

**Financial and Compliance Report**

**Akron/Summit Convention & Visitors Bureau, Inc.**

**December 31, 2009 and 2008**



**BRUNER-COX LLP**

Business Consultants & Certified Public Accountants





# Mary Taylor, CPA

Auditor of State

Board of Directors  
Akron/Summit Convention & Visitors Bureau, Inc.  
77 East Mill Street  
Akron, Ohio 44308-1401

We have reviewed the *Independent Auditors' Report* of the Akron/Summit Convention & Visitors Bureau, Inc., Summit County, prepared by Bruner-Cox, LLP, for the audit period January 1, 2009 through December 31, 2009. 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 Akron/Summit Convention & Visitors Bureau, Inc. is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

December 14, 2010

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## **INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Akron/Summit Convention & Visitors Bureau, Inc.  
Akron, Ohio

We have audited the accompanying statements of net assets of Akron/Summit Convention & Visitors Bureau, Inc. (ASCVB) as of December 31, 2009 and 2008, and the related statements of revenue, expenses and changes in net assets, and of cash flows for the years then ended. These financial statements are the responsibility of ASCVB'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. 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 Akron/Summit Convention & Visitors Bureau, Inc.'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 net assets of Akron/Summit Convention & Visitors Bureau, Inc. as of December 31, 2009 and 2008, and the results of its operations 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 December 3, 2010 on our consideration of Akron/Summit Convention & Visitors Bureau, Inc.'s control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 read in conjunction with this report in considering the results of our audit.

Board of Directors  
Akron/Summit Convention & Visitors Bureau, Inc.

Management's discussion and analysis information on pages 3 - 7 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Bruner • Cox, LLP*

Akron, Ohio  
December 3, 2010

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

**For the years ended December 31, 2009 and 2008**

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Assets exceeded liabilities by \$2,162,000.  
Net assets decreased by \$272,000

The following Management Discussion and Analysis (MD&A) provides a summary overview of the financial performance of the Akron/Summit Convention & Visitors Bureau, Inc. (herein referred to as the ASCVB) for the years ended December 31, 2009 and 2008. This information in the MD&A should be read in conjunction with ASCVB's financial statements and corresponding notes to the financial statements.

**Financial Highlights and Outlook**

Market Share decreased in 2009 and is expected to swing to a minimal increase in 2010. The major factors of this summation are based on the following:

- Assumption of the management of Greystone Hall on behalf of the City of Akron, resulting in:
  - Increased offerings to expand Center's ability to host larger events
  - Ability for current clients to diversify their meeting site and grow overall attendance
  - Added profitability based on Business Model for net revenue growth
  - Additional revenue for Food Service Department
  - Ability to maximize food purchases and payroll expenditures
- Growth of Social Media and web-based initiatives are being pressed forward to this market based on explosive growth, rapid change and inexpensive penetration costs
- A 1% Bed Tax increase taking effect in November of 2007 providing additional funding for Capital Improvements and additional Marketing efforts
- Repeat and frequent demand suppliers are Regional and National events, State Association Conventions and Convention Center based Trade Shows
- Adult and Youth Sporting Groups provide solid shoulders to the historically high occupancy summer months
  - Efforts in a four county Sports Consortium "Sp4rts Ohio" have proven fruitful in generating larger scale events to the area impacting the Bureau and the Center
- Continued growth in the business core continue to provide year round Frequent Business Travelers
- Energies have been focused on remaining fluid with trends of the marketplace to fill calendar gaps and increase occupancy during slower time periods
- Increased efforts in niche specific market segments
  - i.e. Corporate Express Package, Re-Union Express Package, Wedding "All-Inclusive Pricing"
- Hotel market has continued to stay on pace to provide ample occupancy levels to support cash flow surplus resulting in renovations, capital improvements and re-investment into hotel properties
  - Numerous properties have changed "national flags"
    - Both ascending and descending in brand level(s)

