

FAIRFAX COUNTY CONVENTION AND VISITORS CORPORATION
(a nonprofit organization)

FINANCIAL STATEMENTS

Year Ended June 30, 2023

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Fairfax County Convention and Visitors Corporation
Fairfax, Virginia

Report on the Audit of the Financial Statements***Opinion***

We have audited the accompanying financial statements of Fairfax County Convention and Visitors Corporation (the Organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2023, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 the Organization 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 opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 opinion. 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 generally accepted auditing standards 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 generally accepted auditing standards 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 the Organization'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 the Organization'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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2023, on our consideration of the Organization'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 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 the Organization'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 the Organization's internal control over financial reporting and compliance.

Renner and Company, CPA, P.C.

Alexandria, Virginia
December 12, 2023

FAIRFAX COUNTY CONVENTION AND VISITORS CORPORATION

STATEMENT OF FINANCIAL POSITION

June 30, 2023

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 989,306
Accounts receivable	42,022
Prepaid expenses	506,686
Investments	914,181
TOTAL CURRENT ASSETS	2,452,195
PROPERTY AND EQUIPMENT, net	14,685
OTHER ASSETS	
Intangible assets, net	316,995
Right of use asset - operating lease	589,947
Right of use asset - finance lease	17,461
Security deposit	13,784
TOTAL OTHER ASSETS	938,187
TOTAL ASSETS	\$ 3,405,067
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	\$ 99,810
Accrued payroll and benefits	185,295
ARPA grant advance	328,879
Operating lease liability - current	149,175
Finance lease liability - current	6,064
TOTAL CURRENT LIABILITIES	769,223
OTHER LIABILITIES	
Due to Fairfax County	4,291,268
Operating lease liability - net of current portion	785,581
Finance lease liability - net of current portion	6,662
TOTAL OTHER LIABILITIES	5,083,511
TOTAL LIABILITIES	5,852,734
NET DEFICIT	
Without donor restrictions	(2,487,920)
With donor restrictions	40,253
TOTAL NET DEFICIT	(2,447,667)
TOTAL LIABILITIES AND NET DEFICIT	\$ 3,405,067

See Notes to Financial Statements.

FAIRFAX COUNTY CONVENTION AND VISITORS CORPORATION

STATEMENT OF ACTIVITIES

Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Funding from Fairfax County	\$ 2,855,329	\$ -	\$ 2,855,329
ARPA grant income	1,748,255	-	1,748,255
Sponsorship income	16,001	-	16,001
Advertising income	14,181	-	14,181
Co-op income	35,000	-	35,000
Investment income	57,723	-	57,723
Partners funding	-	20,253	20,253
Releases from restrictions:			
Satisfaction of program restrictions	10,000	(10,000)	-
TOTAL REVENUE AND SUPPORT	<u>4,736,489</u>	<u>10,253</u>	<u>4,746,742</u>
EXPENSES			
Program	4,159,580	-	4,159,580
Management and general	611,462	-	611,462
TOTAL EXPENSES	<u>4,771,042</u>	<u>-</u>	<u>4,771,042</u>
CHANGE IN NET ASSETS	(34,553)	10,253	(24,300)
NET ASSETS, beginning of year	<u>(2,453,367)</u>	<u>30,000</u>	<u>(2,423,367)</u>
NET ASSETS, end of year	<u>\$ (2,487,920)</u>	<u>\$ 40,253</u>	<u>\$ (2,447,667)</u>

See Notes to Financial Statements.

FAIRFAX COUNTY CONVENTION AND VISITORS CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2023

