

Financial Statements and Report of Independent Certified Public Accountants

GREATER CINCINNATI CONVENTION AND VISITORS BUREAU, INC.

December 31, 2002 and 2001



**Auditor of State
Betty Montgomery**

Board of Trustees
Greater Cincinnati Convention and Visitors Bureau, Inc.
Cincinnati, Ohio

We have reviewed the Independent Auditor's Report of the Greater Cincinnati Convention and Visitors Bureau, Inc., Hamilton County, prepared by Grant Thornton LLP, for the audit period January 1, 2002 through December 31, 2002. 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 Greater Cincinnati Convention and Visitors Bureau, Inc. is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

July 24, 2003

This Page is Intentionally Left Blank.

CONTENTS

| | Page |
|---|------|
| REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS | 3 |
| FINANCIAL STATEMENTS | |
| STATEMENTS OF FINANCIAL POSITION | 4 |
| STATEMENTS OF CHANGES IN NET ASSETS | 5 |
| STATEMENTS OF CASH FLOWS | 6 |
| NOTES TO FINANCIAL STATEMENTS | 7 |
| SUPPLEMENTAL INFORMATION | |
| REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS | 11 |

This Page is Intentionally Left Blank.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
Greater Cincinnati Convention and Visitors Bureau, Inc.

We have audited the accompanying statements of financial position of Greater Cincinnati Convention and Visitors Bureau, Inc. as of December 31, 2002 and 2001, and the related statements of changes in net assets and cash flows for the years 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 audits.

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 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 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 Greater Cincinnati Convention and Visitors Bureau, Inc. as of December 31, 2002 and 2001, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2003 on our consideration of the Greater Cincinnati Convention and Visitor's Bureau, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. This report is an integral part of, and should be read in conjunction with, our report on the financial statements.

Grant Thornton LLP

Cincinnati, Ohio
June 6, 2003

GREATER CINCINNATI CONVENTION AND VISITORS BUREAU, INC.

STATEMENTS OF FINANCIAL POSITION

December 31,

| ASSETS | 2002 | 2001 |
|---|---------------------|---------------------|
| Cash and cash equivalents | \$ 907,965 | \$ 741,334 |
| County Hotel/Motel excise tax receivable | 967,263 | 943,743 |
| Publication and advertising receivable | 156,959 | 109,866 |
| Subscriptions receivable | 286,415 | 211,250 |
| General and suppliers' current and prior year subscriptions and sundry advances (less allowance for doubtful accounts of \$72,305 and \$5,000 in 2002 and 2001, respectively) | 175,462 | 154,503 |
| Investments | 86,346 | 316,246 |
| Prepaid expenses | 84,726 | 108,055 |
| | <hr/> | <hr/> |
| TOTAL CURRENT ASSETS | 2,665,136 | 2,584,997 |
| Property and equipment | 446,867 | 395,649 |
| Less accumulated depreciation | 368,783 | 332,804 |
| | <hr/> | <hr/> |
| | 78,084 | 62,845 |
| | <hr/> | <hr/> |
| TOTAL ASSETS | \$ <u>2,743,220</u> | \$ <u>2,647,842</u> |
| LIABILITIES AND NET ASSETS | | |
| Accounts payable | \$ 516,466 | \$ 537,873 |
| Line of credit | 150,000 | - |
| Accrued payroll | 90,459 | 7,182 |
| Payroll taxes and amounts withheld from employees' compensation | 3,043 | 500 |
| Accrued interest | 1,500 | - |
| Deferred compensation | 151,322 | 580,711 |
| Deferred subscription income | 346,558 | 318,514 |
| Total liabilities | <hr/> 1,259,348 | <hr/> 1,444,780 |
| Unrestricted net assets | <hr/> 1,483,872 | <hr/> 1,203,062 |
| Total unrestricted net assets | <hr/> 1,483,872 | <hr/> 1,203,062 |
| TOTAL LIABILITIES AND NET ASSETS | \$ <u>2,743,220</u> | \$ <u>2,647,842</u> |

The accompanying notes are an integral part of these statements.

GREATER CINCINNATI CONVENTION AND VISITORS BUREAU, INC.

