

**Fayetteville Advertising and  
Promotion Commission  
August 23, 2021**

Location: Virtual Public Meeting, via Zoom. Register in advance for this webinar.

Commissioners: Katherine Kinney, Chair, Tourism & Hospitality Representative  
Todd Martin, Tourism & Hospitality Representative  
Chrissy Sanderson, Tourism & Hospitality Representative  
Elvis Moya, Tourism & Hospitality Representative  
Andrew Prysby, Commissioner at-large  
Matthew Petty, City Council Representative  
Sarah Bunch, City Council Representative

Staff: Molly Rawn, Chief Executive Officer; Jennifer Walker, Vice President of Finance; and Hazel Hernandez, Vice President of Marketing and Communications

**Agenda**

- I. Call to order at 2:00 p.m.
- II. Old Business
  - A. Review and approval of July 2021 minutes
- III. New Business
  - A. CEO Report, Molly Rawn
  - B. Financial Report from Jennifer Walker, Vice President of Finance
  - C. Presentation of 2020 Audit, BKD, Cynthia Burns
  - D. Marketing Report presented by Hazel Hernandez, Vice President of Marketing and Communications
  - E. Vote. Letter of Credit to Flanders Classic. *Authorize CEO to execute a Letter of Credit to Flanders Classics with First Security Bank*
  - F. Vote. PPP Loan Forgiveness Application. *Authorize CEO to execute an application for PPP Loan Forgiveness to the SBA through First Security Bank*
  - G. Agenda Additions. Additions to the agenda may be added upon request from a majority of commissioners.
- IV. Announcements
- V. Adjourn

Fayetteville Advertising and Promotion Commission  
Minutes from July 26, 2021  
Fayetteville Town Center

Commissioners Present: Andrew Prysby, Matthew Petty, Chrissy Sanderson, Elvis Moya, Sarah Bunch  
Todd Martin

Commissioners Absent: Katherine Kinney, Chair

Staff: Molly Rawn, Chief Executive Officer; Jennifer Walker, Vice President of Finance;  
and Hazel Hernandez, Vice President of Marketing and Communications

I. CEO Molly Rawn called the meeting to order at 2pm, announcing that Chair Kinney was not able to be in attendance and Rawn would conduct the meeting.

II. Old Business

- a. Commissioner Sanderson motioned to approve the June 2021 minutes with Commissioner Moya seconding. The minutes were unanimously approved.

III. New Business

- a. CEO Report, Molly Rawn

Rawn shared HMR activity that occurred in May, was collected in June and reported in July. We are 1.4% above 2019 YTD numbers with lodging down approximately 19% compared to June 2019 but restaurants up 10% compared to June 2019. Occupancy percentage for June 2020 was 30% and was 60% for June 2021. She also shared Airbnb YTD collections are \$28,000 compared to 2019 YTD of \$14,000. Rawn clarified that this was only collection amounts for Airbnb, not all short-term rentals.

The Visitors Center saw 1,325 visitors in June, a 93% increase from May and had very strong sales of \$8,709, a 33% increase from May. It served as a bricks and mortar store front for NWA Equality for almost five weeks and we are writing them a check for \$2,075 for all of the PRIDE merchandise sales.

The Fayetteville Town Center hosted two external events in July, including Connie Edmonston's retirement party and three internal events. Connie served as the city's Parks and Recreation Director and retired July 8<sup>th</sup> after 35 years with the city.

We are continuing to take advantage of light event bookings to refreshen rooms and we've repaired our airwalls in the ballroom and finished several painting projects. We are working on renewing the parking deck lease with the city. We are also working with Chris McNamara, Sustainability Facilities Project Manager with the city, on getting an energy audit for the facility.

The Experience Fayetteville sales team has been very busy with several conference leads. Additionally, the team has created new itineraries showing downtown as an asset and addition to a conference rather than just focusing on the facilities and square feet available for the conference itself. We've included outdoor activities and new activities like Pedal Pub and more. Fayetteville has hosted multiple sporting events each weekend and Rawn thanked Julie and Tina for staffing and supporting several of those.

On the cycling front, the Arkansas Enduro Series hosted a two-day event at Centennial Park and Kessler Mountain July 9-10 with a sold-out event of 300 participants and over 500 total in attendance.

We are hosting another bicycling boot camp with the chamber in September targeting Fayetteville businesses. This successful partnership has led to Fayetteville having 30 designated Bicycle Friendly businesses including many of our hospitality partners – we have the 6<sup>th</sup> most Bicycle Friendly businesses in the US.

In Community Engagement, we are working on First Thursday to be held August 5<sup>th</sup> and are staying in contact with our city's public health officer who is comfortable with us hosting this as an outdoor event. We are working to secure a mobile vaccine clinic. In years past, we have had it be rain or shine, it won't be held inside due to large crowds and concern. We are happy to report that we have approximately 70% of our First Thursday revenue pledged in sponsorship dollars. Thank you to Adventure Subaru, First Security Bank, Cox Communications, and Startup Junkie for their financial support.

As Rawn concluded the report, she noted a change in the agenda as we will not be having an audit presentation today as our auditor was unable to attend. This will be rescheduled. Commissioners did receive an electronic copy of the audit and management letter and we have a few printed copies at the meeting.

b. Financial Report, Jennifer Walker, VP of Finance

In presenting the financials, Walker shared that we are halfway through the fiscal year and you can see our revenues are at 48% and expenditures are at 43%, we're pleased to be keeping this in line. HMR tax is still exceeding our projections by 3% at this time. The town center is doing a great job with keeping expenses in check. We currently show a net income of \$220,000.

The balance sheet shows our cash and investments at approximately \$3.2 million dollars and you'll see town center unearned revenues down to \$145,000. You also see the PPP loan funds on the balance sheet. We have spent all of these funds and you will see a loan forgiveness application for 100% of the loan at the next meeting.

c. Marketing Report, Hazel Hernandez, VP of Marketing and Communications

Hernandez began by introducing Susie Nicholson, who is our new account representative with Sells Agency; she will be in attendance at the commission meetings.

Hernandez shared the marketing report with including demographics on the website: new visitors are up 58% and returning visitors are up 40%. This shows that more people are checking us out for the first time and then returning to get more detailed information on events and things to do as they plan their trip. Fayetteville and NWA has been in the news lately for being ranked as a best place to live and with many people looking to relocate, we can expect this trend to continue.

Top ranked states and cities:

Arkansas (Fayetteville) up 47%

Texas (DFW) up 53%

Oklahoma (OKC) up 95%

Missouri (KC) up 15%

Colorado (Denver) up 662% - this was the first year we've promoted in Colorado

Age groups viewing our website YTD 2021 compared to 2020:

18-24 is up 23%

25-34 is down 6%

35-44 is up 18%

45-54 up 24%

Site Users first interaction 2021 YTD compared to 2020 YTD:

The Visitors Guide is up 59% which shows that people are ready to travel again. Events are up 84% and Eat is up 8%. A Site User's second interaction shows a 66% increase in the Visitors Guide with a 41% increase in Events and a 12% increase in Eat.

- d. Vote. Molly Rawn brought up the next item, a budget amendment to accept the funds that will accompany the operations of the Art Court, presented by the Tyson Family Foundation. The grant is paying for all of the expenses, we are simply inserting a new line item and need to make a budget adjustment. A motion from Commissioner Petty to approve the budget amendment adjustment to accept the Tyson Family Foundation funds with a second by Commissioner Bunch, was passed unanimously.
- e. Vote. Rawn presented the Spartan Race agreement and the accompanying budget adjustment. Rawn is hoping this can become a three-year partnership. Key points from the memo include a room night spend of \$50,000 and an average spend \$125,000 in the local economy. Additionally, the social channels of Spartan has over 6 million followers.

The request is to move \$45,000 from marketing, specifically our agency advertising line item, to our sports and cycling line item. She noted that the accompanying contract was presented in red line form and that the red line items were not of large importance. Rawn is recommending that the commission approve the enclosed contract as is and if the changes are not accepted by Spartan, we will reconvene to discuss this matter.

Commissioner Martin asked if it was a phased spend, i.e. if the event is cancelled due to Covid-19 or other reasons, will we have lost all of that money? Rawn said it was her understanding that the funds could be used for an event at a later time. Commissioner Moya asked a question about digital marketing, asking if we could include multi-platform marketing and not just Facebook as the agreement reads. Hazel Hernandez answered that it will indeed be multi-platform marketing. Rawn also pointed out that an event like this could also generate sponsorships. Commissioner Petty made a motion to both accept the agreement and the budget adjustment and Commissioner Bunch seconded it. It was approved unanimously

- f. Vote. Rawn presented a quote to repair the tower leak. We noticed a leak in November and were able to do an immediate repair and are needing to do a more permanent repair. We received three quotes and Rawn presented a quote from Nabholz which best met the needs of the repair. We are asking to use capital reserves in the amount of \$55,000 for this repair. Commissioner Petty asked if we needed to include a contingency, and a 15% was decided upon. Commissioner Petty motioned to approve the budget adjustment and the accompanying contract from Nabholz with a 15% contingency. Commissioner Bunch seconded it and it was approved unanimously.
- g. Vote. Rawn next presented a memo asking for a \$1,400,000 amendment to the original Cyclo-cross grant from the Walton Family Personal Philanthropy Group. The increase is due to revised expenses and scope. The purpose of this grant is to produce a series of Cyclo-cross events which we are doing with the next event in October and the final event in January of 2022. Commissioner Martin made a motion to accept the budget amendment of \$1,400,000 for the line item corresponding with the grant. Commissioner Sanderson seconded it and it passed unanimously.
- h. Vote. Vendor payments and contracts for the two upcoming Cyclo-cross events. Rawn is seeking a limited amendment to the financial policies that would only apply to expenditures from these grant-funded items related to the two Cyclo-cross events. We are asking that we be able to execute contracts and payments for more than \$25,000 when needed without the commission's approval due to time constraints. We will still require legal counsel to review the contracts and will provide them for the commission's approval in two batches, once in December 2021 and again in March 2022. Commissioner Petty made a motion to approve the amendment to the financial policies and Commissioner Sanderson seconded it, the motion passed unanimously.
- i. An added agenda item from Commissioner Petty: he would like to discuss the idea of a matching funds idea with the city to encourage and incentivize employee vaccinations.

This is a discussion item today and it relates to how the city might spend part of the CARES grant funding it received. The A&P is a good group to have this discussion with as it has representatives from the hospitality industry, an industry very much impacted by the ongoing pandemic. Commissioner Petty has had a conversation with Commissioner Martin

and wanted to have a broader discussion with the commissioners and potentially take back a recommendation to the City Council.

Commissioner Martin volunteered that while he has declined to mandate vaccines in his restaurants, he has heavily promoted the vaccine and has also offered a cash incentive. He thinks there is a level of financial incentive that will help move people to decide to get a vaccine and he's not been able to hit that level as a small business owner and these matching funds are a good opportunity. Rawn also shared that she would be happy to bring up this topic to the hospitality subcommittee if that would be helpful. The commissioners had a good discussion on the topic. Commissioner Prysby asked if there was any other community who had done anything like this who could offer us best practices and no entities immediately came to mind.

Commissioner Sanderson offered that currently all 22 of her employees are vaccinated but that she is hiring new employees all the time and this would be a good incentive for them. Commissioner Martin asked if this incentive program was meant to be a straight incentive to Fayetteville residents or a matching incentive to Fayetteville businesses and Commissioner Petty indicated it was meant to be the latter, a program working with businesses. It was decided to not include the CARES act as the funding mechanism in the wording of the recommendation below.

Commissioner Petty made a motion that the A&P Commission recommend that the city consider and administer a matching incentive program to support new Covid vaccinations for Fayetteville workers through employers.