## MANAGEMENT DISCUSSION AND ANALYSIS

### AKRON/SUMMIT CONVENTION & VISITORS BUREAU, INC.

For the years ended December 31, 2009 and 2008

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#### Challenges

- Future of the Leisure Travel Market due to diminished disposable income expenditures
- Two non-flag hotels in the downtown marketplace challenges the ability to confirm City-Wide conventions during this transitional time period
- Potential loss (pending new legislation by 06.30.10) of the Ohio Division of Tourism
  - Resulting in no, or decreased spending on marketing to regional and national market of the State as a destination
- Efforts by the Summit County Fiscal Office to collect on Delinquent Bed Tax payments were in excess of \$300,000 continue
  - Creates difficulty in budget oversight and true indicators for business levels
- Continued industry-wide decrease in the Motor Coach market with trends leaning to more interactive, "free-style" and non-scheduled travel for the senior market
  - Efforts continue to be made to grow our emersion, experiential and niche travel markets re: bird watching, cooking, wine tasting

#### Overview of the Financial Statements

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

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

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

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

**For the years ended December 31, 2009 and 2008**

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

The tables below provide a summary of ASCVB's financial position and operations for 2009 and 2008. Certain amounts may vary slightly due to differences caused by rounding to thousands.

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

	2009	2008	Change
Current assets	\$ 1,613	\$ 2,157	\$ (544)
Capital assets, net of accumulated depreciation and amortization	789	874	(85)
Long-term assets	1,086	746	340
<b>Total assets</b>	<b>\$ 3,488</b>	<b>\$ 3,777</b>	<b>\$ (289)</b>
Current liabilities	\$ 718	\$ 536	\$ 182
Long-term liabilities	608	807	(199)
<b>Total liabilities</b>	<b>\$ 1,326</b>	<b>\$ 1,343</b>	<b>\$ (17)</b>
Unrestricted (deficit)	\$ (566)	\$ (327)	\$ (239)
Investment in capital assets	514	547	(33)
Restricted for capital assets	2,214	2,214	-
<b>Total net assets</b>	<b>\$ 2,162</b>	<b>\$ 2,434</b>	<b>\$ (272)</b>

During 2009, net assets decreased by \$272,000. The majority of this decrease was due to the decrease in revenue as a result of delinquent bed taxes revenue, despite the Summit County Fiscal Office efforts to collect these taxes. In addition, there is a decrease in leisure travel due to diminished disposable income expenditures which has had an impact on the overall revenue for the Center.

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

**For the years ended December 31, 2009 and 2008**

The following table summarized the changes in revenues and expenses for ASCVB between 2008 and 2009:

**Condensed Statements of Revenues, Expenses, and Changes in Net Assets**  
**Years ended December 31,**  
**(Amounts in Thousands)**

	2009	2008	Change
<b>OPERATING REVENUES</b>			
Hotel/motel tax	\$ 2,582	\$ 3,138	\$ (556)
Space, food and ancillary service	1,939	2,175	(236)
<b>Total operating revenue</b>	<b>4,521</b>	<b>5,313</b>	<b>(792)</b>
<b>OPERATING EXPENSES</b>			
Payroll and benefits	2,367	2,197	170
Property insurance	108	111	(3)
Utilities	413	469	(56)
Advertising and promotion	410	411	(1)
Supplies	45	45	-
Maintenance and repairs	225	215	10
Contracted services	392	415	(23)
Food services	544	504	40
Other	129	246	(117)
Bad debt expense - net of recoveries	5	-	5
<b>Total expenses</b>	<b>4,638</b>	<b>4,613</b>	<b>25</b>
<b>Operating income (loss) before depreciation</b>	<b>(117)</b>	<b>700</b>	<b>(817)</b>
Depreciation and amortization	193	217	(24)
<b>Operating income (loss) after depreciation</b>	<b>(310)</b>	<b>483</b>	<b>(793)</b>
<b>NONOPERATING</b>			
Investment and other income	38	49	(11)
<b>Net change in assets</b>	<b>\$ (272)</b>	<b>\$ 532</b>	<b>\$ (804)</b>

**Operating Revenues**

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

**MANAGEMENT DISCUSSION AND ANALYSIS**  
**AKRON/SUMMIT CONVENTION & VISITORS BUREAU, INC.**  
**For the years ended December 31, 2009 and 2008**

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**Operating Expenses**

Operating expenses increased by \$25,000 primarily due to increases in salaries and benefits.

