

WILLIAMSBURG TOURISM COUNCIL

Annual Financial Report *(With Independent Auditor's Report)*

Fiscal year ended June 30, 2024

Prepared by: David Turner, Finance Director

Williamsburg Tourism Council

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INDEPENDENT AUDITORS' REPORT

Board of Directors and Management
of Williamsburg Tourism Council
Williamsburg, Virginia

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of the Williamsburg Tourism Council (WTC), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the WTC's basic's financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of WTC, as of June 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of WTC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 WTC's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' 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 auditors' report that includes our opinions. 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 GAAS and *Government 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 GAAS and *Government 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 WTC'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 WTC'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 audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budget to actual comparison, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Matter

Prior Year Comparative Information

The financial statements include summarized prior-year comparative information. Such information does not include all of the information required or sufficient details to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with WTC's financial statements for the year ended June 30, 2023, from which the summarized information was derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2025, on our consideration of WTC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of WTC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering WTC's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Arlington, Virginia
February 27, 2025

Williamsburg Tourism Council

Management's Discussion and Analysis

June 30, 2024

The management of the Williamsburg Tourism Council (WTC) offers an overview and analysis of the financial activities of the WTC for the fiscal year ending June 30, 2024. The information presented here is intended to assist the reader in focusing on significant financial issues, providing an overview of the WTC's financial activities, and identifying changes in the WTC's financial position and ability to address future decisions.

Overview of the WTC

Virginia statute 58.1-603.2 established the Williamsburg Tourism Council (WTC) as a public entity and component unit of the Commonwealth of Virginia. The WTC mandate is to market, advertise, and promote the Historic Triangle area as an overnight destination, intending to attract visitors from a sufficient distance to require an overnight stay of at least one night. Funding for the WTC is from 50 percent of a one percent increase in the sales and use taxes imposed on the Historic Triangle area, 50 percent of the \$2 transient occupancy tax on short-term stays in the Historic Triangle area, and funding from the localities of City of Williamsburg, James City County, and York County.

Overview of the Financial Statements

The Management Discussion and Analysis (MD&A) serves as an introduction to WTC's basic financial statements. WTC's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. The basic financial statements present two different views of the WTC through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report also contains notes on the financial statements and required supplementary information that will enhance the reader's understanding of the financial condition of WTC.

Government-Wide Financial Statements

The government-wide financial statements present a broad overview of the WTC's finances in a manner similar to a private-sector business.

The Statement of Net Position presents information on all WTC's assets and liabilities, with the difference between the two reported as net position. Increases and decreases in net position over time may serve as a useful indicator of whether the financial position of WTC is improving or deteriorating.

The Statement of Activities presents information showing how the WTC's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods.

Williamsburg Tourism Council

Management's Discussion and Analysis

June 30, 2024

Overview of the Financial Statements (continued)

The government-wide financial statements distinguish functions related to governmental activities (principally supported by sales and transient taxes) and business-type activities (intended to recover all or a significant portion of costs through user fees and charges). WTC reports only governmental activities since it has no business-type activities.

Both government-wide financial statements (Statement of Net Position and Statement of Activities) present the governmental activities of WTC. Sales and transient taxes principally support these governmental activities. The reported governmental activity of the WTC is administration.

The government-wide financial statements are presented in Exhibits 1 and 2 of this report.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. Like other state and local governments, WTC uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. WTC utilizes only governmental funds.

Governmental Funds

Governmental funds account for essentially the same activities reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources and on balances of spendable resources available at the end of the fiscal year. Governmental funds are reported using an accounting method called modified accrual accounting, which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps them determine if more or less financial resources are available to finance WTC's programs. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, comparing the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements is useful. By conducting this comparison, a better understanding of the long-term impact of WTC's near-term financing decisions may be achieved. The governmental fund's Balance Sheet and the governmental fund's Statement of Revenues, Expenditures, and Changes in Fund Balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

See accompanying notes to financial statements.

Williamsburg Tourism Council

Management's Discussion and Analysis

June 30, 2024

Overview of the Financial Statements (continued)

The basic governmental fund financial statements are presented in Exhibits 3 and 5 of this report. Reconciliations between the fund financial statements and the governmental activity statements are presented in Exhibits 4 and 6.

The budget and actual comparisons are presented in Exhibit 7, required supplemental information.

Notes to the Financial Statements

The notes provide additional information essential in fully understanding the data provided in the basic financial statements and immediately following the basic financial statements.

Financial Highlights

- The Williamsburg Tourism Council's total net position was \$2,679,401 as of June 30, 2024, a decrease of \$664,344 from the prior year.
- Total revenues were \$16,566,901, an increase of 0.6% or \$99,169 over fiscal year 2023.
- Sales tax revenue was \$14,799,928, an increase of 2.2% or \$280,904 over fiscal year 2023, and Transient Occupancy Tax revenue was \$1,640,373, an increase of 4.7% or \$73,106 over fiscal year 2023.
- The Williamsburg Tourism Council did not receive any grants in FY2024 resulting in a reduction in revenue of \$254,841 from fiscal year 2023.
- Destination marketing expenses were \$14,922,314, 85.6% of the total 2024 operating expenses and a 10% decrease from the prior year.
- Other sales and marketing expenses were \$622,537, 3.6% of the total 2024 operating expenses and a 6% increase over the prior year.
- Administrative expenses were \$1,887,245, 10.8% of the total 2024 operating expenses.

Financial Analysis

Net Position:

Net position is a financial measure that compares the assets and deferred outflows to liabilities and deferred inflows. Over time, increases and decreases in net position are just one indicator of whether the financial health of the organization is improving or deteriorating. It is important

Williamsburg Tourism Council

Management's Discussion and Analysis

June 30, 2024

Financial Analysis – Net Position (continued)

to consider other nonfinancial factors to determine the overall health of an organization, such as changes in economic conditions, service area growth, and changes in legislation.

The WTC's total net position for 2024 decreased by \$664,344 to \$2,679,401. The decrease was anticipated in the FY 2024 budget as the WTC board approved a drawdown of reserves to fund an increase in activities.

