

Newport and Bristol County Convention and Visitors' Bureau and Subsidiary

ANNUAL COMPREHENSIVE FINANCIAL REPORT

Fiscal year ended June 30, 2023



EVAN SMITH
President & CEO

ALYSON C. ADKINS, CPA
*Vice President of Finance
& Human Resources*

DISCOVER
NEWPORT
RHODE ISLAND

DiscoverNewport.org

Newport and Bristol County Convention and Visitors' Bureau and Subsidiary
Annual Comprehensive Financial Report
For the Year Ended June 30, 2023

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Newport and Bristol County Convention and Visitors' Bureau and Subsidiary
Annual Comprehensive Financial Report
For the Year Ended June 30, 2023

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INTRODUCTORY SECTION



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

We are pleased to present this Annual Comprehensive Financial Report (ACFR) for the Newport and Bristol County Convention and Visitors' Bureau and Subsidiary (the Bureau) for the year ended June 30, 2023.

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, 2023, 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, 2023, 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 ACFR.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditors' report. It provides an analytical overview of the Bureau's operations for fiscal year (FY) 2023. 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 ACFR 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 hotel tax revenues, and the governing body is composed of an autonomous Board of Directors (the Discover Newport Board). It is also a 501(c)(6) organization. Discover Newport was created to directly drive tourism to Newport and Bristol Counties, through marketing, sales, and advertising programs in cooperation with our industry partners.

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 Counties as a premier travel destination. Its primary responsibility is attracting visitors to its destination, both for the lodging and non-lodging industries. 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, both in the leisure and business markets.

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 for properties over 20 rooms within the district. In June 2021, the Newport City Council approved the rooms within the district to be properties over 18 rooms within the district. It is governed by an autonomous Board of Directors (the Newport Hotel Collection Board).

The Newport Hotel Collection is charged with marketing and branding the district by sponsoring and promoting recreational, cultural, and retail activities and providing general marketing and promotion efforts. The Newport Hotel Collection has no employees; it is managed by Discover Newport. Discover Newport's Board of Directors appoints seven (7) of the nine (9) seats on the Newport Hotel Collection Board and is therefore a subsidiary of Discover Newport.

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

ECONOMIC CONDITION

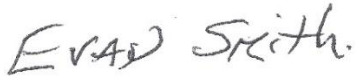
The travel & tourism industry is one of the largest contributors to and principle economic drivers in Newport and Bristol Counties. As a result, U.S. and international travel trends are closely monitored. Newport and Bristol Counties have a hotel room inventory exceed over 4,200, with approximately 4,000 of those rooms located in Newport and Middletown. (These include properties that were closed due to renovations.)

Fiscal year 2023 was a record high in hotel tax revenue for our industry, though the industry still continues to struggle finding qualified employees to work. The trend of people fleeing metropolitan areas & cities for resort areas (mountains, lakes & coastal areas) continued and our nine towns benefited. Fiscal year 2023 occupancy increased from 57.18% to 60.41%, and average daily room rates increased by 5%. We believe there were multiple factors that were a positive influence on our success: 1st- Newport is within 400 miles (one gas tank or electric charge) of 15% of the American population. 2nd- Newport continued offering a lot of outdoors activities and events for travelers to enjoy. 3rd-Rebound of the international, group/business, and cruise ship markets.

As we look to the fiscal year 2024, Discover Newport is keeping a close eye on the economy. Inflation decreased by approximately 5% during fiscal year 2023, and while it decreased slightly, it is still at a 40 year high. We also expect a correction in the market for the average daily room rates. During fiscal year 2024, we will have three properties come online after extensive renovations, one new property opening, and two properties closing for a portion of the fiscal year for renovations. We expect to see a slowdown in the leisure market, but for the group/business markets, we expect to see a 100% recovery. Discover Newport has operating reserves that can be used to offset any shortfalls in projected revenues to keep sales and marketing plans intact.

The Discover Newport staff have 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,

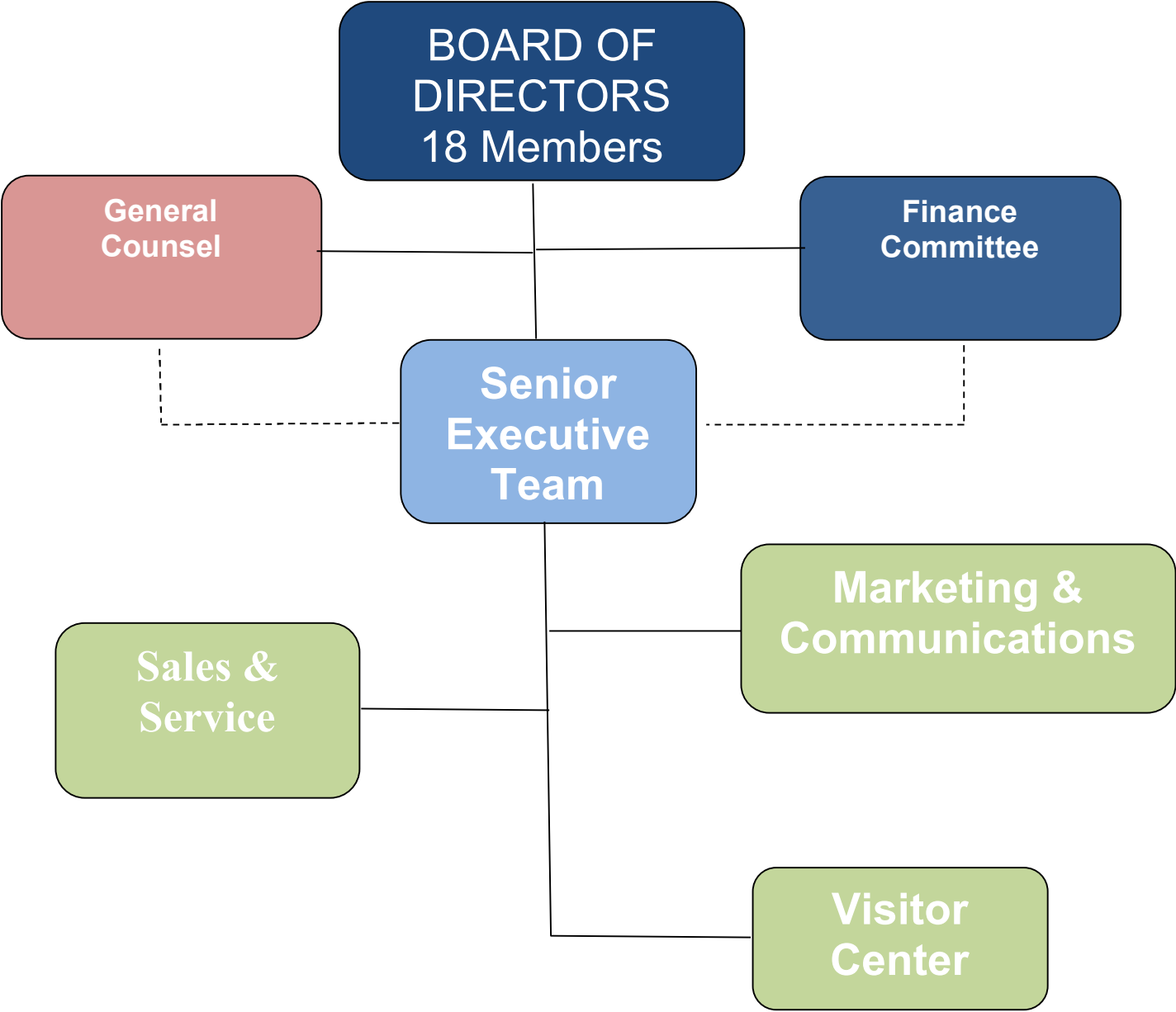


Evan Smith
President & CEO



Alyson Adkins, CPA
VP of Finance and Human Resources

Newport and Bristol County Convention and Visitors' Bureau and Subsidiary
Organization Chart
For the Year Ended June 30, 2023



Newport and Bristol County Convention and Visitors' Bureau and Subsidiary
Board of Directors
For the Year Ended June 30, 2023

The Discover Newport Board

This eighteen-member board is comprised of thirteen members appointed by the nine-town councils within Newport and Bristol Counties 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. The members serve a three-year term and can be reappointed for one additional three-year term. As of June 30, 2023, members of the board included:

Term Expires

Appointed by the City of Newport

Gillian Freidman-Fox	September 2025
Sean O' Connor	September 2025
Charlie Holder *	September 2025

Appointed by the Town of Middletown

Rocky Kempenaar	September 2025
Dennis Turano	September 2025
TRMcGrath-Board Chair *	September 2024

Appointed by the Town of:

Portsmouth - Matt Gray *	September 2026
Jamestown - Tom McNiff	September 2026
Tiverton – Meredith Brower	September 2026
Little Compton - Andrew Moore	September 2026
Bristol - Karen Binder-Secretary	September 2023
Warren – Keri Cronin	September 2026
Barrington - Ann Hof	September 2024

