

Audited
Financial
Statements

December 31,
2020

Washington County,
Maryland Convention and
Visitors Bureau, Inc.



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Washington County, Maryland Convention and Visitors Bureau, Inc.
Hagerstown, Maryland

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Washington County, Maryland Convention and Visitors Bureau, Inc. (the Bureau) (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Washington County, Maryland Convention and Visitors Bureau, Inc. as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Smith Elliott Keorns + Company, LLC

Hagerstown, Maryland
May 13, 2021

WASHINGTON COUNTY, MARYLAND
CONVENTION AND VISITORS BUREAU, INC.
Statements of Financial Position
Years Ended December 31, 2020 and 2019

	2020	2019
ASSETS		
Current Assets		
Cash	\$ 712,988	\$ 111,068
Cash - restricted	83,279	20,000
Grant receivable	-	53,200
Taxes receivable	66,731	87,658
Inventories	<u>1,262</u>	<u>10,802</u>
Total Current Assets	<u>864,260</u>	<u>282,728</u>
Property and Equipment		
Deposit	24,412	-
Office equipment	72,684	66,382
Leasehold improvements	<u>33,236</u>	<u>33,236</u>
	130,332	99,618
Less accumulated depreciation	<u>78,523</u>	<u>72,397</u>
Total Property and Equipment	<u>51,809</u>	<u>27,221</u>
TOTAL ASSETS	<u><u>\$ 916,069</u></u>	<u><u>\$ 309,949</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 20,227	\$ 15,263
Accrued payroll and benefits	41,032	14,362
Accrued interest	2,176	-
Deferred income	-	2,054
Custodial liability	<u>20,000</u>	<u>20,000</u>
Total Current Liabilities	<u>83,435</u>	<u>51,679</u>
Long-term Liabilities		
Economic Injury Disaster Loan	<u>149,900</u>	<u>-</u>
Total Long-term Liabilities	<u>149,900</u>	<u>-</u>
Net Assets		
Without donor restrictions	<u>682,734</u>	<u>258,270</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 916,069</u></u>	<u><u>\$ 309,949</u></u>

WASHINGTON COUNTY, MARYLAND
CONVENTION AND VISITORS BUREAU, INC.
Statements of Activities and Changes in Net Assets
Years Ended December 31, 2020 and 2019

	2020	2019
REVENUES AND OTHER SUPPORT WITHOUT DONOR RESTRICTIONS		
Lodging taxes	\$ 774,903	\$ 1,148,019
Grants	660,721	141,047
Membership revenues	46,845	56,568
Official Visitor's Guide revenues	30,561	68,111
Gift shop revenues	3,995	14,026
USA cycling	-	113,001
Miscellaneous	4,906	589
Interest income	18	128
	<u>1,521,949</u>	<u>1,541,489</u>
EXPENSES		
Advertising	309,263	308,101
Board of directors	5,074	5,079
Convention sales expense	20,855	53,900
USA cycling	-	174,523
Civil War Heritage	4,100	5,800
Depreciation	6,126	7,160
Dues and subscriptions	9,792	16,850
Employee benefits and payroll taxes	72,639	68,218
Gift shop cost of sales	3,046	6,312
Interest	2,288	-
Maintenance and repairs	17,219	19,563
Miscellaneous	6,489	15,685
Newcomer house	1,412	7,428
Office supplies	3,852	6,786
Postage	544	6,955
Printing expenses	706	1,376
Professional fees	26,761	26,062
Other promotional expense	71,216	106,631
Public relations	23,760	76,591
Publications	54,555	83,497
Rent expense	50,573	57,700
Retirement expense	13,773	34,592
Salaries	372,683	357,900
Stadium research	4,204	12,000
Utilities	16,555	20,549
	<u>1,097,485</u>	<u>1,479,258</u>
Total Expenses	<u>1,097,485</u>	<u>1,479,258</u>
Change in Net Assets Without Donor Restrictions	<u>424,464</u>	<u>62,231</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS, BEGINNING OF YEAR	258,270	177,168
Cumulative effect of adopting ASC 606	-	18,871
	<u>258,270</u>	<u>196,039</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS, BEGINNING OF YEAR, ADJUSTED	<u>258,270</u>	<u>196,039</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS, END OF YEAR	<u>\$ 682,734</u>	<u>\$ 258,270</u>

