

Financial Statements and Report of Independent Certified Public Accountants

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

December 31, 2003 and 2002





**Auditor of State  
Betty Montgomery**

Board of Trustees  
Greater Cincinnati Convention and Visitors Bureau, Inc.  
300 West Sixth Street  
Cincinnati, Ohio 45202

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, 2003 through December 31, 2003. 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

September 21, 2004

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## **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, 2003 and 2002, 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, 2003 and 2002, 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 May 13, 2004 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  
May 13, 2004

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

**STATEMENTS OF FINANCIAL POSITION**

December 31,

<b>ASSETS</b>	<b>2003</b>	<b>2002</b>
Cash and cash equivalents	\$ 236,349	\$ 907,965
County Hotel/Motel excise tax receivable	1,010,350	967,263
Publication and advertising receivable	220,247	156,959
Subscriptions receivable	252,513	286,415
General and suppliers' current and prior year subscriptions and sundry advances (less allowance for doubtful accounts of \$72,305 in 2003 and 2002)	280,772	175,462
Investments	-	86,346
Prepaid expenses	127,528	84,726
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	2,127,759	2,665,136
Property and equipment	638,271	446,867
Less accumulated depreciation	425,394	368,783
	<hr/>	<hr/>
	212,877	78,084
	<hr/>	<hr/>
TOTAL ASSETS	\$ <u>2,340,636</u>	\$ <u>2,743,220</u>
 <b>LIABILITIES AND NET ASSETS</b>		
Current portion of capital lease	\$ 16,339	\$ -
Accounts payable	633,613	516,466
Line of credit	-	150,000
Accrued payroll	22,627	90,459
Payroll taxes and amounts withheld from employees' compensation	500	3,043
Accrued interest	-	1,500
Deferred compensation	-	151,322
Deferred rent	4,723	-
Deferred subscription income	213,866	346,558
	<hr/>	<hr/>
TOTAL CURRENT LIABILITIES	891,668	1,259,348
Capital lease obligation	84,810	-
	<hr/>	<hr/>
TOTAL LIABILITIES	976,478	1,259,348
Unrestricted net assets	1,364,158	1,483,872
	<hr/>	<hr/>
Total unrestricted net assets	1,364,158	1,483,872
	<hr/>	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>2,340,636</u>	\$ <u>2,743,220</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	2003	2002
Gross County Hotel/Motel excise tax revenue	\$ 4,016,678	\$ 3,958,660
Designated to Northern Cincinnati CVB	(250,000)	-
Net County Hotel/Motel excise tax revenue	<u>3,766,678</u>	<u>3,958,660</u>
Income from members' subscriptions	401,365	429,883
Publication and advertising	220,218	357,226
Registration services	27,717	32,810
Interest income	4,663	6,334
Other income	20,292	25,078
Total revenues	<u>4,440,933</u>	<u>4,809,991</u>
EXPENSES		
Solicitation	1,470,958	2,025,175
Convention sales and destination services	964,398	583,964
General and administrative	872,512	757,058
Publication and production	211,678	253,664
Public relations and marketing	1,016,101	859,320
Contributions	25,000	50,000
Total expenses	<u>4,560,647</u>	<u>4,529,181</u>
CHANGE IN NET ASSETS	(119,714)	280,810
Net assets at beginning of year	<u>1,483,872</u>	<u>1,203,062</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,364,158</u>	<u>\$ 1,483,872</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,

