

MARION AREA CONVENTION & VISITORS BUREAU, INC.

MARION, OHIO

FINANCIAL STATEMENTS

DECEMBER 31, 2003 AND 2002

WOLF, ROGERS, DICKEY & CO.
Certified Public Accountants



**Auditor of State
Betty Montgomery**

Board of Trustees
Marion Area Convention & Visitors Bureau, Inc.
1713 Marion-Mt. Gilead Road, Suite 110
Marion, Ohio 43302

We have reviewed the Independent Auditor's Report of the Marion Area Convention & Visitors Bureau, Inc., Marion County, prepared by Wolf, Rogers, Dickey & Co., for the audit period January 1, 2002 through December 31, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Marion Area Convention & Visitors Bureau, Inc. is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

July 16, 2004

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MARION AREA CONVENTION & VISITORS BUREAU, INC.

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Independent Auditors' Report

Board of Trustees
Marion Area Convention & Visitors Bureau, Inc.
Marion, Ohio

We have audited the accompanying statements of financial position of the Marion Area Convention & Visitors Bureau, Inc. (the CVB) as of December 31, 2003 and 2002, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the CVB'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. 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 statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As explained in Note 1 to the financial statements, property and equipment have not been capitalized and depreciated in the financial statements. In our opinion, accounting principles generally accepted in the United States of America require that property and equipment be capitalized and depreciated over their estimated useful lives. It is not practicable to determine the effects of the unrecorded amounts on the financial statements.

In our opinion, except for the effects of not capitalizing and depreciating property and equipment as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the CVB as of December 31, 2003 and 2002, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2004 on our consideration of the CVB's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grants. 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.

Wolf, Rogers, Dickey & Co.

Certified Public Accountants

June 21, 2004

Marion Area Convention & Visitors Bureau, Inc.
Statements of Financial Position
December 31, 2003 and 2002

Assets

	<u>2003</u>	<u>2002</u>
Current assets:		
Cash	\$ 97,512	76,892
Lodging tax receivable	<u>29,037</u>	<u>27,259</u>
	\$ <u>126,549</u>	<u>104,151</u>

Liabilities and Net Assets

Current liabilities:		
Deferred revenue	\$ 10,833	-
Accrued expenses	<u>1,743</u>	<u>2,163</u>
Total current liabilities	12,576	2,163
Net assets:		
Unrestricted:		
Designated for reserves	40,000	40,000
Undesignated	<u>73,973</u>	<u>61,988</u>
Total net assets	<u>113,973</u>	<u>101,988</u>
	\$ <u>126,549</u>	<u>104,151</u>

See accompanying notes to financial statements

Marion Area Convention & Visitors Bureau, Inc.
Statements of Activities
For Years Ended December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Revenues:		
Excise tax on lodging	\$ 132,724	125,944
Souvenir sales	4,628	6,873
Interest	<u>913</u>	<u>879</u>
	138,265	133,696
Expenses:		
Personnel	59,013	60,615
Occupancy	21,843	16,832
Advertising and marketing	21,249	16,691
Office	7,870	7,182
Telephone	3,972	3,366
Insurance	2,801	2,707
Dues and subscriptions	2,653	2,408
Souvenirs	1,787	6,733
Travel	1,715	1,451
Equipment	1,515	3,276
Professional	925	5,705
Office move	-	33,444
Other	<u>937</u>	<u>629</u>
Total expenses	<u>126,280</u>	<u>161,039</u>
Excess (deficiency) of revenues over (under) expenses	11,985	(27,343)
Unrestricted net assets at beginning of year	<u>101,988</u>	<u>129,331</u>
Unrestricted net assets at end of year	\$ <u>113,973</u>	<u>101,988</u>

See accompanying notes to financial statements

Marion Area Convention & Visitors Bureau, Inc.
Statements of Cash Flows
For Years Ended December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Cash flows from operating activities:		
Receipts:		
Excise tax on lodging	\$ 130,947	125,507
Advertising	10,833	-
Souvenir sales	4,628	6,873
Interest	<u>913</u>	<u>879</u>
	<u>147,321</u>	<u>133,259</u>
Disbursements:		
Personnel	(59,434)	(60,880)
Occupancy	(21,843)	(16,832)
Advertising and marketing	(21,249)	(16,691)
Office	(7,870)	(7,182)
Telephone	(3,972)	(3,366)
Insurance	(2,801)	(2,707)
Dues and subscriptions	(2,653)	(2,408)
Equipment	(1,515)	(3,276)
Professional	(925)	(5,705)
Office move	-	(33,444)
Other	<u>(4,439)</u>	<u>(8,813)</u>
	<u>(126,701)</u>	<u>(161,304)</u>
Net cash provided (used) by operating activities and net change in cash	20,620	(28,045)
Cash and cash equivalents at beginning of year	<u>76,892</u>	<u>104,937</u>
Cash and cash equivalents at end of year	\$ <u>97,512</u>	<u>76,892</u>
Reconciliation of change in unrestricted net assets to net cash provided by operating activities:		
Change in unrestricted net assets	\$ 11,985	(27,343)
Adjustments to reconcile net income to net cash provided by operating activities:		
(Increase) in accounts receivable	(1,777)	(437)
Increase in deferred revenue	10,833	-
(Decrease) in accrued expenses	<u>(421)</u>	<u>(265)</u>
Net cash provided (used) by operating activities	\$ <u>20,620</u>	<u>(28,045)</u>

