

Audited
Financial
Statements

December 31,
2022

Washington County,
Maryland Convention and
Visitors Bureau, Inc.



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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Washington County, Maryland Convention and Visitors Bureau, Inc.
Hagerstown, Maryland

Opinion

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, 2022 and 2021, 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.

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, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Correction of an Error

As discussed in Note 13 to the financial statements, an understatement of previous year grant receivable and revenue was discovered by management during the current year. Accordingly, amounts reported for grants receivable and grant revenue have been restated in the 2021 financial statements now presented, and an adjustment has been made to net assets as of December 31, 2021, to correct the error. Our opinion is not modified with respect to this matter.

Adoption of New Accounting Standard

As discussed in Note 1 to the financial statements, the Bureau adopted new accounting guidance issued by the Financial Accounting Standards Board (FASB) related to lease accounting. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Washington County, Maryland Convention and Visitors Bureau, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Washington County, Maryland Convention and Visitors Bureau, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Washington County, Maryland Convention and Visitors Bureau, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Smith Elliott Keorns + Company, LLC

Hagerstown, Maryland
May 22, 2023

WASHINGTON COUNTY, MARYLAND
CONVENTION AND VISITORS BUREAU, INC.
Statements of Financial Position
Years Ended December 31, 2022 and 2021

	2022	2021
ASSETS		
Current Assets		
Cash	\$ 756,935	\$ 648,469
Cash - restricted	16,507	170,000
Taxes receivable	168,481	105,999
Prepaid expenses	5,500	-
Grants receivable	227,795	69,274
Total Current Assets	<u>1,175,218</u>	<u>993,742</u>
Property and Equipment		
Office equipment	62,612	90,160
Less accumulated depreciation	<u>31,964</u>	<u>49,572</u>
Total Property and Equipment	<u>30,648</u>	<u>40,588</u>
Other Assets		
Operating lease right-of-use assets	<u>136,065</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 1,341,931</u></u>	<u><u>\$ 1,034,330</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 69,819	\$ 11,436
Accrued payroll and benefits	60,955	43,500
Deferred income	1,650	12,753
Custodial liability	-	170,000
Current maturities of operating lease obligations	<u>26,695</u>	<u>-</u>
Total Current Liabilities	<u>159,119</u>	<u>237,689</u>
Long-Term Liabilities		
Long-term operating lease obligations	<u>105,641</u>	<u>-</u>
Total Liabilities	<u>264,760</u>	<u>237,689</u>
Net Assets		
Without donor restrictions	1,060,664	796,641
With donor restrictions - 2023 USA BMX Gold Cup event	<u>16,507</u>	<u>-</u>
Total Net Assets	<u>1,077,171</u>	<u>796,641</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,341,931</u></u>	<u><u>\$ 1,034,330</u></u>

WASHINGTON COUNTY, MARYLAND
CONVENTION AND VISITORS BUREAU, INC.
Statements of Activities and Changes in Net Assets
Years Ended December 31, 2022 and 2021