**Capital Assets**

At the end of 2009, ASCVB had \$514,008 invested in capital assets. The investment in capital assets includes improvement to the John S. Knight Convention Center.

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

**Economic Factors**

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

**Contacting ASCVB's Financial Management**

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

**STATEMENTS OF NET ASSETS**

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

**December 31, 2009 and 2008**

<b>ASSETS</b>	<b>2009</b>	<b>2008</b>
<b>Current assets</b>		
Cash and cash equivalents	\$ 465,121	\$ 1,122,157
Accounts receivable less allowance for doubtful accounts of \$10,000 and \$53,954 in 2009 and 2008	317,617	144,253
Accounts receivable		
Summit County	601,895	683,594
City of Akron	49,559	-
Inventory	64,843	54,241
Prepaid expenses	113,620	152,136
	<b>1,612,655</b>	<b>2,156,381</b>
<b>Capital assets</b>		
Property and equipment, net of accumulated depreciation and amortization	788,966	874,346
<b>Long-term assets</b>		
Accounts receivable, net of current	327,951	437,701
Long-term investments	757,683	308,557
	<b>1,085,634</b>	<b>746,258</b>
<b>Total assets</b>	<b>\$ 3,487,255</b>	<b>\$ 3,776,985</b>

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

<b>LIABILITIES AND NET ASSETS</b>	<b>2009</b>	<b>2008</b>
<b>Current liabilities</b>		
Capital lease obligation, current portion	\$ 75,056	\$ 66,938
Accounts payable	72,198	81,939
Accrued expenses	93,932	133,651
Deferred revenues and customer deposits, current portion	476,642	253,760
<b>Total current liabilities</b>	<b>717,828</b>	<b>536,288</b>
<b>Long-term liabilities</b>		
Capital lease obligation, net of current	199,902	261,479
Deferred revenue and customer deposits, net of current	407,792	545,588
<b>Total long-term assets</b>	<b>607,694</b>	<b>807,067</b>
<b>Total liabilities</b>	<b>\$ 1,325,522</b>	<b>\$ 1,343,355</b>
<b>Net assets</b>		
Unrestricted (deficit)	\$ (566,256)	\$ (326,292)
Investment in capital assets	514,008	545,929
Restricted for capital assets	2,213,981	2,213,993
<b>Total net assets</b>	<b>\$ 2,161,733</b>	<b>\$ 2,433,630</b>

**STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS**

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

**For the years ended December 31, 2009 and 2008**

	<b>2009</b>	<b>2008</b>
<b>OPERATING REVENUES</b>		
Summit County	\$ 2,407,273	\$ 2,937,981
City of Akron	175,000	200,000
Space income	297,727	258,392
Rental income	8,100	-
Food service	1,053,404	1,126,736
Ancillary service	568,357	784,944
Everything Akron Store	11,001	4,697
<b>Total operating revenues</b>	<b>4,520,862</b>	<b>5,312,750</b>
<b>OPERATING EXPENSES</b>		
Salaries and wages	1,966,023	1,816,886
Payroll taxes and employee benefits	400,544	379,965
Property insurance	108,246	111,052
Telephone	49,462	41,266
Utilities	363,606	428,169
Promotion	255,617	265,233
Bad debt expense - net of recoveries	5,498	21
Advertising and printing	135,237	145,936
Office supplies and accessories	12,870	12,622
Postage	20,875	21,024
Dues and subscriptions	11,474	11,025
Professional fees	105,381	66,158
Travel	36,568	37,925
Maintenance and repairs	224,898	214,667
Contracted services	286,673	414,851
Food services	543,702	503,610
Auto lease	18,106	16,866
Audiovisual	27,025	56,009
Trust fees	655	522
Trade shows	11,293	14,709
Video conferencing	7,443	10,264
Parking	-	557
Miscellaneous	46,418	43,494
<b>Total operating expenses</b>	<b>4,637,614</b>	<b>4,612,831</b>
<b>Operating income (loss) before depreciation and amortization</b>	<b>(116,752)</b>	<b>699,919</b>
Depreciation and amortization	192,886	217,327
<b>Operating income (loss)</b>	<b>(309,638)</b>	<b>482,592</b>

**STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS (CONTINUED)**

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

**For the years ended December 31, 2009 and 2008**

	<b>2009</b>	2008
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Loss on disposal of assets	\$ (1,117)	\$ (10,880)
Interest expense	(25,832)	(16,790)
Investment and other income	<b>64,690</b>	76,737
	<hr/>	<hr/>
<b>Total nonoperating revenues</b>	<b>37,741</b>	49,067
	<hr/>	<hr/>
<b>Change in net assets</b>	<b>(271,897)</b>	531,659
	<hr/>	<hr/>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>2,433,630</b>	1,901,971
	<hr/>	<hr/>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 2,161,733</b>	\$ 2,433,630
	<hr/>	<hr/>

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

## STATEMENTS OF CASH FLOWS

### AKRON/SUMMIT CONVENTION & VISITORS BUREAU, INC.

For the years ended December 31, 2009 and 2008

	<b>2009</b>	<b>2008</b>
<b>CASH FLOWS FROM OPERATIONS</b>		
Cash received from customers, taxes and subsidies	\$ 4,574,474	\$ 5,335,699
Cash received from interest income	64,690	76,737
Cash payments to suppliers for goods and services	(2,144,628)	(2,481,670)
Cash payments to employees for services	(2,514,532)	(2,130,547)
Cash payments for interest	(19,601)	(16,790)
<b>Cash provided by (used in) operating activities</b>	<b>(39,597)</b>	<b>783,429</b>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
Payments on capital lease obligations	(69,563)	(47,779)
<b>Cash used in capital financing activities</b>	<b>(69,563)</b>	<b>(47,779)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of capital assets	(92,519)	(129,199)
Proceeds from redemption of investments	-	302,143
Purchase of investments	(455,357)	(308,557)
<b>Cash used in investing activities</b>	<b>(547,876)</b>	<b>(135,613)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(657,036)</b>	<b>600,037</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>1,122,157</b>	<b>522,120</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 465,121</b>	<b>\$ 1,122,157</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (271,897)	\$ 531,659
Noncash items included in change in net assets		
Depreciation and amortization	192,886	217,327
Unrealized (gain) loss on investments	6,231	(8,159)
Loss on disposal of assets	1,117	10,880
Changes in assets and liabilities		
Accounts receivable	(63,614)	153,792
Accounts receivable - Summit County	81,699	(77,559)
Accounts receivable - City of Akron	(49,559)	-
Inventory	(10,602)	(4,183)
Prepaid expenses	38,516	(59,457)
Accounts payable	(9,741)	6,109
Accrued expenses	(39,719)	66,304
Deferred revenues and customer deposits	85,086	(53,284)
<b>Cash provided by (used in) operating activities</b>	<b>\$ (39,597)</b>	<b>\$ 783,429</b>

**STATEMENTS OF CASH FLOWS (CONTINUED)**

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

**For the Years Ended December 31, 2009 and 2008**

	<b>2009</b>	2008
<b>SUPPLEMENTAL DISCLOSURES OF NONCASH FINANCING ACTIVITIES</b>		
Capital lease obligation incurred for the use of equipment	<u>\$ (16,104)</u>	<u>\$ (374,190)</u>

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

## NOTES TO FINANCIAL STATEMENTS

### AKRON/SUMMIT CONVENTION & VISITORS BUREAU, INC.

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#### **Note 1. Summary of Significant Accounting Policies**

##### **Reporting Entity**

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

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

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

##### **Basis of Accounting**

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

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

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

##### **Measurement Focus**

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

## NOTES TO FINANCIAL STATEMENTS

### AKRON/SUMMIT CONVENTION & VISITORS BUREAU, INC.

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#### **Note 1. Summary of Significant Accounting Policies (Continued)**

##### **Use of Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

##### **Concentration of Credit Risk**

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

##### **Cash and Cash Equivalents**

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

##### **Fair Value of Financial Instruments**

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

##### **Accounts Receivable and Allowance for Doubtful Accounts**

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

##### **Accounts Receivable - Summit County**

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

##### **Inventories**

Inventories consist of food, beverages and related supplies and are carried at the lower of cost (first in, first out) or market.