Nominated by Discover Newport Board:

Lodging over 100 rooms - Pamela Baldwin-Treasurer*	September 2024
Lodging under 100 rooms - Keith Chouinard-Vice Chair	September 2024
Restaurant representative – Patrick Fitzgerald	September 2024
Attraction's representative – John Nunes	September 2024
Member of the public - Missy Varao	September 2024

* Member of the Finance Committee

Newport and Bristol County Convention and Visitors' Bureau and Subsidiary
Board of Directors
For the Year Ended June 30, 2023

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 members serve a three-year term until their successors are appointed and will have qualified. As of June 30, 2023, members of the board included:

	Term Expires
Appointed by the Discover Newport Board	
Andy Ross – Brenton Hotel-Treasurer	June 2024
David Smiley – Newport Harbor Island Resort-Chair	June 2024
Brian Young - Castle Hill Inn-Treasurer	June 2024
Michelle Taraverdian – Newport Marriott	June 2025
Derek Shelly-Hotel Viking	June 2025
Randi Milewski - Hammetts Wharf Hotel	June 2026
Cheryl Twist-The Chanler	June 2026
Appointed by the City of Newport	
Jenna Vallee -Newport Harbor Hotel & Marina	June 2025
Lynn Ceglie - City Council Representative	June 2026

Newport and Bristol County Convention and Visitors' Bureau and Subsidiary
Senior Executive Team
For the Year Ended June 30, 2023

The Discover Newport Senior Executive Team

The Discover Newport Board of Directors serves as a policy-making body and employs a President to serve as Chief Executive Officer. As of June 30, 2023, the Discover Newport senior executive team consists of:

Evan Smith-President/Chief Executive Officer

Alyson Adkins-Vice President of Finance and Human Resources

Kathryn Farrington-Vice President of Marketing

John (Tim) Walsh-Vice President of Sales

**FINANCIAL
SECTION**



INDEPENDENT AUDITORS' REPORT

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

Opinion

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, 2023 and 2022, and the related notes to the consolidated financial statements.

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, 2023 and 2022, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Bureau, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 misstatements, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Bureau's ability to continue as a going concern for twelve months beyond the consolidated financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Bureau's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Bureau's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic consolidated financial statements. Such information is the responsibility of management and, 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.

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 consolidated 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 basic consolidated financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audits of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Dansie, Kimball & Co., LLP

Providence, Rhode Island
December 4, 2023

Management's Discussion and Analysis

Newport and Bristol County Convention and Visitors' Bureau and Subsidiary

Management's Discussion and Analysis

For the Year Ended June 30, 2023

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, 2023. 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 i to iii of this report.

FINANCIAL HIGHLIGHTS

- Total revenues increased approximately \$120 thousand for FY 2023. Hotel taxes improved by 2% and the tourism fee decreased by -10% over the prior year. Total grant income (public) increased by 6% over the prior year. Private source revenue (advertising, promotional participation, etc.) improved by 32% over the prior year. We continued to offer a 50% discount on our advertising products for the attraction industry FY 2023, we also continued the complimentary participation for all restaurants participating in Newport Restaurant Week and Burger Bender. The improvement in revenue is directly attributable to the recovery of the travel and tourism sector since coronavirus first hit the United States in March 2020. Average daily room rate (ADR) improved from \$224.30 for FY 2022 to \$236.44 for FY 2023.
- Discover Newport invested approximately \$4.5 million in sales and marketing efforts. Some of the leisure investments supported the creation, management and marketing of Newport Restaurant Week, Burger Bender, Fall, Holiday, Winter and Spring campaigns. Our key feeder markets for these campaigns are Massachusetts, Connecticut, New York, New Jersey Philadelphia, Baltimore, DC, and Virginia. Other investments included a series of leisure e-blasts to our feeder markets, creation of off-season commercials, creation and production of a destination travel guide, the continued sponsorship of line 67 RI Public Transit Authority bus route. We also provided sponsorships for Newport Winter Festival, Christmas in Newport, Ocean Race, Cliff Walk, and Preservation Society. FY 2023 was a record year for media visits, we hosted over 100 international and domestic journalists. On the corporate sales side investments included a mix of print and digital advertising campaigns, hosting 7 client events, attendance at 25 trade shows, and hosted 25 meeting planners site inspections.
- Discover Newport continues to operate a 700 square foot Visitor Center at 21 Long Wharf Mall after being closed for over a year. The center is open 7 days a week from June-October, 5 days a week in November, December, April, and May, and 3 days a week for March. For January and February, the center was opened for holidays and school vacation weeks. During cruise ship season, which is normally from August-October, Discover Newport purchased a shed and placed it in Perrotti Park to assist cruise ship visitors. For FY 2023, we hosted over 40 cruise ships at Perrotti Park.
- The Newport Hotel Collection invested approximately \$211 thousand in sales and marketing efforts. Some of the investments included website advertising and RI Hospitality membership dues for all members. The Board voted for these to be annual membership benefits for all properties. The Newport Hotel Collection also hosted a road show in NYC for meeting planners to learn about the hotels in the collection. All remaining funds have been reserved for future years.
- Net position increased approximately \$398 thousand to approximately \$4.4 million during FY 2023. This increase is primarily due to advertising for the HBO Gilded age postponing to the fall

Newport and Bristol County Convention and Visitors' Bureau and Subsidiary
Management's Discussion and Analysis
For the Year Ended June 30, 2023

of 2023 as the show did not air during FY 2023. The Bureau will be using the funds for advertising for the HBO Gilded Age.

CONDENSED COMPARATIVE DATA

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

The Bureau's change in net position increased approximately \$398 thousand during the year as follows:

CHANGE IN NET POSITION				
	FY 2022	FY 2023	Increase (Decrease)	
			Amount	Percent
Net position – beginning	\$3,131,669	\$ 4,056,666	\$ 924,997	30%
Revenues	5,703,274	5,823,728	120,454	2%
Expenses	4,778,277	5,425,775	647,498	14%
Change in net position	924,997	397,953	(527,044)	-57%
Net position – ending	\$4,056,666	\$ 4,454,619	\$397,953	10%

Growth in overall net position is a function of the postponement of advertising for the HBO Gilded Age.

During FY 2023, net position consists of the following:

CONSOLIDATED STATEMENT OF NET POSITION						
	June 30, 2022		June 30, 2023		Increase (Decrease)	
	\$	\$	\$	\$	Amount	Percent
Current and other assets	4,401,005	4,958,676	\$ 525,585	12%		
Capital assets	751,968	709,629	(10,253)	-1%		
Total assets	\$ 5,152,973	\$ 5,668,305	\$ 515,332	10%		
Current liabilities	\$ 476,781	\$ 632,658	\$ 155,877	33%		
Long-term liability	619,526	581,028	(38,498)	-6%		
Total liabilities	\$ 1,096,307	\$ 1,213,686	\$ 117,379	11%		
Net position						
Net investment in capital assets	55,975	55,592	(383)	-1%		
Board-designated	955,192	984,327	29,135	3%		
Unrestricted	3,045,499	3,414,700	369,201	12%		
Total net position	\$ 4,056,666	\$ 4,454,619	\$ 397,953	10%		

A small portion of net position reflects an investment in capital assets net of debt used to acquire those assets. Board-designated net position is reported separately to show resources the Boards have deemed for long-term use, and net of unrealized gains. Unrestricted net position improved approximately \$397 thousand, as a result of the changes above.

Newport and Bristol County Convention and Visitors' Bureau and Subsidiary
Management's Discussion and Analysis
For the Year Ended June 30, 2023

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 eighteen rooms in Newport. The Bureau receives 97% of this fee. Grant income received from a government institution is also classified as public revenue.

Total revenues for FY 2023 amounted to \$5.8 million, a 2% increase over FY 2022.

