

March 6, 2017

To the Board of Directors  
Greater Madison Convention & Visitors Bureau  
and Related Entities

We have audited the combined financial statements of Greater Madison Convention & Visitors Bureau, Inc. and related entities (collectively referred to as the organization), for the year ended December 31, 2016, and have issued our report thereon dated March 6, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated December 20, 2016. Professional standards also require that we communicate to you the following information related to our audit.

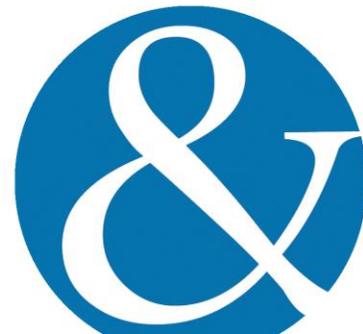
#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the organization are described in Note 1 to the combined financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2016. We noted no transactions entered into by the organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the combined financial statements in the proper period.

Accounting estimates are an integral part of the combined financial statements prepared by management and are based on management's knowledge and experience about past and current events, and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the combined financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the combined financial statements were:

- Management has not recorded an allowance for doubtful accounts at the end of the year based on its review of receivables. We have reviewed the aging of receivables with management and reviewed subsequent receipts and are satisfied that the estimated collectability is reasonable.



- Management has recorded investments at fair values based on published prices and information received from the investment advisor for year end. We have reviewed this valuation based on information received from third-party sources and data provided by management and are satisfied that the estimates are reasonable.
- Management's estimate of the allocation of functional expenses on the combined statement of activities is based on the use of resources and job responsibilities. We evaluated the key factors and assumptions used to develop the functional expense allocation in determining that it is reasonable in relation to the combined financial statements taken as a whole.

Certain combined financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the combined financial statements were:

- The disclosure in Note 1A of the principles of combination.
- The disclosures in Note 4 of board designated unrestricted net assets and restricted net assets.
- The disclosures in Note 5 related to agency transactions.
- The disclosure in Note 8 related to receiving a substantial amount of support from the City of Madison and Dane County.

The combined financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the combined financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the combined financial statements taken as a whole.

#### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the combined financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated March 6, 2017.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the organization’s combined financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the organization’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which is intended to improve GAAP by providing a framework to address revenue recognition issues, create more consistency and comparability of revenue recognition practices across entities and industries, and improve the usefulness of information provided to financial statement users through more robust disclosures. This ASU is effective for nonpublic entities, including most nonprofit organizations, for annual reporting periods beginning after December 15, 2018, with early adoption permitted for annual reporting periods beginning after December 15, 2016.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which is intended to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and by disclosing key information about leasing arrangements. This ASU is effective for nonpublic entities, including most nonprofit organizations, for annual reporting periods beginning after December 15, 2019, with early adoption permitted.

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*, which is intended to improve the current net asset classification requirements and the information presented in financial statements and notes about a nonprofit organization’s liquidity, financial performance, and cash flows. This ASU is effective for annual reporting periods beginning after December 15, 2017, with early application permitted.

### *Other Matters*

With respect to the supplemental information accompanying the combined financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the combined financial statements. We compared and reconciled the supplemental information to the underlying accounting records used to prepare the combined financial statements or to the combined financial statements themselves.

This information is intended solely for the use of the board of directors and management of the organization and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

*Smith & Gesteland, LLP*  
SMITH & GESTELAND, LLP  
Madison, Wisconsin

**Greater Madison Convention & Visitors Bureau & Related Entities**  
**Summary of Passed Journal Entries**  
**December 31, 2016**

Description	Amount of Over (Under) Statement of:			
	Total Assets	Total Liabilities	Net Assets	Change in Net Assets
Understated accounts payable from prior year	\$	\$	\$	\$ (3,813)
Overstated accounts receivable and unearned revenue	159,239	159,239		
Understated pledges receivable	(19,987)		(19,987)	(19,987)
Understated accounts payable		(3,070)	3,070	3,070
Unrecorded capital lease	(14,638)	(18,032)	3,394	548
	_____	_____	_____	_____
Total uncorrected passed journal entries	<u>\$ 124,614</u>	<u>\$ 138,137</u>	<u>\$ (13,523)</u>	<u>\$ (20,182)</u>
Financial statement caption total	<u>\$ 5,418,371</u>	<u>\$ 814,594</u>	<u>\$ 4,603,777</u>	<u>\$ 651,460</u>
Percentage of financial statement caption	2.30%	16.96%	-0.29%	-3.10%

