



Board of Directors
Discover Newport
44 Long Wharf Mall
Newport, RI 02840

We are pleased to present this Comprehensive Annual Financial Report (CAFR) for the Newport and Bristol County Convention and Visitors' Bureau and Subsidiary (the Bureau) for the year ended June 30, 2021.

The Finance Department oversees the audit and assumes responsibility for the completeness and reliability of the information presented in this report. To provide a reasonable basis for making these representations, the Finance Department established a comprehensive internal control framework that is designed to provide reasonable assurance that the Bureau's assets are protected from loss, theft, or misuse. The concept of reasonable assurance recognizes that the cost of maintaining internal controls should not exceed the benefits derived based on management's estimates and judgments. All internal control evaluations occur within this framework. We believe the Bureau's internal controls adequately safeguard assets and provide reasonable assurance of the proper recording of financial transactions.

Sansiveri, Kimball & Co, a public accounting firm fully licensed and qualified to perform audits of local governments within the State of Rhode Island has audited the Bureau's consolidated financial statements. The goal of the independent audit was to provide reasonable assurance that the basic financial statements of the Bureau as of and for the fiscal year ended June 30, 2021, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statements presentation. The independent auditors concluded, based upon the audit, that the Bureau's consolidated financial statements as of and for the fiscal year ended June 30, 2021, are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States (GAAP). The independent auditors' report is presented as the first two pages of the financial section of this CAFR.

Management's Discussion and Analysis (MD&A) precedes the independent auditors' report. It provides an analytical overview of the Bureau's operations for fiscal year (FY) 2021. This letter of transmittal is intended to complement the MD&A and other information contained in this report and should be read in conjunction with it.

REPORTING ENTITY

This CAFR includes all funds of the Bureau. The Bureau is comprised of two entities, Newport and Bristol County Convention and Visitors' Bureau (DBA Discover Newport) and the Newport Tourism Marketing Management Authority (DBA Newport Hotel Collection).

Discover Newport is unique, as it does not operate as a typical membership-based convention and visitors' bureau. It is a quasi-governmental organization established by state law, funded primarily by room tax revenues, and the governing body is composed of an autonomous Board of Directors (the Discover Newport Board). This eighteen-member board is comprised of thirteen members appointed by the nine town councils within Newport and Bristol County and five representatives who are nominated by the Discover Newport Board to represent the hotel industry (over 100 rooms), the hotel industry (under 100 rooms), restaurant industry, attractions industry, and general business interests.

Discover Newport's mission statement is:

“To positively influence the economy of Newport and Bristol Counties, Rhode Island, which includes Barrington, Bristol, Jamestown, Little Compton, Middletown, Newport, Portsmouth, Tiverton, and Warren, by marketing the region as a travel and tourism destination.”

Discover Newport is charged with marketing and branding Newport and Bristol County as a premier travel destination. Its primary responsibility is attracting visitors to our destination. While resorts advertise and market their individual properties, Discover Newport markets and brands the destination as a whole. Discover Newport integrates its branding campaigns with sales, marketing, and public relations activities, as well as special events, to attract visitors.

The Newport Hotel Collection is a District Management Authority and was established by the Newport City Council in September 2017. It is 100% funded by a special assessment tourism fee of \$1/per room/per night of hotels over 20 rooms within the district. It is governed by an autonomous Board of Directors (the Newport Hotel Collection Board). This nine-member board is comprised of seven members appointed by Discover Newport and two members appointed by the City of Newport. All board members come from properties within the district.

The Newport Hotel Collection is charged with marketing and branding the district by sponsoring and promoting recreational, cultural, and retail activities and to provide general marketing and promotion efforts. The Newport Hotel Collection has no employees; it is managed by Discover Newport.

Funding received by both Discover Newport and the Newport Hotel Collection is received two months in arrears.

ECONOMIC CONDITION

In 2019, travel & tourism activity continued to be one of the largest contributors to and principle economic drivers in Newport and Bristol Counties. As a result, U.S. and international travel trends are closely monitored. At the end of fiscal year 2020, we were in the beginning stages of a global pandemic, key segments for Newport like international travel, cruise travel and motorcoach groups all abruptly stopped in the summer and fall of 2020, and the winter & spring of 2021. As fiscal year 2021 came to a close, the global pandemic was still in force. Like many of our counterparts, our year started with government restrictions on gatherings, business and travel, and restaurant seating limitations. Our

industry has been plagued with high unemployment, there are plenty of positions, but no workers to fill those positions. Most, if not all, of the government restrictions were lifted by the close of our fiscal year, but unfilled positions are still an issue. We have seen travel and tourism slowly improve both nationally and regionally.

One significant trend worth noting here is the exodus of people fleeing metropolitan areas & cities for resort areas (mountains, lakes & coastal areas). Our nine towns definitely benefited from this travel trend. We believe there were multiple factors that were a positive influence on our success: 1st- Newport is within 400 miles (one gas tank) of 15% of the American population. 2nd- Newport was offering a lot of outdoors activities for travelers to enjoy. 3rd- Industry partners and the city administration took a very proactive approach to public safety & health guidelines. 4th- The rollout of the vaccine. This resulted in high visitor confidence that Newport was a safe destination to visit.

The Discover Newport staff has been and will continue to work cooperatively with many alliance partners to promote Newport & Bristol Counties as a safe and interesting travel option to consider for those that are ready to travel at this time. We recognize and embrace that safe travel is a shared responsibility between our visitors, our industry employees, and our residents.

