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June 17, 2009

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

We have reviewed the audit report prepared by Dahms & Yarian, Inc., Independent Public Accountants, for the period January 1, 2007 to December 31, 2007. 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 the Kosciusko County Convention and Visitors Bureau, Inc., as of December 31, 2007, 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.

STATE BOARD OF ACCOUNTS

KOSCIUSKO COUNTY CONVENTION AND
VISITORS BUREAU, INC.
Warsaw, Indiana

FINANCIAL STATEMENTS

Years Ended December 31, 2007 and 2006

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KOSCIUSKO COUNTY CONVENTION AND
VISITORS BUREAU, INC.

DAHMS & YARIAN, INC.

CERTIFIED PUBLIC ACCOUNTANTS

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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 statements of financial position of Kosciusko County Convention and Visitors Bureau, Inc. (a nonprofit organization) as of December 31, 2007 and 2006, and the related statements of activity, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization'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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our 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 Kosciusko County Convention and Visitors Bureau, Inc. as of December 31, 2007 and 2006, 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.

September 22, 2008

Dahms & Yarian, Inc.

KOSCIUSKO COUNTY CONVENTION AND
VISITORS BUREAU, INC.

STATEMENTS OF FINANCIAL POSITION
December 31, 2007 and 2006

| | 2007 | 2006 |
|-----------------------------------|------------|------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash | \$ 67,069 | \$ 63,306 |
| Commission - contract receivables | 17,500 | -0- |
| Total Current Assets | \$ 84,569 | \$ 63,306 |
| PROPERTY AND EQUIPMENT | | |
| Land | \$ 125,169 | \$ 125,169 |
| Land improvements | 34,442 | 34,442 |
| Building | 258,874 | 258,874 |
| Office equipment | 70,146 | 70,837 |
| Website design | 12,095 | -0- |
| | \$ 500,726 | \$ 489,322 |
| Less: accumulated depreciation | 145,824 | 141,247 |
| Property and Equipment - Net | \$ 354,902 | \$ 348,075 |
| OTHER ASSETS | | |
| Prepayments and deferred charges | \$ 5,482 | \$ 540 |
| Total Other Assets | \$ 5,482 | \$ 540 |
| | \$ 444,953 | \$ 411,921 |

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

KOSCIUSKO COUNTY CONVENTION AND
VISITORS BUREAU, INC.

STATEMENTS OF FINANCIAL POSITION (CONTINUED)
December 31, 2007 and 2006

| | 2007 | 2006 |
|--------------------------------------|------------|------------|
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accrued expenses | \$ 17,774 | \$ 5,885 |
| Current part - long-term obligations | 4,808 | 7,970 |
| Total Current Liabilities | \$ 22,582 | \$ 13,855 |
| LONG-TERM OBLIGATIONS | | |
| Mortgage payable | \$ 66,392 | \$ 76,648 |
| Current part - long-term obligations | (4,808) | (7,970) |
| Long-Term Obligations - Net | \$ 61,584 | \$ 68,678 |
| NET ASSETS | | |
| Unrestricted | \$ 360,787 | \$ 329,388 |
| | \$ 444,953 | \$ 411,921 |

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

KOSCIUSKO COUNTY CONVENTION AND
VISITORS BUREAU, INC.

STATEMENTS OF ACTIVITY (CONTINUED)
Years ended December 31, 2007 and 2006

| | 2007 | 2006 |
|-------------------------------|------------|------------|
| EXPENSES (CONTINUED) | | |
| Supplies | 9,249 | 7,742 |
| Telephone | 7,319 | 6,580 |
| Training | 4,521 | 1,107 |
| Travel | 10,541 | 7,816 |
| Utilities | 5,742 | 5,893 |
| Website maintenance | 2,681 | 1,602 |
| Total Expenses | \$ 344,588 | \$ 291,371 |
| CHANGE IN NET ASSETS | \$ 31,399 | \$ 1,411 |
| NET ASSETS, beginning of year | 329,388 | 327,977 |
| NET ASSETS, end of year | \$ 360,787 | \$ 329,388 |

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

KOSCIUSKO COUNTY CONVENTION AND
VISITORS BUREAU, INC.

STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2007

| | <u>PROGRAMS</u> | <u>ADMINISTRATION</u> | <u>TOTAL</u> |
|---------------------------|-------------------|-----------------------|-------------------|
| EXPENSES | | | |
| Advertising | \$ 66,005 | \$ -0- | \$ 66,005 |
| Bank Charges | -0- | 493 | 493 |
| Booth Fees | 3,200 | -0- | 3,200 |
| Computer support | 1,485 | -0- | 1,485 |
| Depreciation | 10,514 | 3,505 | 14,019 |
| Dues and subscriptions | 7,245 | -0- | 7,245 |
| Insurance | 1,291 | 6,578 | 7,869 |
| Leased equipment | -0- | 1,941 | 1,941 |
| Legal and accounting | -0- | 7,246 | 7,246 |
| Lodging | 2,457 | -0- | 2,457 |
| Loss on asset disposal | 84 | -0- | 84 |
| Meals and entertainment | 3,056 | -0- | 3,056 |
| Meetings | 379 | 1,027 | 1,406 |
| Mortgage interest | 3,360 | 1,120 | 4,480 |
| Payroll taxes | 5,772 | 3,108 | 8,880 |
| Postage | 16,037 | -0- | 16,037 |
| Promotional | 11,631 | -0- | 11,631 |
| Property taxes | 20 | 7 | 27 |
| Publications and printing | 3,978 | -0- | 3,978 |
| Registrations | 3,320 | -0- | 3,320 |
| Repairs and maintenance | 14,090 | 67 | 14,157 |
| Research projects | 9,037 | -0- | 9,037 |
| Salaries | 71,822 | 38,674 | 110,496 |
| Special events | 5,986 | -0- | 5,986 |
| Supplies | 6,669 | 2,580 | 9,249 |
| Telephone | 7,319 | -0- | 7,319 |
| Training | 3,581 | 940 | 4,521 |
| Travel | 10,339 | 202 | 10,541 |
| Utilities | 4,307 | 1,435 | 5,742 |
| Website maintenance | 2,681 | -0- | 2,681 |
| Total Expenses | <u>\$ 275,665</u> | <u>\$ 68,923</u> | <u>\$ 344,588</u> |

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

KOSCIUSKO COUNTY CONVENTION AND
VISITORS BUREAU, INC.

STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2006

| | PROGRAMS | ADMINISTRATION | TOTAL |
|---------------------------|-------------------|------------------|-------------------|
| EXPENSES | | | |
| Advertising | \$ 56,240 | \$ -0- | \$ 56,240 |
| Bank Charges | -0- | 175 | 175 |
| Computer support | 1,075 | -0- | 1,075 |
| Depreciation | 10,763 | 3,588 | 14,351 |
| Dues and subscriptions | 3,985 | 405 | 4,390 |
| Insurance | 1,108 | 6,211 | 7,319 |
| Leased equipment | -0- | 2,189 | 2,189 |
| Legal and accounting | -0- | 6,929 | 6,929 |
| Lodging | 1,858 | -0- | 1,858 |
| Meals and entertainment | 1,210 | -0- | 1,210 |
| Meetings | 2,101 | 808 | 2,909 |
| Mortgage interest | 4,798 | -0- | 4,798 |
| Payroll taxes | 5,134 | 2,764 | 7,898 |
| Postage | 9,765 | -0- | 9,765 |
| Promotional | 3,231 | -0- | 3,231 |
| Property taxes | 12 | -0- | 12 |
| Publications and printing | 4,576 | -0- | 4,576 |
| Registrations | 2,728 | -0- | 2,728 |
| Repairs and maintenance | 8,280 | 328 | 8,608 |
| Research projects | 20,900 | -0- | 20,900 |
| Salaries | 62,614 | 33,715 | 96,329 |
| Special events | 3,141 | -0- | 3,141 |
| Supplies | 5,242 | 2,500 | 7,742 |
| Telephone | 6,580 | -0- | 6,580 |
| Training | 607 | 500 | 1,107 |
| Travel | 7,704 | 112 | 7,816 |
| Utilities | 5,893 | -0- | 5,893 |
| Website maintenance | 1,602 | -0- | 1,602 |
| Total Expenses | <u>\$ 231,147</u> | <u>\$ 60,224</u> | <u>\$ 291,371</u> |

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

KOSCIUSKO COUNTY CONVENTION AND
VISITORS BUREAU, INC.

STATEMENTS OF CASH FLOWS
Years ended December 31, 2007 and 2006

| | 2007 | 2006 |
|---|-------------|-------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 31,399 | \$ 1,411 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 14,019 | 14,351 |
| Loss on asset disposal | 84 | -0- |
| (Increase) decrease in: | | |
| Accounts receivable | (17,500) | -0- |
| Prepayments and deferred charges | (4,942) | 209 |
| Increase (decrease) in: | | |
| Accrued expenses | 11,889 | 2,847 |
| Net Cash Provided by Operating Activities | \$ 34,949 | \$ 18,818 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of property and equipment | \$ (20,930) | \$ (1,396) |
| Net Cash Provided (Used) by Investing Activities | \$ (20,930) | \$ (1,396) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Principal payments on bank loans | \$ (10,256) | \$ (11,568) |
| Net Cash Provided (Used) by Financing Activities | \$ (10,256) | \$ (11,568) |
| NET CASH PROVIDED | \$ 3,763 | \$ 5,854 |
| CASH AT BEGINNING OF YEAR | 63,306 | 57,452 |
| CASH AT END OF YEAR | \$ 67,069 | \$ 63,306 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: | | |
| Interest paid | \$ 4,466 | \$ 4,811 |

