by Federal Deposit Insurance Corporation insurance up to \$250,000. As of December 31, 2017 and 2016, BCVB had no uninsured deposits.

BELOIT CONVENTION & VISITORS BUREAU, INC.
Notes to Financial Statements
For the Years Ended December 31, 2017 and 2016

Note A: Summary of Significant Accounting Policies (Continued)

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 for 2017 and 2016 and the remaining amounts are all considered to be fully collectable.

Accounts receivable consists of the following:

	<u>2017</u>	<u>2016</u>
Hotel room taxes	\$181,766	\$179,633
Sublease reimbursements	579	1,107
Other	<u>21,593</u>	<u>1,802</u>
Total	<u>\$203,938</u>	<u>\$182,542</u>

Property and Equipment

Property and equipment are stated at cost if purchased or estimated acquisition 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.

BELOIT CONVENTION & VISITORS BUREAU, INC.
Notes to Financial Statements
For the Years Ended December 31, 2017 and 2016

Note A: Summary of Significant Accounting Policies (Continued)

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of BCVB are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of BCVB pursuant to those stipulations. There were no temporarily restricted net assets as of December 31, 2017 and 2016.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by BCVB. There were no permanently restricted net assets as of December 31, 2017 and 2016.

Revenues

BCVB revenues are substantially provided by hotel 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 2017, the City of Beloit, WI and the City of South Beloit, IL remitted 85% and 1%, respectively, of the hotel taxes collected to BCVB. During 2016, the City of Beloit, WI and the City of South Beloit, IL remitted 90% and 1%, respectively, of the hotel taxes collected to BCVB. This revenue amounted to approximately 88% and 90% of total revenues for the years ended December 31, 2017 and 2016, respectively.

BELOIT CONVENTION & VISITORS BUREAU, INC.
Notes to Financial Statements
For the Years Ended December 31, 2017 and 2016

Note A: Summary of Significant Accounting Policies (Continued)

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 tax positions and has determined there are no uncertain tax positions as of December 31, 2017. 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, 2017, there are no ongoing income tax audits or unresolved disputes with the various taxing authorities BCVB currently files, or has filed with.

Expense Allocation

The costs of providing the various programs and other activities have been summarized on an estimated functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising and Promotion Costs

BCVB expenses costs of advertising and promotion at the time incurred. Advertising and promotion expenses were \$192,402 and \$113,868 for the years ended December 31, 2017 and 2016, respectively.

BELOIT CONVENTION & VISITORS BUREAU, INC.
Notes to Financial Statements
For the Years Ended December 31, 2017 and 2016

Note A: Summary of Significant Accounting Policies (Continued)

Reclassifications

Certain reclassifications have been made to the 2016 financial statements to conform with the 2017 presentation.

Subsequent Events

BCVB has evaluated subsequent events through August 16, 2018, 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.

In June 2018, while BCVB's office was under renovation, a construction issue resulted in BCVB not being able to move back to this office as anticipated upon completion of the renovation project. See Note B.

Note B: Office Renovation Project

In 2017, a renovation project was started on the building where BCVB leases its office by the lessor. As part of this project, BCVB was responsible for certain leasehold improvements, including initial design and engineering costs and other costs related to renovating and furnishing BCVB's office space. Costs totaling \$13,479 were incurred by BCVB during 2017 related to this project, with significant additional costs expected to be incurred during 2018 through the anticipated completion of this project in August 2018.

In June 2018, due to a construction issue experienced, it was determined that it would not be possible for BCVB to move back to its office after the renovation project was completed. As a result, the lessor has provided BCVB with a temporary office and has agreed to reimburse BCVB for all costs incurred related to this renovation

BELOIT CONVENTION & VISITORS BUREAU, INC.
Notes to Financial Statements
For the Years Ended December 31, 2017 and 2016

Note B: Office Renovation Project (Continued)

project, as well as the estimated value of supplies stolen from BCVB's office during the renovation project. As of December 31, 2017, a receivable from the lessor of \$15,868 has been recorded and is included in accounts receivable in the Statements of Financial Position.

