

Pennsylvania Dutch Tourist Bureau t/a Pennsylvania Dutch
Convention and Visitors Bureau #36

Years Ended December 31, 2011 and 2010



TROUT, EBERSOLE & GROFF_{LLP}

CPAs | BUSINESS ADVISORS

SERVICE | ANSWERS | TRUST

Pennsylvania Dutch Tourist Bureau
T/A Pennsylvania Dutch Convention and Visitors Bureau #36

Financial Statements with Supplementary Information

Years Ended December 31, 2011 and 2010

TABLE of CONTENTS

	Page
Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position	2
Statements of Activities and Changes in Net Assets	3 & 4
Statements of Cash Flows	5
Notes to Financial Statements	6 - 14
Supplementary Information	
Schedules of Map and Overnight Getaway Guide	15
Schedules of Marketing Department	16 & 17
Schedules of Member and Visitor Services	18 & 19
Schedules of Self-Liquidating Programs	20
Schedules of Tour and Travel Sales	21 & 22
Schedules of Meeting and Convention Sales	23
Schedules of Communications Expenses	24
Schedules of Administrative Expenses	25

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Pennsylvania Dutch Tourist Bureau
T/A Pennsylvania Dutch Convention
and Visitors Bureau #36
Lancaster, Pennsylvania

We have audited the accompanying statements of financial position of the **Pennsylvania Dutch Tourist Bureau** (a nonprofit organization) as of December 31, 2011 and 2010, and the related statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used, and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the **Pennsylvania Dutch Tourist Bureau** as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The information on pages 15 - 25 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has also been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Trout, Ebersole & Groff, LLP

June 12, 2012
Lancaster, Pennsylvania

TROUT, EBERSOLE & GROFF, LLP
Certified Public Accountants

SERVICE | ANSWERS | TRUST

LANCASTER OFFICE: 1705 Oregon Pike, Lancaster, PA 17601 • 717-569-2900 • 800-448-1384 • Fax 717-569-0141
ELIZABETHTOWN OFFICE: 222 South Market Street, Suite 202, Elizabethtown, PA 17022 • 717-367-3225 • Fax 717-367-3324
HARRISBURG OFFICE: 2000 Linglestown Road, Suite 104, Harrisburg, PA 17110 • 717-545-0453 • Fax 717-545-7374

Pennsylvania Dutch Tourist Bureau
T/A Pennsylvania Dutch Convention and Visitors Bureau #36

STATEMENTS of FINANCIAL POSITION

December 31, 2011 and 2010

	2011	2010
ASSETS		
ASSETS		
Cash and Cash Equivalents - Undesignated	\$ 2,347,974	\$ 2,723,924
Cash and Cash Equivalents - Restricted	9,673	37,529
Cash and Cash Equivalents - Designated	557,046	553,207
Accounts Receivable - less Allowance for Doubtful Accounts of \$7,500	437,599	488,594
Prepaid Expenses and Other Current Assets	47,292	26,724
Long-Term Receivables, less Current Portion	3,620	6,620
Property and Equipment, net	<u>871,683</u>	<u>889,673</u>
TOTAL ASSETS	<u>4,274,887</u>	<u>4,726,271</u>
LIABILITIES and NET ASSETS		
LIABILITIES		
Accounts Payable	341,728	206,249
Grants Payable	6,605	7,788
Accrued Salaries and Wages	22,324	24,607
Compensated Absences	46,431	38,967
Deferred Revenue	616,457	636,574
Accrued Expenses	19	104
Security Deposits	<u>1,000</u>	<u>-0-</u>
TOTAL LIABILITIES	1,034,564	914,289
NET ASSETS		
Unrestricted:		
Undesignated	2,680,209	3,254,387
Designated - Board	557,046	553,207
Temporarily Restricted	<u>3,068</u>	<u>4,388</u>
TOTAL NET ASSETS	<u>3,240,323</u>	<u>3,811,982</u>
TOTAL LIABILITIES and NET ASSETS	<u>\$ 4,274,887</u>	<u>\$ 4,726,271</u>

See notes to financial statements.

Pennsylvania Dutch Tourist Bureau
T/A Pennsylvania Dutch Convention and Visitors Bureau #36

STATEMENTS of ACTIVITIES and CHANGES in NET ASSETS
Years Ended December 31, 2011 and 2010

	2011	2010
CHANGES in UNRESTRICTED NET ASSETS		
Revenues:		
PA Tourism Promotion Assistance Grants	\$ -0-	\$ 430,898
Quest for Freedom/Underground Railroad Grants	18,745	67,764
Member Dues	629,456	617,005
Investment Income	19,156	70,957
Miscellaneous Income	4,175	28,768
Map and Overnight Getaway Guide	632,306	639,354
Marketing Department Income - Hotel Taxes	2,237,046	2,229,673
Marketing Department Income - Other	1,138,673	879,252
Member and Visitor Services Income	238,704	333,926
Self-Liquidating Programs	79,832	43,945
Tour and Travel Sales	99,900	112,335
Meeting and Convention Sales	11,290	20,777
	5,109,283	5,474,654
Net Assets Released from Restrictions:		
Scholarships	9,050	7,000
Corridor Project	250	-0-
Transportation Grant	-0-	5,000
	9,300	12,000
Total Revenues and Net Assets Released from Restrictions	5,118,583	5,486,654
Expenses:		
Grants	18,750	72,762
Map and Overnight Getaway Guide	268,852	279,502
Marketing Department	3,429,788	2,726,587
Member and Visitor Services	473,541	588,916
Self-Liquidating Programs	77,624	43,620
Tour and Travel Sales	294,747	307,833
Meeting and Convention Sales	452,669	439,945
Communications	357,447	312,527
Administrative	315,504	341,695
	\$ 5,688,922	\$ 5,113,387

See notes to financial statements.