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

KOSCIUSKO COUNTY CONVENTION AND
VISITORS BUREAU, INC.NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Activity - The Kosciusko County Convention and Visitors Bureau, Inc. (CVB) is a not-for-profit 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 Presentation - The accompanying financial statements generally follow the method of accounting prescribed for not-for-profit organizations using the accrual basis of accounting in accordance with generally accepted accounting principles accepted in the United States of America.

Cash and Cash Equivalents - Cash and cash equivalents are defined as cash on hand and held in banks and certificates of deposit whose original maturity is three months or less.

Use of 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property and Equipment and Depreciation - It is the Organization's policy to capitalize property and equipment over \$100 with a useful life longer than three years. Lesser amounts are expensed. Property and equipment are recorded at cost. Depreciation is computed over the estimated useful lives of the property and equipment on the straight-line and declining-balance methods. The repairs and maintenance items are expensed currently in the statements of activity.

Income Taxes - The Organization is exempt from income taxes under Section 501(c)(6) of the Internal Revenue Code on its business income related to its exempt purposes. The Organization has not been classified by the Internal Revenue Service as a private foundation.

Advertising - The Organization expenses advertising costs as incurred because the probable future benefit of the advertising is short-term.

NOTE B - CONCENTRATIONS

The CVB's main source of revenue is the InnKeeper's tax, which is obtained from the Kosciusko County Convention, Recreation, and Visitor's Commission through an annual contract. Consequently, the Organization may be affected by economic fluctuations within the county.

KOSCIUSKO COUNTY CONVENTION AND
VISITORS BUREAU, INC.NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2007 and 2006

NOTE C - COMMITMENTS

The CVB entered into a lease agreement in January 2003 for a copier with a term of 48 months. The annual expense under this lease totaled \$-0- and \$1,517 for 2007 and 2006, respectively. The lease expired in December 2006.

The CVB 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 \$366 and \$347 for 2007 and 2006, respectively. The contract has been renewed for 2008.

The CVB entered into a contract in May 2003 for an advertisement in a travel guide and website planner. The contract had a term of 24 months. The contract was renewed in July 2007 with a term of 24 months. The annual expense under this contract totaled \$5,225 and \$5,005 for 2007 and 2006, respectively.

The CVB entered into a contract in August 2001 to participate in a regional marketing program. The contract has a term of 12 months. The annual expense under this contract totaled \$37,500 and \$36,500 for 2007 and 2006, respectively. The contract has been renewed for 2008.

The CVB entered into an advertising contract in December 2005. The contract has a term of 3 years with annual payments of \$450. The annual expense under this contract totaled \$450 and \$450 for the years ended December 31, 2007 and 2006, respectively.

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

| | | |
|------|----|--------------|
| 2008 | \$ | 4,808 |
| 2009 | | 5,191 |
| | \$ | <u>9,999</u> |

NOTE D - LONG-TERM OBLIGATION

The CVB has a mortgage loan with National City Bank with an interest rate of 7.69%, due in monthly payments of \$812 including interest. The loan is amortized using a term of fifteen years. The interest rate is fixed for a 5-year period based on the bank's cost of funds (5.69% at September 2007) plus 2%. The interest rate is currently set to change in September 2012. The mortgage is secured by the land and building, with a balance of \$66,392 and \$76,648 on December 31, 2007 and 2006, respectively.

KOSCIUSKO COUNTY CONVENTION AND
VISITORS BUREAU, INC.NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2007 and 2006

NOTE D - LONG-TERM OBLIGATION (CONTINUED)

Maturities of the long-term obligation are as follows:

| | | |
|---------------------|----|---------------|
| 2008 | \$ | 4,808 |
| 2009 | | 5,191 |
| 2010 | | 5,604 |
| 2011 | | 6,051 |
| 2012 and thereafter | | <u>44,738</u> |
| | \$ | <u>66,392</u> |

NOTE E - DONATED SERVICES

Many individuals volunteer their time to perform a variety of tasks that assist the Organization. These services do not meet the requirements for recognition in the financial statements and, accordingly, have not been recorded. The Organization received approximately 649 and 1,033 hours of donated services during the years ended December 31, 2007 and 2006, respectively. The fair value of donated service hours was \$3,797 and \$5,320 for the years ended December 31, 2007 and 2006, respectively.