Note C: Office Leases

Through October 2017, BCVC 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, BCVB 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 B, this lease was amended so that the ten-year lease term would begin on the date BCVB moved back to their remodeled office.

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 B. 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 B, due to a construction issue experienced, it was determined that it would not be possible for BCVB to move back to its office after the renovation project was completed. As of August 16, 2018, the ten-year operating lease for BCVB's office is still in effect and is expected to be terminated upon

BELOIT CONVENTION & VISITORS BUREAU, INC.
Notes to Financial Statements
For the Years Ended December 31, 2017 and 2016

Note C: Office Leases (Continued)

determination of a new office location, and BCVB intends to continue leasing its temporary office space until either a new office location is determined or a new temporary office space is found.

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

Note D: Subleases

In connection with and under terms similar to the operating lease which expired on October 31, 2017 as detailed in Note C, 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 C, 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 C, but is providing office space to these organizations in exchange for reimbursement of a portion of shared expenses.

BELOIT CONVENTION & VISITORS BUREAU, INC.
Notes to Financial Statements
For the Years Ended December 31, 2017 and 2016

Note D: Subleases (Continued)

As of August 16, 2018, the Greater Beloit Economic Development Corporation and Downtown Beloit Association subleases are still in effect and are expected to be terminated upon determination of a new office location. The Greater Beloit Economic Development Corporation and Downtown Beloit Association intend to continue utilizing office space at BCVB's temporary office as well as moving with BCVB when either a new office location is determined or a new temporary office space is found.

Net rent expense, after deducting sublease amounts described above, was \$11,122 and \$14,910 for the years ended December 31, 2017 and 2016, 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 \$579 and \$1,107 for the years ended December 31, 2017 and 2016, respectively.

Note E: Expense Reimbursements

During 2017 and 2016, BCVB received reimbursements of \$14,869 and \$17,736, respectively, from the Vision Beloit Partners for shared expenses. Other 2017 expense reimbursements of \$2,388 as reported in the Statements of Activities relates to reimbursement from BCVB's lessor for items stolen from BCVB's office during the renovation project.

Note F: In-Kind Contributions

As discussed in Note C, 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, 2017, in-kind contributions for November and December 2017 rent and utilities totaling \$4,931 have been reported in the Statements of Activities.

BELOIT CONVENTION & VISITORS BUREAU, INC.
Notes to Financial Statements
For the Years Ended December 31, 2017 and 2016

Note G: Net Assets - Designated

As of December 31, 2017 and 2016, respectively, the Board designated \$239,124 and \$204,931 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, 2017 and 2016 are reported as designated net assets in the Statements of Financial Position.

During 2016, the Board approved transfers totaling \$51,328 to Stateline Community Foundation to be used for the payment of JET grants and the related administrative fees. The balance in the account as of December 31, 2016 was \$9,200, which is reported as an other asset in the Statements of Financial Position. These amounts totaled \$214,131 as of December 31, 2016.

Note H: 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. BCVB is vigorously defending itself against this claim. This case was previously tried unsuccessfully, and management of BCVB believes the likelihood of any potential liability for BCVB is not probable.

Note I: Supplemental Disclosures of Cash Flow Information

There was no cash paid for interest or income taxes in 2017 or 2016.

Note J: 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:

BELOIT CONVENTION & VISITORS BUREAU, INC.
Notes to Financial Statements
For the Years Ended December 31, 2017 and 2016

Note J: New Accounting Pronouncements (Continued)

- 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 Statement of Financial Position as an asset and a liability. It will be effective for BCVB's year ending December 31, 2020.
- ASU 2016-14 *Presentation of Financial Statements of Not-for-Profit Entities*. It will amend 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 will also provide more clarity regarding liquidity, transparency in reporting of financial performance measures and consistency in reporting expenses by function and nature. It will be effective for BCVB's year ending December 31, 2018.

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.