GREATER CINCINNATI CONVENTION AND VISITORS BUREAU, INC.

Financial Statements

December 31, 2006 and 2005

With

Independent Auditors' Report

Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Greater Cincinnati Convention and Visitors Bureau, Inc., Hamilton County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2006 through December 31, 2006. 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

November 16, 2007

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GREATER CINCINNATI CONVENTION AND VISITORS BUREAU, INC.

GREATER CINCINNATI CONVENTION AND VISITORS BUREAU, INC.

Independent Auditors' Report

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, 2006 and 2005, 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America as established by the Auditing Standards Board of the American Institute of Certified Public Accountants and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bureau's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our 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 and Visitors Bureau, Inc. as of December 31, 2006 and 2005, and the statement of activities and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued our report dated June 12, 2007 on our consideration of the Greater Cincinnati Convention and Visitors Bureau, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

Clark Schaefer Hackett & Co

Cincinnati, Ohio
June 12, 2007

GREATER CINCINNATI CONVENTION AND VISITORS BUREAU, INC.

Statements of Financial Position

December 31, 2006 and 2005

Assets

	2006	2005
Cash and cash equivalents	$ 425,095	562,989
County Hotel/Motel excise tax receivable	1,176,070	998,927
Progam receivables	23,385	15,293
Membership receivables	32,573	51,364
General and suppliers' current and prior year subscriptions and sundry advances	39,907	47,832
Accounts receivable - related party	-	393,405
Less allowance for doubtful accounts	(37,579)	(116,866)
Prepaid expenses	32,639	68,216
Total Current Assets	1,692,090	2,021,160
Property and equipment	459,735	675,563
Less accumulated depreciation	(257,891)	(566,205)
	201,844	109,358
Total Assets	$ 1,893,934	2,130,518

Liabilities and Net Assets

	2006	2005
Current portion of capital lease	$ 24,854	21,586
Accounts payable	250,137	292,746
Accrued payroll	330,162	254,622
Payroll taxes withholding	500	559
Deferred rent	49,761	-
Current portion of accrued lease costs	56,504	54,878
Deferred membership income	46,578	9,771
Grants payable	416,727	363,716
Total Current Liabilities	1,175,223	997,878
Capital lease obligation	19,154	44,441
Accrued lease costs	27,282	83,786
Total Liabilities	1,221,659	1,126,105
Net assets		
Unrestricted net assets	618,393	954,413
Temporarily restricted net assets	53,882	50,000
	672,275	1,004,413
Total Liabilities and Net Assets	$ 1,893,934	2,130,518

See accompanying notes to financial statements.

GREATER CINCINNATI CONVENTION AND VISITORS BUREAU, INC.

Statements of Activities

For the Years Ended December 31, 2006 and 2005

	2006			2005		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues						
Gross County Hotel/Motel excise tax revenue	$ 4,709,616	-	4,709,616	4,340,602	-	4,340,602
Income from members' subscriptions	285,970	-	285,970	314,022	-	314,022
Registration services	26,580	-	26,580	7,979	-	7,979
Passkey	56,715	-	56,715	20,450	-	20,450
Contributions received	44,385	75,000	119,385	-	50,000	50,000
Interest income	3,499	-	3,499	3,041	-	3,041
Other income	2,123	-	2,123	7,267	-	7,267
Net assets released from restrictions:						
Satisfaction of restrictions	71,118	(71,118)	-	-	-	-
Total revenues	5,200,006	3,882	5,203,888	4,693,361	50,000	4,743,361
Expenses						
Convention related expenditures:						
Convention sales and destination services	1,325,465	-	1,325,465	1,375,946	-	1,375,946
Convention services	505,370	-	505,370	766,508	-	766,508
Public relations and marketing	974,269	-	974,269	853,266	-	853,266
	2,805,104	-	2,805,104	2,995,720	-	2,995,720
General and administrative	429,643	-	429,643	597,652	-	597,652
Restructuring charge	-	-	-	142,884	-	142,884
Initiatives:						
Grant to Greater Cincinnati Sports Corporation	35,000	-	35,000	-	-	-
Grant to Northen Cincinnati CVB	250,000	-	250,000	250,000	-	250,000
Grant to Regional Tourism	1,553,239	-	1,553,239	1,117,877	-	1,117,877
Other grants	463,040	-	463,040	25,000	-	25,000
	2,301,279	-	2,301,279	1,392,877	-	1,392,877
Total expenses	5,536,026	-	5,536,026	5,129,133	-	5,129,133
Change in Net Assets	(336,020)	3,882	(332,138)	(435,772)	50,000	(385,772)
Net Assets at Beginning of Year	954,413	50,000	1,004,413	1,390,185	-	1,390,185
Net Assets at End of Year	$ 618,393	53,882	672,275	954,413	50,000	1,004,413

