

**PENNSYLVANIA DUTCH TOURIST
BUREAU T/A PENNSYLVANIA
DUTCH CONVENTION AND
VISITORS BUREAU #36**

YEARS ENDED DECEMBER 31, 2010 AND 2009

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

Financial Statements with Supplementary Information

Years Ended December 31, 2010 and 2009

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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, 2010 and 2009, 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 **Pennsylvania Dutch Tourist Bureau'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, 2010 and 2009, 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 audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information on pages 19 - 29 is presented for purposes of additional analysis and is not a required part of the basic 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. It has also been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

April 1, 2011
Lancaster, Pennsylvania

Trout, Ebersole & Groff, LLP

TROUT, EBERSOLE & GROFF, LLP
Certified Public Accountants

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

STATEMENTS of FINANCIAL POSITION

December 31, 2010 and 2009

	2010	(Restated) 2009
ASSETS		
ASSETS		
Cash and Cash Equivalents - Undesignated	\$ 2,728,312	\$ 2,290,345
Cash and Cash Equivalents - Restricted	33,141	429,923
Cash and Cash Equivalents - Designated	553,207	466
Accounts Receivable - less Allowance for Doubtful Accounts of \$7,500	488,594	285,126
Prepaid Expenses and Other Current Assets	26,724	27,019
Investments - Designated	-0-	506,362
Long-Term Receivables, less Current Portion	6,620	-0-
Property and Equipment, net	<u>889,673</u>	<u>1,007,521</u>
TOTAL ASSETS	<u>4,726,271</u>	<u>4,546,762</u>
LIABILITIES and NET ASSETS		
LIABILITIES		
Accounts Payable	206,249	39,584
Grants Payable	7,788	93,392
Accrued Salaries and Wages	24,607	1,406
Compensated Absences	38,967	30,331
Deferred Revenue	636,574	939,225
Accrued Expenses	<u>104</u>	<u>54</u>
TOTAL LIABILITIES	914,289	1,103,992
NET ASSETS		
Unrestricted:		
Undesignated	3,254,387	2,927,499
Designated - Board	553,207	506,828
Temporarily Restricted	<u>4,388</u>	<u>8,443</u>
TOTAL NET ASSETS	<u>3,811,982</u>	<u>3,442,770</u>
TOTAL LIABILITIES and NET ASSETS	<u>\$ 4,726,271</u>	<u>\$ 4,546,762</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, 2010 and 2009

	2010	(Restated) 2009
CHANGES in UNRESTRICTED NET ASSETS		
Revenues:		
PA Tourism Promotion Assistance Grants	\$ 430,898	\$ 274,131
Quest for Freedom/Underground Railroad Grants	67,764	23,930
Member Dues	617,005	595,680
Investment Income	70,957	130,967
Miscellaneous Income	28,768	1,000
Map and Overnight Getaway Guide	639,354	645,792
Marketing Department Income - Hotel Taxes	2,229,673	2,027,335
Marketing Department Income - Other	879,252	595,840
Member and Visitor Services Income	333,926	267,421
Self-Liquidating Programs	43,945	116,143
Tour and Travel Sales	112,335	121,293
Meeting and Convention Sales	20,777	13,174
	5,474,654	4,812,706
Net Assets Released from Restrictions:		
Scholarships	7,000	8,000
Transportation Grant	5,000	-0-
	12,000	8,000
Total Revenues and Net Assets Released from Restrictions	5,486,654	4,820,706
Expenses:		
Grants	72,762	30,719
Map and Overnight Getaway Guide	279,502	285,276
Marketing Department	2,726,587	2,281,901
Member and Visitor Services	588,916	528,449
Self-Liquidating Programs	43,620	115,279
Tour and Travel Sales	307,833	374,609
Meeting and Convention Sales	439,945	377,057
Communications	312,527	314,470
Administrative	341,695	376,109
	\$ 5,113,387	\$ 4,683,869