This motion was seconded from Commissioner Moya and it passed unanimously.

As a final agenda item, Commissioner Martin made the request that we offer a virtual option for the next meeting or a hybrid option. CEO Rawn said we would be able to facilitate this.

Rawn said that with the rise in break-through cases we are considering what changes need to be made, i.e. requiring masks in the Visitors Center, any changes at the town center, etc. We will keep the commissioners informed of these changes.

With no other business, Rawn adjourned the meeting at 3pm.

Minutes submitted by Amy Stockton, Director of Operations

## June Activity

**\$45,351** + **\$284,196**  
Lodging Restaurant

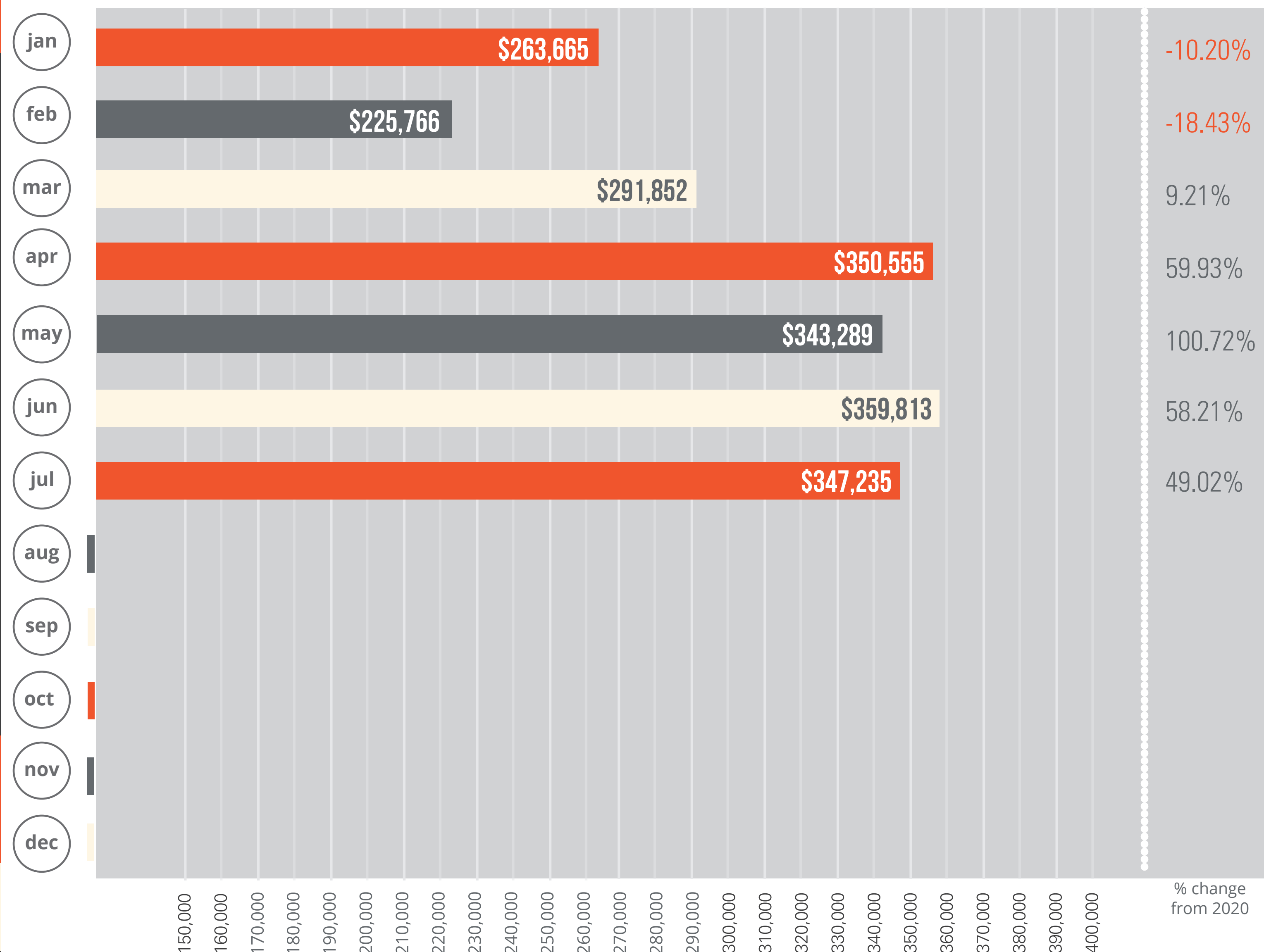
**\$17,688**  
Prior Dues Collected

**\$347,235**  
Total HMR Collected

## Previous YTD (Jan-July) HMR A&P Tax Collection Totals

| 2017                        | 2018        | 2019        | 2020        | 2021               |
|-----------------------------|-------------|-------------|-------------|--------------------|
| \$1,963,299                 | \$2,041,191 | \$2,127,076 | \$1,688,304 | <b>\$2,182,175</b> |
| 4.44%                       | 3.97%       | 4.21%       | -20.63%     | <b>29.25%</b>      |
| % change over previous year |             |             |             |                    |

## Monthly A&P Tax Collections 2021\*\*



\*\* This represents one half of the total HMR collections. The other half supports the Parks and Recreation department.

# Memo



**To:** Molly Rawn, CEO, Experience Fayetteville  
Fayetteville Advertising & Promotion Commissioners

**From:** Jennifer Walker, VP Finance, Experience Fayetteville

**Date:** August 10, 2021

**Re:** Financial Statements – July 2021

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This packet contains Experience Fayetteville Financial Statements for the month ended July 31, 2021. The following reports are included in the packet:

- Summary P&L Financials for month ended July 31, 2021
- Balance Sheet for month ended July 31, 2021

Target Budget June – 58%

- Revenue target 58% of budget or higher by the end of July 2021.  
Expenditures target 58% or lower at July 2021.

Total Revenue YTD: \$2,292,728 or 58%; We are right on target.

Tax Receipts - \$2,182,176 (ahead of budget by 5% ytd)

Town Center - \$60,717 (note \$87k+ unearned revenue on Balance Sheet)

Other - \$49,835

Total Operating Expenditure YTD: \$1,936,767 or 48.7%; 9% below budget target.

EF Main - \$1,615,940

Town Center - \$320,827

HMR tax rebounds in July Collections (June activity), and YTD collections now exceed budget expectations by 7.6% and \$149,500.

Operating Net Income is \$355,961 year to date.



**Fayetteville A and P Commission**  
**Statement of Budget, Revenue and Expense**  
**Year-to-Date @ July 31, 2021**

|  | <b>CONSOLIDATED</b> |                  |                                |                    |
|--|---------------------|------------------|--------------------------------|--------------------|
|  | <b>Year-to-Date</b> |                  |                                |                    |
|  | <b>Actual</b>       | <b>Budget</b>    | <b>Over/(Under)<br/>Budget</b> | <b>% of Budget</b> |
| <b>Revenue</b>                                       |                     |                  |                                |                    |
| Hotel, Motel, Restaurant Taxes Revenue               | 2,182,176           | 3,460,576        | (1,278,400)                    | 63.1%              |
| Rental Revenue                                       | 50,519              | 350,250          | (299,731)                      | 14.4%              |
| Event Revenue  | 6,162               | 37,500           | (31,338)                       | 16.4%              |
| Visitor Center Store Revenue                         | 24,051              | 45,258           | (21,207)                       | 53.1%              |
| Parking Revenue                                      | 10,222              | 21,500           | (11,278)                       | 47.5%              |
| Advertising Revenue                                  | 200                 | 8,000            | (7,800)                        | 2.5%               |
| Other Revenue  | 2,947               | -                | 2,947                          | 0.0%               |
| WFF Cycling Coordinator Grant                        | 10,528              | 31,190           | (20,662)                       | 33.8%              |
| Interest and Investment Revenue                      | 5,923               | 21,500           | (15,577)                       | 27.5%              |
| <b>Total Revenue</b>                                 | <b>2,292,728</b>    | <b>3,975,774</b> | <b>(1,683,046)</b>             | <b>57.7%</b>       |
|  |                     |                  |                                |                    |
| <b>Expenses</b>                                      |                     |                  |                                |                    |
| <b>Operating Expenses</b>                            |                     |                  |                                |                    |
| Rental Expenses                                      | 10,047              | 68,690           | (58,643)                       | 14.6%              |
| Event Expenses                                       | 15,301              | 73,800           | (58,499)                       | 20.7%              |
| Visitor Center & Museum Store                        | 26,163              | 41,560           | (15,397)                       | 63.0%              |
| Personnel  | 658,449             | 1,329,680        | (671,231)                      | 49.5%              |
| Sales & Marketing                                    | 406,611             | 961,675          | (555,064)                      | 42.3%              |
| Office and Administrative                            | 306,284             | 593,369          | (287,085)                      | 51.6%              |
| Bond Payments  | 408,913             | 707,000          | (298,087)                      | 57.8%              |
| Clinton House Museum                                 | 5,000               | -                | 5,000                          | 0.0%               |
| TheatreSquared Contribution                          | 100,000             | 200,000          | (100,000)                      | 50.0%              |
| <b>Total Operating Expenses</b>                      | <b>1,936,767</b>    | <b>3,975,774</b> | <b>(2,039,007)</b>             | <b>48.7%</b>       |
|  |                     |                  |                                |                    |
| <b>Net Operating Income/(Loss)</b>                   | <b>355,961</b>      | <b>-</b>         | <b>355,961</b>                 | <b>0.0%</b>        |
|  |                     |                  |                                |                    |
| <b>Other Income</b>                                  |                     |                  |                                |                    |
| Unrealized Gain/(Loss) on Investments                | 352,751             |                  |                                | 0.0%               |
| <b>Other Expenses</b>                                |                     |                  |                                |                    |
| FFE & Improvements                                   | 93,902              | 155,000          | (61,098)                       | 60.6%              |
| Depreciation Expense                                 | 81,667              |                  |                                | 0.0%               |
| Cost of Goods Sold                                   | (4,768)             |                  |                                | 0.0%               |
|  |                     |                  |                                |                    |
| <b>Net Income/(Loss) (without Cyclocross Grants)</b> | <b>537,911</b>      | <b>(155,000)</b> | <b>340,160</b>                 | <b>-347.0%</b>     |
|  |                     |                  |                                |                    |
| <b>Net Income/(Loss) for Cyclocross Events</b>       | <b>(311,157)</b>    |                  |                                |                    |
| <b>Total Net Income/(Loss)</b>                       | <b>226,753</b>      |                  |                                |                    |

