



Dave Yost • Auditor of State

**AKRON/SUMMIT CONVENTION & VISITORS BUREAU, INC.
SUMMIT COUNTY**

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INDEPENDENT AUDITOR'S REPORT

Akron/Summit Convention & Visitors Bureau, Inc.
Summit County
John S. Knight Center
77 E. Mill Street
Akron, OH 44308

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the Akron/Summit Convention & Visitors Bureau, Inc., Summit County, Ohio (the Bureau), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Bureau's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Bureau's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Bureau's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Akron/Summit Convention & Visitors Bureau, Inc., Summit County, Ohio, as of December 31, 2012, and the respective changes in financial position and its cash flows, thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Prior Period Comparative Financial Statements Audited by Other Auditors

The financial statements of the Akron/Summit Convention & Visitors Bureau, Inc., Summit County, Ohio (the Bureau), as of and for the year ended December 31, 2011 were audited by other auditors whose report dated March 2, 2012, expressed an unmodified opinion on those statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the Bureau's basic financial statements taken as a whole. The schedules of revenue, expenses and changes in net position for the Bureau, Center, Greystone, and Creperie present additional analysis and are not a required part of the basic financial statements.

The schedules of revenue, expenses and changes in net position for the Bureau, Center, Greystone, and Creperie are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these schedules to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2013, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Bureau's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

Columbus, Ohio

June 21, 2013

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MANAGEMENT DISCUSSION AND ANALYSIS
AKRON/SUMMIT CONVENTION & VISITORS BUREAU, INC.

For the years ended December 31, 2012 and 2011

Assets exceeded liabilities by \$2,276,000
Net position increased by \$356,000

The following Management Discussion and Analysis (MD&A) provides a summary overview of the financial performance of the Akron/Summit Convention & Visitors Bureau, Inc. (herein referred to as the ASCVB) for the years ended December 31, 2012 and 2011. This information in the MD&A should be read in conjunction with ASCVB's financial statements and corresponding notes to the financial statements.

Financial Highlights and Outlook

In 2012, an increased Market Share and increased Demand Generators in the Akron/Summit County trended upward. There is an expected duplication in 2013 for upward growth. The following is a recap of main factors of this summation:

The Bureau and the Center have focused initiatives and resources on remaining aligned with trends of the marketplace, providing niche market awareness and social media efforts to fill calendar gaps and increase occupancy during slower time periods.

- Area Bed Tax Collection increase in 2012 of 13.2% over 2011 collections
 - 2012 Total Collections: \$4,332,981 2011 Total Collections: \$3,827,805
- Smith Travel Research reports (for the Greater Akron MSA through December 2012) showcase the following results for 2012 vs. 2011:

	<u>Akron MSA</u>	<u>Statewide</u>
○ Occupancy:	57.0% = Increase of 6.1%	58.4% = Increase of 4.7%
○ Avg. Daily Rate:	\$80.80 = Increase of 5.4%	\$82.98 = Increase of 4.7%
○ RevPAR:	\$46.09 = Increase of 12.0%	\$48.42 = Increase of 9.4%

 - The above numbers reflect a higher than average increase and market share capture rate for the area
- The area business core continues to provide year round Frequent Business Travelers i.e., Bridgestone America's New Technical Center, Goodyear's new World Headquarters, FirstEnergy, Austen BioInnovation Institute in Akron, growth at the University of Akron, and expanded campuses at Children's Hospital, SUMMA and Akron General Medical Center
- Hotel ADR, Occupancy and REVPar have continued to stay on pace to provide ample levels to support cash flow surplus resulting in renovations, capital improvements and hotel property re-investment
 - Numerous properties in Akron/Summit County have changed "national flags"
 - Both ascending and descending in brand level(s)
- Number of Events:
 - In 2012 the Center hosted:
 - 182 Events vs. 176 in 2011 - increase of 3.4%
 - 374,000 Visitors vs. 363,000 in 2011 - increase of 3.0%
 - In 2012 Greystone Hall hosted:
 - 107 Events vs. 115 in 2011 - decrease of 7.0%
 - 20,200 Visitors vs. 21,500 in 2011 – decrease of 6.0%

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

AKRON/SUMMIT CONVENTION & VISITORS BUREAU, INC.