Respectfully submitted,



Evan Smith
President & CEO



Alyson Adkins, CPA
VP of Finance

**NEWPORT AND BRISTOL COUNTY
CONVENTION AND VISITORS' BUREAU AND
SUBSIDIARY**

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021
AND 2020

INDEPENDENT AUDITORS' REPORT



SANSIVERI, KIMBALL & CO., LLP
CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS ADVISORS



SANSIVERI, KIMBALL & CO., LLP
CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Newport and Bristol County Convention and Visitors' Bureau:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Newport and Bristol County Convention and Visitors' Bureau and Subsidiary (the Bureau) as of and for the years ended June 30, 2021 and 2020, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP); this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Newport and Bristol County Convention and Visitors' Bureau and Subsidiary as of June 30, 2021 and 2020, and the changes in its financial position and its cash flows for the years then ended in accordance with U.S. GAAP.

Other Matters

Required Supplementary Information

U.S. GAAP requires that the management's discussion and analysis information on pages 7-15 be presented to supplement the basic consolidated financial statements. Such information, although not a part of the basic consolidated financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audit of the basic consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplemental schedules 1 and 2 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Dansievi, Kimball & Co., LLP

Providence, Rhode Island
November 17, 2021

FINANCIAL
SECTION

Management's Discussion and Analysis

As management of the Newport and Bristol County Convention and Visitors' Bureau (Discover Newport) and the Newport Tourism Marketing Management Authority (Newport Hotel Collection), collectively referred to as the Bureau we offer readers of the Bureau's financial statements this narrative overview and analysis of the Bureau's financial performance for the fiscal year (FY) ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the letter of transmittal, which can be found on pages 1 to 3 of this report.

FINANCIAL HIGHLIGHTS

- Total revenues decreased approximately \$391 thousand for FY 2021. Hotel taxes declined by 17% and the tourism fee declined by 12% over prior year. Grant income increased by 100% over prior year. Private source revenue (advertising, promotional participation, ticket commission, etc.) declined by 75% over prior year. We offered a 50% discount on our advertising products for FY 2021, we also offered complimentary participation for all restaurants participating in Newport Restaurant Week. We discontinued the ticket program in FY 2020. The decline in revenue is directly attributable to the coronavirus. Average daily room rate (ADR) improved from \$170.40 for FY 2020 to \$176.77 for FY 2021.
- Discover Newport invested approximately \$1.6 million in sales and marketing efforts. Some of the leisure investments supported the creation, management and marketing of Newport Restaurant Week, and off-season product development such as Take It Outside and Holiday, Winter and Spring campaigns. Other investments included a series of leisure e-blasts to our feeder markets, creation of a destination video, creation and production of a destination travel guide, redesigning the website, and the sponsorship of opening the Gateway bathrooms. On the corporate sales side investments included a mix of print and digital advertising campaigns, hosting 4 virtual client events, attendance at 8 trade shows (5 were virtual), and hosted 10 meeting planners site inspections.
- Discover Newport opened a 700 square foot Visitor Center at 21 Long Wharf Mall after being closed for over a year. The decision to remain closed for the summer 2020 season was made after reviewing guidelines from the CDC and the RI Department of Health. Based on those guidelines, Discover Newport made the decision to open a smaller Visitor Center for the 2021 season.
- The Newport Hotel Collection invested approximately \$90 thousand in sales and marketing efforts. Some of the investments included one seasonal Expedia Media website advertising, and the development of photo and video assets of the 4 properties.
- Net position increased approximately \$1.2 million to \$3.1 million during FY 2021. This is a direct result of the Bureau's management to apply and receive government grants and to reduce expenditures. The Bureau will be using the funds as follows: increase their long-term reserves by approximately \$230 thousand; increase spending in advertising for both FY 2022 and 2023 by \$500 thousand.

CONDENSED COMPARATIVE DATA

ASSETS, DEFERRED OUTFLOWS, LIABILITIES, DEFERRED INFLOWS, AND NET POSITION

The Bureau's change in net position increased \$1.2 million during the year as follows:

CHANGES IN NET POSITION				
	FY 2020	FY 2021	Increase (Decrease)	
			Amount	Percent
Net position – beginning	\$1,728,975	\$ 1,917,185	\$188,210	11%
Revenues	3,817,949	3,426,937	(391,012)	-10%
Expenses	3,629,739	2,200,880	(1,428,859)	-39%
Change in net position	188,210	1,226,057	1,037,847	551%
Net position – ending	\$1,917,185	\$ 3,143,242	\$1,226,057	64%

Growth in overall net position is a function of the Bureau receiving government grants and wisely spending their funds in fiscal year 2021. With government restrictions on travel at the beginning of the fiscal year, management had decided to hold off on investing in the meetings market. The decrease in revenues for the year is attributed to the global pandemic.

During FY 2021, net position consists of the following:

CONSOLIDATED STATEMENT OF NET POSITION				
			Increase	
	June 30, 2020	June 30, 2021	Amount	Percent
Current and other assets	\$ 1,988,462	\$ 3,786,094	\$ 1,797,632	90%
Capital assets	70,902	75,640	4,738	7%
Total assets	\$ 2,059,364	\$ 3,861,734	\$ 1,802,370	88%
Current liabilities	\$ 142,179	\$ 424,884	\$ 282,705	199%
Long-term liability	-	293,608	293,608	100%
Total liabilities	\$ 142,179	\$ 718,492	\$ 576,313	405%
Net position				
Net investment in capital assets	70,902	75,640	4,738	7%
Board-designated	765,617	1,000,000	234,383	31%
Unrestricted	1,080,666	2,067,602	986,936	91%
Total net position	\$ 1,917,185	\$ 3,143,242	\$ 1,226,057	64%

Long-term liabilities consisted of a portion of the PPP loan, which totaled approximately \$357,000. In September 2021, the Bureau was notified that this loan was forgiven by the SBA. A small portion of net position reflects an investment in capital assets. Board-designated net position is reported separately to show resources the Boards have deemed for long-term use. With the global pandemic still in force, the importance of long-term reserves is all important. The Bureau was fortunate to receive government grants, but these may not always be available for future unforeseen events. The Bureau decided to increase their long-term reserves by approximately \$234 thousand, with the ending balance representing approximately three months of operating expenses during non-pandemic times. Unrestricted net position improved approximately \$1.0 million due to successful efforts to reduce spending during the first half of fiscal year 2021.

