

Financial Statements

and

Independent Auditors' Report

**ERIE COUNTY VISITORS AND
CONVENTION BUREAU, INC.**

September 30, 2004



**Auditor of State
Betty Montgomery**

Board of Trustees
Erie County Visitors and Convention Bureau, Inc.
4424 Milan Road #A
Sandusky, Ohio 44870-5838

We have reviewed the Independent Auditor's Report of the Erie County Visitors and Convention Bureau, Inc., Erie County, prepared by Kraus, Hanck & Co., for the audit period October 1, 2003 to September 30, 2004. 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 Erie County Visitors and Convention Bureau, Inc. is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

February 1, 2005

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Erie County Visitors and Convention Bureau, Inc.

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KRAUS, HANCK & CO.

CERTIFIED PUBLIC ACCOUNTANTS

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October 29, 2004

INDEPENDENT AUDITORS' REPORT

**Erie County Visitors and
Convention Bureau, Inc.**
4424 Milan Road, Suite A
Sandusky, Ohio 44870-5838

To the Board of Trustees:

We have audited the accompanying statement of financial position of the **Erie County Visitors and Convention Bureau, Inc.** (an Ohio nonprofit corporation), as of September 30, 2004, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the **Bureau's** management. Our responsibility is to express an opinion on these financial statements based on our audit.

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. 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 the **Erie County Visitors and Convention Bureau, Inc.** as of September 30, 2004, and the changes in its net assets and its cash flows for the year 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 October 29, 2004 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 grants. That report is an integral part of an audit in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of expressing an opinion on the basic financial statements taken as a whole. The Schedule of Allocated Program and Supporting Services Expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.


Certified Public Accountants

STATEMENT OF FINANCIAL POSITION
ERIE COUNTY VISITORS AND CONVENTION BUREAU, INC.

September 30, 2004

With Comparative Totals at September 30, 2003

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total Memo</u>	
			<u>2004</u>	<u>2003</u>
<u>ASSETS</u>				
Current Assets				
Cash and cash equivalents	\$ 29,160	\$ 10,000	\$ 39,160	\$ 38,644
Investment in mutual funds	592	- 0 -	592	499
Intergovernmental receivable	24,621	- 0 -	24,621	30,590
Accounts receivable—net of allowance for doubtful accounts of \$-0- at 9-30-04 and \$2,112 at 9-30-03	45,666	- 0 -	45,666	37,858
Interclass receivable (payable)	- 0 -	- 0 -	- 0 -	- 0 -
Prepaid expenses	<u>13,226</u>	<u>- 0 -</u>	<u>13,226</u>	<u>10,036</u>
Total Current Assets	113,265	10,000	123,265	117,627
Deposits	303	- 0 -	303	303
Property and equipment – net	<u>27,206</u>	<u>- 0 -</u>	<u>27,206</u>	<u>39,739</u>
Total Assets	<u>140,774</u>	<u>10,000</u>	<u>150,774</u>	<u>157,669</u>
<u>LIABILITIES AND NET ASSETS</u>				
Current Liabilities				
Accounts payable	\$ 33,451	\$ - 0 -	\$ 33,451	\$ 22,489
Salaries and wages payable	5,509	- 0 -	5,509	4,377
Payroll taxes, including employee withholding	5,196	- 0 -	5,196	3,766
Deferred revenue – advance advertising sales	<u>735</u>	<u>- 0 -</u>	<u>735</u>	<u>11,196</u>
Total Current Liabilities	44,891	- 0 -	44,891	41,828
Net Assets				
Unrestricted Net Assets	95,883	- 0 -	95,883	70,799
Temporarily Restricted Net Assets	<u>- 0 -</u>	<u>10,000</u>	<u>10,000</u>	<u>45,042</u>
Total Net Assets	<u>95,883</u>	<u>10,000</u>	<u>105,883</u>	<u>115,841</u>
Total Liabilities and Net Assets	<u>140,774</u>	<u>10,000</u>	<u>150,774</u>	<u>157,669</u>

See accompanying notes to the financial statements.