**GREATER MADISON CONVENTION & VISITORS  
BUREAU, INC. AND RELATED ENTITIES**  
Madison, Wisconsin

**COMBINED FINANCIAL STATEMENTS**  
and  
**REPORT OF INDEPENDENT  
CERTIFIED PUBLIC ACCOUNTANTS**

For the Years Ended December 31, 2016 and 2015



**GREATER MADISON CONVENTION & VISITORS BUREAU, INC.**  
**AND RELATED ENTITIES**  
Madison, Wisconsin

**TABLE OF CONTENTS**

	<u>Page</u>
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS	1 - 2
FINANCIAL STATEMENTS	
Combined Statements of Financial Position	3
Combined Statements of Activities	4 - 5
Combined Statements of Cash Flows	6
Notes to Combined Financial Statements	7 - 16
SUPPLEMENTAL INFORMATION	
Combining Statement of Financial Position	18
Combining Statement of Activities	19 - 20

## **REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

Board of Directors  
Greater Madison Convention & Visitors Bureau, Inc.,  
Spirit of Greater Madison Inc., and  
Madison Area Sports Commission, Inc.  
Madison, Wisconsin

We have audited the accompanying combined financial statements of Greater Madison Convention & Visitors Bureau, Inc. and related entities (nonprofit organizations), which comprise the combined statements of financial position as of December 31, 2016 and 2015, and the related combined statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

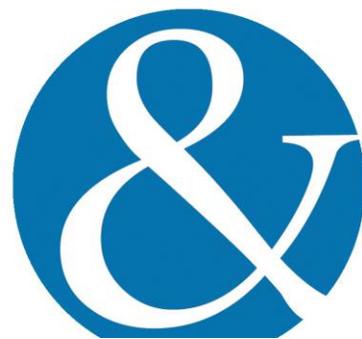
### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Greater Madison Convention & Visitors Bureau, Inc. and related entities as of December 31, 2016 and 2015, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Combining Information**

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combining information, as identified in the table of contents, is presented for purposes of additional analysis of the combined financial statements rather than to present the financial position and changes in net assets of the individual entities, and it is not a required part of the combined 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 combined financial statements. The combining information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining information is fairly stated in all material respects in relation to the combined financial statements as a whole.

Madison, Wisconsin  
March 6, 2017

*Smith & Gesteland, LLP*  
SMITH & GESTELAND, LLP

**GREATER MADISON CONVENTION & VISITORS BUREAU, INC.  
AND RELATED ENTITIES**

Madison, Wisconsin

**COMBINED STATEMENTS OF FINANCIAL POSITION**

December 31

	2016	2015
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,543,021	\$ 3,685,632
Certificate of deposit	252,708	
Investments	1,739,737	472,371
Receivables		
Partnership dues	159,238	173,916
Contracts	103,900	95,687
Pledges	63,000	2,000
Other	23,420	4,570
Prepaid expenses	64,489	49,399
Cash - agency funds	183,000	192,000
Fixed assets, net	285,858	
 Total assets	 \$ 5,418,371	 \$ 4,675,575
 <b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable	\$ 122,702	\$ 57,985
Accrued payroll and related expenses	104,305	77,837
Advance partnership dues	296,707	309,536
Agency funds - City of Madison Event Booking Assistance	25,000	25,000
Agency funds - Dane County Booking Assistance	158,000	167,000
Unearned revenue	96,175	85,900
Deferred lease liability	11,705	
Total liabilities	814,594	723,258
 Net assets		
Unrestricted	4,505,954	3,914,752
Temporarily restricted	97,823	37,565
Total net assets	4,603,777	3,952,317
 Total liabilities and net assets	 \$ 5,418,371	 \$ 4,675,575

The accompanying notes are an integral part of the financial statements.