	FY 2022	FY 2023	Increase (Decrease)	
			Amount	Percent
Public revenues				
Hotel taxes	\$ 4,917,813	\$ 5,005,710	\$ 87,897	2%
Tourism fee	292,677	261,963	30,714)	-10%
Government grants and funding	357,060	367,820	19,760	6%
Total public revenue	5,567,550	5,664,493	76,943	1%
Private revenues				
Advertising	102,425	56,850	(45,575)	-44%
Promotional participation	5,500	16,315	10,815	197%
Event hosting	2,900	27,087	24,187	834%
Other	9,649	20,720	11,071	115%
Investment return, net		58,263	58,263	100%
Gain on disposal of property and equipment	15,250	-	(15,250)	-100%
Total private revenues	135,724	179,235	43,511	32%
Total revenues	\$ 5,703,274	\$ 5,823,728	\$ 120,454	2%

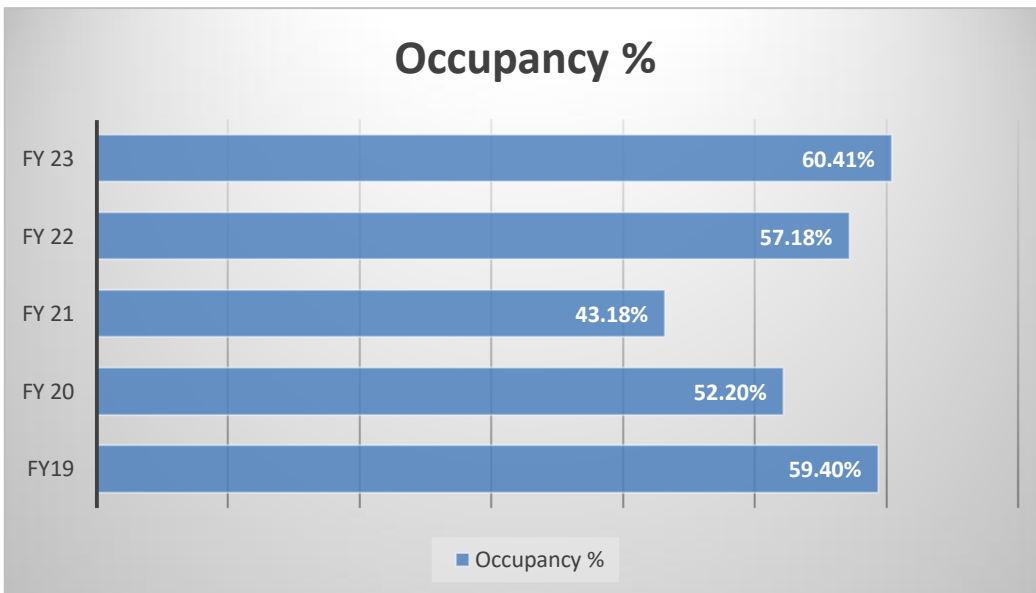
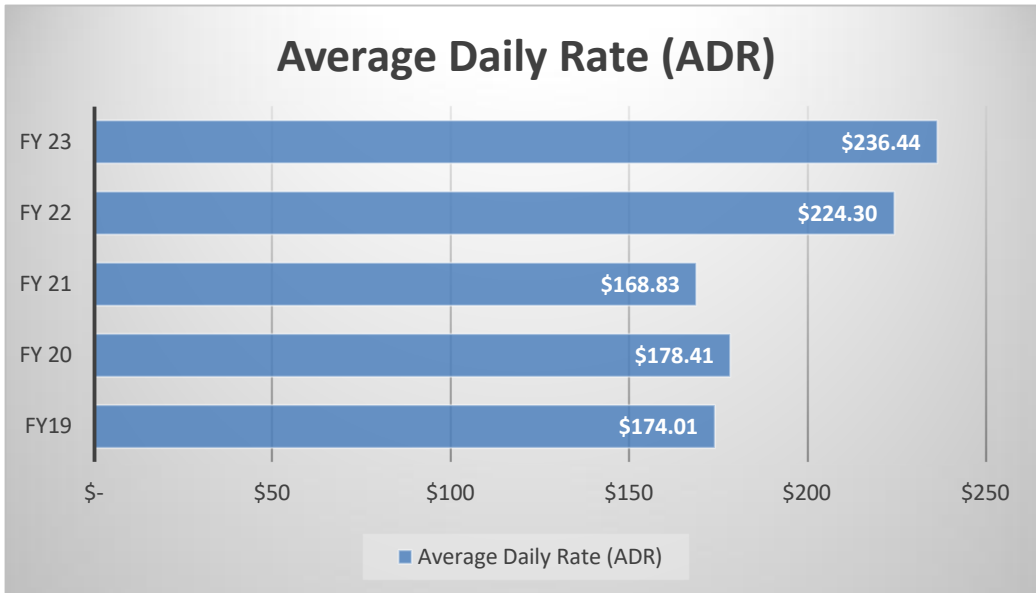
Hotel taxes provided approximately \$5.05 million during FY 2023, an increase of approximately \$87.9 thousand. The hotel tax is affected by the number of lodging rooms available, occupancy rate, and average daily room rate (ADR). For FY 2023, the room inventory remained flat. Occupancy percentage increased from 57.18% to 60.41% in FY 2023. The most volatile factor in calculating hotel 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 \$236.44 in FY 2023, a 5% increase over the \$224.3 result in FY 2022. The tourism fee is a \$1 fee per room night on all transient lodging establishments within Newport County greater than eighteen rooms. The tourism fee provided approximately \$262 thousand during FY 2023, a decrease of \$30 thousand. The increase in hotel taxes and the decrease in the tourism fee, is attributable mainly due to the increase in ADR.

The majority of hotel tax revenue was generated in the City of Newport (\$3.4 million or 68%). The second-largest generator of hotel taxes is the Town of Middletown, at \$1.4 million (28%). The other incorporated towns of Bristol, Barrington, Jamestown, Little Compton, Portsmouth, Warren, and Tiverton combined to provide the remaining 4%.

Newport and Bristol County Convention and Visitors' Bureau and Subsidiary
Management's Discussion and Analysis
For the Year Ended June 30, 2023

Private revenues increased \$43.5 thousand as compared to FY 2022. This is also attributable to several factors; with the recovery of the tourism and travel market, our industry partners were able to participate in promotional participation in trade shows, and event hosting. These events, trade shows and client events, are where industry partners join us for a fee.

Below is a five-year analysis of the average daily room rate (ADR), occupancy, and actual hotel tax and tourism fee received.



**Newport and Bristol County Convention and Visitors' Bureau and Subsidiary
Management's Discussion and Analysis
For the Year Ended June 30, 2023**



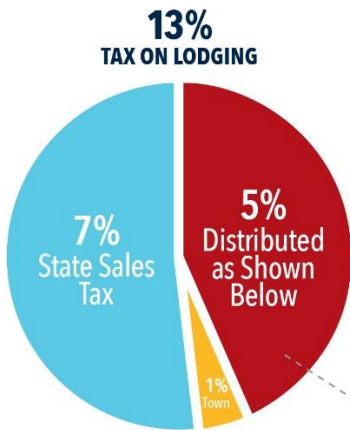
The hotel tax rate is 6% on lodging facilities in the Newport and Bristol Counties, and such rate can only be modified by the action of the Rhode Island State Legislature. 1% of the hotel tax goes to the town that the lodging facility is physically located in. The remaining 5% hotel tax for hotel room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

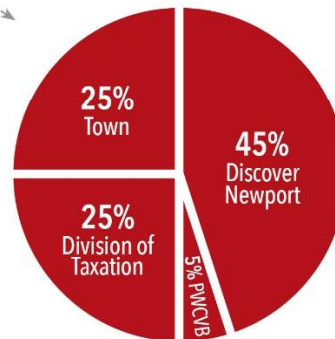
HOW LODGING TAXES ARE DISTRIBUTED

(For hotels and inns, but not for short-term rentals)

GROSS LODGING REVENUE



Lodging Tax: When a traveler stays in a Newport and Bristol County hotel or inn they pay 13% tax. That is a combination of a 7% state sales tax and a 6% lodging tax. Of the 6% lodging tax, 5% is distributed by a formula; the additional 1% is distributed directly to the city/township.



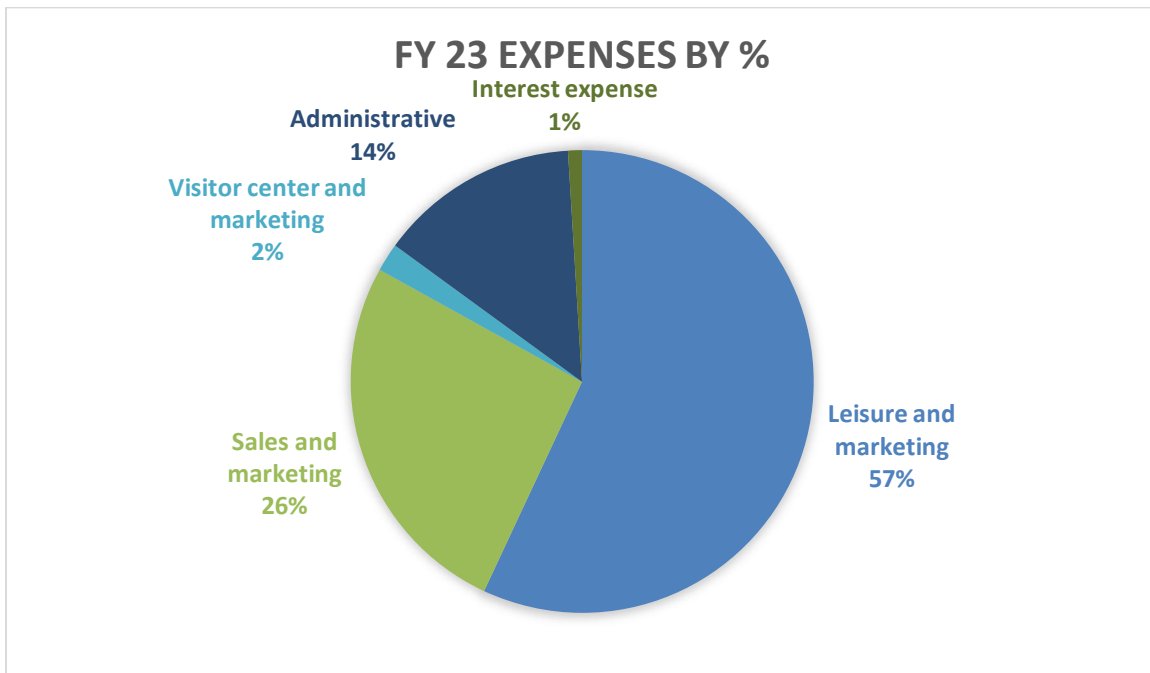
Newport and Bristol County Convention and Visitors' Bureau and Subsidiary
Management's Discussion and Analysis
For the Year Ended June 30, 2023

