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INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

February 5, 2018

Board of Directors
Hendricks County Tourism Commission
d/b/a Visit Hendricks County
8 West Main Street
Danville, IN 46112

We have reviewed the report prepared by Hendricks County Tourism Commission d/b/a Visit Hendricks County and opined upon by Donovan CPAs & Advisors, Independent Public Accountants, for the period January 1, 2016 to December 31, 2016. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of Hendricks County Tourism Commission d/b/a Visit Hendricks County as of December 31, 2016 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Donovan CPAs & Advisors prepared all required independent auditor's reports in accordance with generally accepted auditing standards and guidelines established by the State Board of Accounts.

The report is filed with this letter in our office as a matter of public record.

A handwritten signature in blue ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA
State Examiner

**HENDRICKS COUNTY TOURISM COMMISSION
d/b/a VISIT HENDRICKS COUNTY**

FINANCIAL STATEMENTS
Together with Independent Auditors' Report

For the Years Ended December 31, 2016 and 2015



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Independent Auditors' Report

To the Commission Members of
Hendricks County Tourism Commission
d/b/a Visit Hendricks County

Report on the Financial Statements

We have audited the accompanying financial statements of Hendricks County Tourism Commission d/b/a Visit Hendricks County, which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and change in net assets, functional expenses, and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

www.cpadonovan.com

Avon Office | 5151 E. U.S. HWY 36 Avon, IN 46123 | 317.745.6411

Indianapolis Office | 9245 North Meridian Street, Ste. 302 Indianapolis, IN 46260 | 317.844.8300

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hendricks County Tourism Commission d/b/a Visit Hendricks County as of December 31, 2016 and 2015, and the change in its net assets, functional expenses, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedules of Program Services Expenditures for the years ended December 31, 2016 and 2015 are presented for purposes of additional analysis, and are not a required part of the financial statements. The Schedules of Program Services Expenditures are the responsibility of management and were derived from and relate 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 other 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 Schedules of Program Services Expenditures for the years ended December 31, 2016 and 2015 are fairly stated in all material respects in relation to the financial statements as a whole.

DONOVAN

A handwritten signature in dark ink that reads "DONOVAN". The letters are cursive and slightly slanted to the right.

Avon, Indiana
May 25, 2017

HENDRICKS COUNTY TOURISM COMMISSION
d/b/a VISIT HENDRICKS COUNTY
STATEMENTS OF FINANCIAL POSITION
December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,965,130	\$ 1,350,336
Accounts receivable	212,863	142,517
	<hr/>	<hr/>
<i>Total current assets</i>	2,177,993	1,492,853
	<hr/>	<hr/>
PROPERTY AND EQUIPMENT		
Land	975,000	1,856,500
Building and improvements	1,048,110	1,048,110
Automobiles	71,056	71,056
Furniture and equipment	95,238	95,238
	<hr/>	<hr/>
	2,189,404	3,070,904
Less accumulated depreciation	(373,351)	(333,013)
	<hr/>	<hr/>
<i>Net property and equipment</i>	1,816,053	2,737,891
	<hr/>	<hr/>
OTHER ASSET		
Cash reserve for bond payments	436,200	-
Beneficial interest in Hendricks County Community Foundation	25,100	25,100
	<hr/>	<hr/>
	461,300	25,100
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 4,455,346</u>	<u>\$ 4,255,844</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of notes payable	\$ 93,486	\$ 202,338
Accounts payable	40,307	104,030
Accrued expenses	74,945	36,677
	<hr/>	<hr/>
<i>Total current liabilities</i>	208,738	343,045
LONG-TERM LIABILITIES		
Notes payable, net of current portion	939,658	1,360,883
	<hr/>	<hr/>
<i>Total liabilities</i>	1,148,396	1,703,928
	<hr/>	<hr/>
NET ASSETS		
Unrestricted net assets	3,281,850	2,526,816
Temporarily restricted net assets	25,100	25,100
	<hr/>	<hr/>
<i>Total net assets</i>	3,306,950	2,551,916
	<hr/>	<hr/>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,455,346</u>	<u>\$ 4,255,844</u>

