



**COLORADO SPRINGS CONVENTION AND VISITORS BUREAU  
dba VISIT COS**

**FINANCIAL STATEMENTS**

**WITH**

**INDEPENDENT AUDITOR'S REPORT**

**DECEMBER 31, 2019 AND 2018**

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## INDEPENDENT AUDITOR'S REPORT

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Board of Directors

**Colorado Springs Convention and Visitors Bureau dba Visit COS**

Colorado Springs, Colorado

### **Report on the Financial Statements**

We have audited the accompanying statements of financial position of the Colorado Springs Convention and Visitors Bureau (a not-for-profit organization) dba Visit COS as of December 31, 2019 and 2018 and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Colorado Springs Convention and Visitors Bureau dba Visit COS as of December 31, 2019 and 2018, and the changes in its net assets, functional expenses and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*BiggsKofford, P.C*

Colorado Springs, Colorado  
March 17, 2020

**COLORADO SPRINGS CONVENTION AND VISITORS BUREAU dba VISIT COS**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2019 AND 2018**

<b><u>ASSETS</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>
Current assets:		
Cash and equivalents	\$ 2,558,143	\$ 2,747,954
Accounts receivable, net	65,875	35,400
Prepaid expenses	211,479	160,889
Total current assets	<u>2,835,497</u>	<u>2,944,243</u>
Fixed assets, net	<u>18,495</u>	<u>67,058</u>
Other assets:		
Investment in joint venture	22,471	29,406
Deposits	9,427	5,487
Total other assets	<u>31,898</u>	<u>34,893</u>
Total assets	<u>\$ 2,885,890</u>	<u>\$ 3,046,194</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Current liabilities:		
Accounts payable	\$ 52,835	\$ 60,631
Accrued liabilities	94,605	102,286
Deferred revenue	7,898	37,342
Pledges payable	-	100,000
Total current liabilities	<u>155,338</u>	<u>300,259</u>
Total liabilities	<u>155,338</u>	<u>300,259</u>
Net assets without donor restrictions	<u>2,730,552</u>	<u>2,745,935</u>
Total liabilities and net assets	<u>\$ 2,885,890</u>	<u>\$ 3,046,194</u>

The accompanying notes and independent auditor's report  
should be read with these financial statements.

**COLORADO SPRINGS CONVENTION AND VISITORS BUREAU dba VISIT COS**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b><u>Support and revenue without donor restrictions:</u></b>		
Governmental sources:		
<u>City of Colorado Springs</u>	\$ 3,862,600	\$ 3,962,600
<u>County, state and federal funding</u>	77,000	92,000
<u>Total governmental sources</u>	<u>3,939,600</u>	<u>4,054,600</u>
<u>Member derived revenues</u>	563,315	561,724
<u>Product sales and special events, net</u>	4,022	11,381
<u>Interest and other revenues</u>	<u>20,233</u>	<u>25,426</u>
<u>Total support and revenue without donor restrictions</u>	<u>4,527,170</u>	<u>4,653,131</u>
<b><u>Expenses:</u></b>		
<u>Program services</u>	3,747,025	3,658,233
Supporting services:		
<u>General and administrative</u>	563,848	654,102
<u>Membership development</u>	<u>231,680</u>	<u>230,208</u>
<u>Total expenses</u>	<u>4,542,553</u>	<u>4,542,543</u>
<u>Change in net assets without donor restrictions</u>	(15,383)	110,588
<u>Net assets without donor restrictions, beginning of year</u>	<u>2,745,935</u>	<u>2,635,347</u>
<u>Net assets without donor restrictions, end of year</u>	<u>\$ 2,730,552</u>	<u>\$ 2,745,935</u>

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should be read with these financial statements.