Condensed Statement of Net Position:

| | <u>2024</u> | <u>2023</u> | <u>Net Change</u> |
|---|---------------------|---------------------|-------------------|
| Current Assets | | | |
| Cash and cash equivalents | \$ 4,576,881 | \$ 3,567,559 | \$ 1,009,322 |
| Other Current Assets | 109,108 | 22,005 | 87,103 |
| Total Current Assets | 4,685,988 | 3,589,563 | 1,096,425 |
| Non-Current Assets | 670,575 | 925,651 | (255,076) |
| Total Assets | \$ 5,356,563 | \$ 4,515,214 | \$ 841,349 |
| Current Liabilities | 2,190,626 | 416,098 | 1,774,528 |
| Long Term Liabilities | 486,536 | 755,371 | (268,834) |
| Total Liabilities | 2,677,162 | 1,171,469 | 1,505,694 |
| Net Investment in capital assets | (63,313) | (58,008) | (5,305) |
| Net Position | 2,742,714 | 3,401,753 | (659,039) |
| Total Net Position | 2,679,401 | 3,343,745 | (664,344) |
| Total Liabilities and Net Position | \$ 5,356,563 | \$ 4,515,214 | \$ 841,350 |

Williamsburg Tourism Council

Management's Discussion and Analysis

June 30, 2024

Revenues and Other Financing Sources:

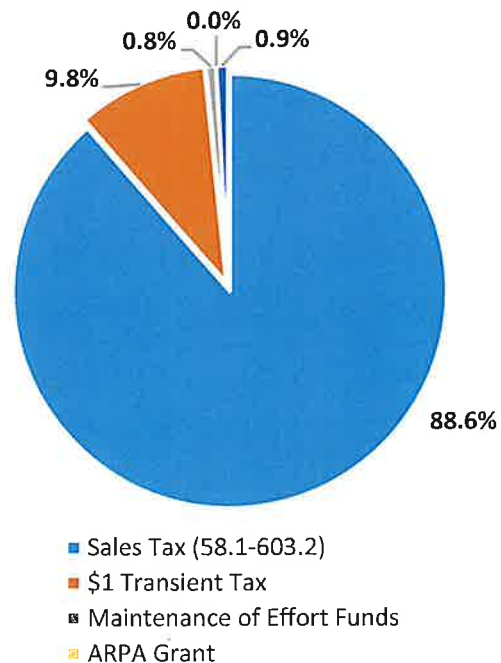
Total revenues from tax receipts and other governmental sources were \$16,566,901, an increase of \$99,169 or 1% from 2023.

Sales taxes for 2024 were \$14,799,928, an increase of \$280,904 or 2.2% over 2023. Transient Occupancy tax receipts were \$1,640,373, an increase of \$73,106 or 4.7% over 2023. In total, Sales and transient taxes were \$16,440,301, an increase of \$354,010 or 2.2% over 2023 revenues from a continuing uptick in visitors positively impacting sales and transient occupancy tax revenues.

Maintenance of Effort funds received from the Localities were \$126,600, inline with the authorizing legislation of the Virginia General Assembly as amended in 2023. No ARPA grants were received in 2024, a decrease of \$254,841 from funding levels in 2023. In total, funding from the Localities was \$126,600, a decrease of \$254,841 from 2023.

Other financing sources were \$204,723, an increase of \$94,498 from 2023. Interest earned on bank accounts was \$170,329, an increase of \$71,971 due to higher interest rates received on deposits. The WTC implemented GASB 96 for Subscription-Based Information Technology Agreements (SBITAs), which required capitalizing certain software use license agreements, effective from fiscal year 2023. Certain software subscriptions had changes in terms or increases in services provided that resulted in an increase in costs, which is reflected as an increase of \$29,460 in financing on SBITA capital leases.

2024 Gov't Sources of Revenue



Expenses:

Total expenses were \$17,432,096, a decrease of \$6,444,702 from the prior year. The majority of the decrease in spending was from the 2023 \$5,195,710 product development contribution to the Historic Triangle Recreational Facilities Authority to support the development of a sports complex in the area. Operating expenses decreased by \$1,248,992 from 2023 levels led by a reduction in spending for destination marketing.

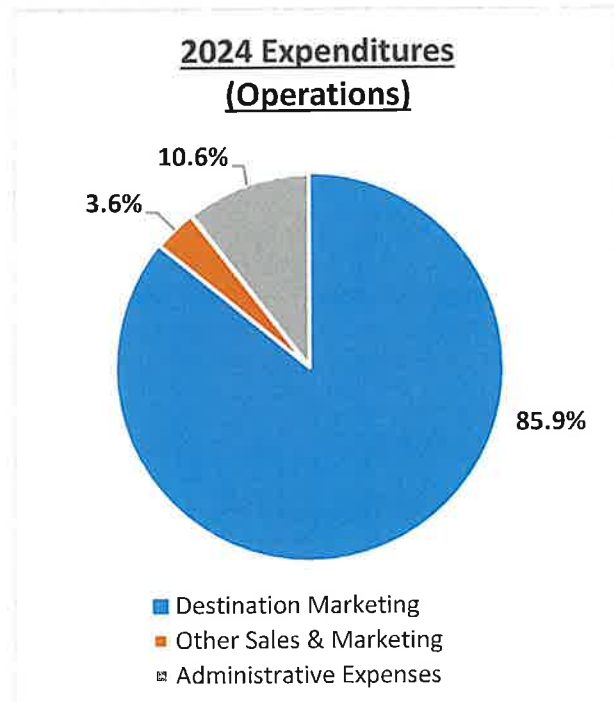
Williamsburg Tourism Council

Management's Discussion and Analysis

June 30, 2024

Destination Marketing expenses totaled \$14,922,314 in 2024, accounted for 85.6% of total operations spending, and was a decrease of \$1,629,715 or -10% from the prior year. Destination Marketing increased the focus on key markets and tactics, pulling broadcast advertising out of Cleveland, Columbus, and Boston and refocused the digital strategy to the performing drive markets. The change in strategy produced savings in the total spend for paid media advertising while sustaining and increasing marketing awareness. The 2024 Summer Ad Effectiveness Survey conducted by SMARInsights stated, "The media investment through June, despite being a reduced spend, resulted in an increase in awareness across all media except audio."

Other sales and marketing expenses were \$622,537, an increase of \$36,822 or 6.3% over 2023. The sales team focused this year on curated client familiarity tours and special events to solicit more quality business opportunities. These efforts increased spending on special events and tours, partially offset by savings in trade show expenses.



