



OHIO AUDITOR OF STATE  
**KEITH FABER**





**LAKE ERIE SHORES AND ISLANDS  
OTTAWA COUNTY  
DECEMBER 31, 2019**

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

Lake Erie Shores and Islands  
Ottawa County  
770 Southeast Catawba Road  
Port Clinton, Ohio 43452

To the Board of Directors:

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

We have audited the accompanying financial statements of Lake Erie Shores and Islands, Ottawa County, Ohio (the Bureau), (a not-for-profit corporation), which comprise the statement of financial position as of December 31, 2019, the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

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

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Bureau's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Bureau's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lake Erie Shores and Islands, and the changes in its net assets and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 11 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Bureau. We did not modify our opinion regarding this matter.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2020, on our consideration of the Bureau's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Bureau's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State

Columbus, Ohio

November 23, 2020

**LAKE ERIE SHORES AND ISLANDS  
OTTAWA COUNTY**

**Statement of Financial Position  
December 31, 2019**

	Without Donor Restrictions
<b>Assets</b>	
<b>Current assets:</b>	
Cash and cash equivalents	\$ 289,735
Accounts receivable	6,725
Prepaid expenses	159,521
<b>Total current assets</b>	455,981
Property and equipment - net	5,799
<b>Total assets</b>	\$ 461,780
<b>Liabilities and net assets</b>	
<b>Current liabilities:</b>	
Accounts payable	\$ 80,406
Salaries and wages payable	21,927
Payroll taxes, including employee withholding	8,606
Deferred revenue	71,650
<b>Total current liabilities</b>	182,589
<b>Net assets:</b>	
Without donor restrictions	279,191
<b>Total net assets</b>	279,191
<b>Total liabilities and net assets</b>	\$ 461,780

The notes to the financial statements are an integral part of this statement.

**LAKE ERIE SHORES AND ISLANDS  
OTTAWA COUNTY**

**Statement of Activities  
For the year ended December 31, 2019**

	<u>Without Donor Restrictions</u>
<b>Operating activities</b>	
<b>Support and revenue:</b>	
Bureau funding	\$ 3,289,000
Advertising revenue	464,686
Investment income	244
In-kind revenue	<u>21,600</u>
<b>Total support and revenue</b>	<u>3,775,530</u>
<b>Expenses:</b>	
Program services	3,130,864
Supporting services	<u>365,475</u>
<b>Total expenses</b>	<u>3,496,339</u>
<b>Change in net assets</b>	279,191
<b>Net assets, beginning of year</b>	<u>-</u>
<b>Net assets, end of year</b>	<u><u>\$ 279,191</u></u>

The notes to the financial statements are an integral part of this statement.



**LAKE ERIE SHORES AND ISLANDS  
OTTAWA COUNTY**

**Statement of Cash Flows  
For the year ended December 31, 2019**

	Without Donor Restrictions
<b>Cash flows from operating activities:</b>	
Change in net assets	\$ 279,191
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation	1,234
Amortization	159
Bad debt expense	5,100
Increase in assets:	
Accounts receivable	(11,825)
Prepaid expenses	(159,521)
Increase in liabilities:	
Accounts payable	80,406
Salaries and wages payable	21,927
Payroll taxes	8,606
Deferred revenue	71,650
<b>Net cash provided by operating activities</b>	<b>296,927</b>
<b>Cash flows from investing activities:</b>	
Purchases of equipment and software	(7,192)
<b>Net cash used in investing activities</b>	<b>(7,192)</b>
	-
Net increase in cash and cash equivalents	289,735
Cash and cash equivalents, beginning of year	-
Cash and cash equivalents, end of year	<b>\$ 289,735</b>

The notes to the financial statements are an integral part of this statement.

**LAKE ERIE SHORES AND ISLANDS  
OTTAWA COUNTY**

**Statement of Functional Expenses  
For the year ended December 31, 2019**

	Program Services	Supporting Services	Total
Advertising and promotions	\$ 2,059,982	\$ -	\$ 2,059,982
Salaries and wages	658,566	219,522	878,088
Employee benefits	76,600	25,533	102,133
Website expense	99,349	-	99,349
Payroll taxes	56,048	18,682	74,730
Postage and shipping	61,892	6,877	68,769
Printing and publications	52,978	-	52,978
Dues and subscriptions	17,604	11,736	29,340
Seminars and meetings	12,648	12,647	25,295
Equipment rent and maintenance	13,907	11,378	25,285
In-kind expenses	-	21,600	21,600
Insurance	-	15,631	15,631
Telephone	12,843	2,266	15,109
Office supplies and expense	4,373	3,579	7,952
Automobile expense	4,074	3,333	7,407
Bad debt expense	-	5,100	5,100
Bank charges	-	3,629	3,629
Professional fees	-	2,569	2,569
Depreciation	-	1,234	1,234
Amortization	-	159	159
<b>Total expenses</b>	<b>\$ 3,130,864</b>	<b>\$ 365,475</b>	<b>\$ 3,496,339</b>

The notes to the financial statements are an integral part of this statement.