	Program Services			General and Administrative	Total
	Marketing	Visitor's Services	Total		
ARPA	\$ 1,748,255	\$ -	\$ 1,748,255	\$ -	\$ 1,748,255
Salaries and wages	619,754	62,858	682,612	342,411	1,025,023
Website marketing and maintenance	638,136	-	638,136	-	638,136
Agency fees	246,000	-	246,000	-	246,000
Advertising	183,492	-	183,492	-	183,492
Employee benefits	92,340	18,164	110,504	48,390	158,894
Office rent	73,586	7,463	81,049	40,562	121,611
Travel and entertainment	101,024	-	101,024	3,886	104,910
Professional fees	-	-	-	93,201	93,201
Sponsorships	85,236	-	85,236	-	85,236
Depreciation and amortization	44,639	3,161	47,800	31,547	79,347
Show attendance fees	78,543	-	78,543	-	78,543
Payroll taxes	33,848	3,751	37,599	18,994	56,593
Dues and subscriptions	54,450	-	54,450	-	54,450
Supplies and collateral materials	40,925	-	40,925	4,892	45,817
ARPA Sports	14,000	-	14,000	-	14,000
Telephone	4,477	-	4,477	6,994	11,471
Insurance	-	-	-	8,929	8,929
Miscellaneous	1,827	-	1,827	6,143	7,970
Equipment lease	-	-	-	4,776	4,776
Postage and delivery	3,651	-	3,651	152	3,803
Interest	-	-	-	585	585
TOTAL EXPENSES	\$ 4,064,183	\$ 95,397	\$ 4,159,580	\$ 611,462	\$ 4,771,042

See Notes to Financial Statements.

FAIRFAX COUNTY CONVENTION AND VISITORS CORPORATION

STATEMENT OF CASH FLOWS

Year Ended June 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from operations

Support and revenue \$ 4,837,848

Interest income 65,357

Total cash received from operations 4,903,205

Cash disbursed by operations

Payments to vendors and suppliers (3,594,832)

Payments to and for employees (1,198,970)

Total cash paid for operations (4,793,802)

NET CASH PROVIDED BY OPERATING ACTIVITIES 109,403

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sale of investments 915,412

Purchase of investments (901,000)

NET CASH PROVIDED BY INVESTING ACTIVITIES 14,412

CASH FLOWS FROM FINANCING ACTIVITIES

Payment of principal on finance leases (8,110)

NET INCREASE IN CASH AND RESTRICTED CASH 115,705

CASH AND RESTRICTED CASH, beginning of year 873,601

CASH AND RESTRICTED CASH, end of year \$ 989,306

NON-CASH INVESTING ACTIVITIES

Unrealized loss on investments \$ 7,634

Decrease in investment value (7,634)

\$ -

See Notes to Financial Statements.

FAIRFAX COUNTY CONVENTION AND VISITORS CORPORATION

STATEMENT OF CASH FLOWS

Year Ended June 30, 2023

**RECONCILIATION OF CHANGE IN NET ASSETS TO
NET CASH PROVIDED BY OPERATING ACTIVITIES**

CHANGE IN NET ASSETS	<u>\$ (24,300)</u>
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Depreciation and amortization expense	79,347
Unrealized loss on investments	7,634
Loss on disposal of assets	944
Non-cash occupancy costs	<u>(87,856)</u>
NET ADJUSTMENT	<u>69</u>
CHANGES IN ASSETS AND LIABILITIES AFFECTING OPERATIONS PROVIDING CASH	
ASSETS	
Accounts receivable	(8,312)
Prepaid expenses	<u>(399,346)</u>
NET CHANGE IN ASSETS	<u>(407,658)</u>
LIABILITIES	
Accounts payable	45,727
Accrued payroll liabilities	9,545
ARPA grant advance	328,879
Due to Fairfax county	<u>157,141</u>
NET CHANGE IN LIABILITIES	<u>541,292</u>
NET CHANGES IN ASSETS AND LIABILITIES	<u>133,634</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 109,403</u></u>

See Notes to Financial Statements.

FAIRFAX COUNTY CONVENTION AND VISITORS CORPORATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION, AND PURPOSE

Nature of Activities

Fairfax County Convention and Visitors Corporation (the "Organization") is a nonprofit association incorporated under the laws of the Commonwealth of Virginia on April 2, 2004. The Organization was formed to promote Fairfax County as a convention and meeting site and as a tourism destination. The Organization is funded via a portion of the transient occupancy tax levied on hotels in Fairfax County as defined in an agreement with the Board of Supervisors of Fairfax County, Virginia. If the transient occupancy tax is repealed by the Board of Supervisors pursuant to the Fairfax County Code, then obligation to appropriate funds to the Organization under this agreement shall be terminated.

