

Audited  
Financial  
Statements

December 31,  
2016

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Washington County,  
Maryland Convention and  
Visitors Bureau, Inc.



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Smith Elliott Kearns & Company, LLC  
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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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, 2016 and 2015, 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, 2016 and 2015, 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 Kearns & Company, LLC*

Hagerstown, Maryland  
May 16, 2017

**WASHINGTON COUNTY, MARYLAND**  
**CONVENTION AND VISITORS BUREAU, INC.**  
**Statements of Financial Position**  
**December 31, 2016 and 2015**

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	<b>2016</b>	<b>2015</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 98,272	\$ 158,849
Taxes receivable	68,837	83,923
Grants receivable	703	6,961
Inventories	11,552	12,231
Prepaid expenses	<u>13,516</u>	<u>1,900</u>
Total Current Assets	<u>192,880</u>	<u>263,864</u>
<b>Property and Equipment</b>		
Office equipment	42,462	58,446
Leasehold improvements	<u>33,236</u>	<u>26,832</u>
	75,698	85,278
Less accumulated depreciation	<u>47,430</u>	<u>61,049</u>
Total Property and Equipment	<u>28,268</u>	<u>24,229</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 221,148</u></u>	<u><u>\$ 288,093</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 17,555	\$ 14,317
Accrued salaries and wages	21,541	30,215
Deferred income	<u>24,559</u>	<u>58,180</u>
Total Current Liabilities	63,655	102,712
<b>Unrestricted Net Assets</b>	<u>157,493</u>	<u>185,381</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 221,148</u></u>	<u><u>\$ 288,093</u></u>

**WASHINGTON COUNTY, MARYLAND**  
**CONVENTION AND VISITORS BUREAU, INC.**  
**Statements of Activities and Changes in Net Assets**  
**Years Ended December 31, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
<b>UNRESTRICTED REVENUES AND OTHER SUPPORT</b>		
Lodging taxes	\$ 1,016,479	\$ 1,029,378
Grants	68,565	14,861
Membership revenues	53,353	73,034
Official Visitor's Guide revenues	50,878	28,793
Gift shop revenues	18,953	17,199
Ticket sale commissions	1,293	1,235
Advertising revenues	1,485	850
Miscellaneous	12	503
Interest income	199	174
	<u>1,211,217</u>	<u>1,166,027</u>
Total Revenues and Other Support		
<b>UNRESTRICTED EXPENSES</b>		
Advertising expense	314,672	384,819
Board of directors expense	5,301	2,366
Convention sales expense	77,965	76,674
Civil War Heritage	6,200	17,229
Depreciation	7,764	8,096
Dues and subscriptions	15,001	18,897
Employee benefits and payroll taxes	65,469	62,687
Gift shop cost of sales	11,328	6,890
Interest expense	76	-
Loss on disposal of asset	81	-
Maintenance and repairs	26,287	34,893
Miscellaneous	13,012	9,540
Newcomer house expenses	3,848	1,705
Office supplies	16,288	12,215
Office equipment expense	24,303	-
Postage	13,800	16,067
Printing expenses	5,652	5,718
Professional fees	21,975	21,729
Programs expense	93,987	68,295
Public relations	64,419	43,305
Publications expense	80,542	85,098
Rent expense	40,204	40,556
Salaries	312,345	299,546
Utilities	18,586	18,170
	<u>1,239,105</u>	<u>1,234,495</u>
Total Expenses		
Change In Unrestricted Net Assets	(27,888)	(68,468)
<b>UNRESTRICTED NET ASSETS, BEGINNING OF YEAR</b>	<u>185,381</u>	<u>253,849</u>
<b>UNRESTRICTED NET ASSETS, END OF YEAR</b>	<u>\$ 157,493</u>	<u>\$ 185,381</u>

**WASHINGTON COUNTY, MARYLAND**  
**CONVENTION AND VISITORS BUREAU, INC.**  
**Statements of Cash Flows**  
**Years Ended December 31, 2016 and 2015**

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	<b>2016</b>	<b>2015</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in unrestricted net assets	\$ (27,888)	\$ (68,468)
Adjustment to reconcile change in net assets to net cash (used in) operating activities:		
Depreciation	7,764	8,096
Loss on asset disposal	81	-
Decrease in grants receivable	6,258	40,284
(Increase) decrease in taxes receivable	15,086	(7,974)
(Increase) decrease in inventories	679	(743)
(Increase) decrease in prepaid expenses	(11,616)	9,767
Increase (decrease) in accounts payable	3,238	(7,570)
Increase (decrease) in accrued expenses	(8,674)	5,557
Increase (decrease) in deferred income	<u>(33,621)</u>	<u>5,845</u>
Net Cash (Used In) Operating Activities	<u>(48,693)</u>	<u>(15,206)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property and equipment	<u>(11,884)</u>	<u>-</u>
Net Cash (Used In) Investing Activities	<u>(11,884)</u>	<u>-</u>
Net (Decrease) In Cash	(60,577)	(15,206)
<b>CASH, BEGINNING OF YEAR</b>	<u>158,849</u>	<u>174,055</u>
<b>CASH, END OF YEAR</b>	<u>\$ 98,272</u>	<u>\$ 158,849</u>

**WASHINGTON COUNTY, MARYLAND**  
**CONVENTION AND VISITORS BUREAU, INC.**  
**Notes to Financial Statements**  
**December 31, 2016 and 2015**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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***Organization and Nature of Operation***

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 84% of the Bureau's unrestricted funding in 2016 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.