For the years ended December 31, 2012 and 2011

Financial Highlights and Outlook (Continued)

- Repositioning of Downtown Hotel Room Inventory
 - The marketplace remains with demand significantly outweighing supply
 - Currently there are no flagged hotels in the inventory
 - Two non-flagged hotels remain as options
 - Akron City Centre Hotel (formerly the Ramada Plaza)
 - Quaker Square Inn at the University of Akron (formerly the Crowne Plaza/Hilton)
 - Downtown hotel market segment is underserved with demand in surplus of the supply
 - Various ideas and opportunities are being investigated for growth in the market
- The trend of short term bookings is for ease of process for planners
- A decision was made to close The Creperie in February of 2012 to minimize losses in the business unit
- Digital Concierge feature added to on-line efforts for client utilization to diversify their marketing and grow overall attendance, increasing top-line revenue streams, for client and industry partners
- Social Media, SEM and web-based initiatives will continue to play an important role to capitalize on explosive growth, rapid change and targeted marketing as well as inexpensive penetration costs
 - A higher capture rate goal of the significant number of on-line travel decisions is the focus
- Direction and energies are being applied to Hospitality Outreach initiatives including; Partnerships in Motion, Marketing Roundtable Forum and leveraging of partner resources
- Local events see increase in attendance numbers reflecting the vibrancy of the area to engage in and sustain these iconic activities, i.e. All-American Soap Box Derby, Akron Zoo and the Akron Marathon
- Repeat and frequent demand suppliers are Regional and National events, State Association Conventions and Convention Center based Trade Shows
- Significant return has been made on marketing to Adult and Youth Sporting Groups which provide solid shoulders and increased traffic to the historically high occupancy summer months
- Greystone Hall's Management agreement with the City of Akron provides for continued increased vibrancy in the downtown footprint
 - Impacting the number of events and the propensity of visitors to come downtown
 - Projecting additional top line revenue for Food Service Department
- Continued efforts at the Center and Greystone to refine food purchases and payroll expenditures
- Results are showing from continued efforts within niche specific market segments
 - i.e. Corporate Express Package and Wedding "All-Inclusive Pricing" Packages

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

AKRON/SUMMIT CONVENTION & VISITORS BUREAU, INC.

For the years ended December 31, 2012 and 2011

Financial Highlights and Outlook (Continued)

- Cuyahoga Valley National Park located adjacent to downtown and connected via the Ohio & Erie Towpath, one of the Ten Most Visited National Parks and recently named in National Geographic's Top 10 Urban Escapes
 - Provides an untapped market to grow emersion, experiential and niche travel markets re: bird watching, cooking, wine tasting
- Akron-Canton Airport continues to set increased traffic records including one of the fastest growing airports in the country in 2012 with 1.67 million travelers
 - The transition from AirTran to Southwest is proving to be a solid path forward
 - A continued increased daily lift pattern providing for low-fare access to the area resulting in increased business travel expected again in 2013

Overview of the Financial Statements

ASCVB's financial statements are prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America, promulgated by the Governmental Accounting Standards Board (GASB).

The basic financial statements of ASCVB together with the notes, which are essential to a full understanding of the data contained in the financial statements, are the following:

- Statements of Net Position – These statements present information on all ASCVB's assets and liabilities, with the difference between the two reported as net position.
- Statements of Revenue, Expenses and Changes in Net Position – These statements show how ASCVB's net position has changed during the most recent year. Revenue is reported generally when earned, and expenses are reported when incurred.
- Statements of Cash Flows – These statements report cash and cash equivalent activities for the year resulting from operating, capital and related financing activities, and investing activities.
- The notes to the financial statements provide additional information that is essential to a full understanding of the financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

AKRON/SUMMIT CONVENTION & VISITORS BUREAU, INC.

For the years ended December 31, 2012 and 2011

Financial Analysis of ASCVB's Net Position and Revenues, Expenses and Changes in Net Position

The tables below provide a summary of ASCVB's financial position and operations for 2012, 2011 and 2010. Certain amounts may vary slightly due to differences caused by rounding to thousands.

Condensed Statements of Net Position December 31, (Amounts in Thousands)

	2012	Change	2011	Change	2010
Current assets	\$ 2,035	15%	\$ 1,773	(1)%	\$ 1,798
Capital assets, net of accumulated depreciation and amortization	608	(15)%	717	6%	674
Long-term assets	775	21%	639	(24)%	846
Total assets	<u>\$ 3,418</u>	9%	<u>\$ 3,129</u>	(6)%	<u>\$ 3,318</u>
Current liabilities	\$ 838	(10)%	\$ 932	15%	\$ 807
Long-term liabilities	304	10%	277	(35)%	424
Total liabilities	<u>\$ 1,142</u>	(6)%	<u>\$ 1,209</u>	(2)%	<u>\$ 1,231</u>
Net investment in capital assets	\$ 552	(1)%	\$ 560	18%	\$ 476
Restricted for capital assets	2,216	(1)%	2,240	0%	2,240
Unrestricted deficit	(492)	(44)%	(880)	40%	(629)
Total net position	<u>\$ 2,276</u>	19%	<u>\$ 1,920</u>	(8)%	<u>\$ 2,087</u>

During 2012 and 2011, net position increased by \$356 and decreased by \$167, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

AKRON/SUMMIT CONVENTION & VISITORS BUREAU, INC.