**GREATER MADISON CONVENTION & VISITORS BUREAU, INC.**  
**AND RELATED ENTITIES**  
 Madison, Wisconsin

**COMBINED STATEMENTS OF ACTIVITIES**  
 For the Years Ended December 31

	2016	2015
Change in unrestricted net assets		
Revenue		
Contract awards		
Monona Terrace	\$ 109,316	\$ 109,608
City of Madison	3,313,619	2,709,898
City of Middleton	255,407	239,384
City of Fitchburg	59,379	57,019
City of Sun Prairie	6,000	6,000
City of Verona	57,523	39,262
Dane County	297,369	294,496
Dane County Regional Airport	53,040	52,000
Partnership dues	332,215	338,035
Convention service, sales, and project sponsors	209,252	148,475
Contributions, sponsorships, and grants	9,700	9,792
Other revenue	74,122	100,591
Investment income (loss)	34,520	(8,539)
Net assets released from restrictions	37,742	53,503
Total revenue	4,849,204	4,149,524
Expenses		
Program services		
Convention sales and services	1,484,561	1,255,483
Sports marketing	382,133	290,261
Leisure marketing	125,600	172,704
Visitor services	121,381	108,481
Communications and public relations	1,221,400	922,056
Partnership services	343,711	310,634
Sponsorships and contributions	68,497	63,882
Total program services	3,747,283	3,123,501
Supporting services		
Management and general	505,093	423,807
Fundraising	5,626	4,679
Total expenses	4,258,002	3,551,987
Change in unrestricted net assets	\$ 591,202	\$ 597,537

The accompanying notes are an integral part of the financial statements.

	<u>2016</u>	<u>2015</u>
Change in temporarily restricted net assets		
Contributions, sponsorships, and grants	\$ 98,000	\$ 35,000
Net assets released from restrictions	<u>(37,742)</u>	<u>(53,503)</u>
Change in temporarily restricted net assets	<u>60,258</u>	<u>(18,503)</u>
CHANGE IN NET ASSETS	651,460	579,034
Net assets - beginning of year	<u>3,952,317</u>	<u>3,373,283</u>
Net assets - end of year	<u>\$ 4,603,777</u>	<u>\$ 3,952,317</u>

**GREATER MADISON CONVENTION & VISITORS BUREAU, INC.  
AND RELATED ENTITIES**

Madison, Wisconsin

**COMBINED STATEMENTS OF CASH FLOWS**

For the Years Ended December 31

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 651,460	\$ 579,034
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	18,559	779
Unrealized (gain) loss on investments	(9,955)	34,065
Realized gain on sale of investments	(1,592)	(5,549)
Investment income reinvested	(15,819)	(9,573)
Deferred lease benefit	11,705	
Changes in operating assets and liabilities:		
Receivables	(73,385)	(55,593)
Prepaid expenses	(15,090)	(2,649)
Cash - agency funds	9,000	27,100
Accounts payable	64,717	(299)
Accrued payroll and related expenses	26,468	3,502
Advance partnership dues	(12,829)	(2,260)
Agency funds	(9,000)	(27,100)
Unearned revenue	10,275	14,600
Net cash provided by operating activities	654,514	556,057
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of fixed assets	(304,417)	
Purchase of certificate of deposit	(252,708)	
Proceeds from redemption of certificate of deposit		250,000
Purchases of investments	(1,341,062)	
Proceeds from sale/maturity of investments	101,062	
Net cash provided by (used in) investing activities	(1,797,125)	250,000
Net change in cash and cash equivalents	(1,142,611)	806,057
Cash and cash equivalents - beginning of year	3,685,632	2,879,575
Cash and cash equivalents - end of year	\$ 2,543,021	\$ 3,685,632

The accompanying notes are an integral part of the financial statements.

**GREATER MADISON CONVENTION & VISITORS BUREAU, INC.  
AND RELATED ENTITIES**  
Madison, Wisconsin

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**NOTE 1 - INFORMATION ABOUT THE ORGANIZATION AND SUMMARY OF  
SIGNIFICANT ACCOUNTING POLICIES**

Greater Madison Convention & Visitors Bureau, Inc. (GMCVB) was organized as a nonprofit organization for the purpose of promoting the Greater Madison Area as a convention and tourist location. The organization conducts various program services to support and promote the Greater Madison Area.

Spirit of Greater Madison, Inc. (SGM), a nonprofit, nonstock corporation, was organized to further the well-being of GMCVB and provide educational outreach. SGM conducts fundraising through grant writing and solicitation from individuals and corporations.

Madison Area Sports Commission, Inc. (MASC), a nonprofit, nonstock corporation, was organized to operate exclusively for charitable and educational purposes and to foster national and international amateur sports competitions.

