

**SALISBURY-ROWAN COUNTY
CONVENTION & VISITORS BUREAU, INC.**

FINANCIAL STATEMENTS

June 30, 2019 and 2018

**SALISBURY-ROWAN COUNTY
CONVENTION & VISITORS BUREAU, INC.**

CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	2
Statements of Activities	3-4
Statements of Functional Expenses	5-6
Statements of Cash Flows	7
Notes to Financial Statements	8-13

EDDIE CARRICK, CPA, PC
Certified Public Accountant

Independent Auditor's Report

The Board of Directors
Salisbury-Rowan County Convention & Visitors Bureau, Inc.
Salisbury, North Carolina

Report on the financial statements

We have audited the accompanying statements of financial position of Salisbury-Rowan County Convention & Visitors Bureau, Inc. as of June 30, 2019 and 2018, and the related statements of activities, functional expenses 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 on 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 consolidated 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 audit 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of 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 the evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe 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 Salisbury-Rowan County Convention & Visitors Bureau, Inc. as of June 30, 2019 and 2018, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Eddie Carrick, CPA, PC



Lexington, North Carolina
October 5, 2019

SALISBURY-ROWAN COUNTY CONVENTION & VISITORS BUREAU, INC.

STATEMENTS OF FINANCIAL POSITION

As of June 30,

	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 10,299	\$ (48,602)
Cash and cash equivalents-restricted	-	48,815
Prepaid rent	-	-
Accounts receivable	-	-
	10,299	213
Noncurrent Assets		
Land and construction in process	39,795	39,795
Office furniture, equipment, & leasehold improvements	220,668	220,668
Website	46,175	46,175
Trademark	33,717	33,717
Accumulated amortization	(6,743)	(4,496)
Accumulated depreciation	(157,059)	(119,064)
	176,552	216,794
Total noncurrent assets	176,552	216,794
Total Assets	\$ 186,851	\$ 217,008
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 7,795	\$ -
Current portion of note payable	74,085	71,476
Payroll taxes and withholdings	4,620	79
Total current liabilities	86,499	71,555
Long-term Liabilities		
Accrued vacation	15,897	16,468
Note payable	301,321	375,358
Total long-term liabilities	317,217	391,827
Net Assets		
Without donor restrictions	(216,866)	(295,188)
With donor restrictions	-	48,815
	(216,866)	(246,373)
Total net assets	(216,866)	(246,373)
Total Liabilities and Net Assets	\$ 186,851	\$ 217,008

See accompanying notes to financial statements.

SALISBURY-ROWAN COUNTY CONVENTION & VISITORS BUREAU, INC.

STATEMENT OF ACTIVITIES

For Year Ended June 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue			
Rowan County TDA Occupancy	\$ -	\$ -	\$ -
Salisbury TDA Occupancy	-	-	-
F&M Trolley System	-	-	-
Partner Support	499,139	-	499,139
Transfer of Temporarily Restricted Net Assets	-	-	-
Miscellaneous Revenues	748	-	748
	<hr/>	<hr/>	<hr/>
Total support and revenue	499,887	-	499,887
	<hr/>	<hr/>	<hr/>
Expenses			
Program services			
Marketing and visitors services	414,234	-	414,234
Supporting services			
General administration	41,189	-	41,189
	<hr/>	<hr/>	<hr/>
Total expenses	455,423	-	455,423
	<hr/>	<hr/>	<hr/>
Change in net assets before other financing sources (uses)	44,464	-	44,464
Other financing sources (uses):			
Interest (expense)	(14,956)	-	(14,956)
Interest income	-	-	-
	<hr/>	<hr/>	<hr/>
Change in net assets	29,508	-	29,508
Net assets at beginning of year	(246,373)	-	(246,373)
	<hr/>	<hr/>	<hr/>
Net assets at end of year	\$ (216,866)	\$ -	\$ (216,866)
	<hr/>	<hr/>	<hr/>

See accompanying notes to financial statements.

SALISBURY-ROWAN COUNTY CONVENTION & VISITORS BUREAU, INC.

