Audited Financial Statements

December 31, 2019

Washington County, Maryland Convention and Visitors Bureau, Inc.

Visit HAGERSTOWN & Washington County

Convention and Visitors Bureau

CONTENTS

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, 2019 and 2018, 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, 2019 and 2018, 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.

EFFECT OF ADOPTING NEW ACCOUNTING STANDARDS

As discussed in Note 1 to the financial statements, Washington County, Maryland Convention and Visitors Bureau, Inc. adopted new accounting guidance by the Financial Accounting Standards Board (FASB) related to revenue recognition, contribution and exchange transactions, and the reporting of restricted cash on the statements of cash flows. Our opinion is not modified with respect to these matters.

Hagerstown, Maryland
May 20, 2020

WASHINGTON COUNTY, MARYLAND
CONVENTION AND VISITORS BUREAU, INC.
Statements of Financial Position
December 31, 2019 and 2018

	2019	2018
ASSETS		
Current Assets		
Cash	$ 116,068	$ 128,141
Cash - restricted	20,000	-
Grant receivable	53,200	-
Taxes receivable	87,658	77,920
Inventories	10,802	10,452
Total Current Assets	287,728	216,513
Property and Equipment		
Office equipment	66,382	66,382
Leasehold improvements	33,236	33,236
	99,618	99,618
Less accumulated depreciation	72,397	65,237
Total Property and Equipment	27,221	34,381
TOTAL ASSETS	$ 314,949	$ 250,894
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	$ 15,263	$ 25,039
Accrued salaries and wages	14,362	24,687
Deferred income	2,054	24,000
Custodial liability	20,000	-
Total Current Liabilities	51,679	73,726
Net Assets		
Without donor restrictions	263,270	177,168
TOTAL LIABILITIES AND NET ASSETS	$ 314,949	$ 250,894

WASHINGTON COUNTY, MARYLAND
CONVENTION AND VISITORS BUREAU, INC.
Statements of Activities and Changes in Net Assets
Years Ended December 31, 2019 and 2018

	2019	2018
REVENUES AND OTHER SUPPORT WITHOUT DONOR RESTRICTIONS		
Lodging taxes	$ 1,148,019	$ 1,116,851
Grants	141,047	47,135
Membership revenues	56,568	59,124
Official Visitor's Guide revenues	68,111	60,894
Gift shop revenues	14,026	12,880
USA cycling	113,001	64,950
Miscellaneous	589	5,180
Interest income	128	538
Total Revenues and Other Support	1,541,489	1,367,552
EXPENSES		
Advertising	308,101	280,273
Board of directors	5,079	4,316
Convention sales expense	53,900	49,219
USA cycling	174,523	168,337
Civil War Heritage	5,800	6,200
Depreciation	7,160	9,404
Dues and subscriptions	16,850	15,630
Employee benefits and payroll taxes	68,218	61,488
Gift shop cost of sales	6,312	7,600
Maintenance and repairs	19,563	16,116
Miscellaneous	15,685	20,565
Newcomer house	7,428	4,663
Office supplies	6,786	6,982
Postage	6,955	10,253
Printing expenses	1,376	5,379
Professional fees	26,062	24,820
Other promotional expense	96,631	73,860
Public relations	81,591	64,676
Publications	83,497	82,351
Rent expense	57,700	55,466
Retirement expense	34,592	30,157
Salaries	357,900	338,792
Stadium research	12,000	12,000
Utilities	20,549	19,917
Total Expenses	1,474,258	1,368,464
Change in Net Assets Without Donor Restrictions	67,231	(912)
NET ASSETS WITHOUT DONOR RESTRICTIONS, BEGINNING OF YEAR	177,168	178,080
Cumulative effect of adopting ASC 606	18,871	-
NET ASSETS WITHOUT DONOR RESTRICTIONS, BEGINNING OF YEAR, ADJUSTED	196,039	178,080
NET ASSETS WITHOUT DONOR RESTRICTIONS, END OF YEAR	$ 263,270	$ 177,168