**Fayetteville A and P Commission**  
**Statement of Budget, Revenue and Expense**  
**Year-to-Date @ July 31, 2021**

|  | <b>Experience Fayetteville</b> |                  |                                |                    |
|--|--------------------------------|------------------|--------------------------------|--------------------|
|  | <b>Year-to-Date</b>            |                  |                                |                    |
|  | <b>Actual</b>                  | <b>Budget</b>    | <b>Over/(Under)<br/>Budget</b> | <b>% of Budget</b> |
| <b>Revenue</b>   |                                |                  |                                |                    |
| Hotel, Motel, Restaurant Taxes Revenue                     | 2,182,175                      | 3,460,576        | (1,278,401)                    | 63.1%              |
| Event Revenue  | 6,868                          | 26,500           | (19,632)                       | 25.9%              |
| Visitor Center Store Revenue                               | 24,051                         | 45,258           | (21,207)                       | 53.1%              |
| Advertising Revenue  | 200                            | 8,000            | (7,800)                        | 2.5%               |
| WFF Cycling Coordinator Grant                              | 13,475                         | 31,190           | (17,715)                       | 43.2%              |
| Interest and Investment Revenue                            | 5,241                          | 19,000           | (13,759)                       | 27.6%              |
| <b>Total Revenue</b>                                       | <b>2,232,010</b>               | <b>3,590,524</b> | <b>(1,358,514)</b>             | <b>62.2%</b>       |
|  |                                |                  |                                |                    |
| <b>Expenses</b>  |                                |                  |                                |                    |
| <b>Operating Expenses</b>                                  |                                |                  |                                |                    |
| Event Expenses   | 12,789                         | 62,800           | (50,011)                       | 20.4%              |
| Visitor Center & Museum Store                              | 26,163                         | 41,560           | (15,397)                       | 63.0%              |
| Personnel  | 490,446                        | 910,718          | (420,272)                      | 53.9%              |
| Sales & Marketing  | 406,087                        | 942,375          | (536,288)                      | 43.1%              |
| Office and Administrative                                  | 166,541                        | 302,799          | (136,258)                      | 55.0%              |
| Bond Payments  | 408,913                        | 707,000          | (298,087)                      | 57.8%              |
| Clinton House Museum Contribution                          | 5,000                          | -                | 5,000                          | 0.0%               |
| TheatreSquared Contribution                                | 100,000                        | 200,000          | (100,000)                      | 50.0%              |
| <b>Total Operating Expenses</b>                            | <b>1,615,940</b>               | <b>3,167,252</b> | <b>(1,551,312)</b>             | <b>51.0%</b>       |
|  |                                |                  |                                |                    |
| <b>Net Income/(Loss) Before Other Revenue and Expenses</b> | <b>616,071</b>                 | <b>423,272</b>   | <b>192,799</b>                 | <b>145.5%</b>      |
|  |                                |                  |                                |                    |
| <b>Other Income</b>  |                                |                  |                                |                    |
| Unrealized Gain/(Loss) on Investments                      | 352,751                        | -                | 352,751                        | 0.0%               |
| <b>Other Expenses</b>                                      |                                |                  |                                |                    |
| FFE & Improvements   | -                              | 15,000           | (15,000)                       | 0.0%               |
| Depreciation Expense                                       | 43,944                         |                  |                                |                    |
| Cost of Goods Sold   | (4,768)                        |                  |                                |                    |
|  |                                |                  |                                |                    |
| <b>Net Income/(Loss)</b>                                   | <b>929,645</b>                 | <b>408,272</b>   | <b>168,622</b>                 | <b>227.7%</b>      |

**Fayetteville A and P Commission**  
**Statement of Budget, Revenue and Expense**  
**Year-to-Date @ July 31, 2021**

|  | <b>Town Center</b>  |                  |                                |                    |
|--|---------------------|------------------|--------------------------------|--------------------|
|  | <b>Year-to-Date</b> |                  |                                |                    |
|  | <b>Actual</b>       | <b>Budget</b>    | <b>Over/(Under)<br/>Budget</b> | <b>% of Budget</b> |
| <b>Revenue</b>   |                     |                  |                                |                    |
| Rental Revenue   | 48,130              | 350,250          | (302,120)                      | 13.7%              |
| Event Revenue  | 1,682               | 11,000           | (9,318)                        | 15.3%              |
| Parking Revenue  | 10,222              | 21,500           | (11,278)                       | 47.5%              |
| Interest and Investment Revenue                            | 682                 | 2,500            | (1,818)                        | 27.3%              |
| <b>Total Revenue</b>                                       | <b>60,717</b>       | <b>385,250</b>   | <b>(324,533)</b>               | <b>15.8%</b>       |
|  |                     |                  |                                |                    |
| <b>Expenses</b>  |                     |                  |                                |                    |
| <b>Operating Expenses</b>                                  |                     |                  |                                |                    |
| Rental Expenses  | 8,629               | 68,690           | (60,061)                       | 12.6%              |
| Event Expenses   | 3,929               | 11,000           | (7,071)                        | 35.7%              |
| Personnel  | 168,003             | 418,962          | (250,959)                      | 40.1%              |
| Sales & Marketing  | 524                 | 19,300           | (18,776)                       | 2.7%               |
| Office and Administrative                                  | 139,743             | 290,570          | (150,827)                      | 48.1%              |
| <b>Total Operating Expenses</b>                            | <b>320,827</b>      | <b>808,522</b>   | <b>(487,695)</b>               | <b>39.7%</b>       |
|  |                     |                  |                                |                    |
| <b>Net Income/(Loss) Before Other Revenue and Expenses</b> | <b>(260,110)</b>    | <b>(423,272)</b> | <b>163,162</b>                 | <b>61.5%</b>       |
|  |                     |                  |                                |                    |
| <b>Other Expenses</b>                                      |                     |                  |                                |                    |
| FFE & Improvements   | 93,902              | 140,000          | (46,098)                       | 32.9%              |
| Depreciation Expense                                       | 37,723              |                  |                                |                    |
|  |                     |                  |                                |                    |
| <b>Net Income/(Loss)</b>                                   | <b>(391,735)</b>    | <b>(563,272)</b> | <b>171,537</b>                 | <b>69.5%</b>       |

**Fayetteville A and P Commission**  
**Statement of Budget, Revenue and Expense**  
**Year-to-Date @ July 31, 2021**

|                                       | <b>Cyclocross Events</b> |                  |                                |                    |
|---------------------------------------|--------------------------|------------------|--------------------------------|--------------------|
|                                       | <b>Year-to-Date</b>      |                  |                                |                    |
|                                       | <b>Actual</b>            | <b>Budget</b>    | <b>Over/(Under)<br/>Budget</b> | <b>% of Budget</b> |
| <b>Revenue</b>                        |                          |                  |                                |                    |
| <b>Other Revenue</b>                  |                          |                  |                                |                    |
| Cyclocross Grant Funds                | 150,000                  | 675,000          | (525,000)                      | 22.2%              |
| Cyclocross Events Revenue             | -                        | 288,500          | (288,500)                      | 0.0%               |
| Interest and Investment Revenue       | 1,060                    | 3,000            | (1,940)                        | 35.3%              |
| <b>Total Revenue</b>                  | <b>151,060</b>           | <b>966,500</b>   | <b>(815,440)</b>               | <b>15.6%</b>       |
|                                       |                          |                  |                                |                    |
| <b>Expenses</b>                       |                          |                  |                                |                    |
| <b>Operating Expenses</b>             |                          |                  |                                |                    |
| Contract Labor                        | 1,200                    | -                | 1,200                          | 0.0%               |
| Marketing                             | 1,727                    | -                | 1,727                          | 0.0%               |
| Office and Administrative Expenses    | 24,269                   | 2,500            | 21,769                         | 970.7%             |
| Cyclocross Events                     | 435,022                  | 1,342,089        | (907,067)                      | 32.4%              |
| <b>Total Operating Expenses</b>       | <b>462,218</b>           | <b>1,344,589</b> | <b>(882,371)</b>               | <b>34.4%</b>       |
|                                       |                          |                  |                                |                    |
| <b>Net Income/(Loss)</b>              | <b>(311,157.42)</b>      | <b>(378,089)</b> | <b>66,932</b>                  | <b>82.3%</b>       |
|                                       |                          |                  |                                |                    |
| <b>Grant Carry-Forward</b>            | <b>766,069</b>           |                  |                                |                    |
|                                       |                          |                  |                                |                    |
| <b>Cumulative Net Income / (Loss)</b> | <b>454,911</b>           |                  |                                |                    |
|                                       |                          |                  |                                |                    |
|                                       |                          |                  |                                |                    |

# Fayetteville A&P Commission

## Balance Sheet

As of July 31, 2021

### ASSETS

#### Current Assets

|                      |           |
|----------------------|-----------|
| Cash                 | 2,127,448 |
| Investments          | 1,195,747 |
| Accounts Receivable  | 358,787   |
| Prepaid Expenses     | 40,914    |
| Deposits             | 30,617    |
| Visitors Guide Trade | 3,052     |
| Inventory Asset      | 16,833    |

**Total Current Assets** **3,773,398**

#### Other Assets

|                          |             |
|--------------------------|-------------|
| Capital Assets           |             |
| Furniture & Fixtures     | 96,641      |
| Equipment                | 498,597     |
| EF/CVB Building          | 940,410     |
| EF/CVB Land              | 198,621     |
| Building Additions       | 971,952     |
| Walker-Stone House       | 1,167,218   |
| Accumulated Depreciation | (1,302,948) |

**Total Other Assets** **2,570,491**

**TOTAL ASSETS** **6,343,889**

### LIABILITIES AND EQUITY

#### Current Liabilities

|                  |         |
|------------------|---------|
| Accounts Payable | 67,253  |
| Unearned Revenue | 146,940 |
| PPP Loan Payable | 245,900 |

**Total Liabilities** **460,092**

#### Equity

|                                |           |
|--------------------------------|-----------|
| Unreserved Fund Balance        | 3,280,660 |
| Operating Reserve              | 1,000,000 |
| Capital Reserve                | 1,000,000 |
| Temporarily Restricted Funds   | 376,383   |
| Net Revenue                    |           |
| Gain/(Loss) on Investments     | 352,751   |
| Net Revenue without Cyclocross | 185,160   |
| Net Revenue for Cyclocross     | (311,157) |

**Total Equity** **5,883,797**

**TOTAL LIABILITIES AND EQUITY** **6,343,889**

# Memo



**To:** Molly Rawn, CEO, Experience Fayetteville  
Fayetteville Advertising & Promotion Commissioners

**From:** Jennifer Walker, VP Finance, Experience Fayetteville

**Date:** July 15, 2021

**Re:** Presentation of the 2020 Audit Report

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The Fayetteville A&P Commission has engaged the audit firm BKD, LLP to perform an annual financial audit for the fiscal year ending December 31, 2020. This audit work was completed Spring 2021 and the final audit report and financial report is now available for review and publication.

BKD Director Cynthia Burns will present the 2020 auditor's report. The completed 2020 Independent Auditor's Report, Financial Statements, and Management Letter are attached for reference.

**Fayetteville Advertising & Promotion Commission**  
**A Component Unit of the City of Fayetteville, Arkansas**

Independent Auditor's Report and Financial Statements

December 31, 2020 and 2019

Board of Commissioners and Management  
Fayetteville Advertising and Promotion Commission  
Fayetteville, Arkansas

As part of our audit of the financial statements of the Fayetteville Advertising and Promotion Commission (the Commission) as of and for the year ended December 31, 2020, we wish to communicate the following to you.

## **AUDIT SCOPE AND RESULTS**

### **Auditor's Responsibility Under Auditing Standards Generally Accepted in the United States of America and the Standards Applicable to Financial Audits Contained in Government Auditing Standards Issued by the Comptroller General of the United States**

An audit performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States is designed to obtain reasonable, rather than absolute, assurance about the financial statements. In performing auditing procedures, we establish scopes of audit tests in relation to the financial statements taken as a whole. Our engagement does not include a detailed audit of every transaction. Our engagement letter more specifically describes our responsibilities.

These standards require communication of significant matters related to the financial statement audit that are relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. Such matters are communicated in the remainder of this letter or have previously been communicated during other phases of the audit. The standards do not require the auditor to design procedures for the purpose of identifying other matters to be communicated with those charged with governance.

An audit of the financial statements does not relieve management or those charged with governance of their responsibilities. Our engagement letter more specifically describes your responsibilities.

### **Qualitative Aspects of Significant Accounting Policies and Practices**

#### **Significant Accounting Policies**

The Commission's significant accounting policies and use of regulatory basis of accounting are described in *Note 1* of the audited financial statements.



The Commission's financial statements are presented in accordance with accounting practices permitted by Arkansas Code Section 10-4-202, which is a regulatory basis of accounting that differs from accounting principles generally accepted in the United States of America.