See independent auditors' report and accompanying notes to the financial statements

HENDRICKS COUNTY TOURISM COMMISSION
d/b/a VISIT HENDRICKS COUNTY
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
REVENUE		
Public Sources		
Gross county innkeepers' tax	\$ 2,509,843	\$ 2,228,370
Less: obligation back to county	<u>(480,237)</u>	<u>(411,934)</u>
<i>Net public sources</i>	<u>2,029,606</u>	<u>1,816,436</u>
Private Sources		
Change in fair market value of beneficial interest in scholarship fund	-	(5,800)
Co-op advertising income	2,550	4,850
Investment income	1,258	840
Rental income	7,600	3,242
Miscellaneous income	<u>25,286</u>	<u>592</u>
<i>Total private sources</i>	<u>36,694</u>	<u>3,724</u>
<i>Total revenue</i>	<u>2,066,300</u>	<u>1,820,160</u>
EXPENSES		
Program services	1,123,662	1,162,565
Management and general	<u>187,604</u>	<u>963,786</u>
<i>Total expenses</i>	<u>1,311,266</u>	<u>2,126,351</u>
CHANGE IN NET ASSETS	755,034	(306,191)
NET ASSETS, BEGINNING OF YEAR	<u>2,551,916</u>	<u>2,858,107</u>
NET ASSETS, END OF YEAR	<u><u>\$ 3,306,950</u></u>	<u><u>\$ 2,551,916</u></u>

See independent auditors' report and accompanying notes to the financial statements

HENDRICKS COUNTY TOURISM COMMISSION
d/b/a VISIT HENDRICKS COUNTY
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended December 31, 2016 and 2015

	<u>2016</u>			<u>2015</u>		
	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Marketing	\$ 476,812	\$ -	\$ 476,812	\$ 527,426	\$ -	\$ 527,426
Salaries and wages	325,497	36,166	361,663	325,408	36,157	361,565
Employee benefits	135,813	15,090	150,903	139,293	15,477	154,770
Professional fees	39,878	39,879	79,757	42,850	42,851	85,701
Interest expense	7,015	63,135	70,150	6,435	57,914	64,349
Depreciation	20,169	20,169	40,338	25,022	25,022	50,044
Repairs and maintenance	26,184	2,909	29,093	13,420	1,491	14,911
Office supplies	24,927	2,770	27,697	24,961	2,773	27,734
Payroll taxes	24,202	2,689	26,891	25,598	2,844	28,442
Telephone	11,901	1,322	13,223	11,676	1,297	12,973
Insurance	9,770	1,086	10,856	9,695	1,077	10,772
Utilities	7,603	845	8,448	7,964	885	8,849
Vehicle expense	6,946	772	7,718	9,024	1,003	10,027
Postage and shipping	6,945	772	7,717	4,604	512	5,116
Real estate taxes	-	-	-	142	1,279	1,421
Gain on asset trade-in	-	-	-	(10,953)	(1,217)	(12,170)
Impairment of land value	-	-	-	-	774,421	774,421
<i>Total functional expenses</i>	<u>\$ 1,123,662</u>	<u>\$ 187,604</u>	<u>\$ 1,311,266</u>	<u>\$ 1,162,565</u>	<u>\$ 963,786</u>	<u>\$ 2,126,351</u>

See independent auditors' report and accompanying notes to the financial statements