REVENUES

Revenues are classified as either public or private. Private revenues are those directly generated by an activity of the Bureau. For example, the sale of advertising on the website, co-op fees for trade shows, participation fees for Newport Restaurant Week, etc.

The public revenue classification includes all hotel taxes and tourism fees because the income is not derived by an activity of the Bureau. The State of Rhode Island levies a hotel tax on all transient lodging establishments in Newport and Bristol Counties, and the Bureau receives a portion of that tax, which is the Bureau's primary source of revenue. The Newport Management Authority assesses a tourism fee on all transient lodging establishments with greater than twenty rooms in Newport County. The Bureau receives 97% of this fee. Grant income received from a government institution is also classified as public revenue.

Total revenues for FY 2021 amounted to \$3.4 million, a 10% decrease over FY 2020.

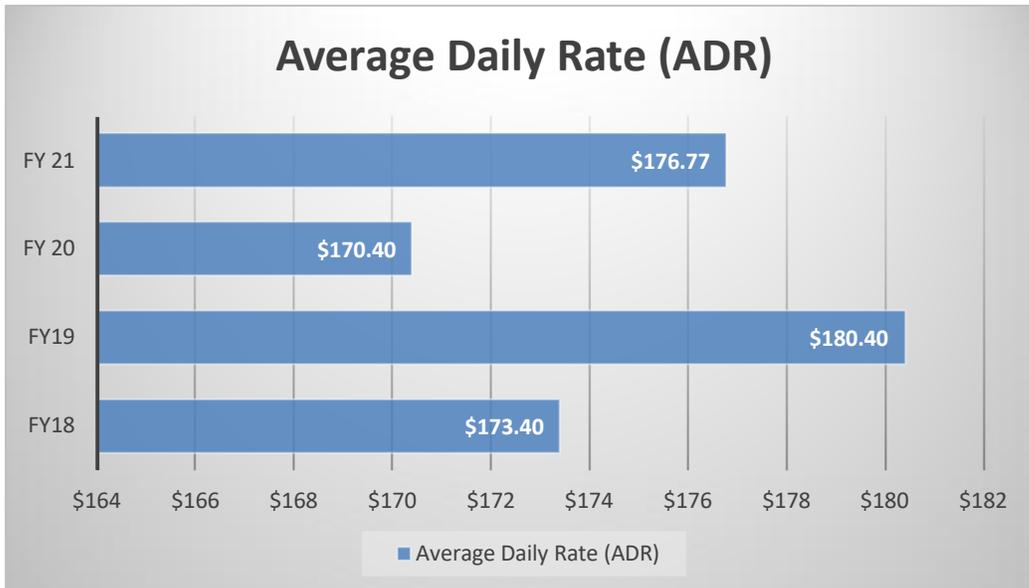
	FY 2020	FY 2021	Increase (Decrease)	
			Amount	Percent
Public revenues				
Hotel taxes	\$ 3,223,852	\$ 2,659,844	\$ (564,008)	-17%
Tourism fee	218,183	191,033	(27,150)	-12%
Government grants and funding	-	481,814	481,814	100%
Total public revenue	3,442,035	3,332,691	(109,344)	-3%
Private revenues				
Advertising	195,333	41,759	(153,574)	-79%
Ticket commission	76,548	-	(76,548)	-100%
Promotional participation	43,450	-	(43,450)	-100%
Event hosting	2,119	-	(2,119)	-100%
Grants	-	31,806	31,806	100%
Other	58,464	20,681	(37,783)	-65%
Total private revenues	375,914	94,246	(281,668)	-75%
Total revenues	\$ 3,817,949	\$ 3,426,937	\$ (391,012)	-10%

Hotel taxes provided \$2.65 million during FY 2021, a decrease of \$564 thousand. The hotel tax is affected by the number of lodging rooms available, occupancy rate, and average daily room rate (ADR). Room inventory increased by ~ 130 rooms compared to FY 2020, while occupancy percentage decreased from 47.2% to 45.7% in FY 2021. The most volatile factor in calculating room taxes is ADR. With hotel rooms being booked over the internet, price fluctuations are common, with hotels having the ability to respond quickly to occupancy trends. ADR averaged \$176.77 in FY 2021, a 4% increase over the \$170.40 result in FY 2020. The tourism fee is a \$1 fee per room night on all transient lodging establishments within Newport County greater than twenty rooms. The tourism fee provided \$191 thousand during FY 2021, a decrease of \$27 thousand. The decrease in hotel taxes and the tourism fee is directly attributed to the coronavirus.

The majority of hotel tax revenue was generated in city of Newport (\$1.8 million or 69%). The second-largest generator of hotel taxes is the Town of Middletown, at \$731 thousand (27%). The other

incorporated towns of Bristol, Barrington, Jamestown, Little Compton, Portsmouth, Warren, and Tiverton combined to provide the remaining 4%.

Private revenues decreased \$281.6 thousand as compared to FY 2020. This is also attributable to the coronavirus. On March 16, 2020, we closed the visitor center. With the closure of the visitor center, we no longer earned ticket commission, advertising, or rental income derived from the visitor center. When we reopened the visitor center in a new location, we no longer offered these services. The decrease in promotional participation and event hosting is due to the corporate side of travel. These events, trade shows and client events, where industry partners join us for a fee, did not come back for FY 2021.