#### Alternative Accounting Treatments

We had discussions with management regarding alternative accounting treatments within the regulatory basis of accounting prescribed or permitted by the State of Arkansas for policies and practices for material items, including recognition, measurement and disclosure considerations related to the accounting for specific transactions as well as general accounting policies, as follows:

- Utilization of the modified accrual basis of regulatory accounting

#### Management Judgments and Accounting Estimates

Accounting estimates are an integral part of financial statement preparation by management, based on its judgments. The following areas involve significant areas of such estimates for which we are prepared to discuss management's estimation process and our procedures for testing the reasonableness of those estimates:

- Estimated useful lives of capital assets

#### Financial Statement Disclosures

The following areas involve particularly sensitive financial statement disclosures for which we are prepared to discuss the issues involved and related judgments made in formulating those disclosures:

- Commitments
- Related party transactions
- Regulatory accounting
- Basis of accounting and presentation

#### Audit Adjustments

No matters are reportable.

#### Auditor's Judgments About the Quality of the Entity's Accounting Principles

No matters are reportable.

**Disagreements with Management**

No matters are reportable.

**Significant Issues Discussed with Management**

No matters are reportable.

**Difficulties Encountered in Performing the Audit**

No matters are reportable.

**Other Material Communication**

Listed below is a material communication between management and us related to the audit:

- Management representation letter (attached)

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit of the financial statements of the Commission as of and for the year ended December 31, 2020, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, we considered the Commission's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis.

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Commission's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or 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.

We observed the following matters that we consider to be deficiencies.

### **Deficiencies**

Segregation of duties issues were noted arising due to the size of the entity. Below is a list of positions that have conflicting duties in the cash flows and/or cash outflows areas:

#### Cash Inflows

- Visitor Center Manager
- Events Director Town Center
- Town Center Sales Coordinator
- VP Finance
- Finance Director

#### Cash Outflows

- Finance Director

We recommend that the Commission review duties assigned to all personnel to minimize conflicts in internal controls, including those listed above regularly.

We observed another matter that we consider to be a deficiency that we communicated to management verbally.

This communication is intended solely for the information and use of management, Board of Commissioners, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

*BKD, LLP*

June 25, 2021

Enclosure

*Representation of:*  
FAYETTEVILLE ADVERTISING AND  
PROMOTION COMMISSION  
21 South Block Avenue, Suite 100  
Fayetteville, Arkansas 72701

*Provided to:*  
**BKD, LLP**  
Certified Public Accountants  
P.O. Box 1893  
Rogers, Arkansas 72757

The undersigned ("We") are providing this letter in connection with BKD's audits of our financial statements as of and for the years ended December 31, 2020 and 2019.

Our representations are current and effective as of the date of BKD's report: June 25, 2021.

Our engagement with BKD is based on our contract for services dated: December 31, 2020.

### **Our Responsibility and Consideration of Material Matters**

We confirm that we are responsible for the fair presentation of the financial statements subject to BKD's report in conformity with accounting practices permitted by Arkansas Code 10-4-412, which is a regulatory basis of accounting that differs from accounting principles generally accepted in the United States of America.

We are also responsible for adopting sound accounting policies; establishing and maintaining effective internal control over financial reporting, operations, and compliance; and preventing and detecting fraud.

We understand that you will not render an unmodified opinion on the financial statements due to lack of conformity with accounting principles generally accepted in the United States of America regarding our accounting for regulatory basis.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

**Confirmation of Matters Specific to the Subject Matter of BKD's Report**

We confirm, to the best of our knowledge and belief, the following:

1. We have fulfilled our responsibilities, as set out in the terms of our contract, for the preparation and fair presentation of the financial statements in accordance with accounting practices permitted by Arkansas Code 10-1-412, which is a regulatory basis of accounting that differs from accounting principles generally accepted in the United States of America.
2. We acknowledge our responsibility for the design, implementation, and maintenance of:
  - a. Internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
  - b. Internal control to prevent and detect fraud.
3. We have reviewed and approved a draft of the financial statements and related notes referred to above, which you prepared in connection with your audit of our financial statements. We acknowledge that we are responsible for the fair presentation of the financial statements and related notes.
4. We have provided you with:
  - a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
  - b. Additional information that you have requested from us for the purpose of the audit.
  - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
  - d. All minutes of meetings of the governing body held through the date of this letter or summaries of actions of recent meetings for which minutes have not yet been prepared. All unsigned copies of minutes provided to you are copies of our original minutes approved by the governing body, if applicable, and maintained as part of our records.
  - e. All significant contracts and grants.
5. All transactions have been recorded in the accounting records and are reflected in the financial statements.
6. We have informed you of all current risks of a material amount that are not adequately prevented or detected by our procedures with respect to:
  - a. Misappropriation of assets.
  - b. Misrepresented or misstated assets, liabilities or fund balance.
7. We understand the potential penalties for failure to disclose reportable tax transactions to the taxing authorities and have fully disclosed to BKD any and all known reportable tax transactions.

8. We have no knowledge of any known or suspected fraudulent financial reporting or misappropriation of assets involving:
  - a. Management or employees who have significant roles in internal control, or
  - b. Others, where activities of others could have a material effect on the financial statements.
9. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, customers, regulators, suppliers, or others.
10. We have assessed the risk that the financial statements may be materially misstated as a result of fraud and disclosed to you any such risk identified.
11. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America.

We understand that the term related party refers to an affiliate, management and members of their immediate families, component units, and any other party with which the entity may deal if the entity can significantly influence, or be influenced by, the management or operating policies of the other. The term affiliate refers to a party that directly or indirectly controls, or is controlled by, or is under common control with, the entity.

12. Except as reflected in the financial statements, there are no:
  - a. Plans or intentions that may materially affect carrying values or classifications of assets and liabilities.
  - b. Material transactions omitted or improperly recorded in the financial records.
  - c. Material gain/loss contingencies requiring accrual or disclosure, including those arising from environmental remediation obligations.
  - d. Events occurring subsequent to the statements of assets, liabilities and fund balance date through the date of this letter requiring adjustment or disclosure in the financial statements.
  - e. Agreements to purchase assets previously sold.
  - f. Restrictions on cash balances or compensating balance agreements.
  - g. Guarantees, whether written or oral, under which the entity is contingently liable.
13. We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
14. We have no reason to believe the entity owes any penalties or payments under the Employer Shared Responsibility Provisions of the *Patient Protection and Affordable Care Act* nor have we received any correspondence from the IRS or other agencies indicating such payments may be due.

15. We are not aware of any pending or threatened litigation or claims whose effects should be considered when preparing the financial statements. We have not sought or received attorney's services related to pending or threatened litigation or claims during or subsequent to the audit period. Also, we are not aware of any litigation or claims, pending or threatened, for which legal counsel should be sought.
16. Adequate provisions and allowances have been accrued for any material losses from:
  - a. Uncollectible receivables.
  - b. Reducing obsolete or excess inventories to estimated net realizable value.
  - c. Purchase commitments in excess of normal requirements or above prevailing market prices.
17. Except as disclosed in the financial statements, the entity has:
  - a. Satisfactory title to all recorded assets, and they are not subject to any liens, pledges, or other encumbrances.
  - b. Complied with all aspects of contractual and grant agreements, for which noncompliance would materially affect the financial statements.
18. The financial statements disclose all significant estimates and material concentrations known to us. Significant estimates are estimates at the statement of assets, liabilities and fund balance date which could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets for which events could occur which would significantly disrupt normal finances within the next year. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
19. The fair values of financial and nonfinancial assets and liabilities, if any, recognized in the financial statements or disclosed in the notes thereto are reasonable estimates based on the methods and assumptions used. The methods and significant assumptions used result in measurements of fair value appropriate for financial statement recognition and disclosure purposes and have been applied consistently from period to period, taking into account any changes in circumstances. The significant assumptions appropriately reflect market participant assumptions.
20. We have not been designated as a potentially responsible party (PRP or equivalent status) by the Environmental Protection Agency (EPA) or other cognizant regulatory agency with authority to enforce environmental laws and regulations.
21. With respect to any nonattest services you have provided us during the year, including drafting the financial statements, related notes, and preparation of the Form 990:
  - a. We have designated a qualified management-level individual to be responsible and accountable for overseeing the nonattest services.
  - b. We have established and monitored the performance of the nonattest services to ensure they meet our objectives.

- c. We have made any and all decisions involving management functions with respect to the nonattest services and accept full responsibility for such decisions.
- d. We have evaluated the adequacy of the services performed and any findings that resulted.

22. With regard to deposit and investment activities:

- a. All deposit, repurchase and reverse repurchase agreements, and investment transactions have been made in accordance with legal and contractual requirements.
- b. Disclosures of deposit and investment balances and risks in the financial statements are consistent with our understanding of the applicable laws regarding enforceability of any pledges of collateral.
- c. We understand that your audit does not represent an opinion regarding the enforceability of any collateral pledges.

23. As an entity subject to *Government Auditing Standards*:

- a. We acknowledge that we are responsible for compliance with applicable laws, regulations, and provisions of contracts and grant agreements.
- b. We have identified and disclosed to you all laws, regulations, and provisions of contracts and grant agreements that have a direct and material effect on the determination of amounts in our financial statements or other financial data significant to the audit objectives.
- c. We have identified and disclosed to you any violations or possible violations of laws, regulations, and provisions of contracts and grant agreements whose effects should be considered for recognition and/or disclosure in the financial statements or for your reporting on noncompliance.
- d. We have taken or will take timely and appropriate steps to remedy any fraud, abuse, illegal acts, or violations of provisions of contracts or grant agreements that you or other auditors report.
- e. We have a process to track the status of audit findings and recommendations.
- f. We have identified to you any previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of your audit and the corrective actions taken to address any significant findings and recommendations made in such audits, attestation engagements, or other studies.

24. We acknowledge the current economic volatility presents difficult circumstances and challenges for our industry. Entities are potentially facing declines in the fair values of investments and other assets, declines in the volume of business, constraints on liquidity, difficulty obtaining financing, etc. We understand the values of the assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments to asset values that could negatively impact the entity's ability to maintain sufficient liquidity.



We acknowledge that you have no responsibility for future changes caused by the current economic environment and the resulting impact on the entity's financial statements. Further, management and governance are solely responsible for all aspects of managing the entity.



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Molly Rawn, Chief Executive Officer  
mrawn@experiencefayetteville.com



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Jennifer Walker, Vice President of Finance  
jwalker@experiencefayetteville.com

**Fayetteville Advertising & Promotion Commission**  
**A Component Unit of the City of Fayetteville, Arkansas**  
**December 31, 2020 and 2019**

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## Independent Auditor's Report

Board of Commissioners  
Fayetteville Advertising & Promotion Commission  
Fayetteville, Arkansas

### Report on the Financial Statements

We have audited the accompanying financial statements of the Fayetteville Advertising and Promotion Commission, a component unit of the City of Fayetteville, Arkansas, as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of A.C.A. § 10-4-412, as described in *Note 1*. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in *Note 1* of the financial statements, the financial statements are prepared by the Commission on the basis of accounting practices prescribed or permitted by the State of Arkansas to demonstrate compliance with the State's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the State. The effects on the financial statements of the variances between the regulatory basis of accounting described in *Note 1* and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Commission as of December 31, 2020 and 2019, or changes in financial position thereof for the years then ended.

***Unmodified Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balance of the Commission as of December 31, 2020 and 2019, and its respective revenues, expenditures, and the changes in fund balance and budgetary results for the years then ended, in accordance with the basis of accounting practices prescribed or permitted by the State described in *Note 1*.