Basis of Accounting

The Organization prepares its financial statements on the accrual basis of accounting. Therefore, revenue and related assets are recognized when earned and expenses and related liabilities are recognized when the obligations are incurred. All revenue and expenses that are applicable to future periods have been presented as deferred or prepaid on the accompanying statement of financial position.

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash and cash equivalents include all checking, savings and certificates of deposit with original maturities of three months or less. The Organization maintains cash balances which may exceed federal insured limits. Management does not believe its cash balances present any significant credit risk.

Accounts Receivable

Accounts receivable are reported at their outstanding balance adjusted for discounts, if applicable. Accounts receivable are considered by management to be fully collectible, and accordingly, no allowance for doubtful of accounts is considered necessary.

FAIRFAX COUNTY CONVENTION AND VISITORS CORPORATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION, AND PURPOSE (CONTINUED)

Property and Equipment

Property and equipment (including major renewals, replacements and betterments) are capitalized and stated at cost. Expenses for ordinary maintenance and repair items are charged to operations as incurred. Upon the sale or other disposition of property, the cost and related accumulated depreciation are eliminated from the accounts and any resulting gain or loss is reflected in change in net assets. The Organization capitalizes property and equipment with a cost of over \$500 and an estimated life of three years or more. Depreciation is provided for using the straight-line method. Asset useful lives are from three to ten years.

Intangible Assets

The Organization capitalizes expenditures related to long-term functional website building and design fees as well as leasehold improvements. Expenses for ordinary maintenance and updates are charged to operations as incurred. When management deems the assets to be impaired beyond further use, the remaining unamortized balance is expensed in the current year. The cost and related accumulated amortization are then eliminated from the accounts.

Investments

Investments are reported at fair value and realized and unrealized gains and losses are reported in the Statements of Activities as increases or decreases in the Statement of Activities.

The Organization invests in various investment instruments that are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, changes in the value of investment securities may have occurred subsequent to year-end that could materially affect the amounts reported in the Statement of Financial Position.

Due from/to Fairfax County

Revenue received by the Organization at the beginning of the fiscal year is based on Fairfax County's estimated transient occupancy tax to be collected during the fiscal year. At the end of the fiscal year, the actual appropriation is calculated based on actual tax payments received and the resultant surplus or deficit is recorded as either due to or due from the county. Amounts due to Fairfax County are settled using future year surpluses and are not currently due by understanding between the Organization and Fairfax County and consistent with past conduct.

FAIRFAX COUNTY CONVENTION AND VISITORS CORPORATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION, AND PURPOSE (CONTINUED)

Classes of Assets

In accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), the Organization's net assets are classified into two categories as follows:

Net Assets Without Donor Restriction

The Organization includes operating net assets that are available for the general operations of the Association as net assets without donor restriction, as well as Board-designated net assets set aside for future use.

Net Assets With Donor Restriction

The Organization reports gifts of cash and other restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restrictions.

Revenue Recognition

Revenue from Contributions

The Organization recognizes all unconditional contributed support in the period in which the commitment is made. Grant revenue is recorded as earned according to the provisions of the grant. The provisions of the grant determine the timing of revenue recognition. Grants received from federal, state and local governments are considered conditional promises to give and are recognized as net assets without donor restrictions as the conditions are met. Revenue accounted for in accordance with contribution accounting is presented in the Statement of Activities as Funding from Fairfax County, ARPA grant income and Partners funding.

Funding from Fairfax County support is recognized once the contribution is received at the beginning of the fiscal year and is adjusted to reflect the actual share of Fairfax County's transient occupancy tax due to the Organization. Cumulative adjustments made to the Funding from Fairfax County are presented as a liability in the Statement of Activities.

ARPA grant income is recognized once incurrence of allowable qualifying expenses is made. Revenue recognized for the ARPA grant, for which claims have not been submitted to the grantor, or cash has not been received from the grantor, is recorded as grants receivable. No grant receivable for ARPA grant income exists as of June 30, 2023.