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, 2010 and 2009

	2010	(Restated) 2009
INCREASE in UNRESTRICTED NET ASSETS	\$ 373,267	\$ 136,837
CHANGES in TEMPORARILY RESTRICTED NET ASSETS		
Scholarship Contributions	7,945	7,897
Net Assets Released from Restrictions	<u>(12,000)</u>	<u>(8,000)</u>
Net Decrease in Temporarily Restricted Net Assets	<u>(4,055)</u>	<u>(103)</u>
CHANGES in NET ASSETS	369,212	136,734
NET ASSETS		
Beginning of Year, as Originally Stated	3,442,770	3,599,851
Prior Period Adjustment (Note 18)	<u>-0-</u>	<u>(293,815)</u>
End of Year	<u>\$ 3,811,982</u>	<u>\$ 3,442,770</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, 2010 and 2009

	2010	(Restated) 2009
CASH FLOWS from OPERATING ACTIVITIES		
Changes in Net Assets	\$ 369,212	\$ 136,734
Adjustments to Reconcile Changes in Net Assets to Net Cash		
Provided by Operating Activities:		
Depreciation	130,729	89,117
Realized/Unrealized Gain on Investments	(39,348)	(79,930)
(Increase) Decrease in:		
Accounts Receivable	(203,468)	77,131
Matching Funds Grant Receivable	-0-	274,131
Prepaid Expenses and Other Current Assets	295	(11,818)
Long-Term Receivables	(6,620)	-0-
Increase (Decrease) in:		
Accounts Payable	166,665	(52,465)
Accounts Payable Grants	(85,604)	93,392
Accrued Salaries, Wages, and Payroll Withholdings	23,201	1,287
Compensated Absences	8,636	5,310
Deferred Revenue	(302,651)	295,160
Accrued Expenses	50	22
Net Cash Provided by Operating Activities	61,097	828,071
CASH FLOWS from INVESTING ACTIVITIES		
Purchases of Property and Equipment	(12,883)	(216,917)
Proceeds from Sale of Assets Restricted for		
Long-Term Purposes	545,712	324,129
Purchase of Assets Restricted for Long-Term Purposes	-0-	(332,430)
Net Cash Provided (Used) by Investing Activities	532,829	(225,218)
INCREASE in CASH and CASH EQUIVALENTS	593,926	602,853
CASH and CASH EQUIVALENTS		
Beginning	2,720,734	2,117,881
Ending	\$ 3,314,660	\$ 2,720,734
SUPPLEMENTAL DISCLOSURE of CASH FLOW INFORMATION		
Cash Payments for Interest	-0-	50
Noncash Investing and Financing Transactions:		
Unrealized Gain on Investments	-0-	95,807

See notes to financial statements.

Pennsylvania Dutch Tourist Bureau
T/A Pennsylvania Dutch Convention and Visitors Bureau #36
NOTES to FINANCIAL STATEMENTS

NOTE 1 - 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, *Financial Statements of Not-For-Profit Organizations*. 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 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.

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 is billed. Interest receivable included in accounts receivable for the years ended December 31, 2010 and 2009, was \$26 and \$-0-, respectively. Accounts receivable past due 90 days or more amounted to \$68,418 at December 31, 2010.

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.

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

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments are recorded at fair value in the statements of financial position in accordance with FASB ASC Topic 958, *Financial Statements of Not-For-Profit Organizations*. Gains and losses on investments are required to be reported in the statement of activities 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, 2010 or 2009.

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.

Pennsylvania Dutch Tourist Bureau
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NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Grants - During 2010 and 2009, the Tourist Bureau became 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 DCED during 2009. These Commonwealth funds are provided to assist in regional marketing activities. Grant funding, for all these grants, is provided on a reimbursement basis for qualified expenditures up to the total grant amount. 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.

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 Tax and Excise Tax - The Tourist Bureau is the recipient of a portion of the hotel room 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 tax. The Tourist Bureau receives 100% of the excise taxes collected and 20% of the room 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 \$341,695 and \$376,109 for the years ended December 31, 2010 and 2009, respectively.