***Other Matters***

Management has omitted the management's discussion and analysis information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic 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 financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we also have issued our report dated June 25, 2021, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's 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 Commission's internal control over financial reporting and compliance.

*BKD, LLP*

Little Rock, Arkansas  
June 25, 2021

**Fayetteville Advertising & Promotion Commission**  
**A Component Unit of the City of Fayetteville, Arkansas**  
**Statements of Assets, Liabilities, and Fund Balance-**  
**Modified Accrual Basis**  
**December 31, 2020 and 2019**

|                                    | <b>2020</b>         | <b>2019</b>         |
|------------------------------------|---------------------|---------------------|
| <b>Assets</b>                      |                     |                     |
| Cash and cash equivalents          | \$ 1,830,811        | \$ 1,461,970        |
| Investments                        | 1,037,786           | 1,152,237           |
| Accounts receivable                | 183,001             | 43,799              |
| Deposits                           | 30,617              | 30,617              |
| Inventory                          | 12,066              | 11,622              |
| Prepaid expense                    | 29,468              | 33,630              |
| Capital Assets                     |                     |                     |
| Buildings                          | 3,079,580           | 3,014,963           |
| Furniture and fixtures             | 96,641              | 96,641              |
| Land                               | 198,621             | 198,621             |
| Office Equipment                   | 498,597             | 371,601             |
| Construction in progress           | -                   | 77,693              |
| Less accumulated depreciation      | (1,221,281)         | (1,072,964)         |
| Total assets                       | <u>\$ 5,775,907</u> | <u>\$ 5,420,430</u> |
| <b>Liabilities</b>                 |                     |                     |
| Accounts payable                   | \$ 49,787           | \$ 114,190          |
| Accrued expenses                   | 779                 | 6,875               |
| Unearned revenue                   | 56,708              | 48,620              |
| Accrued payroll                    | 22,115              | 18,460              |
| Total liabilities                  | <u>129,389</u>      | <u>188,145</u>      |
| <b>Fund Balance</b>                |                     |                     |
| Unassigned                         | 5,264,087           | 4,866,430           |
| Restricted                         | 382,431             | 365,855             |
| Total fund balance                 | <u>5,646,518</u>    | <u>5,232,285</u>    |
| Total liabilities and fund balance | <u>\$ 5,775,907</u> | <u>\$ 5,420,430</u> |

**Fayetteville Advertising & Promotion Commission**  
**A Component Unit of the City of Fayetteville, Arkansas**  
**Statements of Revenues, Expenditures and**  
**Changes in Fund Balances – Modified Accrual Basis**  
**Years Ended December 31, 2020 and 2019**

|                                   | <b>2020</b>  | <b>2019</b>  |
|-----------------------------------|--------------|--------------|
| <b>Revenues</b>                   |              |              |
| Hotel, motel and restaurant taxes | \$ 3,008,949 | \$ 3,701,187 |
| Rental income                     | 180,369      | 742,509      |
| Visitors center store             | 17,568       | 23,602       |
| Visitor guide advertising income  | 25,125       | 18,250       |
| Parking income                    | 20,330       | 33,594       |
| Investment income (loss), net     | (43,142)     | 27,326       |
| Grant income                      | 946,007      | 565,310      |
| Miscellaneous event income        | 65,213       | 116,203      |
|                                   | <hr/>        | <hr/>        |
| Total revenues                    | 4,220,419    | 5,227,981    |
|                                   | <hr/>        | <hr/>        |
| <b>Expenditures</b>               |              |              |
| Advertising                       | 484,682      | 832,431      |
| Automobile expense                | 2,708        | 3,600        |
| Bank charges                      | 4,590        | 6,639        |
| Bond payments                     | 701,098      | 696,586      |
| Collection expense                | 60,179       | 74,024       |
| Contract labor                    | 20,389       | 89,710       |
| Convention development            | 128,438      | 171,800      |
| Depreciation                      | 148,317      | 137,653      |
| Dues and subscriptions            | 31,137       | 27,127       |
| Employee benefits                 | 25,845       | 25,793       |
| Insurance                         | 138,873      | 142,038      |
| Miscellaneous                     | 102,969      | 116,641      |
| Office supplies and printing      | 11,852       | 23,151       |
| Payroll taxes                     | 64,541       | 75,691       |
| Postage                           | 6,966        | 11,831       |
| Professional services             | 34,140       | 41,423       |
| Rent                              | 41,220       | 39,888       |
| Repairs and maintenance           | 110,909      | 181,799      |
| Salaries and wages                | 859,500      | 967,827      |
| Special projects and events       | 668,367      | 749,119      |
| Taxes and licenses                | 9,894        | 13,828       |
| Training and meetings             | 13,947       | 72,826       |
| Utilities                         | 117,313      | 129,514      |
| Visitor center store expense      | 18,312       | 25,055       |
|                                   | <hr/>        | <hr/>        |
| Total expenditures                | 3,806,186    | 4,655,994    |
|                                   | <hr/>        | <hr/>        |

**Fayetteville Advertising & Promotion Commission**  
**A Component Unit of the City of Fayetteville, Arkansas**  
**Statements of Revenues, Expenditures and**  
**Changes in Fund Balances – Modified Accrual Basis (Continued)**  
**Years Ended December 31, 2020 and 2019**

|                               | <u>2020</u>         | <u>2019</u>         |
|-------------------------------|---------------------|---------------------|
| <b>Change in Fund Balance</b> | \$ 414,233          | \$ 571,987          |
| <b>Fund Balance</b>           |                     |                     |
| Beginning of year             | <u>5,232,285</u>    | <u>4,660,298</u>    |
| End of year                   | <u>\$ 5,646,518</u> | <u>\$ 5,232,285</u> |



**Fayetteville Advertising & Promotion Commission**  
**A Component Unit of the City of Fayetteville, Arkansas**  
**Statement of Revenues and Expenditures –**  
**Modified Accrual Basis – Budget to Actual**  
**Year Ended December 31, 2020**

|   | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u>     | <u>Variance<br/>Favorable<br/>(Unfavorable)</u> |
|---|------------------------|---------------------|-------------------|---|
| <b>Revenues</b>                             |                        |                     |                   |   |
| Hotel, motel and restaurant taxes           | \$ 2,399,024           | \$ 2,399,024        | \$ 3,008,949      | \$ 609,925                                      |
| Rental income                               | 279,000                | 279,000             | 180,369           | (98,631)  |
| Visitors center store                       | 15,700                 | 15,700              | 17,568            | 1,868   |
| Visitor guide advertising income            | 15,000                 | 15,000              | 25,125            | 10,125  |
| Parking income                              | 23,800                 | 23,800              | 20,330            | (3,470)   |
| Investment income, net                      | 17,800                 | 17,800              | (43,142)          | (60,942)  |
| Grant Income                                | 594,052                | 594,052             | 946,007           | 351,955   |
| Miscellaneous event income                  | 16,100                 | 16,100              | 65,213            | 49,113  |
|   | <u>3,360,476</u>       | <u>3,360,476</u>    | <u>4,220,419</u>  | <u>859,943</u>                                  |
| Total revenues                              |                        |                     |                   |   |
| <b>Expenditures</b>                         |                        |                     |                   |   |
| Advertising                                 | 497,150                | 497,150             | 484,682           | 12,468  |
| Automobile expense                          | 1,041                  | 1,041               | 2,708             | (1,667)   |
| Bank charges                                | 7,650                  | 7,650               | 4,590             | 3,060   |
| Bond payments                               | 707,000                | 707,000             | 701,098           | 5,902   |
| Collection expense                          | 47,980                 | 47,980              | 60,179            | (12,199)  |
| Contract labor                              | 40,375                 | 40,375              | 20,389            | 19,986  |
| Convention development                      | 147,140                | 147,140             | 128,438           | 18,702  |
| Depreciation                                | -                      | -                   | 148,317           | (148,317)                                       |
| Dues and subscriptions                      | 24,000                 | 24,000              | 31,137            | (7,137)   |
| Employee benefits                           | 34,023                 | 34,023              | 25,845            | 8,178   |
| Insurance                                   | 151,463                | 151,463             | 138,873           | 12,590  |
| Miscellaneous                               | 107,530                | 107,530             | 102,969           | 4,561   |
| Office supplies and printing                | 19,600                 | 19,600              | 11,852            | 7,748   |
| Payroll taxes                               | 71,800                 | 71,800              | 64,541            | 7,259   |
| Postage                                     | 7,400                  | 7,400               | 6,966             | 434   |
| Professional services                       | 38,500                 | 38,500              | 34,140            | 4,360   |
| Rent  | 39,720                 | 39,720              | 41,220            | (1,500)   |
| Repairs and maintenance                     | 254,000                | 254,000             | 110,909           | 143,091   |
| Salaries and wages                          | 838,759                | 838,759             | 859,500           | (20,741)  |
| Special projects                            | 874,336                | 874,336             | 668,367           | 205,969   |
| Taxes and licenses                          | 15,000                 | 15,000              | 9,894             | 5,106   |
| Training and meetings                       | 24,600                 | 24,600              | 13,947            | 10,653  |
| Utilities                                   | 131,117                | 131,117             | 117,313           | 13,804  |
| Visitor center store expense                | 14,650                 | 14,650              | 18,312            | (3,662)   |
|   | <u>4,094,834</u>       | <u>4,094,834</u>    | <u>3,806,186</u>  | <u>288,648</u>                                  |
| Total expenditures                          |                        |                     |                   |   |
| <b>Excess of Revenues Over Expenditures</b> | <u>\$ (734,358)</u>    | <u>\$ (734,358)</u> | <u>\$ 414,233</u> | <u>\$ 1,148,591</u>                             |

**Fayetteville Advertising & Promotion Commission**  
**A Component Unit of the City of Fayetteville, Arkansas**  
**Statement of Revenues and Expenditures –**  
**Modified Accrual Basis – Budget to Actual**  
**Year Ended December 31, 2019**