Total administrative expenses were \$1,887,245, an increase of \$343,902 or 22% over 2023. Personnel costs were \$1,372,358, an increase of \$281,549 or 26% above the prior year. General and administrative expenses were \$405,234, an increase of \$37,433 or 10% over the prior year. In addition, Capital Expenses were \$109,653, an increase of \$24,920 or 29% over the prior year. The key drivers in the changes were:

- Personnel costs increased due to the addition of three new employees, bringing the team to full staffing, and the cost of living adjustments for existing employees.
- Administrative expenses increased primarily due to employee recruiting and relocation expenses associated with retaining a new Chief Executive Officer, information technology costs for new employees and replacement systems, and legal services
- Capital outlays increased due a change in services provided and updates in rates, partially offset with the discontinuation of a web service provider that resulted in the cancellation of a capitalized lease obligation under GASB 87-Leases

Williamsburg Tourism Council

Management's Discussion and Analysis

June 30, 2024

Fund Balance and Budgetary Highlights

The WTC's year-end fund balance was \$2,748,131, \$1,309,290 more than the 2024 budget. The original budget anticipated tax revenues to be lower than fiscal year 2023, and consistent funding from the Localities.

Total operating revenues were \$16,566,901, exceeding the budget by \$745,782. Sales tax receipts totaled \$14,799,928, exceeding budget by \$599,642 or 4.2%. Transient taxes totaled \$1,640,373, exceeding budget by \$146,140 or 9.8%. Revenues from localities were \$126,600, in line with budget.

Total operating expenditures were \$17,432,096, under budget by \$398,665. Destination marketing expenses were \$14,922,314, below budget by \$97,686. Sales activities were \$622,537, below budget by \$27,463. Personnel costs were \$1,372,358 below budget by \$326,691 due to delays in hiring open staff positions and the temporary vacancy of the chief executive officer position. General and administrative costs were \$405,234, over budget by \$15,571 while capital assets and debt service was \$37,603 over budget.

Other financial sources were \$204,723, over budget by \$164,842. The improvement in other financial sources was driven by an increase in interest earned on deposits.

Capital Assets

The WTC signed a 3-year lease agreement for office space in July 2021 with an option to extend for three additional years. WTC capitalized the lease and increased capital assets by \$395,914 in the fiscal year 2022. The office space lease has been extended for fiscal year 2025. No leased or equipment assets were acquired or disposed of during 2024.

The Government Accounting Standards Board (GASB) implemented a new accounting standard (GASB 96) for fiscal year 2023 that requires the recording of right-to-use software licenses as an intangible asset. The recording of the intangible asset will establish a liability for future payments and the capitalization of the software-based information technology licensing agreements (SBITA). The WTC has several software licenses that apply to the GASB-96 (SBITA) accounting standard and changes in software assets, adjustments in lease terms, and changes in expected use will affect the capitalization of the lease value. During 2024 several software licenses had rate or service level changes that resulted in an increase in SBITA asset values of \$29,460 while one software licenses was discontinued and long-term liability reversed reducing the asset value by \$79,421. This resulted in a net reduction in SBITA asset values of \$49,961.

Total capital assets and related depreciation and amortization as of June 30, 2024 was as follows:

Williamsburg Tourism Council
Management's Discussion and Analysis
June 30, 2024

Capital Assets (Continued)

Summary of Capital Assets

| | <u>2024</u> | <u>2023</u> | <u>Net Change</u> | <u>2022</u> |
|---|--------------------------|--------------------------|----------------------------|----------------------------|
| Non-Current Assets: | | | | |
| Furniture and equipment | \$ 7,252 | \$ 7,252 | \$ - | \$ 7,252 |
| Leased- Building | 395,914 | 395,914 | - | 395,914 |
| Lease- equipment | 16,699 | 16,699 | - | 16,699 |
| SBITA | 922,967 | 972,928 | (49,961) | 961,061 |
| Less accumulated depreciation and amortization | <u>(672,257)</u> | <u>(467,141)</u> | <u>(205,116)</u> | <u>(224,717)</u> |
| Total Non-Current Assets | <u><u>\$ 670,575</u></u> | <u><u>\$ 925,652</u></u> | <u><u>\$ (255,077)</u></u> | <u><u>\$ 1,156,209</u></u> |

Long-term Liabilities

As of June 30, 2024, WTC had recorded lease liability of \$221,716 related to office space and equipment. The WTC had SBITA (Software-Based Information Technology Agreements) assets with a liability of \$512,172. Total liability as of June 30, 2024 was as follows:

| | <u>Balance</u> | <u>Additions/</u> | | <u>Balance</u> | <u>Due Within</u> |
|---------------------------------------|-----------------------------|------------------------------|--------------------------|-----------------------------|--------------------------|
| <u>Governmental Activities</u> | <u>June 30, 2023</u> | <u>Cancellations/</u> | <u>Payments</u> | <u>June 30, 2024</u> | <u>A Year</u> |
| Leased - Equipment | \$ 9,493 | \$ - | \$ 3,362 | \$ 6,131 | \$ 3,464 |
| Leased - Office Space | 279,314 | - | 63,729 | 215,585 | 67,627 |
| SBITAs | 694,851 | (24,287) | 158,392 | 512,172 | 176,261 |
| Total Long-Term Liabilities | <u><u>\$ 983,658</u></u> | <u><u>\$ (24,287)</u></u> | <u><u>\$ 225,483</u></u> | <u><u>\$ 733,888</u></u> | <u><u>\$ 247,352</u></u> |

Other Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the WTC's budgetary comparative information for the operating activities.

Williamsburg Tourism Council

Management's Discussion and Analysis

June 30, 2024

Request for information

This financial report is designed to provide a general overview of the WTC's finances. Questions concerning any information provided in this report or requests for additional information should be addressed to the Finance Director care of the Williamsburg Tourism Council, 421 North Boundary Street, Williamsburg, VA 23185.

