

**GREATER CINCINNATI CONVENTION
AND VISITORS BUREAU, INC.**

Financial Statements

December 31, 2005 and 2004

With

Independent Auditors' Report



**Auditor of State
Betty Montgomery**

Board of Trustees
Greater Cincinnati Convention and Visitors Bureau, Inc.
525 Vine Street, Suite 1500
Cincinnati, Ohio 45202

We have reviewed the *Independent Auditors' Report* of the Greater Cincinnati Convention and Visitors Bureau, Inc., Hamilton County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2005 through December 31, 2005. 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.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

November 8, 2006

This Page is Intentionally Left Blank.

GREATER CINCINNATI CONVENTION AND VISITORS BUREAU, INC.

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Notes to Financial Statements	5 - 9
Accompanying Information:	
Report of Independent Certified Public Accountants on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	10 - 11

Independent Auditors' Report

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

We have audited the accompanying statement of financial position of Greater Cincinnati Convention and Visitors Bureau, Inc. as of December 31, 2005, 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 financial statements of Greater Cincinnati Convention and Visitors Bureau, Inc. as of December 31, 2004 were audited by other auditors whose report dated May 4, 2005, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America as established by the Auditing Standards Board of the American Institute of Certified Public Accountants 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bureau's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, 2005, and the statement of activities 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 May 9, 2006 on our consideration of the Greater Cincinnati Convention and Visitors Bureau, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

Clark Schaefer Hackett & Co.
Cincinnati, Ohio
May 9, 2006

GREATER CINCINNATI CONVENTION AND VISITORS BUREAU, INC.

Statements of Financial Position

December 31, 2005 and 2004

Assets

	<u>2005</u>	<u>2004</u>
Cash and cash equivalents	\$ 562,989	289,064
County Hotel/Motel excise tax receivable	998,927	991,651
Publication and advertising receivable	15,293	271,254
Subscriptions receivable	251,764	25,431
General and suppliers' current and prior year subscriptions and sundry advances	47,832	72,013
Accounts receivable - related party	393,405	383,474
Less allowance for doubtful accounts	(116,866)	(95,967)
Prepaid expenses	<u>68,216</u>	<u>121,060</u>
 Total Current Assets	 2,221,560	 2,057,980
Property and equipment	675,563	656,654
Less accumulated depreciation	<u>(566,205)</u>	<u>(497,624)</u>
	109,358	159,030
 Total Assets	 \$ <u>2,330,918</u>	 <u>2,217,010</u>

Liabilities and Net Assets

Current portion of capital lease	\$ 21,586	18,773
Accounts payable	292,746	388,426
Accrued payroll	254,622	303,522
Payroll taxes and amounts withheld from employees' compensation	559	43,888
Deferred rent	-	2,391
Current portion of accrued lease costs (Note 13)	54,878	-
Deferred subscription income	210,171	3,797
Grants payable	<u>363,716</u>	<u>-</u>
 Total Current Liabilities	 1,198,278	 760,797
Capital lease obligation	44,441	66,028
Accrued lease costs (Note 13)	<u>83,786</u>	<u>-</u>
 Total Liabilities	 1,326,505	 826,825
Net assets		
Unrestricted net assets	954,413	1,390,185
Temporarily restricted net assets	50,000	-
	<u>1,004,413</u>	<u>1,390,185</u>
 Total Liabilities and Net Assets	 \$ <u>2,330,918</u>	 <u>2,217,010</u>

See accompanying notes to financial statements.

GREATER CINCINNATI CONVENTION AND VISITORS BUREAU, INC.

