



STATE OF INDIANA
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October 9, 2014

Board of Directors
Kosciusko County Convention and Visitors Bureau Inc.
111 Capital Drive
Warsaw, IN 46582

We have reviewed the audit report prepared by David Culp & Co. LLP, for the period January 1, 2012 to December 31, 2012. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of Kosciusko County Convention and Visitors Bureau Inc., as of December 31, 2012, and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

KOSCIUSKO COUNTY CONVENTION AND VISITORS BUREAU, INC.

AUDIT REPORT

DECEMBER 31, 2012 AND 2011

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Independent Auditor's Report

To the Board of Directors
Kosciusko County Convention and
Visitors Bureau, Inc.
Warsaw, Indiana

We have audited the accompanying financial statements of Kosciusko County Convention and Visitors Bureau, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements -

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility -

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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kosciusko County Convention and Visitors Bureau, Inc. as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

David Culp & Co. LLP

David Culp & Co. LLP
Certified Public Accountants

Huntington, Indiana
April 9, 2013

KOSCIUSKO COUNTY CONVENTION AND VISITORS BUREAU, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2012 AND 2011

ASSETS

	<u>2012</u>	<u>2011</u>
<u>Current Assets:</u>		
Cash in bank - Note 1	\$204,432	\$197,434
Accounts receivable - Note 1	42,389	30,347
Prepaid expenses	<u>7,320</u>	<u>12,402</u>
Total current assets	<u>254,141</u>	<u>240,183</u>
<u>Fixed Assets - Note 1:</u>		
Land	125,169	125,169
Land improvements	34,442	34,442
Building	261,324	261,324
Office equipment	81,067	81,067
Website design	<u>-</u>	<u>22,020</u>
	502,002	524,022
<u>Less: Accumulated depreciation</u>	<u>203,826</u>	<u>215,646</u>
Total fixed assets	<u>298,176</u>	<u>308,376</u>
Total assets	<u>\$552,317</u>	<u>\$548,559</u>

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

LIABILITIES AND NET ASSETS

	<u>2012</u>	<u>2011</u>
<u>Current Liabilities:</u>		
Accounts payable	\$ 15,024	\$ 6,580
Accrued payroll liabilities and withholdings	9,806	11,048
Unearned revenue - Note 1	65,297	50,661
Current maturity of long-term debt - Note 3	<u>7,467</u>	<u>7,016</u>
Total current liabilities	<u>97,594</u>	<u>75,305</u>
 <u>Long-Term Liabilities:</u>		
Mortgage payable - Note 3	37,510	44,468
<u>Less:</u> Amount due within one year, included in current liabilities above	<u>7,467</u>	<u>7,016</u>
Total long-term liabilities	<u>30,043</u>	<u>37,452</u>
Total liabilities	<u>127,637</u>	<u>112,757</u>
 <u>Net Assets:</u>		
Unrestricted	<u>424,680</u>	<u>435,802</u>
Total net assets	<u>424,680</u>	<u>435,802</u>
Total liabilities and net assets	<u>\$552,317</u>	<u>\$548,559</u>

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

KOSCIUSKO COUNTY CONVENTION AND VISITORS BUREAU, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<u>Revenues, gains and other support -</u>		
Commission contract	\$315,000	\$350,000
Visitor Guide	54,825	45,502
Other income	7,100	2,605
Interest	<u>347</u>	<u>585</u>
Total revenues, gains and other support	<u>377,272</u>	<u>398,692</u>
<u>Expenses -</u>		
Program services	273,398	293,373
Management and general	<u>114,996</u>	<u>107,421</u>
Total expenses	<u>388,394</u>	<u>400,794</u>
Change in net assets	(11,122)	(2,102)
<u>Net assets, beginning of year</u>	<u>435,802</u>	<u>437,904</u>
<u>Net assets, end of year</u>	<u>\$424,680</u>	<u>\$435,802</u>

