

Audited
Financial
Statements

December 31,
2017

Washington County,
Maryland Convention and
Visitors Bureau, Inc.



CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statements of Cash Flows	5
Notes to Financial Statements	6-10



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

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, 2017 and 2016, 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, 2017 and 2016, 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 11, 2018

WASHINGTON COUNTY, MARYLAND
CONVENTION AND VISITORS BUREAU, INC.
Statements of Financial Position
December 31, 2017 and 2016

	2017	2016
ASSETS		
Current Assets		
Cash	\$ 160,868	\$ 98,272
Taxes receivable	70,452	68,837
Grants receivable	-	703
Inventories	9,648	11,552
Prepaid expenses	-	13,516
	<u>240,968</u>	<u>192,880</u>
Property and Equipment		
Office equipment	66,382	42,462
Leasehold improvements	33,236	33,236
	<u>99,618</u>	<u>75,698</u>
Less accumulated depreciation	55,834	47,430
	<u>43,784</u>	<u>28,268</u>
	<u>240,968</u>	<u>192,880</u>
TOTAL ASSETS	<u><u>\$ 284,752</u></u>	<u><u>\$ 221,148</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 24,741	\$ 17,555
Accrued salaries and wages	22,633	21,541
Deferred income	59,298	24,559
	<u>106,672</u>	<u>63,655</u>
Total Current Liabilities	106,672	63,655
Unrestricted Net Assets	<u>178,080</u>	<u>157,493</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 284,752</u></u>	<u><u>\$ 221,148</u></u>

WASHINGTON COUNTY, MARYLAND
CONVENTION AND VISITORS BUREAU, INC.
Statements of Activities and Changes in Net Assets
Years Ended December 31, 2017 and 2016

	2017	2016
UNRESTRICTED REVENUES AND OTHER SUPPORT		
Lodging taxes	\$ 1,028,163	\$ 1,016,479
Grants	102,815	68,565
Membership revenues	49,650	53,353
Official Visitor's Guide revenues	46,806	50,878
Gift shop revenues	19,433	18,953
Ticket sale commissions	1,895	1,293
Advertising revenues	2,463	1,485
Miscellaneous	6	12
Interest income	479	199
	<u>1,251,710</u>	<u>1,211,217</u>
Total Revenues and Other Support		
UNRESTRICTED EXPENSES		
Advertising expense	330,325	314,672
Board of directors expense	4,413	5,301
Convention sales expense	74,131	77,965
Civil War Heritage	3,800	6,200
Depreciation	8,404	7,764
Dues and subscriptions	17,088	15,001
Employee benefits and payroll taxes	66,069	65,469
Gift shop cost of sales	9,949	11,328
Interest expense	324	76
Loss on disposal of asset	-	81
Maintenance and repairs	22,039	26,287
Miscellaneous	15,174	13,012
Newcomer house expenses	4,501	3,848
Office supplies	7,879	16,288
Office equipment expense	-	24,303
Postage	11,791	13,800
Printing expenses	4,007	5,652
Professional fees	25,300	21,975
Programs expense	80,100	93,987
Public relations	60,940	64,419
Publications expense	89,117	80,542
Rent expense	42,976	40,204
Salaries	334,128	312,345
Utilities	18,668	18,586
	<u>1,231,123</u>	<u>1,239,105</u>
Total Expenses		
Change In Unrestricted Net Assets	20,587	(27,888)
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	<u>157,493</u>	<u>185,381</u>
UNRESTRICTED NET ASSETS, END OF YEAR	<u>\$ 178,080</u>	<u>\$ 157,493</u>