The hotel tax rate is 6% on lodging facilities in the Newport and Bristol Counties, and such rate can only be modified by the action of the Rhode Island State Legislature. 1% of the hotel tax goes to the town that the lodging facility is physically located in. The remaining 5% hotel tax for hotel room rentals is distributed as follows:

45%	Discover Newport
25%	City/Town where the lodging property is physically located
25%	Rhode Island Commerce Corporation
5%	Greater Providence-Warwick Convention and Visitor's Bureau

EXPENSES

Total expenses by function were as follows:

	FY 2020	FY 2021	Decrease	
			Amount	Percent
Visitor’s services, etc.	\$ 768,986	\$ 23,303	\$ (745,683)	-97%
Marketing and communications	1,385,149	1,227,558	(157,591)	-11%
Sales and services	780,689	427,804	(352,885)	-45%
Administrative	598,852	508,758	(90,094)	-15%
Loss on disposal of property and equipment	96,063	13,457	(82,606)	-86%
	\$ 3,629,739	\$ 2,200,880	\$ (1,428,859)	-39%

With Government restrictions on the industry at the beginning of the fiscal year, the Bureau’s management strategically made investments, focusing more on the leisure market. The sales and services market, which consists of corporate sales side, the decrease in expenses is primarily attributable to the reduction of non-essential business travel. Trade shows were held virtually, which cost substantially less than in-person. On the staffing front, the Bureau started the year with 4 employees in the administrative office, and by the end of our fiscal year, we had 10 employees, still at a 20% pay reduction.

The visitor center expenses decrease is attributable from being closed for ten months of FY 2021 and from moving from a 7,000 square foot space to a 700 square foot space and employed 1 full time equivalent.

For FY 2022, high priorities will include, but not be limited to:

1. Working with alliance partners to seek federal grant funds to expand promotional efforts. There is a significant amount of federal funding being distributed to each state to help kick start the economy. In Rhode Island, \$13 million is currently earmarked to assist the hard-hit travel & hospitality sector.
2. Target promotional investments that will help grow our shoulder and off- peak visitation. The summer months are now close to reaching maximum visitation capacity, so our organization must shift our focus and marketing plans to adapt to this situation.
3. Utilize the resources of our new PR agency to maximize media coverage for our 9-town destination. Growing media coverage provides a high conversion rate to visitation making it a high priority investment.
4. Work to restore multiple markets that were most negatively affected by the pandemic. Three key areas are boosting corporate meetings and fostering the return of international travelers and motorcoach groups.
5. Work with community partners to invest in key local programs that can help support their goals and objectives. We want to be sure our travel program is doing its part to support the efforts of community organizations.
6. Work with the Chamber of Commerce to help support their efforts to support both our existing business base and where possible grow our business base.

OVERALL FINANCIAL POSITION

The Bureau demonstrated moderate financial results for FY 2021 in the face of tough economic times. Management remains vigilant to maintain fiscal sustainability through conservative budgeting and continuous monitoring of actual financial results and economic trends at the local, state, and national levels. Such approach allows the Bureau the ability to react swiftly to changing conditions and sustain operations during challenging periods. The Bureau is dedicated to the preservation of adequate balances to meet operating cash flow requirements.

ADDITIONAL FINANCIAL INFORMATION

The Bureau's financial statements are designed to present users (citizens, taxpayers, customers, and industry partners) with a general overview of the Bureau's finances and to demonstrate accountability. If you have any questions about the report or need additional financial information, please contact:

Discover Newport
Vice President of Finance
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Newport, RI 02840
(401) 845-9126
aadkins@discovernewport.org
Or, please visit our website at:
www.discovernewport.org/about-us

**NEWPORT AND BRISTOL COUNTY
CONVENTION AND VISITORS' BUREAU AND SUBSIDIARY**

CONSOLIDATED STATEMENTS OF NET POSITION
JUNE 30, 2021 AND 2020

	2021	2020
ASSETS		
CURRENT ASSETS:		
Cash - operating fund	\$ 2,148,797	\$ 1,010,468
Receivables:		
Accounts, net of allowance for doubtful accounts	369,953	53,376
Other	113,905	-
Prepaid expenses and other current assets	153,439	159,001
Total current assets	2,786,094	1,222,845
PROPERTY AND EQUIPMENT - NET	34,341	50,675
OTHER ASSETS:		
Board-designated cash	1,000,000	765,617
Intangible assets, net	41,299	20,227
Total other assets	1,041,299	785,844
TOTAL	\$ 3,861,734	\$ 2,059,364
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES:		
Current portion of note payable - Paycheck Protection Program	\$ 63,452	\$ -
Accounts payable	85,842	16,509
Deferred revenue	10,819	19,961
Accrued expenses:		
Payroll and related liabilities	254,338	37,465
Other	10,433	68,244
Total current liabilities	424,884	142,179
LONG-TERM LIABILITY -		
Note payable - Paycheck Protection Program, less current portion	293,608	-
Total liabilities	718,492	142,179
COMMITMENTS		
NET POSITION:		
Net investment in capital assets	75,640	70,902
Unrestricted:		
Board-designated cash reserves	1,000,000	765,617
General purpose	2,067,602	1,080,666
Total unrestricted net position	3,067,602	1,846,283
Total net position	3,143,242	1,917,185
TOTAL	\$ 3,861,734	\$ 2,059,364

See notes to consolidated financial statements.

**NEWPORT AND BRISTOL COUNTY
CONVENTION AND VISITORS' BUREAU AND SUBSIDIARY**

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGE IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
REVENUES:		
Public sources:		
Hotel taxes	\$ 2,659,844	\$ 3,223,852
Newport tourism fee	191,033	218,183
Government grants and funding	481,814	-
Total public sources	<u>3,332,691</u>	<u>3,442,035</u>
Private sources:		
Advertising income	41,759	195,333
Ticket commission income	-	76,548
Promotional participation income	-	43,450
Event hosting income	-	2,119
Grants and funding	31,806	-
Other income	20,681	58,464
Total private sources	<u>94,246</u>	<u>375,914</u>
TOTAL REVENUES	<u>3,426,937</u>	<u>3,817,949</u>
EXPENDITURES:		
Visitor's services, maintenance and general operations	23,303	768,986
Marketing and communications	1,227,558	1,385,149
Sales and services	427,804	780,689
Administrative	508,758	598,852
Loss on disposal of property and equipment	13,457	96,063
TOTAL EXPENDITURES	<u>2,200,880</u>	<u>3,629,739</u>
CHANGE IN NET POSITION	1,226,057	188,210
NET POSITION, BEGINNING OF YEAR	<u>1,917,185</u>	<u>1,728,975</u>
NET POSITION, END OF YEAR	<u><u>\$ 3,143,242</u></u>	<u><u>\$ 1,917,185</u></u>

See notes to consolidated financial statements.