|   | <b>Original Budget</b> | <b>Final Budget</b> | <b>Actual</b>     | <b>Variance<br/>Favorable<br/>(Unfavorable)</b> |
|---|------------------------|---------------------|-------------------|---|
| <b>Revenues</b>                             |                        |                     |                   |   |
| Hotel, motel and restaurant taxes           | \$ 3,571,688           | \$ 3,571,688        | \$ 3,701,187      | \$ 129,499                                      |
| Rental income                               | 867,500                | 867,500             | 742,509           | (124,991)                                       |
| Visitors center store                       | 26,000                 | 26,000              | 23,602            | (2,398)   |
| Visitor guide advertising income            | 20,000                 | 20,000              | 18,250            | (1,750)   |
| Parking income                              | 28,000                 | 28,000              | 33,594            | 5,594   |
| Investment income, net                      | 16,700                 | 16,700              | 27,326            | 10,626  |
| Grant income                                | 565,310                | 565,310             | 565,310           | -   |
| Miscellaneous event income                  | 81,100                 | 81,100              | 116,203           | 35,103  |
|   | <u>5,176,298</u>       | <u>5,176,298</u>    | <u>5,227,981</u>  | <u>51,683</u>                                   |
| Total revenues                              |                        |                     |                   |   |
| <b>Expenditures</b>                         |                        |                     |                   |   |
| Advertising                                 | 839,500                | 839,500             | 832,431           | 7,069   |
| Automobile expense                          | 3,600                  | 3,600               | 3,600             | -   |
| Bank charges                                | 8,200                  | 8,200               | 6,639             | 1,561   |
| Bond payments                               | 707,000                | 707,000             | 696,586           | 10,414  |
| Collection expense                          | 70,318                 | 70,318              | 74,024            | (3,706)   |
| Contract labor                              | 72,633                 | 72,633              | 89,710            | (17,077)  |
| Convention development                      | 151,050                | 151,050             | 171,800           | (20,750)  |
| Depreciation                                | -                      | -                   | 137,653           | (137,653)                                       |
| Dues and subscriptions                      | 30,847                 | 30,847              | 27,127            | 3,720   |
| Employee benefits                           | 33,776                 | 33,776              | 25,793            | 7,983   |
| Insurance                                   | 161,335                | 161,335             | 142,038           | 19,297  |
| Miscellaneous                               | 119,100                | 119,100             | 116,641           | 2,459   |
| Office supplies and printing                | 26,900                 | 26,900              | 23,151            | 3,749   |
| Payroll taxes                               | 92,918                 | 92,918              | 75,691            | 17,227  |
| Postage                                     | 9,850                  | 9,850               | 11,831            | (1,981)   |
| Professional services                       | 45,700                 | 45,700              | 41,423            | 4,277   |
| Rent  | 38,400                 | 38,400              | 39,888            | (1,488)   |
| Repairs and maintenance                     | 352,775                | 352,775             | 181,799           | 170,976   |
| Salaries and wages                          | 1,094,796              | 1,094,796           | 967,827           | 126,969   |
| Special projects                            | 541,120                | 541,120             | 749,119           | (207,999)                                       |
| Taxes and licenses                          | 9,050                  | 9,050               | 13,828            | (4,778)   |
| Training and meetings                       | 57,247                 | 57,247              | 72,826            | (15,579)  |
| Utilities                                   | 127,020                | 127,020             | 129,514           | (2,494)   |
| Visitor center store expense                | 22,750                 | 22,750              | 25,055            | (2,305)   |
|   | <u>4,615,885</u>       | <u>4,615,885</u>    | <u>4,655,994</u>  | <u>(40,109)</u>                                 |
| Total expenditures                          |                        |                     |                   |   |
| <b>Excess of Revenues Over Expenditures</b> | <u>\$ 560,413</u>      | <u>\$ 560,413</u>   | <u>\$ 571,987</u> | <u>\$ 11,574</u>                                |

**Fayetteville Advertising & Promotion Commission**  
**A Component Unit of the City of Fayetteville, Arkansas**  
**Notes to the Financial Statements**  
**December 31, 2020 and 2019**

**Note 1: Nature of Operations and Summary of Significant Accounting Policies**

As discussed further below, these financial statements are presented in accordance with the regulatory basis of presentation as prescribed by Arkansas state law. The Fayetteville Advertising and Promotion Commission (the Commission) maintains its records on a modified accrual basis of accounting, as discussed below. The regulatory basis of presentation and the modified accrual basis of accounting differ from accounting principles generally accepted in the United States of America. The significant accounting policies of the Commission are as follows:

***Regulatory Accounting***

The Arkansas Legislature enacted a law in 2005 that requires municipalities to present their financial statements in a prescribed format and also restricts the basis of accounting for this format to one of three methods. The entity's governing body, however, can adopt a resolution annually to adopt GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (GASB No. 34) as their reporting model in lieu of reporting on this regulatory basis established by Arkansas Code 10-4412. The Board of Commissioners did not adopt such a resolution for 2020 or 2019.

The regulatory presentation is on a fund basis with no distinction being made as to the type of funds (Proprietary, Governmental, etc.) being presented. The required financial statements consist of a balance sheet (or statement of assets, liabilities, and fund balance), statement of revenues, expenditures, and changes in fund balance, and statement of revenues and expenditures - budget to actual. The basis of accounting is limited to cash basis, modified cash basis or modified accrual basis. The Commission has elected to utilize the modified accrual basis of accounting.

***Nature of Operations***

The Commission is a component unit of the City of Fayetteville, Arkansas (the "City"), established by Ordinance Number 2310 of the City for the purpose of promoting and advertising the City and its environs. The Commission is presented in the City of Fayetteville's Comprehensive Annual Financial Report as a discretely presented component unit. A Commission consisting of seven members governs the Commission. Four members are owners or managers of hotels, motels or restaurants, and serve for staggered terms of four years. Two members must be members of the governing body of the City, are selected by the City Council and serve at the will of the City Council. One member is from the public at large and is nominated by the Commission and approved by the City Council. All members must reside in the City. Members are voted on by the existing Commissioners and approved by the City Council. The financial statements present only the Commission, and are not intended to present the financial position and results of operations of the City of Fayetteville, Arkansas, in conformity with accounting principles generally accepted in the United States of America. Operations of the Commission include the Fayetteville Convention and Visitors Bureau, the Fayetteville Town Center and the Clinton House Museum.

**Fayetteville Advertising & Promotion Commission**  
**A Component Unit of the City of Fayetteville, Arkansas**  
**Notes to the Financial Statements**  
**December 31, 2020 and 2019**

***Use of Estimates***

Management used estimates and assumptions in preparing these financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

***Cash Equivalents***

The Commission considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2020 and 2019, cash equivalents consisted of money market funds with brokers.

***Basis of Accounting and Presentation***

The financial statements are prepared on the modified accrual basis of accounting. As such, revenues are recognized when the underlying exchange takes place and in the accounting period in which the revenue is both measurable and available to finance expenditures of the fiscal period. The Commission considers all tax revenues measurable and available when collected and exchange revenue when the transaction occurs. Expenditures are recorded when the related liability is incurred.

***Budgets***

The Commission adheres to the following procedures in establishing the budgets reflected in the accompanying financial statements:

Prior to December 1, the budget committee proposes an operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.

Prior to January 1, the Commission legally enacts the budget through approval of the Commissioners.

Budgets are adopted on a basis consistent with accounting practices prescribed or permitted by the State of Arkansas, which practices differ from accounting principles generally accepted in the United States of America.

Budgeted revenues and expenditures represent the formal operating budget adopted by the Commission. Budgetary control is maintained at the operations level. Budgeted amounts not spent by year end lapse.

**Fayetteville Advertising & Promotion Commission**  
**A Component Unit of the City of Fayetteville, Arkansas**  
**Notes to the Financial Statements**  
**December 31, 2020 and 2019**

***Investments***

Investments of the Commission represent the portion of a combined investment pool managed by the City allocable to the Commission. Investments include money market mutual funds, U.S. Treasury obligations, corporate bonds and U.S. Government agency obligations. Money market mutual funds, governmental securities and corporate bonds are recorded at fair market value based on quoted market prices. Income related to investments is recorded when earned. Income earned in the pool is allocated to the various funds and component units weekly. At December 31, 2020 and 2019, the Commission's proportionate share of the investment pool was approximately 0.63% and 0.65%, respectively.

The Commission's portion of investments held by the City amounted to \$1,037,786 and \$1,152,237 at December 31, 2020 and 2019, respectively, and is held at one financial institution in the name of the City. Approximately 90.89% and 90.65% of the pool is invested in direct obligations of the United States of America. The remainder is either insured or collateralized.

***Accounts Receivable***

Accounts receivable consist of amounts due from the Fayetteville Town Center customers and the City's Parking Department. For the years ended December 31, 2020 and 2019, accounts receivable were deemed fully collectible; therefore, no allowance for doubtful accounts was considered necessary. If accounts become uncollectible, they will be charged to operations when that determination is made. Determination of uncollectability is made by management based on knowledge of individual accounts and consideration of such factors as current economic conditions. Accounts are generally uncollateralized. Past-due status is based on contractual terms. Past-due accounts are not charged interest.

***Inventory***

Inventory is valued at the lower of cost (first-in, first-out method) or market. Inventory consists of items for sale in the Commission's gift shop.

***Capital Assets***

Capital assets are carried at historical cost or acquisition value at date of donation if the asset was contributed. The Commission's capitalization policy states that assets with an initial value or cost greater than or equal to \$5,000 and an estimated useful life of greater than one year will be capitalized. Depreciation is provided on the straight-line method over the estimated useful lives of the respective assets, which range from 5 to 39 years.

**Fayetteville Advertising & Promotion Commission**  
**A Component Unit of the City of Fayetteville, Arkansas**  
**Notes to the Financial Statements**  
**December 31, 2020 and 2019**

***Funding***

The Commission is funded by a 1% hotel, motel and restaurant tax on all revenue from the renting, leasing or otherwise furnishing of hotel or motel accommodations for profit in the City. The tax also applies to the gross receipts or gross proceeds received by restaurants and similar businesses as may be defined from time to time by ordinance from the sale of prepared foods and beverages for on or off premises consumption. The tax does not apply to such gross receipts or proceeds of organizations qualified under Section 501(c)(3) of the Federal Internal Revenue Code.

The taxes are due the 20<sup>th</sup> day of the month following the month in which the taxes were collected. If taxes become delinquent, the City Prosecutor seeks to collect the taxes. Delinquent taxes totaled \$33,097 and \$30,918 at December 31, 2020 and 2019, respectively.

Revenues collected from the taxes are to be used for advertising and promotion in the City and its environs. Revenues are also to be used for the construction, reconstruction, equipment, improvement, maintenance, repair and operation of a convention center, for the operation of tourist promotion facilities in the City, and for personnel and agencies necessary to conduct the business of the Commission.

***Advertising***

The Commission expenses advertising, marketing and promotion costs as incurred.

***Income Taxes***

The Commission is a tax-exempt organization under Section 115 of Internal Revenue Code.

***Fund Balance – Governmental Funds***

The fund balances for the Commission's funds are displayed in two components:

*Restricted* – Restricted fund balances may be spent only for the specific purposes stipulated by external resource providers. Restrictions may be changed or lifted only with the consent of resource providers. Funds are externally restricted by contributors.

*Unassigned* – Unassigned fund balance includes all amounts not restricted.

The Commission considers restricted amounts to have been spent when an expenditure incurred for purposes for which both restricted and unassigned fund balance is available. The Commission applies restricted amounts first, and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

**Fayetteville Advertising & Promotion Commission**  
**A Component Unit of the City of Fayetteville, Arkansas**  
**Notes to the Financial Statements**  
**December 31, 2020 and 2019**

**Note 2: Commitments**

During the year ended December 31, 2013, a resolution was proposed that recommended to the City the issuance and sale of (1) approximately \$1,500,000 of hotel and restaurant gross receipts tax refunding bonds for the purpose of refunding the City's outstanding hotel and restaurant gross receipts tax refunding bonds, series 2003, (2) approximately \$6,900,000 of hotel and restaurant gross receipts tax and tourism revenue capital improvement bonds for the purpose of financing certain capital improvements in connection with the proposed Walton Arts Center expansion and renovation, and (3) approximately \$3,500,000 of hotel and restaurant gross receipts tax and tourism revenue capital improvement bonds for the purpose of financing certain capital improvements in connection with a proposed regional park. The resolution was approved by the Commission in May 2013 and approved by the voters in November 2013 in a special election. The bonds were issued in October 2014, will mature in 2039, and bear interest at coupon rates ranging from 2.0% to 5.0%. As a result of the issuance, the City retains \$707,313 per year, plus fees, for payments on these bonds. The amount retained for the bond payment would otherwise be remitted to the Commission.

**Note 3: Deposits, Investments and Investment Income**

***Deposits***

Custodial State law requires that municipal funds be deposited in federally insured banks located in the State of Arkansas. The municipal deposits may be in the form of checking accounts, savings accounts, and time deposits. Public funds may also be invested in direct obligations of the United States of America and obligations, the principal and interest of which, are fully guaranteed by the United States of America.

The Commission maintains separate bank accounts in two banks. Deposits with banks at December 31, 2020 and 2019 amounted to \$1,886,045 and \$1,540,553, respectively, of which \$297,887 and \$304,091 was insured and the remaining amount was collateralized by securities held in the Commission's name.

