
**Greater Cincinnati Convention
& Visitors Bureau, Inc.**

Financial Statements

December 31, 2008 and 2007

(with Independent Auditors' Report)



CLARK SCHAEFER HACKETT
STRENGTH IN NUMBERS



Mary Taylor, CPA

Auditor of State

Board of Trustees
Greater Cincinnati Convention and Visitors Bureau, Inc.
525 Vine Street
Suite 1500
Cincinnati, OH 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, 2008 through December 31, 2008. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

August 13, 2009

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Greater Cincinnati Convention & Visitors Bureau, Inc.:

We have audited the accompanying statements of financial position of Greater Cincinnati Convention & Visitors Bureau, Inc. as of December 31, 2008 and 2007, and the related statements of activities 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 audits 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 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 audits provide 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 & Visitors Bureau, Inc. as of December 31, 2008 and 2007, and the changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2009 on our consideration of the Greater Cincinnati Convention & 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.



Cincinnati, Ohio
June 26, 2009

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Greater Cincinnati Convention and Visitors Bureau, Inc.
 Statements of Financial Position
 December 31, 2008 and 2007

Assets

	2008	2007
Cash and cash equivalents	\$ 990,396	795,376
County Hotel/Motel excise tax receivable	1,155,973	1,168,893
Program receivables	32,656	13,352
Government funding due	-	442,967
Membership receivables	19,623	37,824
General and suppliers' current and prior year subscriptions and sundry advances	85,546	136,118
Less allowance for doubtful accounts	(54,016)	(42,960)
Prepaid expenses	<u>96,104</u>	<u>103,895</u>
Total Current Assets	2,326,282	2,655,465
Equipment	496,933	480,962
Less accumulated depreciation	<u>(392,633)</u>	<u>(333,048)</u>
	<u>104,300</u>	<u>147,914</u>
Total Assets	\$ <u>2,430,582</u>	<u>2,803,379</u>
Liabilities and Net Assets		
Current portion of capital lease	\$ -	19,155
Accounts payable	122,082	319,321
Accrued payroll	274,333	301,630
Payroll taxes withholding	5,627	1,056
Deferred rent	92,314	79,877
Current portion of accrued lease costs	-	33,894
Deferred membership income	47,778	62,331
Grants payable	<u>425,291</u>	<u>439,421</u>
Total Current Liabilities	967,425	1,256,685
Net assets		
Unrestricted net assets	769,628	619,494
Temporarily restricted net assets	<u>693,529</u>	<u>927,200</u>
	<u>1,463,157</u>	<u>1,546,694</u>
Total Liabilities and Net Assets	\$ <u>2,430,582</u>	<u>2,803,379</u>

See accompanying notes to the financial statements.

Greater Cincinnati Convention and Visitors Bureau, Inc.
Statements of Activities
For the Years Ended December 31, 2008 and 2007

	2008			2007		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues:						
Gross County Hotel/Motel excise tax revenue	\$ 5,204,743	-	5,204,743	4,959,028	-	4,959,028
Government funding	-	954,418	954,418	-	885,934	885,934
Income from members' subscriptions	320,630	-	320,630	308,651	-	308,651
Registration services	23,428	-	23,428	24,127	-	24,127
Passkey	77,407	-	77,407	30,682	-	30,682
Corporate sponsorships	-	475,000	475,000	-	717,500	717,500
Interest income	11,432	-	11,432	3,045	-	3,045
Other income	-	-	-	17,498	-	17,498
Net assets released from restrictions:						
Satisfaction of restrictions	<u>1,663,089</u>	<u>(1,663,089)</u>	<u>-</u>	<u>730,116</u>	<u>(730,116)</u>	<u>-</u>
Total revenues	<u>7,300,729</u>	<u>(233,671)</u>	<u>7,067,058</u>	<u>6,073,147</u>	<u>873,318</u>	<u>6,946,465</u>
Expenses:						
Convention related expenditures:						
Convention sales and destination services	2,686,103	-	2,686,103	1,781,374	-	1,781,374
Convention services	416,037	-	416,037	421,927	-	421,927
Public relations and marketing	<u>1,297,712</u>	<u>-</u>	<u>1,297,712</u>	<u>1,185,884</u>	<u>-</u>	<u>1,185,884</u>
	4,399,852	-	4,399,852	3,389,185	-	3,389,185
General and administrative	697,150	-	697,150	697,185	-	697,185
Initiatives:						
Grant to Greater Cincinnati Sports Corporation	61,545	-	61,545	47,000	-	47,000
Grant to Northern Cincinnati CVB	250,000	-	250,000	250,000	-	250,000
Grant to Regional Tourism Network	1,717,048	-	1,717,048	1,663,676	-	1,663,676
Other grants	<u>25,000</u>	<u>-</u>	<u>25,000</u>	<u>25,000</u>	<u>-</u>	<u>25,000</u>
	<u>2,053,593</u>	<u>-</u>	<u>2,053,593</u>	<u>1,985,676</u>	<u>-</u>	<u>1,985,676</u>
Total expenses	<u>7,150,595</u>	<u>-</u>	<u>7,150,595</u>	<u>6,072,046</u>	<u>-</u>	<u>6,072,046</u>
Change in Net Assets	150,134	(233,671)	(83,537)	1,101	873,318	874,419
Net Assets at Beginning of Year	<u>619,494</u>	<u>927,200</u>	<u>1,546,694</u>	<u>618,393</u>	<u>53,882</u>	<u>672,275</u>
Net Assets at End of Year	<u>\$ 769,628</u>	<u>693,529</u>	<u>1,463,157</u>	<u>619,494</u>	<u>927,200</u>	<u>1,546,694</u>