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

KOSCIUSKO COUNTY CONVENTION AND VISITORS BUREAU, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Program Services</u>	<u>Manage- ment And General</u>	<u>Total</u>
Salaries and wages	\$ 43,240	\$ 76,871	\$120,111
Employee benefits - Note 4	3,000	-	3,000
Payroll tax expense	<u>6,518</u>	<u>3,508</u>	<u>10,026</u>
Total salaries and payroll expenses	52,758	80,379	133,137
Advertising - Notes 1 and 5	60,596	-	60,596
Bank charges	-	149	149
Computer support	2,121	-	2,121
Supplies	2,290	763	3,053
Dues and subscriptions	11,003	-	11,003
Insurance	2,620	15,880	18,500
Interest	2,623	-	2,623
Legal and professional	1,468	12,363	13,831
Meetings	1,380	-	1,380
Printing	35,260	2,534	37,794
Postage	15,264	250	15,514
Promotional	12,806	-	12,806
Registrations	2,734	-	2,734
Repairs and maintenance	11,856	126	11,982
Special projects	800	-	800
Leased equipment	-	376	376
Telephone	8,473	-	8,473
Training	4,911	-	4,911
Travel	9,250	136	9,386
Meals and entertainment	1,071	-	1,071
Utilities	5,859	-	5,859
Depreciation - Note 1	8,160	2,040	10,200
Website maintenance	<u>20,095</u>	<u>-</u>	<u>20,095</u>
Total expenses	<u>\$273,398</u>	<u>\$114,996</u>	<u>\$388,394</u>

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

KOSCIUSKO COUNTY CONVENTION AND VISITORS BUREAU, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Program Services</u>	<u>Manage- ment And General</u>	<u>Total</u>
Salaries and wages	\$ 40,710	\$ 72,742	\$113,452
Employee benefits - Note 4	3,000	-	3,000
Payroll tax expense	<u>6,199</u>	<u>3,337</u>	<u>9,536</u>
 Total salaries and payroll expenses	 49,909	 76,079	 125,988
 Advertising - Notes 1 and 5	 77,359	 -	 77,359
Bank charges	-	216	216
Computer support	4,065	-	4,065
Supplies	6,215	2,096	8,311
Dues and subscriptions	9,089	-	9,089
Insurance	2,253	13,660	15,913
Interest	3,062	-	3,062
Legal and professional	1,125	9,470	10,595
Meetings	3,088	-	3,088
Printing	32,006	2,299	34,305
Postage	16,363	268	16,631
Promotional	15,892	-	15,892
Registrations	1,930	-	1,930
Repairs and maintenance	11,497	122	11,619
Special projects	10,676	-	10,676
Leased equipment	-	282	282
Telephone	7,397	-	7,397
Training	4,042	-	4,042
Travel	5,932	87	6,019
Meals and entertainment	635	-	635
Utilities	5,850	-	5,850
Depreciation - Note 1	11,473	2,842	14,315
Website maintenance	<u>13,515</u>	<u>-</u>	<u>13,515</u>
 Total expenses	 <u>\$293,373</u>	 <u>\$107,421</u>	 <u>\$400,794</u>

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

KOSCIUSKO COUNTY CONVENTION AND VISITORS BUREAU, INC.

COMPARATIVE STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<u>Cash flows from operating activities:</u>		
Change in net assets	\$(11,122)	\$(2,102)
Adjustments to reconcile change in net assets to net cash provided by operating activities -		
Depreciation	10,200	14,315
(Increase) decrease in -		
Accounts receivable	(12,042)	(27,778)
Prepaid expenses	5,082	10,324
Increase (Decrease) in -		
Accounts payable	8,444	(5,388)
Accrued expenses	14,149	33,419
Accrued payroll liabilities and withholdings	(755)	1,624
Net cash provided by operating activities	<u>13,956</u>	<u>24,414</u>
<u>Cash flows from financing activities:</u>		
Principal payments on bank loans	<u>(6,958)</u>	<u>(6,489)</u>
Net cash (used in) financing activities	<u>(6,958)</u>	<u>(6,489)</u>
<u>Net increase in cash and cash equivalents</u>	6,998	17,925
<u>Cash and cash equivalents at beginning of year</u>	<u>197,434</u>	<u>179,509</u>
<u>Cash and cash equivalents at end of year</u>	<u>\$204,432</u>	<u>\$197,434</u>
<u>Supplemental disclosures of cash flow information:</u>		
Cash paid during the year for -		
Interest	<u>\$ 2,623</u>	<u>\$ 3,062</u>

The accompanying notes are integral part of these financial statements.