A summary of significant accounting policies follows:

**A. PRINCIPLES OF COMBINATION**

The accompanying combined financial statements include the accounts of GMCVB, SGM, and MASC (collectively referred to as the organization). The three organizations are organized as separate and distinct entities. Due to the economic interest GMCVB has in the other organizations' programs, along with the direct and indirect control through certain management, directors, and agreements that GMCVB has over the management, policies, and functions of the other organizations, combined financial statements are necessary to provide fair presentation. All significant intercompany accounts and transactions have been eliminated in combination.

**B. BASIS OF PRESENTATION**

The organization reports information regarding its financial position and activities according to three classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

The organization reports net assets whose use is not restricted by donors, which includes amounts designated by the Board of Directors (the board), as unrestricted net assets.

The organization reports contributions as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statement of activities as net assets released from restrictions. If restrictions are met in the same year that donor-restricted contributions are received, the contributions are reported as unrestricted support.

**GREATER MADISON CONVENTION & VISITORS BUREAU, INC.  
AND RELATED ENTITIES**

Madison, Wisconsin

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**NOTE 1 - INFORMATION ABOUT THE ORGANIZATION AND SUMMARY OF  
SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. 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. On an ongoing basis, management evaluates the estimates and assumptions based on new information. Management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

**D. CASH AND CASH EQUIVALENTS**

For financial statement presentation purposes, the organization considers money market accounts to be cash equivalents, except for amounts held in brokerage accounts.

**E. INVESTMENTS**

Investments consist of money market funds, certificates of deposit, and mutual funds. Money market funds are recorded at fair value based on the net asset value of shares held at year end. Certificates of deposit are recorded at fair value based on discounted cash flows. Mutual funds are recorded at fair value based on closing prices reported from active markets.

Gains and losses on dispositions are accounted for on the specific identification basis. Realized and unrealized gains and losses are included in the combined statement of activities in investment income (loss).

The organization considers all funds held in brokerage accounts to be investments because it intends to hold these funds for investment purposes.

Investments are exposed to various risks including, but not limited to, interest rate and market and credit risks. Due to the level of risks associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term.

**F. RECEIVABLES**

Receivables are stated at face value. The organization has receivables for partnership dues billed to existing partners annually each fall. New partner dues are prorated and collected when the partner joins and are subsequently billed along with other existing partners upon renewal. Partners are located in the Greater Madison Area and are generally comprised of businesses catering to various aspects of conventions and tourism.

**GREATER MADISON CONVENTION & VISITORS BUREAU, INC.  
AND RELATED ENTITIES**  
Madison, Wisconsin

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**NOTE 1 - INFORMATION ABOUT THE ORGANIZATION AND SUMMARY OF  
SIGNIFICANT ACCOUNTING POLICIES** (continued)

Management considers its receivables to be fully collectible; accordingly, no allowance for doubtful accounts is considered necessary. Management's determination of the adequacy of the allowance is based on an evaluation of the receivables, past collection experience, current economic conditions, and other relevant factors. If amounts become uncollectible, they will be charged to activities when the determination is made.

**G. FIXED ASSETS**

Acquisitions of fixed assets in excess of \$4,000 are capitalized at cost. Depreciation is provided for using the straight-line method. Office furniture and equipment is depreciated over the estimated useful life of the asset (three to seven years). Leasehold improvements are depreciated over the shorter of the term of the lease or the estimated useful life of the asset.

**H. REVENUE RECOGNITION**

Contract awards are generally received in 12-month installments. Revenue is earned and recognized in the accounting period when the related expenses are incurred. Unearned revenue consists of advance payments for services.

Partnership dues are recognized over the annual period to which they relate. Unexpired portions of dues are classified as advance partnership dues.

Contributions, sponsorships, and grants are recognized as revenue when they are received or unconditionally pledged. Promises to give that are expected to be collected within one year are recorded at net realizable value. Promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed at a risk-free interest rate applicable to the years in which the amounts promised are expected to be received. Amortization of these discounts is included in contributions, sponsorships, and grant revenue.

**I. IN-KIND DONATIONS**

In-kind donations are recorded as revenue and expense in the combined statement of activities. These donations consist of services which are recorded at their estimated fair value. Donations of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills; are provided by individuals possessing those skills; and would typically need to be purchased if not provided by donation.