STATEMENT OF ACTIVITIES

For Year Ended June 30, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue			
Rowan County TDA Occupancy	\$ -	\$ -	\$ -
Salisbury TDA Occupancy	101,397	-	101,397
F&M Trolley System	12,867	-	12,867
Partner Support	322,736	-	322,736
Transfer of Temporarily Restricted Net Assets	-	-	-
Miscellaneous Revenues	2,199	-	2,199
	<hr/>	<hr/>	<hr/>
Total support and revenue	439,199	-	439,199
Expenses			
Program services			
Marketing and visitors services	485,285	-	485,285
Supporting services			
General administration	105,392	-	105,392
	<hr/>	<hr/>	<hr/>
Total expenses	590,677	-	590,677
Change in net assets before other financing sources (uses)	(151,478)	-	(151,478)
Other financing sources (uses):			
Interest (expense)	(17,612)		(17,612)
Interest income	-	-	-
	<hr/>	<hr/>	<hr/>
Change in net assets	(169,090)	-	(169,090)
Net assets at beginning of year	(126,098)	48,815	(77,283)
Restatement	48,815	(48,815)	-
Net assets at beginning of year, restated	(77,283)	-	(77,283)
	<hr/>	<hr/>	<hr/>
Net assets at end of year	\$ (246,373)	\$ -	\$ (246,373)

See accompanying notes to financial statements.

SALISBURY-ROWAN COUNTY CONVENTION & VISITORS BUREAU, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For Year Ended June 30, 2019

	<u>Program Expenses</u>	<u>Supporting Expenses</u>	<u>Total</u>
Destination Marketing	\$ 7,422	\$ -	\$ 7,422
Tourism Professionals	314,903	-	314,903
Payroll Taxes and Unemployment	24,355	-	24,355
Health Insurance	-	-	-
Worker's Comp Insurance	-	-	-
Trolley	20,728	-	20,728
Partnership Marketing	133	-	133
Digital Marketing and Communications	11,100	-	11,100
Development, Training and Travel	6,356	-	6,356
Dues and Subscriptions	-	-	-
Tickets Sold	-	-	-
Visitors Center	29,237	-	29,237
Marketing Supplies	-	-	-
Tourism Development	-	-	-
Rowan County Branding	-	-	-
Master Plan	-	-	-
Rowan County TDA Expenses	-	-	-
Liability and Property Insurance	-	558	558
Office Postage	-	-	-
Accounting Services	-	-	-
Amortization	-	2,247	2,247
Depreciation	-	37,995	37,995
Miscellaneous expenses	-	389	389
	<u>\$ 414,234</u>	<u>\$ 41,189</u>	<u>\$ 455,423</u>

See accompanying notes to financial statements.

SALISBURY-ROWAN COUNTY CONVENTION & VISITORS BUREAU, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For Year Ended June 30, 2018

	<u>Program Expenses</u>	<u>Supporting Expenses</u>	<u>Total</u>
Destination Marketing	\$ 70,029	\$ -	\$ 70,029
Tourism Professionals	298,726	-	298,726
Payroll Taxes and Unemployment	24,299	-	24,299
Health Insurance	10,636	-	10,636
Worker's Comp Insurance	4,308	-	4,308
Trolley	6,008	-	6,008
Partnership Marketing	-	-	-
Digital Marketing and Communications	15,249	-	15,249
Development, Training and Travel	6,920	-	6,920
Dues and Subscriptions	-	-	-
Tickets Sold	20	-	20
Visitors Center	26,984	-	26,984
Marketing Supplies	3,070	-	3,070
Tourism Development	202	-	202
Rowan County Branding	18,834	-	18,834
Master Plan	-	-	-
Rowan County TDA Expenses	-	50,147	50,147
Liability and Property Insurance	-	850	850
Office Postage	-	1,984	1,984
Accounting Services	-	7,962	7,962
Amortization	-	2,248	2,248
Depreciation	-	40,067	40,067
Miscellaneous expenses	-	2,134	2,134
	<u>\$ 485,285</u>	<u>\$ 105,392</u>	<u>\$ 590,677</u>

See accompanying notes to financial statements.

SALISBURY-ROWAN COUNTY CONVENTION & VISITORS BUREAU, INC.