Williamsburg Tourism Council
Statements of Net Position
June 30, 2024
(with comparative totals for 2023)

Exhibit 1

| | <u>2024</u> | <u>2023</u> | <u>Net Change</u> |
|--|---------------------|---------------------|-------------------|
| Current Assets | | | |
| Cash and cash equivalents | \$ 4,576,881 | \$ 3,567,559 | \$ 1,009,322 |
| Prepaid expenses | 109,108 | 22,005 | 87,103 |
| Total Current Assets | <u>4,685,988</u> | <u>3,589,563</u> | <u>1,096,425</u> |
| Non-Current Assets | | | |
| Lease- building (office space) | 395,914 | 395,914 | - |
| Furniture and equipment | 7,252 | 7,252 | - |
| Lease- equipment | 16,699 | 16,699 | - |
| SBITAs | 922,967 | 972,928 | (49,961) |
| Less accumulated depreciation and amortization | (672,257) | (467,141) | (205,115) |
| Total Non-Current Assets | <u>670,575</u> | <u>925,651</u> | <u>(255,076)</u> |
| Total Assets | <u>5,356,563</u> | <u>4,515,214</u> | <u>841,349</u> |
| Current Liabilities | | | |
| Accounts payable | 1,907,704 | 155,220 | 1,752,483 |
| Accrued expenses | 30,153 | 25,740 | 4,414 |
| Lease- current | 71,091 | 67,091 | 4,000 |
| SBITA - current | 176,261 | 161,197 | 15,064 |
| Compensated absence | 5,417 | 6,850 | (1,433) |
| Total Current Liabilities | <u>2,190,626</u> | <u>416,098</u> | <u>1,774,528</u> |
| Long Term Liabilities | | | |
| Lease- non current | 150,625 | 221,717 | (71,092) |
| SBITA - non current | 335,911 | 533,654 | (197,743) |
| Total Long Term Liabilities | <u>486,536</u> | <u>755,371</u> | <u>(268,835)</u> |
| Total Liabilities | <u>2,677,162</u> | <u>1,171,469</u> | <u>1,505,693</u> |
| Net investment in capital assets | (63,313) | (58,008) | (5,305) |
| Unrestricted | 2,742,714 | 3,401,753 | (659,039) |
| Total Net Position | <u>2,679,401</u> | <u>3,343,745</u> | <u>(664,344)</u> |
| Total Liabilities and Net Position | <u>\$ 5,356,563</u> | <u>\$ 4,515,214</u> | <u>\$ 841,349</u> |

See accompanying notes to financial statements.

Williamsburg Tourism Council
Statements of Activities- Governmental Activities
For the Year Ended June 30, 2024
(with comparative totals for 2023)

Exhibit 2

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | | | <u>Net (Expense)</u> | <u>2023</u> |
|----------------------------------|-----------------|-------------------------|----------------------|----------------------|----------------------------|---------------|
| | | <u>Charges</u> | <u>Operating</u> | <u>Capital</u> | <u>Revenue and Changes</u> | |
| | | <u>for</u> | <u>Grants and</u> | <u>Grants and</u> | <u>Governmental</u> | |
| | | <u>Services</u> | <u>Contributions</u> | <u>Contributions</u> | <u>Activities</u> | |
| Governmental activities | | | | | | |
| Administration activities | \$ 17,406,508 | - | - | - | (17,406,508) | (23,618,515) |
| Total | \$ 17,406,508 | - | - | - | (17,406,508) | (23,618,515) |
| General Revenues: | | | | | | |
| Sales and transient taxes | | | | | \$ 16,440,301 | \$ 16,086,291 |
| Localities receipts | | | | | 126,600 | 126,600 |
| Unrestricted investment earnings | | | | | 170,329 | 98,358 |
| Gain/Loss on asset disposal | | | | | 4,934 | - |
| Total general revenues | | | | | 16,742,164 | 16,311,249 |
| Change in net position | | | | | (664,344) | (7,307,266) |
| Net Position - beginning of year | | | | | 3,343,745 | 10,651,011 |
| Net Position - end of year | | | | | \$ 2,679,401 | \$ 3,343,745 |

See accompanying notes to financial statements.

Williamsburg Tourism Council
Balance Sheets- Governmental Fund
June 30, 2024
(with comparative totals for 2023)

Exhibit 3

| | <u>2024</u> | <u>2023</u> | <u>Net Change</u> |
|---|---------------------|---------------------|---------------------|
| Current Assets | | | |
| Cash and cash equivalents | \$ 4,576,881 | \$ 3,567,559 | \$ 1,009,322 |
| Prepaid expenses | 109,108 | 22,005 | 87,103 |
| Total Assets | <u>4,685,988</u> | <u>3,589,563</u> | <u>1,096,425</u> |
| Liabilities | | | |
| Accounts payable | 1,907,704 | 155,220 | 1,752,483 |
| Accrued expenses | 30,153 | 25,740 | 4,414 |
| Total Liabilities | <u>1,937,857</u> | <u>180,960</u> | <u>1,756,897</u> |
| Nonspendable | 109,108 | 22,005 | 87,103 |
| Unassigned | 2,639,024 | 3,386,598 | (747,575) |
| Total Fund Balance | <u>2,748,131</u> | <u>3,408,603</u> | <u>(660,472)</u> |
| Total Liabilities and Fund Balance | <u>\$ 4,685,988</u> | <u>\$ 3,589,563</u> | <u>\$ 1,096,425</u> |

See accompanying notes to financial statements.

Williamsburg Tourism Council
Reconciliation of the Balance Sheets- Governmental Fund to the
Statements of Net Position- Governmental Activities
June 30, 2024
(with comparative totals for 2023)

Exhibit 4

| Reconciliation of the balance sheet for Governmental Funds to the Statements of Net Position | 2024 | 2023 |
|--|---------------------------|----------------------------|
| Ending fund balance, Governmental Fund | \$ 2,748,131 | \$ 3,408,603 |
| <i>Amounts reported for government activities in the balance sheet differ because:</i> | | |
| Capital assets used in operating activities are not financial resources and are not reported in the funds | | |
| Furniture & equipment | \$ 7,252 | \$ 7,252 |
| Lease- building (office space) | 395,914 | 395,914 |
| Lease equipment | 16,699 | 16,699 |
| SBITAs | 922,967 | 972,928 |
| Accumulated depreciation & amortization | <u>(672,257)</u> | <u>(467,141)</u> |
| Net Capital Assets | \$ 670,575 | \$ 925,651 |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the general fund | | |
| Compensating absences | \$ (5,417) | \$ (6,850) |
| Lease liability | (221,716) | (288,808) |
| SBITA liability | <u>(512,172)</u> | <u>(694,851)</u> |
| Net Long-term Liabilities | \$ (739,305) | \$ (990,509) |
| Net Position - Statement of Net Position | <u>\$2,679,401</u> | <u>\$ 3,343,745</u> |

See accompanying notes to financial statements.