FAIRFAX COUNTY CONVENTION AND VISITORS CORPORATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION, AND PURPOSE (CONTINUED)

Revenue Recognition (Continued)

Revenue from Contracts with Customers

Disaggregation of Revenue

For revenue from contracts with customers, the Organization disaggregates revenue according to the nature of the service provided. The Statement of Activities presents disaggregated revenue accordingly.

Performance Obligations

Sponsorship income is recognized once the event has occurred. The contract for sponsorships is established on payment, for which the Organization provides various benefits exclusive to sponsors.

Advertising income is recognized at a point in time, once the advertisement is displayed on the Organization's website. The contract for website advertising is established at contract signing, for which the Organization provides website advertisement services.

Co-op income is recognized at a point in time, once the expenses arising from the income are incurred. The contract is established at contract signing, for which the Organization provides marketing services. Revenue recognized is a reimbursement of a percentage of qualified Search Engine Marketing spend.

Significant Judgments

Management makes significant judgments on the timing of recognition of revenues from contracts with customers.

Advertising Expense

The Organization uses advertising to promote Fairfax County as a convention and meeting site and tourism destination among the audiences it serves. Advertising costs are expensed as incurred. Advertising expense for the years ended June 30, 2023 was \$183,492.

FAIRFAX COUNTY CONVENTION AND VISITORS CORPORATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION, AND PURPOSE (CONTINUED)

Income Taxes

The Organization is exempt from federal income taxes under section 501(c)(6) of the Internal Revenue Code. No provision for income taxes has been provided in the financial statements.

In accounting for uncertainty in income taxes, accounting standards require an entity to recognize the financial statement impact of a tax position when it is more-likely-than-not that the position will not be sustained upon examination. Management evaluated the Organization's tax position and concluded there are no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of the guidance.

Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions about the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

The costs incurred under the ARPA program with the U.S. Department of the Treasury are subject to audit by the government for allowability. Management estimates that all costs are allowable; therefore, no provision for unallowable cost has been established.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs, such as salaries and wages, employees benefits, office rent, travel and entertainment, depreciation and amortization, payroll taxes, supplies and collateral materials, telephone, miscellaneous, and postage and delivery have been allocated among the program and supporting services benefits based on level of effort. Professional fees, insurance, equipment lease, and interest were allocated only to general and administrative while ARPA expenses, website marketing and maintenance, agency fees, advertising, sponsorships, show attendance fees, dues and subscriptions, and ARPA Sports were solely allocated to program.

FAIRFAX COUNTY CONVENTION AND VISITORS CORPORATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION, AND PURPOSE (CONTINUED)

Adoption of New Accounting Standard

In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842). This guidance is intended to increase transparency and comparability among lessees by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. ASU 2016-02 requires lessees to report a right-of-use asset along with a lease liability.

The Organization has adopted the financial statement recognition, presentation and disclosure standards contained in the Financial Accounting Standards Board Accounting Standards Update 2016-02, Topic 842, *Leases*. The change has been applied as of June 30, 2023 with no effect on beginning net assets without donor restrictions. As a result, the statement of financial position as of June 30, 2023 includes a right-of-use asset and operating lease liability.

The Organization elected to apply all practical expedients available under the standard, allowing it to not reassess whether any expired or existing contracts previously assessed as not containing leases are, or contain, leases; not reassess the lease classification for any expired or existing leases; and not reassess initial direct costs for any existing leases.

Liquidity and Availability of Assets

The Organization maintains a liquid cash balance in checking and savings accounts in an amount necessary to meet its anticipated expenditures for the next 30 days. Cash in excess of this amount is invested in short-term investments.