	2022	2021
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenues		
Lodging taxes	\$ 1,308,163	\$ 1,210,519
Grants	737,645	206,234
Membership revenues	50,307	48,940
Official Visitor's Guide revenues	41,477	4,584
Gift shop revenues	-	1,499
Miscellaneous	-	3,176
Interest income	2,491	55
Loss on disposal of property and equipment	-	(26,745)
	<u>2,140,083</u>	<u>1,448,262</u>
Total Revenues and Other Support		
Expenses		
Advertising	809,812	442,060
Salaries	401,322	352,439
Other promotional expense	148,638	57,170
Publications	86,724	83,740
Employee benefits and payroll taxes	81,048	78,262
Public relations	78,003	62,001
Retirement expense	44,566	60,088
Convention sales expense	43,388	29,463
Rent expense	33,552	34,426
Professional fees	27,716	27,250
Miscellaneous	23,107	12,135
Maintenance and repairs	18,109	15,137
Stadium research	14,000	12,000
Utilities	13,855	13,584
Dues and subscriptions	12,271	14,470
Depreciation	9,941	9,634
Postage	6,687	4,611
Newcomer house	6,350	2,691
Civil War Heritage	6,000	10,100
Office supplies and equipment	5,508	7,610
Board of directors	3,455	3,794
Printing expenses	1,773	1,565
Interest	235	125
	<u>1,876,060</u>	<u>1,334,355</u>
Total Expenses		
Change in Net Assets Without Donor Restrictions		
	<u>264,023</u>	<u>113,907</u>
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Grant revenue	<u>16,507</u>	<u>-</u>
Change in Net Assets With Donor Restrictions		
	<u>16,507</u>	<u>-</u>
Change in Total Net Assets		
	<u>280,530</u>	<u>113,907</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS, BEGINNING OF YEAR (AS RESTATED)		
Change in net assets	<u>796,641</u>	<u>682,734</u>
	<u>264,023</u>	<u>113,907</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS, END OF YEAR		
	<u>\$ 1,060,664</u>	<u>\$ 796,641</u>
NET ASSETS WITH DONOR RESTRICTIONS, BEGINNING OF YEAR		
Change in net assets	<u>\$ -</u>	<u>\$ -</u>
	<u>16,507</u>	<u>-</u>
NET ASSETS WITH DONOR RESTRICTIONS, END OF YEAR		
	<u>\$ 16,507</u>	<u>\$ -</u>

WASHINGTON COUNTY, MARYLAND
CONVENTION AND VISITORS BUREAU, INC.
Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 280,530	\$ 113,907
Adjustment to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	9,941	9,634
Loss on disposal of property and equipment	-	26,745
Cash paid for leases in excess of recognized expense	(3,730)	-
Forgiveness of Paycheck Protection Program loan	-	(88,039)
(Increase) in taxes receivable	(62,482)	(39,268)
(Increase) in grants receivable	(158,521)	(69,274)
Decrease in inventories	-	1,262
(Increase) in prepaid expenses	(5,500)	-
Increase (decrease) in accounts payable	58,383	(8,791)
Increase in accrued payroll and benefits	17,455	2,468
(Decrease) in accrued interest	-	(2,176)
Increase (decrease) in deferred income	(11,103)	12,753
Net Cash Provided By (Used In) Operating Activities	<u>124,973</u>	<u>(40,779)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	-	(25,158)
Net Cash (Used In) Investing Activities	<u>-</u>	<u>(25,158)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program loan	-	88,039
Payments on long term debt	-	(149,900)
Increase (decrease) in custodial liability	(170,000)	150,000
Net Cash Provided By (Used In) Financing Activities	<u>(170,000)</u>	<u>88,139</u>
Net Increase (Decrease) In Cash	(45,027)	22,202
CASH AND RESTRICTED CASH, BEGINNING OF YEAR	<u>818,469</u>	<u>796,267</u>
CASH AND RESTRICTED CASH, END OF YEAR	<u>\$ 773,442</u>	<u>\$ 818,469</u>
NON-CASH INVESTING AND FINANCING TRANSACTIONS		
Establishment of operating right-of-use assets and lease obligations	\$ 155,066	\$ -
RECONCILIATION OF CASH AND RESTRICTED CASH		
Cash	\$ 756,935	\$ 648,469
Cash - restricted	<u>16,507</u>	<u>170,000</u>
TOTAL ENDING CASH BALANCE	<u>\$ 773,442</u>	<u>\$ 818,469</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 61% and 84% of the Bureau's funding in 2022 and 2021, 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.

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.

Revenue Recognition

The Bureau records the following exchange transaction revenue in its statements of activities and changes in net assets for the years ending December 31, 2022 and 2021:

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.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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)

Recently Adopted Accounting Standard

In February 2016, the FASB issued No. 2016-02, Leases (Topic 842). Under ASU No. 2016-02, lessees are 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.

