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June 23, 2009

Board of Directors  
Downtown Bloomington, Inc.  
302 S. College Ave.  
Bloomington, IN 47403

We have reviewed the audit report prepared by Blue & Co., LLC, 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 Downtown Bloomington, 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

# **DOWNTOWN BLOOMINGTON, INC.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**AND**

**SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2007 AND 2006**

# DOWNTOWN BLOOMINGTON, INC.

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## REPORT OF INDEPENDENT AUDITORS

Board of Directors  
Downtown Bloomington, Inc.  
Bloomington, Indiana

We have audited the accompanying consolidated statements of financial position of Downtown Bloomington, Inc. (the "Organization") as of December 31, 2007 and 2006, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2007 and 2006, 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.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information on pages 9 through 10 for 2007 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and change in net assets of the individual organizations. The 2003 to 2007 supplementary information on pages 11 through 15 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements referred to above; and, in our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole. The 2001 to 2002 supplementary information was subjected to the auditing procedures applied by other auditors whose reports expressed that the supplementary information was fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

*Blue & Co., LLC*

April 2, 2008

# DOWNTOWN BLOOMINGTON, INC.

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2007 AND 2006

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### ASSETS

	<u>2007</u>	<u>2006</u>
Cash	\$ 69,714	\$ 60,954
Accounts receivable	-0-	5,571
Property and equipment, net	<u>2,016</u>	<u>2,688</u>
	<u>\$ 71,730</u>	<u>\$ 69,213</u>

### LIABILITIES AND NET ASSETS

#### Liabilities

Accounts payable	\$ 5,648	\$ 3,739
Accrued payroll and taxes	7,226	5,346
Deferred support	10,150	12,150
Other liabilities	<u>12,157</u>	<u>7,344</u>
Total liabilities	35,181	28,579
<b>Unrestricted net assets</b>	<u>36,549</u>	<u>40,634</u>
	<u>\$ 71,730</u>	<u>\$ 69,213</u>

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*See accompanying notes to financial statements.*

## DOWNTOWN BLOOMINGTON, INC.

### CONSOLIDATED STATEMENTS OF ACTIVITIES YEARS ENDED DECEMBER 31, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
<b>Revenues and support</b>		
Convention Center management fees	\$ 287,000	\$ 277,000
Convention and Visitors Commission	200,850	171,204
Parking revenue	18,000	18,000
Main Street City of Bloomington grants	15,000	12,500
Main Street memberships	18,925	22,535
In-kind revenue	17,135	17,135
Interest income	117	134
Miscellaneous income	12,503	8,899
Total revenues and support	<u>569,530</u>	<u>527,407</u>
<b>Expenses</b>		
Program services:		
Convention Center	216,085	238,949
Main Street - Downtown Bloomington	111,612	89,102
Convention and Visitors Commission	200,912	170,045
Total program services	<u>528,609</u>	<u>498,096</u>
Management and general	45,006	37,754
Total expenses	<u>573,615</u>	<u>535,850</u>
Change in net assets	(4,085)	(8,443)
<b>Net assets, beginning of year</b>	<u>40,634</u>	<u>49,077</u>
<b>Net assets, end of year</b>	<u>\$ 36,549</u>	<u>\$ 40,634</u>

*See accompanying notes to financial statements.*

## DOWNTOWN BLOOMINGTON, INC.

### CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2007 AND 2006

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	<u>2007</u>	<u>2006</u>
<b>Operating activities</b>		
Change in net assets	\$ (4,085)	\$ (8,443)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	672	881
Changes in operating assets and liabilities:		
Accounts receivable	5,571	(5,571)
Accounts payable	1,909	1,699
Accrued payroll and taxes	1,880	581
Deferred support	(2,000)	200
Other liabilities	<u>4,813</u>	<u>993</u>
Net cash flows from operating activities	8,760	(9,660)
<b>Investing activities</b>		
Purchase of property and equipment	<u>-0-</u>	<u>(3,360)</u>
Net change in cash	8,760	(13,020)
<b>Cash, beginning of year</b>	<u>60,954</u>	<u>73,974</u>
<b>Cash, end of year</b>	<u>\$ 69,714</u>	<u>\$ 60,954</u>

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*See accompanying notes to financial statements.*

# DOWNTOWN BLOOMINGTON, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2007 AND 2006

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### 1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

#### Nature of Operations

Downtown Bloomington, Inc. ("DBI") was incorporated and commenced operations as a not-for-profit organization in October 1984. DBI's mission is to develop, implement and promote ideas and projects that maintain and enhance the economic vitality of downtown Bloomington, Indiana. Through marketing and promoting the downtown area, as well as advocating and encouraging balanced development, DBI works to make the downtown stronger. It accomplishes this by strengthening relations with partners and communicating and working cooperatively with constituents and related associations. DBI's leadership consists of individuals representing a variety of interests including small business, local government, industry, residents, economic development, historic preservation, and tourism.