The Organization's financial assets available within one year to meet cash needs for general expenditures through June 30, 2024 are as follows:

Financial Assets	
Cash	\$ 989,306
Accounts receivable	42,022
Total financial assets	<u>\$ 1,031,328</u>
Less amounts not available within one year	
Purpose restricted net assets	<u>(40,253)</u>
Financial assets available within one year to meet cash needs	
for general expenditures within one year	<u><u>\$ 991,075</u></u>

FAIRFAX COUNTY CONVENTION AND VISITORS CORPORATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

2. CASH

Cash as of June 30, 2023 consisted of the following:

Checking account	\$ 43,302
Savings accounts	945,804
Petty cash	<u>200</u>
	<u>\$ 989,306</u>

The balances in a financial institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor. The amounts in excess of deposit insurance limits were \$795,280 as of June 30, 2023.

3. PROPERTY AND EQUIPMENT

A summary of information relative to property and depreciation for the years ended June 30, 2023 is as follows:

	<u>Cost</u>	<u>Depreciation expense</u>	<u>Accumulated depreciation</u>	<u>Useful life (years)</u>
Furniture	\$ 64,047	\$ 2,096	\$ 50,896	7
Office equipment	<u>42,007</u>	<u>11,369</u>	<u>40,473</u>	3
	<u>\$ 106,054</u>	<u>\$ 13,465</u>	<u>\$ 91,369</u>	

4. INTANGIBLE ASSETS

Intangible assets for the year ended June 30, 2023 consisted of the following:

	<u>Cost</u>	<u>Amortization expense</u>	<u>Accumulated amortization</u>	<u>Useful life (years)</u>
Amortized intangible assets:				
Website	\$ 40,425	\$ 13,475	\$ 13,475	3
Leasehold improvements	<u>397,343</u>	<u>52,407</u>	<u>107,298</u>	6
	<u>\$ 437,768</u>	<u>\$ 65,882</u>	<u>\$ 120,773</u>	

FAIRFAX COUNTY CONVENTION AND VISITORS CORPORATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

5. INVESTMENTS

Investments are recorded at fair value and consist of the following at June 30, 2023:

	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Cash equivalents	\$ 20,794	\$ 20,794	\$ -
Certificates of Deposit	901,000	893,387	(7,613)
	<u>\$ 921,794</u>	<u>\$ 914,181</u>	<u>\$ (7,613)</u>

Investment income consisted of the following for the years ended June 30, 2023:

Interest and dividends	\$ 21,872
Realized and unrealized gain on market value of investments	<u>(7,634)</u>
	<u>\$ 14,238</u>

6. FAIR VALUE MEASUREMENTS

The Organization records investments based on fair value on a recurring basis. Financial accounting and reporting standards define fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date. The standard emphasizes that fair value is a market-based measurement, not an entity specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, the standard established a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent from the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

Level 1 - Inputs utilize unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

Level 2 - Inputs are inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets or liabilities in active markets, as well as inputs that are observable for the assets or liabilities (other than quoted prices), such as interest rates, foreign exchange rates and yield curves that are observable at commonly quoted intervals.

FAIRFAX COUNTY CONVENTION AND VISITORS CORPORATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

6. FAIR VALUE MEASUREMENTS (CONTINUED)

Level 3 - Inputs are unobservable inputs for the assets or liabilities that are typically based on an entity's own assumptions as there is little, if any, related market activity.

The determination of the fair value level within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Organization's assessment of the significance of the particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the assets or liabilities.

The following summarizes investments, measured at fair value on a recurring basis, aggregated by the level in the fair value hierarchy within which those measurements fall, as of June 30, 2023:

	Fair Value	Level 1
Cash equivalents	\$ 20,794	\$ 20,794
Certificate of Deposit	893,387	893,387
	<u>\$ 914,181</u>	<u>\$ 914,181</u>

7. LEASES

Finance Leases

In June 2020, the Organization signed a 63-month lease for a copier with payments of \$375 per month over the life of the lease, through December 2025. The interest rate on the lease is 1.53%. Interest expense for the lease was \$205 and amortization expense for the lease was \$4,521 for the year ended June 30, 2023. There are no renewal nor termination clauses within the lease. For this reason, neither option was considered reasonably certain for the calculation of the related right-of-use asset and lease liability.