**NEWPORT AND BRISTOL COUNTY
CONVENTION AND VISITORS' BUREAU AND SUBSIDIARY**

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net position	\$ 1,226,057	\$ 188,210
Adjustments to reconcile change in net position to net cash provided by operating activities:		
Depreciation and amortization	34,671	87,976
Change in provision for doubtful accounts	(2,400)	-
Loss on disposal of property, equipment and intangible assets	13,457	96,063
Income from public source - government grants and funding	(481,814)	-
Income from private source - grants and funding	(31,806)	-
Changes in assets and liabilities:		
Receivables	(428,082)	363,733
Prepaid expenses and other current assets	5,562	126,113
Accounts payable	69,333	(276,243)
Deferred revenue	(9,142)	(128,991)
Accrued expenses	159,062	(195,230)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>554,898</u>	<u>261,631</u>
CASH FLOWS FROM CAPITAL ACTIVITIES:		
Purchases of property and equipment	(20,666)	(12,077)
Purchases of intangible assets	(32,200)	-
Proceeds from disposal of property and equipment	-	7,697
NET CASH USED BY CAPITAL ACTIVITIES	<u>(52,866)</u>	<u>(4,380)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Proceeds from Paycheck Protection Program note payable	357,060	-
Proceeds from public source - government grants and funding	481,814	-
Proceeds from private source - grants and funding	31,806	-
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>870,680</u>	<u>-</u>
NET INCREASE IN CASH	1,372,712	257,251
CASH, BEGINNING OF YEAR	<u>1,776,085</u>	<u>1,518,834</u>
CASH, END OF YEAR	<u>\$ 3,148,797</u>	<u>\$ 1,776,085</u>
COMPONENTS OF CASH:		
Operating fund	\$ 2,148,797	\$ 1,010,468
Reserve fund	1,000,000	765,617
Total	<u>\$ 3,148,797</u>	<u>\$ 1,776,085</u>

See notes to consolidated financial statements.

NEWPORT AND BRISTOL COUNTY CONVENTION AND VISITORS' BUREAU AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Discover Newport

Newport and Bristol County Convention and Visitors' Bureau (DBA Discover Newport) was created by the General Assembly of the State of Rhode Island (the State), having a distinct legal existence from the State and not constituting a department of state government. Discover Newport is a governmental agency and public instrumentality of the State.

Discover Newport was created to achieve the following purposes:

- Establish an operating program to promote and encourage tourism,
- Coordinate tourism activities within Newport and Bristol Counties and the State,
- Establish a fund to promote and encourage tourism, and
- Aid the municipalities in Newport and Bristol County in resolving problems that may arise due to growth in the tourism industry and to improve the quality of life in Newport and Bristol Counties.

Newport Hotel Collection

Established by the Newport City Council on September 13, 2017 as a District Management Authority, Newport Tourism Marketing Management Authority (DBA Newport Hotel Collection) was created to achieve an increase in room night sales and revenue therefrom at assessed lodging properties within the district by performing the following:

- Sponsor and promote recreational, cultural and retail activities,
- Promote the development of the district including collecting and disseminating information, and
- Provide general marketing and promotion efforts.

Discover Newport holds the power to appoint the majority of the governing board of the Newport Hotel Collection. As a result, Newport Hotel Collection is considered a subsidiary of Discover Newport and is consolidated with Discover Newport in the accompanying consolidated financial statements. Discover Newport and Newport Hotel Collection are collectively referred to as the Bureau.

Funding Source

Public source revenue - Discover Newport's principal funding source is a percentage of hotel tax collected regionally by the State and locally by the City of Newport (the City). Newport

See independent auditors' report.

**NEWPORT AND BRISTOL COUNTY
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Hotel Collection's principal funding source is a special assessment tourism fee collected by the City. The Bureau's revenues received directly from the State represented approximately 24% and 28% of total revenues for the years ended June 30, 2021 and 2020, respectively. The Bureau's revenues which were collected by the City represented approximately 59% and 62% of total revenues for the years ended June 30, 2021 and 2020, respectively. Accounts receivable from the State and the City represent approximately 22% and 54%, respectively, of total accounts receivable at June 30, 2021.

See Note 12 related to economic uncertainties affecting Discover Newport's funding source from hotel tax.

Visitors' Center - Discover Newport operated a 7,000 square foot visitors' information center. During the year ended June 30, 2020, management decided to close the visitors' center due to the global pandemic. As a result, certain property and equipment with a carrying value of approximately \$104,000 was written off as a reduction to property and equipment and the recognition of a loss on disposal of property and equipment in the accompanying consolidated statement of activities and change in net position. Like many tourism organizations nationwide, in May 2020, Discover Newport began servicing visitors by providing travel-related information outdoors using an unmanned mobile visitor van. In May 2021, Discover Newport also opened a pop-up visitors' center.

Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting, under which revenues are recognized in the period in which they are earned and become measurable. Expenses are recognized in the period incurred.

Basis of Consolidation

The accompanying consolidated financial statements include the accounts of Discover Newport and Newport Hotel Collection.

As of and for the year ended June 30, 2021, all significant intercompany accounts have been eliminated in consolidation. As of and for the year ended June 30, 2020, there were no intercompany accounts requiring elimination.

Accounts Receivable

The Bureau reports its accounts receivable net of an allowance for doubtful accounts. Appropriate provisions for doubtful accounts are based upon factors surrounding the credit risk and activity of specific customers, historical trends, and other information.