EXPENSES

Total expenses by function were as follows:

	FY 2022	FY 2023	Increase (Decrease)	
			Amount	Percent
Visitor center and marketing	\$ 96,518	\$ 132,641	\$ 36,123	37%
Leisure and marketing	2,897,230	3,078,035	180,805	6%
Sales and marketing	1,028,924	1,435,621	406,697	40%
Administrative	631,605	747,802	116,197	18%
Interest expense	29,371	31,676	2,305	8%
Investment return, net	94,629	-	(92,897)	-100%
	\$ 4,778,277	\$ 5,425,775	\$ 647,498	116%

For FY 2023, we updated our functions to be consistent with industry standards set by Destination International. This required Discover Newport to reclass approximately \$162 thousand of advertising costs to the sales and marketing function from the previous 'marketing' function. The previous 'marketing' function has been renamed to leisure and marketing. FY 2023 is the first year since Covid-19 that we were fully staffed with a total of 14 full time and 4 part time employees. In the leisure market, we invested approximately \$2 million in advertising and sponsorships. Working with the Rhode Island Public Transit Authority, we continued our sponsorship of line 67, which runs from the Transportation Center to Bellevue Ave, for six months. The sales and services market, which consists of the corporate sales side, we invested approximately \$242 thousand in advertising. We also saw an increase in travel-related costs, which consists of staff travel to promote the destination at trade shows throughout the country. The visitor center expenses increase is attributed to an increase in advertising-related costs of approximately \$30 thousand.



Newport and Bristol County Convention and Visitors' Bureau and Subsidiary
Management's Discussion and Analysis
For the Year Ended June 30, 2023

Fiscal Year 2024

For FY 2024, high priorities will include, but not be limited to:

1. Continue to 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 continue to shift our focus and marketing plans to adapt to this situation.
2. Continue to utilize the resources of our 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.
3. Work with community partners to invest in key local programs that can help support their goals & objectives. We want to be sure our travel program is doing its part to support the efforts of community organizations.
4. Continue to 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.
5. Work with the City of Newport, the Department of Transportation, and the Rhode Island Public Transit Authority to develop shuttle service from the public parking lots to the downtown area.

OVERALL FINANCIAL POSITION

The Bureau demonstrated strong financial results for FY 2023 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 an 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.

Newport and Bristol County Convention and Visitors' Bureau and Subsidiary
Management's Discussion and Analysis
For the Year Ended June 30, 2023

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 Bureaus' 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
Annual Comprehensive Financial Report
For the Year Ended June 30, 2023

Basic Financial Statements

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

CONSOLIDATED STATEMENTS OF NET POSITION
JUNE 30, 2023 AND 2022

	2023	2022
ASSETS		
CURRENT ASSETS:		
Cash - operating fund	\$ 1,917,377	\$ 1,563,744
Accounts receivable	760,021	713,775
Prepaid expenses and other current assets	292,269	215,614
Total current assets	2,969,667	2,493,133
PROPERTY AND EQUIPMENT, NET	66,392	43,077
RIGHT-OF-USE ASSETS, NET	643,237	676,805
OTHER ASSETS:		
Board-designated cash	2,500	2,500
Investments:		
Board-designated	981,827	952,692
General purpose	981,808	952,680
Intangible assets, net	22,874	32,086
Total other assets	1,989,009	1,939,958
TOTAL	\$ 5,668,305	\$ 5,152,973
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES:		
Current portion of lease liability	\$ 95,883	\$ 76,467
Accounts payable	210,414	194,379
Deferred revenue	7,200	4,712
Accrued expenses:		
Payroll and related liabilities	289,768	189,199
Other	29,393	12,024
Total current liabilities	632,658	476,781
LONG-TERM LIABILITY -		
Lease liability, less current portion	581,028	619,526
Total liabilities	1,213,686	1,096,307
NET POSITION:		
Net investment in capital assets	55,592	55,975
Unrestricted:		
Board-designated cash reserves	984,327	955,192
General purpose	3,414,700	3,045,499
Total unrestricted net position	4,399,027	4,000,691
Total net position	4,454,619	4,056,666
TOTAL	\$ 5,668,305	\$ 5,152,973

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, 2023 AND 2022

	2023	2022
REVENUES:		
Public sources:		
Hotel taxes	\$ 5,005,710	\$ 4,917,813
Newport tourism fee	261,963	292,677
Government grants and funding	376,820	357,060
Total public sources	5,644,493	5,567,550
Private sources:		
Advertising income	56,850	102,425
Promotional participation income	16,315	5,500
Event hosting income	27,087	2,900
Other income	20,720	9,649
Gain on sale of property and equipment	-	15,250
Investment return, net	58,263	-
Total private sources	179,235	135,724
TOTAL REVENUES	5,823,728	5,703,274
EXPENDITURES:		
Leisure and marketing	3,078,035	2,897,230
Sales and marketing	1,435,621	1,028,924
Visitor's center and marketing	132,641	96,518
Administrative	747,802	631,605
Interest expense	31,676	29,371
Investment return, net	-	94,629
TOTAL EXPENDITURES	5,425,775	4,778,277
CHANGE IN NET POSITION	397,953	924,997
NET POSITION, BEGINNING OF YEAR	4,056,666	3,131,669
NET POSITION, END OF YEAR	\$ 4,454,619	\$ 4,056,666

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, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net position	\$ 397,953	\$ 924,997
Adjustments to reconcile change in net position to net cash provided by operating activities:		
Depreciation and amortization	131,887	119,274
Gain on sale of property and equipment	-	(15,250)
Unrealized (gain) loss on investments	(55,452)	107,142
Realized loss on sale of investments	79,960	-
Paycheck Protection Program - loan forgiveness income	-	(357,060)
Income from public source - government grants and funding	(376,820)	-
Changes in assets and liabilities:		
Receivables	(46,246)	(229,917)
Prepaid expenses and other current assets	(76,655)	(62,175)
Accounts payable	16,035	108,537
Deferred revenue	2,488	(6,107)
Accrued expenses	117,938	(63,548)
Lease liability	(92,319)	(69,379)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>98,769</u>	<u>456,514</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(1,832,562)	(2,012,514)
Proceeds from sale of investments	1,749,791	-
NET CASH USED BY INVESTING ACTIVITIES	<u>(82,771)</u>	<u>(2,012,514)</u>
CASH FLOWS FROM CAPITAL ACTIVITIES:		
Purchases of property and equipment	(39,185)	(41,803)
Proceeds from sale of property and equipment	-	15,250
NET CASH USED BY CAPITAL ACTIVITIES	<u>(39,185)</u>	<u>(26,553)</u>
CASH PROVIDED FROM NONCAPITAL FINANCING ACTIVITIES -		
Proceeds from public source - government grants and funding	376,820	-
NET INCREASE (DECREASE) IN CASH	353,633	(1,582,553)
CASH, BEGINNING OF YEAR	<u>1,566,244</u>	<u>3,148,797</u>
CASH, END OF YEAR	<u>\$ 1,919,877</u>	<u>\$ 1,566,244</u>
COMPONENTS OF CASH:		
Operating fund	\$ 1,917,377	\$ 1,563,744
Reserve fund	2,500	2,500
Total	<u>\$ 1,919,877</u>	<u>\$ 1,566,244</u>

See notes to consolidated financial statements.

NEWPORT AND BRISTOL COUNTY CONVENTION AND VISITORS' BUREAU AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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 Counties 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
CONVENTION AND VISITORS' BUREAU AND SUBSIDIARY**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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 27% and 26% of total revenues for the years ended June 30, 2023 and 2022, respectively. The Bureau's revenues which were collected by the City represented approximately 63% and 65% of total revenues for the years ended June 30, 2023 and 2022, respectively. Accounts receivable from the State and the City represent approximately 62% and 38%, respectively, of total accounts receivable at June 30, 2023.