## NOTES TO FINANCIAL STATEMENTS

### AKRON/SUMMIT CONVENTION & VISITORS BUREAU, INC.

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#### Note 1. Summary of Significant Accounting Policies (Continued)

##### Capital Assets

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

##### Advertising

Advertising costs are expensed when incurred and included in operating expenses. Total advertising cost expensed was \$135,237 and \$145,936 for the years ended December 31, 2009 and 2008, respectively.

##### Revenue Recognition

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

##### Deferred Revenues

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

##### Income Taxes

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

The Organization adopted ASC Topic 740 (formerly FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*)(ASC 740). ASC 740 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with the former FASB Statement No. 109, *Accounting for Income Taxes*. ASC 740 prescribes a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements tax positions taken or expected to be taken on a tax return. In the year of adoption, if there are changes in net assets as a result of application of ASC 740 these are accounted for as an adjustment to the opening balance of retained earnings. Management has determined the effects of the adoption of ASC 740 to be insignificant; therefore, no adjustments have been recorded and no further disclosures are required.

With few exceptions, ASCVB is no longer subject to income tax examinations by tax authorities for years before 2006.

##### Subsequent Events

Subsequent events have been evaluated through December 3, 2010, which is the date the financial statements were available to be issued.

## NOTES TO FINANCIAL STATEMENTS

### AKRON/SUMMIT CONVENTION & VISITORS BUREAU, INC.

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#### **Note 1. Summary of Significant Accounting Policies (Continued)**

##### **Reclassifications**

Certain information included in the 2008 financial statements has been reclassified to conform to the 2009 presentation.

##### **Recent Accounting Pronouncements**

In June 2009, The Financial Accounting Standards Board (FASB) issued Statement of Financial Standards (SFAS) No. 168, The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles, a replacement of FASB Statement No. 162, (SFAS 168). SFAS 168 establishes the FASB Accounting Standards Codification (ASC) as the source of authoritative accounting principles recognized by the FASB to be applied to nongovernmental entities in the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP). SFAS 168 does not change GAAP and the adoption of SFAS 168 did not have a material impact on the Company's financial statements.

#### **Note 2. Fair Value Measurements**

ASCVB adopted ASC Topic 820, *Fair Value Measurements* (formerly reported as Statement of Financial Accounting Standards No. 157, *Fair Value Measurements*) (ASC 820) at the beginning of the 2008 calendar year. ASC 820 applies to all assets and liabilities that are being measured and reported on a fair value basis. ASC 820 requires new disclosure that establishes a framework for measuring fair value in accounting principles generally accepted in the United States of America, and expands disclosure about fair value measurements. This statement enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The statement requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

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

In determining the appropriate levels, the ASCVB performs a detailed analysis of the assets and liabilities that are subject to ASC 820. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

The ASCVB holds investments in government obligations. The fair value of these government obligations is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers and are considered a Level 1 item. For the years ended December 31, 2009 and 2008, the application of valuation techniques applied to similar assets and liabilities have been consistent.