See accompanying notes to financial statements

GREATER CINCINNATI CONVENTION AND VISITORS BUREAU, INC.

Statements of Cash Flows

For the Years Ended December 31, 2006 and 2005

		2006	2005
Cash provided by (used in) operating activities:			
Change in net assets	$	(332,138)	(385,772)
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Gain on sale of property and equipment		(1,752)	-
Depreciation		78,093	70,581
Change in accrued lease payable		(54,878)	138,664
Decrease in accounts receivable and advances-net		155,599	57,501
Decrease in prepaid expenses		35,577	52,844
Increase (decrease) in accounts payable		(42,609)	(95,680)
Increase (decrease) in payroll taxes and amounts withheld		(59)	(43,329)
Increase (decrease) in accrued payroll		75,540	(48,900)
(Increase)Decrease in deferred rent		49,761	(2,391)
Increase (decrease) in deferred membership income		36,807	206,374
Increase in grants payable		53,011	363,716
Net cash provided by operating activities		52,952	313,608
Cash used in investing activities:			
Proceeds from sale of property and equipment		1,752	-
Purchase of property and equipment		(170,579)	(20,909)
Net cash used in investing activities		(168,827)	(20,909)
Cash used in financing activities:			
Payments on capital lease obligation		(22,019)	(18,774)
Net cash used in financing activities		(22,019)	(18,774)
Net increase in cash and cash equivalents		(137,894)	273,925
Cash and cash equivalents at beginning of year		562,989	289,064
Cash and cash equivalents at end of year	$	425,095	562,989
Supplemental information:			
Interest paid	$	7,957	10,770

See accompanying notes to financial statements.

GREATER CINCINNATI CONVENTION AND VISITORS BUREAU, INC.

Notes to Financial Statements

1. Summary of Accounting Policies:

Greater Cincinnati Convention and Visitors Bureau, Inc. (the Bureau) is a sales, marketing, and service organization and impacts the Greater Cincinnati area economy through convention, trade show, and visitor expenditures.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from estimates.

Cash and cash equivalents

Cash and cash equivalents include highly liquid investments with a maturity of three months or less when purchased. The Bureau maintains its cash balances in demand deposit accounts, money market funds, and certificates of deposit primarily with commercial banks in Ohio.

Fixed assets

Property and equipment are recorded at cost. Costs of maintenance and repairs are charged to expense as incurred. Major improvements and renewals, in general, are capitalized.

The estimated useful lives are:

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

Depreciation is provided on the straight-line method over the estimated useful lives of the assets. Depreciation expense was $78,093 and $70,581 in 2006 and 2005, respectively.

Allowance for doubtful accounts

The allowance is determined by considering the length of time the balances are outstanding and the companies' ability to pay. The outstanding balances are reviewed monthly and ability to collect is determined. The allowance is 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 subscription income represents collections in the current year that pertain to billings of membership revenues attributable to the following year.

Temporarily restricted net assets

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

The Bureau reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Bureau reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. In 2006 and 2005 temporarily restricted 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.