**COLORADO SPRINGS CONVENTION AND VISITORS BUREAU dba VISIT COS**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2019**

	Program Services	General and administrative	Membership development	Total
Advertising	\$ 1,612,316	\$ -	\$ -	\$ 1,612,316
Payroll and related costs	1,106,334	402,303	167,626	1,676,263
Travel and promotion	233,782	-	-	233,782
Postage	100,088	7,103	430	107,621
Community events assistance	165,832	-	-	165,832
Office rent	87,633	23,141	15,680	126,454
Business development	113,858	-	-	113,858
Repairs and maintenance	94,691	25,005	16,943	136,639
Promotional material and public relations	67,921	-	-	67,921
Dues and subscriptions	29,474	27,741	578	57,793
Consulting and other professional services	-	53,488	-	53,488
Depreciation and amortization	34,410	1,373	930	36,713
Utilities	32,200	8,503	5,762	46,465
Miscellaneous	16,520	4,365	16,395	37,280
Staff marketing	13,318	3,517	2,383	19,218
Office supplies	14,197	3,749	2,540	20,486
Telephone	9,252	2,443	1,656	13,351
Visitor information center	10,968	-	-	10,968
Insurance	4,231	1,117	757	6,105
<b>Total expenses</b>	<b>\$ 3,747,025</b>	<b>\$ 563,848</b>	<b>\$ 231,680</b>	<b>\$ 4,542,553</b>
Percentage of total functional expenses	83%	12%	5%	100%

The accompanying notes and independent auditor's report  
should be read with these financial statements.



**COLORADO SPRINGS CONVENTION AND VISITORS BUREAU dba VISIT COS**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2018**

	Program Services	General and administrative	Membership development	Total
Advertising	\$ 1,648,717	\$ -	\$ -	\$ 1,648,717
Payroll and related costs	1,064,403	393,010	180,130	1,637,543
Special projects - United States Olympic Museum & Hall of Fame	18,821	-	-	18,821
Travel and promotion	251,940	-	-	251,940
Postage	85,982	6,472	-	92,454
Community events assistance	86,576	-	-	86,576
Office rent	85,477	21,860	15,474	122,811
Business development	112,125	-	-	112,125
Repairs and maintenance	88,727	22,692	16,062	127,481
Promotional material and public relations	69,961	-	-	69,961
Dues and subscriptions	30,594	36,713	680	67,987
Consulting and other professional services	-	155,515	-	155,515
Depreciation and amortization	35,777	1,679	1,189	38,645
Utilities	22,829	5,839	4,133	32,801
Miscellaneous	6,540	1,673	6,417	14,630
Staff marketing	10,729	2,744	1,943	15,416
Office supplies	10,225	2,615	1,851	14,691
Telephone	9,212	2,356	1,668	13,236
Visitor information center	15,945	-	-	15,945
Insurance	3,653	934	661	5,248
<b>Total expenses</b>	<b>\$ 3,658,233</b>	<b>\$ 654,102</b>	<b>\$ 230,208</b>	<b>\$ 4,542,543</b>
Percentage of total functional expenses	81%	14%	5%	100%

The accompanying notes and independent auditor's report  
should be read with these financial statements.

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**COLORADO SPRINGS CONVENTION AND VISITORS BUREAU dba VISIT COS**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Change in net assets	\$ (15,383)	\$ 110,588
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	36,713	38,645
Loss on disposal of fixed assets	15,091	-
Unrealized gains in joint venture	(11,317)	(18,253)
(Increase) decrease in operating assets:		
Accounts receivable	(30,475)	885,665
Other assets	(3,940)	-
Prepaid expenses	(50,590)	22,084
Increase (decrease) in operating liabilities:		
Accounts payable	(7,796)	(13,989)
Accrued liabilities	(7,681)	(115,799)
Deferred revenue	(29,444)	(5,857)
Pledges payable	(100,000)	(231,179)
Net cash provided by (used in) operating activities	<u>(204,822)</u>	<u>671,905</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Dividend from joint venture	18,252	32,176
Purchases of fixed assets	(3,241)	(33,337)
Net cash provided by (used in) investing activities	<u>15,011</u>	<u>(1,161)</u>
Net increase (decrease) in cash and equivalents	(189,811)	670,744
Cash and equivalents, beginning of year	<u>2,747,954</u>	<u>2,077,210</u>
Cash and equivalents, end of year	<u>\$ 2,558,143</u>	<u>\$ 2,747,954</u>

The accompanying notes and independent auditor's report should be read with this financial statement.