HENDRICKS COUNTY TOURISM COMMISSION
d/b/a VISIT HENDRICKS COUNTY
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 755,034	\$ (306,191)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in fair market value of beneficial interest in scholarship fund	-	5,800
Depreciation expense	40,338	50,044
Gain on asset trade-in	-	(12,170)
Impairment of land value	-	774,421
Changes in certain assets and liabilities:		
Accounts receivable	(70,346)	(142,517)
Accounts payable	(63,723)	11,607
Accrued expenses	38,268	6,094
	<u>699,571</u>	<u>387,088</u>
<i>Net cash provided by operating activities</i>		
INVESTING ACTIVITIES		
Purchase of property and equipment	-	(5,000)
Proceeds from the sale of property and equipment	881,500	-
Increase in cash reserve for bond payments	(436,200)	-
	<u>445,300</u>	<u>(5,000)</u>
<i>Net cash provided by (used in) investing activities</i>		
FINANCING ACTIVITIES		
Principal payments on notes payable	(530,077)	(190,228)
	<u>614,794</u>	<u>191,860</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS		
	614,794	191,860
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,350,336</u>	<u>1,158,476</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,965,130</u>	<u>\$ 1,350,336</u>
SUPPLEMENTAL CASH FLOW DISCLOSURES		
Cash paid for interest	<u>\$ 70,150</u>	<u>\$ 64,349</u>

During 2015, the Commission purchased a new vehicle with a downpayment of \$5,000 and a note payable of \$13,344. The note payable portion is excluded from the statement of cash flow.

See independent auditors' report and accompanying notes to the financial statements

HENDRICKS COUNTY TOURISM COMMISSION
d/b/a VISIT HENDRICKS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2016 and 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization – Hendricks County Tourism Commission d/b/a Visit Hendricks County (the Commission) was established in 1999 to promote tourism in Hendricks County, Indiana. The Commission advertises for area attractions, lodging facilities and restaurants to attract tourists to the County and is headquartered in Danville, Indiana.

The Commission derives nearly all of its revenues from innkeepers' tax remitted by Hendricks County innkeepers. The tax rate is 8%. The Commission has an obligation to return 1.5% of the tax back to Hendricks County. Area innkeepers remit the tax they collect monthly to the Hendricks County Treasurer. The Commission requests and receives funds from the County twice a year.

Basis of Accounting – The financial statements of the Commission have been prepared on the accrual basis of accounting as required by accounting principles generally accepted in the United States of America.

Basis of Presentation – The Commission reports financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Unrestricted net assets include unrestricted resources which represent the portion of funds that are available for the operating objectives of the Commission. Temporarily restricted net assets represent resources restricted by donors for specific purposes for which restrictions have not yet been met. Permanently restricted net assets represent donated resources with stipulations that they be used for specific purpose, be preserved, or be invested to provide a permanent source of income. The Commission has no permanently restricted net assets at December 31, 2016 or 2015.

Income Taxes – The Commission is exempt from federal and Indiana state taxes as a quasi-governmental unit.

Use of 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 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents – For purposes of the statement of cash flows, the Commission considers all demand deposit accounts, money market funds and securities with original maturities of three months or less to be cash equivalents.

Property and Equipment – Property and equipment is valued at historical cost, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 5 to 40 years. It is the Commission's policy to capitalize purchases of property and equipment that benefit future periods and exceed \$1,500 in cost.

Subsequent Events – Subsequent events have been evaluated by management through May 25, 2017, which is the date the financial statements were available to be issued.

HENDRICKS COUNTY TOURISM COMMISSION
d/b/a VISIT HENDRICKS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2016 and 2015

NOTE 2 - BENEFICIAL INTEREST IN ENDOWMENT

The Hendricks County Tourism Commission is the sole beneficiary of an irrevocable endowment with the Hendricks County Community Foundation whose balance is \$39,431 and \$37,986 as of December 31, 2016 and 2015, respectively. This endowment was created in 2008 to support an annual Hendricks County Tourism Scholarship Fund to benefit Hendricks County students who are majoring or will be majoring in the field of tourism. The fair value of the Endowment has been included in beneficial interest in endowment and temporarily restricted net assets. Spendable amounts available in 2016 and 2015 were \$3,055 and \$1,690, respectively, with \$2,616 and \$1,690 reinvested, respectively. The balance in the beneficial interest in endowment is valued using the discounted cash flow method as described in Note 3.