Marion Area Convention & Visitors Bureau, Inc.
Notes to the Financial Statements
December 31, 2003 and 2002

(1) Summary of Significant Accounting Policies

Organization

The Marion Area Convention and Visitors Bureau (the CVB) is a not-for-profit organization which promotes travel and tourism in Marion County, Ohio. The organization is funded by an excise tax on lodging of transient guests within Marion County.

In 2002 and 2003, the CVB contracted with an outside firm for the production of a Visitor's Guide to the Marion area. This firm sought and collected advertising dollars and paid for the production and printing of the guides. The cash receipts and disbursements related to the production of the visitors guides was not under board control, and as such are not included in this audit.

Receipts and disbursements for the 2004 Visitors Guide will be handled by the CVB.

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America, with the exception of property and equipment. As such, the excise tax on lodging is recognized in the period the tax is collected by the County Commissioners. Expenditures are recognized as incurred.

The CVB has chosen to depart from accounting principles generally accepted in the United States of America in recording property and equipment. Property and equipment is charged to expense in the period purchased instead of being capitalized as an asset and depreciated over its useful life. As a result, the statement of activities includes the cost of equipment rather than a provision for depreciation.

The equipment acquired is owned by the CVB while used in the program for which it was purchased or in other future authorized programs. However, the Marion County Commissioners have a reversionary interest in the equipment. Its disposition, as well as the ownership of any proceeds therefrom, is subject to the terms of the CVB's agreement with the Marion County Commissioners.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash in banks and overnight investment in a federated investment account.

Income Taxes

The CVB is exempt from income taxes under Section 501(c)(6) of the Internal Revenue Code. The CVB has unrelated business income from souvenir sales. No provision has been made for income tax as the CVB anticipates the associated expenses will exceed the sale revenue.

Marion Area Convention & Visitors Bureau, Inc.
Notes to the Financial Statements, continued
December 31, 2003 and 2002

(1) Summary of Significant Accounting Policies, continued

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

(2) Concentrations of Credit Risk

The CVB operates pursuant to a five-year agreement with the Marion County Commissioners which will expire December 31, 2004 and is subject to renewal. Under terms of the agreement, the CVB receives support from the collection of a 3% excise tax on transient lodging by each hotel and motel within Marion County. The County Commissioners remit this tax to the CVB on a quarterly basis, net of a 5% collection and administrative fee. The excise tax on transient lodging is the CVB's primary source of revenue.

(3) Deferred Revenue

Deferred revenue represents advertising revenue collected by the CVB in 2003 related to the 2004 Visitors Guide.

(4) Leases

The CVB leases office space in Marion, Ohio pursuant to an operating lease agreement that expires in June 2007. The lease requires monthly payments of \$1,500 for the first year and monthly payments of \$1,625 for the remaining four years.

The CVB leased temporary office space in 2002 until the commencement of the above lease in June 2002 for \$3,200.

Rent expense totaled \$18,875 for 2003 and \$14,100 for 2002.

In addition, the CVB leases certain office equipment pursuant to an operating lease agreement which expires in October 2008. Terms of the lease require monthly payments of \$71. The CVB leased similar office equipment under an arrangement which expired in October 2003.

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Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards

Board of Trustees
The Marion Area Convention & Visitors Bureau, Inc.

We have audited the financial statements of The Marion Area Convention and Visitors Bureau, Inc. (the CVB) (a nonprofit organization) as of and for the years ended December 31, 2003 and 2002 and have issued our report thereon dated June 21, 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 CVB financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning our audit, we considered the CVB'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 of the board of trustees and management and is not intended to be and should not be used by anyone other than these specified parties.

Wolf, Rogers, Dickey & Co.

Certified Public Accountants

Delaware, Ohio
June 21, 2004



**Auditor of State
Betty Montgomery**

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MARION AREA CONVENTION AND VISITORS BUREAU, INC.

MARION COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 5, 2004**