KOSCIUSKO COUNTY CONVENTION AND VISITORS BUREAU, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

Note 1: Organization and summary of significant accounting policies -

Organization - The Kosciusko County Convention and Visitors Bureau, Inc. (the Organization) is a nonprofit corporation formed under Indiana law pursuant to Articles of Incorporation, April 8, 1987. The Kosciusko County Convention and Visitors Bureau, Inc. was formed for the promotion and creation of tourism in Kosciusko County by maintaining a climate to attract conventions and visitors to Kosciusko County and by providing recreational facilities. The primary source of revenue is from the InnKeeper's Tax, which is provided through an annual contract with the Kosciusko County Convention, Recreation, and Visitor's Commission.

Basis of accounting - The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis of accounting, revenues are recorded as earned and expenses are recorded when liabilities are incurred.

Basis of presentation - The financial statements have been prepared in accordance with FASC 958, which requires, among other things, that the financial statements report the changes in, and totals of each net asset class based on the existence of donor restrictions, as applicable. Net assets are classified as unrestricted, temporarily restricted or permanently restricted and are detailed as follows:

Unrestricted - Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties. Donor-imposed restrictions are reported as unrestricted net assets if the restrictions expire in the reporting period in which the revenue is recognized.

Temporarily restricted - Net assets whose use by the Organization is subject to donor-imposed stipulations that can be fulfilled by actions of the Organization pursuant to those stipulations or that expire by passage of time. At December 31, 2012 and 2011, there were no temporarily restricted net assets.

KOSCIUSKO COUNTY CONVENTION AND VISITORS BUREAU, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2012 AND 2011

Note 1: Organization and summary of significant accounting policies
(Continued) -

Basis of accounting (Continued) -

Permanently restricted - Net assets include amounts whose use is limited by donor-imposed restrictions which stipulate that resources be maintained permanently, but permits the Organization to expend part or all of the income derived from the donated assets for either unrestricted or temporarily restricted purposes. Resources arising from the results of operations or assets set aside by the Board of Directors are not considered to be donor restricted. At December 31, 2012 and 2011, there were no permanently restricted net assets.

Cash and cash equivalents - For the purpose of reporting cash flows, the Organization considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

Accounts receivable and unearned revenue - Accounts receivable are due from businesses advertising in the Visitors Guide. Based on historical collection experience with these businesses, no allowance for doubtful accounts is considered necessary. Unearned revenue is the business advertising associated with the Visitors Guide. Revenues from the advertising are earned when the Guide is distributed.

Fixed assets - Fixed assets are stated at cost or, if donated, at fair value at the date of the gift. Items with a cost or value of \$1,000 or more and a useful life of one year or more are capitalized. The Organization follows the policy of providing depreciation on the straight-line and declining balance methods for financial reporting purposes over the estimated useful lives of the related assets as follows:

<u>Assets</u>	<u>Years</u>
Building	15-39
Land improvements	15
Equipment	3-10
Website design	3

KOSCIUSKO COUNTY CONVENTION AND VISITORS BUREAU, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2012 AND 2011

Note 1: Organization and summary of significant accounting policies
(Continued) -

Depreciation - Depreciation expense totaled \$10,200 and \$14,315 for the years ended December 31, 2012 and 2011, respectively.

The carrying value of long lived assets is reviewed annually to determine if facts and circumstances suggest that the assets may be impaired or that the useful life may need to be changed. The Organization considers internal and external factors relating to each asset in making this determination. If these factors and the projected undiscounted cash flows of the business over the remaining useful life indicate that the asset will not be recoverable, the carrying value will be adjusted to the estimated fair value.

Income tax status - The Organization is exempt from federal income taxes under Section 501(c)(6) of the Internal Revenue Code, and qualifies for the 50% charitable contributions deduction limitation, and is not considered to be a private foundation under Section 509(a) of the Code.