For the years ended December 31, 2012 and 2011

Financial Analysis of ASCVB's Net Position and Revenues, Expenses and Changes in Net Position (Continued)

The following table summarized the changes in revenue and expenses for ASCVB between 2012, 2011 and 2010:

**Condensed Statements of Revenue, Expenses, and Changes in Net Position
Years Ended December 31, (Amounts in Thousands)**

	2012	Change	2011	Change	2010
OPERATING REVENUES					
Hotel/motel tax	\$ 3,236	11%	\$ 2,907	7%	\$ 2,709
Space, food and ancillary service	2,927	23%	2,381	1%	2,350
Total operating revenue	6,163	17%	5,288	5%	5,059
OPERATING EXPENSES					
Payroll and benefits	3,141	3%	3,056	13%	2,715
Property insurance	100	(11)%	112	(3)%	115
Utilities	359	8%	332	(9)%	363
Advertising and promotion	367	3%	357	1%	353
Supplies	72	50%	48	(6)%	51
Maintenance and repairs	240	2%	236	3%	230
Contracted services	441	23%	358	(3)%	369
Food services	778	24%	627	6%	594
Other	135	(8)%	146	(3)%	151
Bad debt expense - net of recoveries	-	(100)%	3	(25)%	4
Total expenses	5,633	7%	5,275	7%	4,945
Operating income before depreciation and amortization	530	3977%	13	(89)%	114
Depreciation and amortization	177	(5)%	187	6%	176
Operating income (loss)	353	(303)%	(174)	181%	(62)
NONOPERATING REVENUES					
Investment and other income (expense)	3	(57)%	7	(158)%	(12)
Change in net position	\$ 356	(313)%	\$ (167)	126%	\$ (74)

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

AKRON/SUMMIT CONVENTION & VISITORS BUREAU, INC.

For the years ended December 31, 2012 and 2011

Operating Revenues

Operating revenues consist of a portion of hotel/motel taxes collected on rooms occupied. These revenues are a function of price and occupancy. A hotel/motel tax is levied by Summit County and the City of Akron; these taxes are collected by the County and distributed as revenue to ASCVB for operations. The remaining revenues largely come from convention facility sales.

Operating Expenses

Operating expenses increased by \$358,000 primarily from increases in food services, payroll and benefits, and professional services.

Capital Assets

At the end of 2012, ASCVB had \$552,000 invested in capital assets. The net investment in capital assets includes improvement to the John S. Knight Convention Center.

Capital asset acquisitions are capitalized at cost and depreciated using the straight-line method, based upon estimated useful lives of the assets.

Economic Factors

Despite strained economic factors, ASCVB has been able to contain costs. ASCVB anticipates a flat revenue stream and will continue to contain costs to stay within the operating budget.

Contacting ASCVB's Financial Management

This report is designed to provide a general overview of ASCVB's finance for all interested parties. Questions and requests for additional information regarding this report should be addressed to the President, Akron/Summit Convention & Visitors Bureau, Inc., 77 E. Mill Street, Akron, Ohio 44308.

STATEMENTS OF NET POSITION

AKRON/SUMMIT CONVENTION & VISITORS BUREAU, INC.

December 31, 2012 and 2011

ASSETS	2012	2011
Current assets		
Cash and cash equivalents	\$ 357,079	\$ 111,914
Short-term investments	202,030	286,357
Accounts receivable less allowance for doubtful accounts of \$10,000 in 2012 and 2011	323,666	350,867
Accounts receivable		
Summit County	841,260	755,586
City of Akron	100,420	60,972
Inventory	71,395	75,567
Prepaid expenses	139,149	131,757
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Total current assets	2,034,999	1,773,020
Capital assets		
Property and equipment, net of accumulated depreciation and amortization	607,832	716,834
Long-term assets		
Accounts receivable, net of current	228,422	166,971
Long-term investments	546,933	472,129
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Total long-term assets	775,355	639,100
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Total assets	\$ 3,418,186	\$ 3,128,954

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

LIABILITIES AND NET POSITION	2012	2011
Current liabilities		
Capital lease obligation, current portion	\$ 44,784	\$ 100,648
Accounts payable	91,507	113,232
Accrued expenses	230,915	239,774
Unearned revenue and customer deposits, current portion	470,620	477,808
Total current liabilities	837,826	931,462
Long-term liabilities		
Capital lease obligation, net of current	11,212	55,996
Unearned revenue and customer deposits, net of current	292,733	221,373
Total long-term liabilities	303,945	277,369
Total liabilities	\$ 1,141,771	\$ 1,208,831
Net position		
Net investment in capital assets	\$ 551,836	\$ 560,189
Restricted for capital assets	2,216,738	2,239,915
Unrestricted deficit	(492,159)	(879,981)
Total net position	\$ 2,276,415	\$ 1,920,123

STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

AKRON/SUMMIT CONVENTION & VISITORS BUREAU, INC.