STATEMENTS OF CHANGES IN NET ASSETS

For the years ended December 31,

| REVENUES | 2002 | 2001 |
|---------------------------------------|---------------------|---------------------|
| County Hotel/Motel excise tax revenue | \$ 3,958,660 | \$ 4,037,113 |
| Income from members' subscriptions | 429,883 | 434,968 |
| Publication and advertising | 357,226 | 356,900 |
| Registration services | 32,810 | 37,642 |
| Member services | - | 4,001 |
| Interest income | 6,334 | 16,282 |
| Other income | 25,078 | 8,433 |
| Total revenues | <u>4,809,991</u> | <u>4,895,339</u> |
| EXPENSES | | |
| Solicitation | 2,025,175 | 2,116,928 |
| Tourism | 620,396 | 786,723 |
| Visitor information centers | 127,875 | 143,817 |
| Convention sales and services | 381,489 | 398,748 |
| General and administrative | 757,058 | 1,013,042 |
| Publication and production | 328,264 | 362,321 |
| Public relations | 238,924 | 209,187 |
| Contributions | 50,000 | 250,000 |
| Total expenses | <u>4,529,181</u> | <u>5,280,766</u> |
| CHANGE IN NET ASSETS | 280,810 | (385,427) |
| Net assets at beginning of year | <u>1,203,062</u> | <u>1,588,489</u> |
| NET ASSETS AT END OF YEAR | <u>\$ 1,483,872</u> | <u>\$ 1,203,062</u> |

The accompanying notes are an integral part of these statements.

GREATER CINCINNATI CONVENTION AND VISITORS BUREAU, INC.

STATEMENTS OF CASH FLOWS

For the years ended December 31,

| | 2002 | 2001 |
|---|-------------------|-------------------|
| Cash provided by (used in) operating activities: | | |
| Change in net assets | \$ 280,810 | \$ (385,427) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 37,680 | 63,146 |
| Gain on the sale of equipment | (150) | - |
| Increase (decrease) in accounts receivable and advances-net | (166,737) | 206,513 |
| Decrease in prepaid expenses | 23,329 | 12,411 |
| Decrease in accounts payable | (21,407) | (992) |
| Increase in payroll taxes and amounts withheld | 2,543 | - |
| Increase in accrued payroll | 83,277 | - |
| Increase in accrued interest | 1,500 | - |
| Increase (decrease) in deferred compensation | (429,389) | 252,720 |
| Increase (decrease) in deferred subscription income | 28,044 | (17,860) |
| | (160,500) | 130,511 |
| Net cash provided by (used in) operating activities | (160,500) | 130,511 |
| Cash provided by (used in) investing activities: | | |
| Purchase of property and equipment | (52,919) | (12,374) |
| Proceeds from the sale of equipment | 150 | - |
| Change in investments | 229,900 | 18,927 |
| | 177,131 | 6,553 |
| Net cash provided by investing activities | 177,131 | 6,553 |
| Cash provided by financing activities: | | |
| Net proceeds from line of credit | 150,000 | - |
| | 150,000 | - |
| Net cash provided by financing activities | 150,000 | - |
| Net increase in cash and cash equivalents | 166,631 | 137,064 |
| Cash and cash equivalents at beginning of year | 741,334 | 604,270 |
| Cash and cash equivalents at end of year | \$ 907,965 | \$ 741,334 |

The accompanying notes are an integral part of these statements.

GREATER CINCINNATI CONVENTION AND VISITORS BUREAU, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2002 and 2001

NOTE A - SUMMARY OF ACCOUNTING POLICIES

Greater Cincinnati Convention and Visitors Bureau, Inc. (the Bureau) is a sales, marketing, and service organization and impacts the Greater Cincinnati area economy through convention, trade show, and visitor expenditures.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from estimates.

1. Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with a maturity of three months or less when purchased. The Bureau maintains its cash balances in demand deposit accounts, money market funds, and certificates of deposit primarily with commercial banks in Ohio.

2. Investments

Investments that are held in the deferred compensation plan are valued at market.

3. Fixed Assets

Property and equipment are recorded at cost. Costs of maintenance and repairs are charged to expense as incurred. Major improvements and renewals, in general, are capitalized.

Depreciation is provided on the straight-line method over the estimated useful lives of the assets. Depreciation expense was \$37,680 and \$63,146 in 2002 and 2001, respectively.

4. Deferred Subscription Income

Deferred subscription income represents billings in the current year that pertain to revenues attributable to the following year.

NOTE B - REVENUES

The Bureau receives revenues generated from a 3% excise tax on hotel rooms in Hamilton County, Ohio. These revenues are authorized under regulations approved by the Hamilton County Board of Commissioners under legislation approved by the Ohio legislature. Membership and other fees are recognized as earned.