Pennsylvania Dutch Tourist Bureau
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NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 1 - 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, allowances for bad debt, 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 meet the above threshold is reflected as a liability for uncertain tax positions in the accompanying statement of financial position. Interest and penalties associated with uncertain tax positions (those not meeting the fifty percent probability threshold) are recorded in the statement of activities and changes in net assets and any related accrual is recognized on the statement of financial

Pennsylvania Dutch Tourist Bureau
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NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

position. Tax positions that are other than routine business transactions are re-evaluated on an annual basis for both potential recognition and derecognition.

Generally, the statute of limitation 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.

NOTE 2 - NATURE of ACTIVITIES and CONCENTRATION of CREDIT RISK

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.

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.

NOTE 3 - RESTRICTIONS on CASH

Certain grantors require monies transferred to the organization to be segregated until dispersed. At December 31, 2010 and 2009, \$33,141 and \$429,923, 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.

Pennsylvania Dutch Tourist Bureau
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NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at December 31, 2010 and 2009:

	2010	2009
Due from Members	197,957	54,451
Hotel Excise Taxes	294,537	238,175
Other Receivables	<u>3,600</u>	<u>-0-</u>
	496,094	292,626
Allowance for Doubtful Accounts	<u>(7,500)</u>	<u>(7,500)</u>
	488,594	285,126

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, 2010, is \$10,220. The balance will be repaid in monthly installments of \$300 until October 2013.

NOTE 5 - INVESTMENTS

Fair market values are determined by quoted market prices. The investments of the Tourist Bureau at December 31, 2010 and 2009, consist of:

	2010		2009	
	Cost	Market	Cost	Market
Money Market Funds	-0-	-0-	15,878	15,878
Exchange Traded Funds	-0-	-0-	114,483	153,915
Mutual Funds	<u>-0-</u>	<u>-0-</u>	<u>280,195</u>	<u>336,569</u>
	-0-	-0-	410,556	506,362

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

	2010	2009
Interest and Dividends	38,808	57,769
Realized and Unrealized Gains	39,348	79,930
Fees	<u>(7,199)</u>	<u>(6,732)</u>
	70,957	130,967

Pennsylvania Dutch Tourist Bureau
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NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 5 - INVESTMENTS (Continued)

The Tourist Bureau had unrealized gains from sales of securities in the amounts of \$-0- and \$186,932 for the years ended December 31, 2010 and 2009, respectively. Net realized gains (losses) for the years ended December 31, 2010 and 2009 amounted to \$39,348 and (\$107,002), 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.

The Tourist Bureau liquidated its investment account during the year ended December 31, 2010.

NOTE 6 - FAIR VALUE MEASUREMENTS

FASB ASC Topic 820, *Fair Value Measurements and Disclosures*, establishes a fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The hierarchy gives the highest priority to level 1 inputs and the lowest priority to level 3 inputs. The three levels of the fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the organization has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2010 and 2009.

Money Market Funds, Mutual Funds and Exchanged Traded Funds: Valued at the net asset value (NAV) of shares held by the Tourist Bureau at year end.

Pennsylvania Dutch Tourist Bureau
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NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 6 - FAIR VALUE MEASUREMENTS (Continued)

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Tourist Bureau believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Tourist Bureau's assets that are measured at fair value on a recurring basis as of December 31, 2010 and 2009:

	2010	2009
	Fair Value	Fair Value
	Measurement	Measurement
	Level 1	Level 1
Money Market Funds	-0-	15,878
Exchanged Traded Funds	-0-	153,915
Mutual Funds	<u>-0-</u>	<u>336,569</u>
	-0-	506,362

NOTE 7 - PROPERTY and EQUIPMENT

Property and equipment consist of the following at December 31, 2010 and 2009:

	2010	2009
Building and Improvements	1,316,322	1,316,322
Office Equipment and Furniture	889,365	876,483
Vehicles	<u>20,186</u>	<u>20,186</u>
	2,225,873	2,212,991
Accumulated Depreciation	<u>(1,336,200)</u>	<u>(1,205,470)</u>
	889,673	1,007,521

NOTE 8 - 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 \$38,967 and \$30,331 at December 31, 2010 and 2009, respectively.