The Bureau adopted ASU No. 2016-02 effective January 1, 2022. As allowed by ASU 2018-11, the guidance was applied on a prospective basis using the alternative transition method, which eliminates the requirements to restate periods prior to the date of implementation. As such, financial information related to December 31, 2021, and the year then ended has not been updated and the disclosures required under the new standard have not been provided for dates and periods prior to January 1, 2022. Additionally, implementation of the new standard did not result in a cumulative-effect adjustment to net assets.

The standard provides for several practical expedients in transition, which have been described in Note 7. The Bureau elected to apply the practical expedients, which among other things, allowed it to carryforward the prior conclusion on lease identification, lease classification, initial direct costs and determination of lease term.

There was no material impact to the Statement of Activities as a result of adoption.

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	2022	2021
Cash	\$ 756,935	\$ 648,469
Taxes receivable	168,481	105,999
Grants receivable	227,795	69,274
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u>\$ 1,153,211</u>	<u>\$ 823,742</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.

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

NOTE 2 AVAILABILITY AND LIQUIDITY OF RESOURCES (CONTINUED)

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.

NOTE 3 RESTRICTED CASH

Restricted cash includes \$16,507 in funding to be spent on the 2023 USA BMX Gold Cup event.

As of December 31, 2021, restricted cash included cash held in a demand account at a financial institution that is held on behalf of other Organizations. As of December 31, 2021, \$20,000 of the funds were to be used for the purpose of beautification for the Town of Williamsport and \$150,000 is to be used for costs towards construction of a skate park in the City of Hagerstown. These funds are reported on the Statements of Financial Position as custodial liabilities and were used for their intended purpose during 2022.

NOTE 4 PROPERTY AND EQUIPMENT

	Cost	Accumulated Depreciation	Net Book Value
2022			
Office equipment (3-15 years)	\$ 62,612	\$ 31,964	\$ 30,648
2021			
Office equipment (3-15 years)	\$ 90,160	\$ 49,572	\$ 40,588

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 \$38,043 and \$53,265 for the years ended December 31, 2022 and 2021, respectively.

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.

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

NOTE 6 FUNCTIONAL EXPENSES (CONTINUED)

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

	Management and General	Program Services	Total
2022			
Advertising	\$ -	\$ 809,812	\$ 809,812
Salaries	46,477	354,845	401,322
Other promotional expense	-	148,638	148,638
Publications	-	86,724	86,724
Employee benefits and payroll taxes	20,262	60,786	81,048
Public relations	7,656	70,347	78,003
Convention sales expense	3,267	40,121	43,388
Retirement expense	11,142	33,425	44,566
Rent expense	15,119	18,433	33,552
Professional fees	27,716	-	27,716
Miscellaneous	8,272	14,835	23,107
Maintenance and repairs	5,433	12,676	18,109
Stadium research	-	14,000	14,000
Utilities	2,771	11,085	13,855
Dues and subscriptions	1,247	11,024	12,271
Depreciation	2,982	6,959	9,941
Postage	2,006	4,681	6,687
Newcomer house	-	6,350	6,350
Civil War Heritage	-	6,000	6,000
Office supplies	1,113	4,396	5,508
Board of directors	3,455	-	3,455
Printing expenses	355	1,418	1,773
Interest	235	-	235
Total	\$ 159,508	\$ 1,716,555	\$ 1,876,060
2021			
Advertising	\$ -	\$ 442,060	\$ 442,060
Salaries	37,244	315,195	352,439
Publications	-	83,740	83,740
Employee benefits and payroll taxes	19,566	58,697	78,262
Public relations	-	62,001	62,001
Retirement expense	15,022	45,066	60,088
Other promotional expense	-	57,170	57,170
Rent expense	14,737	19,689	34,426
Convention sales expense	1,277	28,186	29,463
Professional fees	27,250	-	27,250
Maintenance and repairs	4,541	10,596	15,137
Dues and subscriptions	1,452	13,018	14,470
Utilities	2,636	10,948	13,584
Miscellaneous	2,598	9,537	12,135
Stadium research	-	12,000	12,000
Civil War Heritage	-	10,100	10,100
Depreciation	2,890	6,744	9,634
Office supplies	2,015	5,595	7,610
Postage	1,383	3,228	4,611
Board of directors	3,794	-	3,794
Newcomer house	-	2,691	2,691
Printing expenses	313	1,252	1,565
Interest	125	-	125
Total	\$ 136,843	\$ 1,197,512	\$ 1,334,355

