



TRANSMITTAL MEMORANDUM

TO: The Honorable Mayor and City Council

FROM: Karl R. Amylon, City Manager

DATE: April 26, 2021

RE: **Ketchikan Visitors Bureau's Financial Statements for the Year Ending December 31, 2019**

Pursuant to paragraph (b) of Section 14 of the 2020 Community Agency Funding Agreement between the City of Ketchikan and the Ketchikan Visitors Bureau, attached for City Council review is a copy of the agency's financial statements for the year ending December 31, 2019. Should Councilmembers have questions and/or concerns regarding the financial statements, staff can attempt to respond accordingly.

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KETCHIKAN VISITORS BUREAU
Ketchikan, Alaska

FINANCIAL STATEMENTS

December 31, 2019

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors of
Ketchikan Visitors Bureau, Inc.
Ketchikan, Alaska

We have reviewed the accompanying financial statements of Ketchikan Visitors Bureau, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

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 the financial statements that are free from material misstatement whether due to fraud or error.

Accountants' Responsibility

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Milner, Howard, Palmer, + Edwards, CPAS (PC)

December 19, 2020

KETCHIKAN VISITORS BUREAU
STATEMENTS OF FINANCIAL POSITION

December 31, 2019 and 2018

	2019	2018
<u>ASSETS</u>		
CURRENT ASSETS		
Cash - undesignated	\$ 85,539	\$ 226,292
Cash - designated for lease deposits	27,350	22,500
Cash - designated for gaming activities	12,479	4,982
Accounts receivable	\$ 241,030	\$ 41,941
Less: allowance for doubtful accounts	2,607	3,291
Prepaid expenses and refundable deposits	28,083	26,816
TOTAL CURRENT ASSETS	391,874	319,240
FIXED ASSETS - AT COST		
Furniture and fixtures	45,837	33,987
Office equipment	34,207	34,207
Automobile	23,417	23,417
Leasehold improvements	9,424	9,424
	112,885	101,035
Less: accumulated depreciation	89,533	85,618
	23,352	15,417
OTHER ASSETS		
Trade name, net of amortization	23,217	24,143
Certificate of deposit - designated contingency reserve	-	58,183
	23,217	82,326
TOTAL ASSETS	\$ 438,443	\$ 416,983
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Fees collected in advance and refundable deposits	\$ 106,940	\$ 103,550
Accounts payable	50,193	34,736
Membership dues collected in advance	35,642	41,047
Payroll taxes and accrued leave payable	26,201	22,179
Current portion of note payable	18,311	-
Sales tax payable	4,428	5,089
	241,715	206,601
LONG-TERM LIABILITIES		
Note payable	9,418	-
TOTAL LIABILITIES	251,133	206,601
NET ASSETS		
Net assets without donor restrictions	187,310	210,382
TOTAL LIABILITIES AND NET ASSETS	\$ 438,443	\$ 416,983

See notes to financial statements

KETCHIKAN VISITORS BUREAU

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the years ended December 31, 2019 and 2018

	2019		2018	
Revenues				
Municipal funding	\$ 590,650		\$ 575,163	
Self-funding	<u>439,700</u>	1,030,350	<u>437,830</u>	1,012,993
Expenses				
Program services				
Destination marketing and visitor information	\$ 341,286		\$ 336,573	
Self-funded programs	50,317		39,359	
Convention sales and marketing	40,623		50,856	
Supporting services				
General and administrative	562,710		503,430	
Operating	<u>59,145</u>	1,054,081	<u>49,764</u>	979,982
Other Income (Expense)				
Interest income	1,276		721	
Interest expense	(617)		-	
Loss on disposal of assets	<u>-</u>	659	<u>(1,195)</u>	(474)
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		(23,072)		32,537
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		<u>-</u>		<u>-</u>
CHANGES IN NET ASSETS		(23,072)		32,537
Net assets at beginning of year		<u>210,382</u>		<u>177,845</u>
NET ASSETS AT END OF YEAR		<u>\$ 187,310</u>		<u>\$ 210,382</u>