Pennsylvania Dutch Tourist Bureau
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NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 9 - DEFERRED REVENUE - GRANTS and GRANTS PAYABLE

Deferred revenue includes funds received from the state for a grant which began in July 2005 and has had numerous amendments. At December 31, 2010, funds amounting to \$25,353 have yet to be spent for grant purposes and are included in deferred revenue. The Tourist Bureau does not expect to incur additional expenditures related to certain grants. Under the terms of the grant agreements these funds must be returned to the grantor. Grants payable of \$7,000, represents the amount due to the grantors at December 31, 2010.

During 2009, grants outstanding were terminated and reissued with revised provisions. Deferred revenue at December 31, 2009 of \$270,628 relates to a grant where the original grant period was from July 1, 2009 to June 30, 2010. Upon revision, the grant period was January 1, 2010 to June 2010. In 2010, expenses related to this grant were incurred and the deferred amount was recognized as grant revenue.

Deferred revenue at December 31, 2009 also included \$100,000 received for a grant that was terminated by the state. The state reduced the grant amount to \$6,608. The revision required the Tourist Bureau to return \$93,392 back to the state. This amount is included in grants payable at December 31, 2009 and was paid to the state during 2010. Expenses related to the deferred grant revenue, amounting to \$6,605 were incurred during 2010 and the \$6,605 was recognized as grant revenue. The remaining \$3 will be returned to the state in 2011.

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.

The Tourist Bureau has determined that it will not incur future expenses related to two grants detailed above and certain other grants. These grant monies are included in grants payable. Grants payable for the years ended December 31, 2010 and 2009, amounted to \$7,788 and \$93,392, respectively.

Pennsylvania Dutch Tourist Bureau
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NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 10 - DEFERRED REVENUE

Deferred revenue consists of the following at December 31, 2010 and 2009:

	2010	2009
Deferred Revenue - Grants	25,350	336,531
Deferred Revenue - Membership Dues	315,872	307,019
Deferred Revenue - Display Boxes	62,833	61,050
Deferred Revenue - Map and Overnight Getaway Guide	226,770	225,414
Deferred Revenue - Other	<u>5,749</u>	<u>9,211</u>
	636,574	939,225

NOTE 11 - LINE of CREDIT

During 2010, the Tourist Bureau obtained a \$500,000 line of credit. The interest rate is at the bank's prime rate plus 1.20%, with a 4.00% floor and expires in November 2011. 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, 2010. The Tourist Bureau's previous line of credit agreement was terminated during the year ended December 31, 2010.

NOTE 12 - OPERATING LEASE

The Tourist Bureau leases office equipment under an operating lease agreement. Rental expense under the operating lease was \$744 and \$-0- for the years ended December 31, 2010 and 2009, respectively. Minimum future rental payments under non-cancelable operating leases with initial or remaining terms in excess of one year at December 31, 2010, are as follows:

Year Ending December 31,	
2011	2,976
2012	2,976
2013	2,976
2014	2,976
2015	<u>2,979</u>
	14,883

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NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 13 - RETIREMENT PLAN

Effective January 1, 2010, the Tourist Bureau adopted revisions to its 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.

Under the provisions of the previous 401(k) money purchase (defined contribution) retirement plan, which expired December 31, 2009, the Tourist Bureau's contribution was 3% of covered employees' compensation. In addition, the Tourist Bureau matched employee contributions on a dollar for dollar basis up to 1% of eligible employees' compensation.

The employer's share of contributions to the retirement account under the provisions of the respective plans for the years ended December 31, 2010 and 2009, was \$52,159 and \$46,393, respectively.