NOTE 3 - FAIR VALUE MEASUREMENT

The Commission's investments are reported at fair value in the statement of financial position as of December 31, 2016 and 2015:

	<u>Fair Value</u>	Significant Unobservable Inputs (Level 3)
Beneficial interest in Hendricks County Community Foundation	\$ 25,100	\$ 25,100

FASB Accounting Standards Codification Topic 855, *Fair Value Measurements*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, and Level 3 inputs have the lowest priority. The Commission uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Commission measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. No Level 2 inputs were available to the Commission, and Level 3 inputs were only used when Level 1 or Level 2 inputs were not available.

Level 3 Fair Value Measurements

The beneficial interest in the Hendricks County Community Foundation is not actively traded and significant other observable inputs are not available. Thus, the fair value of the beneficial interest investment is determined by discounting the related cash flows based on current yields of similar instruments with comparable durations. It is currently calculated as the present value of the 2016 spending percent available of the ending balance calculated for 30 years and discounted at 3.75%

HENDRICKS COUNTY TOURISM COMMISSION
d/b/a VISIT HENDRICKS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2016 and 2015

NOTE 4 - NOTES PAYABLE

Notes payable consist of the following as of December 31:

	<u>2016</u>	<u>2015</u>
Note payable to First National Bank, monthly payments of \$11,029, including interest at 3.94%, due November 2024, secured by real estate	\$ 888,007	\$ 1,405,224
Note payable to First National Bank, monthly payments of \$1,080, including interest at 2.38%, due May 2029, secured by real estate	135,050	144,892
Note payable to finance company, monthly payments of \$236, including interest at 2.39%, due November 2020, secured by a vehicle	10,087	13,105
	1,033,144	1,563,221
Less: current portion	(93,486)	(202,338)
Long-term portion	\$ 939,658	\$ 1,360,883

Future maturities of notes payables are as follows:

2017	\$ 93,486
2018	115,166
2019	119,582
2020	123,915
2021	126,067
Thereafter	454,928
Total	\$ 1,033,144

NOTE 5 - PUBLIC SUPPORT AND REVENUE RECOGNITION

The Commission is funded by innkeepers' taxes collected by lodging facilities in Hendricks County. The Commission recognizes revenue from the innkeepers' tax when the tax is collected by Hendricks County. The tax is paid monthly to the Hendricks County Treasurer and disbursed to the Commission twice during each year. The gross innkeepers' tax received by the Commission for 2016 and 2015 was \$2,509,843 and \$2,228,370, respectively. The Commission is obligated to return back to Hendricks County a portion of the tax, which totaled \$480,237 and \$411,934 for 2016 and 2015, respectively, to fund other county agencies.

HENDRICKS COUNTY TOURISM COMMISSION
d/b/a VISIT HENDRICKS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2016 and 2015

NOTE 6 - FUNCTIONAL ALLOCATION OF EXPENSE

Expenses are classified according to the functional purpose for which the costs are incurred. The cost of providing program and management and general services has been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited.

NOTE 7 - EQUIPMENT LEASES

The Commission leases postage equipment and a copier under non-cancelable operating leases. The current postage equipment lease calls for quarterly payments of \$360 through September 2019. The copier lease calls for monthly payments of \$515 through January 2020.

The total lease expense for the year ended December 31, 2016 and 2015 was \$7,861 and \$7,304, respectively. Equipment leases are included with office supplies expenses on the statement of activities.

The following is a schedule of future minimum lease payments required under the non-cancelable operating leases for the years ending December 31:

2017	\$	7,625
2018		7,625
2019		7,265
2020		515
Total	\$	23,390

NOTE 8 - RETIREMENT PLAN

The Commission maintains a Safe Harbor 401(k) retirement plan for all eligible employees as provided by the plan document. Participating employees may elect to contribute, on a deferred tax basis, a portion of their compensation in accordance with Section 401(k) of the Internal Revenue Code. The Commission maintains a discretionary matching policy whereby the Commission may match up to 3% of employee compensation. In addition, the Commission makes a 3% safe harbor contribution to all eligible employees. The Commission made contributions totaling \$20,289 and \$20,863 to the Plan in 2016 and 2015, respectively. Retirement plan contributions are included with employee benefits on the statements of activities and change in net assets.