GREATER CINCINNATI CONVENTION AND VISITORS BUREAU, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2002 and 2001

NOTE C - CONCENTRATION OF CREDIT RISK

Financial instruments which subject the Bureau to a concentration of credit risk consist of cash. At times, cash balances may be in excess of the insurance coverage provided by the Federal Deposit Insurance Corporation.

NOTE D - LEASES

The Bureau has operating leases for office space, furniture and office equipment and vehicles which expire at various dates through 2006. The future minimum rental commitments as of December 31, 2002 for the noncancelable leases are as follows:

| | |
|------|-------------------------|
| 2003 | \$111,605 |
| 2004 | 108,934 |
| 2005 | 107,012 |
| 2006 | <u>53,506</u> |
| | <u>\$381,057</u> |

Total rental expense was \$262,789 and \$287,032 in 2002 and 2001, respectively.

NOTE E - REVOLVING LINE OF CREDIT

The company has a revolving line of credit agreement for \$250,000 with a bank. The line bears interest at the prime rate (4.25% at December 31, 2002) with principal and interest due July 27, 2003. At December 31, 2002, \$150,000 was outstanding.

NOTE F - PENSION PLAN

The Bureau has a noncontributory defined contribution pension plan covering all employees who qualify as to age and length of service. The Bureau's policy is to fund pension costs accrued. Pension expense was \$106,906 and \$147,000 in 2002 and 2001, respectively.

NOTE G - DEFERRED COMPENSATION

The Greater Cincinnati Convention and Visitors Bureau provides a nonqualified deferred benefit plan to senior personnel. The purpose of this plan is to extend certain benefits which ordinarily accrue from participation in an eligible deferred compensation plan as described in Section 457 of the Internal Revenue Code of 1986. These funds are maintained in separate trusts and are subject to the claims of the Bureau's general creditors. No contributions were made to the plan in 2002 and 2001.

GREATER CINCINNATI CONVENTION AND VISITORS BUREAU, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2002 and 2001

NOTE H - FUNCTIONAL EXPENSES

The Bureau promotes the Greater Cincinnati area economy through its sales and marketing efforts. Expenses related to providing these program services and supporting functions for the year ended December 31 are as follows:

| | 2002 | 2001 |
|----------------------------|---------------------------|---------------------------|
| Program services | \$3,772,123 | \$4,267,724 |
| General and administrative | <u>757,058</u> | <u>1,013,042</u> |
| | <u>\$4,529,181</u> | <u>\$5,280,766</u> |

NOTE I - INCOME TAX STATUS

The Internal Revenue Service has ruled that the Bureau qualified under Section 501(c)(6) of the Internal Revenue Code (IRC) and has exempt status under present federal income tax law. Once qualified, the Bureau is required to operate in conformity with the IRC to maintain its qualification. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Bureau's exempt status.

NOTE J - SEPARATION AGREEMENT

The Bureau entered into a separation agreement with its outgoing executive director on September 4, 2001. The purpose of this agreement was to provide certain post-employment benefits for the executive director and to resolve all issues related to the separation from employment. The total cost of this agreement was \$240,000. The outstanding amount of the separation agreement was accrued for in deferred compensation in 2001.

SUPPLEMENTAL INFORMATION

**Report on Compliance and on Internal Control over Financial Reporting
Based on an Audit of Financial Statements Performed in Accordance With
Government Auditing Standards**

Board of Directors

Greater Cincinnati Convention and Visitors Bureau, Inc.

We have audited the financial statements of the Greater Cincinnati Convention and Visitors Bureau, Inc. (“the Bureau”) as of and for the year ended December 31, 2002, and have issued our report thereon dated June 6, 2003. 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.

Compliance

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 grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Bureau’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Bureau’s ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The Reportable Condition noted is described as follows:

We determined that that the general ledger accounts were not analyzed and reconciled on a monthly basis. These monthly reconciliations, together with the posting of correcting journal entries, help ensure timely and accurate interim financial information that can be

used to monitor and control operations. In addition, timely reconciliation of accounts is most cost efficient since reconciliation at a later date is often more difficult and time consuming and the probability that additional errors will occur and go undetected for some time is greatly increased.

We believe that the reportable condition described above is not a material weakness. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness.

This report is intended solely for the information and use of the board of directors, the Auditor of the State of Ohio, and management, and is not intended to be and should not be used by anyone other than these specified parties

Grant Thornton LLP

June 6, 2003



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

GREATER CINCINNATI CONVENTION AND VISITORS BUREAU, INC.

HAMILTON 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
AUGUST 19, 2003**