**GREATER MADISON CONVENTION & VISITORS BUREAU, INC.  
AND RELATED ENTITIES**  
Madison, Wisconsin

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**NOTE 1 - INFORMATION ABOUT THE ORGANIZATION AND SUMMARY OF  
SIGNIFICANT ACCOUNTING POLICIES** (continued)

**J. FUNCTIONAL ALLOCATION OF EXPENSES**

The costs of providing the various programs and activities have been summarized on a functional basis in the combined statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**K. INCOME TAXES**

GMCVB is exempt from federal income tax under Section 501(c)(6) of the Internal Revenue Code (IRC). GMCVB is also exempt from state income tax. However, income from certain activities not directly related to GMCVB's tax-exempt purpose is subject to taxation as unrelated business income (UBI). Since related expenses exceed the income, no provision for unrelated business income taxes has been accrued at December 31, 2016 and 2015. GMCVB has a UBI net operating loss carry forward; however, future benefit from this carry forward is expected to be minimal.

SGM and MASC are exempt from federal income tax under Section 501(c)(3) of the IRC and are also exempt from state income tax.

**NOTE 2 - FAIR VALUE MEASUREMENTS AND INVESTMENTS**

Accounting standards describe a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value which are the following:

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 - Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities.



**GREATER MADISON CONVENTION & VISITORS BUREAU, INC.  
AND RELATED ENTITIES**

Madison, Wisconsin

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**NOTE 2 - FAIR VALUE MEASUREMENTS AND INVESTMENTS** (continued)

Total investment income (loss), which includes income from cash and cash equivalents and certificates of deposit, consisted of the following for the years ended December 31:

	2016	2015
Interest and dividends	\$ 27,735	\$ 24,793
Unrealized gain (loss)	9,955	(34,065)
Realized gain	1,592	5,549
Fees	(4,762)	(4,816)
Total	\$ 34,520	\$ (8,539)

**NOTE 3 - FIXED ASSETS**

Fixed assets consisted of the following at December 31:

	2016	2015
Office furniture and equipment	\$ 293,048	\$ 158,935
Leasehold improvements	42,369	87,306
Fixed assets	335,417	246,241
Less accumulated depreciation	49,559	246,241
Fixed assets, net	\$ 285,858	\$

**NOTE 4 - NET ASSETS**

Designated unrestricted net assets are available for the following purposes:

Operating Reserve - The organization created an Operating Reserve Policy to ensure its capacity to continue to address its mission and responsibilities to the destination by providing long-term financial stability in the event of changing economic conditions, natural disasters, or events that could shake the confidence of the traveling public.

Madison Opportunity Fund - Established to set aside funds that have been offered to convention and sporting groups as an incentive to choose Madison.

**GREATER MADISON CONVENTION & VISITORS BUREAU, INC.  
AND RELATED ENTITIES**  
Madison, Wisconsin

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**NOTE 4 - NET ASSETS** (continued)

Unrestricted net assets consisted of the following at December 31:

	<u>2016</u>	<u>2015</u>
Designated		
Operating reserve	\$ 1,900,000	\$ 1,450,000
Madison Opportunity Fund	409,725	425,124
Undesignated	<u>2,196,229</u>	<u>2,039,628</u>
 Total	 <u>\$ 4,505,954</u>	 <u>\$ 3,914,752</u>

Temporarily restricted net assets are available for the following periods or purposes:

	<u>2016</u>	<u>2015</u>
Future periods	\$ 63,000	\$
Youth sports activities	<u>34,823</u>	<u>37,565</u>
 Total	 <u>\$ 97,823</u>	 <u>\$ 37,565</u>

Net assets were released from restrictions as follows:

	<u>2016</u>	<u>2015</u>
Passage of specified time	\$	\$ 13,500
Purpose restrictions accomplished	<u>37,742</u>	<u>40,003</u>
 Total released from restrictions	 <u>\$ 37,742</u>	 <u>\$ 53,503</u>

**NOTE 5 - AGENCY TRANSACTIONS**

The City of Madison contracted with the organization to administer a program to provide rent, shuttle, or event subsidies to groups booking at Monona Terrace for city wide conventions. The organization accounts for the receipt and disbursement of funds for this program as agency transactions since the organization does not have variance power for these funds. A committee comprised primarily of individuals unrelated to the organization has authority over the assistance funds available.