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Interest is not accrued on accounts receivable. Accounts are written off when management has determined that there is no likelihood of collection.

Property and Equipment

Property and equipment are recorded at cost, or if donated, at fair market value. Depreciation is computed on the straight-line method over the estimated useful lives of the assets.

Intangible Assets

Intangible assets consist of computer software, website costs, and costs to develop a brand name and are being amortized on a straight-line basis over periods ranging from five to twelve years.

Paycheck Protection Program

Discover Newport has accounted for loan proceeds received under the Coronavirus Aid, Relief and Economic Security Act's (CARES Act) Paycheck Protection Program (PPP) as a liability under the Governmental Accounting Standards Board (GASB) Statement No. 70 whereby Discover Newport has recognized a liability for the full amount of PPP proceeds and the related interest payable. Income from any extinguishment of the liability will be recognized in the consolidated statement of activities and change in net position as income from PPP loan forgiveness when Discover Newport has been legally released from being the loan's primary obligor.

Revenue Recognition

Revenue is substantially derived from the hotel tax imposed by the State on the hospitality industry in Newport and Bristol Counties. Discover Newport receives a percentage of the hotel tax collected by the State and the City in accordance with Rhode Island General Law Title 42 Chapter 42-63.1. Discover Newport recognizes its percentage of the hotel tax as revenue in the month in which the tax was collected by the State and the City.

Newport Hotel Collection receives a special assessment tourism fee which is collected by the City from the district members in accordance with Rhode Island General Law Title 45 Chapter 45-59-15. Newport Hotel Collection recognizes the fee as revenue in the month in which the assessment was collected by the City.

Discover Newport receives advertising income for advertisements placed primarily on its website. Advertising income is earned over the term of the advertising agreement. Revenue billed in advance is deferred and recognized when earned. Discover Newport also received

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commission income for tickets it sold for attractions throughout Newport and Bristol Counties during the year ended June 30, 2020.

Occupancy Expenses

For the years ended June 30, 2021 and 2020, Discover Newport paid the City approximately \$20,000 and \$41,000 in connection with its occupancy of facilities owned by the City. The fair market rental value of the facilities has not been determined and, accordingly, any market value adjustments in rent are not included in Discover Newport's operating results.

Allocation of Expenses

For the year ended June 30, 2020, general operations were classified as part of visitor's services, maintenance and general operations on the consolidated statements of activities and change in net position. With the closing of the visitors' center, general operations expenses were attributable to marketing and communications, sales and services and administrative departments. For the year ended June 30, 2021, the expenses that were allocated to the marketing, sales, and administration departments include: rent and occupancy expenses, depreciation, office supplies, telecommunication, insurance, and other, and were all allocated on the full-time equivalent basis.

Advertising

Advertising costs are expensed in the period in which the advertisement appears for the first time. Advertising costs amounted to approximately \$594,000 and \$763,000 for the years ended June 30, 2021 and 2020, respectively.

Accounting Pronouncement Affecting Future Periods

In February 2016, the GASB issued Statement No. 87, *Leases* which requires that a lessee recognize an operating lease for a term of greater than twelve months as a liability and capitalize a right-of-use asset in the lessee's balance sheet. Such amounts would be recorded at the present value of the lease payments. Currently, entities are only required to disclose the future minimum payments under such operating leases and to record expenses as such amounts are paid. The Statement is effective for the Bureau's fiscal year ending June 30, 2022, with early adoption permitted. Management has not elected to early adopt this Statement and is currently evaluating the effect it will have on the Bureau's consolidated financial statements and related disclosures.

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Accounting Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

During the year ended June 30, 2020, management revised estimated useful lives of certain property and equipment associated with its administrative office. The revisions resulted in a decrease in the Bureau's change in net position by approximately \$22,000.

2. ACCOUNTS RECEIVABLE

As of June 30, 2021 and 2020, accounts receivable consisted of the following:

	2021	2020
Hotel tax due from:		
City of Newport	\$ 240,580	\$ 19,353
State of Rhode Island	104,378	17,315
Tourism fee due from City of Newport	21,889	4,067
Other (net of allowance for doubtful accounts of \$2,400 in 2020)	3,106	12,641
	<hr/>	<hr/>
Accounts receivable, net	\$ 369,953	\$ 53,376
	<hr/> <hr/>	<hr/> <hr/>

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3. PROPERTY AND EQUIPMENT

As of June 30, 2021 and 2020, property and equipment consisted of the following:

	2021	2020
Leasehold improvements	\$ 20,667	\$ 182,121
Computers, office equipment and furnishings	80,492	171,125
Vehicles	45,948	45,948
Total property and equipment	147,107	399,194
Less accumulated depreciation	112,766	348,519
Property and equipment, net	\$ 34,341	\$ 50,675

4. INTANGIBLE ASSETS

As of June 30, 2021 and 2020, intangible assets consisted of the following:

	2021	2020
Computer software	\$ -	\$ 2,929
Website	92,550	60,350
Brand names	12,020	12,020
Total	104,570	75,299
Less accumulated amortization	63,271	55,072
Intangible assets, net	\$ 41,299	\$ 20,227

As of June 30, 2021, the aggregate future amortization expense is as follows:

Year	Amount
2022	\$ 9,213
2023	9,213
2024	8,596
2025	6,745
2026	6,745
2027 and thereafter	787
Total	\$ 41,299

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5. CAPITAL ASSETS

For the years ended June 30, 2021 and 2020, changes in capital assets were as follows:

	Property and Equipment		Intangible Assets	
	Cost Basis	Accumulated Depreciation	Cost Basis	Accumulated Amortization
Balance as of June 30, 2019	\$ 1,403,337	\$ (1,186,418)	\$ 110,297	\$ (76,655)
Capital acquisitions	12,077			
Dispositions	(1,016,220)	912,460	(34,998)	34,998
Depreciation and amortization		(74,561)		(13,415)
Balance as of June 30, 2020	\$ 399,194	\$ (348,519)	\$ 75,299	\$ (55,072)
Capital acquisitions	20,666		32,200	
Dispositions	(272,753)	260,785	(2,929)	1,440
Depreciation and amortization		(25,032)		(9,639)
Balance as of June 30, 2021	<u>\$ 147,107</u>	<u>\$ (112,766)</u>	<u>\$ 104,570</u>	<u>\$ (63,271)</u>