**LAKE ERIE SHORES AND ISLANDS  
OTTAWA COUNTY**

**Notes to Financial Statements  
For the year ended December 31, 2019**

**1. Nature of activities**

Lake Erie Shores and Islands, Ottawa County, Ohio (the Bureau) is an Ohio not-for-profit corporation that commenced operations on January 1, 2019. The Bureau was formed to develop and implement a marketing plan to grow the tourism economy of Erie and Ottawa Counties of Ohio through promotion of the region and thereby increase visitor spending in the region.

The Bureau is exempt from Federal income taxes under Internal Revenue Code Section 501(c)(6). In addition, the Bureau has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code.

**2. Summary of significant accounting policies**

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Financial statement presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

Accordingly, net assets of the Bureau and changes therein are classified and reported as follows:

Net assets without restrictions

Net assets without restrictions are currently available for operating purposes under the direction of the board, designated by the board for specific use, or invested in property and equipment.

Donations

Donations are recorded as unrestricted unless specifically restricted by the donor.

Donated noncash assets

Donated noncash assets are recorded as contributions at their estimated fair values at the time of receipt.

Donated facilities and services

Donated facilities and services are reported at their fair value at date of receipt as in-kind revenue with a like amount included as in-kind expense. For the year ended December 31, 2019, the in-kind expense includes the fair value of the rent on the Erie County and Ottawa County buildings, which house the Bureau, of \$21,600. All in-kind benefits were provided by the Erie County Visitors & Convention Bureau and the Ottawa County Visitors Bureau.

**LAKE ERIE SHORES AND ISLANDS  
OTTAWA COUNTY**

**Notes to Financial Statements  
For the year ended December 31, 2019**

**2. Summary of significant accounting policies - continued**

Donated facilities and services

Donated facilities and services are reported at their fair value at date of receipt as in-kind revenue with a like amount included as in-kind expense. For the year ended December 31, 2019, the in-kind expense includes the fair value of the rent on the Erie County and Ottawa County buildings, which house the Bureau, of \$21,600. All in-kind benefits were provided by the Erie County Visitors & Convention Bureau and the Ottawa County Visitors Bureau.

Advertising revenue

Advertising revenue is recognized in the period in which the advertising is provided. Advertising revenue received in advance of the period that it is provided is recorded as deferred revenue.

Advertising costs

Advertising costs are expensed as incurred. Total advertising expenses, including the costs to encourage and promote travel to and visitation in Erie and Ottawa Counties were \$2,059,982 and are included in program service expenses.

Cash and cash equivalents

For purposes of the statement of cash flows, the Bureau considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

The following is a summary of cash and cash equivalents at December 31, 2019:

Petty cash on hand	\$ 200
Cash on deposit at banks	<u>289,535</u>
Total	<u>\$ 289,735</u>

Financial instruments – concentration of credit risk

The Bureau places its temporary cash investments with financial institutions in amounts that may exceed the federally insured deposit limits or in accounts that are not covered by federal deposit insurance. The Bureau has not experienced any loss in such accounts.

Comparative information

The year ended December 31, 2019 is the initial year of operation of the Bureau. Comparative information will be presented in subsequent years.

Subsequent events

Management has evaluated subsequent events through November 23, 2020, the financial statement issuance date.

**LAKE ERIE SHORES AND ISLANDS  
OTTAWA COUNTY**

**Notes to Financial Statements  
For the year ended December 31, 2019**

**3. Restrictions on assets**

The Bureau reports contributions of cash or other assets as either support restricted by time or purpose or support restricted in perpetuity 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 of restriction is accomplished, net assets restricted by time or purpose are reclassified to net assets without donor restrictions and reported in the statement of activities as satisfaction of restrictions.

Net assets with donor restrictions received during the year ended and at December 31, 2019 were \$0.

**4. Accounts receivable**

Accounts receivable includes advertising fees and is carried at the estimated collectable amounts. Trade credit is generally extended on a short-term basis; thus trade accounts receivable do not bear interest, although finance charges may be applied to past due receivables. Trade accounts receivable are periodically evaluated for collectability. An allowance for doubtful accounts receivable is determined on the basis of loss experience, known and inherent risks, and current economic conditions. Trade accounts receivable deemed to be uncollectible are charged against the allowance for doubtful accounts when such receivables are deemed to be uncollectible.