NOTE 14 - 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, 2010 and 2009, Board designated funds consisted of the following:

	2010	2009
Cash and Cash Equivalents	553,207	466
Investments	<u>-0-</u>	<u>506,362</u>
	553,207	506,828

Pennsylvania Dutch Tourist Bureau
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NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 15 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at December 31, 2010 and 2009:

	2010	2009
Purpose Restrictions:		
Route 30 Corridor Holiday Décor	250	250
Scholarships	4,138	3,193
County Transportation Grant	-0-	5,000
	4,388	8,443

NOTE 16 - 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, 2010 and 2009, no transactions were consummated under this agreement.

NOTE 17 - LANCASTER COUNTY RESERVATION CENTER

During 2009, the Tourist Bureau obtained the full management rights and responsibilities to operate the Lancaster County Reservation Center.

NOTE 18 - PRIOR PERIOD ADJUSTMENT

Net assets at January 1, 2009, has been restated to correct an error relating to matching expenses with related revenues in the appropriate accounting period for the Map and Overnight Getaway Guide. The effect on the statements of activities and changes in net assets was to increase the change in net assets by \$68,401 in 2009. Net assets at the beginning of 2009 has been adjusted for the effects of the statements on prior years. The effect was to decrease net assets by \$293,815.

NOTE 19 - RECLASSIFICATION

Several items on the statement of financial position and statements of activities and changes in net assets for December 31, 2009, have been reclassified to be in conformity with the presentation adopted for December 31, 2010. This reclassification has no effect on the change in net assets.

Pennsylvania Dutch Tourist Bureau
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NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 20 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through April 1, 2011, 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, 2010 and 2009

	2010	(Restated) 2009
MAP and OVERNIGHT GETAWAY GUIDE		
SUPPORT and REVENUE	\$ 639,354	\$ 645,792
 MAP and OVERNIGHT GETAWAY GUIDE EXPENSES		
Wages	12,650	12,996
Payroll Taxes	972	1,076
Insurance Benefits	1,190	1,304
Retirement	741	680
Workers' Compensation	43	54
Production Costs	35,530	42,031
Printing	215,400	217,495
Shipping	11,370	7,919
Telephone	295	309
Postage Meter	145	225
Grounds Maintenance	324	362
Building Maintenance	131	76
Utilities	173	163
Real Estate Taxes	78	79
Property Insurance	42	53
Depreciation - Building	217	220
Depreciation	201	234
TOTAL MAP and OVERNIGHT		
GETAWAY GUIDE EXPENSES	279,502	285,276
EXCESS of MAP and OVERNIGHT GETAWAY		
GETAWAY GUIDE SUPPORT and		
REVENUE over EXPENSES	\$ 359,852	\$ 360,516

See auditors' report.

Pennsylvania Dutch Tourist Bureau
T/A Pennsylvania Dutch Convention and Visitors Bureau #36
 SCHEDULES of MARKETING DEPARTMENT
 Years Ended December 31, 2010 and 2009

	2010	(Restated) 2009
MARKETING DEPARTMENT SUPPORT and REVENUE		
Getaways Online	\$ 17,055	\$ 19,450
Hotel Room Rental/Excise Taxes	2,229,673	2,027,335
Online Advertising Co-Op	1,000	31,400
Sponsorships - Advertising	22,600	17,300
Webervations	6,176	5,423
Sponsorships - Downtown	3,333	3,333
Partner Co-Op Advertising	-0-	518,934
Media - Member Co-Op	390,983	-0-
Media - Member Solo	438,105	-0-
	3,108,925	2,623,175
TOTAL MARKETING DEPARTMENT SUPPORT and REVENUE		
MARKETING DEPARTMENT EXPENSES		
Wages	154,260	141,856
Payroll Taxes	11,683	10,863
Insurance Benefits	18,774	17,621
Retirement	8,960	6,741
Workers' Compensation	498	519
Ad Agency Fee	36,433	14,409
Paper Supplies	-0-	169
800 Number	358	854
Sponsorships	2,000	760
Postage	49,553	47,955
Advertising	1,800	71,525
Media - Print	19,455	37,000
Media - Online	65,000	55,667
Media - Broadcast	961,311	1,680,711
Media - Member Co-Op	776,030	-0-
Media - Member Solo	438,105	-0-
Online Advertising Co-Op	1,000	31,400
Media Promotions - Flavorfest	38,464	48,872
Webervations	6,167	5,463
Rack Brochure	30,762	45,462
Telephone	4,001	3,605
Grounds Maintenance	4,395	4,230
Building Maintenance	\$ 1,777	\$ 892