6. SHORT-TERM FINANCING ARRANGEMENT

Discover Newport maintains a line of credit with a financial institution that provides for maximum available borrowings of \$100,000. Borrowings on the line of credit are due on demand and collateralized by substantially all assets of Discover Newport. Interest is payable monthly and is computed at the financial institution's base rate plus .50%. As of June 30, 2021, the financial institution's base rate was 3.25%. There were no outstanding borrowings on the line of credit as of June 30, 2021 and 2020.

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7. HOTEL TAX REVENUE

Discover Newport receives funding from the State in the form of a percentage of the hotel tax collected by the State and by the City. For the years ended June 30, 2021 and 2020, Discover Newport recorded hotel tax revenue as follows:

	2021	2020
Collected by:		
City of Newport	\$ 1,822,104	\$ 2,167,470
State of Rhode Island	837,740	1,056,382
Total	\$ 2,659,844	\$ 3,223,852

8. PAYCHECK PROTECTION PROGRAM NOTE PAYABLE

On February 5, 2021, Discover Newport executed an unsecured promissory note with a bank to provide borrowings of \$357,060. The note is guaranteed by the Small Business Administration (SBA) under the Paycheck Protection Program (PPP) and accrues interest at 1%. The PPP provisions contained in the promissory note restrict the use of the loan proceeds and include a provision in which the SBA may provide loan forgiveness of principal and accrued interest based on the terms set forth in the promissory note. The loan is payable in monthly installments of approximately \$6,800 beginning after the deferral period, as defined in the agreement, through February 2026. Also, see Note 13.

As of June 30, 2021, scheduled maturities of the Paycheck Protection Program note payable are as follows:

<u>Year</u>	<u>Amount</u>
2022	\$ 63,452
2023	79,011
2024	79,804
2025	80,606
2026	54,187
Total	\$ 357,060

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9. GOVERNMENT GRANTS AND FUNDING

During the year ended June 30, 2021, Discover Newport received federal and state assistance from the following programs:

State of Rhode Island Assistance Programs	\$ 309,090
Refundable Tax - Employee Retention Credit	172,724
Total	<u>\$ 481,814</u>

State of Rhode Island Assistance Programs

During the year ended June 30, 2021, Discover Newport received the following state grants:

Hotel, Arts & Tourism Grant	\$ 249,090
Take it Outside Grant	60,000
Total cash received and expended for qualified costs	<u>\$ 309,090</u>

Refundable Tax – Employee Retention Credit

During the year ended June 30, 2021, Discover Newport applied for the employee retention credits in the aggregate of \$172,724, which related to its employer tax filing for the periods from April 2020 through December 2020 and April 2021 through June 2021. As of June 30, 2021, the remaining portion not yet refunded is \$113,905 and is included in receivables on the accompanying consolidated statements of net position.

10. EMPLOYEE BENEFIT PLAN

Discover Newport maintains a defined contribution retirement plan, which qualifies under Section 401(a) of the Internal Revenue Code (IRC), for employees who have completed one year of service and have attained the age of twenty-one. Discover Newport's contribution is discretionary and determined by its Board of Directors on an annual basis. For the year ended June 30, 2021, Discover Newport contributed \$177,624 to the plan. For the year ended June 30, 2020, Discover Newport did not contribute to the plan.

Discover Newport also maintains a deferred compensation plan created in accordance with the IRC Section 457. The assets of the plan are held in trust as described in IRC Section 457(g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodian of the plan holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The administrators act as agents of the employer for purposes of providing direction to the custodian related to investment of the

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funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement 32, plan balances and activities are not reflected in the Bureau's consolidated financial statements.

11. COMMITMENTS

Operating Leases - Lessee

Discover Newport leased its facility on a month-to-month basis through December 2020 and also leases certain equipment under non-cancelable operating lease agreements expiring at various dates through May 2025. In October 2020, Discover Newport entered into a five-year lease for office space. Beginning January 1, 2021, the lease requires monthly rental payments of \$5,500 with an annual 4% increase. The lease terminates on December 31, 2025 and includes a right to renew for one additional five-year term.

As of June 30, 2021, the approximate future minimum lease payments under non-cancelable operating leases with terms of one year or more consisted of the following:

<u>Year</u>	<u>Amount</u>
2022	\$ 97,000
2023	98,000
2024	101,000
2025	101,000
2026	<u>39,000</u>
Total	<u>\$ 436,000</u>

Rent expense under all operating lease agreements was approximately \$77,000 and \$80,000 for the years ended June 30, 2021 and 2020, respectively.

Operating Leases - Lessor

Discover Newport sub-let certain space in the Visitor Center that was operated as a gift shop. The operating lease agreement that expired in February 2020 required annual lease payments of approximately \$21,000.

Discover Newport sub-let certain space in the Visitor Center under a cancelable operating lease agreement that required annual lease payments of \$15,000. This operating lease agreement was canceled in December 2020.

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Rental income from cancelable and non-cancelable operating lease agreements for the years ended June 30, 2021 and 2020 was approximately \$10,000 and \$27,000, respectively, and is included within other income on the accompanying consolidated statements of activities and change in net position.

12. RISKS AND UNCERTAINTIES

Concentrations of Credit Risk

Financial instruments which potentially subject the Bureau to concentrations of credit risk consist principally of cash and accounts receivable.