Pennsylvania Dutch Tourist Bureau
T/A Pennsylvania Dutch Convention and Visitors Bureau #36

STATEMENTS of ACTIVITIES and CHANGES in NET ASSETS
(Continued)

Years Ended December 31, 2011 and 2010

	2011	2010
INCREASE (DECREASE) in UNRESTRICTED NET ASSETS	\$ (570,339)	\$ 373,267
CHANGES in TEMPORARILY RESTRICTED NET ASSETS		
Scholarship Contributions	7,980	7,945
Net Assets Released from Restrictions	<u>(9,300)</u>	<u>(12,000)</u>
Net Decrease in Temporarily Restricted Net Assets	<u>(1,320)</u>	<u>(4,055)</u>
CHANGES in NET ASSETS	(571,659)	369,212
NET ASSETS		
Beginning of Year	<u>3,811,982</u>	<u>3,442,770</u>
End of Year	<u><u>\$ 3,240,323</u></u>	<u><u>\$ 3,811,982</u></u>

See notes to financial statements.

Pennsylvania Dutch Tourist Bureau
T/A Pennsylvania Dutch Convention and Visitors Bureau #36

STATEMENTS of CASH FLOWS
Years Ended December 31, 2011 and 2010

	2011	2010
CASH FLOWS from OPERATING ACTIVITIES		
Changes in Net Assets	\$ (571,659)	\$ 369,212
Adjustments to Reconcile Changes in Net Assets to Net Cash		
Provided by Operating Activities:		
Depreciation	141,841	130,729
Realized/Unrealized Gain on Investments	-0-	(39,348)
(Increase) Decrease in:		
Accounts Receivable	50,995	(203,468)
Prepaid Expenses and Other Current Assets	(20,568)	295
Long-Term Receivables	3,000	(6,620)
Increase (Decrease) in:		
Accounts Payable	135,479	166,665
Grants Payable	(1,183)	(85,604)
Accrued Salaries and Wages	(2,283)	23,201
Compensated Absences	7,464	8,636
Deferred Revenue	(20,117)	(302,651)
Security Deposits	1,000	-0-
Accrued Expenses	(85)	50
Net Cash Provided (Used) by Operating Activities	(276,116)	61,097
CASH FLOWS from INVESTING ACTIVITIES		
Purchases of Property and Equipment	(123,851)	(12,883)
Proceeds from Sale of Assets Restricted for		
Long-Term Purposes	-0-	545,712
Net Cash Provided (Used) by Investing Activities	(123,851)	532,829
INCREASE (DECREASE) in CASH and CASH EQUIVALENTS	(399,967)	593,926
CASH and CASH EQUIVALENTS		
Beginning	3,314,660	2,720,734
Ending	<u>\$ 2,914,693</u>	<u>\$ 3,314,660</u>

See notes to financial statements.

Pennsylvania Dutch Tourist Bureau
T/A Pennsylvania Dutch Convention and Visitors Bureau #36

NOTES to FINANCIAL STATEMENTS

NOTE 1 - NATURE of ACTIVITIES

The **Pennsylvania Dutch Tourist Bureau** is a non-stock membership organization. The Tourist Bureau's principal business activities and purposes are educational, philanthropic, civic, and patriotic, including the following: to promote and encourage tourist travel and the holding of conventions in Lancaster County; to encourage the restoration of points of interest and places of historical significance; and to assemble and disseminate information designed to maintain and further develop the strong position of Lancaster County in the tourist, vacation, and convention fields. The Tourist Bureau also operates the Lancaster County Reservation Center.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Presentation

All numbers represent United States dollars unless otherwise indicated.

Basis of Accounting

The financial statements of the **Pennsylvania Dutch Tourist Bureau** have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Basis of Presentation

The Tourist Bureau's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP). Current US GAAP standards are contained in the Accounting Standards Codification (ASC) as set forth by the Financial Accounting Standards Board (FASB).

The financial statement presentation follows the recommendations of FASB ASC Topic 958, *Not-For-Profit Entities*. Under this standard, the Tourist Bureau is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Cash and Cash Equivalents

Cash and cash equivalents balances include amounts on hand, amounts held in the Tourist Bureau's checking accounts, and cash equivalent/investments. The Tourist Bureau considers all highly liquid investments with maturities of three months or less to be cash equivalents.

Concentration of Credit Risk

Certain financial instruments potentially subject the Tourist Bureau to concentrations of credit risk. These financial instruments consist primarily of temporary cash investments. The Tourist Bureau maintains its temporary cash investments with various financial institutions where the account balances may, at times, exceed FDIC and SIPC insured limits.

Excess cash deposits are automatically invested by the financial institution through a sweep to the bank's investment product. These overnight balances are not covered by FDIC insurance. However, in the event of bank failure, the Tourist Bureau would be the owner of the securities specifically identified in the daily confirmation notice, or a holder of a perfected security interest, subject to the bank's obligation to repurchase such securities.