***Investments***

The Commission may legally invest in direct obligations of the U.S. Government and agencies, collateralized certificates of deposit, prerefunded municipal bonds, corporate bonds, collateralized repurchase agreements, treasury money markets, local government trusts and savings accounts.

**Fayetteville Advertising & Promotion Commission**  
**A Component Unit of the City of Fayetteville, Arkansas**  
**Notes to the Financial Statements**  
**December 31, 2020 and 2019**

At December 31, 2020 and 2019, the Commission had the following investments and maturities:

| <b>December 31, 2020</b>  |                    |                            |                   |             |                         |
|---------------------------|--------------------|----------------------------|-------------------|-------------|-------------------------|
| <b>Type</b>               | <b>Fair Value</b>  | <b>Maturities in Years</b> |                   |             |                         |
|                           |                    | <b>Less<br/>than 1</b>     | <b>1-5</b>        | <b>6-10</b> | <b>More<br/>than 10</b> |
| Money market mutual funds | \$ 271,607         | \$ 271,607                 | \$ -              | \$ -        | \$ -                    |
| U.S. agencies obligations | 766,179            | 126,343                    | 639,836           | -           | -                       |
|                           | <u>\$1,037,786</u> | <u>\$ 397,950</u>          | <u>\$ 639,836</u> | <u>\$ -</u> | <u>\$ -</u>             |

| <b>December 31, 2019</b>  |                    |                            |                   |             |                         |
|---------------------------|--------------------|----------------------------|-------------------|-------------|-------------------------|
| <b>Type</b>               | <b>Fair Value</b>  | <b>Maturities in Years</b> |                   |             |                         |
|                           |                    | <b>Less<br/>than 1</b>     | <b>1-5</b>        | <b>6-10</b> | <b>More<br/>than 10</b> |
| Money market mutual funds | \$ 416,574         | \$ 416,574                 | \$ -              | \$ -        | \$ -                    |
| U.S. agencies obligations | 735,663            | 206,230                    | 529,433           | -           | -                       |
|                           | <u>\$1,152,237</u> | <u>\$ 622,804</u>          | <u>\$ 529,433</u> | <u>\$ -</u> | <u>\$ -</u>             |



**Fayetteville Advertising & Promotion Commission**  
**A Component Unit of the City of Fayetteville, Arkansas**  
**Notes to the Financial Statements**  
**December 31, 2020 and 2019**

Interest Rate Risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, the Commission's investment policy is to attempt to match investment maturities with cash flow requirements. The Commission's investments are money market mutual funds and U.S. Government agency obligations.

Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. It is the Commission's policy to invest no more than 20% in corporate debt or in securities of a management type investment company or investment trust. It is the Commission's policy to limit its investments in corporate bonds to issues that are rated investment grade by Standard & Poor's and Moody's Investors Service and shall maintain an A- average rating or better for Standard & Poor's and an A3 average rating or better for Moody's Investors Service. Investment in commercial paper will be rated A-1/P-1. At December 31, 2020 and 2019, the Commission's investments in U.S. agencies obligations were rated an average rate of AA by Standard & Poor rating and an average rate of Aa1 by Moody's Investors Service.

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Commission will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

Concentration of Credit Risk – The Commission's policy states that investments shall be diversified by limiting investments to avoid concentration in securities from a specific issuer less than or equal to 5% of the cost basis of the Commission's portfolio at the time of purchase and limits concentration in any one business sector to 15% of the cost basis of the portfolio excluding U.S. Treasury securities and collateralized certificates of deposit. The Commission had no concentration risk as of December 31, 2020 and 2019.

Foreign Currency Risk- This risk relates to adverse effects on the fair value of an investment from changes in exchange rates. The City's investment policy doesn't directly address foreign currency risk. The City's investment manager only buys U.S. dollar pay securities. The Commission had no investments that were denominated in foreign currency at December 31, 2020 and 2019.

In compliance with GASB 72, the Commission categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Commission had the following recurring fair value measurements:

- U.S. agencies obligations of \$766,179 and \$735,662 as of December 31, 2020 and 2019, respectively, are valued using the option-adjusted discounted cash flow model (Level 2 inputs).
- Money market mutual funds of \$271,607 and \$416,574 as of December 31, 2020 and 2019, respectively, are valued using quoted market prices (Level 1 inputs).

**Fayetteville Advertising & Promotion Commission**  
**A Component Unit of the City of Fayetteville, Arkansas**  
**Notes to the Financial Statements**  
**December 31, 2020 and 2019**

***Summary of Carrying Values***

The carrying values of deposits and investments shown above are included in the statement of net position as follows:

|   | <u>2020</u>                | <u>2019</u>               |
|---|----------------------------|---------------------------|
| Carrying value  |                            |                           |
| Deposits  | \$ 1,829,561               | \$1,460,770               |
| Cash on hand  | 1,250                      | 1,200                     |
| Investments   | <u>1,037,786</u>           | <u>1,152,237</u>          |
|   | <u><u>\$ 2,868,597</u></u> | <u><u>\$2,614,207</u></u> |
| Included in the following statement of<br>net position captions |                            |                           |
| Cash and cash equivalents                                       | \$ 1,830,811               | \$1,461,970               |
| Investments   | <u>1,037,786</u>           | <u>1,152,237</u>          |
|   | <u><u>\$ 2,868,597</u></u> | <u><u>\$2,614,207</u></u> |

***Investment Income***

Investment income (loss) for the year ended December 31, consisted of:

|  | <u>2020</u>               | <u>2019</u>             |
|--|---------------------------|-------------------------|
| Interest and dividend income                         | \$ 22,009                 | \$ 24,724               |
| Net increase (decrease) in fair value of investments | <u>(65,151)</u>           | <u>2,602</u>            |
|  | <u><u>\$ (43,142)</u></u> | <u><u>\$ 27,326</u></u> |

**Fayetteville Advertising & Promotion Commission**  
**A Component Unit of the City of Fayetteville, Arkansas**  
**Notes to the Financial Statements**  
**December 31, 2020 and 2019**

**Note 4: Employee Benefit Plan**

The Commission offers a SIMPLE IRA plan to all employees who meet the eligibility requirements. The Commission matches employee contributions up to 3% of compensation, while the employee may contribute up to 10% of his or her salary. The Board of Commissioners of the Commission has the authority to amend the plan and contribution rate. The Commission made contributions in the amount of \$21,346 and \$18,981 for the years ended December 31, 2020 and 2019, respectively.

**Note 5: Related Party Transactions**

As stated in Ordinance Number 95-1, the board of the Commission consists of seven members, four of which are owners or managers of businesses in the tourism industry which collect the hotel or restaurant taxes levied. Thus, four members of the board are employed by restaurants or hotels that pay the tax which is the primary funding for the Commission.

During the years ended December 31, 2020 and 2019, the Commission paid approximately \$5,000, for expenses related to operational services performed by the City for the lease of parking spaces.

The Commission had accounts receivable from the City's Parking Department of \$5,090 and \$9,245 at December 31, 2020 and 2019, respectively.

The Commission has an agreement to pay the City a collection fee of 2% of the taxes collected. During the years ended December 31, 2020 and 2019, the Commission paid collection expenses of \$60,179 and \$74,024, respectively, to the City in exchange for the City collecting tax revenue on behalf of the Commission.

**Fayetteville Advertising & Promotion Commission**  
**A Component Unit of the City of Fayetteville, Arkansas**  
**Notes to the Financial Statements**  
**December 31, 2020 and 2019**

**Note 6: Capital Assets**

A summary of changes in capital assets is as follows:

| <b>2020</b>                   |                              |                                 |                                 |                            |
|-------------------------------|------------------------------|---------------------------------|---------------------------------|----------------------------|
|                               | <b>Beginning<br/>Balance</b> | <b>Additions/<br/>Transfers</b> | <b>Deletions/<br/>Transfers</b> | <b>Ending<br/>Balance</b>  |
| Building                      | \$ 3,014,963                 | \$ 64,617                       | \$ -                            | \$ 3,079,580               |
| Furniture and fixtures        | 96,641                       | -                               | -                               | 96,641                     |
| Land                          | 198,621                      | -                               | -                               | 198,621                    |
| Equipment                     | 371,601                      | 126,996                         | -                               | 498,597                    |
| Construction in progress      | 77,693                       | -                               | 77,693                          | -                          |
|                               | <u>3,759,519</u>             | <u>191,613</u>                  | <u>77,693</u>                   | <u>3,873,439</u>           |
| Less accumulated depreciation | <u>1,072,964</u>             | <u>148,317</u>                  | <u>-</u>                        | <u>1,221,281</u>           |
|                               | <u><u>\$ 2,686,555</u></u>   | <u><u>\$ 43,296</u></u>         | <u><u>\$ 77,693</u></u>         | <u><u>\$ 2,652,158</u></u> |

| <b>2019</b>                   |                              |                                 |                                 |                            |
|-------------------------------|------------------------------|---------------------------------|---------------------------------|----------------------------|
|                               | <b>Beginning<br/>Balance</b> | <b>Additions/<br/>Transfers</b> | <b>Deletions/<br/>Transfers</b> | <b>Ending<br/>Balance</b>  |
| Building                      | \$ 2,888,921                 | \$ 126,042                      | \$ -                            | \$ 3,014,963               |
| Furniture and fixtures        | 96,640                       | -                               | -                               | 96,641                     |
| Land                          | 198,621                      | -                               | -                               | 198,621                    |
| Equipment                     | 362,257                      | 9,343                           | -                               | 371,601                    |
| Construction in progress      | 5,538                        | 72,155                          | -                               | 77,693                     |
|                               | <u>3,551,977</u>             | <u>207,540</u>                  | <u>-</u>                        | <u>3,759,519</u>           |
| Less accumulated depreciation | <u>935,311</u>               | <u>137,653</u>                  | <u>-</u>                        | <u>1,072,964</u>           |
|                               | <u><u>\$ 2,616,666</u></u>   | <u><u>\$ 69,887</u></u>         | <u><u>\$ -</u></u>              | <u><u>\$ 2,686,555</u></u> |

**Fayetteville Advertising & Promotion Commission**  
**A Component Unit of the City of Fayetteville, Arkansas**  
**Notes to the Financial Statements**  
**December 31, 2020 and 2019**

**Note 7: Economic Uncertainties**

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19 (COVID-19), economic uncertainties have arisen which may negatively affect the fund balance and changes in financial position of the Commission. The duration of these uncertainties and the ultimate financial effects, if any, cannot be reasonably estimated at this time.

**Note 8: CARES Act Funding**

The Coronavirus Aid, Relief, and Economic Security (CARES) Act approved by the United States Congress and signed into law by the President on March 27, 2020, was a legislative action to address the crisis created by the COVID-19 pandemic and includes among its relief measures direct aid in the form of grants to various entities, as well as direct aid, loans and loan guarantees. The Commission was awarded a grant under the CARES Act and requested reimbursement for approximately \$147,000 in qualifying expenses expended during fiscal year 2020 under the award, which is a receivable at December 31, 2020.