WASHINGTON COUNTY, MARYLAND
CONVENTION AND VISITORS BUREAU, INC.
Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 424,464	\$ 62,231
Adjustment to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	6,126	7,160
(Increase) decrease in grant receivable	53,200	(53,200)
(Increase) decrease in taxes receivable	20,927	(9,738)
(Increase) decrease in inventories	9,540	(350)
Increase (decrease) in accounts payable	4,964	(9,776)
Increase (decrease) in accrued payroll and benefits	26,670	(10,325)
Increase in accrued interest	2,176	-
(Decrease) in deferred income	(2,054)	(3,075)
Net Cash Provided By (Used In) Operating Activities	<u>546,013</u>	<u>(17,073)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(6,302)	-
Deposit paid on property and equipment	(24,412)	-
Net Cash (Used In) Investing Activities	<u>(30,714)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	149,900	-
Increase in custodial liability	-	20,000
Net Cash Provided By Financing Activities	<u>149,900</u>	<u>20,000</u>
Net Increase In Cash	665,199	2,927
CASH AND RESTRICTED CASH, BEGINNING OF YEAR	<u>131,068</u>	<u>128,141</u>
CASH AND RESTRICTED CASH, END OF YEAR	<u>\$ 796,267</u>	<u>\$ 131,068</u>
RECONCILIATION OF CASH AND RESTRICTED CASH		
Cash	\$ 712,988	\$ 111,068
Cash - restricted	<u>83,279</u>	<u>20,000</u>
TOTAL ENDING CASH BALANCE	<u>\$ 796,267</u>	<u>\$ 131,068</u>

WASHINGTON COUNTY, MARYLAND
CONVENTION AND VISITORS BUREAU, INC.
Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations

Washington County, Maryland Convention and Visitors Bureau, Inc. (Bureau) is a not-for-profit organization headquartered in Hagerstown, Maryland. The purpose of the Bureau is to develop tourism and market Washington County to meeting planners, leisure travelers and business customers. Approximately 52% and 75% of the Bureau's funding in 2020 and 2019, respectively, was received from lodging tax revenues passed through the County Commissioners of Washington County.

Basis of Accounting

The accounting policies of the Bureau conform to generally accepted accounting principles. Therefore, the financial statements are prepared using the accrual basis of accounting. Revenue from lodging taxes is recorded in the period the tax is remitted by the hotels/motels to the County Commissioners of Washington County.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Credit Risk

The Bureau maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Bureau's management considers those circumstances to be a normal business risk.

Allowance for Bad Debts

The Bureau does not normally provide credit to its customers. The Bureau records receivables for lodging tax revenues and grant revenues. Management of the Bureau periodically reviews the collectability of accounts receivable, and those accounts which are considered not collectible are written off as bad debts. Based on management's review, an allowance for doubtful accounts is not considered necessary.

WASHINGTON COUNTY, MARYLAND
CONVENTION AND VISITORS BUREAU, INC.
Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

The Bureau follows the practice of capitalizing expenditures for property and equipment in excess of \$5,000 that are deemed to have a useful life greater than one year. Fixed assets are recorded at cost or estimated value, if donated. Depreciation of fixed assets is charged as an expense against operations. Depreciation has been provided over the estimated useful lives, between three and fifteen years, using the straight-line method. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized.

Donated Services and Material

Donations of services and materials, if applicable, are recorded at their estimated fair value at the date of donation, given the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

General and Program Service Expenses

Expenses directly identified within functional areas are charged to such area. If an expense affects more than one area, it is allocated based on the time expended, space utilized, or by another rational basis.

Advertising

Advertising costs are expensed the first time the advertising takes place.