Pennsylvania Dutch Tourist Bureau
T/A Pennsylvania Dutch Convention and Visitors Bureau #36

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

Accounts receivable that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at outstanding principal adjusted for allowance for doubtful accounts. Account balances generally are written off when management judges such balances uncollectible, such as an account in bankruptcy. Management continually monitors and reviews accounts receivable balances.

The Tourist Bureau charges interest on past due accounts that are over 90 days old. The Tourist Bureau recognizes interest when it was billed. Interest continues to accrue until the account is deemed uncollectible by management. Interest receivable included in accounts receivable for the years ended December 31, 2011 and 2010, was \$-0- and \$26, respectively. Accounts receivable past due 90 days or more amounted to \$8,291 and \$68,418 at December 31, 2011 and 2010, respectively.

For accounts receivable, the allowance for doubtful accounts is based on management's assessment of the collectability of specific customer accounts and the aging of the accounts receivable. If there is a deterioration of a major customer's credit worthiness or actual defaults are higher than the historical experience, management's estimates of the recoverability of amounts due the Tourist Bureau could be adversely affected.

Investments

Investments are recorded at fair value in the statements of financial position in accordance with FASB ASC Topic 958, *Not-For-Profit Entities*. Gains and losses on investments are required to be reported in the statement of activities and changes in net assets as increases or decreases in unrestricted net assets unless restrictions are stipulated by the donor or by law. The Tourist Bureau has adopted FASB ASC Topic 820, *Fair Value Measurements and Disclosures*. This standard defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements.

Property and Equipment

Property and equipment are stated at cost or at fair market value at the date of donation. Depreciation is calculated on an annual straight-line basis over the estimated useful lives. The cost of routine repairs and maintenance are expensed as incurred. The Tourist Bureau does not imply time restrictions on gifts of long-lived assets. Capital assets are defined by the Tourist Bureau as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Estimated useful lives, in years, for depreciable assets are generally as follows:

Buildings and Improvements	10 - 50 Years
Office Equipment and Furniture	3 - 7 Years
Vehicles	5 Years

Restricted and Unrestricted Revenue and Support

The Tourist Bureau reports information regarding its financial position and activities according to three classes of net assets (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) based upon the existence or absence of donor-imposed restrictions.

The Tourist Bureau had no permanently restricted net assets at December 31, 2011 or 2010.

Pennsylvania Dutch Tourist Bureau
T/A Pennsylvania Dutch Convention and Visitors Bureau #36

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Land Lease

In 1990, the Tourist Bureau entered into a lease with the Pennsylvania Department of Transportation for the land its building is located on. The lease requires a nominal \$1 per year payment for the 50-year term lease.

Revenue Recognition

Grants - The Tourist Bureau was the recipient of Tourism Promotion Assistance Grants from the Department of Community and Economic Development (DCED) of the Commonwealth of Pennsylvania. Under this grant program, Commonwealth funds are provided to assist tourist promotion agency activities in marketing, advertising, and promotion of their destinations. The Tourist Bureau also received a Regional Marketing Partnership Grant and a Regional Spending Grant from the DCED in a prior year. These Commonwealth funds are provided to assist in regional marketing activities. Grant revenue is recognized as the qualifying expenses are incurred. Grant monies received prior to incurring any related expenses have been shown as deferred revenue - grants.

Membership Dues - Membership dues generally cover the period from July 1st to June 30th. Membership dues are recognized ratably over the year. Dues received or billed in advance of the fiscal year to which they pertain are treated as deferred revenue.

Map and Overnight Getaway Guide - Members can purchase advertising space in the Map and Overnight Getaway Guide which is distributed by the Tourist Bureau. Revenue from the purchase of advertising space is recognized as the related costs of production, printing, and distribution are incurred. Revenue received prior to incurring related expenses has been shown as deferred revenue - Map and Overnight Getaway Guide.

Retail Sales - The Tourist Bureau sells bus tours and maps at the visitor center. This revenue is recognized at the time of sale.

Display Rentals - Members can display information about their businesses in the visitor's center. The rental income from these displays is recognized ratably over the rental period. Rental income received or billed in advance of the fiscal year to which it pertains is treated as deferred revenue.

Hotel Room Rental Tax and Excise Tax - The Tourist Bureau is the recipient of a portion of the hotel room rental tax and hotel room excise tax collected by Lancaster County. All hotels, motels, and bed and breakfasts are subject to a 1.1% excise tax. Hotels, motels, and bed and breakfasts that have greater than ten rooms are also subject to a 3.9% room rental tax. The Tourist Bureau receives 100% of the excise taxes collected and 20% of the room rental taxes collected less collections and administrative fees charged by the county. This revenue is recognized at the time Lancaster County collects the tax from the lodging establishments.

Functional Expense Classification

Certain costs have been allocated among the programs and supporting services benefited. Supporting services consist of administrative expenses. Administrative expenses totaled \$315,504 and \$341,695 for the years ended December 31, 2011 and 2010, respectively.

Pennsylvania Dutch Tourist Bureau
T/A Pennsylvania Dutch Convention and Visitors Bureau #36

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions

Scholarship contributions are recorded as they are received. Scholarship contributions are considered temporarily restricted as they are for the purpose of awarding scholarships to students pursuing a career in the hospitality/tourism industry. When temporary restricted funds are spent, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions. Restricted donations whose restrictions are met in the same reporting period are accounted for as temporarily restricted net assets and as net assets released from restrictions.

