

DOUGLAS COUNTY TRAVEL & TOURISM, INC.

FINANCIAL STATEMENT

Year Ended December 31, 2020

DOUGLAS COUNTY TRAVEL & TOURISM, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of

Douglas County Travel & Tourism, Inc.

We have audited the accompanying financial statement of

DOUGLAS COUNTY TRAVEL & TOURISM, INC.

(a Georgia nonprofit organization) which comprises the statement of changes in cash receipts and cash disbursements for the year ended December 31, 2020, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the cash basis of accounting described in Note (2). This includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. 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 statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, 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 statement 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 statement.

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 statement referred to above presents fairly, in all material respects, the changes in cash receipts and cash disbursements of Douglas County Travel & Tourism, Inc. for the year ended December 31, 2020, in accordance with the cash basis of accounting, described in Note (2).

Basis of Accounting

We draw attention to Note (2) of the financial statement, which describes the basis of accounting. The financial statement was prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our audit opinion is not modified with respect to this matter.

HLB GROSS COLLINS, P.C.

Atlanta, Georgia
March 26, 2021

DOUGLAS COUNTY TRAVEL & TOURISM, INC.

STATEMENT OF CHANGES IN CASH RECEIPTS AND DISBURSEMENTS

Year Ended December 31, 2020

CASH RECEIPTS

Hotel and motel tax revenues (Notes 2 and 3)	\$ 594,527
Interest income	910
TOTAL CASH RECEIPTS	<u>595,437</u>

CASH DISBURSEMENTS

Advertising	219,329
Consulting	22,700
Computer hardware	3,175
Sponsorship	3,000
Office expenses	2,791
Insurance	1,440
Postage and delivery	872
Software subscriptions	872
Membership and dues	850
Printing and publication	630
Advertising	190
Hospitality	41
Bank charges	23

TOTAL CASH DISBURSEMENTS **255,913**

EXCESS OF CASH RECEIPTS OVER CASH DISBURSEMENTS **339,524**

Restricted cash and cash equivalents, beginning of year (Note 2) **-**

RESTRICTED CASH AND CASH EQUIVALENTS, END OF YEAR (Note 2) **\$ 339,524**

The accompanying Notes to Financial Statements are an integral part of these statements.

DOUGLAS COUNTY TRAVEL & TOURISM, INC.

NOTES TO FINANCIAL STATEMENT

Year Ended December 31, 2020

(1) Nature of activities

Douglas County Travel & Tourism, Inc. (the "Organization"), was incorporated on December 12, 2019 and was granted tax-exempt status under the Internal Revenue Code of 1954. The purpose of the Organization is to promote Douglas County, Georgia (the "County"), as a destination marketing organization and a viable tourist destination, thereby increasing the number of visitors to the County.

The Organization receives funding primarily through an annual memorandum of operations agreement with Douglas County for allocation of hotel and motel taxes collected in the County. The hotel and motel tax funds are used to support the operations of the Organization through: (a) promoting tourism, conventions and trade shows in the County; (b) to acquire, own, lease, manage and market real and personal property; and (c) to receive and disburse donations, contributions and funds realized from the imposition of the hotel/motel tax authorized by the state of Georgia O.C.G.A section 48-13-50 and O.C.G.A section 48-13-51(a)2 and any subsequent amendments thereto by the state of Georgia.

(2) Summary of significant accounting policies

Basis of accounting - The financial statement has been prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America ("U.S. GAAP"). Contributions revenues and interest income are recognized at the time such amounts are received. Expenses are recognized at the time such amounts are disbursed.

Basis of presentation - In accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958, *Not-for-Profit-Entities*, the Organization is required to report information regarding its assets according to two classes: without donor restrictions and with donor restrictions.

Restrictions on assets - The Organization distinguishes between contributions and interest income received that increase assets without donor restrictions and assets with donor restrictions. The Organization also recognizes the expiration of donor-imposed restrictions in the period in which the restrictions expire. A definition of the above categories is as follows:

Assets without donor restrictions - These asset amounts are not subject to any donor-imposed restriction. From time to time, the Organization's governing board can designate certain assets without donor restrictions to be held for specific purposes as indicated in the statement of changes in cash receipts and cash disbursements. There are no assets without donor restrictions that were board designated as of December 31, 2020.

Assets with donor restrictions - These assets are subject to donor-imposed restrictions that may be met either by the actions of the Organization or the passage of time. There was a total of \$339,524 of assets with donor restrictions as of December 31, 2020.

DOUGLAS COUNTY TRAVEL & TOURISM, INC.

NOTES TO FINANCIAL STATEMENT

Year Ended December 31, 2020

(2) Summary of significant accounting policies (continued)

Revenue recognition - Contributions received are recorded as without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor restrictions. Assets and cash receipts and disbursements, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, assets of the Organization and changes therein are classified and reported as assets without donor restrictions that are not subject to donor-imposed restrictions. The Organization primarily derives its revenues from hotel and motel revenues restricted by the County, as more fully described in (Note 1). During 2020, a total of \$594,527 was received in restricted hotel and motel revenues from the County.

Contributions and donated services - Contributions received are recognized as revenues in the period received at their estimated fair value. Conditional promises to give are recognized when the conditions are substantially met. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restriction is met in the year of receipt. All other donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, assets with donor restrictions are reclassified to assets without donor restrictions.