The Convention Center Management Company ("Management Company") was incorporated and commenced operations on January 1, 2006, and is a wholly-owned for-profit subsidiary of DBI. Management Company holds the management contract with the County for services performed in connection with the management, operation, and limited promotion of the Convention Center (see Note 3).

The significant accounting policies followed by DBI and Management Company in the preparation of their consolidated financial statements are summarized below.

#### Consolidation Policy

The accounts of Management Company are consolidated with the accounts of DBI. All inter-entity transactions have been eliminated in consolidation. The consolidated operations of DBI and Management Company are hereinafter collectively referred to as "the Organization."

#### Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Unrestricted net assets represent net assets not subject to donor-imposed restrictions. At present, the Organization has no temporarily or permanently restricted net assets.

# DOWNTOWN BLOOMINGTON, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2007 AND 2006

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### Management's Estimates

Management uses estimates and assumptions in preparing the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities and the reported revenues and expenses. Actual results could vary from the estimates that were used.

### Property and Equipment

Property and equipment is recorded at cost. Expenditures that significantly extend the lives of assets and major improvements are capitalized. Repairs and maintenance are charged to expense as incurred. Depreciation is provided using the straight-line method over estimated useful lives of the respective assets ranging from 5 to 7 years.

### Deferred Support

Income from membership dues is recognized in the period to which it applies.

### Revenues and Expenses

The Organization's financial statements are prepared using the accrual method of accounting. In accordance with this method of accounting, revenue is recognized in the period in which it is earned and expenses are recognized in the period in which they are incurred. All revenue and expense which are applicable to future periods have been presented as deferred or prepaid on the accompanying consolidated statements of financial position.

The Organization is funded primarily by monies received under contracts with Monroe County, Indiana (the "County") and the Monroe County Convention and Visitors Commission (the "Visitors Commission"), both governmental bodies. The County contract funds are to be used for the management, operation and limited promotion of The Convention Center of Monroe County/Bloomington (the "Convention Center"), located in downtown Bloomington. The Visitors Commission's funds are collected from the County innkeeper's tax and transferred to the Organization to be used to encourage conventions, trade shows and other special events to be held in downtown Bloomington.

### Government Grants

Support funded by grants is recognized as the Organization performs the contracted services under grant agreements. Grant revenue is recognized as earned as the eligible expenses are incurred. Grant expenditures are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

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# DOWNTOWN BLOOMINGTON, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2007 AND 2006

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### In-Kind Contributions

In addition to receiving cash contributions, the Organization receives in-kind contributions from the County as a part of the management contract. It is the policy of the Organization to record the estimated fair market value of these in-kind donations as an expense in its consolidated financial statements, and similarly increase revenues by a like amount. In-kind rent revenue and expense amounted to \$17,135 for each of the years ended December 31, 2007 and 2006.

### Income Taxes

DBI is exempt from federal income taxes under Section 501(c)(6) of the Internal Revenue Code. Management Company is subject to corporate income tax.

### Expense Allocation

Expenses have been classified as program services and management and general based on actual direct expenditures or cost allocations based upon estimates of time spent by Organization personnel.

## 2. PROPERTY AND EQUIPMENT, NET

At December 31, 2007 and 2006, property and equipment consisted of the following:

	<u>2007</u>	<u>2006</u>
Equipment	\$ 24,155	\$ 24,155
Office furniture and equipment	<u>3,704</u>	<u>3,704</u>
	27,859	27,859
Less accumulated depreciation	<u>25,843</u>	<u>25,171</u>
Property and equipment, net	<u>\$ 2,016</u>	<u>\$ 2,688</u>

## 3. MANAGEMENT FEES

The Organization receives a fee from the County for services performed in connection with the management, operation and limited promotion of the Convention Center. The County processes claims for payment of the Convention Center's operating expenses (including management fees), if sufficient revenue has been generated by the Convention Center's operations to meet the obligations.