Statements of Activities

For the years ended December 31, 2005 and 2004

	2005			2004
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>
Revenues				
Gross County Hotel/Motel excise tax revenue	\$ 4,340,602	-	4,340,602	4,201,487
Income from members' subscriptions	314,022	-	314,022	277,083
Publication and advertising	-	-	-	247,386
Registration services	7,979	-	7,979	20,315
Passkey	20,450	-	20,450	32,875
Contributions received	-	50,000	50,000	-
Interest income	3,041	-	3,041	1,833
Other income	<u>7,267</u>	<u>-</u>	<u>7,267</u>	<u>29,004</u>
Total revenues	4,693,361	50,000	4,743,361	4,809,983
Expenses				
Convention related expenditures:				
Convention sales and destination services	1,375,946	-	1,375,946	1,554,989
Convention services	766,508	-	766,508	876,856
Public relations and marketing	<u>853,266</u>	<u>-</u>	<u>853,266</u>	<u>1,182,975</u>
	2,995,720	-	2,995,720	3,614,820
General and administrative	597,652	-	597,652	894,136
Restructuring charge	142,884	-	142,884	-
Initiatives:				
Grant to Northern Cincinnati CVB	250,000	-	250,000	250,000
Grant to Regional Tourism	<u>1,117,877</u>	<u>-</u>	<u>1,117,877</u>	<u>-</u>
	1,367,877	-	1,367,877	250,000
Contributions	<u>25,000</u>	<u>-</u>	<u>25,000</u>	<u>25,000</u>
Total expenses	<u>5,129,133</u>	<u>-</u>	<u>5,129,133</u>	<u>4,783,956</u>
Change in Net Assets	(435,772)	50,000	(385,772)	26,027
Net Assets at Beginning of Year	<u>1,390,185</u>	<u>-</u>	<u>1,390,185</u>	<u>1,364,158</u>
Net Assets at End of Year	\$ <u>954,413</u>	<u>50,000</u>	<u>1,004,413</u>	<u>1,390,185</u>

See accompanying notes to financial statements.

GREATER CINCINNATI CONVENTION AND VISITORS BUREAU, INC.

Statements of Cash Flows

For the years ended December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Cash provided by (used in) operating activities:		
Change in net assets	\$ (385,772)	26,027
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	70,581	72,230
Increase in accrued lease payable	138,664	-
Decrease in accounts receivable and advances-net	57,501	116,026
Decrease in prepaid expenses	52,844	6,468
Increase (decrease) in accounts payable	(95,680)	25,314
Increase (decrease) in payroll taxes and amounts withheld	(43,329)	43,388
Increase (decrease) in accrued payroll	(48,900)	10,394
Decrease in deferred rent	(2,391)	(2,332)
Increase (decrease) in deferred subscription income	206,374	(210,069)
Increase in grants payable	<u>363,716</u>	<u>-</u>
Net cash provided by operating activities	313,608	87,446
Cash used in investing activities:		
Purchase of property and equipment	<u>(20,909)</u>	<u>(18,383)</u>
Net cash used in investing activities	(20,909)	(18,383)
Cash used in financing activities:		
Net payments on capital lease obligation	<u>(18,774)</u>	<u>(16,348)</u>
Net cash used in financing activities	<u>(18,774)</u>	<u>(16,348)</u>
Net increase in cash and cash equivalents	273,925	52,715
Cash and cash equivalents at beginning of year	<u>289,064</u>	<u>236,349</u>
Cash and cash equivalents at end of year	\$ <u><u>562,989</u></u>	<u><u>289,064</u></u>
Supplemental information:		
Interest paid	\$ <u><u>10,770</u></u>	<u><u>13,195</u></u>

See accompanying notes to financial statements.

GREATER CINCINNATI CONVENTION AND VISITORS BUREAU, INC.

Notes to Financial Statements

1. 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.

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.

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.

The estimated useful lives are:

Furniture	10 years
Office equipment	5 years
Computer equipment	3-5 years

Depreciation is provided on the straight-line method over the estimated useful lives of the assets. Depreciation expense was \$70,581 and \$72,230 in 2005 and 2004, respectively.

Allowance for doubtful accounts

The allowance is determined by considering the length of time the balances are outstanding and the companies' ability to pay. The outstanding balances are reviewed monthly and ability to collect is determined. The allowance is increased when receivables are deemed to be uncollectible, and payments subsequently received on such receivables restore the allowance for doubtful accounts.

Deferred subscription income

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

Temporarily restricted net assets

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

The Bureau reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Bureau reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Permanently restricted net assets

Net assets that are subject to donor-imposed stipulations that require the assets to be maintained permanently by the Bureau. Generally, the donors of these assets permit the Bureau to use all or part of the income earned on related investments for general or specific purposes. The Bureau does not currently have permanently restricted net assets.

2. 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. Contributions and grants are recognized when rewarded.