See accompanying notes to the financial statements.

Greater Cincinnati Convention and Visitors Bureau, Inc.
 Statements of Cash Flows
 For the Years Ended December 31, 2008 and 2007

	2008	2007
Cash provided by (used in) operating activities:		
Change in net assets	\$ (83,537)	874,419
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Gain on sale of property and equipment	-	(1,000)
Depreciation	59,585	75,158
Bad debt expense	11,056	5,381
Changes in assets and liabilities:		
Accounts receivable and advances-net	505,356	(527,219)
Prepaid expenses	7,791	(71,256)
Accounts payable	(197,239)	69,184
Accrued payroll	(27,297)	(28,532)
Payroll taxes and amounts withheld	4,571	556
Deferred rent	12,437	30,116
Deferred membership income	(14,553)	15,753
Grant payable	(14,130)	22,694
Accrued lease costs	<u>(33,894)</u>	<u>(49,892)</u>
Net cash provided by operating activities	230,146	415,362
Cash used in investing activities:		
Proceeds from sale of equipment	-	1,000
Purchase of equipment	<u>(15,971)</u>	<u>(21,228)</u>
Net cash used in investing activities	(15,971)	(20,228)
Cash used in financing activities:		
Payments on capital lease obligation	<u>(19,155)</u>	<u>(24,853)</u>
Net cash used in financing activities	<u>(19,155)</u>	<u>(24,853)</u>
Net increase in cash and cash equivalents	195,020	370,281
Cash and cash equivalents at beginning of year	<u>795,376</u>	<u>425,095</u>
Cash and cash equivalents at end of year	\$ <u>990,396</u>	<u>795,376</u>

See accompanying notes the 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.

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.

Equipment

Equipment is 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 \$59,585 and \$75,158 in 2008 and 2007, respectively.

Fair value measures

The Financial Accounting Standards Board ("FASB") has issued FAS 157 Fair Value Measures, which establishes a single definition of fair value and a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. FASB Staff Position FAS 157-b delays the effective date of FAS 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis, to fiscal years beginning after November 15, 2008. As a result, the Bureau has only partially adopted FAS 157 during 2008.

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 decreased when receivables are deemed to be uncollectible, and payments subsequently received on such receivables restore the allowance for doubtful accounts.

Deferred membership income

Deferred membership 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. In 2008 and 2007 temporarily restricted net assets represented funds for specified purposes.

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.

Use of estimates in financial statements

In preparing financial statements in conformity with generally accepted accounting principles, management makes estimates, such as allowance for doubtful accounts and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. REVENUES:

The Bureau receives revenues generated from a 3% excise tax on hotel rooms in Hamilton County, Ohio and other Governmental funds. 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 awarded.

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. Tax levy revenues were 74% and 71% for the year ended December 31, 2008 and 2007, respectively. A discontinuance of this tax would severely effect the operation of the Bureau.

5. EMPLOYMENT AGREEMENT:

The Organization signed an employment agreement with its CEO providing base and incentive compensation through March 31, 2009.

6. OPERATING LEASES:

The Bureau has operating leases for office space, furniture and office equipment which expire at various dates through 2016. The future minimum rental commitments as of December 31, 2008 for the noncancelable leases are as follows:

2009	\$ 180,441
2010	184,083
2011	188,304
2012	187,569
2013	187,013
Thereafter	<u>657,140</u>
	<u>\$ 1,584,550</u>

Total rental expense was \$183,433 and \$163,020 in 2008 and 2007, respectively.