# DOWNTOWN BLOOMINGTON, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2007 AND 2006

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### 4. EMPLOYEE RETIREMENT PLAN

The Organization maintains a simplified employee retirement plan that covers employees who meet certain eligibility requirements. Employer contributions are limited to five percent of each employee's total compensation. Employee benefit expense under this plan was \$10,666 and \$8,401 for 2007 and 2006, respectively.

### 5. CONCENTRATIONS

During 2007 and 2006, the Organization received 35% and 33% of its revenue and support from the Convention and Visitors Commission, respectively. These funds were collected from the County Innkeeper's tax which is subject to economic conditions. Management fees from the County accounted for 50% and 53% of the Organization's 2007 and 2006 revenues and support, respectively.

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

SUPPLEMENTARY INFORMATION

# DOWNTOWN BLOOMINGTON, INC.

## CONSOLIDATING STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2007

### ASSETS

	Downtown Bloomington, Inc.	Convention Center Management Company	Eliminations	Total
Cash	\$ 36,259	\$ 33,455	\$ -0-	\$ 69,714
Property and equipment, net	2,016	-0-	-0-	2,016
Investment in subsidiary	33,435	-0-	(33,435)	-0-
	\$ 71,710	\$ 33,455	\$ (33,435)	\$ 71,730

### LIABILITIES AND NET ASSETS

<b>Liabilities</b>				
Accounts payable	\$ 4,137	\$ 1,511	\$ -0-	\$ 5,648
Accrued payroll and taxes	-0-	7,226	-0-	7,226
Deferred support	10,150	-0-	-0-	10,150
Other liabilities	12,157	-0-	-0-	12,157
Total liabilities	26,444	8,737	-0-	35,181
<b>Unrestricted net assets</b>	45,266	24,718	(33,435)	36,549
	\$ 71,710	\$ 33,455	\$ (33,435)	\$ 71,730

*See Report of Independent Auditors on page 1.*

# DOWNTOWN BLOOMINGTON, INC.

## CONSOLIDATING STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2007

	Downtown Bloomington, Inc.	Convention Center Management Company	Eliminations	Total
<b>Revenues and support</b>				
Convention Center management fees	\$ -0-	\$ 287,000	\$ -0-	\$ 287,000
Convention and Visitors Commission	200,850	-0-	-0-	200,850
Parking revenue	-0-	18,000	-0-	18,000
Main Street City of Bloomington grants	15,000	-0-	-0-	15,000
Main Street memberships	18,925	-0-	-0-	18,925
In-kind revenue	17,135	-0-	-0-	17,135
Interest income	117	-0-	-0-	117
Miscellaneous income	12,503	-0-	-0-	12,503
Total revenues and support	<u>264,530</u>	<u>305,000</u>	<u>-0-</u>	<u>569,530</u>
<b>Expenses</b>				
Program services:				
Convention Center	-0-	216,085	-0-	216,085
Main Street - Downtown Bloomington	53,795	57,817	-0-	111,612
Convention and Visitors Commission	200,912	-0-	-0-	200,912
Total program expenses	<u>254,707</u>	<u>273,902</u>	<u>-0-</u>	<u>528,609</u>
Management and general	9,387	35,619	-0-	45,006
Total expenses	<u>264,094</u>	<u>309,521</u>	<u>-0-</u>	<u>573,615</u>
Change in net assets	436	(4,521)	-0-	(4,085)
<b>Net assets, beginning of year</b>	44,830	29,073	(33,269)	40,634
Contribution of net assets	<u>-0-</u>	<u>166</u>	<u>(166)</u>	<u>-0-</u>
<b>Net assets, end of year</b>	<u>\$ 45,266</u>	<u>\$ 24,718</u>	<u>\$ (33,435)</u>	<u>\$ 36,549</u>

*See Report of Independent Auditors on page 1.*

## DOWNTOWN BLOOMINGTON, INC.

### CONSOLIDATED OPERATING EXPENSES YEAR ENDED DECEMBER 31, 2007 (WITH) COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2006