Donated Services

A portion of the Tourist Bureau's functions, including member services, committees, and operational activities, are conducted by unpaid officers and volunteers. The value of this contributed time is not reflected in the accompanying financial statements since there is no objective basis for valuation of the volunteers' time.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Principally, estimates relate to depreciation, deferred revenue, expense allocations, allowance for doubtful accounts, and the fair market value of investments.

Media Advertising

Advertising and promotion costs are expensed as they are incurred.

Tax-Exempt Status

The **Pennsylvania Dutch Tourist Bureau** is exempt from federal income taxes under Section 501(c)(6) of the Internal Revenue Code. The Tourist Bureau was incorporated in 1972 in the Commonwealth of Pennsylvania under the Nonprofit Corporation Law of 1933 and, as such, is exempt from state income taxes.

Income Taxes

The Tourist Bureau adopted the provisions of FASB ASC 740, related to accounting for uncertainty in income taxes. The Tourist Bureau recognizes the benefits or liability associated with a tax position during the period which, based on all available evidence, management believes it is "more likely than not" (greater than fifty percent probability) that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. The portion of the benefits associated with income tax positions claimed on income tax returns that does not meet the above threshold is reflected as a liability for uncertain tax positions in the accompanying statements of financial position. Interest and penalties associated with uncertain tax positions (those not meeting the fifty percent probability threshold) are recorded in the statements of activities and changes in net assets and any related accrual is recognized on the statements of financial position. Tax positions that are other than routine business transactions are reevaluated on an annual basis for both potential recognition and derecognition.

Generally, the statute of limitations for filed returns is three years from the date of filing. Management is not aware of any uncertain tax positions taken by the Tourist Bureau.

Pennsylvania Dutch Tourist Bureau
T/A Pennsylvania Dutch Convention and Visitors Bureau #36

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 3 - RESTRICTIONS on CASH

Certain grantors require monies transferred to the organization to be segregated until dispersed. At December 31, 2011 and 2010, \$6,605 and \$33,141, respectively, of these grant monies remained on hand waiting to be dispersed and are included under cash and cash equivalents - restricted on the statements of financial position.

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at December 31, 2011 and 2010:

	2011	2010
Due from Members	142,683	197,957
Hotel Excise Taxes	298,816	294,537
Other Receivables	<u>3,600</u>	<u>3,600</u>
	445,099	496,094
Allowance for Doubtful Accounts	<u>(7,500)</u>	<u>(7,500)</u>
	437,599	488,594

Included in accounts receivable is \$3,600 which represents the current portion of a long-term receivable related to court-ordered restitution payments. The total amount due under the court agreement at December 31, 2011, is \$7,220. The balance will be repaid in monthly installments of \$300 until December 2013.

The Tourist Bureau considered various factors as of the date of the financial statements in evaluating the credit quality of the other receivable, including the court order and historical collection experience. The Tourist Bureau does not anticipate any losses with respect to the other receivable. Therefore, an allowance for uncollectible amounts has not been recorded.

NOTE 5 - INVESTMENTS

Fair market values are determined by quoted market prices. At December 31, 2011 and 2010, no investments were held by the Tourist Bureau. The Tourist Bureau liquidated its investment account during the year ended December 31, 2010.

The following schedule summarizes the investment income and its classification in the statements of activities and changes in net assets as of December 31:

	2011	2010
Interest and Dividends	19,156	38,808
Realized and Unrealized Gains	-0-	39,348
Fees	<u>-0-</u>	<u>(7,199)</u>
	19,156	70,957

Pennsylvania Dutch Tourist Bureau
T/A Pennsylvania Dutch Convention and Visitors Bureau #36

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 5 - INVESTMENTS (Continued)

The Tourist Bureau had net realized gains for the years ended December 31, 2011 and 2010 of \$-0- and \$39,348, respectively. According to accounting principles generally accepted in the United States of America, the Tourist Bureau records its investments at fair value. As such, realized gains (losses) are recognized as investment income, net of unrealized gains (losses) in the statements of activities and changes in net assets.

NOTE 6 - PROPERTY and EQUIPMENT

Property and equipment consist of the following at December 31, 2011 and 2010:

	2011	2010
Building and Improvements	1,341,733	1,316,322
Office Equipment and Furniture	987,805	889,365
Vehicles	<u>20,186</u>	<u>20,186</u>
	2,349,724	2,225,873
Accumulated Depreciation	<u>(1,478,041)</u>	<u>(1,336,200)</u>
	871,683	889,673

NOTE 7 - COMPENSATED ABSENCES

Employees of the Tourist Bureau are entitled to paid time off to be used for vacation, personal or family illness, or other needs. Unused paid time off can be carried over to the next year; however, there is a five day cap on the amount of paid time off time that can be carried over each year. The total cap is 25 days. Compensated absences for paid time off earned were \$46,431 and \$38,967 at December 31, 2011 and 2010, respectively.

NOTE 8 - DEFERRED REVENUE - GRANTS and GRANTS PAYABLE

Deferred revenue at December 31, 2010, included \$25,353 of funds received from the state for a grant which began in July 2005 and has had numerous amendments. During 2011, expenses related to this grant were incurred and the deferred amount was recognized as grant revenue.