For the years ended December 31, 2012 and 2011

	2012	2011
OPERATING REVENUES		
Summit County	\$ 3,098,389	\$ 2,731,610
City of Akron	138,000	175,000
Space income	354,884	285,627
Rental income	60,525	71,100
Food service	1,749,314	1,433,347
Ancillary service	761,866	589,167
Everything Akron Store	388	1,748
Total operating revenues	6,163,366	5,287,599
OPERATING EXPENSES		
Salaries and wages	2,490,747	2,460,658
Payroll taxes and employee benefits	650,294	595,290
Property insurance	99,545	111,703
Utilities	358,888	331,796
Promotion	226,125	209,107
Bad debt expense - net of recoveries	-	3,357
Advertising and printing	137,081	132,984
Office supplies and accessories	41,052	22,071
Postage	18,274	14,858
Dues and subscriptions	13,133	10,888
Professional fees	94,326	61,712
Travel	30,603	30,418
Maintenance and repairs	239,640	235,632
Contracted services	346,766	296,679
Food services	777,916	627,467
Lease	16,638	18,500
Audiovisual	34,273	21,480
Trade shows	3,800	8,075
Video conferencing	90	6,611
Start up costs	-	18,377
Miscellaneous	54,273	57,397
Total operating expenses	5,633,464	5,275,060
Operating income before depreciation and amortization	529,902	12,539
Depreciation and amortization	177,492	186,771
Operating income (loss)	352,410	(174,232)

CHANGES IN NET POSITION (CONTINUED)

AKRON/SUMMIT CONVENTION & VISITORS BUREAU, INC.

For the years ended December 31, 2012 and 2011

	2012	2011
NONOPERATING REVENUES (EXPENSES)		
Utility reimbursement to City of Akron	\$ (9,391)	\$ -
Interest expense	(8,948)	(16,505)
Investment and other income	22,221	23,674
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Total nonoperating revenues	3,882	7,169
	<hr/>	<hr/>
Change in net position	356,292	(167,063)
	<hr/>	<hr/>
NET POSITION, BEGINNING OF YEAR	1,920,123	2,087,186
	<hr/>	<hr/>
NET POSITION, END OF YEAR	\$ 2,276,415	\$ 1,920,123
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The accompanying notes are an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

AKRON/SUMMIT CONVENTION & VISITORS BUREAU, INC.

For the years ended December 31, 2012 and 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers, taxes and subsidies	\$ 6,068,166	\$ 5,110,505
Cash payments to suppliers for goods and services	(2,517,368)	(2,225,976)
Cash payments to employees for services	(3,149,900)	(2,981,718)
Other non-operating expenses	(9,391)	-
	391,507	(97,189)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Cash payments for interest	(8,948)	(16,505)
Purchases of capital assets	(68,490)	(180,148)
Payments on capital lease obligations	(100,648)	(93,088)
	(178,086)	(289,741)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	31,758	31,320
Redemption of investments	279,000	160,000
Purchase of investments	(279,014)	(160,007)
	31,744	31,313
Increase (decrease) in cash and cash equivalents	245,165	(355,617)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	111,914	467,531
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 357,079	\$ 111,914

STATEMENTS OF CASH FLOWS (CONTINUED)

AKRON/SUMMIT CONVENTION & VISITORS BUREAU, INC.

For the years ended December 31, 2012 and 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income (loss)	\$ 352,410	\$ (174,232)
Adjustments		
Depreciation and amortization	177,492	186,771
Non-operating expenses	(9,391)	-
Changes in assets and liabilities		
Accounts receivable	(34,250)	15,144
Accounts receivable - Summit County	(85,674)	(103,072)
Accounts receivable - City of Akron	(39,448)	(23,621)
Inventory	4,172	(1,675)
Prepaid expenses	(7,392)	(18,354)
Accounts payable	(21,725)	13,165
Accrued expenses	(8,859)	74,230
Unearned revenue and customer deposits	64,172	(65,545)
Cash provided by (used in) operating activities	\$ 391,507	\$ (97,189)
 SUPPLEMENTAL DISCLOSURES OF NONCASH FINANCING ACTIVITIES		
Capital lease obligation incurred for the use of equipment	\$ -	\$ 49,726
 SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING ACTIVITIES		
Unrealized loss on investments	\$ 8,641	\$ 8,535

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

NOTES TO FINANCIAL STATEMENTS

AKRON/SUMMIT CONVENTION & VISITORS BUREAU, INC.

Note 1. Summary of Significant Accounting Policies

Reporting Entity

Akron/Summit Convention & Visitors Bureau, Inc. (ASCVB) is a non-profit organization governed by a Board of Directors comprised of fifteen (15) members. Appointments are made to the Board of Directors by the City of Akron (8) and the County of Summit (7).