	2007				Total	2006 Total
	Convention Center	Main Street - Downtown Bloomington	Convention and Visitors Commission	Management and General		
Salaries	\$ 137,541	\$ 48,931	\$ 93,207	\$ 20,449	\$ 300,128	\$ 278,746
Rent	-0-	11,995	-0-	5,140	17,135	17,135
General promotions	-0-	17,484	13,272	-0-	30,756	24,267
Repairs and maintenance	7,460	624	38,051	-0-	46,135	32,236
Payroll taxes	8,585	4,010	10,712	1,754	25,061	23,518
Program expense	18,000	7,242	-0-	-0-	25,242	29,627
Main Street Visitors	-0-	5,000	-0-	-0-	5,000	5,000
Advertising	-0-	892	10,761	191	11,844	11,361
Personnel	1,956	-0-	-0-	-0-	1,956	3,238
Employee benefits	19,535	4,876	3,931	2,134	30,476	26,317
Insurance	7,863	1,994	9,566	665	20,088	17,272
Professional fees	-0-	-0-	3,000	6,817	9,817	10,181
Postage	1,151	705	-0-	619	2,475	2,027
Office supplies	2,834	512	-0-	1,115	4,461	6,841
Building supplies	1,291	-0-	8,033	-0-	9,324	11,115
Miscellaneous	-0-	-0-	-0-	5,005	5,005	6,116
Memberships	-0-	984	614	-0-	1,598	1,483
Travel	1,473	5,069	8,265	-0-	14,807	11,076
Other support services	6,847	-0-	-0-	-0-	6,847	5,361
Printing	41	1,294	1,500	445	3,280	8,606
Telephone	1,508	-0-	-0-	-0-	1,508	316
Gross receipts tax	-0-	-0-	-0-	-0-	-0-	2,909
Utilities	-0-	-0-	-0-	-0-	-0-	221
Total expenses before depreciation	216,085	111,612	200,912	44,334	572,943	534,969
Depreciation	-0-	-0-	-0-	672	672	881
Total expenses	<u>\$ 216,085</u>	<u>\$ 111,612</u>	<u>\$ 200,912</u>	<u>\$ 45,006</u>	<u>\$ 573,615</u>	<u>\$ 535,850</u>

*See Report of Independent Auditors on page 1.*

**DOWNTOWN BLOOMINGTON, INC.**

**SCHEDULE OF CONVENTION AND VISITORS COMMISSION  
BUDGET VS. ACTUAL EXPENSES  
YEAR ENDED DECEMBER 31, 2007**

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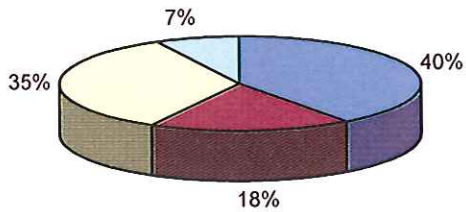
	<u>Budget</u>	<u>Actual</u>
Personnel	\$ 107,850	\$ 107,850
Other services	<u>93,000</u>	<u>93,063</u>
Program	<u>\$ 200,850</u>	<u>\$ 200,913</u>

Total revenue received from the Convention and Visitors Commission in 2007 was \$200,850.

# DOWNTOWN BLOOMINGTON, INC.

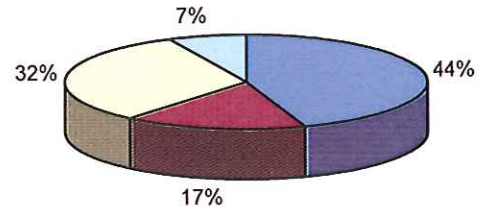
## ANALYSIS OF EXPENSES YEARS ENDED DECEMBER 31, 2007 AND 2006

**2007 Expenses by Program**



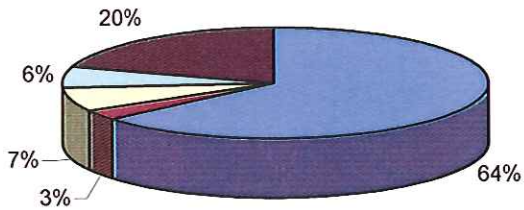
- Convention Center
- Main Street
- Convention & Visitors Commission
- Management & General

**2006 Expenses by Program**



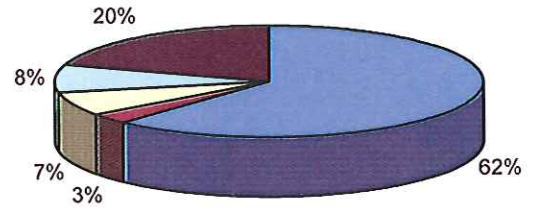
- Convention Center
- Main Street
- Convention & Visitors Commission
- Management & General

**2007 Expenses by Category**



- Personnel
- Occupancy
- Promotions and Advertising
- Direct Program Expense
- Other

