

ERIE COUNTY VISITORS &
CONVENTION BUREAU

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2011





Dave Yost • Auditor of State

Board of Trustees
Erie County Visitors and Convention Bureau
4424 Milan Road, Suite A
Sandusky, Ohio 44870

We have reviewed the *Independent Auditors' Report* of the Erie County Visitors and Convention Bureau, Erie County, prepared by Payne, Nickles & Company, for the audit period October 1, 2010 through September 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Erie County Visitors and Convention Bureau is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

February 28, 2012

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Payne Nickles & Company

Certified Public Accountants and Business Advisors

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Erie County Visitors & Convention Bureau

We have audited the accompanying statement of financial position of the **Erie County Visitors & Convention Bureau** (an Ohio nonprofit corporation), as of September 30, 2011, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Bureau's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Bureau's September 30, 2010 financial statements and, in our report dated January 24, 2011 we expressed an unqualified opinion on those financial statements

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. 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 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 audit provides 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 **Erie County Visitors & Convention Bureau** as of September 30, 2011, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2012 on our consideration of the Bureau's internal control over financial reporting and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Allocated Program and Supporting Services Expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has 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 information is fairly stated in all material respects, in relation to the financial statements as a whole.

Payne, Nickles & Company

Sandusky, Ohio
January 16, 2012



ERIE COUNTY VISITORS & CONVENTION BUREAU

Statement of Financial Position
September 30, 2011
with Comparative Totals at September 30, 2010

| Assets | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total Funds</u> | |
|--|-----------------------|-----------------------------------|-----------------------|-----------------------|
| | | | <u>2011</u> | <u>2010</u> |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 212,777 | \$ - | \$ 212,777 | \$ 473,009 |
| Investments | 201,094 | - | 201,094 | - |
| Intergovernmental receivable - Erie County | 70,378 | - | 70,378 | 58,711 |
| Accounts receivable | 244,513 | - | 244,513 | 183,877 |
| Prepaid expenses | 50,993 | - | 50,993 | 20,501 |
| Total current assets | <u>779,755</u> | <u>-</u> | <u>779,755</u> | <u>736,098</u> |
| Property and equipment - net | 153,336 | - | 153,336 | 199,018 |
| Other assets: | | | | |
| Deposits | <u>297</u> | <u>-</u> | <u>297</u> | <u>297</u> |
| Total assets | <u>\$ 933,388</u> | <u>\$ -</u> | <u>\$ 933,388</u> | <u>\$ 935,413</u> |
| Liabilities and net assets | | | | |
| Current liabilities: | | | | |
| Accounts payable | \$ 98,399 | \$ - | \$ 98,399 | \$ 21,316 |
| Salaries and wages payable | 6,736 | - | 6,736 | 4,921 |
| Payroll taxes, including employee withholding | 5,415 | - | 5,415 | 5,100 |
| Unearned income | 11,890 | - | 11,890 | 4,688 |
| Total current liabilities | <u>122,440</u> | <u>-</u> | <u>122,440</u> | <u>36,025</u> |
| Net assets: | | | | |
| Unrestricted net assets | 810,948 | - | 810,948 | 899,388 |
| Temporarily restricted net assets | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total net assets | <u>810,948</u> | <u>-</u> | <u>810,948</u> | <u>899,388</u> |
| Total liabilities and net assets | <u>\$ 933,388</u> | <u>\$ -</u> | <u>\$ 933,388</u> | <u>\$ 935,413</u> |

The accompanying notes are an integral part of these financial statements.



ERIE COUNTY VISITORS & CONVENTION BUREAU

**Statement of Activities
For the year ended September 30, 2011
with Comparative Totals for the year ended September 30, 2010**

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>2011</u> | <u>2010</u> |
|--------------------------------------|--------------------------|-----------------------------------|--------------------------|--------------------------|
| Support and revenue: | | | | |
| Erie County funding | \$2,030,262 | \$ 170,000 | \$ 2,200,262 | \$1,929,849 |
| Advertising revenue | 433,241 | - | 433,241 | 390,177 |
| Other revenue | - | - | - | 2,866 |
| Investment income | - | - | - | 706 |
| Satisfaction of restrictions | <u>170,000</u> | <u>(170,000)</u> | <u>-</u> | <u>-</u> |
| Total support and revenue | 2,633,503 | - | 2,633,503 | 2,323,598 |
| Expenses: | | | | |
| Program services | 2,493,251 | - | 2,493,251 | 2,096,141 |
| Supporting services | <u>228,692</u> | <u>-</u> | <u>228,692</u> | <u>257,082</u> |
| Total expenses | <u>2,721,943</u> | <u>-</u> | <u>2,721,943</u> | <u>2,353,223</u> |
| Change in net assets | (88,440) | - | (88,440) | (29,625) |
| Net assets, beginning of year | <u>899,388</u> | <u>-</u> | <u>899,388</u> | <u>929,013</u> |
| Net assets, end of year | <u>\$ 810,948</u> | <u>\$ -</u> | <u>\$ 810,948</u> | <u>\$ 899,388</u> |

The accompanying notes are an integral part of these financial statements.