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, 2010 and 2009

	2010	(Restated) 2009
MARKETING DEPARTMENT EXPENSES		
Utilities	\$ 2,354	\$ 1,902
Real Estate Taxes	1,060	926
Property Insurance	570	614
Depreciation - Building	2,947	2,564
Depreciation - Technology	73,731	34,536
Depreciation	2,723	2,727
Postage Meter	1,974	2,624
Qwest Toll Free	<u>10,442</u>	<u>9,434</u>
TOTAL MARKETING DEPARTMENT EXPENSES	<u>2,726,587</u>	<u>2,281,901</u>
EXCESS of MARKETING DEPARTMENT SUPPORT and REVENUE over EXPENSES	<u>\$ 382,338</u>	<u>\$ 341,274</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, 2010 and 2009

	2010	(Restated) 2009
MEMBER and VISITOR SERVICES SUPPORT and REVENUE		
Display Box Rentals	\$ 124,087	\$ 112,971
Theatre Rental	100	-0-
Lodging Board	4,959	4,798
Retail Sales	2,390	2,243
Retail Sales - Bus Tours	50,071	57,436
Retail Sales - Non-Taxable	124	223
Kiosk Commissions	-0-	5,714
Vending Machines	897	1,627
Meetings and Seminars	8,000	10,985
Reservation Center - Room Commissions	30,772	66,499
Reservation Center - Passkey Commissions	107,176	-0-
Hospitality Days	5,350	4,925
TOTAL MEMBER and VISITOR SERVICES SUPPORT and REVENUE	333,926	267,421
MEMBER and VISITOR SERVICES EXPENSES		
Wages	223,649	236,984
Payroll Taxes	21,133	25,028
Insurance Benefits	18,130	21,043
Retirement	8,830	7,142
Workers' Compensation	908	956
Visitor Services Expense Account	97	477
Theatre Equipment Repairs	-0-	1,576
Credit Card Fees	2,328	2,558
Exhibit Maintenance	304	1,368
Lodging Board Maintenance	1,039	632
Retail Sales	1,142	831
Bus Tours	42,691	42,678
Vending Machines	467	255
Musak	442	829
Postage Meter	1,205	1,780
Trade Shows	735	928
Printing	\$ 1,526	\$ 1,991

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, 2010 and 2009

	2010	(Restated) 2009
MEMBER and VISITOR SERVICES EXPENSES		
Member Relations	\$ 4,962	\$ 7,667
Annual Meeting	5,260	9,849
Meetings	-0-	30
Legislative Dinner	-0-	808
Member Training	1,689	3,840
Hospitality Days	4,819	4,844
Telephone	2,443	2,446
Reservation Center	-0-	11,500
Reservation Commissions	18,607	-0-
Passkey Event	89,932	-0-
Grounds Maintenance	34,490	36,363
Building Maintenance	13,916	7,668
Utilities	18,470	16,350
Real Estate Taxes	8,320	7,959
Property Insurance	4,472	5,279
Depreciation - Building	23,124	22,043
Depreciation	1,662	1,850
Downtown Visitors Center	3,787	6,347
Reservation Center - Passkey	26,524	22,625
Reservation Center - Service Center Contracts	1,813	13,925
	588,916	528,449
 TOTAL MEMBER and VISITOR SERVICES EXPENSES		
 DEFICIENCY of MEMBER and VISITOR SERVICES		
SUPPORT and REVENUE over EXPENSES		
	\$ (254,990)	\$ (261,028)