	<b>2003</b>	<b>2002</b>
Cash provided by (used in) operating activities:		
Change in net assets	\$ (119,714)	\$ 280,810
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	56,611	37,680
Gain on the sale of equipment	-	(150)
Decrease in accounts receivable and advances-net	(177,783)	(166,737)
(Increase) decrease in prepaid expenses	(42,802)	23,329
Increase (decrease) in accounts payable	117,147	(21,407)
Increase (decrease) in payroll taxes and amounts withheld	(2,543)	2,543
Increase (decrease) in accrued payroll	(67,832)	83,277
Increase (decrease) in accrued interest	(1,500)	1,500
Decrease in deferred compensation	(151,322)	(429,389)
Increase in deferred rent	4,723	-
Increase (decrease) in deferred subscription income	(132,692)	28,044
	<b>(517,707)</b>	<b>(160,500)</b>
Net cash used in operating activities	<b>(517,707)</b>	<b>(160,500)</b>
Cash provided by (used in) investing activities:		
Purchase of property and equipment	(191,404)	(52,919)
Proceeds from the sale of equipment	-	150
Change in investments	86,346	229,900
	<b>(105,058)</b>	<b>177,131</b>
Net cash provided (used in) by investing activities	<b>(105,058)</b>	<b>177,131</b>
Cash provided by (used in) financing activities:		
Net proceeds/payments on line of credit	(150,000)	150,000
Net proceeds from capital lease obligation	101,149	-
	<b>(48,851)</b>	<b>150,000</b>
Net cash provided by (used in) financing activities	<b>(48,851)</b>	<b>150,000</b>
Net increase (decrease) in cash and cash equivalents	<b>(671,616)</b>	<b>166,631</b>
Cash and cash equivalents at beginning of year	<b>907,965</b>	<b>741,334</b>
Cash and cash equivalents at end of year	<b>\$ 236,349</b>	<b>\$ 907,965</b>

The accompanying notes are an integral part of these statements.

# GREATER CINCINNATI CONVENTION AND VISITORS BUREAU, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2003 and 2002

### 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 \$56,611 and \$37,680 in 2003 and 2002, respectively.

#### 4. Deferred Subscription Income

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

#### 5. 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.

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

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

December 31, 2003 and 2002

**NOTE A - SUMMARY OF ACCOUNTING POLICIES (continued)**

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. The Bureau does not currently have temporarily restricted net assets.

6. 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.

7. Reclassification

Certain prior year amounts have been reclassified to conform to the current year presentation.

**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.

**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 - OPERATING LEASES**

The Bureau has operating leases for office space, furniture and office equipment and vehicles which expire at various dates through 2008. The future minimum rental commitments as of December 31, 2003 for the noncancelable leases are as follows:

2004	\$151,714
2005	150,254
2006	107,654
2007	65,060
2008	<u>45,302</u>
	<b><u>\$519,984</u></b>

Total rental expense was \$223,478 and \$238,889 in 2003 and 2002, respectively.



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

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

December 31, 2003 and 2002

**NOTE E - CAPITAL LEASES**

The Company assumed equipment and furniture under capital lease agreements. The amounts outstanding for the equipment leases amounted to \$101,149. The leases expire at various dates through September 2008. Capital assets included in property and equipment have costs totaling \$105,430 and accumulated depreciation totaling \$10,543 at December 31, 2003.

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, 2003:

2004	\$ 29,534
2005	29,534
2006	29,534
2007	29,534
2008	<u>20,947</u>
	139,082
Less amount representing interest	<u>(37,933)</u>
	<b><u>\$101,149</u></b>
Current portion of capital lease obligation	\$ 16,339
Long-term portion of capital lease obligation	<u>84,810</u>
	<b><u>\$101,149</u></b>

**NOTE F - REVOLVING LINE OF CREDIT**

The company has a revolving line of credit agreement for \$250,000 with a bank, secured by all the assets of the organization. The line bears interest at the prime rate (4.0% at December 31, 2003) with principal and interest due July 27, 2004. At December 31, 2003, there was no balance outstanding.

**NOTE G - 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 \$64,000 and \$106,906 in 2003 and 2002, respectively.

**NOTE H - DEFERRED COMPENSATION**

The Greater Cincinnati Convention and Visitors Bureau provided 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 2003 and 2002. The plan was dissolved in November 2003.

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

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

December 31, 2003 and 2002

**NOTE I - 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:

	<b>2003</b>	<b>2002</b>
Program services	\$3,688,135	\$3,772,123
General and administrative	<u>872,512</u>	<u>757,058</u>
	<b><u>\$4,560,647</u></b>	<b><u>\$4,529,181</u></b>

**NOTE J - 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.

## 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 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, 2003, and have issued our report thereon dated May 13, 2004. 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. 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 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be 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*

May 13, 2004



**Auditor of State  
Betty Montgomery**

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**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  
OCTOBER 5, 2004**