**NOTES TO FINANCIAL STATEMENTS**

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

**Note 3. Capital Assets**

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

	Balance at January 1, 2009	Additions	Dispositions	Balance at December 31, 2009
<b>Historical cost</b>				
Furniture, fixtures and equipment	\$ 1,099,452	\$ 80,707	\$ 25,911	\$ 1,154,248
Computer software	61,232	4,121	34,250	31,103
Vehicles	26,956	-	-	26,956
Leasehold improvements	1,171,699	22,200	40,420	1,153,479
Equipment under capital leases	388,699	1,595	-	390,294
<b>Total historical cost</b>	<b>2,748,038</b>	<b>108,623</b>	<b>100,581</b>	<b>2,756,080</b>
<b>Accumulated depreciation and amortization</b>				
Furniture, fixtures and equipment	867,129	109,603	25,911	950,821
Computer software	52,331	2,723	33,133	21,921
Vehicles	26,956	-	-	26,956
Leasehold improvements	892,526	52,976	40,420	905,082
Equipment under capital leases	34,750	27,584	-	62,334
<b>Total accumulated depreciation and amortization</b>	<b>1,873,692</b>	<b>192,886</b>	<b>99,464</b>	<b>1,967,114</b>
	<b>\$ 874,346</b>	<b>\$ (84,263)</b>	<b>\$ 1,117</b>	<b>\$ 788,966</b>
<hr/>				
	Balance at January 1, 2008	Additions	Dispositions	Balance at December 31, 2008
<b>Historical cost</b>				
Furniture, fixtures and equipment	\$ 1,333,831	\$ 124,497	\$ 358,876	\$ 1,099,452
Computer software	181,181	4,702	124,651	61,232
Vehicles	26,956	-	-	26,956
Leasehold improvements	1,465,206	-	293,507	1,171,699
Equipment under capital leases	14,509	374,190	-	388,699
<b>Total historical cost</b>	<b>3,021,683</b>	<b>503,389</b>	<b>777,034</b>	<b>2,748,038</b>
<b>Accumulated depreciation and amortization</b>				
Furniture, fixtures and equipment	1,118,643	106,593	358,107	867,129
Computer software	173,888	2,958	124,515	52,331
Vehicles	26,956	-	-	26,956
Leasehold improvements	1,089,974	86,084	283,532	892,526
Equipment under capital leases	13,058	21,692	-	34,750
<b>Total accumulated depreciation and amortization</b>	<b>2,422,519</b>	<b>217,327</b>	<b>766,154</b>	<b>1,873,692</b>
	<b>\$ 599,164</b>	<b>\$ 286,062</b>	<b>\$ 10,880</b>	<b>\$ 874,346</b>

Depreciation and amortization expense was \$192,886 and \$217,327 for 2009 and 2008, respectively.

## NOTES TO FINANCIAL STATEMENTS

### AKRON/SUMMIT CONVENTION & VISITORS BUREAU, INC.

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#### Note 4. Investments

ASCVB's investment portfolio at December 31, 2009 consists of U.S. Treasury notes with various interest rates ranging from 1.125% to 4.125% and maturity dates of August 12, 2012 through May 31, 2014. Investment income for 2009 and 2008 was \$14,500 and \$46,457, respectively.

#### Note 5. Retirement Plans

ASCVB sponsors an employee benefit plan, which qualifies under Section 401(k) of the Internal Revenue Code. The plan covers all employees including those covered by the collective bargaining union agreement that choose to participate and meet certain age and service requirements. The plan allows the employees to defer up to 15% of their annual compensation. At its discretion, ASCVB may elect to match employee contributions or make non-elective contributions. There were no employer contributions to the plan during 2009. For 2008, \$51,297 was recorded as expense under this plan.

#### Note 6. Short-Term Borrowings

ASCVB has a loan management account agreement with an investment company. The agreement calls for interest to be charged at a variable interest rate. ASCVB's investment account serves as collateral on the account. The amount available to borrow under this arrangement is limited to a percentage of the market value in the investment account. There was approximately \$697,000 and \$284,000 available under this agreement at December 31, 2009 and 2008, respectively. There were no borrowings under this agreement at December 31, 2009 and 2008, respectively.

#### Note 7. Commitments and Contingencies

##### Operating Leases

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

ASCVB also leases certain equipment and vehicles under noncancelable leases expiring in various years through 2013. Rental expense for operating leases was \$29,247 and \$27,413 for the years ended December 31, 2009 and 2008, respectively. The following is a schedule by years of future minimum rental payments required under operating leases with terms in excess of one year as of December 31, 2009.