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, 2010 and 2009

	2010	(Restated) 2009
SELF-LIQUIDATING PROGRAMS SUPPORT and REVENUE		
Co-Op - AAA Campbook	\$ -0-	\$ 2,091
Co-Op - AAA Tourbook	-0-	45,092
Co-Op - PA Visitors Guide	25,580	50,610
Co-Op - Campground Travel Guides	<u>18,365</u>	<u>18,350</u>
TOTAL SELF-LIQUIDATING PROGRAMS SUPPORT and REVENUE	43,945	116,143
SELF-LIQUIDATING PROGRAMS EXPENSES		
AAA Campbook Ad	-0-	2,091
AAA Tourbook Ad	-0-	45,093
PA Visitors Guide Ad	25,580	50,610
Campground Travel Guides Ad	<u>18,040</u>	<u>17,485</u>
TOTAL SELF-LIQUIDATING PROGRAMS EXPENSES	<u>43,620</u>	<u>115,279</u>
EXCESS of SELF-LIQUIDATING PROGRAMS SUPPORT and REVENUE over EXPENSES	<u>\$ 325</u>	<u>\$ 864</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, 2010 and 2009

	2010	(Restated) 2009
TOUR and TRAVEL SALES SUPPORT and REVENUE		
FAM Tours	\$ 518	\$ 2,814
Advertisement Income	-0-	6,742
Group Tour Planners Guide	95,765	95,336
Sales Mission Income	-0-	1,287
Sponsorship	11,500	10,750
Trade Show Income	<u>4,552</u>	<u>4,364</u>
TOTAL TOUR and TRAVEL SALES SUPPORT and REVENUE	112,335	121,293
TOUR and TRAVEL SALES EXPENSES		
Wages	159,136	136,778
Payroll Taxes	12,951	18,421
Insurance Benefits	24,121	27,417
Retirement	6,331	10,127
Workers' Compensation	487	514
Trade Show Gifts	2,005	12,008
Meet Us in Lancaster	2,056	3,595
Tourism Sales Mission	2,575	7,360
Seminars and Workshops	218	41
Sales Development and Training	12,000	12,628
Tour Operator/Partner Coops	750	2,123
Tour Promotions	4,975	4,500
Sales Tools and Reference Materials	149	270
Trade Show Travel and Expenses	10,040	25,867
Group Tour Advertising	613	19,011
Group Tour Sponsorship	14,576	22,099
Group Expense Account	4	48
Group Collateral	29,671	32,404
Trade Show Fees	3,596	18,566
Telephone	3,960	3,739
Grounds Maintenance	4,352	4,388
Building Maintenance	1,755	925
Utilities	\$ 2,330	\$ 1,973

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, 2010 and 2009

	2010	(Restated) 2009
TOUR and TRAVEL SALES EXPENSES (Continued)		
Real Estate Taxes	\$ 1,049	\$ 960
Property Insurance	565	637
Depreciation - Building	2,918	2,660
Depreciation	2,695	2,828
Postage Meter	1,955	2,722
	<u>307,833</u>	<u>374,609</u>
TOTAL TOUR and TRAVEL SALES EXPENSES		
DEFICIENCY of TOUR and TRAVEL		
SALES SUPPORT and REVENUE over EXPENSES	<u>\$ (195,498)</u>	<u>\$ (253,316)</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, 2010 and 2009