The Board of Directors governs the operation of the Akron/Summit Convention & Visitors Bureau, Inc. (ASCVB), the John S. Knight Center (JSK), and Greystone Hall (Greystone). It is the purpose of the ASCVB to actively promote the Akron/Summit County area as an ideal location for conventions of all sizes, plus tourism for the area's various points of interest. It is the purpose of the ASCVB to completely manage and maintain the John S. Knight Center and Greystone Hall, convention centers (owned by the City of Akron) located in downtown Akron.

In 2011, ASCVB began operations of the Creperie, a small restaurant located in Greystone Hall. In February 2012 the restaurant was closed for business.

Akron/Summit Convention & Visitors Bureau, Inc. (ASCVB), as defined by Governmental Accounting Standards Board (GASB) Statement No. 14 is a "primary government". A fundamental characteristic of a primary government is that it is a fiscally independent entity.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting, whereby revenues and expenses are recognized in the period earned or incurred. All transactions are accounted for in a single enterprise fund.

Enterprise funds are used to account for the costs of providing goods and services to the general public on a continuing basis which are financed or recovered primarily through user charges or to report any activity for which a fee is charged to external users for goods or services, regardless of whether the government intends to fully recover the cost of the goods or services provided. ASCVB does not meet the above criteria; however, it qualifies for enterprise accounting under the transition rules of GASB 34, whereby it previously reported as a not-for-profit under the American Institute of Certified Public Accountants not-for-profit model at the date of the GASB 34 statement.

Pursuant to the Governmental Accounting Standards Board (GASB) Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, ASCVB follows GASB guidance as applicable to proprietary funds and Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements. ASCVB also follows Financial Accounting Standards Board Statements and Interpretations, issued after November 30, 1989, that are developed for business enterprises except those that conflict with or contradict GASB pronouncements.

NOTES TO FINANCIAL STATEMENTS

AKRON/SUMMIT CONVENTION & VISITORS BUREAU, INC.

Note 1. Summary of Significant Accounting Policies (Continued)

Measurement Focus

The enterprise fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of ASCVB are included on the statement of net position. The statements of revenue, expenses, and changes in net position presents increases (i.e., revenue) and decreases (i.e., expenses) in total net position. The statements of cash flows provide information about how ASCVB finances and meets the cash flow needs of its enterprise activity.

Use of Estimates

The preparation of financial statements in accordance 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of Credit Risk

ASCVB maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. ASCVB has not experienced any losses in such accounts. Management believes it is not exposed to any significant credit risk on cash.

Cash and Cash Equivalents

ASCVB considers all highly liquid investments, with a maturity of three months or less when purchased, to be cash equivalents.

Fair Value of Financial Instruments

The carrying amounts of financial instruments, including cash, cash equivalents, accounts receivable, accounts payable, accrued liabilities, and short-term borrowings, approximates fair value due to the short maturity of these instruments. The carrying amount of capital leases approximates fair value because the fixed rates are based on current rates offered to the ASCVB for debt with similar terms and maturities.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable represents amounts due from customers for events held at the John S. Knight Center and Greystone Hall; credit is extended based on an evaluation of a business or individual's financial condition and generally, collateral is not required. Receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a periodic basis. Amounts due on events taking place in excess of one year are classified as long term. Management determines the allowance for doubtful accounts by identifying delinquent accounts for events that have taken place during the year and using historical experience. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received.

NOTES TO FINANCIAL STATEMENTS

AKRON/SUMMIT CONVENTION & VISITORS BUREAU, INC.

Note 1. Summary of Significant Accounting Policies (Continued)

Accounts Receivable - Summit County

Accounts receivable - Summit County represent amounts due from the County of Summit for hotel/motel tax collected in the final quarter of the calendar year.

Inventory

Inventory consists of food, beverages and related supplies and is carried at the lower of cost (first in, first out) or market.

Capital Assets

Capital assets are stated at cost less accumulated depreciation and amortization. The cost of maintenance and repairs is expensed as incurred; significant renewals and betterments are generally capitalized. When assets are retired or otherwise disposed of, the costs and related accumulated depreciation and amortization are removed from the accounts and any resulting gain or loss is recognized in income for the period. Depreciation and amortization of property and equipment is computed using the straight-line method over the estimated useful lives of the respective assets.

Advertising

Advertising costs are expensed when incurred and included in operating expenses. Total advertising cost expensed was \$137,081 and \$132,984 for the years ended December 31, 2012 and 2011, respectively.

Revenue Recognition

ASCVB recognizes revenues at the time persuasive evidence of an arrangement exists, the service is provided or prices are fixed or determinable and collection is reasonably assured.

Unearned Revenues

Income from space, food, and ancillary services for scheduled events is deferred and recognized in the periods in which the events take place.

Income Taxes

ASCVB is exempt from income taxes under the current provisions of the Internal Revenue Code, Section 501(c)(6).

ASCVB follows the Accounting for Uncertainty in Income Taxes topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, ASCVB may recognize the tax benefit from an uncertain position only if it is more-likely-than-not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being

NOTES TO FINANCIAL STATEMENTS

AKRON/SUMMIT CONVENTION & VISITORS BUREAU, INC.