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.

All significant intercompany accounts have been eliminated in consolidation.

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. The Bureau determined an allowance for doubtful accounts was not necessary for the years ended June 30, 2023 and 2022.

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

Investments

Investments consist of two investment portfolio accounts both invested in cash and marketable securities. Cash of approximately \$2,000 is reported at cost. Investments in marketable securities which consist of mutual funds of approximately \$1,601,000, bonds of approximately \$40,000, and exchange traded funds of approximately \$321,000 are reported at fair value. Investment return includes interest, dividends, unrealized and realized gains and losses, and management fees. During the year ended June 30, 2023, the Bureau recognized approximately \$55,000 of unrealized gains that relate to marketable securities held at June 30, 2023. During the year ended June 30, 2022, the Bureau recognized

See independent auditors' report.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

approximately \$107,000 of unrealized losses that relate to marketable securities held at June 30, 2022.

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.

Leases

The Bureau records leases in accordance with Governmental Accounting Standards Board (GASB) 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 are recorded at the present value of the lease payments.

Leases are recorded on the statements of net position as either contracts that transfer ownership or all other leases. A contract that transfers ownership is a lease with the following characteristics:

- transfers ownership of the underlying asset to the lessee by the end of the contract and
- does not contain termination options but that may contain a fiscal funding or cancellation clause that is not reasonably certain of being exercised

As of and during the years ended June 30, 2023 and 2022, the Bureau did not have any leases that transfer ownership.

All other leases are classified as other leases or short-term leases.

Short-term leases are defined as leases that, at the commencement of the lease term, have a maximum possible term under the lease contract of 12 months, including any options to extend, regardless of their probability of being exercised. Short-term leases will recognize lease payments as lease expense on the straight-line basis over the lease term and any variable lease payments in the period in which the obligation for those payments is incurred.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Lease liabilities are discounted to the present value of the future payments expected to be made during the lease term. The future lease payments should be discounted using the interest rate the lessor charges the lessee, which may be the interest rate implicit in the lease. If the interest rate cannot be readily determined by the lessee, the lessee's estimated incremental borrowing rate should be used. The Bureau applied the incremental borrowing rate applicable to the lease term.

The right-of-use (ROU) asset is measured using the lease liability plus any lease payments made before the commencement date, plus any initial direct costs less any lessor incentives.

ROU assets are amortized over the assets' lease periods. Interest calculated on the lease liability is recorded to interest expense and amortization of the ROU assets are recorded to depreciation and amortization which equal the aggregate total of lease payments straight-lined over the lease term.

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 GASB Statement No. 70 whereby Discover Newport recognized a liability for the full amount of PPP proceeds and the related interest payable. Income from the extinguishment of the liability has been recognized in the consolidated statement of activities and change in net position as government grants and funding income when Discover Newport was 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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Allocation of Expenses

Expenses which are allocated to the leisure and marketing, sales and marketing, visitor's center and marketing, and administration departments include: occupancy expenses, depreciation, office supplies, telecommunication, insurance, and other, and are 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 \$2,326,000 and \$2,334,000 for the years ended June 30, 2023 and 2022, respectively.

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.

Reclassifications

Certain amounts presented in the 2022 financial statements have been reclassified to conform to the 2023 presentation.

Subsequent Events

Management has evaluated subsequent events through December 4, 2023, which is the date the consolidated financial statements were available to be issued.

See independent auditors' report.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

2. ACCOUNTS RECEIVABLE

As of June 30, 2023 and 2022, accounts receivable consisted of the following:

	2023	2022
Hotel tax due from:		
City of Newport	\$ 264,821	\$ 518,233
State of Rhode Island	141,498	144,290
Tourism fee due from City of Newport	22,270	50,952
Rhode Island Commerce Corporation Grant	326,820	-
Other	4,612	300
Accounts receivable	\$ 760,021	\$ 713,775

3. PROPERTY AND EQUIPMENT, NET

As of June 30, 2023 and 2022, property and equipment, net consisted of the following:

	2023	2022
Computers, office equipment and furnishings	\$ 65,376	\$ 69,267
Vehicles	74,487	62,123
Total property and equipment	139,863	131,390
Less accumulated depreciation	73,471	88,313
Property and equipment, net	\$ 66,392	\$ 43,077

4. INTANGIBLE ASSETS

As of June 30, 2023 and 2022, intangible assets consisted of the following:

	2023	2022
Website	\$ 92,550	\$ 92,550
Brand names	12,020	12,020
Total	104,570	104,570
Less accumulated amortization	81,696	72,484
Intangible assets, net	\$ 22,874	\$ 32,086

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

As of June 30, 2023, the aggregate future amortization expense is as follows:

<u>Year</u>	<u>Amount</u>
2024	\$ 8,596
2025	6,745
2026	6,745
2027	305
2028	305
2029	178
Total	<u>\$ 22,874</u>

5. CAPITAL ASSETS

For the years ended June 30, 2023 and 2022, changes in capital assets were as follows:

	<u>Property and Equipment</u>		<u>Intangible Assets</u>	
	<u>Cost Basis</u>	<u>Accumulated Depreciation</u>	<u>Cost Basis</u>	<u>Accumulated Amortization</u>
Balance as of June 30, 2021	\$ 126,440	\$ (111,732)	\$ 104,570	\$ (63,271)
Capital acquisitions	41,803			
Dispositions	(36,853)	36,853		
Depreciation and amortization		(13,434)		(9,213)
Balance as of June 30, 2022	<u>\$ 131,390</u>	<u>\$ (88,313)</u>	<u>\$ 104,570</u>	<u>\$ (72,484)</u>
Capital acquisitions	39,185			
Dispositions	(30,712)	30,712		
Depreciation and amortization		(15,870)		(9,212)
Balance as of June 30, 2023	<u>\$ 139,863</u>	<u>\$ (73,471)</u>	<u>\$ 104,570</u>	<u>\$ (81,696)</u>

6. FAIR VALUE MEASUREMENTS

Fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, U.S. GAAP established a fair value hierarchy that prioritizes observable inputs used to measure fair value into following three broad levels:

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the organization has the ability to access at the measurement date.

Level 2: Observable prices, other than quoted prices within Level 1, including:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in markets that are not active, that is, markets in which there are few transactions for the asset or liability, the prices are not current, or price quotations vary substantially either over time or among market makers, or in which little information is released publicly.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Unobservable inputs which are used when little or no market activity is available at the measurement date. The fair value hierarchy gives the lowest priority to Level 3 inputs.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodology used for assets measured at fair value.

Investments in marketable securities - Valued using quoted prices in active markets.

The method used to determine fair value may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

See independent auditors' report.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Assets carried at fair value at June 30, 2023 and 2022 are as follows:

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
<u>2023</u>				
Investments in marketable securities	\$ 1,962,172	\$ -	\$ -	\$ 1,962,172
<u>2022</u>				
Investments in marketable securities	\$ 1,719,676	\$ -	\$ -	\$ 1,719,676

7. 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, 2023, the financial institution's base rate was 8.25%. There were no outstanding borrowings on the line of credit as of June 30, 2023 and 2022.

8. 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, 2023 and 2022, Discover Newport recorded hotel tax revenue as follows:

	2023	2022
Collected by:		
City of Newport	\$ 3,415,138	\$ 3,420,625
State of Rhode Island	1,590,572	1,497,188
Total	\$ 5,005,710	\$ 4,917,813

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

9. PAYCHECK PROTECTION PROGRAM LOAN FORGIVENESS

On February 5, 2021, Discover Newport executed an unsecured promissory note with a bank to provide borrowings of \$357,060. The note was guaranteed by the Small Business Administration (SBA) under the Paycheck Protection Program (PPP) and accrued interest at 1%. The PPP provisions contained in the promissory note restricted the use of the loan proceeds and included 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. On September 2, 2021, Discover Newport was notified by the bank that its PPP loan forgiveness application was approved, and such note was forgiven in its entirety by the SBA. As such, Discover Newport has recognized the full amount of the loan forgiveness income as government grants and funding in the accompanying consolidated statement of activities and change in net position for the year ended June 30, 2022.

10. GOVERNMENT GRANTS AND FUNDING

During the year ended June 30, 2023, Discover Newport received the following state grants:

EDA Tourism Program Grant	\$ 326,820
ARPA Tourism Program Grant	<u>50,000</u>
Total cash received and expended for qualified costs	<u>\$ 376,820</u>

As of June 30, 2023, approximately \$327,000 had not been paid by the State and is included in receivables on the accompanying consolidated statement of net position.

11. EMPLOYEE BENEFIT PLANS

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. The plan is a noncontributory plan whereby the only contributions to the plan are those of the employer. Discover Newport's contribution is discretionary and determined by its Board of Directors on an annual basis. For the year ended June 30, 2023, Discover Newport contributed \$120,000 to the plan. For the year ended June 30, 2022, Discover Newport contributed \$97,200 to the plan.