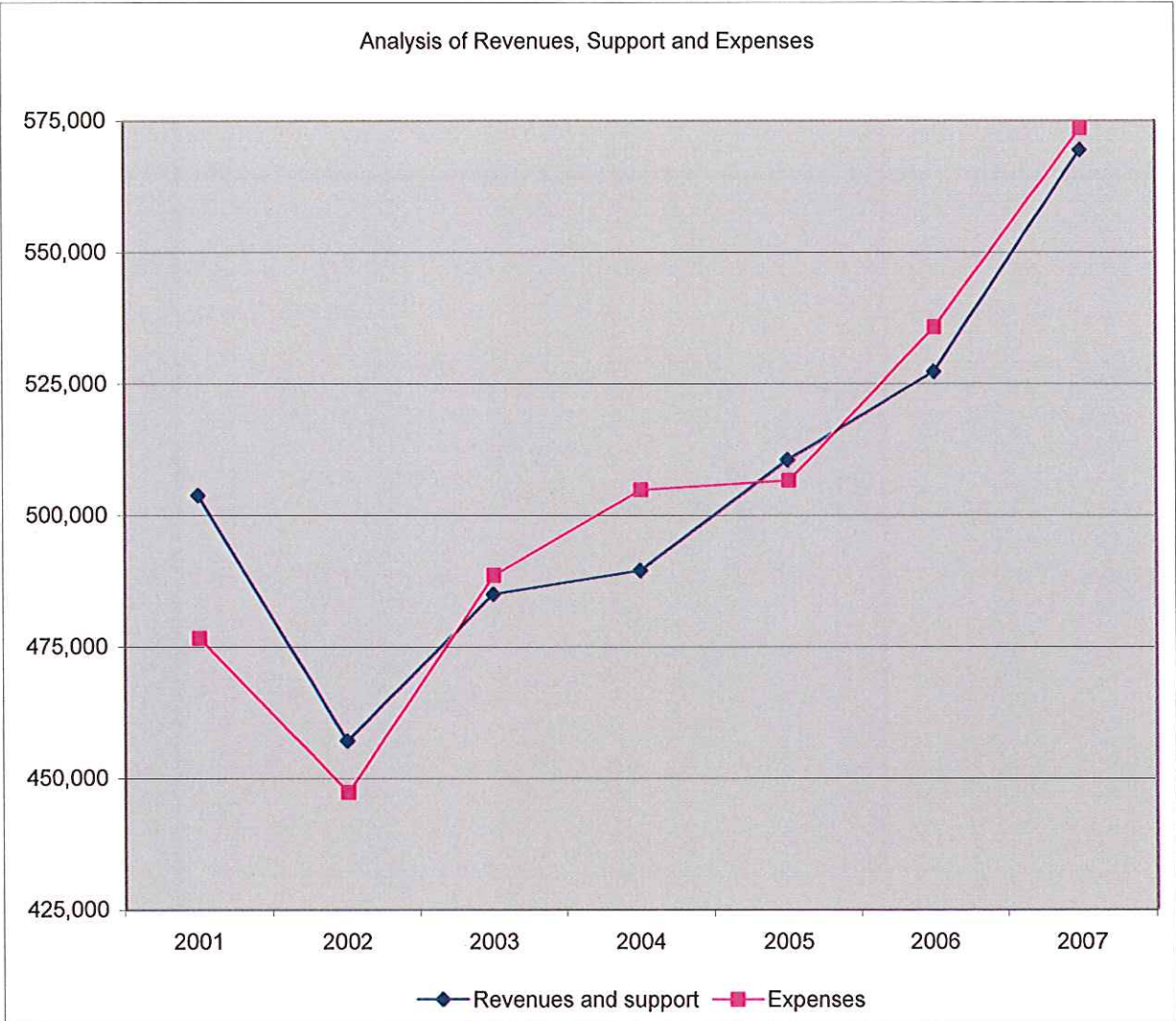
**2006 Expenses by Category**



- Personnel
- Occupancy
- Promotions and Advertising
- Direct Program Expense
- Other

# DOWNTOWN BLOOMINGTON, INC.

## ANALYSIS OF REVENUES, SUPPORT AND EXPENSES YEARS ENDED DECEMBER 31, 2001 THROUGH 2007



# DOWNTOWN BLOOMINGTON, INC.

## ANALYSIS OF ASSETS, LIABILITIES AND NET ASSETS DECEMBER 31, 2001 THROUGH 2007