In December 2020, the Organization signed a 36-month lease for a phone system with payments of \$350 over the life of the lease, through November 2023. The interest rate on the lease is 10%. Interest expense for the lease was \$381 and amortization expense for the lease was \$2,245 for the year ended June 30, 2023. There are no renewal nor termination clauses within the lease. For this reason, neither option was considered reasonably certain for the calculation of the related right-of-use asset and lease liability.

FAIRFAX COUNTY CONVENTION AND VISITORS CORPORATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

7. LEASES (CONTINUED)

Finance Leases (Continued)

For fiscal years ended:

2024	\$ 6,245
2025	4,495
2026	<u>2,248</u>
	<u>\$ 12,988</u>

A reconciliation of the undiscounted cash payments to the finance lease liability for the year ended June 30, 2023 is as follows:

Undiscounted future cash flows	\$ 12,988
Less: discount to present value	<u>(262)</u>
Financing lease liability	<u>\$ 12,726</u>

Operating Lease

During June 2020, the Organization leased new office space through December 2029. Under the terms of the lease agreement, rent payments beginning January 2022, were \$13,784 per month and subject to escalation clauses each year effective on the lease's anniversary date. The Organization recorded this lease on a straight-line basis. In addition, an amendment to the lease agreement was signed August 2023, adding Landlord Termination Rights in which the landlord has the right to terminate the lease and agrees to abate the rent for 18 months after the termination notice has been given. The lessee will receive a \$50,000 termination fee on the termination date. Rent expense for the year ended June 30, 2023 was \$121,661.

As of June 30, 2023, future minimum lease payments under this lease are as follows:

For the fiscal year ended:	
2024	\$ 174,142
2025	178,516
2026	182,958
2027	187,525
2028	192,217
2029	<u>98,312</u>
	<u>\$ 1,013,670</u>

FAIRFAX COUNTY CONVENTION AND VISITORS CORPORATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

7. LEASES (CONTINUED)

Operating Lease (Continued)

A reconciliation of the undiscounted cash payments to the operating lease liability for the year ended June 30, 2023 is as follows:

Undiscounted future cash	\$ 1,013,670
Less: discount to present value	<u>(78,914)</u>
Operating lease liability	<u>\$ 934,756</u>

Quantitative Disclosures

Quantitative disclosures related to leases for the year ended June 30, 2023 are as follows:

Lease cost	
Operating lease cost	\$ 121,611
Finance lease cost:	
Amortization of right-of-use assets	6,766
Interest on lease liabilities	<u>585</u>
Total lease cost	<u>\$ 128,962</u>

Other information

Cash paid for amounts included in the measurement of lease liabilities	
Operating cash outflows from operating leases	\$ 169,886
Operating cash outflows from operating leases	585
Financing cash outflows from finance leases	8,110
Weighted-average remaining lease term - operating leases	5.5 years
Weighted-average remaining lease term - finance leases	2.2 years
Weighted-average discount rate - operating leases	2.88%
Weighted-average discount rate - finance leases	4.46%

8. DUE TO FAIRFAX COUNTY

The cumulative amounts due to Fairfax County at June 30, 2023 was \$4,291,268. These amounts were based on the Organization's portion of the actual transient occupancy tax collected by Fairfax County from June 30, 2010 forward as compared to the amount of funds advanced from Fairfax County during those years.

FAIRFAX COUNTY CONVENTION AND VISITORS CORPORATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

9. NET ASSETS WITH DONOR RESTRICTION

Net assets without donor restriction are available as of June 30, 2023 for the following purposes:

	Balance at June 30, 2022	Revenue and Support	Released from Restriction	Balance at June 30, 2023
Revolutionary war anniversary	20,000	-	-	20,000
Potomac Banks	-	20,253	-	20,253
VTC 10K	10,000	-	(10,000)	-
Total	<u>\$ 30,000</u>	<u>\$ 20,253</u>	<u>\$ (10,000)</u>	<u>\$ 40,253</u>

10. RETIREMENT PLAN

The Organization adopted a SIMPLE IRA retirement plan in January 2007. All employees earning at least \$5,000 in the current plan year are eligible to participate in the plan. Contributions by the Organization totaled \$24,301 for the year ended June 30, 2023.