**COLORADO SPRINGS CONVENTION AND VISITORS BUREAU dba VISIT COS**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

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**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization

The Colorado Springs Convention and Visitors Bureau dba Visit COS, ("Organization") was incorporated as a nonprofit organization in 1980 to attract visitors to the Pikes Peak Region. The Organization engages in promotional programs which include, but are not limited to, a national advertising plan, sales missions, operating a visitor information center, involvement in special community projects, membership drives, familiarizing meeting and convention planners with the Pikes Peak Region and its facilities, and distributing informational brochures, maps, and other publications.

The Organization is generally exempt from federal income tax under Section 501(c)(6) of the Internal Revenue Code of 1986 (the "Code").

Accounting pronouncements adopted

In 2019, the Organization adopted ASU No. 2014-09, *Revenue from Contracts with Customers* ("ASC Topic 606"), which replaces numerous requirements in US GAAP, including industry-specific requirements, and provides companies with a single revenue recognition model for recognizing revenues from contracts with customers. Upon implementation assessment of ASC Topic 606, management concluded that no adjustment was required to the opening balance of net assets at the date of initial application. The comparative information was not restated and continues to be reported under the accounting standards in effect for those periods. Additional disclosures required by ASC Topic 606 are presented within the revenue recognition policy disclosure above.

In 2019, the Organization adopted ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU Clarifies how a not-for-profit entity determines whether a resource provider is participating in an exchange transaction or a contribution, helps an entity to evaluate whether contributions are considered conditional or unconditional by stating that a conditional contribution must have (1) a barrier that must be overcome and (2) a right of return or release of obligation, and modifies the simultaneous release option currently in US GAAP, which allows a not-for-profit entity to recognize a restricted contribution directly in net assets without donor restrictions if the restriction is met in the same period that revenue is recognized.

See independent auditor's report.

**COLORADO SPRINGS CONVENTION AND VISITORS BUREAU dba VISIT COS**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

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**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

Use of estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America ("US 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The significant accounting estimates used in the preparation of the Organization's financial statements relate to the allowance for doubtful accounts receivable, estimated useful lives of furniture, equipment and the website, deferred revenues, and functional allocation of expenses to program and support services. These estimates may change in the near term and any adjustment could be significant.

Fair value of financial instruments

The Organization's financial instruments include cash and equivalents, accounts receivable, prepaid expenses, accounts payable, accrued liabilities, deferred revenue and pledges payable. The recorded values of these instruments approximate their fair values based on their short-term nature.

Cash and equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

The Organization maintains its cash and equivalents in bank deposit accounts in which the deposits are guaranteed by the National Credit Union Administration ("NCUA") up to \$250,000. At certain times during the years ended December 31, 2019 and 2018, the Organization had deposits in excess of NCUA limits. The Organization places cash and equivalents with financial institutions evaluated as highly creditworthy by management.

See independent auditor's report.

**COLORADO SPRINGS CONVENTION AND VISITORS BUREAU dba VISIT COS**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

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**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

Accounts receivables

Accounts receivable are recorded at the amount the Organization expects to collect on balances outstanding at year-end. Management closely monitors outstanding balances and expenses balances that are not expected to be collected. The Organization provides an allowance for uncollectible accounts receivable, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. As of December 31, 2019 and 2018, accounts receivable are recorded net of an allowance for uncollectible accounts of \$15,000, which is estimated based on historical experience.

Fixed assets

Acquisitions of furniture and equipment in excess of \$2,000 and expenditures for betterments that materially prolong the useful lives of assets are capitalized. Website fees in excess of \$2,000 related to the development of the site are capitalized, while ongoing maintenance costs of the website are expensed as incurred. Furniture, equipment and website fees are recorded at cost, or fair market value if contributed.