In a prior year, the Tourist Bureau received a \$100,000 grant that was subsequently revised by the state and reduced to \$6,605. The Tourist Bureau has determined that it will not incur future expenses related to this grant. Under the terms of the grant agreement these funds must be returned to the grantor. Grants payable of \$6,605, represents the amount due to the grantors at December 31, 2011.

Grants payable at December 31, 2010, of \$7,788 represented monies due to the grantor as a result of the Tourist Bureau not expecting to incur future expense related to the grants. The grant monies were returned to the grantor during 2011.

Pennsylvania Dutch Tourist Bureau
T/A Pennsylvania Dutch Convention and Visitors Bureau #36

NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 8 - DEFERRED REVENUE - GRANTS and GRANTS PAYABLE (Continued)

The disbursement of funds received under these contracts generally requires compliance with terms and conditions specified in the contracts and is subject to audit by contracting agencies. The amount of charges to these grants that may be disallowed, if any, by such audits cannot presently be determined and no provisions for any liability that may result has been made in the financial statements. However, management believes that the Tourist Bureau is in compliance with grant requirements, and no liability has arisen in the past or is currently expected.

NOTE 9 - DEFERRED REVENUE

Deferred revenue consists of the following at December 31, 2011 and 2010:

	2011	2010
Deferred Revenue - Grants	-0-	25,350
Deferred Revenue - Membership Dues	312,913	315,872
Deferred Revenue - Display Boxes	61,406	62,833
Deferred Revenue - Map and Overnight Getaway Guide	207,200	226,770
Deferred Revenue - Other	<u>34,938</u>	<u>5,749</u>
	616,457	636,574

NOTE 10 - LINE of CREDIT

The Tourist Bureau has a line of credit with a borrowing limit of \$500,000. Interest is charged at the bank's prime rate plus 1.20%, with a minimum interest rate of 4.00%. The line of credit is secured by the Tourist Bureau's assets. There were no outstanding borrowings on the line of credit at December 31, 2011 and 2010. The line of credit agreement expires in November 2012.

NOTE 11 - OPERATING LEASE

The Tourist Bureau leases office equipment under an operating lease agreement. Rental expense under the operating lease was \$2,976 and \$744 for the years ended December 31, 2011 and 2010, respectively. Minimum future rental payments under non-cancelable operating leases with initial or remaining terms in excess of one year at December 31, 2011, are as follows:

	Year Ending December 31,	
	2012	2,976
	2013	2,976
	2014	2,976
	2015	<u>2,976</u>
		11,904

Pennsylvania Dutch Tourist Bureau
T/A Pennsylvania Dutch Convention and Visitors Bureau #36

NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 12 - RETIREMENT PLAN

The Tourist Bureau has a 401(k) Retirement Plan (Plan) covering substantially all of its employees. The Plan is a profit sharing plan whereby the Tourist Bureau will match employee contributions up to 3% of annual compensation, plus a 50% match of employee contributions between 3% and 5% of annual compensation. The Tourist Bureau may, but is not obligated to, make discretionary additional contributions to the Plan at a percentage rate determined by the Tourist Bureau.

The employer's share of contributions to the retirement account under the provisions of the respective plans for the years ended December 31, 2011 and 2010, was \$59,799 and \$52,159, respectively.

NOTE 13 - BOARD DESIGNATED NET ASSETS

Board designated net assets represent reserve funds established by the Board for emergency purposes, such as economic downturns, loss of income through a curtailment in state funding, a decline in hotel tax revenues, or other events that negatively impact the Tourist Bureau's sources of income. These funds are to be invested in accordance with the Tourist Bureau's investment policy. Earnings on Board designated funds are accumulated and considered additions to designated net assets. At December 31, 2011 and 2010, Board designated funds consisted of the following:

	2011	2010
Cash and Cash Equivalents	557,046	553,207

NOTE 14 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at December 31, 2011 and 2010:

	2011	2010
Purpose Restrictions:		
Route 30 Corridor Holiday Décor	-0-	250
Scholarships	<u>3,068</u>	<u>4,138</u>
	3,068	4,388

NOTE 15 - RELATED PARTY TRANSACTIONS

The Tourist Bureau has a marketing/consulting agreement with Dutch Country Roads Regional Tourism Marketing Corporation dated October 2006. For the years ended December 31, 2011 and 2010, no transactions were consummated under this agreement.

Pennsylvania Dutch Tourist Bureau
T/A Pennsylvania Dutch Convention and Visitors Bureau #36

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 16 - RECLASSIFICATION

Several items on the statement of financial position and statements of activities and changes in net assets for December 31, 2010, have been reclassified to be in conformity with the presentation adopted for December 31, 2011. This reclassification has no effect on the change in net assets.

NOTE 17 - SUBSEQUENT EVENTS

The Tourist Bureau's portion of the hotel room rental tax was diverted to the Lancaster County Convention Center Authority (LCCCA) as a result of the LCCCA's inability to meet its debt covenant. While the default mechanism was triggered on March 31, 2012, the diversion of funds was effective with the February 2012 hotel room rental tax receipts and will continue until the LCCCA meets all necessary financial requirements per the bond agreements. The hotel room rental tax represented \$920,028 and \$914,526 of the total hotel room rental/excise tax revenue received during the years ended December 31, 2011 and 2010, respectively. The financial impact of this loss has not been evaluated. The Tourist Bureau expects to continue to receive the excise tax portion of the hotel tax revenue.

Subsequent events have been evaluated through June 12, 2012, which represents the date the financial statements were available to be issued.