Williamsburg Tourism Council
Statements of Revenue, Expenditures and Changes in Fund Balance-
Governmental Fund
For the Year ended June 30, 2024
(with comparative totals for 2023)

Exhibit 5

| | <u>2024</u> | <u>2023</u> | <u>Net Change</u> |
|---|---------------------|----------------------|---------------------|
| Revenues | | | |
| Sales and transient taxes | \$ 16,440,301 | \$ 16,086,291 | \$ 354,010 |
| Localities | 126,600 | 381,441 | (254,841) |
| Total Revenues | <u>16,566,901</u> | <u>16,467,732</u> | <u>99,169</u> |
| Expenditures | | | |
| Destination marketing | | | |
| Marketing expenses | 14,738,723 | 16,366,184 | (1,627,461) |
| Principal - SBITA | 153,080 | 148,027 | 5,052 |
| Interest expense- SBITA | 30,512 | 37,818 | (7,307) |
| <u>Total Destination Marketing</u> | <u>14,922,314</u> | <u>16,552,029.49</u> | <u>(1,629,715)</u> |
| Other sales and marketing | 622,537 | 585,715 | 36,822 |
| General and Administrative | | | |
| Personnel costs | 1,372,358 | 1,090,809 | 281,549 |
| Administrative expenses | 405,234 | 367,801 | 37,433 |
| Principal - SBITA | 5,312 | | 5,312 |
| Principal- lease | 67,091 | 63,297 | 3,794 |
| Interest expense- leases/SBITA | 7,790 | 9,569 | (1,779) |
| Capital outlay | 29,460 | 11,867 | 17,593 |
| <u>Total General and Administrative</u> | <u>1,887,245</u> | <u>1,543,343</u> | <u>343,902</u> |
| HTRFA funding | - | 5,195,710 | (5,195,710) |
| Total Expenditures | <u>17,432,096</u> | <u>23,876,798</u> | <u>(6,444,702)</u> |
| Change in Fund Balance before | | | |
| Other Financing Sources | (865,195) | (7,409,066) | 6,543,871 |
| Interest income | 170,329 | 98,358 | 71,971 |
| Proceeds from lease | - | - | - |
| Proceeds from SBITA | 29,460 | 11,867 | 17,593 |
| Gain/loss on asset disposal | 4,934 | - | \$ 4,934 |
| Total Other Financing Sources | <u>204,723</u> | <u>110,225</u> | <u>94,498</u> |
| Change in Fund Balance | (660,472) | (7,298,841) | 6,638,369 |
| Fund Balance - Beginning of year- restated | 3,408,603 | 10,707,444 | (7,298,841) |
| General Fund - End of year | <u>\$ 2,748,131</u> | <u>\$ 3,408,603</u> | <u>\$ (660,472)</u> |

Note: HTFRA is the Historic Triangle Recreational Facilities Authority

Williamsburg Tourism Council
Reconciliation to the Statements of Revenue, Expenditures and Changes in Fund
Balance- Governmental Fund to the Statements of Activities- Governmental Activities
For the Year ended June 30, 2024
(with comparative totals for 2023)

Exhibit 6

| | <u>2024</u> | <u>2023</u> |
|---|---------------------|-----------------------|
| Net change in fund balance, governmental fund | \$ (660,472) | \$ (7,298,841) |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets: | | |
| The amount by which capital outlay exceed depreciation expense | (255,076) | (230,557) |
| Change in long term liability for compensating absence | 1,433 | 22,674 |
| Change in long term liability for leases | 67,092 | 63,297 |
| Change in long term liability for SBITA | 182,679 | 136,161 |
| Change in net position, governmental activities | <u>\$ (664,344)</u> | <u>\$ (7,307,266)</u> |

See accompanying notes to financial statements.

Williamsburg Tourism Council
Notes to the Basic Financial Statements
June 30, 2024

NOTE 1 – Nature of the Organization

On July 1, 2018, the Tourism Council of the Greater Williamsburg Chamber and Tourism Alliance (dba the Williamsburg Tourism Council or WTC) was created under Virginia law 58.1-603.2 as a public entity. This statute mandates the mission of the WTC to market, advertise, and promote the Historic Triangle area as an overnight destination, intending to attract visitors from a sufficient distance to require an overnight stay of at least one night. The statute increased the sales tax rate by one percent in the City of Williamsburg, James City County, and York County, with 50 percent of the incremental sales tax collected by the Commonwealth Comptroller's Office directed to the WTC and the balance to the Localities. Additional funding to the WTC also comes from 50 percent of the \$2 transient occupancy tax on short-term stays in the Historic Triangle area and funding from the localities of the City of Williamsburg, James City County, and York County.

The Commonwealth of Virginia enacted an amendment to 58.1-603.2, effective July 1, 2022, that officially changed the organization's name to the Williamsburg Tourism Council and established the Williamsburg Tourism Council as an advisory board in the legislative branch of the Virginia state government. In addition, the amendment modified the funding from the localities of James City County, York County, and the City of Williamsburg to \$126,000 per year.

The WTC's Board of Directors meets quarterly and is comprised of representatives from the following entities:

- | | |
|--|--|
| • James City County Board of Supervisors | • Busch Gardens Williamsburg |
| • City of Williamsburg City Council | • Historic Jamestowne Partnership |
| • York County Board of Supervisors | • Williamsburg Hotel and Motel Association |
| • Colonial Williamsburg Foundation | • Williamsburg Area Restaurant Association |
| • Jamestown-Yorktown Foundation | |

The Williamsburg Tourism Council, as a public entity and advisory board to the Virginia state legislature, follows GAAP (Generally Accepted Accounting Practices) as promulgated by the Government Accounting Standards Board (GASB). The WTC is not considered a component unit of the Commonwealth of Virginia and is not included in the Commonwealth of Virginia Annual Comprehensive Financial Report (ACFR). The WTC is an established separate incorporation performing the necessary tasks to ensure compliance.

Williamsburg Tourism Council
Notes to the Basic Financial Statements
June 30, 2024

NOTE 2 – Summary of Significant Accounting Policies

The financial statements of Williamsburg Tourism Council (WTC) have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units (hereinafter referred to as generally accepted accounting principles (GAAP)). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. WTC's significant accounting policies are described below.

Basis of Presentation

WTC follows the governmental activities reporting requirements of GASB Statement No. 34. In accordance with GASB Statement No. 34, the accompanying basic financial statements are reported on an entity-wide basis. GASB Statement No. 34 requires the following, which collectively make up the WTC's basic financial statements:

- Management's Discussion and Analysis
- Statements of Net Position
- Statements of Activities
- Balance Sheets
- Statements of Revenues, Expenditures, and Changes in Fund Balance
- Notes to the basic financial statements
- Required Supplementary Information – Budgetary Comparison Statement

Basis of Presentation, Government-Wide Financial Statements

Governmental Activities Statements

The WTC's government-wide financial statements – the Statement of Net Position and the Statement of Activities – are reported using the economic resources measurement focus and the accrual basis of accounting. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other non-exchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. WTC only reports Governmental Activities Statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or business-type activity is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or program. Program revenues include 1) fees, fines, and charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes and other items not included among program revenues are reported instead as general revenues.