Income Tax Status

The Bureau is a not-for-profit corporation as described in Internal Revenue Code Section 501(c)(6) and is exempt from federal income tax under Internal Revenue Code Section 501(a).

Net Assets with Donor Restrictions

Net assets with donor restrictions are those whose use by the Bureau has been limited by donors for a specific purpose. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose to which the donation is restricted is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from donor restrictions. Donor restricted contributions whose restrictions are met within the same year as received are reflected as contributions without donor restrictions.

WASHINGTON COUNTY, MARYLAND
CONVENTION AND VISITORS BUREAU, INC.
Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grant and Contribution Revenue Recognition

Revenue from federal and state grants are recognized, generally, when the services are performed and requests for reimbursement of expenditures are submitted to the grantor. Revenues from contributions and fundraising are recognized when received, as the contributor has not received a quantifiable direct benefit in exchange for the resources provided.

Uncertain Tax Positions

The Bureau follows the FASB Accounting Standards Codification, which provides guidance on accounting for uncertainty in income taxes recognized in an entity's financial statements. The guidance prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosures, and transition. The Bureau's policy is to recognize interest and penalties in expense as incurred. The Bureau's federal and state income tax returns are subject to examination by the Internal Revenue Service and state tax authorities, generally for a period of three years after the returns are filed.

Inventory

Inventory is valued at cost, using the first-in first-out method.

Statement of Cash Flows

For purposes of the statement of cash flows, the Bureau considers all highly liquid deposits with a maturity of three months or less to be cash equivalents.

General Risks and Uncertainties

Recent economic and government reactions to the COVID-19 pandemic have resulted in temporary reductions or shut down of operations for some businesses and created many economic uncertainties. The Bureau's Visitor Center was shut down as a result of the pandemic and experienced significant declines in lodging tax revenues due to the significant decline in travel and tourism, as presented in the Statements of Activities and Changes in Net Assets. These events could continue to have an impact on the Bureau's financial condition and operating results. However, the extent of any such impacts cannot be reasonably estimated at this time.

WASHINGTON COUNTY, MARYLAND
CONVENTION AND VISITORS BUREAU, INC.
Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

On January 1, 2019, the Bureau adopted Accounting Standards Update 2014-09, “Revenue from Contracts with Customers”, which provides revised guidance on recognizing revenue from contracts with customers. The Bureau adopted ASU 2014-09 using the modified retrospective approach and applied the new guidance under ASC 606 – Revenue from Contracts with Customers (ASC 606) to those contracts which were not completed as of January 1, 2019. The adoption required an adjustment to net assets as of January 1, 2019, resulting in a net increase to beginning net assets of \$18,871. The adjustment primarily related to the timing of revenue recognition for membership dues. Prior to 2019, membership revenue was recognized on a straight-line basis ratably over the term of the membership. The impact to 2019 figures as a result of adopting this standard are described below.

	As Reported	Adjustment	Balance Without Adoption of Topic 606
Beginning net assets	\$ 196,039	\$ (18,871)	\$ 177,168
Membership revenues	56,568	(968)	55,600
Deferred revenue	2,054	19,839	21,893

The Bureau records the following exchange transaction revenue in its statements of activities and changes in net assets for the years ending December 31, 2020 and 2019:

Membership

Membership dues consist of amounts that businesses in the Washington County area pay to receive advertising benefits. Members join for a one-year period, are billed in advance, and can renew annually. Membership is non-cancellable once paid each year and provides opportunities for business promotion through mediums such as the annual Visitor’s Guide and online. The Bureau determined that the advertising is one performance obligation within each contract. The transaction price is established by the Bureau based on the type and size of the business. Revenue is recognized the first time that the member is acknowledged in Bureau advertising.

Visitor’s Guide

The Bureau publishes a Visitor’s Guide in March annually, which is made available online and at various locations within the Washington County area. The Bureau generates revenue by advertising local businesses within the guide. The performance obligation is publishing and making the Visitor’s Guide available to the public. The transaction price is established by the Bureau based on the size and location of the advertisement within the guide. The Bureau recognizes revenue once the guide is made available to the public in March. Once advertising fees are paid, they are non-refundable.