Pennsylvania Dutch Tourist Bureau
T/A Pennsylvania Dutch Convention and Visitors Bureau #36

SCHEDULES of MAP and OVERNIGHT GETAWAY GUIDE

Years Ended December 31, 2011 and 2010

	2011	2010
MAP and OVERNIGHT GETAWAY GUIDE		
SUPPORT and REVENUE	\$632,306	\$639,354
MAP and OVERNIGHT GETAWAY GUIDE EXPENSES		
Wages	13,074	12,650
Payroll Taxes	1,022	972
Insurance Benefits	1,227	1,190
Retirement	772	741
Workers' Compensation	46	43
Production Costs	36,000	35,530
Printing	208,203	215,400
Shipping	6,864	11,370
Telephone	365	295
Postage Meter	106	145
Grounds Maintenance	363	324
Building Maintenance	92	131
Utilities	174	173
Real Estate Taxes	81	78
Property Insurance	33	42
Depreciation - Building	226	217
Depreciation	204	201
TOTAL MAP and OVERNIGHT		
GETAWAY GUIDE EXPENSES	268,852	279,502
EXCESS of MAP and OVERNIGHT GETAWAY		
GUIDE SUPPORT and REVENUE over EXPENSES	\$ 363,454	\$ 359,852

See auditors' report.

Pennsylvania Dutch Tourist Bureau
T/A Pennsylvania Dutch Convention and Visitors Bureau #36

SCHEDULES of MARKETING DEPARTMENT
Years Ended December 31, 2011 and 2010

	2011	2010
MARKETING DEPARTMENT SUPPORT and REVENUE		
Getaways Online	\$ 14,772	\$ 17,055
Hotel Room Rental/Excise Taxes	2,237,046	2,229,673
Online Advertising Co-Op	4,000	1,000
Sponsorships - Advertising	17,550	22,600
Webervations	6,782	6,176
Gas Card Promotion	3,396	-0-
Sponsorships - Downtown	3,334	3,333
Media - Member Co-Op	643,207	390,983
Media - Member Solo	<u>445,632</u>	<u>438,105</u>
TOTAL MARKETING DEPARTMENT SUPPORT and REVENUE	3,375,719	3,108,925
MARKETING DEPARTMENT EXPENSES		
Wages	172,870	154,260
Payroll Taxes	12,576	11,683
Insurance Benefits	22,048	18,774
Retirement	9,551	8,960
Workers' Compensation	639	498
Ad Agency Fee	121,241	36,433
800 Number	-0-	358
Sponsorships	-0-	2,000
Postage	31,485	49,553
Advertising	6,750	1,800
Media - Print	11,731	19,455
Media - Online	55,000	65,000
Media - Broadcast	1,072,489	961,311
Media - Member Co-Op	1,273,191	776,030
Media - Member Solo	454,759	438,105
Online Advertising Co-Op	5,000	1,000
Media Promotions - Flavorfest	26,641	38,464
Webervations	6,782	6,167
Rack Brochure	32,550	30,762
Telephone	5,078	4,001
Grounds Maintenance	5,043	4,395
Building Maintenance	\$ 1,274	\$ 1,777

See auditors' report.

Pennsylvania Dutch Tourist Bureau
T/A Pennsylvania Dutch Convention and Visitors Bureau #36

SCHEDULES of MARKETING DEPARTMENT

(Continued)

Years Ended December 31, 2011 and 2010

	2011	2010
MARKETING DEPARTMENT EXPENSES (Continued)		
Utilities	\$ 2,424	\$ 2,354
Real Estate Taxes	1,124	1,060
Property Insurance	463	570
Depreciation - Building	3,145	2,947
Depreciation - Technology	86,219	73,731
Depreciation	2,829	2,723
Postage Meter	1,476	1,974
Qwest Toll Free	<u>5,410</u>	<u>10,442</u>
TOTAL MARKETING DEPARTMENT EXPENSES	<u>3,429,788</u>	<u>2,726,587</u>
EXCESS (DEFICIENCY) of MARKETING DEPARTMENT SUPPORT and REVENUE over EXPENSES	<u>\$ (54,069)</u>	<u>\$ 382,338</u>

See auditors' report.

Pennsylvania Dutch Tourist Bureau
T/A Pennsylvania Dutch Convention and Visitors Bureau #36

SCHEDULES of MEMBER and VISITOR SERVICES

Years Ended December 31, 2011 and 2010

	2011	2010
MEMBER and VISITOR SERVICES SUPPORT and REVENUE		
Display Box Rentals	\$ 126,166	\$ 124,087
Theatre Rental	300	100
Rental Income	6,200	-0-
Lodging Board	4,768	4,959
Retail Sales	868	2,390
Retail Sales - Bus Tours	49,329	50,071
Retail Sales - Non-Taxable	192	124
Vending Machines	872	897
Meetings and Seminars	8,000	8,000
Reservation Center - Room Commissions	11,155	30,772
Reservation Center - Passkey Commissions	25,604	107,176
Hospitality Days	5,250	5,350
TOTAL MEMBER and VISITOR SERVICES SUPPORT and REVENUE	238,704	333,926
MEMBER and VISITOR SERVICES EXPENSES		
Wages	235,286	223,649
Payroll Taxes	23,768	21,133
Insurance Benefits	19,759	18,130
Retirement	10,311	8,830
Workers' Compensation	1,036	908
Visitor Services Expense Account	289	97
Theatre Equipment Repairs	669	-0-
Credit Card Fees	2,765	2,328
Exhibit Maintenance	346	304
Lodging Board Maintenance	1,255	1,039
Retail Sales	547	1,142
Bus Tours	41,457	42,691
Vending Machines	62	467
Musak	442	442
Postage Meter	581	1,205
Trade Shows	964	735
Printing	\$ 1,469	\$ 1,526

See auditors' report.