ERIE COUNTY VISITORS & CONVENTION BUREAU

Statement of Cash Flows
For the year ended September 30, 2011
with Comparative Totals for the year ended September 30, 2010

| | <u>2011</u> | <u>2010</u> |
|---|-------------------|-------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ (88,440) | \$ (29,625) |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation | 45,681 | 48,859 |
| Bad debt expense | - | 8,324 |
| (Increase) decrease in assets: | | |
| Accounts receivable | (72,303) | 46,995 |
| Prepaid expenses | (30,492) | 4,061 |
| Increase (decrease) in liabilities: | | |
| Accounts payable | 77,084 | 2,418 |
| Accrued salaries and wages | 1,815 | 1,263 |
| Accrued payroll taxes | 315 | (1,517) |
| Unearned income | 7,202 | 4,688 |
| | <hr/> | <hr/> |
| Net cash provided by (used in) operating activities | (59,138) | 85,466 |
| Cash flows from investing activities: | | |
| Purchases of equipment | - | (29,449) |
| Purchases of investments | (201,094) | - |
| Net sale (purchase) of mutual funds investments | - | 421 |
| | <hr/> | <hr/> |
| Net cash used in investing activities | (201,094) | (29,028) |
| Cash flows from financing activities: | | |
| Payments on capital leases | - | (404) |
| | <hr/> | <hr/> |
| Net cash used in financing activities | - | (404) |
| Net increase (decrease) in cash and cash equivalents | (260,232) | 56,034 |
| Cash and cash equivalents, beginning of year | 473,009 | 416,975 |
| | <hr/> | <hr/> |
| Cash and cash equivalents, end of year | <u>\$ 212,777</u> | <u>\$ 473,009</u> |

The accompanying notes are an integral part of these financial statements.



ERIE COUNTY VISITORS & CONVENTION BUREAU

Notes to Financial Statements
For the year ended September 30, 2011

1. Nature of activities

The Erie County Visitors & Convention Bureau (the Bureau) is an Ohio not-for-profit corporation formed to encourage economic development of Erie County, Ohio through promotion of tourism and to encourage and promote, through advertisement and other educational and informational means, travel to and visitation in Erie County, Ohio by nonresidents, for pleasure, business and other purposes.

The Bureau is exempt from Federal income taxes under Internal Revenue Code Section 501(c)(6). In addition, the Bureau has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code.

2. Summary of significant accounting policies

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Financial statement presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

Accordingly, net assets of the Bureau and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Bureau or by the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and



2. Summary of significant accounting policies - continued

reported in the statement of activities as satisfaction of restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently. Currently the Bureau has no permanently restricted net assets.

Donations

Donations are recorded as unrestricted unless specifically restricted by the donor.

Donated noncash assets

Donated noncash assets are recorded as contributions at their estimated fair values at the time of receipt.

Donated services

Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically not be purchased if not provided by donation, are recorded at their estimated fair values in the period received.

Advertising revenue

Advertising revenue is recognized in the period in which the advertising is provided. Advertising revenue received in advance of the period that it is provided is recorded as deferred revenue.

Advertising costs

Advertising costs are expensed as incurred. Total advertising expenses, including the costs to encourage and promote travel to and visitation in Erie County, Ohio, were \$1,523,897 and are included in program service expenses.

Cash and cash equivalents

For purposes of the statement of cash flows, the Bureau considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.



2. Summary of significant accounting policies - continued

The following is a summary of cash and cash equivalents at September 30, 2011:

| | |
|--------------------------|------------------|
| Petty cash on hand | \$ 128 |
| Cash on deposit at banks | 198,242 |
| Money market funds | <u>14,407</u> |
| Total | <u>\$212,777</u> |

Comparative data

The financial information included for the year ended September 30, 2010 is presented in total but not by class or function. This information is presented for comparative purposes and is not intended to be a complete financial presentation. Accordingly, such information should be read in conjunction with the September 30, 2010 financial statements from which this information was derived.