STATEMENT OF ACTIVITIES
ERIE COUNTY VISITORS AND CONVENTION BUREAU, INC.
 For the Year Ended September 30, 2004
 With Comparative Totals for the Year Ended September 30, 2003

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total Memo</u>	
			<u>2004</u>	<u>2003</u>
Support & Revenue				
Erie County funding	\$ 711,295	\$ 10,000	\$ 721,295	\$ 818,239
Advertising revenue	333,071	- 0 -	333,071	273,216
Investment return	1,442	- 0 -	1,442	2,113
Other revenues	3,851	- 0 -	3,851	- 0 -
Satisfaction of Restrictions	<u>45,042</u>	(<u>45,042</u>)	<u>- 0 -</u>	<u>- 0 -</u>
 Total Support & Revenue	 1,094,701	 (35,042)	 1,059,659	 1,093,568
 Expenses				
Program services	882,829	- 0 -	882,829	1,060,428
Supporting services	<u>186,788</u>	<u>- 0 -</u>	<u>186,788</u>	<u>185,893</u>
 Total Expenses and Losses	 <u>1,069,617</u>	 <u>- 0 -</u>	 <u>1,069,617</u>	 <u>1,246,321</u>
 Change in net assets	 25,084	 (35,042)	 (9,958)	 (152,753)
 Net assets, beginning of year	 <u>70,799</u>	 <u>45,042</u>	 <u>115,841</u>	 <u>268,594</u>
 Net assets, end of year	 <u>95,883</u>	 <u>10,000</u>	 <u>105,883</u>	 <u>115,841</u>

See accompanying notes to the financial statements.

STATEMENT OF CASH FLOWS
ERIE COUNTY VISITORS AND CONVENTION BUREAU, INC.
 For the Year Ended September 30, 2004
 With Comparative Totals for the Year Ended September 30, 2003

	<u>2004</u>	<u>2003</u>
<u>Cash Flows from Operating Activities:</u>		
Change in net assets	\$(9,958)	\$(152,753)
Adjustment to reconcile change in net assets to net cash provided by operating activities		
Depreciation	12,533	14,026
Loss (gain) on sale of assets	- 0 -	75
Unrealized (gain) loss on investments	(88)	(87)
Increase (decrease) in allowance for doubtful accounts	(2,112)	- 0 -
(Increase) decrease in accounts receivable	273	(19,964)
(Increase) decrease in prepaid expenses	(3,190)	(1,840)
Increase (decrease) in accounts payable	10,962	(19,232)
Increase (decrease) in accrued salaries and wages	1,132	651
Increase (decrease) in accrued payroll taxes	1,430	(198)
Increase (decrease) in deferred revenue	(<u>10,461</u>)	(<u>7,195</u>)
Net cash provided (used) by operating activities	<u>521</u>	<u>(186,517)</u>
<u>Cash Flows from Investing Activities:</u>		
Purchase of equipment	- 0 -	(5,755)
Net purchase of mutual funds investments	(<u>5</u>)	(<u>3</u>)
Net cash used in investing activities	(<u>5</u>)	(<u>5,758</u>)
<u>Cash Flows from Financing Activities:</u>	<u>None</u>	<u>None</u>
Net increase (decrease) in cash and cash equivalents	516	(192,275)
Cash and cash equivalents, beginning of year	<u>38,644</u>	<u>230,919</u>
Cash and cash equivalents, end of year	<u>39,160</u>	<u>38,644</u>

See accompanying notes to the financial statements.

NOTES TO FINANCIAL STATEMENTS
ERIE COUNTY VISITORS AND CONVENTION BUREAU, INC.
September 30, 2004

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

The **Erie County Visitors and Convention Bureau, Inc.** (the **Bureau**) is an Ohio not-for-profit corporation formed to encourage economic development of Erie County, Ohio through promotion of tourism and to encourage and promote, through advertisement and other educational and informational means, travel to and visitation in Erie County, Ohio by nonresidents, for pleasure, business and other purposes.

The **Bureau** is exempt from Federal income taxes under Internal Revenue Code Section 501(c)(6). In addition, the **Bureau** has been determined by the Internal Revenue Service not to be a “private foundation” within the meaning of Section 509(a) of the Internal Revenue Code.

Financial Statement Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

Accordingly, net assets of the **Bureau** and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the **Bureau** or by the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as satisfaction of restrictions.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently. Currently the **Bureau** has no permanently restricted net assets.

Donations

Donations are recorded as unrestricted unless specifically restricted by the donor.

See independent auditors’ report.

NOTES TO FINANCIAL STATEMENTS
ERIE COUNTY VISITORS AND CONVENTION BUREAU, INC.
September 30, 2004

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (Continued)

Donated Noncash Assets

Donated noncash assets, are recorded as contributions at their estimated fair values at the time of receipt.

Donated Services

Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their estimated fair values in the period received.