Contributed and discounted services are recorded by the Organization when these services create or enhance financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The fair value of these services is recognized as donated services and applicable expense. The Organization did not receive any contributed and/or discounted services during 2020.

Restricted cash and cash equivalents - For purposes of the financial statement, the Organization considers all liquid instruments with original maturities of three months or less to be cash equivalents.

Concentration of credit risk - The Organization maintains its cash in bank accounts, which at times may exceed federally insured limits. The Organization does not believe that it is exposed to any significant credit risk in such accounts.

Fair value of financial instruments - The Organization's financial instruments consist of restricted cash and cash equivalents. The carrying values of this financial instrument approximates its fair values, because of its short-term maturity.

Income taxes - The Organization is a not-for-profit organization and is exempt from federal and state income taxes under Section 501(c)(6) of the U.S. Internal Revenue Code of 1986, as amended. The Organization files Form 990 in the United States federal jurisdiction and the State of Georgia.

DOUGLAS COUNTY TRAVEL & TOURISM, INC.

NOTES TO FINANCIAL STATEMENT

Year Ended December 31, 2020

(2) Summary of significant accounting policies (continued)

Uncertainty in income taxes - The Organization accounts for uncertain income taxes in accordance with FASB ASC 740, *Income Taxes*. FASB ASC 740 provides guidance for how uncertain tax provisions should be recognized, measured, presented and disclosed in the financial statement. FASB ASC 740 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Organization's tax returns to determine whether the tax positions would "more-likely-than-not" be sustained if challenged by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold should be recorded as a tax benefit or expense in the year determined. Management has evaluated tax positions taken and is unaware of any unrecognized tax positions in existence as of December 31, 2020.

Estimates - The preparation of the financial statement in conformity with the cash basis of accounting requires management to make estimates and assumptions that may affect the reported amounts of certain assets, cash receipts and disbursements, and disclosures of contingencies in the financial statement and accompanying notes. Although these estimates and assumptions are based on the Organization's knowledge of current events and actions the Organization may take in the future, actual results could ultimately differ from those estimates and assumptions, and the differences could be material.

Recently adopted accounting pronouncements - In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the scope and the Accounting Guidance for Contributions received and Contributions Made*. This ASU is intended to address questions stemming from FASB ASU 2014-09, *Revenue from Contracts with Customers*, regarding its implication on grants and contracts for not-for-profit organizations. Specifically, it includes decision trees to assist in evaluating if the new revenue standard would apply in a transaction or if it should be more appropriately classified as a contribution, which would exclude it from the scope of ASU 2018-08 and instead require the application of the contribution guidance, under ASC 958-605, *Not-for-Profit - Revenue Recognition*. The Organization adopted ASU 2018-08 as of January 1, 2020. The impact of adopting this ASU was immaterial to the financial statement.

Recent accounting pronouncements - In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this update requires the recognition of lease assets (right-of-use asset) and lease liabilities (for lease payments) by lessees for those leases classified as operating leases under previous U.S. GAAP. Amendments in this ASU delay the effective date for non-public not-for-profit entities to fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022, with early adoption permitted. The Organization has not elected to early adopt this guidance, and the Organization is currently evaluating the impact of this pronouncement.

(3) Commitments and contingencies

The Organization enters into commitments from time to time with vendors for various services to support the operations of the Organization. The Organization entered into an employee agreement with its Executive Director effective January 4, 2021 through December 31, 2021. Additionally, an employment agreement for clerical and administrative services was entered into effective February 1, 2021 through December 31, 2021. These employment agreements can be terminated with written notification as specified in the agreements.

DOUGLAS COUNTY TRAVEL & TOURISM, INC.

NOTES TO FINANCIAL STATEMENT

Year Ended December 31, 2020

(3) Commitments and contingencies (continued)

The Organization entered into a memorandum of operations (“MOU”) with the County effective January 1, 2021 for the year ending December 31, 2021. The funds received under the MOU will be utilized for the purpose of promoting tourism, conventions and trade shows (“TCT”) and for tourism product development (“TPD”). The expenditures of the TPD funds may include capital costs and operating expenses, excluding salaries. The contract can be terminated for non-compliance upon thirty days’ written notice from the County.

The Organization entered into an operating lease agreement for office space effective April 1, 2021 through April 30, 2022. Total future minimum lease obligations under this agreement are \$5,850 for 2021 and \$2,600 for 2022.

(4) Liquidity

The Organization’s financial assets available within one year of the statement of changes in cash receipts and cash disbursements date for support of operations consist of cash and cash equivalents totaling \$339,524 as of December 31, 2020.

The Organization is substantially supported by contributions from the County in the form of hotel and motel taxes collected and allocated to the Organization, restricted to support operations and initiatives of the Organization for the County. Thus, financial assets may not be available for general expenditure within one year. As part of the Organization’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures and other obligations come due. In the event of an unanticipated liquidity need, the Organization could also draw upon resources from related parties.

(5) Concentrations

For the year ended December 31, 2020, the Organization derived 100% of its revenues from hotel and motel tax revenues received from Douglas County, Georgia to support operations and initiatives of the Organization.

(6) Subsequent events

The Organization has reviewed subsequent events through March 26, 2021, the date which the financial statement was available to be issued. The Organization has determined that there were no other subsequent event matters, except as described in Note (3) above, that require recognition or disclosure in the financial statement.