WASHINGTON COUNTY, MARYLAND
CONVENTION AND VISITORS BUREAU, INC.
Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Gift Shop

The Bureau operates a gift shop which sells area souvenirs on a retail basis to customers. The performance obligation is the delivery of the good to the customer. The transaction price is established by the Bureau based on retail prices suggested by the suppliers. As each item is individually priced, no allocation of the transaction price is necessary. The Bureau recognizes revenue as the customer pays and takes possession of the merchandise. Total revenues do not include sales tax because the Bureau is a pass-through conduit for collecting and remitting sales taxes. Generally, customers may return merchandise within 30 days of purchase. If probable customer returns exist at the end of an accounting period, the Bureau estimates and records in its financial statements a liability for such returns, which is estimated using historical return patterns and management's expectations for future returns. Revenue is recognized net of the expected returns. Management has determined that any probable customer returns were insignificant and therefore no liability for probable customer returns was considered necessary as of December 31, 2020.

During 2020, the Bureau closed the gift shop though had continued to sell items through the end of the year. Moving forward, these items will be considered promotional supplies instead of retail inventory.

Portfolio Approach

The Bureau has applied the practical expedient allowed under generally accepted accounting principles for contracts with customers. The Bureau has applied the portfolio approach to those contracts within a revenue stream that have similar characteristics, as management has determined that this would produce the same results if each contract within a portfolio was analyzed individually.

Contract Costs

The Bureau has applied the practical expedient allowed under generally accepted accounting principles for contracts with customers whereby all incremental contract acquisition costs are expensed as they are incurred, as the amortization period of the asset that the Bureau would have recognized is one year or less.

Financing Component

The Bureau concluded that there were no significant financing components in its contracts.

WASHINGTON COUNTY, MARYLAND
CONVENTION AND VISITORS BUREAU, INC.
Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements

In February 2016, the FASB issued No. 2016-02, Leases (Topic 842). Under ASU No. 2016-02, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date:

- A lease liability, which is a lessee’s obligation to make lease payments arising from a lease, measured on a discounted basis; and
- A right-of-use asset, which is an asset that represents the lessee’s right to use, or control the use of, a specified asset for the lease term.

ASU No. 2016-02 is effective for the Bureau beginning after January 1, 2022. The Bureau is evaluating the impact that the updated standard will have on the financial statements.

NOTE 2 AVAILABILITY AND LIQUIDITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Financial Assets at Year-End	2020	2019
Cash	\$ 712,988	\$ 111,068
Taxes receivable	66,731	87,658
Grant receivable	-	53,200
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 779,719</u>	<u>\$ 251,926</u>

The Bureau regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Bureau has two sources of liquidity at its disposal, including cash, and taxes receivable.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Bureau considers all expenditures related to its ongoing activities of developing tourism, as well as the type of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Bureau operates with a Board approved budget and anticipates collecting sufficient revenue to cover general expenditures. In the event of an unanticipated liquidity need, the Bureau could draw upon its line of credit.

WASHINGTON COUNTY, MARYLAND
CONVENTION AND VISITORS BUREAU, INC.
Notes to Financial Statements

NOTE 3 RESTRICTED CASH

Restricted cash includes cash held in a demand account at a financial institution and is held on behalf of another Organization. The funds received are to be used for the purpose of beautification for the Town of Williamsport and amounts to \$20,000 as of December 31, 2020 and 2019. These funds are reported on the Statements of Financial Position as a custodial liability.

Restricted cash also includes \$17,777 of grant proceeds that are restricted for the purchase of remote access equipment, software programs, and applications, and \$45,502 for advertising restaurants, entertainment, wineries, breweries and distilleries, attractions, shops, and services in the community to the local community.