Discover Newport also maintains a deferred compensation plan created in accordance with the IRC Section 457. All employees are eligible upon commencement of employment. A participant may elect in writing to defer a percentage of their compensation, or a flat dollar amount, up to the maximum amount permitted under Section 457 of the IRC. The plan does not allow for employer contributions. 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

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**NEWPORT AND BRISTOL COUNTY
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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 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 97, plan balances and activities are not reflected in the Bureau's consolidated financial statements. There were no active participants in the plan as of June 30, 2023 and 2022.

12. RIGHT-OF-USE ASSETS AND LEASE LIABILITY

The Bureau leases office space and certain equipment under lease obligations that mature at various dates through December 2030.

The related cost of the right-of-use assets and accumulated amortization at June 30, 2023 and 2022, is as follows:

	2023	2022
Right-of-use assets:		
Office space	\$ 733,100	\$ 686,540
Equipment	147,465	139,869
Visitor Cener	19,081	-
Less accumulated amortization	(256,409)	(149,604)
Total right-of-use assets, net	\$ 643,237	\$ 676,805

Future minimum lease payments under such leases as of June 30, 2023 are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2024	\$ 122,368
2025	127,148
2026	98,318
2027	93,679
2028	95,085
2029 and thereafter	244,886
Total minimum lease payments	781,484
Less amount representing interest	104,573
Present value of net minimum lease payments	676,911
Less current portion of obligations under lease liability	95,883
Long-term portion of obligations under lease liability	\$ 581,028

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**NEWPORT AND BRISTOL COUNTY
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

13. RISKS AND UNCERTAINTIES

Financial instruments which potentially subject the Bureau to concentrations of credit risk consist principally of cash, investments and accounts receivable. Investments are also exposed to other risks such as market and interest rate risks.

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, 2023, the Bureau had approximately \$1,460,000 of cash deposits at one financial institution in excess of the FDIC insurance limit. Management considers such circumstances to be normal business risks.

As of June 30, 2023, investments consisted of a diversified portfolio of cash, mutual funds, bonds and exchange traded funds. Management believes the diversity of the portfolio minimizes the risk of loss.

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.

14. SUPPLEMENTAL CASH FLOW INFORMATION

The accompanying consolidated statement of cash flows for the year ended June 30, 2023 excludes the effect of non-cash investing and financing activities related to the recording of lease liabilities totaling approximately \$73,000 arising from obtaining right-of-use assets for the use of certain office space and equipment.

See independent auditors' report.

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

CONSOLIDATING STATEMENTS OF NET POSITION
JUNE 30, 2023 AND 2022

	2023			2022		
	Discover Newport	Newport Hotel Collection	Total	Discover Newport	Newport Hotel Collection	Total
ASSETS						
CURRENT ASSETS:						
Cash - operating fund	\$ 1,389,401	\$ 527,976	\$ 1,917,377	\$ 1,100,334	\$ 463,410	\$ 1,563,744
Accounts receivable	737,751	22,270	760,021	662,823	50,952	713,775
Prepaid expenses and other current assets	270,681	21,588	292,269	197,232	18,382	215,614
Total current assets	<u>2,397,833</u>	<u>571,834</u>	<u>2,969,667</u>	<u>1,960,389</u>	<u>532,744</u>	<u>2,493,133</u>
PROPERTY AND EQUIPMENT, NET	66,392		66,392	43,077		43,077
RIGHT-OF-USE ASSETS, NET	643,237		643,237	676,805		676,805
OTHER ASSETS:						
Board-designated cash	2,500		2,500	2,500		2,500
Investments:						
Board-designated	981,827		981,827	952,692		952,692
General purpose	981,808		981,808	952,680		952,680
Intangible assets, net	19,881	2,993	22,874	27,068	5,018	32,086
Total other assets	<u>1,986,016</u>	<u>2,993</u>	<u>1,989,009</u>	<u>1,934,940</u>	<u>5,018</u>	<u>1,939,958</u>
TOTAL	<u>\$ 5,093,478</u>	<u>\$ 574,827</u>	<u>\$ 5,668,305</u>	<u>\$ 4,615,211</u>	<u>\$ 537,762</u>	<u>\$ 5,152,973</u>
LIABILITIES AND NET POSITION						
CURRENT LIABILITIES:						
Current portion of lease liability	\$ 95,883	\$ -	\$ 95,883	\$ 76,467	\$ -	\$ 76,467
Accounts payable	210,414		210,414	194,379		194,379
Deferred revenue	7,200		7,200	4,712		4,712
Accrued expenses:						
Payroll and related liabilities	289,768		289,768	189,199		189,199
Other	29,393		29,393	12,024		12,024
Total current liabilities	<u>632,658</u>	<u>-</u>	<u>632,658</u>	<u>476,781</u>	<u>-</u>	<u>476,781</u>
LONG-TERM LIABILITY -						
Lease liability, less current portion	581,028		581,028	619,526		619,526
Total liabilities	<u>1,213,686</u>	<u>-</u>	<u>1,213,686</u>	<u>1,096,307</u>	<u>-</u>	<u>1,096,307</u>
COMMITMENTS						
NET POSITION:						
Net investment in capital assets	52,599	2,993	55,592	50,957	5,018	55,975
Unrestricted:						
Board-designated cash reserves	984,327		984,327	955,192		955,192
General purpose	2,842,866	571,834	3,414,700	2,512,755	532,744	3,045,499
Total unrestricted net position	<u>3,827,193</u>	<u>571,834</u>	<u>4,399,027</u>	<u>3,467,947</u>	<u>532,744</u>	<u>4,000,691</u>
Total net position	<u>3,879,792</u>	<u>574,827</u>	<u>4,454,619</u>	<u>3,518,904</u>	<u>537,762</u>	<u>4,056,666</u>
TOTAL	<u>\$ 5,093,478</u>	<u>\$ 574,827</u>	<u>\$ 5,668,305</u>	<u>\$ 4,615,211</u>	<u>\$ 537,762</u>	<u>\$ 5,152,973</u>

See independent auditors' report.

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

CONSOLIDATING STATEMENTS OF ACTIVITIES AND CHANGE IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023				2022			
	Discover Newport	Newport Hotel Collection	Eliminations	Total	Discover Newport	Newport Hotel Collection	Eliminations	Total
REVENUES:								
Public sources:								
Hotel taxes	\$ 5,005,710	\$ -	\$ -	\$ 5,005,710	\$ 4,917,813	\$ -	\$ -	\$ 4,917,813
Newport tourism fee		261,963		261,963		292,677		292,677
Government grants and funding	376,820			376,820	357,060			357,060
Total public sources	5,382,530	261,963	-	5,644,493	5,274,873	292,677		5,567,550
Private sources:								
Advertising income	160,850		(104,000) (A)	56,850	158,425		(56,000) (A)	102,425
Promotional participation income	16,315			16,315	5,500			5,500
Event hosting income	27,087			27,087	2,900			2,900
Other income	20,720			20,720	9,649			9,649
Gain on sale of property and equipment				-	15,250			15,250
Investment return, net	58,263			58,263				-
Total private sources	283,235	-	(104,000)	179,235	191,724	-	(56,000)	135,724
TOTAL REVENUES	5,665,765	261,963	(104,000)	5,823,728	5,466,597	292,677	(56,000)	5,703,274
EXPENDITURES:								
Leisure and marketing	2,970,746	211,289	(104,000) (A)	3,078,035	2,876,726	76,504	(56,000) (A)	2,897,230
Sales and marketing	1,435,621			1,435,621	1,019,098	9,826		1,028,924
Visitor's center and marketing	132,641			132,641	96,518			96,518
Administrative	734,193	13,609		747,802	620,821	10,784		631,605
Interest expense	31,676			31,676	29,371			29,371
Investment return, net				-	94,629			94,629
TOTAL EXPENDITURES	5,304,877	224,898	(104,000)	5,425,775	4,737,163	97,114	(56,000)	4,778,277
CHANGE IN NET POSITION	360,888	37,065		397,953	729,434	195,563		924,997
NET POSITION, BEGINNING OF YEAR	3,518,904	537,762		4,056,666	2,789,470	342,199		3,131,669
NET POSITION, END OF YEAR	\$ 3,879,792	\$ 574,827	\$ -	\$ 4,454,619	\$ 3,518,904	\$ 537,762	\$ -	\$ 4,056,666

(A) Elimination of intercompany income/expense.

See independent auditors' report.