See notes to financial statements

KETCHIKAN VISITORS BUREAU

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2019 and 2018

	2019	2018
OPERATING ACTIVITIES		
Cash received from government agencies, members and general public	\$ 828,562	\$ 1,145,988
Payments for supplies and services	(1,031,689)	(1,014,382)
Interest collected	1,276	721
Interest paid	(617)	-
NET CASH (USED BY) PROVIDED FROM OPERATING ACTIVITIES	(202,468)	132,327
INVESTING ACTIVITIES		
Proceeds from maturity of certificate of deposit	58,183	-
Interest reinvested in certificate of deposit	-	(463)
Furniture and fixtures purchased	(11,850)	-
NET CASH PROVIDED FROM (USED BY) INVESTING ACTIVITIES	46,333	(463)
FINANCING ACTIVITIES		
Proceeds from note payable	36,646	-
Principal payments on note payable	(8,917)	-
NET CASH PROVIDED FROM FINANCING ACTIVITIES	27,729	-
(DECREASE) INCREASE IN CASH	(128,406)	131,864
CASH AT BEGINNING OF YEAR	253,774	121,910
BALANCE AT END OF YEAR	\$ 125,368	\$ 253,774
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH (USED BY) PROVIDED FROM OPERATING ACTIVITIES		
Change in net assets	\$ (23,072)	\$ 32,537
Items not affecting cash:		
Depreciation	3,915	4,420
Amortization	926	926
Loss on disposal of assets	-	1,195
Working capital changes:		
(Increase) decrease in accounts receivable	(199,773)	135,181
(Increase) in prepaid expenses	(1,267)	(19,602)
Increase (decrease) in fees collected in advance and refundable deposits	3,390	(1,404)
Increase (decrease) in accounts payable	15,457	(18,903)
(Decrease) in membership dues collected in advance	(5,405)	(782)
Increase (decrease) in payroll taxes and accrued leave payable	4,022	(3,432)
(Decrease) increase in sales tax payable	(661)	2,191
NET CASH (USED BY) PROVIDED FROM OPERATING ACTIVITIES	\$ (202,468)	\$ 132,327

See notes to financial statements

KETCHIKAN VISITORS BUREAU
NOTES TO FINANCIAL STATEMENTS

December 31, 2019

Note A - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of business

Ketchikan Visitors Bureau, Inc. (KVB) is a nonprofit Alaska corporation which promotes Ketchikan as a tourist destination and a preferable site for conventions and meetings. KVB sponsors publications through the joint effort of its members to advertise local businesses, attractions and events. The Organization is controlled by a sixteen-member Board of Directors. Nine directors are elected by the general membership and six are appointed; one by the Ketchikan Gateway Borough Assembly, one by the Ketchikan City Council and four by the Chairman of the Board of Directors. KVB's funding comes primarily from contracts with local municipal governments, marketing and membership dues.

Basis of accounting

The accounting records are maintained on the accrual basis and interim and annual financial statements are issued to its directors on this basis. Under the accrual basis of accounting, revenue is recognized when earned rather than when collected and expenses are recognized when incurred rather than when paid.

Capitalization and depreciation

KVB capitalizes personal property costing more than \$499. Fixed assets are recorded at cost and depreciated on a straight-line basis over their estimated useful lives. During 2004, KVB contracted with a firm to develop a trade name. This intangible asset was placed in service during 2005 with a useful life of forty years.

Trade accounts receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and credit to accounts receivable. The allowance is estimated from historical performance and projection of trends.

Advertising

Advertising costs are charged to operations when incurred.

Management estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from these estimates.

Sales tax

Ketchikan Gateway Borough requires KVB to impose a sales tax on certain transactions with nonexempt customers. The Organization collects sales tax from customers and remits the entire amount to the taxing agency. The Organization's accounting policy is to exclude the tax collected and remitted to the taxing agency from revenues and expenses.

Board designated funds

As of December 31, 2019, the board has designated cash in the amounts of \$27,350 and \$12,479 for lease deposits and gaming activities, respectively.