Williamsburg Tourism Council
Notes to the Basic Financial Statements
June 30, 2024

Basis of Presentation – Government-Wide Financial Statements

Governmental Activities Statements (continued)

Net Position

Net position represents assets less liabilities. Net position is displayed in three components – net investment in capital assets, restricted, and unrestricted. The net investment in capital assets component consists of capital assets, net of accumulated depreciation, and related debt. The restricted component consists of restricted assets reduced by liabilities; there was no such restricted net position for the period ending June 30, 2024. The unrestricted component is the net amount of the assets and liabilities not included in the determination of net investment in capital assets or the restricted component of net position. WTC would first apply restricted resources when an expense is incurred for purposes for which restricted and unrestricted net positions are available.

Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the WTC's general fund. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds in separate columns in the fund financial statements. WTC has one fund, the general fund.

General Fund

The General Fund is WTC's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

Fund Balance

The following classifications of fund balance describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Non-spendable fund balance – amounts that are not in spendable form (such as prepaid) or are required to be maintained intact (corpus of a permanent fund)
- Restricted fund balance – amounts that can be spent only for the specific purposes stipulated by external resource providers, such as enabling federal, state, or local legislation. Restrictions may be changed or lifted only with the consent of the resource providers. There was no restricted fund balance on June 30, 2024.
- Committed fund balance – amounts that can be used only for the specific purposes determined by the adoption of a Board resolution committing a fund balance for a specific purpose by the Board prior to the end of the fiscal year. Once adopted, the limitation imposed by the ordinance remains in place until the resources have been spent for the specified purpose or the Board adopts another ordinance to remove revise the limitation. The Board establishes (and modifies or rescinds) fund

Williamsburg Tourism Council
Notes to the Basic Financial Statements
June 30, 2024

Fund Balance, Continued

balance commitments by passing a resolution. This is typically done through the adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives).

- Assigned fund balance – amounts a government intends to use for a specific purpose but does not meet the criteria to be classified as committed; intent can be expressed by the Board or by an official or body to which the governing body delegates the authority. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.
- Unassigned fund balance – amounts that are available for any purpose.

When fund balance resources are available for a specific purpose in more than one classification, it is WTC's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned, as they are needed.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of recognition in the financial statements of various kinds of transactions or events.

The government-wide, proprietary, and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they have been earned and they are both measurable and available. Revenues are considered to be available when they are collectible and measurable within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, WTC considers revenues to be available if they are collected within the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service principal and interest expenditures on general long-term debt, including lease and SBITA liabilities, as well as expenditures related to compensated absences are recognized based on specific accounting rules applicable to each, generally when payment is due. General capital asset acquisitions, including entering into contracts giving WTC the right to use lease and SBITA assets, are

Williamsburg Tourism Council
Notes to the Basic Financial Statements
June 30, 2024

reported as expenditures in governmental funds. Issuance of long-term debt and financing through leases are reported as other financing sources.

Estimates

The preparation of basic financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the amounts reported of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and accompanying notes. Actual results may differ from those estimates.

Budgetary Accounting

WTC adopts an annual Operating Budget, which lapses at the end of the year, for management purposes. The budget is adopted on a budgetary accounting basis in which purchase orders, contracts, and other commitments for the expense of monies are recorded as the equivalent of expenses. The defined legal level of control established by the WTC to monitor expenses is at the fund/function level.

Cash and Investments

WTC's cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash balances, unless a separate account is required, are pooled for investment purposes. Earnings from such investments are allocated to the respective funds based on applicable cash participation by each fund.

Money market investments are participating interest earning investments that have a maturity of less than one year from the date of purchase are reported at amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value. Investments in the State Investment Pool are stated at amortized costs.

Investments are stated at fair value.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond year-end are recorded as prepaid items under the consumption method. On June 30, 2024, the WTC had several prepaid items totaling \$109,108, for employee medical benefits, the office lease payment, and a license fee.

Accounts Payable

Accounts payable reflects current liabilities where an invoice for goods or services has been received, but the payment for the invoice has not been processed. Typical payment terms are 30 days from the invoice date. Accounts payable totaled \$1,907,704 as of June 30, 2024 versus \$155,220 as of June 30, 2023.

Williamsburg Tourism Council
Notes to the Basic Financial Statements
June 30, 2024

Accrued Expenses

Expenses are accrued for known liabilities where the invoice or payment for goods and services has not been received. A typical accrued expense is for employee compensation. Employees are paid every two weeks, with the payroll payment made at the end of the week following. As a result, it is typical to have accrued salaries at the end of the fiscal year. Accrued salaries totaled \$27,884 on June 30, 2024.

Revenue

Revenues are posted as received from the Commonwealth (cash basis) due to the timing of remittance following collections by the Commonwealth. Expenses are recorded when a liability is incurred (on an accrual basis), regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Capital and Right-to-Use Assets

Capital assets are tangible and intangible assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements and in the proprietary fund financial statements.

Capital assets are defined by WTC as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets are capitalized and reported at cost or estimated historical cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized.

Depreciation is provided on a straight-line basis over the estimated useful life of the assets:

| <u>Capital Assets</u> | <u>Useful Life</u> |
|------------------------|--------------------|
| Equipment | 5-10 years |
| Leasehold Improvements | 10 years |

Right-to-use lease assets are initially measured at the present value of payments expected to be made during the lease term, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

SBITA assets are also right-to-use assets that are measured as the sum of the present value of payments expected to be made during the subscription term. Payments associated with the SBITA contract made to the SBITA vendor at the commencement of the subscription term, when applicable, and capitalizable implementation costs, less any SBITA vendor incentives received from the SBITA vendor at the commencement of the SBITA term. SBITA assets are amortized in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying IT assets.

Williamsburg Tourism Council
Notes to the Basic Financial Statements
June 30, 2024

Long-Term Obligations

Long-term obligations are reported as liabilities in the applicable governmental activities. In the fund financial statements, governmental fund types recognize debt principal and interest expenditures. New leases and SBITAs are reported as other financing sources, debt service expenditures.