***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.

***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.

**WASHINGTON COUNTY, MARYLAND**  
**CONVENTION AND VISITORS BUREAU, INC.**  
**Notes to Financial Statements**  
**December 31, 2016 and 2015**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***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. Advertising expense amounted to \$314,672 and \$384,819 for the years ended December 31, 2016 and 2015, respectively.

***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).

***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.

**WASHINGTON COUNTY, MARYLAND**  
**CONVENTION AND VISITORS BUREAU, INC.**  
**Notes to Financial Statements**  
**December 31, 2016 and 2015**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***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.

**NOTE 2 PROPERTY AND EQUIPMENT**

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	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>Net Book Value</b>
<b>2016</b>			
Office equipment (3-10 years)	\$ 42,462	\$ 32,428	\$ 10,034
Leasehold improvements (5-15 years)	33,236	15,002	18,234
	<u>\$ 75,698</u>	<u>\$ 47,430</u>	<u>\$ 28,268</u>
<b>2015</b>			
Office equipment (3-10 years)	\$ 58,446	\$ 42,440	\$ 16,006
Leasehold improvements (5-15 years)	26,832	18,609	8,223
	<u>\$ 85,278</u>	<u>\$ 61,049</u>	<u>\$ 24,229</u>

Depreciation expense was \$7,764 and \$8,096 for years ended December 31, 2016 and 2015, respectively.

**NOTE 3 SAVINGS INCENTIVE PLAN FOR EMPLOYEES**

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The Bureau adopted a contributory employee savings incentive plan effective June 29, 1998. The plan covers substantially all employees and the Bureau may contribute a matching amount at their discretion. Employer contributions to the plan were \$6,364 and \$3,961 for the years ended December 31, 2016 and 2015, respectively.

**NOTE 4 FUNCTIONAL EXPENSES**

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Expenses grouped by functional category are as follows:

	<b>2016</b>	<b>2015</b>
Program services	\$ 1,064,668	\$ 1,072,281
Management and general	174,437	162,214
	<u>\$ 1,239,105</u>	<u>\$ 1,234,495</u>

Salary expenses for the visitor center store employees reflects as an expense to the store, but employees only spend a portion of their time servicing store customers while their remaining time is spent answering phones for the visitor's bureau.

**WASHINGTON COUNTY, MARYLAND**  
**CONVENTION AND VISITORS BUREAU, INC.**  
**Notes to Financial Statements**  
**December 31, 2016 and 2015**

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**NOTE 5 OPERATING LEASES**

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The Bureau leases office space from an unrelated party on a month-to-month basis. The lease requires a monthly payment of \$1,224.

The Bureau also leases retail space from the City of Hagerstown, which will expire in 2021, requiring monthly payments of \$1,609. The lease contains an option to renew for a period of five years with a 3.6% increase of monthly payments. The Bureau must maintain general liability insurance and property damage insurance.

During 2012, the Bureau entered into a lease for a mailing machine from a local vendor. The lease term is for sixty months, expiring in 2017, with a monthly payment of \$75.

During 2016, the Bureau entered into a sixty month lease for a copier which expires in 2021, requiring a monthly payment of \$330, including taxes and monthly service charges.

During 2016, the Bureau entered into a lease for a vehicle with Honda. The lease term is for 36 months, expiring in 2019, with a monthly payment of \$467.

The following is a schedule of future minimum lease payments for the above operating leases based on their current terms as of December 31, 2016:

<u>Year Ending December 31,</u>	
2017	\$ 29,086
2018	29,086
2019	25,594
2020	23,261
2021	22,584

Rent expense for operating leases was \$40,204 and \$40,556 for 2016 and 2015, respectively.

**WASHINGTON COUNTY, MARYLAND**  
**CONVENTION AND VISITORS BUREAU, INC.**  
**Notes to Financial Statements**  
**December 31, 2016 and 2015**

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**NOTE 6 DEFERRED INCOME**

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Deferred income represents fees and grants received prior to the designated period. Deferred income at December 31 is as follows:

	<b>Amount</b>	<b>Description</b>
<b>2016</b>		
Membership fees	\$ 14,891	2017 Dues
Visitor guide	9,668	2017 Advertising Fees
	<u>\$ 24,559</u>	
<b>2015</b>		
Membership fees	\$ 48,120	2016 Dues
Visitor guide	10,060	2016 Advertising Fees
	<u>\$ 58,180</u>	

**NOTE 7 LINE OF CREDIT**

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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% (5.25% at December 31, 2016). At December 31, 2016 and 2015, there was no outstanding balance on this line of credit.

**NOTE 8 SUBSEQUENT EVENTS**

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The Bureau has evaluated events and transactions subsequent to December 31, 2016 through May 16, 2016, the date these financial statements were available to be issued. Based on the definitions and requirements of generally accepted accounting principles, management has not identified any events that have occurred subsequent to December 31, 2016 through May 16, 2016 that require recognition or disclosure in the financial statements.