**GREATER MADISON CONVENTION & VISITORS BUREAU, INC.  
AND RELATED ENTITIES**  
Madison, Wisconsin

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**NOTE 5 - AGENCY TRANSACTIONS** (continued)

The committee has made assistance commitments for the City of Madison in the following amounts:

Years Ending December 31		
2017	\$	131,995
2018		114,450
2019		143,150
2020		153,375
2021		75,965
Thereafter		<u>91,000</u>
	\$	<u>709,935</u>

Dane County has contracted with the organization to administer a program to provide marketing incentives to attract sports tourism events in Dane County. The organization reviews grant applications and forwards recommendations to the Dane County Personnel and Finance Committee for review and approval. Additionally, the organization contractually sets aside funds to incentivize organizations to book at the Alliant Energy Center forwarding recommendations to the Alliant Energy Center Booking Assistance Program Committee. The organization accounts for the receipt and disbursement of funds for these programs as agency transactions since the organization does not have final approval of the use of these funds.

Sports marketing incentives that have been committed are as follows:

Years Ending December 31		
2017	\$	65,000
2018		3,500
2020		<u>41,450</u>
	\$	<u>109,950</u>

**GREATER MADISON CONVENTION & VISITORS BUREAU, INC.  
AND RELATED ENTITIES**  
Madison, Wisconsin

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**NOTE 5 - AGENCY TRANSACTIONS** (continued)

Alliant Energy Center booking assistance incentives that have been committed are as follows:

Years Ending December 31	
2017	\$ 24,000
2018	69,000
2019	25,000
2020	<u>15,000</u>
	<u>\$ 133,000</u>

**NOTE 6 - OPERATING LEASES**

The organization leases office space, a vehicle, and office equipment. The operating lease agreements expire at various dates through 2026. Total lease expense was \$172,208 and \$118,959 in 2016 and 2015, respectively

Future lease payments are as follows:

Years Ending December 31	
2017	\$ 257,593
2018	260,614
2019	260,552
2020	265,496
2021	272,687
Thereafter	<u>1,383,705</u>
	<u>\$ 2,700,647</u>

**NOTE 7 - DEFINED CONTRIBUTION PLAN**

The organization has a defined contribution plan authorized under Section 401(k) of the IRC. The 401(k) plan is open to employees who have completed 1,000 hours of service within a consecutive 12 month period and are at least 21 years of age. The organization contributed 50% of the first 4% of the participant's contribution, plus an additional 3% safe harbor contribution on eligible compensation in 2016 and 2015. The employer also can make a discretionary contribution. Employer contributions vest with employees after completing two years of service. Total employer contributions were \$89,885 and \$67,442 in 2016 and 2015, respectively.

**GREATER MADISON CONVENTION & VISITORS BUREAU, INC.  
AND RELATED ENTITIES**  
Madison, Wisconsin

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**NOTE 8 - CONCENTRATIONS OF CREDIT RISK**

The organization's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents. The organization places its cash and cash equivalents with high credit quality financial institutions. At December 31, 2016 and 2015, the organization had amounts on deposit with banks in excess of the Federal Deposit Insurance Corporation limit.

The organization receives a substantial amount of support from the City of Madison and Dane County in the form of contract awards. A significant reduction in the level of this support, if this were to occur, may have a significant effect on the organization's programs and activities.

**NOTE 9 - SUBSEQUENT EVENTS**

Management has evaluated subsequent events through March 6, 2017, the date which the combined financial statements were available for issue. There were no subsequent events that require recognition or disclosure in the combined financial statements.