Financial instruments - concentration of credit risk

The Bureau places its temporary cash investments with financial institutions in amounts that may exceed the federally insured deposit limits. The Bureau has not experienced any loss in such accounts.

Subsequent events

Management has evaluated subsequent events through January 16, 2012, the date the financial statements were available to be issued.

3. Restrictions on assets

The Bureau reports contributions of cash or other assets as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a temporary donor restriction expires, that is, when a stipulated time restriction ends or purpose of restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as satisfaction of restrictions.

Temporarily restricted net assets at September 30, 2011 were \$0.



4. Investments

At September 30, 2011, the investments held by the Bureau consist of cash and mutual funds.

Investments are recorded at fair value which is estimated based on quoted market prices for those investments. U.S. generally accepted accounting principles establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements). Level 2 inputs are inputs other than quoted prices within the Level 1 that are observable either directly or indirectly. Level 3 includes unobservable inputs.

The following table sets forth, by level, within the fair value hierarchy, the Bureau's investments at fair value at September 30, 2011.

| <u>September 30, 2011</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|---------------------------|-------------------|----------------|----------------|-------------------|
| Investments: | | | | |
| Cash * | \$ 1,025 | \$ - | \$ - | \$ 1,025 |
| Mutual funds | | | | |
| Fixed income | <u>200,069</u> | <u>-</u> | <u>-</u> | <u>200,069</u> |
| Total fair market value | <u>\$ 201,094</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 201,094</u> |

*Categories include cash held tactically by underlying investment managers.

The Bureau invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect investment income and total net assets.



5. Accounts receivable

Accounts receivable includes advertising fees and is carried at their estimated collectable amounts. Trade credit is generally extended on a short-term basis; thus trade accounts receivable do not bear interest, although finance charges may be applied to past due receivables. Trade accounts receivable are periodically evaluated for collectability. An allowance for doubtful accounts receivable is determined on the basis of loss experience, known and inherent risks, and current economic conditions. Trade accounts receivables deemed to be uncollectible are charged against the allowance for doubtful accounts when such receivables are deemed to be uncollectible.

The following is a summary of accounts receivable at September 30, 2011:

| | |
|---|-------------------|
| Trade accounts receivable | \$ 259,513 |
| Allowance for doubtful accounts receivable | <u>(15,000)</u> |
| Net accounts receivable | <u>\$ 244,513</u> |

Intergovernmental receivable - Erie County represents the unremitted portion of the bed tax collected during the year.

6. Property and equipment

Property and equipment is recorded at cost at date of purchase or at estimated fair value at date of gift. Expenditures which increase useful lives are capitalized while maintenance and repairs are charged to expense. Assets are depreciated over their estimated useful lives using the straight-line method.

The following is a summary of property and equipment at September 30, 2011:

| | |
|--------------------------------|-------------------|
| Furniture and fixtures | \$ 275,840 |
| Leasehold improvements | 76,153 |
| Vehicles | <u>48,440</u> |
| Total | 400,433 |
| Less: accumulated depreciation | <u>(247,097)</u> |
| Net property and equipment | <u>\$ 153,336</u> |



7. Operating leases

The Bureau leases various office equipment under non-cancelable operating leases that expire in various years through 2013. Total equipment rent expense for the year ended September 30, 2011 was \$7,196.

The Bureau leases its facility under a ten-year non-cancelable operating lease that expires in 2018. The lease provides for rent, payable monthly, at an amount adjusted annually for changes in the consumer price index. The lease also requires the Bureau to pay a portion of common area costs. The lease agreement grants the Bureau options to renew the lease for additional five-year terms. Total building rent expense for the year ended September 30, 2011 was \$94,319.

Future minimum lease payments plus common area costs under non-cancelable operating leases with remaining terms in excess of one year as of September 30, 2011 for each of next five years and in the aggregate are:

| <u>Year ended September 30</u> | <u>Amount</u> |
|--------------------------------------|------------------|
| 2012 | \$ 99,828 |
| 2013 | 98,052 |
| 2014 | 96,275 |
| 2015 | 96,275 |
| 2016 | 96,275 |
| Subsequent to 2016 | <u>168,481</u> |
| Total minimum future rental payments | <u>\$655,186</u> |

8. Description of program and supporting services

Program services consist of travel and tourism promotion. The Bureau encourages and stimulates interest in Erie County, Ohio through advertisement and other educational and informational means. It fosters knowledge and distribution of the Bureau's publication, *Lake Erie Shores & Islands*.