Newport and Bristol County Convention and Visitors' Bureau and Subsidiary
Schedule of Calendar Year 2024 Board of Directors Meeting

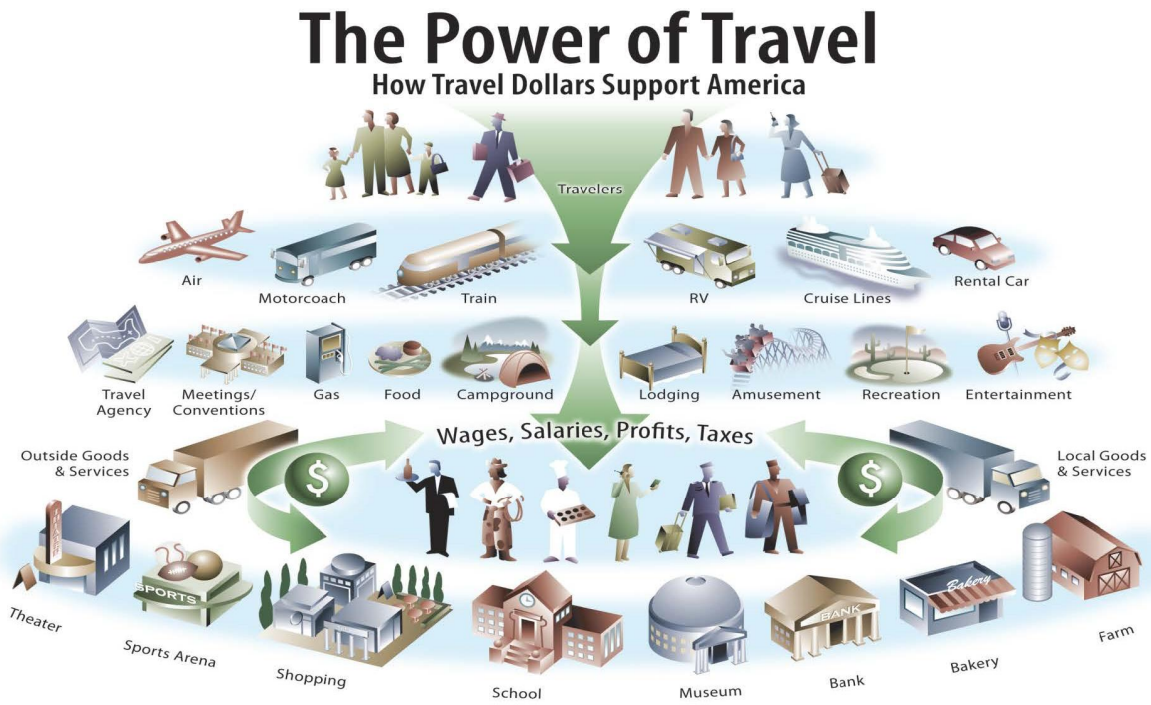
Discover Newport Board of Directors Meetings- subject to change, place to be determined

January 23, 2024, at 3 pm
March 19, 2024, at 12 pm
May 21, 2024, at 12 pm
June 18, 2024, at 3 pm
September 17, 2024, at 12 pm
November 19, 2024, at 12 pm

Newport Hotel Collection Board of Directors Meetings- subject to change, place to be determined

January 9, 2024, at 8:30 am
April 23, 2024, at 8:30
June 11, 2024, at 8:30 am
September 10, 2024, at 8:30 am
December 10, 2024, at 8:30 am

Newport and Bristol County Convention and Visitors' Bureau and Subsidiary
Benefits of the Travel Dollar



Investments in travel feed a virtuous cycle of economic benefits. Travel Marketing spurs an interest in visiting destinations and stronger travel interest generates more visitors. Additional visitors spend more on transportation, attractions, hotels, restaurants, entertainment, shopping and other businesses. Greater travel spending supports more local jobs and generates additional tax revenue for state and local governments.

Graph: USTravel Association

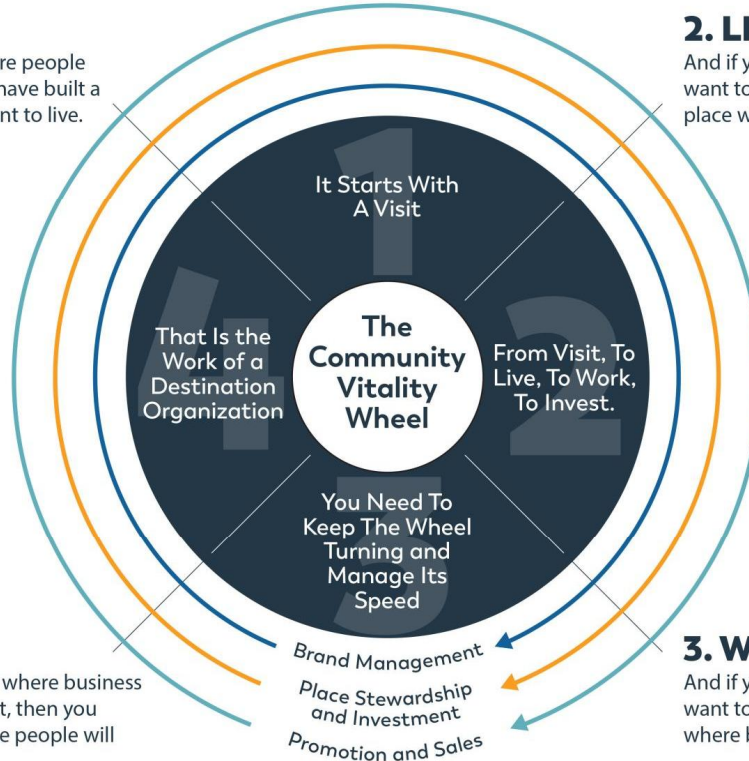
THE WORK OF A DESTINATION ORGANIZATION

1. VISIT

If you built a place where people want to visit, then you have built a place where people want to live.

2. LIVE

And if you built a place where people want to live, then you have built a place where people want to work.



4. INVEST

And if you built a place where business and residents will invest, then you have built a place where people will want to visit.

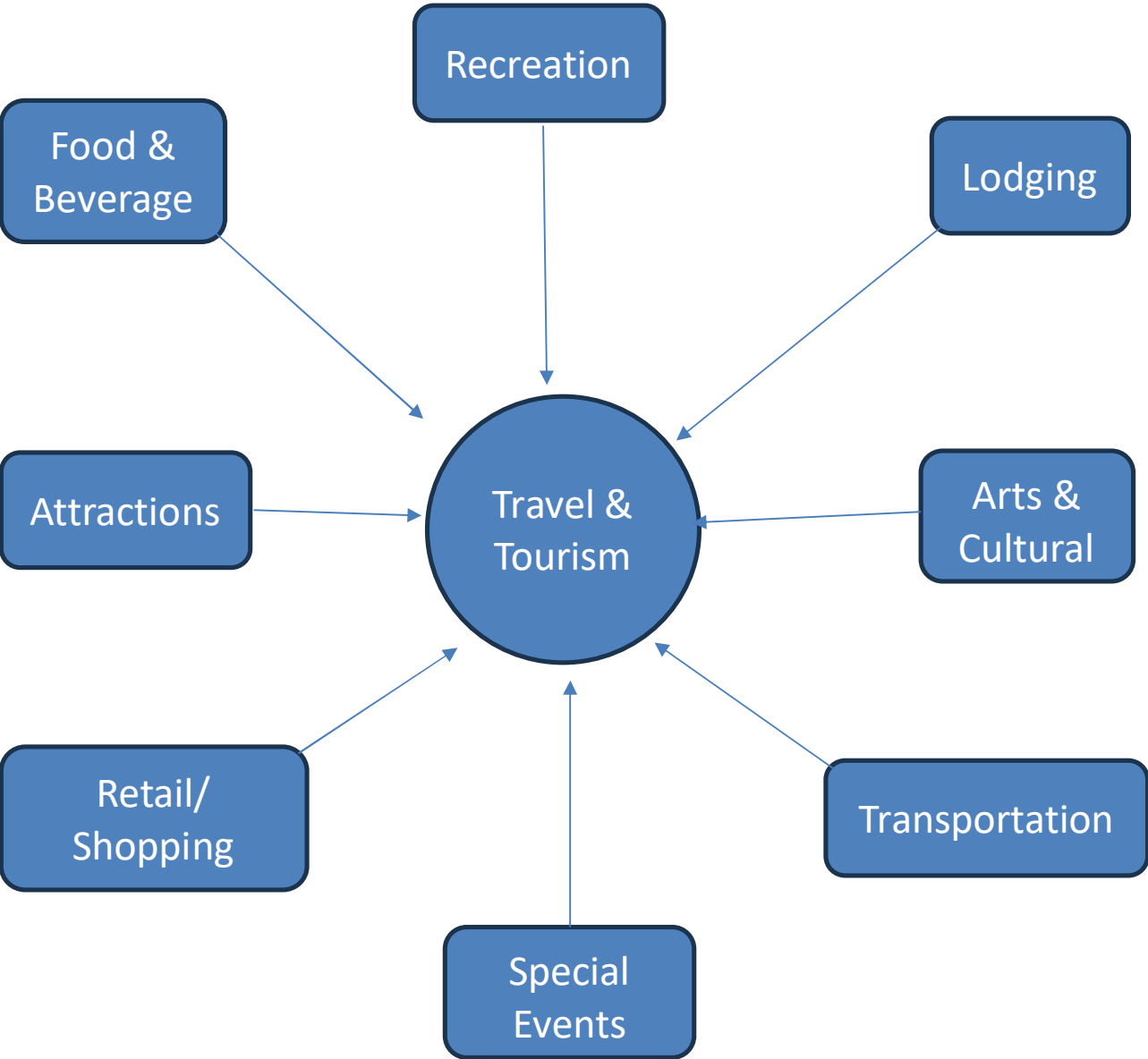
3. WORK

And if you built a place where people want to work, then you have built a place where business and residents will invest.