Compensated absence

WTC employees earn personal time off (PTO) each year on the anniversary date of their employment. The employee must use the current year's leave before their next employment anniversary date or the leave is forfeited. Unused personal time off is payable upon separation. Based on the PTO policy, WTC considers all accumulated PTO to be current. The cost of accumulated vacation pay is accrued when earned in the government-wide fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured due to employee retirement or resignation. The accumulated compensated absence as of June 30, 2024, was \$5,417, a decrease of \$1,433 from the June 30, 2023 balance of \$6,850.

NOTE 3 – Stewardship, Compliance, and Accountability

Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. The appropriated budget is prepared by function. Transfers of appropriations between functions require the approval of the Board. The legal level of budgetary control (i.e. the level at which expenditures may not legally exceed appropriations) is the budgetary line level. Appropriations in all budgeted funds lapse at the end of the fiscal year.

NOTE 4 – Cash and Investments

Cash deposits held in FDIC-participating financial institutions that are also qualified public depository institutions are required to pledge collateral for all balances above the FDIC limit of \$250,000 in accordance with the Virginia Security for Public Deposits Act Section 2.2-4400 et seq. of the Code of Virginia. Of the WTC bank balances, the FDIC covers \$250,000, and all of the funds are held with qualified public depository institutions with pledge collateral to the Commonwealth of Virginia Treasury Board in accordance with the Public Deposits Act of the Code of Virginia.

| | <u>6/30/2024</u> | <u>06/30/2023</u> |
|--------------------------|---------------------|---------------------|
| Cash | \$ 3,820,739 | \$ 3,057,567 |
| Money Market Account | - | 509,992 |
| Certificate of Deposit | 756,142 | - |
| Total Cash & Equivalents | <u>\$ 4,576,881</u> | <u>\$ 3,567,559</u> |

Williamsburg Tourism Council
Notes to the Basic Financial Statements
June 30, 2024

WTC currently holds a seven-month certificate of deposit (CD) that originated on April 5, 2024 totaling \$750,000 at 4.89% with a maturity date of November 5, 2024. The balance on the CD as of June 30, 2024 was \$756,142.

Custodial Credit Risk

Financial instruments that potentially subject WTC to custodial credit risk include cash deposits with banks in excess of the insurance limitations of the FDIC. At times, deposits may exceed federally insured deposit limits. Management does not consider this a significant concentration of credit risk.

Investment and Fair Value

The balance of investment consists of a certificate of deposit (CD) account of \$756,142 (Level 1) measured at fair value. The CD is with a qualified public depository institution with the required pledge collateral and, therefore, is considered a level 1 investment within the fair value hierarchy.

Liquidity and Availability

The WTC holds all funds in cash and certificate of deposit accounts without restrictions on the availability of funds for use. As of June 30, 2024, cash and cash equivalents totaled \$4,576,881. A liquidity analysis as of June 30, 2024 shows:

| Tourism Council | | |
|-------------------------------|----|-----------|
| Liquidity Analysis | | |
| Cash and cash equivalents | \$ | 4,576,881 |
| Total Current Assets | \$ | 4,685,988 |
| Total Current Liabilities | \$ | 2,190,626 |
| <u>Liquid Position</u> | | |
| Current Ratio | | 2.09 |
| Cash Ratio | | 2.09 |
| Working Capital | \$ | 2,386,254 |

Williamsburg Tourism Council
Notes to the Basic Financial Statements
June 30, 2024

NOTE 5 – Capital Assets

Capital assets as of June 30, 2024:

| | Balance | | | Balance |
|---|----------------------|---------------------|------------------|----------------------|
| <u>Governmental Activities</u> | <u>June 30, 2023</u> | <u>Additions</u> | <u>Disposals</u> | <u>June 30, 2024</u> |
| Capital Assets: | | | | |
| Equipment | \$ 7,252 | \$ - | \$ - | \$ 7,252 |
| SBITA - Marketing | 972,928 | 29,460 | 79,421 | 922,967 |
| Lease- Building | 395,914 | - | - | 395,914 |
| Lease- Equipment | 16,699 | - | - | 16,699 |
| | <u>\$ 1,392,792</u> | <u>\$ 29,460</u> | <u>\$ 79,421</u> | <u>\$ 1,342,831</u> |
| Less accumulated depreciation for: | | | | |
| Equipment | \$ 4,714 | \$ 1,450 | \$ - | \$ 6,164 |
| SBITA - Marketing | 318,261 | 128,914 | - | 447,176 |
| SBITA - Admin | 4,681 | 5,425 | | 10,106 |
| Lease- Building | 131,971 | 65,986 | | 197,957 |
| Lease- Equipment | 7,514 | 3,340 | - | 10,854 |
| | <u>467,141</u> | <u>205,115</u> | <u>-</u> | <u>672,257</u> |
| Total Capital assets net of accumulated depreciation and amortization | <u>\$ 925,651</u> | <u>\$ (175,655)</u> | <u>\$ 79,421</u> | <u>\$ 670,575</u> |

Depreciation expense was charged to governmental activities as follows:

| | |
|-----------------------|-------------------|
| Administration | \$ 76,201 |
| Destination Marketing | <u>154,588</u> |
| Total: | <u>\$ 205,115</u> |

Right-to-use assets acquired through outstanding leases or SBITA licenses are shown below by underlying asset class.

| <u>Governmental Activities</u> | <u>June 30, 2024</u> |
|----------------------------------|--------------------------|
| SBITA | \$ 922,967 |
| Leased – Building (office Space) | 395,914 |
| Leased - Equipment | 16,699 |
| Less: Amortization | <u>(666,093)</u> |
| Right to Use Asset, Net | <u>\$ 669,487</u> |

Williamsburg Tourism Council
Notes to the Basic Financial Statements
June 30, 2024

NOTE 6 – Long-term Liabilities

Long-term liabilities as of June 30, 2024:

| | Balance June 30, 2023 | Additions/ Adjustments | Cancellations/ Disposals | Payments | Balance June 30, 2024 | Due Within A Year |
|------------------------------------|--------------------------|---------------------------|-----------------------------|-------------------|--------------------------|----------------------|
| <u>Governmental Activities</u> | | | | | | |
| Leased - Equipment | \$ 9,493 | \$ - | \$ - | \$ 3,362 | \$ 6,131 | \$ 3,464 |
| Leased - Office Space | 279,314 | - | - | 63,729 | 215,585 | 67,627 |
| SBITAs | 694,851 | 29,460 | 53,747 | 158,392 | 512,172 | 176,261 |
| Total Long-Term Liabilities | \$ 983,658 | \$ 29,460 | \$ 53,747 | \$ 225,483 | \$ 733,888 | \$ 247,352 |

Leases

Building - Office Space

WTC entered a 3-year lease with three one-year renewal options for six possible years for office space at 421 North Boundary Street, Williamsburg, Virginia. The monthly lease payments are \$5,905 beginning July 2023, with an annual escalation of \$2,115 or 3% for fiscal year 2025 and \$2,189 or 3% for fiscal year 2026. The lease also includes other fees, including utilities and shared front desk coverage.