Supporting services consist of general and management services. The services include the functions necessary to maintain an equitable employment program, ensure an adequate working environment, provide coordination and articulation of the Bureau's program strategy through the Executive Director, secure proper administrative functioning of the Board of Trustees and manage the financial and budgetary responsibility of the Bureau.



9. Retirement plan

The Bureau sponsors a defined contribution pension plan for all eligible employees. During the year ended September 30, 2011, the Bureau's contribution to the plan totaled \$7,579.

10. Related party transactions

Several of the Bureau's Trustees are related to companies that collect a portion of the bed tax that supports the Bureau. These related companies purchase outsourced advertising services from the Bureau and benefit from other promotional activities of the Bureau.

11. Support and revenue - concentration

The Bureau receives the majority of its support from Erie County, Ohio. Under agreements with Erie County, Ohio, the Bureau is the sole recipient of a 1% County hotel lodging excise tax and receives a portion of a second 1% hotel lodging excise tax. For the year ended September 30, 2011 the amount of support from these taxes was \$2,200,262. Because a majority of the Bureau's support is from these taxes, any unanticipated loss of these taxes could adversely affect operations.

12. Supplemental disclosures of cash flow information

Cash paid during the year for:

| | |
|--------------|----------------|
| Interest | <u>\$1,356</u> |
| Income taxes | <u>\$- 0 -</u> |



SUPPLEMENTARY INFORMATION



ERIE COUNTY VISITORS & CONVENTION BUREAU

**Schedule I -Schedule of Allocated Program and Supporting Services Expenses
For the year ended September 30, 2011
with Comparative Totals for the year ended September 30, 2010**

| | Program <u>Services</u> | Supporting <u>Services</u> | <u>Totals</u> | |
|--------------------------------|----------------------------|-------------------------------|---------------------|---------------------|
| | | | <u>2011</u> | <u>2010</u> |
| Tourism promotion (ODOT) | \$ 170,000 | \$ - | \$ 170,000 | \$ 170,000 |
| Printing and publications | 277,862 | - | 277,862 | 279,528 |
| Advertising and promotions | 1,523,023 | - | 1,523,023 | 1,159,817 |
| Postage and shipping | 77,765 | 8,641 | 86,406 | 96,997 |
| Salaries and wages | 260,175 | 88,679 | 348,854 | 330,344 |
| Payroll taxes | 21,935 | 7,477 | 29,412 | 29,062 |
| Employee benefits | 34,439 | 11,738 | 46,177 | 41,693 |
| Bad debt expense | - | - | - | 8,324 |
| Office supplies and expense | 5,110 | 2,752 | 7,862 | 7,033 |
| Equipment rent and maintenance | 7,153 | 14,307 | 21,460 | 25,473 |
| Occupancy | 90,902 | 16,041 | 106,943 | 103,280 |
| Telephone | 9,606 | 1,695 | 11,301 | 10,890 |
| Depreciation | - | 45,681 | 45,681 | 48,859 |
| Professional fees | - | 11,526 | 11,526 | 11,648 |
| Seminars and meetings | 5,858 | 5,858 | 11,716 | 7,253 |
| Insurance | - | 5,742 | 5,742 | 6,096 |
| Dues and subscriptions | 6,670 | 4,447 | 11,117 | 11,280 |
| Travel expenses | 2,753 | 2,752 | 5,505 | 5,646 |
| Interest | - | 1,356 | 1,356 | - |
| Total expenses | \$2,493,251 | \$ 228,692 | \$ 2,721,943 | \$ 2,353,223 |





Payne Nickles & Company

Certified Public Accountants and Business Advisors

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 Trustees of
Erie County Visitors & Convention Bureau

We have audited the financial statements of the **Erie County Visitors & Convention Bureau** (Bureau) as of and for the year ended September 30, 2011, and have issued our report thereon dated January 16, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the **Bureau's** internal control over financial reporting as a basis for designing our auditing procedures 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 Bureau's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Bureau's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Bureau's financial statements are free of 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 determination of financial statement amounts. 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*.

This report is intended solely for the information and use of management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

Payne, Nickles & Company

Sandusky, Ohio
January 16, 2012





Dave Yost • Auditor of State

ERIE COUNTY VISITORS AND CONVENTION BUREAU

ERIE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 13, 2012**