3. 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.

4. Revenue Concentration:

The Organization is dependent upon the Hotel/motel excise tax revenue levy for over 90% of its revenues. A discontinuance of this tax would severely effect the operation of the Bureau.

5. Operating Leases:

The Bureau has operating leases for office space, furniture and office equipment which expire at various dates through 2009. The future minimum rental commitments as of December 31, 2005 for the noncancelable leases are as follows:

2006	\$ 61,872
2007	17,652
2008	17,652
2009	11,948
2010	<u>4,548</u>
	\$ <u>113,672</u>

Total rental expense was \$170,138 and \$176,768 in 2005 and 2004, respectively.

6. Capital Leases:

The Company assumed equipment and furniture under capital lease agreements. The amounts outstanding for the equipment leases amounted to \$66,027. The leases expire at various dates through September 2008. Capital leased assets included in property and equipment have costs totaling \$105,430 and accumulated depreciation totaling \$52,715 at December 31, 2005.

The following is a schedule of future annual minimum lease payments under capital leases, together with the present value of the net minimum lease payments, as of December 31, 2005:

2006	\$ 29,543
2007	29,543
2008	<u>20,955</u>
	80,041
Less amount representing interest	<u>(14,014)</u>
	\$ <u>66,027</u>
Current portion of capital lease obligation	\$ 21,586
Long-term portion of capital lease obligation	<u>44,441</u>
	\$ <u>66,027</u>

7. Revolving Line of Credit:

The company has a revolving line of credit agreement for \$350,000 with a bank, secured by all the assets of the organization. The line bears interest at the prime rate (7.25% at December 31, 2005) with principal due October 31, 2006. At December 31, 2005, there was no balance outstanding.

8. 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 \$64,015 and \$62,122 in 2005 and 2004, respectively.

9. 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:

	<u>2005</u>	<u>2004</u>
Program services	\$ 4,388,597	3,889,820
General and administrative	<u>760,536</u>	<u>894,136</u>
	<u>\$ 5,149,133</u>	<u>4,783,956</u>

10. 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.

11. Reclassification:

Certain amounts in 2004 were reclassified to correspond with 2005 presentation.

12. Commitments:

The Bureau entered into a conditional agreement with the Greater Cincinnati Sports Corporation to help finance the operating costs of the Sports Corporation for three years. The Sports Corporation is responsible for hosting and conducting sporting events that generate economic impact and hotel room nights to the Cincinnati and Northern Kentucky Region. Annual conditional grants are dependent upon the number of rooms generated in the region and are estimated through 2008 as follows:

2006	\$ 35,000
2007	35,000
2008	<u>35,000</u>
	<u>\$ 105,000</u>

13. Restructure of Organization:

During 2005 the Bureau restructured the organization in order to help fund the Sports Corporation and to take on other initiatives more in line with the mission of the Bureau. Through the reorganization the Bureau discontinued leases in two locations. One lease has been terminated subsequent to year end with no payment due. The other continues until it can be subleased. The future payments on the lease were recorded as a liability when the site was abandoned.

14 Related Party:

The Organization is affiliated with the Spirit of Cincinnati which it advances funds and services rendered. The advances are due on demand and classified as a current asset on the statement of financial position.

15. Subsequent Event:

In June 2006, the Bureau entered into a new lease agreement for the corporate headquarters. The lease expires in October 2016. The future minimum rental commitments for the noncancelable lease are as follows:

2006	\$ 34,000
2007	137,904
2008	145,583
2009	153,513
2010	161,703
Thereafter	<u>1,003,688</u>
	<u>\$ 1,636,391</u>

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS 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

Board of Trustees
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, 2005, and have issued our report thereon dated May 9, 2006. Wherein we noted the financial statements of Greater Cincinnati Convention and Visitors Bureau, Inc. as of December 31, 2004 were audited by other auditors whose report dated May 4, 2005, expressed an unqualified opinion on those 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.

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 an opinion on the internal control over financial reporting. Accordingly, we express no such opinion. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be a material weakness. A material weakness is a reportable 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 caused by error or fraud 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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 the board of trustees, 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

Clark Schaefer Hachett & Co

Cincinnati, Ohio

May 9, 2006



**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
NOVEMBER 21, 2006**