	2010	(Restated) 2009
MEETING and CONVENTION SALES SUPPORT and REVENUE		
Trade Show Income	\$ 7,316	\$ 9,903
Member Meetings and Training	3,700	-0-
Sponsorship	500	-0-
Event and Meeting Services	8,356	2,046
FAM Tours	905	1,225
	20,777	13,174
MEETING and CONVENTION SALES EXPENSES		
Wages	217,312	162,718
Payroll Taxes	17,800	8,307
Insurance Benefits	30,477	19,546
Retirement	9,956	5,076
Workers' Compensation	572	603
Trade Show Gifts	3,169	5,149
Seminars and Workshops	2,104	2,434
Meeting Planners Guide	766	560
Sales Development and Training	10,963	278
FAM Tours	5,604	6,791
Sales Tools and Reference Materials	604	-0-
Trade Show Travel and Expenses	13,456	25,112
M & C Expense Account	533	827
Sponsorship	16,890	14,918
Trade Show Fees	18,371	43,151
Meeting and Convention Advertising	11,578	18,628
Corporate Meeting Sales Expense	4,170	24,401
Sales Mission	3,264	3,460
Telephone	5,399	4,449
Grounds Maintenance	5,931	5,220
Building Maintenance	2,392	1,101
Utilities	3,176	2,347
Event, Meeting, and Convention Services	42,944	10,313
Real Estate Taxes	1,431	1,143
Property Insurance	769	758
Depreciation - Building	3,976	3,164
Depreciation	3,674	3,365
Postage Meter	2,664	3,238
	439,945	377,057
DEFICIENCY of MEETING and CONVENTION SALES SUPPORT and REVENUE over EXPENSES		
	\$ (419,168)	\$ (363,883)

See auditors' report.

Pennsylvania Dutch Tourist Bureau
T/A Pennsylvania Dutch Convention and Visitors Bureau #36
 SCHEDULES of COMMUNICATIONS EXPENSES
 Years Ended December 31, 2010 and 2009

	2010	(Restated) 2009
Wages	\$ 169,538	\$ 171,060
Payroll Taxes	13,483	14,609
Insurance Benefits	39,520	33,858
Retirement	10,020	7,615
Workers' Compensation	620	654
Photographs and Slides	889	2,176
Press and Community Relations	7,871	4,810
Clipping Service	11,214	11,953
Web Site Maintenance	16,777	21,130
Communications Technical	14,884	12,717
Postage	2,162	3,404
Printing	-0-	1,815
Subscriptions	2,339	641
Gifts and Novelties	-0-	379
Telephone	4,381	4,677
Grounds Maintenance	4,813	5,487
Building Maintenance	1,942	1,157
Utilities	2,577	2,467
Real Estate Taxes	1,161	1,201
Property Insurance	624	797
Depreciation - Building	3,227	3,326
Depreciation	2,981	3,537
Legislative Relations	1,504	5,000
	\$ 312,527	\$ 314,470
TOTAL COMMUNICATIONS EXPENSES	\$ 312,527	\$ 314,470

See auditors' report.

Pennsylvania Dutch Tourist Bureau
T/A Pennsylvania Dutch Convention and Visitors Bureau #36
 SCHEDULES of ADMINISTRATIVE EXPENSES
 Years Ended December 31, 2010 and 2009

	2010	(Restated) 2009
Wages	\$ 122,336	\$ 149,405
Payroll Taxes	10,048	12,846
Insurance Benefits	14,245	12,774
Retirement	7,321	9,012
Workers' Compensation	1,201	759
Other Employee Benefits	3,729	2,411
Administration Expense Account	716	1,336
Conventions/Seminars	3,429	12,953
Telephone	3,209	4,130
Cleaning Supplies	4,812	2,713
Grounds Maintenance	3,568	4,847
Building Maintenance	4,068	3,558
Utilities	1,888	2,181
Real Estate Taxes	851	1,061
Property Insurance	457	704
Depreciation - Building	2,363	2,939
Depreciation	4,290	3,124
Director and Officer Insurance	2,585	2,700
Professional Organizations Dues	24,835	28,657
Professional Fees	42,875	42,281
Interest	-0-	50
Equipment Maintenance	18,807	19,993
Postage Meter	1,584	3,007
Office Supplies	12,990	11,647
Public Relations	5,992	8,540
Chamber Dinner	1,750	1,485
Computer Supplies	5,381	8,438
Technical Support	12,311	12,850
Scholarships	7,000	8,000
Miscellaneous	15,994	688
Bad Debt	1,060	1,020
	<hr/>	<hr/>
TOTAL ADMINISTRATIVE EXPENSES	\$ 341,695	\$ 376,109

See auditors' report.