**SUPPLEMENTAL INFORMATION**

**GREATER MADISON CONVENTION & VISITORS BUREAU, INC.**  
**AND RELATED ENTITIES**  
 Madison, Wisconsin

**COMBINING STATEMENT OF FINANCIAL POSITION**  
 December 31, 2016

	GMCVB	SGM	MASC	Eliminations	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,668,776	\$ 224,458	\$ 649,787	\$	\$ 2,543,021
Certificate of deposit	252,708				252,708
Investments	1,739,737				1,739,737
Receivables					
Partnership dues	159,238				159,238
Contracts	103,900				103,900
Pledges		63,000			63,000
Related-party	14,436		258,027	(272,463)	
Other	22,795		625		23,420
Prepaid expenses	64,489				64,489
Cash - agency funds	183,000				183,000
Fixed assets, net	285,858				285,858
Total assets	\$ 4,494,937	\$ 287,458	\$ 908,439	\$ (272,463)	\$ 5,418,371
<b>LIABILITIES AND NET ASSETS</b>					
Liabilities					
Accounts payable					
Trade	\$ 119,159	\$	\$ 3,543	\$	\$ 122,702
Related-party	258,027	14,436		(272,463)	
Accrued payroll and related expenses	104,305				104,305
Advance partnership dues	296,707				296,707
Agency funds - City of Madison Event					
Booking Assistance	25,000				25,000
Agency funds - Dane County					
Booking Assistance	158,000				158,000
Unearned revenue	32,550		63,625		96,175
Deferred lease liability	11,705				11,705
Total liabilities	1,005,453	14,436	67,168	(272,463)	814,594
Net assets					
Unrestricted	3,489,484	210,022	806,448		4,505,954
Temporarily restricted		63,000	34,823		97,823
Total net assets	3,489,484	273,022	841,271		4,603,777
Total liabilities and net assets	\$ 4,494,937	\$ 287,458	\$ 908,439	\$ (272,463)	\$ 5,418,371

**GREATER MADISON CONVENTION & VISITORS BUREAU, INC.**  
**AND RELATED ENTITIES**  
 Madison, Wisconsin

**COMBINING STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2016

	<u>GMCVB</u>	<u>SGM</u>	<u>MASC</u>	<u>Eliminations</u>	<u>Total</u>
Change in unrestricted net assets					
Revenue					
Contract awards					
Monona Terrace	\$ 109,316	\$	\$	\$	\$ 109,316
City of Madison	3,313,619				3,313,619
City of Middleton	134,504		120,903		255,407
City of Fitchburg	19,793		39,586		59,379
City of Sun Prairie			6,000		6,000
City of Verona	21,571		35,952		57,523
Dane County	283,119		14,250		297,369
Dane County Regional Airport	53,040				53,040
Partnership dues	332,215				332,215
Convention service, sales, and project sponsors	154,957		124,295	(70,000)	209,252
Contributions, sponsorships, and grants		3,500	613,700	(607,500)	9,700
Other revenue	74,122				74,122
Investment income	33,227	223	1,070		34,520
Net assets released from restrictions			37,742		37,742
Total revenue	<u>4,529,483</u>	<u>3,723</u>	<u>993,498</u>	<u>(677,500)</u>	<u>4,849,204</u>
Expenses					
Program services					
Convention sales and services	2,162,061			(677,500)	1,484,561
Sports marketing			382,133		382,133
Leisure marketing	125,600				125,600
Visitor services	121,381				121,381
Communications and public relations	1,221,400				1,221,400
Partnership services	343,711				343,711
Sponsorships and contributions			68,497		68,497
Total program services	3,974,153		450,630	(677,500)	3,747,283
Supporting services					
Management and general	366,423	13,048	125,622		505,093
Fundraising		5,626			5,626
Total expenses	<u>4,340,576</u>	<u>18,674</u>	<u>576,252</u>	<u>(677,500)</u>	<u>4,258,002</u>
Change in unrestricted net assets	<u>\$ 188,907</u>	<u>\$ (14,951)</u>	<u>\$ 417,246</u>	<u>\$</u>	<u>\$ 591,202</u>

	<u>GMCVB</u>	<u>SGM</u>	<u>MASC</u>	<u>Eliminations</u>	<u>Total</u>
Change in temporarily restricted net assets					
Contributions, sponsorships, and grants	\$	\$ 63,000	\$ 35,000	\$	\$ 98,000
Net assets released from restrictions			<u>(37,742)</u>		<u>(37,742)</u>
Change in temporarily restricted net assets		<u>63,000</u>	<u>(2,742)</u>		<u>60,258</u>
CHANGE IN NET ASSETS	188,907	48,049	414,504		651,460
Net assets - beginning of year	<u>3,300,577</u>	<u>224,973</u>	<u>426,767</u>		<u>3,952,317</u>
Net assets - end of year	<u>\$ 3,489,484</u>	<u>\$ 273,022</u>	<u>\$ 841,271</u>	<u>\$</u>	<u>\$ 4,603,777</u>