WASHINGTON COUNTY, MARYLAND
CONVENTION AND VISITORS BUREAU, INC.
Statements of Cash Flows
Years Ended December 31, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in unrestricted net assets	\$ 20,587	\$ (27,888)
Adjustment to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	8,404	7,764
Loss on asset disposal	-	81
Decrease in grants receivable	703	6,258
(Increase) decrease in taxes receivable	(1,615)	15,086
Decrease in inventories	1,904	679
(Increase) decrease in prepaid expenses	13,516	(11,616)
Increase in accounts payable	7,186	3,238
Increase (decrease) in accrued expenses	1,092	(8,674)
Increase (decrease) in deferred income	<u>34,739</u>	<u>(33,621)</u>
Net Cash Provided By (Used In) Operating Activities	<u>86,516</u>	<u>(48,693)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	<u>(23,920)</u>	<u>(11,884)</u>
Net Cash (Used In) Investing Activities	<u>(23,920)</u>	<u>(11,884)</u>
Net Increase (Decrease) In Cash	62,596	(60,577)
CASH, BEGINNING OF YEAR	<u>98,272</u>	<u>158,849</u>
CASH, END OF YEAR	<u>\$ 160,868</u>	<u>\$ 98,272</u>

WASHINGTON COUNTY, MARYLAND
CONVENTION AND VISITORS BUREAU, INC.
Notes to Financial Statements
December 31, 2017 and 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 82% of the Bureau's unrestricted funding in 2017 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, 2017 and 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$330,325 and \$314,672 for the years ended December 31, 2017 and 2016, 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, 2017 and 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

	Cost	Accumulated Depreciation	Net Book Value
2017			
Office equipment (3-10 years)	\$ 66,382	\$ 38,892	\$ 27,490
Leasehold improvements (5-15 years)	33,236	16,942	16,294
	<u>\$ 99,618</u>	<u>\$ 55,834</u>	<u>\$ 43,784</u>
2016			
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>

Depreciation expense was \$8,404 and \$7,764 for years ended December 31, 2017 and 2016, respectively.

NOTE 3 SAVINGS INCENTIVE PLAN FOR EMPLOYEES

The Bureau adopted a contributory employee savings incentive plan effective June 29, 1998. The plan covered substantially all employees and the Bureau could contribute a matching amount at their discretion. Employer contributions to the plan were \$6,253 and \$6,364 for the years ended December 31, 2017 and 2016, respectively. This plan was terminated December 31, 2017.

On January 1, 2018, the Bureau adopted a new contributory employee savings incentive 401(k) plan. The plan covers substantially all employees and the Bureau may contribute a matching amount at their discretion.

NOTE 4 FUNCTIONAL EXPENSES

Expenses grouped by functional category are as follows:

	2017	2016
Program services	\$ 1,056,426	\$ 1,064,668
Management and general	174,697	174,437
	<u>\$ 1,231,123</u>	<u>\$ 1,239,105</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, 2017 and 2016

NOTE 5 OPERATING LEASES

The Bureau leases office space from an unrelated party which will expire 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 will expire in January 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, with a monthly payment of \$75. This lease will be paid off in 2018.

During 2016, the Bureau entered into a sixty month lease for a copier which expires in August 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 May 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, 2017:

<u>Year Ending December 31,</u>	
2018	\$ 47,486
2019	44,454
2020	42,592
2021	24,060
2022	20,310

Rent expense for office and retail space under operating leases was \$42,976 and \$40,204 for 2017 and 2016, respectively.

WASHINGTON COUNTY, MARYLAND
CONVENTION AND VISITORS BUREAU, INC.
Notes to Financial Statements
December 31, 2017 and 2016

NOTE 6 DEFERRED INCOME

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

	Amount	Description
2017		
Membership fees	\$ 24,630	2018 Dues
Visitor guide	9,668	2018 Advertising Fees
USA cycling event	25,000	2018 event
	<u>\$ 59,298</u>	
2016		
Membership fees	\$ 14,499	2017 Dues
Visitor guide	10,060	2017 Advertising Fees
	<u>\$ 24,559</u>	

NOTE 7 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% (4.50% at December 31, 2017). At December 31, 2017 and 2016, there was no outstanding balance on this line of credit.

NOTE 8 SUBSEQUENT EVENTS

The Bureau has evaluated events and transactions subsequent to December 31, 2017 through May 11, 2018, the date these financial statements were available to be issued. Based on the definitions and requirements of generally accepted accounting principles, management has identified one event that has occurred subsequent to December 31, 2017 through May 11, 2018 that require recognition or disclosure in the financial statements.

January 1, 2018, the Bureau adopted a new contributory employee savings plan 401(k) as discussed in Note 3.