STATEMENT OF CASH FLOWS

For Year Ended June 30,

	2019	2018
Cash flows from operating activities:		
Cash received from occupancy tax	\$ -	\$ 176,501
Cash received from partner support	499,139	374,503
Cash received from trolley system	-	12,867
Cash received from sales	748	2,199
Cash paid for goods and services	(83,401)	(336,998)
Cash paid for salaries and benefits	(320,015)	(302,576)
Net Cash Provided (Used) By Operating Activities	96,471	(73,504)
Cash flows from non-capital financing activities:		
None	-	-
Net Cash Provided (Used) By Non-Capital Financing Activities	-	-
Cash flows from capital and related financing activities:		
Proceeds from notes payable	-	-
Principal payments on notes payable	(71,428)	(51,768)
Interest paid	(14,956)	(17,612)
Net Cash Provided (Used) By Capital and Related Financing Activities	(86,384)	(69,380)
Cash flows from investing activities:		
Proceeds from disposal of assets	-	39,912
Purchase of capital assets	-	(31,838)
Net Cash Provided (Used) by Investing Activities	-	8,074
Net Increase (Decrease) In Cash	10,087	(134,810)
Cash - Beginning of Year, July 1	213	135,023
Cash - End of Year, June 30	\$ 10,299	\$ 213
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:		
Net Operating Income (Loss)	\$ 44,464	\$ (151,478)
Adjustments to reconcile net operating income to net cash used by operating activities:		
Depreciation & amortization	40,242	42,315
Changes in Current Assets and Liabilities:		
(Increase) decrease in accounts receivable	-	75,104
(Increase) decrease in prepaids	-	-
Increase (Decrease) in accounts payable	12,336	(35,595)
Increase (Decrease) in accrued vacation	(571)	(3,850)
Total adjustments	52,007	77,974
Net Cash Used By Operating Activities	\$ 96,471	\$ (73,504)
Interest paid	\$ 14,956	\$ 17,612

See accompanying notes to financial statements.

SALISBURY-ROWAN COUNTY CONVENTION & VISITORS BUREAU, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

Note 1 - Nature of Bureau

The Salisbury-Rowan County Convention and Visitors Bureau, Inc. (Bureau) was established on April 9, 2013. Beginning July 1, 2013, the Bureau contracted with the Rowan Tourism Development Authority (TDA) and the Salisbury Tourism Development Authority to promote tourism in Rowan County.

The Bureau's operations began on August 12, 2013. The Bureau from its inception until November 1, 2018 managed the day to day activities of tourism enhancement for Rowan County. It was responsible for disbursing the occupancy tax collections of the Rowan County Tourism Development Authority and the Salisbury Tourism Development Authority.

Effective June 30, 2018, the North Carolina General Assembly approved new occupancy tax legislation for Rowan County. The new legislation eliminated the 3% Salisbury Occupancy tax and the Salisbury TDA. The new legislation also increased the Rowan County occupancy tax to 6% and restructured the Rowan County Tourism Development Authority.

On June 30, 2018, the Bureau's Board of Directors in coordination with the Rowan County Tourism Authority's Board of Directors, voted to either utilize and/or remit all remaining Bureau funds to the Tourism Authority on behalf of the Rowan County Tourism Authority by November 15, 2018. The Bureau began receiving monthly distributions from the Tourism Authority after November 15, 2018 to cover the costs of tourism marketing staff and branding.

Effective November 1, 2018, the Bureau remained under contract with the Rowan County Tourism Authority. The Bureau currently supports the Rowan County Tourism Authority through the services of tourism marketing, professional services, and community branding. The Bureau receives transfers of occupancy tax collected by the Rowan County Tourism Authority for these purposes.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation and Accounting

The financial statements of the Bureau have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Codification of Financial Accounting Standards ASC 958. Under ASC 958, the Bureau is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions net assets.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 2 – Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Bureau considers all unrestricted highly liquid investments with an initial maturity of twelve months or less to be cash equivalents.

Contributions

Contributions received are recorded as unrestricted or temporarily restricted, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily restricted net assets. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Donated Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Bureau reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Bureau reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

Expense Allocation

The costs of operating the Bureau's program and related supporting costs have been summarized on a functional basis in the Statements of Activities and in the Statements of Functional Expenses. Accordingly, certain costs have been allocated between program and supporting services.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 2 – Summary of Significant Accounting Policies (Continued)

Income Tax Status

The Bureau is exempt from federal income tax under Section 501(c)(6) of the Internal Revenue Code. The Bureau files Form 990 and considers only the tax years ending June 30, 2019, 2018, and 2017 to be open for examination.

Property, Equipment and Depreciation

Property and equipment are stated at their original cost. Expenditures for maintenance, repairs and minor renewals are charged to expense as incurred. Major renewals, betterments, and acquisitions in excess of \$500 are capitalized. Depreciation is provided on the straight-line method over the estimated useful lives of the assets.