**Report on Internal Control over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial Statements Performed  
in Accordance with *Government Auditing Standards***

**Independent Auditor's Report**

Board of Commissioners  
Fayetteville Advertising & Promotion Commission  
Fayetteville, Arkansas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Fayetteville Advertising and Promotion Commission (the Commission), a component unit of the City of Fayetteville, Arkansas, which comprise the statement of assets, liabilities, and fund balance – modified accrual basis as of December 31, 2020, and the related statements of revenues, expenditures, and changes in fund balance – modified accrual basis and revenues and expenditures – modified accrual basis – budget to actual for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 25, 2021, which expressed an adverse opinion on *U.S. Generally Accepted Accounting Principles* and an unmodified opinion on the *Regulatory Basis of Accounting*.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*BKD, LLP*

Little Rock, Arkansas  
June 25, 2021

# NEW VISITOR ACTIVITY EXPERIENCEFAYETTEVILLE.COM

**JAN-JULY 2021** VS  
**JAN-JULY 2019**



**New Visitors**

Up: **+3%**



**New Visitors - Guide Downloads**

Up: **+176%**



**New Visitors - Arkansas**

Up: **+24%**



# TRAFFIC CHANNELS EXPERIENCEFAYETTEVILLE.COM

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**JAN-JULY 2021 VS  
JAN-JULY 2019**

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**Organic Search - Up: +26%**

**Paid Search - Up: +7%**

**Social - Up: +10%**

**Direct - Down: -7%**



# TOP SEARCH QUERIES EXPERIENCEFAYETTEVILLE.COM

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**JAN-JULY 2021**



**1. Things To Do In Fayetteville**

**2. Fayetteville, AR**

**3. Things To Do In Fayetteville, Arkansas**

**4. Experience Fayetteville**

**5. Things To Do In NWA**

# TOP KEYWORDS - PAID AND UNPAID [EXPERIENCEFAYETTEVILLE.COM](https://experiencefayetteville.com)

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## JAN-JULY 2021

1. Festivals Fayetteville

2. Fayetteville, AR

3. Springdale, AR

4. Things to Do In Fayetteville

5. Things to Do In Northwest Arkansas

6. Rogers, AR

7. Fun Things In Fayetteville, AR

8. Fayetteville Things To Do

9. Things To Do in NWA This Weekend

10. Fayetteville, Arkansas

# Memo



**To:** Molly Rawn, CEO, Experience Fayetteville  
Fayetteville Advertising & Promotion Commissioners

**From:** Jennifer Walker, VP Finance, Experience Fayetteville

**Date:** August 10, 2021

**Re:** Authorization to Execute Letter of Credit with Flanders Classics

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## Background:

Fayetteville Advertising and Promotion has contracted with Flanders Classics to host the 2021 UCI Cyclo-cross World Cup on October 13, 2021.

Per the contract with Flanders Classics, the Fayetteville Advertising and Promotion Commission must provide a bank guarantee with a value of 39,500 Euro. This is approximately \$48,000 USD.

First Security Bank is able to provide a Letter of Credit (LOC) valued at \$48,000. A Letter of Credit is a letter issued by a bank to serve as a guarantee for payments made to a specified organization under specified conditions. In this instance, the LOC serves as guarantee of payments from the A&P Commission to Flanders Classics for the UCI Cyclo-cross World Cup prize money. The funds for this letter are secured by a savings account that is already established at First Security Bank. This ensures there is no default risk on the LOC.

The Letter of Credit terms are as follows:

Fee 1% for 6-month term: \$480

Funding Mechanism: Savings account earning 0.4%. Should the letter default (little to no risk), the finance rate would be 2.4% on that default.

## Recommendation:

The CEO recommends the commission vote to:

1. Authorize CEO Molly Rawn to execute loan documents for the Letter of Credit with First Security Bank per the terms above

# Memo



**To:** Molly Rawn, CEO, Experience Fayetteville  
Fayetteville Advertising & Promotion Commissioners

**From:** Jennifer Walker, VP Finance, Experience Fayetteville

**Date:** August 10, 2021

**Re:** PPP Loan Forgiveness Application

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In February 2021, Experience Fayetteville submitted an application for a Paycheck Protection Program (PPP) Loan in the amount \$245,900 through the Small Business Administration. The SBA Participating Lender is First Security Bank.

The loan funds were received March 3, 2021. These funds were used for payroll and utilities costs over a coverage period from March 3 to June 30, 2021.

Experience Fayetteville staff is seeking authorization to apply for Loan Forgiveness via PPP Loan Forgiveness Application Form 3508EZ. We are applying for 100% loan forgiveness under the following circumstance:

“The Borrower was unable to operate between February 15, 2020 and the end of the Covered Period at the same level of business activity as before February 15, 2020 due to compliance with requirements established or guidance issued between March 1, 2020 and the last day of the Covered Period.”

The application is attached for review.

**Staff Recommendation: A vote authorizing Experience Fayetteville CEO Molly Rawn to execute an application for PPP Loan Forgiveness to the SBA through Lending Agency First Security Bank.**



**Paycheck Protection Program**  
**PPP Loan Forgiveness Application Form 3508EZ Revised January 19, 2021**

|   |                   |  |                                    |
|---|-------------------|--|------------------------------------|
| <b>Business Legal Name ("Borrower")</b> |                   | <b>DBA or Tradename, if applicable</b> |                                    |
|   |                   |  |                                    |
| <b>Business Address</b>                 | <b>NAICS Code</b> | <b>Business TIN (EIN, SSN)</b>         | <b>Business Phone</b>              |
|   |                   |  | ( ) -                              |
|   |                   | <b>Primary Contact</b>                 | <b>E-mail Address</b>              |
|   |                   |  | jwalker@experiencefayetteville.com |

☐ **First Draw PPP Loan** ☐ **Second Draw PPP Loan** (check one)

**SBA PPP Loan Number:** \_\_\_\_\_ **Lender PPP Loan Number:** \_\_\_\_\_

**PPP Loan Amount:** \_\_\_\_\_ **PPP Loan Disbursement Date:** \_\_\_\_\_

**Employees at Time of Loan Application:** \_\_\_\_\_ **Employees at Time of Forgiveness Application:** \_\_\_\_\_

**Covered Period:** \_\_\_\_\_ to \_\_\_\_\_

**If Borrower (Together with Affiliates, if Applicable) Received First Draw PPP Loans of \$2 million or More or Second Draw PPP Loans of \$2 Million or More, check here:** ☐

**Forgiveness Amount Calculation:**

Payroll and Nonpayroll Costs

Line 1. Payroll Costs: \_\_\_\_\_

Line 2. Business Mortgage Interest Payments: \_\_\_\_\_

Line 3. Business Rent or Lease Payments: \_\_\_\_\_

Line 4. Business Utility Payments: \_\_\_\_\_

Line 5. Covered Operations Expenditures: \_\_\_\_\_

Line 6. Covered Property Damage Costs: \_\_\_\_\_

Line 7. Covered Supplier Costs: \_\_\_\_\_

Line 8. Covered Worker Protection Expenditures: \_\_\_\_\_

Potential Forgiveness Amounts

Line 9. Sum the amounts on lines 1 through 8: \_\_\_\_\_

Line 10. PPP Loan Amount: \_\_\_\_\_

Line 11. Payroll Cost 60% Requirement (divide Line 1 by 0.60): \_\_\_\_\_

Forgiveness Amount

Line 12. Forgiveness Amount (enter the smallest of Lines 9, 10, and 11): \_\_\_\_\_



**Paycheck Protection Program**  
**PPP Loan Forgiveness Application Form 3508EZ Revised January 19, 2021**

**By Signing Below, You Make the Following Representations and Certifications on Behalf of the Borrower:**

The Authorized Representative of the Borrower certifies to all of the below by **initialing** next to each one.

- \_\_\_\_\_ The dollar amount for which forgiveness is requested (which does not exceed the principal amount of the PPP loan):
- was used to pay business costs that are eligible for forgiveness (payroll costs to retain employees; business mortgage interest payments; business rent or lease payments; business utility payments; covered operations expenditures; covered property damage costs; covered supplier costs; or covered worker protection expenditures);
  - includes payroll costs equal to at least 60% of the forgiveness amount; and
  - for any owner-employee (with an ownership stake of 5% or more) or self-employed individual/general partner, does not exceed 2.5 months' worth of compensation received during the year used to calculate the PPP loan amount, capped at \$20,833 per individual in total across all businesses.
- \_\_\_\_\_ I understand that if the funds were knowingly used for unauthorized purposes, the federal government may pursue recovery of loan amounts and/or civil or criminal fraud charges.
- \_\_\_\_\_ The Borrower did not reduce salaries or hourly wages of any employee by more than 25 percent for any employee during the Covered Period compared to the most recent quarter before the Covered Period. For purposes of this certification, the term "employee" includes only those employees that did not receive, during any single period during 2019, wages or salary at an annualized rate of pay in an amount more than \$100,000.
- \_\_\_\_\_ The Borrower has accurately verified the payments for the eligible payroll and nonpayroll costs for which the Borrower is requesting forgiveness.
- \_\_\_\_\_ I have submitted to the Lender the required documentation verifying payroll costs, the existence of obligations and service (as applicable) prior to February 15, 2020, and eligible business mortgage interest payments, business rent or lease payments, business utility payments, covered operations expenditures, covered property damage costs, covered supplier costs, and covered worker protection expenditures.
- \_\_\_\_\_ If this application is being submitted for a Second Draw PPP Loan, the Borrower used all First Draw PPP Loan amounts on eligible expenses prior to disbursement of the Second Draw PPP Loan.
- \_\_\_\_\_ The information provided in this application and the information provided in all supporting documents and forms is true and correct in all material respects. I understand that knowingly making a false statement to obtain forgiveness of an SBA-guaranteed loan is punishable under the law, including 18 U.S.C. 1001 and 3571 by imprisonment of not more than five years and/or a fine of up to \$250,000; under 15 U.S.C. 645 by imprisonment of not more than two years and/or a fine of not more than \$5,000; and, if submitted to a Federally insured institution, under 18 U.S.C. 1014 by imprisonment of not more than thirty years and/or a fine of not more than \$1,000,000.
- \_\_\_\_\_ The tax documents I have submitted to the Lender (if applicable) are consistent with those the Borrower has submitted or will submit to the IRS and/or state tax or workforce agency. I also understand, acknowledge, and agree that the Lender can share the tax information with SBA's authorized representatives, including authorized representatives of the SBA Office of Inspector General, for the purpose of ensuring compliance with PPP requirements and all SBA reviews.
- \_\_\_\_\_ I understand, acknowledge, and agree that SBA may request additional information for the purposes of evaluating the Borrower's eligibility for the PPP loan and for loan forgiveness, and that the Borrower's failure to provide information requested by SBA may result in a determination that the Borrower was ineligible for the PPP loan or a denial of the Borrower's loan forgiveness application.

In addition, the Authorized Representative of the Borrower must certify by **initialing at least ONE** of the following two items:

- \_\_\_\_\_ The Borrower did not reduce the number of employees or the average paid hours of employees between January 1, 2020 and the end of the Covered Period (other than any reductions that arose from an inability to rehire individuals who were employees on February 15, 2020, if the Borrower was unable to hire similarly qualified employees for unfilled positions on or before December 31, 2020 (or, for a PPP loan made after December 27, 2020, before the last day of the Covered Period), and reductions in an employee's hours that a borrower offered to restore and were refused).
- \_\_\_\_\_ The Borrower was unable to operate between February 15, 2020, and the end of the Covered Period at the same level of business activity as before February 15, 2020 due to compliance with requirements established or guidance issued between March 1, 2020 and December 31, 2020 (or, for a PPP loan made after December 27, 2020, requirements established or guidance issued before the last day of the Covered Period), by the Secretary of Health and Human Services, the Director of the Centers for Disease Control and Prevention, or the Occupational Safety and Health Administration, related to the maintenance of standards of sanitation, social distancing, or any other work or customer safety requirement related to COVID-19.

The Borrower's eligibility for loan forgiveness will be evaluated in accordance with the PPP regulations and guidance issued by SBA through the date of this application. SBA may direct a lender to disapprove the Borrower's loan forgiveness application if SBA determines that the Borrower was ineligible for the PPP loan.



**Paycheck Protection Program**  
**PPP Loan Forgiveness Application Form 3508EZ Revised January 19, 2021**

\_\_\_\_\_  
Signature of Authorized Representative of Borrower

\_\_\_\_\_  
Date

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Title