NOTE 4 PROPERTY AND EQUIPMENT

	Cost	Accumulated Depreciation	Net Book Value
2020			
Office equipment (3-10 years)	\$ 72,684	\$ 55,761	\$ 16,923
Leasehold improvements (5-15 years)	33,236	22,762	10,474
	<u>\$ 105,920</u>	<u>\$ 78,523</u>	<u>\$ 27,397</u>
2019			
Office equipment (3-10 years)	\$ 66,382	\$ 51,575	\$ 14,807
Leasehold improvements (5-15 years)	33,236	20,822	12,414
	<u>\$ 99,618</u>	<u>\$ 72,397</u>	<u>\$ 27,221</u>

NOTE 5 SAVINGS INCENTIVE PLAN FOR EMPLOYEES

On January 1, 2018, the Bureau adopted a contributory employee savings incentive 401(k) plan. The plan covers substantially all employees and the Bureau may contribute a matching amount at their discretion. Employer contributions to the plan were \$11,908 and \$32,992 for the years ended December 31, 2020 and 2019, respectively.

WASHINGTON COUNTY, MARYLAND
CONVENTION AND VISITORS BUREAU, INC.
Notes to Financial Statements

NOTE 6 FUNCTIONAL EXPENSES

The Bureau's expenses are allocated on the basis of time and effort by departments within the Bureau that are designated between program and management and general expenses. Directly identifiable expenses are charged to program services, and management and general expenses are those not directly identifiable with any specific function but provide overall support to the Bureau.

The allocation of total program services and management and general is as follows for the years ending December 31:

2020	Management and General	Program Services	Total
Advertising	\$ -	\$ 309,263	\$ 309,263
Board of directors	5,074	-	5,074
Convention sales expense	1,142	19,713	20,855
Civil War Heritage	-	4,100	4,100
Depreciation	1,838	4,288	6,126
Dues and subscriptions	997	8,795	9,792
Employee benefits and payroll taxes	18,160	54,479	72,639
Gift shop cost of sales	-	3,046	3,046
Interest	2,288	-	2,288
Maintenance and repairs	5,166	12,053	17,219
Miscellaneous	3,839	2,650	6,489
Newcomer house	-	1,412	1,412
Office supplies	770	3,082	3,852
Postage	163	381	544
Printing expenses	141	565	706
Professional fees	26,761	-	26,761
Other promotional expense	-	71,216	71,216
Public relations	-	23,760	23,760
Publications	-	54,555	54,555
Rent expense	17,214	33,359	50,573
Retirement expense	3,443	10,330	13,773
Salaries	39,268	333,415	372,683
Stadium research	-	4,204	4,204
Utilities	3,341	13,214	16,555
Total	\$ 129,605	\$ 967,880	\$ 1,097,485

WASHINGTON COUNTY, MARYLAND
CONVENTION AND VISITORS BUREAU, INC.
Notes to Financial Statements

NOTE 6 FUNCTIONAL EXPENSES (CONTINUED)

2019	Management and General	Program Services	Total
Advertising	\$ -	\$ 308,101	\$ 308,101
Board of directors	5,079	-	5,079
Convention sales expense	3,611	50,289	53,900
USA cycling	-	174,523	174,523
Civil War Heritage	-	5,800	5,800
Depreciation	2,149	5,011	7,160
Dues and subscriptions	1,696	15,154	16,850
Employee benefits and payroll taxes	17,055	51,163	68,218
Gift shop cost of sales	-	6,312	6,312
Maintenance and repairs	5,869	13,694	19,563
Miscellaneous	9,186	6,499	15,685
Newcomer house	-	7,428	7,428
Office supplies	1,357	5,429	6,786
Postage	2,087	4,868	6,955
Printing expenses	275	1,101	1,376
Professional fees	26,062	-	26,062
Other promotional expense	-	106,631	106,631
Public relations	-	76,591	76,591
Publications	-	83,497	83,497
Rent expense	19,130	38,570	57,700
Retirement expense	8,648	25,944	34,592
Salaries	64,144	293,756	357,900
Stadium research	-	12,000	12,000
Utilities	4,276	16,273	20,549
Total	\$ 170,624	\$ 1,308,634	\$ 1,479,258

NOTE 7 OPERATING LEASES

The Bureau leases office space from an unrelated party which expires March 2023. The lease requires a monthly payment of \$1,533, with a 2.5% increase over the most recent base rent amount on the annual anniversary date of the lease.