In 2022, WTC recognized a present value lease liability and building-office space asset of \$395,914. The asset is amortized over the life of the lease, including the three option years. The right-to-use lease assets and the related accumulated amortization are detailed in Note 5. The lease requires the following future minimum payments:

| <u>As of June 30,</u> | <u>Principal</u> | <u>Interest</u> |
|-----------------------|-------------------|-----------------|
| Fiscal Year 2025 | 67,627 | 5,349 |
| Fiscal Year 2026 | 71,774 | 3,390 |
| Fiscal Year 2027 | 76,184 | 1,244 |
| Total | \$ 215,585 | \$ 9,983 |

Equipment – Photocopier

WTC entered a 5-year lease agreement for a photocopier in April 2021. The monthly lease payments are \$300, beginning April 2021. The lease agreement requires additional fees for images over the allowed number of copies under the agreement. WTC has the right to exchange the photocopier at the end of the lease term for a new photocopier and agreement.

In 2021, WTC recognized a present value of the lease liability and an equipment asset of \$16,699. The equipment is being amortized over the life of the lease agreement. WTC recognized amortization expense on a straight line basis based over the life of the agreement. The right-to-use lease asset and the related accumulated amortization is detailed in Note 5. The requires the future minimum payments:

Williamsburg Tourism Council
Notes to the Basic Financial Statements
June 30, 2024

| <u>As of June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Payments</u> |
|-----------------------|------------------|-----------------|-----------------|
| Fiscal Year 2025 | 3,464 | 137 | 3,601 |
| Fiscal Year 2026 | 2,667 | 33 | 2,700 |
| Total | \$ 6,131 | \$ 170 | \$ 6,301 |

Subscription Based Informational Technology Agreements (SBITA)

The WTC currently has six information technology subscriptions capitalized under SBITA, one less than in fiscal year 2023. The agreements support marketing and administration activities. The marketing SBITAs support WTC's website, marketing image management, and market analytics. The office administration's SBITAs support document processing and expense tracking.

WTC has recognized SBITA assets of \$922,967 and liability of \$512,172 as of June 30, 2024. The SBITA arrangements expire at various dates through 2027 and provide for renewal and termination options. The right-to-use lease assets and the related accumulated amortization are detailed in Note 5.

SBITAs future minimum payments are:

| <u>As of June 30,</u> | <u>Principal</u> | <u>Interest</u> |
|-----------------------|-------------------|------------------|
| 2025 | \$ 176,261 | \$ 21,730 |
| 2026 | 183,039 | 12,971 |
| 2027 | 152,872 | 4,140 |
| Total | \$ 512,172 | \$ 38,841 |

NOTE 7 – Retirement Plans

The WTC contributes 6% of eligible employees' compensation to a 401K deferred compensation plan maintained by the American Chamber of Commerce Executives. The WTC also provides up to a 2% match of employees' compensation for employees contributing above 6% of their compensation. Participants in the plan are eligible to begin to take distributions at age 59 1/2. Employees may borrow up to 50% of their vested balance, not to exceed \$50,000. The employee retirement plan is a money purchase plan. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are held for the employees with the choice of investment options being made by the employees.

The WTC contributed \$ 74,113 to the plan during the 12 months ending June 30, 2024.

NOTE 8 – Subsequent Event

No subsequent events affect the reporting for fiscal year 2024.

Required Supplemental Information

Williamsburg Tourism Council
Schedule of Revenues, Expenditures, and Change in Net Position -- Budget and Actual
(Unaudited)
For the Year Ended June 30, 2024

Exhibit 7

| | Original Budget | Actual | Variance Favorable (Unfavorable) |
|---|----------------------------|---------------------|---|
| Revenues | | | |
| Sales and transient taxes | \$ 15,694,519 | \$ 16,440,301 | \$ 745,782 |
| Localities | 126,600 | 126,600 | 0 |
| Total Revenues | 15,821,119 | 16,566,901 | 745,782 |
| Expenditures | | | |
| Destination marketing | | | |
| Marketing Expenses | 14,786,471 | 14,738,723 | 47,748 |
| Principal - SBITAs | 148,698 | 153,080 | (4,382) |
| Interest Expense-SBITAs | 84,831 | 30,512 | 54,319 |
| <u>Total Destination Marketing</u> | <u>15,020,000</u> | <u>14,922,314</u> | <u>97,686</u> |
| Other sales and marketing | 650,000 | 622,537 | 27,463 |
| General and Administrative | | | |
| Personnel Costs | 1,699,049 | 1,372,358 | 326,691 |
| General and Administrative | 389,662 | 405,234 | (15,571) |
| Debt Service: | | | |
| Principal - SBITA | 5,312 | 5,312 | - |
| Principal- Lease | 63,297 | 67,091 | (3,794) |
| Interest Expense- Lease | 3,441 | 7,790 | (4,349) |
| Capital Outlay | - | 29,460 | (29,460) |
| <u>Total General and Administrative</u> | <u>2,160,761</u> | <u>1,887,245</u> | <u>273,516</u> |
| HTRFA Funding | | - | - |
| Total Expenditures | 17,830,761 | 17,432,096 | 398,665 |
| Change in fund Balance before | (2,009,642) | (865,195) | 1,144,447 |
| Other Financing Sources | | | |
| Interest Income | 39,881 | 170,329 | 130,448 |
| Proceeds from Lease | - | - | - |
| Proceeds from SBITA | - | 29,460 | 29,460 |
| Gain/Loss on Asset Disposal | - | 4,934 | 4,934 |
| Total Other Financing Sources | 39,881 | 204,723 | 164,842 |
| Change in Fund Balance | (1,969,761) | (660,472) | 1,309,290 |
| Fund Balance - Beginning of year | 3,408,603 | 3,408,603 | - |
| Fund Balance - End of year | \$ 1,438,842 | \$ 2,748,131 | \$ 1,309,290 |