7. CAPITAL LEASES:

The Organization assumed equipment and furniture under capital lease agreements. The leases expired at various dates through September 2008. Capital leased assets included in property and equipment have costs totaling \$105,430 and accumulated depreciation totaling \$105,429 and \$94,887 at December 31, 2008 and 2007, respectively.

8. REVOLVING LINE OF CREDIT:

The Bureau 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 (3.25% at December 31, 2008) with principal due April 29, 2010. At December 31, 2008, there was no balance outstanding.

9. RETIREMENT PLAN:

In 2007 the Bureau had a noncontributory defined contribution pension plan and noncontributory defined contribution 401K Savings Plan covering all employees who qualify as to age and length of service. The Bureau's policy was to fund pension costs accrued. Pension expense was \$83,336 in 2007. Effective January 1, 2008, the Organization merged the pension plan assets into the defined contribution 401K savings plan. The defined contribution 401K savings plan was amended to allow the Organization to make matching contributions. The plan covers substantially all employees who meet certain eligibility requirements as to age and length of service. Organization matching contributions are provided up to 3%

for the first 3% and 1.5% of the next 3% of eligible employee compensation with certain limitations. The expense for 2008 was \$70,556.

10. 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>2008</u>	<u>2007</u>
Program services	\$ 6,453,445	5,374,861
General and administrative	<u>697,150</u>	<u>697,185</u>
	<u>\$ 7,150,595</u>	<u>6,072,046</u>

11. 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.

The Financial Accounting Standards Board ("FASB") has issued Interpretation No. 48 ("FIN 48"), which clarifies generally acceptable accounting principles for recognition, measurement, presentation and disclosure relating to uncertain tax positions. FIN 48 applies to business enterprises, not-for-profit entities, and pass-through entities, such as S corporations and limited liability companies. As permitted by FIN 48 (as amended), the Organization has elected to defer the application of FIN 48 until issuance of its December 31, 2009 financial statements. For financial statements covering periods prior to calendar 2009, the Organization evaluates uncertain tax positions in accordance with existing generally accepted accounting principles and makes such accruals and disclosures as might be required thereunder.

12. RELATED PARTY:

The Bureau is affiliated with the Spirit of Cincinnati which it advances funds and renders services. The advances are due on demand and classified as a current asset on the statement of financial position. There are no amounts due to the Bureau at December 31, 2008 and 2007. In 2008 the Spirit made a direct contribution in the amount of \$150,000 to the Bureau for an event for the City of Cincinnati.

13. SUBSEQUENT EVENT:

On January 1, 2009, 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 for 2009 in the amount of \$63,000.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees
Greater Cincinnati Convention & Visitors Bureau, Inc.:

We have audited the financial statements of Greater Cincinnati Convention & Visitors Bureau, Inc. as of and for the year ended December 31, 2008, and have issued our report thereon dated June 26, 2009. 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 Greater Cincinnati Convention & Visitors Bureau, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on financial statements, but not for the purpose of expressing an opinion on the effectiveness of Greater Cincinnati Convention & Visitors Bureau, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified a deficiency in internal control over financial reporting that we considered to be a significant deficiency.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Organization's financial statements that is more than inconsequential will not be prevented or detected by the Organization's internal control. We consider the deficiency described below to be a significant deficiency in internal control over financial reporting.

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Segregation of Duties

A good system of internal control provides for a proper segregation of the accounting functions. The Organization does not have the proper segregation of duties over cash disbursements. We noted that the individual who enters the accounts payable into the general ledger also prepares the checks and has the responsibility of mailing the checks. Proper segregation is not always possible in a small organization, but limited segregation to the extent possible can and should be implemented to reduce the risk of errors or fraud. We recommend that management review the current assignment of accounting functions. Where possible, duties should be segregated to reduce the risk of errors or fraud.

Management response: The management of Greater Cincinnati Convention & Visitors Bureau, Inc. recognizes that due to the limited number of staff competent to perform specific and/or general accounting functions that we may not be able to completely segregate duties in every accounting cycle. We have mitigating controls in place to minimize risk, and we will attempt to segregate accounting duties whenever possible.

A *material weakness* is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Organization's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However we believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Greater Cincinnati Convention & Visitors Bureau, Inc.'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*.

Greater Cincinnati Convention & Visitors Bureau, Inc.'s responses to the finding identified in our audit is described above. We did not audit Greater Cincinnati Convention & Visitors Bureau, Inc.'s response and, accordingly, we express no opinion on it.

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

Clark, Schaefer, Fichtel & Co

Cincinnati, Ohio
June 26, 2009



Mary Taylor, CPA
Auditor of State

GREATER CINCINNATI CONVENTION AND VISITORS BUREAU, INC.

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 25, 2009**