Note 3 – Compensated Absences

As part of the contractual agreement, the Bureau assumed all obligations for compensated absences from the Rowan County Tourism Development Authority, less the Tourism Authority's sole employee, its Director of Operations position.

The vacation policy of the Bureau provides for an unlimited accumulation of vacation leave. Fulltime staff receives 3 weeks paid vacation each year, unless otherwise define by a preexistent employment agreement. An employee's vacation leave is fully vested when earned.

The Bureau's sick leave policy provides for an unlimited accumulation of earned sick leave, at a rate of 12 days per year unless otherwise defined by a preexistent employment agreement. Sick leave does not vest. Since the Bureau does not have any obligation for the accumulation of sick leave until it is taken, no accrual for sick leave has been made.

Note 4 – Lease

The Bureau leases a commercial building located at 204 East Innes Street, Salisbury, North Carolina for \$1,719 per month. The location provides office space and facilities for the Bureau's programs. Rent expense totaled \$22,490 and \$6,877 for years ending June 30, 2019 and 2018, respectively.

Note 5 – Note Payable

On August 10, 2016, the Bureau executed a \$500,000 unsecured promissory note with First Bank. Repayment terms include 24 monthly interest only payments beginning 9/10/15 to be termed to seventy eight monthly principal and accrued interest payments of \$7,199 beginning 10/10/2018 at 3.60%. Advances as of June 30, 2018 totaled \$446,834. Proceeds are to be used for the Rowan County Branding project.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 5 – Note Payable (continued)

Future annual minimum note payments are:

Year ending June 30:	
2020	\$ 74,085
2021	76,798
2022	79,609
2023	82,522
2024	<u>62,392</u>
Total principal payments	<u>\$ 375,406</u>

Note 6 – Concentration of Support and Credit Risk

The Bureau received approximately 99% and 97% of its 2019 and 2018 support from the following sources:

	2019	2018
Rowan County TDA	\$ -	\$ -
Salisbury TDA	-	101,397
Partner Support	<u>499,139</u>	<u>322,736</u>
	<u>\$ 499,139</u>	<u>\$ 424,133</u>

The Bureau maintains its cash balance at one financial institution located in Salisbury, North Carolina. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2019, the Bureau did not exceed FDIC insurance limits.

Note 7 – Retirement Plan

As of June 11, 2014, the Bureau participates in a Section 457(b) plan, The North Carolina Public Employee Deferred Compensation Plan, salary reduction plan that covers all participating full-time employees. Employees may contribute up to \$17,500. The Bureau provides a 3% matching contribution for all eligible participants. Contributions by the Bureau to the plan were \$3,317 and \$3,634 for the years ended June 30, 2019 and 2018, respectively.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 8 – Property and Equipment

Property and equipment consisted of the following as of June 30:

	2018	Increases	(Decreases)	2019
Land	\$ 39,795	\$ -	\$ -	\$ 39,795
Lease-hold improvements	20,459	-	-	20,459
Equipment	200,209	-	-	200,209
Website	46,176	-	-	46,176
Trademark	33,717	-	-	33,717
	340,356	-	-	340,356
Less accumulated depreciation & amortization	123,560	40,242	-	163,802
	\$216,794			\$ 176,552

Note 9 – Availability of Financial Assets

The following reflects the Bureau's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

Financial assets, at year-end	\$ 10,299
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions:	
Cash restricted by donor with purpose restrictions	-
Accounts payable	(7,795)
Accrued payroll taxes and withholdings	(4,620)
Current portion of notes payable	(74,085)
Financial assets available to meet cash needs for general expenditures within one year.	\$ (76,201)

As part of the Bureau's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In the event of an unanticipated liquidity need, the Bureau relies on its agreement with Rowan County TDA to finance its liquidity needs.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 10 – Restatement

It was discovered during the year that the previously reported restricted net assets had been properly expended for Center Piece expenditures in prior years which satisfied the intended restrictions. As a result, With Donor Restricted net assets decreased and Without Donor Restricted net assets increased by \$48,815, respectively.

Note 11 – Subsequent Events

Subsequent events occurring after the balance sheet date have been evaluated through October 5, 2019 which is the date the financial statements were available to be issued. No subsequent events were noted.