Depreciation expense is recorded using the straight-line method over estimated useful lives of three to twenty years. Amortization expense is recorded using the straight-line method over the estimated useful life of three years.

Revenue - City of Colorado Springs

On January 1, 2018, the Organization entered into a two year contract with the City of Colorado Springs to provide visitor and convention promotion services for the period January 1, 2018 to December 31, 2019. Subject to appropriation and terms and conditions of the contract, the City paid the Organization \$3,862,600 annually.

For the years ended December 31, 2019 and 2018, City funding accounted for 85% of the Organization's annual revenue.

See independent auditor's report.

**COLORADO SPRINGS CONVENTION AND VISITORS BUREAU dba VISIT COS**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

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**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

Revenue - member derived revenues

The Organization receives revenue from membership dues, conferences, meetings, events, publication and ad sales and district program income. Revenue from these sources are considered to be contracts with customers under ASC Topic 606. the Organization has elected to use a portfolio approach as practical expedient to account for contracts with customers as a group rather than individually since the financial statement effects are not expected to materially differ from an individual contract approach. Revenue is recognized as performance obligations are met. For membership dues, performance obligations for annual dues are considered to be net on a monthly basis. For all other revenues, performance obligations are met when services are

Advertising expenses

The Organization expenses advertising costs as incurred. Total advertising expense, which includes 3rd party research to support the Organization's marketing plan for the years ended December 31, 2019 and 2018 was approximately \$1,610,000 and \$1,650,000, respectively.

Functional allocation of expenses

The financial statements report certain categories of expenses that are attributable to one or more program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Payroll distribution is determined based on time spent in each functional category, assuming all related costs are generally distributed similarly. Costs such as rent and similar are distributed based on an approximation of the number of employees in each function, which varies from payroll costs and the ratios are considered reasonable.

Income taxes

The Organization is exempt from income taxes under Section 501(c)(6) of the Code and is not a private foundation under Section 509(a)(2) of the Code. The Organization evaluates the effect of uncertain income tax positions, if any, and provides for those positions in accordance with the provisions of FASB ASC 450, *Contingencies*. No tax accrual for uncertain tax positions has been recorded as management believes there are no uncertain tax positions.

The Organization has unrelated business income from a joint venture, advertising revenues, and other revenues. Due to offsetting expense items and a net operating loss carry forward, there was no unrelated business income tax expense for the years ended December 31, 2019 and 2018.

See independent auditor's report.

**COLORADO SPRINGS CONVENTION AND VISITORS BUREAU dba VISIT COS**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

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**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

Subsequent events

Management has evaluated subsequent events through the date of the attached audit report, the date on which the financial statements were available to be issued.

**2. LIQUIDITY AND AVAILABILITY OF RESOURCES**

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following on December 31:

	<b>2019</b>	<b>2018</b>
Cash and equivalents	\$ 2,558,143	\$ 2,747,954
Accounts receivable	65,875	35,400
	<b>\$ 2,624,018</b>	<b>\$ 2,783,354</b>

As part of the organization's liquidity management plan, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

**3. FIXED ASSETS**

Fixed assets consist of the following as of December 31:

	<b>2019</b>	<b>2018</b>
Furniture and equipment	\$ 243,000	\$ 239,758
Website	65,000	95,183
Total fixed assets	308,000	334,941
Less accumulated depreciation	(289,505)	(267,883)
Fixed assets, net	<b>\$ 18,495</b>	<b>\$ 67,058</b>

Depreciation expense for the years ended December 31, 2019 and 2018 was \$36,713 and \$38,645 respectively.

See independent auditor's report.



**COLORADO SPRINGS CONVENTION AND VISITORS BUREAU dba VISIT COS**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

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**4. INVESTMENT IN JOINT VENTURE**

As of December 31, 2019, the Organization has an investment in The Official Visitors Guide ("Joint Venture"), which has been accounted for under the equity method.