While Discover Newport is funded by the hotel tax, it serves all eight sectors of the tourism industry.

Components of the Tourism Industry



Newport and Bristol County Convention and Visitors' Bureau and Subsidiary
Lodging Properties
June 30, 2023
(unaudited)

The primary source of revenue for Discover Newport is from hotel taxes imposed on hotels, motels, bed and breakfasts, and certain short-term rentals. For timeshares, hotel tax is only imposed on rooms rented to the general public and not to timeshare owners. For campgrounds & RV Parks, the hotel tax is not imposed.

NUMBER OF LODGING PROPERTIES IN NEWPORT & BRISTOL COUNTIES

	Bristol	Jamestown	Little Compton	Middletown	Newport	Portsmouth	Tiverton	Warren	Total
Hotels/Motels	1	0	0	15	21	1	1	0	39
Inn/B&B	4	2	2	10	58	1	2	0	79
Timeshare	0	2	0	0	6	0	0	0	8
Campgrounds/ RV Parks	0	1	0	3	0	1	0	0	5
Total	5	5	2	28	85	3	3	0	131

NUMBER OF ROOMS IN NEWPORT & BRISTOL COUNTIES

	Bristol	Jamestown	Little Compton	Middletown	Newport	Portsmouth	Tiverton	Warren	Total
Hotels/Motels	40	0	0	1,354	1,750	31	83	0	3,258
Inn/B&B	24	9	18	121	506	4	20	0	702
Timeshare	0	49	0	0	397	0	0	0	446
Campgrounds/ RV Parks	0	109	0	150	0	91	0	0	350
Total	64	167	18	1,625	2,653	129	103	0	4,756

Newport and Bristol County Convention and Visitors' Bureau and Subsidiary
Newport Hotel Collection Properties
June 30, 2023

The Newport Hotel Collection includes all hotels and bed and breakfasts within the district with over 18 rooms within the district. As of June 30, 2023, the properties below fall within the district.



Newport Marriot



Newport Harbor Hotel & Marina



The Vanderbilt



Newport Harbor Island Resort



Hotel Viking



OceanCliff



Brenton Hotel



Hammetts Hotel



Castle Hill Inn



The Chanler



Forty 1 North



Mill Street Inn

Newport and Bristol County Convention and Visitors' Bureau and Subsidiary
Newport Hotel Collection Properties
June 30, 2023



Francis Malbone House



Admiral Fitzroy Inn



Jailhouse Inn



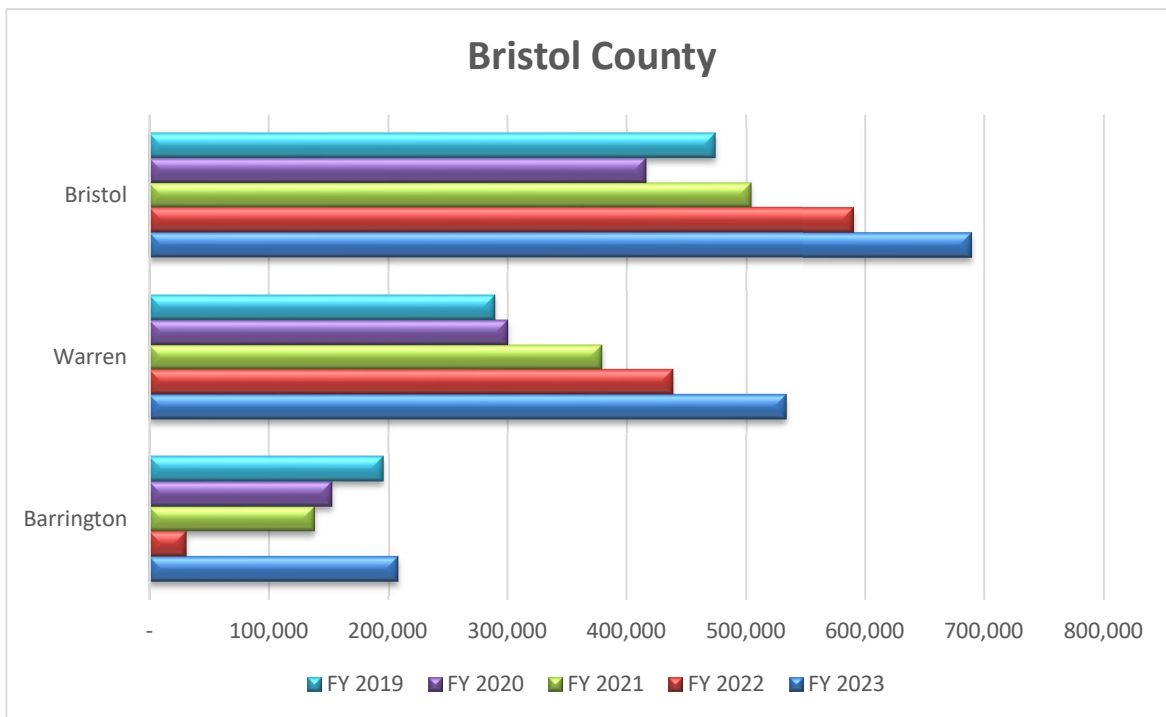
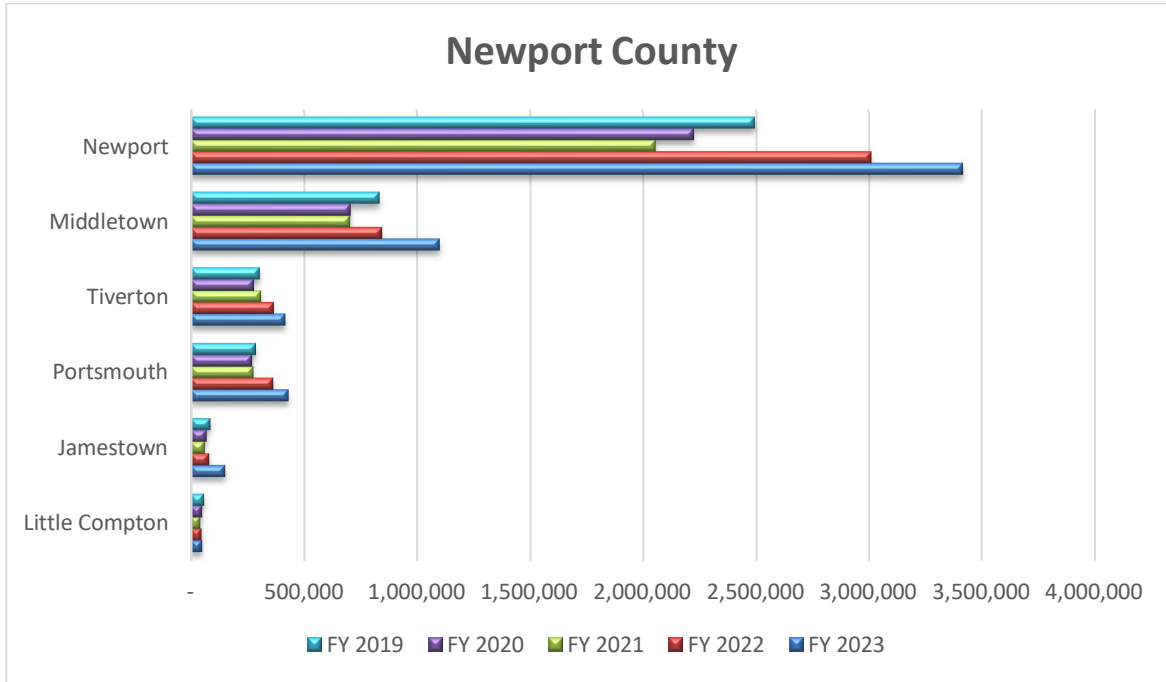
Yankee Peddler Inn



Wayfinder-closed for FY 2023

Newport and Bristol County Convention and Visitors' Bureau and Subsidiary
Meals and Beverage 1% Tax for Newport and Bristol Counties
 June 30, 2023
 (unaudited)

The State of Rhode Island has imposed a local 1% meals and beverage tax on all prepared foods sold in the state. While Discover Newport does not receive any portion of this tax, its marketing efforts directly affect this tax. Below is a five-year analysis for each county of the tax collected.



Source-Department of Revenue