The Organization has adopted the accounting standard on accounting for uncertainty in income taxes. This standard addresses the determination of whether tax benefits claimed, or expected to be claimed, on a tax return should be recorded in the financial statements. Under this guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits that could be recognized in the financial statements from such positions would be measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses derecognition, classification, interest and penalties on income taxes, and accounting in interim periods. At December 31, 2012 and 2011, there were no unrecognized tax benefits identified or recorded as liabilities. The Organization files Form 990 and the related state of Indiana return, and remains subject to examination by the Internal Revenue Service for the most recent three years.

KOSCIUSKO COUNTY CONVENTION AND VISITORS BUREAU, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2012 AND 2011

Note 1: Organization and 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 at the date of the financial statements, and the reported amounts of revenues, expenses, and changes in net assets during the reporting period. Actual results could differ from those estimated.

Donated services - A substantial number of volunteers donate significant amounts of time in providing the Organization's services. No amounts have been recognized in the financial statements for these services because the criteria for recognition of such volunteer effort as contributed services has not been satisfied.

Advertising - Advertising costs are charged to operations as incurred. Total advertising costs expensed during the years ended December 31, 2012 and 2011 was \$60,596 and \$77,359, respectively.

Note 2: Concentrations - The Organization received 83% and 88% of its support and revenues from the Kosciusko County Innkeepers Tax as at December 31, 2012 and 2011, respectively. A significant reduction in the level of this support, if it were to occur, may have an effect on the Organization's future programs and activities.

Note 3: Mortgage payable - The Organization had the following loan at December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Mortgage loan - Mutual Federal Savings Bank, payable in total monthly payments of \$801 including interest at 6.3%. The loan matures in June 2017; secured by the land and building	\$37,510	\$44,468
Current maturities	<u>7,467</u>	<u>7,016</u>
Total	<u>\$30,043</u>	<u>\$37,452</u>

Future maturities of long-term debt are as follows:

KOSCIUSKO COUNTY CONVENTION AND VISITORS BUREAU, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2012 AND 2011

Note 3: Mortgage payable (Continued) -

Year ending December 31:

2013	\$ 7,467
2014	7,955
2015	8,471
2016	9,020
2017	<u>4,597</u>
Total	<u>\$37,510</u>

Note 4: Employee benefits - The Organization supplements the salary of full-time employees by contributing to a personal retirement plan. Employees must be employed three consecutive years to be eligible to participate. Supplemental payments are based on a board approved amount, plus applicable taxes. Supplemental payments made by the Organization totaled \$3,000 for both of the years ended December 31, 2012 and 2011.

Note 5: Commitments - The Organization entered into a contract in November 2001 with an annual term for an advertisement in the 80/90 Toll Road Directory. The contract has been renewed each year with annual terms. The annual expense under this contract totaled \$1,506 for both of the years ended December 31, 2012 and 2011. The contract has been renewed for 2013.

The Organization entered into a contract in July 2007 for an advertisement in a state travel guide and a directory listing. The contract had a term of 24 months. The contract was renewed in July 2011 with a term of 24 months. The annual expense under this contract totaled \$2,360 for both of the years ended December 31, 2012 and 2011.

The Organization enters into a contract in August of each year to participate in a regional marketing program. The contract has a term of 12 months. The annual expense under this contract totaled \$38,000 and \$35,500 for the years ended December 31, 2012 and 2011, respectively. The contract has been renewed for 2013.

Future minimum contract payments for the above contracts are as follows:

2013	\$43,250
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KOSCIUSKO COUNTY CONVENTION AND VISITORS BUREAU, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2012 AND 2011

Note 6: Related party - The Organization paid \$8,429 and \$8,634 at December 31, 2012 and 2011, respectively, to two relatives of the Executive Director to maintain and clean the building.

Note 7: Subsequent events - The Organization evaluated all events or transactions that occurred after December 31, 2012 up through April 9, 2013, which is the date the financial statements were available to be issued. During this period, management has determined that the Organization did not have any material recognizable or disclosable subsequent events.