WASHINGTON COUNTY, MARYLAND
CONVENTION AND VISITORS BUREAU, INC.
Statements of Cash Flows
Years Ended December 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets without donor restrictions	$ 67,231	$ (912)
Adjustment to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	7,160	9,404
(Increase) in grant receivable	(53,200)	-
(Increase) in taxes receivable	(9,738)	(7,469)
(Increase) in inventories	(350)	(804)
Increase (decrease) in accounts payable	(9,776)	298
Increase (decrease) in accrued expenses	(10,325)	2,054
(Decrease) in deferred income	(3,075)	(35,298)
Net Cash (Used In) Operating Activities	(12,073)	(32,727)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in custodial liability	20,000	-
Net Cash Provided By Financing Activities	20,000	-
Net Increase (Decrease) In Cash	7,927	(32,727)
CASH AND RESTRICTED CASH, BEGINNING OF YEAR	128,141	160,868
CASH AND RESTRICTED CASH, END OF YEAR	$ 136,068	$ 128,141
RECONCILIATION OF CASH AND RESTRICTED CASH		
Cash	$ 116,068	$ 128,141
Cash - restricted	20,000	-
Total Ending Cash Balance	$ 136,068	$ 128,141

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 75% and 82% of the Bureau's funding without donor restrictions in 2019 and 2018, 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.

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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Adopted Accounting Standards

In May 2014, the FASB issued Accounting Standards Update 2014-09, Revenue from Contracts with Customers (Topic 606) (ASU 2014-09). ASU 2014-09 affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets. The five-step model defined by ASU 2014-09 requires the Bureau to identify the contracts with the customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligations in the contract, and recognize revenue when each performance obligation is satisfied. Revenue is recognized when promised goods or services are transferred to the customer in an amount that reflects the consideration expected in exchange for those goods or services. ASU 2014-09 also requires enhanced disclosure of revenue arrangements. ASU 2014-09 may be applied retrospectively to each prior period (full retrospectively) or retrospectively with the cumulative effect recognized as of the date of initial application (modified retrospective). ASU 2014-09, as amended, is effective for the Bureau's fiscal year beginning January 1, 2019. The Bureau adopted the new standard under the modified retrospective approach applied to certain contracts which were not completed as of December 31, 2018. Under the modified retrospective approach, guidance is applied to the most current period presented, recognizing the cumulative effect of the adoption change as an adjustment to the beginning net assets. The Bureau has determined that the adoption of ASU 2014-09 did require 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. 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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Adopted Accounting Standards (Continued)

During 2019, the Bureau also adopted the provisions of FASB ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958). This accounting standard is meant to help not-for-profit entities evaluate whether transactions should be accounted for as contributions or as exchange transactions and, if the transaction is identified as a contribution, whether it is conditional or unconditional. ASU 2018-08 clarifies how the Bureau determines whether a resource provider is receiving commensurate value in return for a grant. If the resource provider does receive commensurate value from the grant recipient, the transaction is an exchange transaction and would follow the guidance under ASU 2014-09 (FASB ASC Topic 606). If no commensurate value is received by the grant maker, the transfer is a contribution. ASU 2018-08 stresses that the value received by the general public as a result of the grant is not considered to be commensurate value received by the provider of the grant. Results for reporting the year ending December 31, 2019 are presented under FASB ASU 2018-08. The comparative information has not been restated and continues to be reported under the accounting standards in effect in those reporting periods. There was no material impact to the financial statements as a result of adoption. Accordingly, no adjustment to beginning net assets was recorded.

The Bureau also adopted Accounting Standards Update 2016-18, Statements of Cash Flows (Topic 230): Restricted Cash during 2019.The standard requires disclosure about the nature of any restrictions on cash and requires total cash on the statement of cash flows to include unrestricted and restricted cash balances. This new accounting standard has been applied retrospectively to the prior period presented. The adoption of this accounting standard did not have an impact on the Bureau's financial position or operating income.

Revenue Recognition

Revenue from Exchange Transactions: The Bureau recognizes revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

The Bureau records the following exchange transaction revenue in its statements of activities and changes in net assets for the years ending December 31, 2019 and 2018:

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.

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, 2019.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 fiscal years beginning after December 15, 2021. The Bureau is evaluating the impact that the updated standard with have on the financial statements.

Reclassifications

Certain reclassifications of amounts previously reported have been made in the accompanying financial statements in order to make them conform to classifications used for the year ended December 31, 2019.

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	2019	2018
Cash	$ 116,068	$ 128,141
Taxes receivable	87,658	77,920
Grant receivable	53,200	-
Financial assets available to meet general expenditures over the next twelve months	$ 256,926	$ 206,061

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.