The following is a summary of accounts receivable at December 31, 2019:

Trade accounts receivable	\$ 10,850
Allowance for doubtful accounts receivable	<u>( 4,125)</u>
Net accounts receivable	<u>\$ 6,725</u>

**5. Property and equipment**

The Bureau capitalizes all expenditures for property and equipment in excess of \$500. Property and equipment is recorded at cost at date of purchase or at estimated fair value at date of gift. Expenditures which increase useful lives are capitalized while maintenance and repairs are charged to expense. Assets are depreciated over their estimated useful lives using the straight-line method.

The following is a summary of property and equipment at December 31, 2019:

Equipment	\$ 6,618
Software	<u>574</u>
Total	\$ 7,192
Less: accumulated depreciation and amortization	<u>( 1,393)</u>
Net property and equipment	<u>\$ 5,799</u>

**LAKE ERIE SHORES AND ISLANDS  
OTTAWA COUNTY**

**Notes to Financial Statements  
For the year ended December 31, 2019**

**6. Description of program and supporting services**

Program services consist of travel and tourism promotion. The Bureau encourages and stimulates interest in Erie and Ottawa Counties through advertisement and other educational and informational means. It fosters knowledge and distribution of the Bureau's publication, *Lake Erie Shores & Islands*.

Supporting services consist of general and management services. The services include the functions necessary to maintain an equitable employment program, ensure an adequate working environment, provide coordination and articulation of the Bureau's program strategy through the Executive Director, secure proper administrative functioning of the Board of Trustees and manage the financial and budgetary responsibility of the Bureau.

**7. Retirement plan**

The Bureau sponsors a defined contribution pension plan for all eligible employees. During the year ended December 31, 2019, the Bureau's contribution to the plan totaled \$21,353.

**8. Related party transactions**

Several of the Bureau's Directors are also directors of the two County Visitors Bureaus that fund the majority of revenue Lake Erie Shores and Islands receives annually. Some of the Trustees and their respective companies purchase advertising services from the Bureau and benefit from other promotional activities of the Bureau. These related companies purchased \$123,163 of advertising services from the Bureau during the year ended December 31, 2019. Additionally, the Bureau purchased \$13,025 of advertising services and \$2,571 for other services from other related companies.

**9. Support and revenue - concentration**

The Bureau receives the majority of its support from Erie County Visitors & Convention Bureau and Ottawa County Visitors Bureau. Both Bureaus have agreed to contribute 75% of their annual revenue to Lake Erie Shores and Islands. For the year ended December 31, 2019, the amount of support from the Bureaus' was \$3,289,000. Because a majority of the Bureau's support is from this funding, any unanticipated loss of revenue within the Bureaus could adversely affect operations.

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**LAKE ERIE SHORES AND ISLANDS  
OTTAWA COUNTY**

**Notes to Financial Statements  
For the year ended December 31, 2019**

**10. Liquidity and funds available**

The following table reflects the Bureau's financial assets as of December 31, 2019, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, assets held by others, perpetual endowments and accumulated earnings net of appropriations within one year, or because the governing board has set aside the funds for a specific contingency reserve or a long-term investment as board designated endowments. These board designations could be drawn upon if the board approves that action.

Financial assets:	
Cash and cash equivalents	\$ 289,735
Accounts receivable	<u>6,725</u>
Financial assets at year-end	<u>296,460</u>
Less those unavailable for general expenditure within one year	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 296,460</u>

The Bureau has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

**11. Subsequent event**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Bureau. The impact on the Bureau's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

**12. Recently issued accounting standards**

On May 28, 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606). The core principle of this new guidance is that "an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services". On August 12, 2015, the FASB further amended this guidance and issued ASU 2015-14, Revenue from Contracts with Customers (Topic 606), which deferred the effective date for all entities by one year. These new standards, which the Bureau is not required to adopt until its year ending December 31, 2020, deal with the timing of reporting revenues from contracts with customers, and disclosures related thereto.

The Bureau is presently evaluating the effects that these ASUs will have on its future financial statements, including related disclosures.

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Lake Erie Shores and Islands  
Ottawa County  
770 Southeast Catawba Road  
Port Clinton, Ohio 43452

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Lake Erie Shores and Islands, Ottawa County, Ohio (the Bureau) (a not-for-profit corporation) as of and for the year ended December 31, 2019, and the related notes to the financial statements, and have issued our report thereon dated November 23, 2020, wherein we noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the Bureau.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Bureau's internal control over financial reporting (internal control) as a basis for designing audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Bureau's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Bureau's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***Compliance and Other Matters***

As part of reasonably assuring whether the Bureau's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statements. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Bureau's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Bureau's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber  
Auditor of State

Columbus, Ohio

November 23, 2020

# OHIO AUDITOR OF STATE KEITH FABER



**LAKE ERIE SHORES AND ISLANDS**

**OTTAWA COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



**Certified for Release 12/8/2020**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)