Note 1. Summary of Significant Accounting Policies (Continued)

realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses derecognition, classification, interest and penalties on income taxes, and accounting in interim periods.

With few exceptions, ASCVB is no longer subject to income tax examinations by tax authorities for years before 2009.

Note 2. Fair Value Measurements

ASCVB accounts for assets and liabilities in accordance with the Fair Value Measurements and Disclosure topic of the FASB Accounting Standards Codification. This topic, among other things, defines fair value, establishes a consistent framework for measuring fair value and expands disclosure for each major asset and liability category measured at fair value on either a recurring or nonrecurring basis. The Fair Value Measurements and Disclosure topic clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability.

Fair Value Measurements and Disclosures applies to all assets and liabilities that are being measured and reported on a fair value basis. Fair Value Measurements and Disclosures requires disclosure that establishes a framework for measuring fair value in accounting principles generally accepted in the United States of America, and expands disclosure about fair value measurements. This statement enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The statement requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.
- Level 3: Unobservable inputs that are not corroborated by market data.

In determining the appropriate levels, ASCVB performs a detailed analysis of the assets and liabilities that are subject to Fair Value Measurements and Disclosures.

The ASCVB holds investments in government obligations and certificates of deposit. The fair value of these government obligations and certificates of deposit is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers and are considered a Level 1 item. For the years ended December 31, 2012 and 2011, the application of valuation techniques applied to similar assets and liabilities have been consistent.

NOTES TO FINANCIAL STATEMENTS

AKRON/SUMMIT CONVENTION & VISITORS BUREAU, INC.

Note 3. Capital Assets

A summary of capital assets at December 31 is presented below:

	Balance at January 1, 2012	Additions	Dispositions	Balance at December 31, 2012
Historical cost				
Furniture, fixtures and equipment	\$ 1,254,418	\$ 52,563	\$ 31,158	\$ 1,275,823
Computer software	31,602	-	-	31,602
Vehicles	13,314	-	-	13,314
Leasehold improvements	1,277,560	15,927	-	1,293,487
Equipment under capital leases	440,020	-	-	440,020
Total historical cost	3,016,914	68,490	31,158	3,054,246
Accumulated depreciation and amortization				
Furniture, fixtures and equipment	1,085,227	61,845	31,158	1,115,914
Computer software	27,367	2,179	-	29,546
Vehicles	2,663	2,663	-	5,326
Leasehold improvements	1,029,398	61,418	-	1,090,816
Equipment under capital leases	155,425	49,387	-	204,812
Total accumulated depreciation and amortization	2,300,080	177,492	31,158	2,446,414
	\$ 716,834	\$ (109,002)	\$ -	\$ 607,832
<hr/>				
	Balance at January 1, 2011	Additions	Dispositions	Balance at December 31, 2011
Historical cost				
Furniture, fixtures and equipment	\$ 1,199,964	\$ 54,454	\$ -	\$ 1,254,418
Computer software	31,103	499	-	31,602
Vehicles	26,956	13,314	26,956	13,314
Leasehold improvements	1,165,679	111,881	-	1,277,560
Equipment under capital leases	390,294	49,726	-	440,020
Total historical cost	2,813,996	229,874	26,956	3,016,914
Accumulated depreciation and amortization				
Furniture, fixtures and equipment	1,023,792	61,435	-	1,085,227
Computer software	24,681	2,686	-	27,367
Vehicles	26,956	2,663	26,956	2,663
Leasehold improvements	958,798	70,600	-	1,029,398
Equipment under capital leases	106,038	49,387	-	155,425
Total accumulated depreciation and amortization	2,140,265	186,771	26,956	2,300,080
	\$ 673,731	\$ 43,103	\$ -	\$ 716,834

Depreciation and amortization expense was \$177,492 and \$186,771 for 2012 and 2011, respectively.

NOTES TO FINANCIAL STATEMENTS

AKRON/SUMMIT CONVENTION & VISITORS BUREAU, INC.

Note 4. Investments

ASCVB's investment portfolio at December 31, 2012 consists of certificates of deposit and U.S. Treasury notes with various interest rates ranging from .35% to 2.75% and maturity dates of September 13, 2013 through September 12, 2016. Investment income for 2012 and 2011 was \$12,425 and \$11,604, respectively.

Note 5. Retirement Plans

ASCVB sponsors an employee benefit plan, which qualifies under Section 401(k) of the Internal Revenue Code. The plan covers all employees including those covered by the collective bargaining union agreement that choose to participate and meet certain age and service requirements. The plan allows the employees to defer up to 15% of their annual compensation. At its discretion, ASCVB may elect to match employee contributions or make non-elective contributions. There were no employer contributions to the plan during 2012 and 2011.