The Bureau maintains its cash deposits in accounts at a high credit quality financial institution. From time to time, cash deposits exceed the Federal Deposit Insurance Corporation (FDIC) insurance limit of \$250,000. As of June 30, 2021, Discover Newport had approximately \$2,900,000 of cash deposits at one financial institution in excess of the FDIC insurance limit. Management considers such circumstances to be normal business risks.

The Bureau's exposure to credit risk associated with receivables is concentrated to amounts due from the State and City as disclosed in Note 1.

Economic Uncertainties

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on the travel industry as well as commerce and financial markets around the world. The extent of the impact of COVID-19 on the Bureau's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, among others, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Bureau's financial condition or results of operations remains uncertain. The accompanying consolidated financial statements include no adjustments relating to the future effects this pandemic will have on the Bureau.

13. SUBSEQUENT EVENT

Management has evaluated subsequent events through November 17, 2021, which is the date the consolidated financial statements were available to be issued.

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PPP Loan Forgiveness

On September 2, 2021, Discover Newport was notified by the bank that its PPP loan forgiveness application related to its February 5, 2021 PPP note described in Note 8 was approved, and such note was forgiven in its entirety by the SBA.

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CONSOLIDATING STATEMENTS OF NET POSITION
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	2021			2020		
	Discover Newport	Newport Hotel Collection	Total	Discover Newport	Newport Hotel Collection	Total
ASSETS						
CURRENT ASSETS:						
Cash - operating fund	\$ 1,861,689	\$ 287,108	\$ 2,148,797	\$ 764,706	\$ 245,762	\$ 1,010,468
Receivables:						
Accounts, net	348,064	21,889	369,953	49,309	4,067	53,376
Other	113,905		113,905			-
Prepaid expenses and other current assets	127,280	26,159	153,439	143,638	15,363	159,001
Total current assets	2,450,938	335,156	2,786,094	957,653	265,192	1,222,845
PROPERTY AND EQUIPMENT - NET	34,341		34,341	50,675		50,675
OTHER ASSETS:						
Board-designated cash	1,000,000		1,000,000	765,617		765,617
Intangible assets, net	34,256	7,043	41,299	11,159	9,068	20,227
Total other assets	1,034,256	7,043	1,041,299	776,776	9,068	785,844
TOTAL	\$ 3,519,535	\$ 342,199	\$ 3,861,734	\$ 1,785,104	\$ 274,260	\$ 2,059,364
LIABILITIES AND NET POSITION						
CURRENT LIABILITIES:						
Current portion of note payable - Paycheck Protection Program	\$ 63,452		\$ 63,452			
Accounts payable	85,842		85,842	\$ 11,609	\$ 4,900	\$ 16,509
Deferred revenue	10,819		10,819	19,961		19,961
Accrued expenses:						
Payroll and related liabilities	254,338		254,338	37,465		37,465
Other	10,433		10,433	63,713	4,531	68,244
Total current liabilities	424,884	-	424,884	132,748	9,431	142,179
LONG-TERM LIABILITY -						
Note payable - Paycheck Protection Program, less current portion	293,608		293,608			-
Total liabilities	718,492	-	718,492	132,748	9,431	142,179
COMMITMENTS						
NET POSITION:						
Net investment in capital assets	68,597	7,043	75,640	61,834	9,068	70,902
Unrestricted:						
Board-designated cash reserves	1,000,000		1,000,000	765,617		765,617
General purpose	1,732,446	335,156	2,067,602	824,905	255,761	1,080,666
Total unrestricted net position	2,732,446	335,156	3,067,602	1,590,522	255,761	1,846,283
Total net position	2,801,043	342,199	3,143,242	1,652,356	264,829	1,917,185
TOTAL	\$ 3,519,535	\$ 342,199	\$ 3,861,734	\$ 1,785,104	\$ 274,260	\$ 2,059,364

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CONSOLIDATING STATEMENTS OF ACTIVITIES AND CHANGE IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021				2020		
	Discover Newport	Newport Hotel Collection	Eliminations	Total	Discover Newport	Newport Hotel Collection	Total
REVENUES:							
Public sources:							
Hotel taxes	\$ 2,659,844	\$ -	\$ -	\$ 2,659,844	\$ 3,223,852	\$ -	\$ 3,223,852
Newport tourism fee		191,033		191,033		218,183	218,183
Government grants and funding	481,814			481,814			-
Total public sources	3,141,658	191,033	-	3,332,691	3,223,852	218,183	3,442,035
Private sources:							
Advertising income	94,259		(52,500) (A)	41,759	195,333		195,333
Ticket commission income				-	76,548		76,548
Promotional participation income				-	43,450		43,450
Event hosting income				-	2,119		2,119
Grants and funding	31,806			31,806			-
Other income	20,681			20,681	58,464		58,464
Total private sources	146,746	-	(52,500)	94,246	375,914	-	375,914
TOTAL REVENUES	3,288,404	191,033	(52,500)	3,426,937	3,599,766	218,183	3,817,949
EXPENDITURES:							
Visitor's center, maintenance and general operations	23,303			23,303	766,961	2,025	768,986
Marketing and communications	1,194,492	85,566	(52,500) (A)	1,227,558	1,167,534	217,615	1,385,149
Sales and services	424,118	3,686		427,804	764,949	15,740	780,689
Administrative	484,347	24,411		508,758	589,918	8,934	598,852
Loss on disposal of property and equipment	13,457			13,457	96,063		96,063
TOTAL EXPENDITURES	2,139,717	113,663	(52,500)	2,200,880	3,385,425	244,314	3,629,739
CHANGE IN NET POSITION	1,148,687	77,370		1,226,057	214,341	(26,131)	188,210
NET POSITION, BEGINNING OF YEAR	1,652,356	264,829		1,917,185	1,438,015	290,960	1,728,975
NET POSITION, END OF YEAR	\$ 2,801,043	\$ 342,199	\$ -	\$ 3,143,242	\$ 1,652,356	\$ 264,829	\$ 1,917,185

(A) Elimination of intercompany income/expense.

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