Note B - CASH

Cash consists of cash on hand and on deposit with commercial financial institutions with original maturities of three months or less. The Organization has concentrated its credit risk for cash by maintaining deposits in financial institutions, which may at times exceed amounts covered by insurance provided by the United States Federal Deposit Insurance Corporation (FDIC). The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash.

Note C - FEES COLLECTED IN ADVANCE AND REFUNDABLE DEPOSITS

KVB sponsors the publication of two Ketchikan travel guides which are distributed inside and outside of Ketchikan to promote the area as a tourist and convention destination. KVB sponsors a Meeting Planner that markets Ketchikan as a location for organizations to hold events.

CONTINUED

KETCHIKAN VISITORS BUREAU
NOTES TO FINANCIAL STATEMENTS

December 31, 2019

Note C - FEES COLLECTED IN ADVANCE AND REFUNDABLE DEPOSITS - CONTINUATION

The fees collected in advance and refundable deposits as of December 31, are presented as follows:

	2019	2018
Deferred advertising fees	\$ 78,496	\$ 78,256
Lease deposits	26,900	23,750
Refundable deposits	1,544	1,544
	<u>\$ 106,940</u>	<u>\$ 103,550</u>

Note D - MUNICIPAL FUNDING SUPPORT

The municipal governments provided 57% of KVB's gross support for both years ended 2019 and 2018. Some municipal grants are used for a specific project or purpose and should not be considered part of the general operating budget.

KVB received the following funds from these sources:

	2019	2018
City of Ketchikan	\$ 333,450	\$ 333,449
Ketchikan Gateway Borough	257,200	241,714
	<u>\$ 590,650</u>	<u>\$ 575,163</u>

Note E - SELF-FUNDING SUPPORT

	2019	2018
Destination marketing	\$ 115,430	\$ 137,452
Booth and direct-line reservation rent	157,842	127,889
Membership dues	87,873	83,918
Brochure distribution, inquiry label and map sales	24,693	19,793
Associate program	23,100	23,750
Gaming income	17,370	25,258
Membership events (banquets, lunches, etc.)	10,061	14,080
Commissions	3,149	5,690
Geldaker scholarship	182	-
	<u>\$ 439,700</u>	<u>\$ 437,830</u>

Note F - SCHEDULE OF FUNCTIONAL EXPENSES - PROGRAM SERVICES

DESTINATION MARKETING AND VISITOR INFORMATION EXPENSES	2019	2018
Media advertising	\$ 187,951	\$ 183,563
Printing and design	58,353	38,635
Brochure postage and distribution	29,863	28,242
Internet and website maintenance	21,183	27,545
Cooperative marketing (ATIA & TIA)	17,659	18,087
Trade shows and travel	15,521	15,418
Southeast Alaska Tourism Council	5,000	5,000
Marketing research	3,600	18,141
Hosting and plaques	2,156	1,942
	<u>\$ 341,286</u>	<u>\$ 336,573</u>
CONVENTION SALES AND MARKETING EXPENSES	2019	2018
Trade shows and travel	\$ 10,824	\$ 7,372
Advertising and promotion	9,799	14,109
Printing, design and labels	6,969	8,034
Presentations and hosting	6,197	12,357
Dues, registrations and membership fees	3,749	3,676
Internet	2,026	3,889
Telephone	1,030	1,419
Postage	29	-
	<u>\$ 40,623</u>	<u>\$ 50,856</u>

CONTINUED

KETCHIKAN VISITORS BUREAU
NOTES TO FINANCIAL STATEMENTS

December 31, 2019

Note F - SCHEDULE OF FUNCTIONAL EXPENSES - PROGRAM SERVICES - CONTINUATION

SELF-FUNDED PROGRAMS EXPENSES	2019	2018
Membership events (banquet, lunches, etc.)	\$ 12,774	\$ 11,558
Membership	11,240	3,299
Credit card processing fees	9,003	7,828
Brochure and map distribution	7,034	4,160
Gaming disbursements	2,745	4,237
Direct-line reservations	2,679	1,066
Geldaker scholarship	2,500	2,500
Ketchikan's Story DVD	1,845	4,692
Alaska host class	497	19
	<u>\$ 50,317</u>	<u>\$ 39,359</u>