Investments

The **Bureau** carries investments in mutual funds at their fair value in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

Property and Equipment

Property and equipment is recorded at cost or at estimated fair value at date of gift. Expenditures which increase useful lives are capitalized while maintenance and repairs are charged to expense. Assets are depreciated over their estimated useful lives using the straight-line method.

Deferred Revenue

Income from advance advertising sales is deferred and recognized during the period in which the advertising publication is released.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the **Bureau** considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

See independent auditors' report.

NOTES TO FINANCIAL STATEMENTS
ERIE COUNTY VISITORS AND CONVENTION BUREAU, INC.
 September 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

Comparative Data

The financial information included for the year ended September 30, 2003 is presented in total but not by function. This information is presented for comparative purposes and is not intended to be a complete financial presentation. Accordingly, such information should be read in conjunction with the September 30, 2003 financial statements from which this information was derived.

NOTE 2 – RESTRICTIONS ON ASSETS

The **Bureau** reports contributions of cash or other assets as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a temporary donor restriction expires, that is, when a stipulated time restriction ends or purpose of restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as satisfaction of restrictions.

Temporarily restricted net assets at September 30, 2004 and 2003 are available for the following purposes:

	<u>2004</u>	<u>2003</u>
Promoting Local Arts & Cultural Institutions	\$ - 0 -	\$ 45,042
Feasibility Study	10,000	- 0 -

NOTE 3 – PROPERTY AND EQUIPMENT

As of September 30, 2004 and 2003, property and equipment consisted of:

	<u>2004</u>	<u>2003</u>
Furniture and fixtures	\$ 50,235	\$ 50,235
Leasehold improvements	21,937	21,937
Vehicles	<u>24,854</u>	<u>24,854</u>
Total	97,026	97,026
Less: Accumulated depreciation	<u>69,820</u>	<u>57,287</u>
Net Property and Equipment	<u>27,206</u>	<u>39,739</u>

See independent auditors' report.

NOTES TO FINANCIAL STATEMENTS
ERIE COUNTY VISITORS AND CONVENTION BUREAU, INC.
 September 30, 2004

NOTE 4 – OPERATING LEASES

The **Bureau** leases office equipment under a noncancellable operating leases. Total rent expense under all equipment leases for the years ended September 30, 2004 and 2003 was \$6,842 and \$6,842, respectively. Future minimum office equipment lease payments for the next five years and in the aggregate are as follows:

2005	\$ 406
2006 to 2009	<u>- 0 -</u>
Total	<u>406</u>

The **Bureau** leases its facility under a ten-year noncancellable operating lease that expires in 2008. The lease provides for rent, payable monthly, at an amount adjusted annually for changes in the consumer price index. The lease also requires the **Bureau** to pay a portion of common building costs. The lease agreement grants the **Bureau** three options to renew the lease for additional five-year terms. Total building rent expense for the years ended September 30, 2004 and 2003 was \$51,604 and \$51,310, respectively. Future minimum lease payments plus common building costs under this agreement are as follows:

2005	\$ 52,717
2006	52,717
2007	52,717
2008	35,145
2009	<u>- 0 -</u>
Total	<u>193,296</u>

See independent auditors' report.

NOTES TO FINANCIAL STATEMENTS
ERIE COUNTY VISITORS AND CONVENTION BUREAU, INC.
September 30, 2004

NOTE 5 – DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES

Program services consist of travel and tourism promotion. The **Bureau** encourages and stimulates interest in Erie County, Ohio through advertisement and other educational and informational means. It fosters knowledge and facilitates participation in travel to Erie County through the publication and distribution of the **Bureau's** publication, *Buckeye North*.

Supporting services consist of general and management services. These services include the functions necessary to maintain an equitable employment program, ensure an adequate working environment, provide coordination and articulation of the **Bureau's** program strategy through the Executive Director, secure proper administrative functioning of the Board of Directors and manage the financial and budgetary responsibility of the **Bureau**.

NOTE 6 – RETIREMENT PLAN

Employees of the **Bureau** who are reasonably expected to receive at least \$5,000 in compensation for the calendar year or who have received at least \$5,000 in compensation during any two calendar years preceding the calendar year participate in a defined contribution retirement plan. The employees can elect to contribute and defer up to \$7,000 of their calendar year compensation. The **Bureau's** contributions are equal to 3% of calendar year compensation for each eligible employee. During the years ended September 30, 2004 and 2003, the **Bureau's** contribution to the plan totaled \$2,835 and \$1,231, respectively.