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

NOTE 7 LEASES

Lease obligations represent the Bureau's obligation to make lease payments and are presented at each reporting date as the net present value of the remaining contractual cash flows. Cash flows are discounted at the Bureau's incremental borrowing rate in effect at the commencement of the lease. Right-of-use assets represent the Bureau's right to use the underlying asset for the lease term and are calculated as the sum of the lease liability and, if applicable, prepaid rent, initial direct costs and any incentives received from the lessor.

The Bureau's long-term lease agreements are classified as operating leases. The lease agreements do not provide for residual value guarantees and have no restrictions or covenants that would impact the financial statements or require incurring additional financial obligations.

The expenses incurred under these leases were as follows:

	Building	Vehicle	Equipment	Total
2022				
Operating lease expense	\$ 24,032	\$ 7,219	\$ 1,220	\$ 32,471
2021				
Operating lease expense	\$ 23,311	\$ 6,299	\$ 803	\$ 30,413

For the year ended December 31, 2022, there were no significant variable lease costs incurred. Cash paid for amounts included in the measurement of lease obligations totaled \$26,225. The leases expire between 2025 and 2028.

The following is a schedule of future minimum lease payments included in the calculation of the lease obligations as of December 31, 2022:

Year Ending December 31,	Operating
2023	\$ 29,709
2024	30,226
2025	28,771
2026	23,358
2027	22,839
Thereafter	<u>5,745</u>
Total gross cash flows	140,648
Present value adjustment	<u>(8,312)</u>
Lease obligations	132,336
Less: current portion	<u>26,695</u>
	<u><u>\$ 105,641</u></u>

The Bureau assumed an incremental borrowing rate of 1.76%, 2.73%, and 2.56% to discount the future minimum lease payments included in operating lease obligations. This discount rate was determined by the Bureau based on the risk-free treasury rate for 5, 3.5, and 5 years, respectively. At December 31, 2022, the weighted average discount rate was 2.56%. Additionally, the weighted average remaining lease term as of December 31, 2022 was 4.82 years.

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

NOTE 8 DEFERRED INCOME

Deferred income represents advertising fees received prior to the satisfaction of the related performance obligation. Deferred income at December 31 is as follows:

	Amount	Description
2022		
Visitor's guide	\$ 1,650	2023 Advertising Fees
2021		
Visitor's guide	\$ 12,753	2022 Advertising Fees

Additionally, deferred income as of January 1, 2021 was \$0.

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% (9.00% at December 31, 2022). The line is collateralized by the taxes receivable of the Bureau. At December 31, 2022 and 2021, 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, 2022, and through May 17, 2023, 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, 2022 and 2021.

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 required monthly principal and interest payments with a fixed rate of 2.75% and was secured by all assets of the Bureau. The loan was repaid in full in May 2021.

NOTE 12 PAYCHECK PROTECTION PROGRAM LOAN

In January 2021, the Bureau received a Paycheck Protection Program loan through the Small Business Administration (SBA) in the amount of \$88,039. The Bureau submitted a loan forgiveness application and received full loan forgiveness in 2021. The entire amount of the loan forgiven is included in grant income on the statements of activities and changes in net assets.

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

NOTE 13 GRANT RESTATEMENT

The financial statements for the year ended December 31, 2021 have been restated to correct an error of not recording a 2021 reimbursement grant receivable and revenue for \$69,274. Net assets as of January 1, 2022 were increased by \$69,274 as a result of the restatement.

NOTE 14 SUBSEQUENT EVENTS

The Bureau has evaluated events and transactions subsequent to December 31, 2022 through May 22, 2023, 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, 2022 that require recognition or disclosure in the financial statements.