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 donor restricted for the purpose of permanent beautification for the Town of Williamsport, and amounts to $20,000 as of December 31, 2019. These funds are reported on the Statements of Financial Position as a custodial liability.

NOTE 4 PROPERTY AND EQUIPMENT

	Cost	Accumulated Depreciation	Net Book Value
2019			
Office equipment (3-10 years)	$ 66,382	$ 51,575	$ 14,807
Leasehold improvements (5-15 years)	33,236	20,822	12,414
	$ 99,618	$ 72,397	$ 27,221
2018			
Office equipment (3-10 years)	$ 66,382	$ 46,355	$ 20,027
Leasehold improvements (5-15 years)	33,236	18,882	14,354
	$ 99,618	$ 65,237	$ 34,381

Depreciation expense was $7,160 and $9,404 for years ended December 31, 2019 and 2018, respectively.

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 $34,592 and $30,157 for the years ended December 31, 2019 and 2018, 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.

NOTE 6 FUNCTIONAL EXPENSES (CONTINUED)

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

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	-	96,631	96,631
Public relations	-	81,591	81,591
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	$ 1,303,634	$ 1,474,258

NOTE 6 FUNCTIONAL EXPENSES (CONTINUED)

2018	**Management and General**	**Program Services**	**Total**
Advertising	$ -	$ 280,273	$ 280,273
Board of directors	4,316	-	4,316
Convention sales expense	3,151	46,068	49,219
USA cycling	-	168,337	168,337
Civil War Heritage	-	6,200	6,200
Depreciation	2,821	6,583	9,404
Dues and subscriptions	1,576	14,054	15,630
Employee benefits and payroll taxes	15,372	46,116	61,488
Gift shop cost of sales	-	7,600	7,600
Maintenance and repairs	4,835	11,281	16,116
Miscellaneous	4,895	15,670	20,565
Newcomer house	-	4,663	4,663
Office supplies	1,396	5,586	6,982
Postage	3,076	7,177	10,253
Printing expenses	1,076	4,303	5,379
Professional fees	24,820	-	24,820
Programs	-	73,860	73,860
Public relations	-	64,676	64,676
Publications	-	82,351	82,351
Rent expense	18,321	37,145	55,466
Retirement expense	7,539	22,618	30,157
Salaries	57,168	281,624	338,792
Stadium research	-	12,000	12,000
Utilities	4,136	15,781	19,917
Total	$ 154,498	$1,213,966	$1,368,464

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 expires in January 2021, requiring monthly payments of $1,609. The lease contains an option to renew for a period of five years with a monthly payment of $1,667. The Bureau must maintain general liability insurance and property damage insurance.

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, requiring a monthly payment of $525.

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, 2019:

Year Ending December 31,		
2020	$	48,766
2021		30,210
2022		22,225
2023		5,060

Rent expense under operating leases was $57,700 and $55,466 for 2019 and 2018, respectively.

NOTE 8 DEFERRED INCOME

Deferred income represents membership dues and advertising fees received prior to the satisfaction of the related performance obligation as of December 31, 2019. Prior to the adoption of ASC 606, as described in Note 1, deferred income represented membership dues and advertising fees received before the designated period. Deferred income at December 31 is as follows:

		Amount	Description
2019			
Visitor's guide	$	2,054	2019 Advertising Fees
	$	2,054	
2018			
Membership fees	$	18,871	2019 Dues
Visitor's guide		5,129	2018 Advertising Fees
	$	24,000	

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% (6.25% at December 31, 2019). The line is collateralized by the taxes receivable of the Bureau. At December 31, 2019 and 2018, 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, 2019, and May 20, 2020, 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, 2019 and 2018.

NOTE 11 SUBSEQUENT EVENTS

The Company has evaluated events and transactions subsequent to December 31, 2019 through May 20, 2020, 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, 2019 that require recognition or disclosure in the financial statements other than described below.

Subsequent to December 31, 2019, the World Health Organization declared the novel coronavirus (COVID-19) outbreak a public health emergency. The full extent of the outbreak, related business and travel restrictions and changes to behavior intended to reduce its spread are uncertain as of May 20, 2020 as this continues to evolve globally. Therefore, the full extent to which coronavirus may impact the Bureau's results of operations, liquidity, or financial position is uncertain. Management continues to monitor the impact that the COVID-19 pandemic is having on the Bureau, and the areas in which the Bureau operates. As of the date of this report, the Bureau has temporarily closed the Visitor Welcome Center.