Pennsylvania Dutch Tourist Bureau
T/A Pennsylvania Dutch Convention and Visitors Bureau #36

SCHEDULES of MEMBER and VISITOR SERVICES

(Continued)

Years Ended December 31, 2011 and 2010

	2011	2010
MEMBER and VISITOR SERVICES EXPENSES (Continued)		
Member Relations	\$ 6,533	\$ 4,962
Annual Meeting	6,093	5,260
Member Training	8,452	1,689
Hospitality Days	4,425	4,819
Telephone	2,000	2,443
Reservation Commissions	400	18,607
Passkey Event	-0-	89,932
Grounds Maintenance	36,906	34,490
Building Maintenance	9,317	13,916
Utilities	17,742	18,470
Real Estate Taxes	8,228	8,320
Property Insurance	3,391	4,472
Depreciation - Building	23,018	23,124
Depreciation	1,114	1,662
Downtown Visitors Center	3,141	3,787
Reservation Center - Passkey	-0-	26,524
Reservation Center - Service Center Contracts	1,775	1,813
	<u>473,541</u>	<u>588,916</u>
TOTAL MEMBER and VISITOR SERVICES EXPENSES	<u>473,541</u>	<u>588,916</u>
DEFICIENCY of MEMBER and VISITOR SERVICES		
SUPPORT and REVENUE over EXPENSES	<u>\$ (234,837)</u>	<u>\$ (254,990)</u>

See auditors' report.

Pennsylvania Dutch Tourist Bureau
T/A Pennsylvania Dutch Convention and Visitors Bureau #36

SCHEDULES of SELF-LIQUIDATING PROGRAMS
Years Ended December 31, 2011 and 2010

	2011	2010
SELF-LIQUIDATING PROGRAMS SUPPORT and REVENUE		
Co-Op - PA Visitors Guide	\$ 40,300	\$ 25,580
Co-Op - Campground Travel Guides	<u>39,532</u>	<u>18,365</u>
TOTAL SELF-LIQUIDATING PROGRAMS		
SUPPORT and REVENUE	79,832	43,945
SELF-LIQUIDATING PROGRAMS EXPENSES		
PA Visitors Guide Ad	40,300	25,580
Campground Travel Guides Ad	<u>37,324</u>	<u>18,040</u>
TOTAL SELF-LIQUIDATING PROGRAMS EXPENSES	<u>77,624</u>	<u>43,620</u>
EXCESS of SELF-LIQUIDATING PROGRAMS		
SUPPORT and REVENUE over EXPENSES	<u>\$ 2,208</u>	<u>\$ 325</u>

See auditors' report.

Pennsylvania Dutch Tourist Bureau
T/A Pennsylvania Dutch Convention and Visitors Bureau #36

SCHEDULES of TOUR and TRAVEL SALES
Years Ended December 31, 2011 and 2010

	2011	2010
TOUR and TRAVEL SALES SUPPORT and REVENUE		
FAM Tours	\$ 65	\$ 518
Group Tour Planners Guide	95,630	95,765
Member Meetings and Training	740	-0-
Sponsorship	2,000	11,500
Trade Show Income	<u>1,465</u>	<u>4,552</u>
TOTAL TOUR and TRAVEL SALES SUPPORT and REVENUE	99,900	112,335
TOUR and TRAVEL SALES EXPENSES		
Wages	141,109	159,136
Payroll Taxes	10,965	12,951
Insurance Benefits	26,965	24,121
Retirement	8,204	6,331
Workers' Compensation	618	487
Trade Show Gifts	884	2,005
Meet Us in Lancaster	3,278	2,056
Tourism Sales Mission	1,469	2,575
Seminars and Workshops	124	218
Sales Development and Training	12,000	12,000
Tour Operator/Partner Coops	100	750
Tour Promotions	-0-	4,975
Sales Tools and Reference Materials	295	149
Trade Show Travel and Expenses	19,947	10,040
Group Tour Advertising	264	613
Group Tour Sponsorship	6,209	14,576
Group Expense Account	-0-	4
Group Collateral	29,238	29,671
Trade Show Fees	13,118	3,596
Telephone	4,434	3,960
Grounds Maintenance	4,404	4,352
Building Maintenance	1,111	1,755
Utilities	\$ 2,117	\$ 2,330

See auditors' report.

Pennsylvania Dutch Tourist Bureau
T/A Pennsylvania Dutch Convention and Visitors Bureau #36

SCHEDULES of TOUR and TRAVEL SALES

(Continued)

Years Ended December 31, 2011 and 2010

	2011	2010
TOUR and TRAVEL SALES EXPENSES (Continued)		
Real Estate Taxes	\$ 982	\$ 1,049
Property Insurance	406	565
Depreciation - Building	2,747	2,918
Depreciation	2,470	2,695
Postage Meter	<u>1,289</u>	<u>1,955</u>
TOTAL TOUR and TRAVEL SALES EXPENSES	<u>294,747</u>	<u>307,833</u>
DEFICIENCY of TOUR and TRAVEL SALES SUPPORT and REVENUE over EXPENSES	<u>\$ (194,847)</u>	<u>\$ (195,498)</u>

See auditors' report.