Note G - SCHEDULE OF FUNCTIONAL EXPENSES - SUPPORTING SERVICES

GENERAL AND ADMINISTRATIVE EXPENSES	2019	2018
Payroll, payroll taxes and employee benefits	\$ 422,284	\$ 381,056
Rent	43,441	43,441
Equipment and maintenance	42,235	24,352
Legal and accounting	20,292	20,800
Office supplies	16,905	18,238
Dues and subscriptions	7,552	6,342
Insurance, taxes and licenses	5,160	3,855
Depreciation	3,915	4,420
Amortization	926	926
	<u>\$ 562,710</u>	<u>\$ 503,430</u>
 OPERATING EXPENSES	 2019	 2018
Janitorial services and supplies	\$ 19,323	\$ 18,882
Utilities	15,820	12,993
Telephone and long distance calls	13,269	12,229
Building repairs and maintenance	8,483	2,171
Storage rent	1,650	1,650
Vehicle maintenance	1,284	1,147
(Recoveries) bad debt	(684)	692
	<u>\$ 59,145</u>	<u>\$ 49,764</u>

Note H - EXECUTIVE RETIREMENT PLAN

KVB sponsors a defined contribution retirement plan that covers executive officers. It allows up to \$7,500 to be deducted from participants' earnings and invested for their retirement. There were no contributions to the plan in 2019 or 2018. Amounts contributed by KVB vary with the number of participants. Since the program is a non-qualified plan KVB is responsible for controlling access to the account until the funds are requested by the respective employees.

During 2008 KVB organized a SIMPLE IRA plan for qualified employees, and contributed \$4,749 and \$3,870 to this plan during 2019 and 2018, respectively.

Note I - INCOME TAXES

KVB is exempt from income tax under Section 501(c)(6) of the Internal Revenue Code (IRC). Any gaming proceeds are treated as Unrelated Business Taxable Income (UBTI). A ruling by the State Office of Tax Appeals for the State of Alaska allows non-profit organizations to deduct from UBTI their program service expenses as ordinary and necessary under IRC Section 162. There was no taxable unrelated business income during 2019 and 2018.

KVB's Form 990, Return of Organization Exempt From Income Tax, for 2019, 2018, 2017, and 2016 are subject to examination by the IRS for 3 years after they are filed.

KETCHIKAN VISITORS BUREAU
NOTES TO FINANCIAL STATEMENTS

December 31, 2019

Note J - OPERATING LEASE

During 2012, KVB entered into a 5 year lease for office space beginning August 15, 2012 at the rate of \$3,555 per month. The lease was renewed through August, 2022 during June, 2017.

Future minimum lease payments for each of the next three years and in the aggregate are:

YEAR	AMOUNT
2020	\$ 42,660
2021	42,660
2022	30,128
	<u>\$ 115,448</u>

Note K - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of board designation as of the balance sheet date.

	2019	2018
Financial assets at year-end	\$ 363,791	\$ 350,607
Less: board designated assets	39,829	85,665
	<u>\$ 323,962</u>	<u>\$ 264,942</u>
Financial assets available to meet cash needs for general expenditures within one year		
	<u>\$ 323,962</u>	<u>\$ 264,942</u>

Note L - SCHEDULE OF NOTE PAYABLE

	BALANCE	CURRENT	LONG-TERM
First Bank, due \$1,591 per month of principal, interest at 4% secured by equipment. This note is due on June 1, 2021.	\$ 27,729	\$ 18,311	\$ 9,418

Maturities of the note payable for each of the two years succeeding December 31, 2019 are as follows:

YEAR	AMOUNT
2020	\$ 18,311
2021	9,418

Note M - RECLASSIFICATIONS

The prior year financial statements were reclassified to reflect classifications used in the current year.

Note N - UNCERTAINTY RELATED TO COVID-19

In 2020, domestic and international economies face uncertainty related to the impact of the COVID-19 disease. The Organization may be adversely affected through changes in the tourism industry and decreases in government funding. Management is evaluating the impact it will have on future operations

Note O - SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 19, 2020, the date the financial statements were available to be issued, and no significant events were noted.