HENDRICKS COUNTY TOURISM COMMISSION
d/b/a VISIT HENDRICKS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2016 and 2015

NOTE 9 - BOND OBLIGATION

During 2016, the Commission sold 2 parcels of land for \$881,500 to a developer to purchase and renovate a convention center that will be attached to a hotel. As part of the incentive package to the developer, Hendricks County issued approximately \$6 million in bonds in order to provide \$6 million in funds for the project. Annual repayments of the bonds, which includes interest at a rate of 2.8%, will be made by a pledge of revenue from the Commission's share of the innkeepers' tax. As part of the agreement, the Commission transferred \$436,200 into a cash reserve fund for future bond payments. Despite the pledge by the Commission to fund bond repayments, the Commission has not reflected a liability for the bonds, as ultimately the liability for repayment falls to the issuer of the bonds, Hendricks County.

The following is a schedule of future payments required to be made from innkeeper's tax revenues for the years ending December 31:

2017	\$	135,500
2018		309,000
2019		439,000
2020		439,000
2021		436,500
Thereafter		<u>6,575,000</u>
Principal	\$	<u>8,334,000</u>

The Commission is required to provide to the bond holders, on an annual basis, a debt service coverage calculation on the bond and any parity obligations. The following is a calculation of the debt service coverage as of December 31, 2016:

		<u>2017*</u>
<u>Revenue</u>		
2016 innkeeper's tax revenue	\$	2,509,843
<u>Debt Service Payments</u>		
Debt service – 2016 bonds		<u>174,020</u>
Coverage - \$	\$	<u>2,335,823</u>
Coverage - %		1442%

* Bond year ending 2/15

HENDRICKS COUNTY TOURISM COMMISSION
d/b/a VISIT HENDRICKS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2016 and 2015

NOTE 10 - CONCENTRATION OF RISK

At times during the year, the Commission maintained balances in bank accounts that exceeded the Federal Deposit Insurance Company's guarantee limit of \$250,000. This occurs because the Commission requests funds from Hendricks County on a periodic basis in large, lump-sum amounts.

For both December 31, 2016 and 2015, the net innkeepers' tax received by the Commission constituted 99% of gross revenue.

NOTE 11 - IMPAIRMENT OF LAND VALUE

As of December 31, 2015, the Commission had received appraisals on the land it owned in Plainfield, Indiana. Based on these appraisals, the land cost was in excess of the current market value. Therefore, the land was impaired and an impairment of \$774,421 was recognized as of December 31, 2015. This impairment was recorded in management and general expenses on the statements of activities. The land was sold in 2016 for the appraised value (see Note 9).

SUPPLEMENTARY INFORMATION

HENDRICKS COUNTY TOURISM COMMISSION
d/b/a VISIT HENDRICKS COUNTY
SCHEDULES OF PROGRAM SERVICES EXPENDITURES
For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
DIRECT EXPENDITURES		
Advertising	\$ 151,960	\$ 204,164
Creative services	67,711	75,783
Cultural trail	30,394	16,881
Printing	29,040	24,706
Research	27,885	29,641
Miscellaneous	26,605	15,542
Lucas Oil Raceway suite	22,145	17,228
County and community promotions	21,460	19,741
Tourism enhancement	19,415	19,991
Website production and maintenance	19,342	42,191
Association dues	18,362	16,441
Seminars and trade shows	16,057	12,040
Travel and entertainment	8,839	10,375
Continuing education	8,139	9,336
Trade publications	4,091	4,509
Promotional items	3,999	6,991
Photography / videography	1,368	1,866
	476,812	527,426
<i>Total direct expenditures</i>	476,812	527,426
Allocation of overhead to program services	646,850	635,139
	\$ 1,123,662	\$ 1,162,565
<i>Total program services expenditures</i>		

See independent auditors' report