Pennsylvania Dutch Tourist Bureau
T/A Pennsylvania Dutch Convention and Visitors Bureau #36

SCHEDULES of MEETING and CONVENTION SALES
Years Ended December 31, 2011 and 2010

	2011	2010
MEETING and CONVENTION SALES SUPPORT and REVENUE		
Trade Show Income	\$ 296	\$ 7,316
Member Meetings and Training	-0-	3,700
Sponsorship	3,624	500
Event and Meeting Services	7,201	8,356
FAM Tours	169	905
	<hr/>	<hr/>
MEETING and CONVENTION SALES SUPPORT and REVENUE	11,290	20,777
MEETING and CONVENTION SALES EXPENSES		
Wages	217,416	217,312
Payroll Taxes	17,098	17,800
Insurance Benefits	34,450	30,477
Retirement	12,604	9,956
Workers' Compensation	748	572
Trade Show Gifts	5,350	3,169
Seminars and Workshops	1,203	2,104
Meeting Planners Guide	397	766
Sales Development and Training	4,100	10,963
FAM Tours	587	5,604
Sales Tools and Reference Materials	3,200	604
Trade Show Travel and Expenses	8,211	13,456
M & C Expense Account	3,063	533
Bid Fees	23,500	-0-
Sponsorship	10,405	16,890
Trade Show Fees	28,056	18,371
Meeting and Convention Advertising	16,400	11,578
Corporate Meeting Sales Expense	1,273	4,170
Sales Mission	12,047	3,264
Telephone	6,831	5,399
Grounds Maintenance	6,784	5,931
Building Maintenance	1,713	2,392
Utilities	3,261	3,176
Event, Meeting, and Convention Services	21,814	42,944
Real Estate Taxes	1,513	1,431
Property Insurance	623	769
Depreciation - Building	4,231	3,976
Depreciation	3,805	3,674
Postage Meter	1,986	2,664
	<hr/>	<hr/>
TOTAL MEETING and CONVENTION SALES EXPENSES	452,669	439,945
DEFICIENCY of MEETING and CONVENTION SALES SUPPORT and REVENUE over EXPENSES	<u>\$ (441,379)</u>	<u>\$ (419,168)</u>

See auditors' report.

Pennsylvania Dutch Tourist Bureau
T/A Pennsylvania Dutch Convention and Visitors Bureau #36

SCHEDULES of COMMUNICATIONS EXPENSES

Years Ended December 31, 2011 and 2010

	2011	2010
COMMUNICATIONS EXPENSES		
Wages	\$ 185,439	\$ 169,538
Payroll Taxes	15,296	13,483
Insurance Benefits	46,029	39,520
Retirement	10,537	10,020
Workers' Compensation	779	620
Photographs and Slides	350	889
Press and Community Relations	7,868	7,871
Research - Communications	10,900	-0-
Clipping Service	11,850	11,214
Web Site Maintenance	15,399	16,777
Communications Technical	16,837	14,884
Postage	1,694	2,162
Subscriptions	6,931	2,339
Telephone	5,827	4,381
Grounds Maintenance	5,786	4,813
Building Maintenance	1,461	1,942
Utilities	2,782	2,577
Real Estate Taxes	1,290	1,161
Property Insurance	532	624
Depreciation - Building	3,609	3,227
Depreciation	3,245	2,981
Legislative Relations	3,006	1,504
 TOTAL COMMUNICATIONS EXPENSES	\$ 357,447	\$ 312,527

See auditors' report.

Pennsylvania Dutch Tourist Bureau
T/A Pennsylvania Dutch Convention and Visitors Bureau #36

SCHEDULES of ADMINISTRATIVE EXPENSES
Years Ended December 31, 2011 and 2010

	2011	2010
ADMINISTRATIVE EXPENSES		
Wages	\$ 134,798	\$ 122,336
Payroll Taxes	10,785	10,048
Insurance Benefits	3,106	14,245
Retirement	7,820	7,321
Workers' Compensation	696	1,201
Other Employee Benefits	3,823	3,729
Administrative Expense Account	636	716
Conventions/Seminars	2,350	3,429
Telephone	4,234	3,209
Cleaning Supplies	4,251	4,812
Grounds Maintenance	4,204	3,568
Building Maintenance	1,061	4,068
Utilities	2,022	1,888
Real Estate Taxes	937	851
Property Insurance	386	457
Depreciation - Building	2,622	2,363
Depreciation	2,357	4,290
Director and Officer Insurance	4,294	2,585
Professional Organizations Dues	16,426	24,835
Professional Fees	43,097	42,875
Bank Fees	3,867	-0-
Equipment Maintenance	10,022	18,807
Postage Meter	1,229	1,584
Office Supplies	14,449	12,990
Public Relations	4,922	5,992
Chamber Dinner	1,950	1,750
Computer Supplies	6,402	5,381
Technical Support	13,308	12,311
Scholarships	9,050	7,000
Miscellaneous	100	15,994
Bad Debt	300	1,060
	\$ 315,504	\$ 341,695
TOTAL ADMINISTRATIVE EXPENSES	<u>\$ 315,504</u>	<u>\$ 341,695</u>

See auditors' report.