Note 6. Short-Term Borrowings

During 2011, ASCVB entered into a line of credit borrowing agreement with a bank. Under the terms of this agreement, ASCVB has available a \$500,000 line of credit. Interest is payable monthly at the bank's prime lending rate (3.25% at December 31, 2012) and is collateralized by ASCVB's investment account. There were no borrowings under this agreement at December 31, 2012 or 2011.

Note 7. Commitments and Contingencies

Operating Leases

ASCVB leases the John S. Knight Center from the City of Akron for a nominal rental of \$1 per year. This approximates the fair market value of the rental based on the revenues generated and expenses incurred by the facility.

ASCVB also leases certain equipment and vehicles under noncancelable leases expiring in various years through 2015. Rental expense for operating leases was \$23,236 and \$27,469 for the years ended December 31, 2012 and 2011, respectively. The following is a schedule by years of future minimum rental payments required under operating leases with terms in excess of one year as of December 31, 2012.

2013	\$	27,439
2014		24,908
2015		17,490
2016		1
2017		1
Thereafter		2
	\$	<u>69,841</u>

NOTES TO FINANCIAL STATEMENTS

AKRON/SUMMIT CONVENTION & VISITORS BUREAU, INC.

Note 7. Commitments and Contingencies (Continued)

Capital Lease

ASCVB leases certain equipment under capital lease arrangements. The asset and liability under these arrangements are recorded at the lower of present value of the minimum lease payments or the fair value of the assets. The equipment held under the capital lease arrangements at December 31, 2012 and 2011 is as follows.

	2012	2011
Equipment and leasehold improvements	\$ 440,020	\$ 440,020
Less accumulated amortization	204,812	155,425
	<u>\$ 235,208</u>	<u>\$ 284,595</u>

The amortization on assets acquired under capital leases is included with depreciation expense on owned assets. The following is a schedule by years of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of December 31, 2012:

2013	\$ 47,028
2014	11,603
Total minimum lease payments	<u>58,631</u>
Less amounts representing interest	2,635
Present value of minimum lease payments	<u>55,996</u>
Less current portion	44,784
	<u>\$ 11,212</u>

Note 8. Concentrations

Collective Bargaining Agreement

The two full-time and the majority of the part-time employees of the John S. Knight Center are covered by a collective bargaining agreement. The agreement covers the period beginning July 1, 2011 and expires June 30, 2014.

Note 9. Related Party Transactions

ASCVB receives operating revenues in the form of bed tax collections from the City of Akron and Summit County. The City of Akron also reimburses ASCVB for expenses related to repairs and maintenance and capital improvements to Greystone Hall. The receivable balance was \$100,420 and \$60,972 at December 31, 2012 and 2011, respectively.

Note 10. Restricted Funds for Capital Assets

Under the term of the lease agreement with the City of Akron discussed in Note 7, ASCVB is required to "establish and fund a recurring capital cost fund to pay for repairs and maintenance" of the Center and improvements. The amount of restricted funds was \$2,216,738 and \$2,239,915 at December 31, 2012 and 2011, respectively.

NOTES TO FINANCIAL STATEMENTS

AKRON/SUMMIT CONVENTION & VISITORS BUREAU, INC.

Note 11. Change in Accounting Principles

For 2012, ASCVB has implemented Governmental Accounting Standard Board (GASB) Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes were incorporated in ASCVB's 2012 financial statements; however, there was no effect on beginning net position/fund balance.

SCHEDULES OF REVENUE, EXPENSES AND CHANGES IN NET POSITION – BUREAU

AKRON/SUMMIT CONVENTION & VISITORS BUREAU, INC.

For the years ended December 31, 2012 and 2011

	2012	2011
OPERATING REVENUES		
Summit County	\$ 3,098,389	\$ 2,731,610
City of Akron	138,000	175,000
Everything Akron Store	388	1,748
Total operating revenues	3,236,777	2,908,358
OPERATING EXPENSES		
Salaries and wages	396,343	451,680
Payroll taxes and employee benefits	86,046	88,385
Property insurance	8,866	10,032
Utilities	11,604	11,979
Promotion	194,905	182,242
Advertising and printing	113,323	112,401
Office supplies and accessories	5,229	5,052
Postage	11,672	8,493
Dues and subscriptions	10,824	8,106
Professional fees	35,757	19,987
Travel	21,197	20,048
Maintenance and repairs	13,551	19,693
Lease	5,731	6,529
Trade shows	3,800	5,738
Miscellaneous	3,044	6,416
Total operating expenses	921,892	956,781
Operating income before depreciation and amortization	2,314,885	1,951,577
Depreciation and amortization	2,663	2,663
Operating income	2,312,222	1,948,914
NONOPERATING REVENUE		
Management fee	9,391	-
Investment and other income	22,221	23,674
Total nonoperating revenue	31,612	23,674
Change in net position	\$ 2,343,834	\$ 1,972,588

SCHEDULES OF REVENUE, EXPENSES AND CHANGES IN NET POSITION – CENTER

AKRON/SUMMIT CONVENTION & VISITORS BUREAU, INC.