NOTE 7 – RELATED PARTY TRANSACTIONS

Several of the **Bureau's** Trustees are related to companies that collect a portion of the bed tax that supports the **Bureau**. These same companies purchase advertising services from the **Bureau** and benefit from other promotional activities of the **Bureau**.

See independent auditors' report.

NOTES TO FINANCIAL STATEMENTS
ERIE COUNTY VISITORS AND CONVENTION BUREAU, INC.
September 30, 2004

NOTE 8 – SUPPORT AND REVENUE – CONCENTRATION

The **Bureau** receives the majority of its support and revenue from Erie County, Ohio. Under an agreement with Erie County, Ohio, the **Bureau** is the sole recipient of a 1% County hotel lodging excise tax. The **Bureau** also receives a portion of a second 1% hotel lodging excise tax. For the years ended September 30, 2004 and 2003, the amount of support from these taxes was \$721,295 and \$818,239, respectively. Because a majority of the Bureau's support and revenue is from these taxes, any unanticipated loss of these taxes could adversely affect operations.

NOTE 9 – OTHER INFORMATION

During November 1996, the Board of County Commissioners of Erie County authorized an additional 1% countywide lodging excise tax to be used to defray the local share debt of approximately \$4,300,000, plus interest, needed for the U. S. Route 250 Project. This additional tax will be in effect until such time as the local share debt, plus interest, is repaid by the County to the State of Ohio, Department of Transportation. The **Bureau** has agreed to act as a conduit in order that the additional tax may be used for this purpose. The **Bureau's** responsibility in this arrangement is to remit the additional 1% tax to the County in order for them to pay the local share debt of this project. The **Bureau** is not indebted for this project and this arrangement is not expected to affect the normal operations of the **Bureau**.

See independent auditors' report.

**SCHEDULE OF ALLOCATED PROGRAM AND SUPPORTING SERVICES EXPENSES
ERIE COUNTY VISITORS AND CONVENTION BUREAU, INC.**

For the Year Ended September 30, 2004
With Comparative Totals for the Year Ended September 30, 2003

	<u>Program Services</u>	<u>Supporting Services</u>	<u>2004 Total</u>	<u>2003 Total</u>
Printing and publications	\$ 223,452	\$ - 0 -	\$ 223,452	\$ 249,665
Advertising and promotions	434,833	- 0 -	434,833	581,228
Postage and shipping	57,029	6,337	63,366	65,046
Tour expense	3,822	- 0 -	3,822	- 0 -
Salaries and wages	129,843	40,578	170,421	177,960
Payroll taxes	12,285	1,755	14,040	14,755
Employee benefits	10,194	1,604	11,798	13,479
Bad debt expense	- 0 -	6,025	6,025	- 0 -
Office supplies and expense	6,177	- 0 -	6,177	6,567
Equipment rent and maintenance	5,194	10,391	15,585	13,824
Occupancy	- 0 -	57,619	57,619	57,691
Telephone	- 0 -	20,027	20,027	23,301
Depreciation	- 0 -	12,533	12,533	14,026
Professional fees	- 0 -	7,437	7,437	6,191
Seminars and meetings	- 0 -	8,861	8,861	11,057
General insurance	- 0 -	4,330	4,330	4,243
Dues and subscriptions	- 0 -	3,876	3,876	3,724
Travel expenses	- 0 -	3,908	3,908	3,255
Equipment	- 0 -	1,434	1,434	309
Interest	- 0 -	73	73	- 0 -
Miscellaneous	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>
 Total Expenses	 <u>882,829</u>	 <u>186,788</u>	 <u>1,069,617</u>	 <u>1,246,321</u>

See independent auditors' report.

KRAUS, HANCK & CO.

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JONATHAN O. PENWELL, CPA

October 29, 2004

REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL REQUIRED BY
GOVERNMENT AUDITING STANDARDS

**Erie County Visitors and
Convention Bureau, Inc.**
4424 Milan Road, Suite A
Sandusky, Ohio 44870-5838

To the Board of Trustees:

We have audited the financial statements of the **Erie County Visitors and Convention Bureau, Inc.** (an Ohio nonprofit corporation) as of and for the year ended September 30, 2004, and have issued our report thereon dated October 29, 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, contract 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 over financial reporting that might be material weaknesses. 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 material weaknesses.

This report is intended for the information and use of management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

Certified Public Accountants



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Betty Montgomery**

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ERIE COUNTY VISITORS AND CONVENTION BUREAU, INC.

ERIE 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
FEBRUARY 15, 2005**