The Bureau also leases retail space from the City of Hagerstown, which expired in January 2021, requiring monthly payments of \$1,609. The Bureau must maintain general liability insurance and property damage insurance. This lease was not renewed, as the Bureau closed the Visitor Welcome Center.

During 2016, the Bureau entered into a lease for a vehicle with Honda. The lease term was for 36 months and expired May 2019, with a monthly payment of \$467. This lease was replaced with another vehicle lease with Honda for 36 months, requiring a monthly payment of \$525.

The Bureau also leases a copier which has a term of 60 months and requires monthly payments of \$330 plus taxes.

WASHINGTON COUNTY, MARYLAND
CONVENTION AND VISITORS BUREAU, INC.
Notes to Financial Statements

NOTE 7 OPERATING LEASES (CONTINUED)

The following is a schedule of future minimum lease payments for the above operating leases based on their current terms as of December 31, 2020:

<u>Year Ending December 31,</u>	
2021	\$ 30,210
2022	21,700
2023	5,060

Rent expense under operating leases was \$50,573 and \$57,700 for 2020 and 2019, respectively.

NOTE 8 DEFERRED INCOME

Deferred income represents membership dues and advertising fees received prior to the satisfaction of the related performance obligation. There was no deferred income at December 31, 2020 and deferred income at December 31, 2019 is as follows:

	<u>Amount</u>	<u>Description</u>
2019		
Visitor's guide	\$ 2,054	2020 Advertising Fees

NOTE 9 LINE OF CREDIT

The Bureau has a line of credit with a bank with a borrowing limit of \$125,000 bearing interest at the Prime Rate plus 1.50% (4.75% at December 31, 2020). The line is collateralized by the taxes receivable of the Bureau. At December 31, 2020 and 2019, there was no outstanding balance on this line of credit.

NOTE 10 CONTINGENCIES

The Bureau is involved, from time to time, in litigation and proceedings arising in the ordinary course of business. At December 31, 2020, and May 13, 2021, management does not anticipate any possible or pending material losses to arise from legal proceedings to which the Bureau is a party or to which the property of the Bureau is subject. Management does not believe an accrual for legal contingencies is necessary at December 31, 2020 and 2019.

WASHINGTON COUNTY, MARYLAND
CONVENTION AND VISITORS BUREAU, INC.
Notes to Financial Statements

NOTE 11 ECONOMIC INJURY DISASTER LOAN

In June 2020, the Bureau received an Economic Injury Disaster Loan (EIDL) through the Small Business Administration in the amount of \$149,900. The loan requires monthly principal and interest payments with a fixed rate of 2.75% starting June 2021 and maturing June 2051. The loan is secured by all assets of the Bureau. The Bureau's intention is to pay back the entire outstanding balance in 2021.

Required principal payments per the terms of the EIDL agreement are as follows:

<u>Year Ending December 31,</u>	
2021	\$ -
2022	1,723
2023	3,607
2024	3,697
2025	3,813
Thereafter	<u>137,060</u>
	<u>\$ 149,900</u>

NOTE 12 SUBSEQUENT EVENTS

The Company has evaluated events and transactions subsequent to December 31, 2020 through May 13, 2021, the date these financial statements were available to be issued. Based on definitions and requirements of generally accepted accounting principles, management has not identified any events that occurred subsequent to December 31, 2020 that require recognition or disclosure in the financial statements other than as described below.

In January 2021, the Bureau received a Paycheck Protection Program loan through the Small Business Administration (SBA) in the amount of \$88,039. The loan requires monthly principal and interest payments with a fixed rate of 1.00% starting June 2022 and maturing January 2026. However, if the Bureau submits a loan forgiveness application within ten months of the completion of the covered period, they are not required to make any payments until the forgiveness amount is remitted to the lender by the SBA. Forgiveness of the loan in full or partially, is contingent on the Bureau meeting certain requirements of the loan program regarding the use of the funds.