The Organization has a 50 percent ownership interest in the Joint Venture and exercises significant influence over its operations. The Joint Venture is renewed annually, with Pikes Peak Country Attractions Association for the purpose of producing, publishing, and distributing an official tourism and visitors' information guide for the City and the Pikes Peak Region. The cost of producing the guide is offset by sales of advertising within the publication. Any resulting deficiency or excess of funds is shared equally by both parties.

For the years ended December 31, 2019 and 2018, the Organization recognized as revenue 50 percent of the Joint Venture's net income, which was \$11,317 and \$18,253, respectively. In addition, commissions and other amounts of \$55,000 were paid to the Organization by the Joint Venture, for the years ended December 31, 2019 and 2018. Commissions of \$15,000 were paid to Pikes Peak Country Attractions Association for the years ended December 31, 2019 and 2018 by the Joint Venture.

Unaudited condensed financial information for the Joint Venture as of and for the year ended December 31, 2019 and 2018 is as follows:

Unaudited Condensed Balance Sheets

	<u>2019</u>	<u>2018</u>
<b>ASSETS:</b>		
Cash	\$ 387,871	\$ 352,012
Accounts receivable, net	26,900	30,053
Other assets	26,862	27,982
	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 441,633</u>	<u>\$ 410,047</u>
<b>LIABILITIES AND EQUITY</b>		
Deferred income and accounts payable	\$ 396,691	\$ 351,236
Equity	44,942	58,811
	<u>                    </u>	<u>                    </u>
Total liabilities and equity	<u>\$ 441,633</u>	<u>\$ 410,047</u>

See independent auditor's report.

**COLORADO SPRINGS CONVENTION AND VISITORS BUREAU dba VISIT COS**  
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**4. INVESTMENT IN JOINT VENTURE (CONTINUED)**

Unaudited Condensed Statements of Income

Net revenue	\$ 347,644	\$ 365,123
Costs of production	<u>(201,672)</u>	<u>(206,119)</u>
Gross profit	145,972	159,004
Other expenses	<u>(123,338)</u>	<u>(122,498)</u>
Net income	<u>\$ 22,634</u>	<u>\$ 36,506</u>

**5. RETIREMENT PLAN**

The Organization has established a SIMPLE IRA plan for its employees. Employees are eligible to participate immediately upon hire. The Organization contributes up to 3% of the employees' actual annual salaries as a matching contribution which cannot exceed each employee's deferrals. Total contributions to the retirement plan for the years ended December 31, 2019 and 2018 totaled approximately to \$35,000.

**6. COMMITMENTS**

The Organization leases office space and certain office equipment under the terms of multi-year non-cancellable operating leases. These agreements expire on various dates ranging from 2020 through 2025 and require monthly base payments in amounts ranging from approximately \$350 to \$10,500. Lease expense under these operating leases for the years ended December 31, 2019 and 2018 was approximately \$140,000.

Future minimum payments under these agreements are as follows:

<u>Years Ending</u> <u>December 31,</u>		
2020	\$	96,722
2021		13,548
2022		12,021
2023		4,785
2024		3,720
Thereafter		<u>1,240</u>
Total	\$	<u>132,036</u>

See independent auditor's report.

**COLORADO SPRINGS CONVENTION AND VISITORS BUREAU dba VISIT COS**  
**NOTES TO FINANCIAL STATEMENTS**  
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**7. RELATED PARTY BALANCES AND TRANSACTIONS**

For the year ended December 31, 2019 and 2018, the Organization received approximately \$122,000 and \$63,000, respectively, from various Companies controlled by members of management and/or the board of directors. Amounts received were primarily partnership dues and advertising, tradeshow co-ops, and sponsorships.

For the years ended December 31, 2019 and 2018, the Organization paid approximately \$90,000 and \$140,000, respectively, to Companies controlled by members of management and/or the board of directors. Amounts paid included support of sporting and special events, organization partnership luncheons/events and support of community calendar software.

\* \* \* \* \*

See independent auditor's report.