Reclassifications

Amounts in 2005 have been reclassified to conform with current year presentation.

2. Revenues:

The Bureau receives revenues generated from a 3% excise tax on hotel rooms in Hamilton County, Ohio. These revenues are authorized under regulations approved by the Hamilton County Board of Commissioners under legislation approved by the Ohio legislature. Membership and other fees are recognized as earned. Contributions and grants are recognized when 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 for over 90% of its revenues. 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, 2006 for the noncancelable leases are as follows:

2007	$ 164,616
2008	174,107
2009	176,333
2010	177,123
2011	181,344
Thereafter	835,028
	$ 1,708,551

Total rental expense was $172,087 and $170,138 in 2006 and 2005, respectively.

7. Capital Leases:

The Organization assumed equipment and furniture under capital lease agreements. The amounts outstanding for the equipment leases amounted to $44,008. The leases expire at various dates through September 2008. Capital leased assets included in property and equipment have costs totaling $105,430 and accumulated depreciation totaling $73,801 at December 31, 2006.

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, 2006:

2007	$ 29,543
2008	20,955
	50,498
Less amount representing interest	(6,490)
	$ 44,008

Current portion of capital lease obligation	$ 24,854
Long-term portion of capital lease obligation	19,154
	$ 44,008

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 (8.25% at December 31, 2006) with principal due April 30, 2008. At December 31, 2006, there was no balance outstanding.

9. 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 $97,692 and $64,015 in 2006 and 2005, respectively.

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:

	2006	2005
Program services	$ 5,106,383	4,531,482
General and administrative	429,643	597,651
	$ 5,536,026	5,129,133

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.

12. Commitments:

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

2007	$ 35,000
2008	35,000
	$ 70,000

13. Restructure of Organization:

During 2005 the Bureau restructured the organization in order to help fund the Sports Corporation and to take on other initiatives more in line with the mission of the Bureau. Through the reorganization the Bureau discontinued leases in two locations. One lease has been terminated during the year ended December 31, 2006 with no payment due. The other site has been subleased in March of 2007 (See Footnote #15). The future payments on the lease were recorded as a liability when the site was abandoned in 2005.

14. Related Party:

The Organization is affiliated with the Spirit of Cincinnati which it advances funds and services rendered. The advances are due on demand and classified as a current asset on the statement of financial position. In 2006 the Bureau made a grant of $405,728 to Spirit of Cincinnati. There are no amounts due to the Bureau at December 31, 2006.

15. Subsequent Event:

In March of 2007 the Organization signed an agreement subleasing the unused Blue Ash office space for $5,000 a month. The sublease expires July 31, 2008, which is the same expiration date as the original lease.

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*

The Board of Trustees
Greater Cincinnati Convention and Visitors Bureau

We have audited the financial statements of Greater Cincinnati Convention and Visitors Bureau as of and for the year ended December 31, 2006, and have issued our report thereon dated June 12, 2007. 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. internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Greater Cincinnati Convention and Visitors Bureau's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Greater Cincinnati Convention and Visitors Bureau'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 certain deficiencies in internal control over financial reporting that we consider 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 entity'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 entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the lack of segregation of duties within the accounting department in the disbursement cycle to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or 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 entity'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, as to the significant deficiency described above, we consider no items to be material weaknesses.

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*.

Management response: The Management of the Greater Cincinnati Convention and Visitors Bureau 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. However we will attempt to segregate accounting duties whenever it does not put the Organization at risk, and to put additional controls in place that segregate duties wherever possible.

The Greater Cincinnati Convention and Visitors Bureau's response is included above in this report. We did not audit the response of the Greater Cincinnati Convention and Visitors Bureau and accordingly, we do not express an opinion on it.

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

Clark, Schaefer, Hackett + Co.

Cincinnati, Ohio
June 12, 2007

GREATER CINCINNATI CONVENTION AND VISITORS BUREAU

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
DECEMBER 4, 2007