For the years ended December 31, 2012 and 2011

	2012	2011
OPERATING REVENUES		
Space income	\$ 339,309	\$ 275,520
Food service	1,178,374	941,989
Ancillary service	720,301	555,439
Total operating revenues	2,237,984	1,772,948
OPERATING EXPENSES		
Salaries and wages	1,757,042	1,623,069
Payroll taxes and employee benefits	501,585	435,755
Property insurance	82,845	90,329
Utilities	342,138	314,913
Promotion	25,946	22,696
Bad debt expense - net of recoveries	-	3,357
Advertising and printing	19,720	16,207
Office supplies and accessories	27,011	11,886
Postage	6,011	6,006
Dues and subscriptions	2,309	2,782
Professional fees	46,419	33,524
Travel	8,891	10,214
Maintenance and repairs	221,734	207,663
Contracted services	334,706	283,239
Food services	559,135	445,461
Lease	10,907	11,971
Audiovisual	32,281	20,117
Trade shows	-	2,337
Video conferencing	90	6,611
Miscellaneous	50,976	48,294
Total operating expenses	4,029,746	3,596,431
Operating loss before depreciation and amortization	(1,791,762)	(1,823,483)
Depreciation and amortization	145,118	166,004
Operating loss	(1,936,880)	(1,989,487)
NONOPERATING EXPENSES		
Interest expense	(8,948)	(16,505)
Total nonoperating expenses	(8,948)	(16,505)
Change in net position	\$ (1,945,828)	\$ (2,005,992)

SCHEDULES OF REVENUE, EXPENSES AND CHANGES IN NET POSITION – GREYSTONE

AKRON/SUMMIT CONVENTION & VISITORS BUREAU, INC.

For the years ended December 31, 2012 and 2011

	2012	2011
OPERATING REVENUES		
Space income	\$ 15,575	\$ 10,107
Rent income	60,525	71,100
Food service	565,916	465,317
Ancillary service	41,565	33,728
Total operating revenues	683,581	580,252
OPERATING EXPENSES		
Salaries and wages	328,652	349,096
Payroll taxes and employee benefits	61,759	65,163
Property insurance	7,834	11,342
Utilities	5,084	4,479
Promotion	5,274	4,169
Advertising and printing	4,038	3,429
Office supplies and accessories	8,812	5,053
Postage	591	359
Professional fees	11,122	7,243
Travel	515	156
Maintenance and repairs	4,355	7,568
Contracted services	12,060	13,440
Food services	212,710	167,305
Audiovisual	1,992	1,363
Total operating expenses	664,798	640,165
Operating income (loss) before depreciation and amortization	18,783	(59,913)
Depreciation and amortization	6,582	6,540
Operating income (loss)	12,201	(66,453)
NONOPERATING EXPENSES		
Management fee	(9,391)	-
Utility reimbursement to City of Akron	(9,391)	-
Total nonoperating expenses	(18,782)	-
Change in net position	\$ (6,581)	\$ (66,453)

SCHEDULES OF REVENUE, EXPENSES AND CHANGES IN NET POSITION – CREPERIE

AKRON/SUMMIT CONVENTION & VISITORS BUREAU, INC.

For the years ended December 31, 2012 and 2011

	2012	2011
OPERATING REVENUE		
Food service	\$ 5,024	\$ 26,041
Total operating revenue	5,024	26,041
OPERATING EXPENSES		
Salaries and wages	8,710	36,813
Payroll taxes and employee benefits	904	5,987
Utilities	62	425
Advertising and printing	-	947
Office supplies and accessories	-	80
Professional fees	1,028	958
Maintenance and repairs	-	708
Food services	6,071	14,701
Startup costs	-	18,377
Miscellaneous	253	2,687
Total operating expenses	17,028	81,683
Operating loss before depreciation and amortization	(12,004)	(55,642)
Depreciation and amortization	23,129	11,564
Operating loss	(35,133)	(67,206)
Change in net position	\$ (35,133)	\$ (67,206)



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Akron/Summit Convention & Visitors Bureau, Inc.
Summit County
John S. Knight Center
77 E. Mill Street
Akron, OH 44308

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Akron/Summit Convention & Visitors Bureau, Inc., Summit County, Ohio, (the Bureau) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Bureau's basic financial statements and have issued our report thereon dated June 21, 2013, wherein we noted the financial statements for the year ended December 31, 2011 were audited by a predecessor auditor.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Bureau's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Bureau's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Bureau's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the Bureau's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Bureau's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Bureau's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

June 21, 2013



Dave Yost • Auditor of State

AKRON/SUMMIT CONVENTION & VISITORS BUREAU, INC

SUMMIT 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
JULY 16, 2013**