2010	\$	25,575
2011		24,581
2012		22,304
2013		4,880
	\$	<u>77,340</u>

## NOTES TO FINANCIAL STATEMENTS

### AKRON/SUMMIT CONVENTION & VISITORS BUREAU, INC.

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#### Note 7. Commitments and Contingencies (Continued)

##### Capital Lease

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

	2009	2008
Equipment and leasehold improvements	\$ 390,294	\$ 388,699
Less accumulated depreciation	62,334	34,750
	<u>\$ 327,960</u>	<u>\$ 353,949</u>

The depreciation on assets acquired under capital leases is included with depreciation expense on owned assets. The following is a schedule by years of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of December 31, 2009:

2010	\$ 94,122
2011	94,122
2012	94,122
2013	31,559
<b>Total minimum lease payments</b>	<u>313,925</u>
Less amounts representing interest	<u>38,967</u>
<b>Present value of minimum lease payments</b>	274,958
Less current portion	75,056
	<u>\$ 199,902</u>

##### Employment Contract

ASCVB has an employment contract with an officer that provides for a minimum salary, adjusted annually for cost of living changes, and incentives based on ASCVB's attainment of specified levels of sales and earnings.

#### Note 8. Concentrations

##### Collective Bargaining Agreement

The two full time and the majority of the part-time employees of the John S. Knight Center are covered by a collective bargaining agreement. In July 2008, ASCVB and Union representatives were able to negotiate a new agreement. The new agreement covers the period beginning July 14, 2008 and expires June 30, 2011.

## NOTES TO FINANCIAL STATEMENTS

### AKRON/SUMMIT CONVENTION & VISITORS BUREAU, INC.

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#### **Note 9. Related Party Transactions**

ASCVB receives operating revenues in the form of bed tax collections from the City of Akron and Summit County. In addition, during 2009 ASCVB entered into a contract with the City of Akron to manage and operate Greystone Hall (Greystone). The City of Akron reimburses ASCVB for expenses related to repairs and maintenance and capital improvements to Greystone. The receivable balance was \$49,559 at December 31, 2009.

#### **Note 10. Restricted Funds for Capital Assets**

Under the term of the lease agreement with the City of Akron discussed in Note 7, ASCVB is required to "establish and fund a recurring capital cost fund to pay for repairs and maintenance" of the Center and improvements. The amount of restricted funds was \$2,213,981 and \$2,213,993 at December 31, 2009 and 2008, respectively.

## **INDEPENDENT AUDITORS' REPORT ON OTHER FINANCIAL INFORMATION**

Board of Directors  
Akron/Summit Convention & Visitors Bureau, Inc.  
Akron, Ohio

Our audits were made for the purpose of forming an opinion on the basic financial statements of Akron/Summit Convention & Visitors Bureau, Inc. taken as a whole. The following schedules of revenue, expenses and changes in net assets for the Bureau, Center and Greystone on pages 23 - 25 are presented for purposes of additional analysis and are 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.

*Bruner • Cox, LLP*

Akron, Ohio  
December 3, 2010

**SCHEDULES OF REVENUE, EXPENSES AND CHANGE IN NET ASSETS – BUREAU**

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

**For the years ended December 31, 2009 and 2008**

	<b>2009</b>	<b>2008</b>
<b>OPERATING REVENUE</b>		
Summit County	\$ 2,407,273	\$ 2,937,981
City of Akron	175,000	200,000
Everything Akron Store	11,001	4,697
	<hr/>	<hr/>
<b>Total operating revenue</b>	<b>2,593,274</b>	<b>3,142,678</b>
<b>OPERATING EXPENSES</b>		
Salaries and wages	420,426	440,496
Payroll taxes and employee benefits	83,619	84,674
Property insurance	17,066	17,302
Telephone	13,392	15,747
Promotion	218,867	223,112
Advertising and printing	105,812	116,509
Office supplies and accessories	4,704	4,520
Postage	12,427	12,794
Dues and subscriptions	7,709	8,324
Professional fees	32,712	23,259
Travel	26,115	35,834
Maintenance and repairs	21,779	17,171
Auto lease	6,285	5,945
Trust fees	655	522
Trade shows	9,373	14,197
Miscellaneous	8,152	2,483
	<hr/>	<hr/>
<b>Total operating expenses</b>	<b>989,093</b>	<b>1,022,889</b>
<b>Operating income</b>	<b>1,604,181</b>	<b>2,119,789</b>
<b>NONOPERATING REVENUE</b>		
Investment and other income	64,690	76,737
	<hr/>	<hr/>
<b>Change in net assets</b>	<b>\$ 1,668,871</b>	<b>\$ 2,196,526</b>