11. COMMITMENTS AND CONTINGENCIES

Contract Commitments

The Organization contracted with a marketing firm to create awareness and increase the amount of viewers of the Organization's website. The marketing firm also assists other agencies currently contracted by the Organization in maintaining their website. The Organization paid \$1,935,500 during the year ended June 30, 2023.

Additionally, the Organization entered into another agreement with a marketing firm on June 1, 2013 that expired on June 30, 2019, to provide advertising and media relations for the Organization. The Organization extended this contract yearly through June 2024 for \$204,000. Fees paid under this contract during the year ended June 30, 2023 totaled \$204,000 annually.

Executive Employment Contingency

The Organization has an executive employment agreement for which it could be required to pay severance of up to \$227,871 if the Organization were to terminate the agreement for any reason other than "for cause."

FAIRFAX COUNTY CONVENTION AND VISITORS CORPORATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

12. SUBSEQUENT EVENTS

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through December 12, 2023, the date the financial statements were available to be issued.

FAIRFAX COUNTY CONVENTION AND VISITORS CORPORATION
(a nonprofit organization)

REPORTS RELATED TO FEDERAL AWARDS

Year Ended June 30, 2023

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors
Fairfax County Convention and Visitors Corporation
Fairfax, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Fairfax County Convention and Visitors Corporation (the Organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 12, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Renner and Company, CPA, P.C.

Alexandria, Virginia
December 12, 2023

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors
Fairfax County Convention and Visitors Corporation
Fairfax, Virginia

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Fairfax County Convention and Visitors Corporation's (the Organization) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2023. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditors' Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Organization as of and for the year ended June 30, 2023, and have issued our report thereon dated December 12, 2023, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 been subjected to the auditing procedures applied in the audit 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 or to 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Renner and Company, CPA, P.C.

Alexandria, Virginia
December 12, 2023

FAIRFAX COUNTY CONVENTION AND VISITORS CORPORATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2023

<u>Federal Grantor/Pass-through Grantor/Programs or Cluster Title</u>	<u>Assistance Listing Number</u>	<u>Pass-through Identification Number</u>	<u>Agency Award Number</u>	<u>Federal Expenditures</u>
United States Department of the Treasury				
COVID-19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS (Amounts Passed Through from the Government of Fairfax County, Virginia)				
ARPA Tourism Recovery Program	21.027	C5BNYEMKLH65	SLFRP1026	<u>\$ 1,748,255</u>
Total United States Department of the Treasury				<u>\$ 1,748,255</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u><u>\$ 1,748,255</u></u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

FAIRFAX COUNTY CONVENTION AND VISITORS CORPORATION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2023

A. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Visit Fairfax under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of Visit Fairfax, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Visit Fairfax

No amounts were awarded to subrecipients by Visit Fairfax for the year ended June 30, 2023.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

C. INDIRECT COST RATE

Visit Fairfax has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance as it is prohibited from charging indirect costs to the grant.

FAIRFAX COUNTY CONVENTION AND VISITORS CORPORATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2023

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements

- | | |
|--|------------|
| 1. Type of auditors' report issued: | Unmodified |
| 2. Internal control over financial reporting: | |
| Material weaknesses identified? | No |
| Significant deficiencies identified? | No |
| 3. Noncompliance material to financial statements noted? | No |

Federal Awards

- | | |
|---|-----------------------|
| 4. Internal control over major federal programs: | |
| Material weaknesses identified? | No |
| Significant deficiencies identified? | No |
| 5. Type of auditors' report issued on compliance for major federal programs: | Unmodified |
| 6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? | No |
| 7. Identification of major programs: | Assistance
Listing |

United States Department of the Treasury

COVID-19 - CORONAVIRUS STATE AND LOCAL FISCAL

RECOVERY FUNDS (Amounts Passed Through from the Government of Fairfax County, Virginia)

ARPA Tourism Recovery Program	21.027
-------------------------------	--------

- | | |
|---|-----------|
| 8. Dollar threshold used to distinguish between Type A and Type B programs: | \$750,000 |
| 9. Auditee qualified as a low-risk auditee? | No |

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None reported.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None reported.