**SCHEDULES OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS – CENTER**

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

**For the years ended December 31, 2009 and 2008**

	2009	2008
<b>OPERATING REVENUE</b>		
Space income	\$ 295,277	\$ 258,392
Food service, net	1,021,824	1,126,736
Ancillary service	566,313	784,944
<b>Total operating revenue</b>	<b>1,883,414</b>	<b>2,170,072</b>
<b>OPERATING EXPENSES</b>		
Salaries and wages	1,490,293	1,376,390
Payroll taxes and employee benefits	316,925	295,291
Property insurance	85,935	93,750
Telephone	35,690	25,519
Utilities	363,606	428,169
Promotion	33,079	42,121
Bad debt expense - net of recoveries	5,498	21
Advertising and printing	26,495	29,427
Office supplies and accessories	7,394	8,102
Postage	8,347	8,230
Dues and subscriptions	3,765	2,701
Professional fees	52,036	42,899
Travel	10,453	2,091
Maintenance and repairs	183,310	197,496
Contracted services	286,157	414,851
Food services	535,858	503,610
Auto lease	11,821	10,921
Audiovisual	26,965	56,009
Trade shows	1,920	512
Video conferencing	7,443	10,264
Parking	-	557
Miscellaneous	38,266	41,011
<b>Total operating expenses</b>	<b>3,531,256</b>	<b>3,589,942</b>
<b>Operating loss before depreciation and amortization</b>	<b>(1,647,842)</b>	<b>(1,419,870)</b>
Depreciation and amortization	189,616	217,327
<b>Operating loss</b>	<b>(1,837,458)</b>	<b>(1,637,197)</b>
<b>NONOPERATING REVENUE (EXPENSES)</b>		
Loss on disposal of assets	(1,117)	(10,880)
Interest expense	(25,832)	(16,790)
<b>Total nonoperating revenue (expenses)</b>	<b>(26,949)</b>	<b>(27,670)</b>
<b>Change in net assets</b>	<b>\$ (1,864,407)</b>	<b>\$ (1,664,867)</b>

**SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS – GREYSTONE**

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

**For the year ended December 31, 2009**

**OPERATING REVENUE**

Space income	\$	2,450
Rent Income		8,100
Food service, net		31,580
Ancillary service		2,044

**Total operating revenue** 44,174

**OPERATING EXPENSES**

Salaries and wages		55,304
Property insurance		5,245
Telephone		380
Promotion		3,671
Advertising and printing		2,930
Office supplies and accessories		772
Postage		101
Professional fees		20,633
Maintenance and repairs		19,809
Contracted services		516
Food services		7,844
Audiovisual		60

**Total operating expenses** 117,265

**Operating loss before depreciation and amortization** (73,091)

Depreciation and amortization 3,270

**Operating loss** \$ (76,361)

**INDEPENDENT AUDITORS' 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 Directors  
Akron/Summit Convention & Visitors Bureau, Inc.  
Akron, Ohio

We have audited the financial statements of Akron/Summit Convention & Visitors Bureau, Inc. as of and for the year ended December 31, 2009, and have issued our report thereon dated December 3, 2010. 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 Akron/Summit Convention & Visitors Bureau, Inc.'s internal control over financial reporting as a basis for designing our audit 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 the Akron/Summit Convention & Visitors Bureau, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Akron/Summit Convention & Visitors Bureau, Inc.'s internal control over financial reporting.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of 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 internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Akron/Summit 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.

Board of Directors  
Akron/Summit Convention & Visitors Bureau, Inc.

We noted certain matters that we reported to management of Akron/Summit Convention & Visitors Bureau, Inc. in a separate letter dated December 3, 2010.

This report is intended solely for the information and use of the County of Summit, City of Akron, Board of Directors and management and is not intended to be and should not be used by any one other than those specified parties.

*Bruner • Cox, LLP*

Akron, Ohio  
December 3, 2010



**Mary Taylor, CPA**  
Auditor of State

**AKRON/SUMMIT CONVENTION AND VISITORS BUREAU INC**

**SUMMIT COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 28, 2010**