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December 31, 2009

Board of Directors
Indianapolis Convention and Visitors
Association, Inc. and Subsidiary
P.O. Box 7248
Indianapolis, IN 46207

We have reviewed the audit report prepared by Greenwalt Sponsel & Co., Inc., Independent Public Accountants, for the period January 1, 2008 to December 31, 2008. 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 Indianapolis Convention and Visitors Association, Inc. and Subsidiary, as of December 31, 2008, 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

**INDIANAPOLIS CONVENTION &
VISITORS ASSOCIATION, INC.
AND SUBSIDIARY**

Consolidating Financial Statements

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

December 31, 2008

Greenwalt Sponsel & Co., Inc.

We Deliver Peace of Mind

GS&CO Greenwalt Sponsel & Co., Inc.

Business & Financial Advisors

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Indianapolis Convention & Visitors Association:

We have audited the accompanying consolidating statements of financial position of Indianapolis Convention & Visitors Association, Inc. and Subsidiary (the Association) as of December 31, 2008 and the related consolidating statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these consolidating financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States, *Government Auditing Standards* issued by the Comptroller General of the United States and *Guidelines for Examination of Entities Receiving Financial Assistance from Governmental Sources* established by the Indiana State Board of Accounts. 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 audit provides 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 the Association as of December 31, 2008, and the results of operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 20, 2009 on our consideration of the Association's compliance and internal controls over financial reporting.

Greenwalt Sponsel & Co., Inc.

April 20, 2009

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INDIANAPOLIS CONVENTION & VISITORS ASSOCIATION, INC. AND SUBSIDIARY

Consolidating Statements of Financial Position

December 31, 2008

With Comparative Totals for December 31, 2007

ASSETS	Indianapolis	Tourism	Eliminations	Consolidated	
	Convention & Visitors Association, Inc.	Tomorrow, Inc.		Totals	
				2008	2007
Current Assets					
Cash and cash equivalents	\$ 1,617,731	\$ 192,236	\$ -	\$ 1,809,967	\$ 2,189,587
Accounts receivable					
Membership dues	343,573	-	-	343,573	421,029
Intercompany	17,706	27,500	(45,206)	-	-
Convention and event, less allowance for doubtful accounts of \$6,000 and \$10,000, respectively	222,153	-	-	222,153	317,869
Advertising, less allowance for doubtful accounts of \$9,000 and \$9,000, respectively	49,546	-	-	49,546	29,087
Pledges, less allowance for doubtful accounts of \$9,750 and \$10,000, respectively	156,750	-	-	156,750	138,250
Other, less allowance for doubtful accounts of \$3,000 and \$18,250, respectively	36,250	3,740	-	39,990	111,104
Prepayments and other	344,347	12,299	-	356,646	536,955
<i>Total current assets</i>	2,788,056	235,775	(45,206)	2,978,625	3,743,881
Property and Equipment, Net	665,237	10,650	-	675,887	675,428
Other Assets					
Investments held for future commitments	1,613,728	525,272	-	2,139,000	2,480,290
<i>Total assets</i>	<u>\$ 5,067,021</u>	<u>\$ 771,697</u>	<u>\$ (45,206)</u>	<u>\$ 5,793,512</u>	<u>\$ 6,899,599</u>
LIABILITIES AND NET ASSETS					
Current Liabilities					
Trade accounts payable	\$ 397,352	\$ 18,567	\$ -	\$ 415,919	\$ 429,946
Accounts payable - intercompany	27,500	17,706	(45,206)	-	-
Other accruals	990,743	-	-	990,743	610,125
Deferred revenue					
Membership dues	579,665	-	-	579,665	597,810
Advertising revenue	113,245	-	-	113,245	116,827
Other	23,746	-	-	23,746	34,696
<i>Total current liabilities</i>	2,132,251	36,273	(45,206)	2,123,318	1,789,404
Commitments (Notes 7 and 8)					
Net Assets					
Unrestricted net assets	2,768,270	735,424	-	3,503,694	4,961,945
Temporarily restricted net assets	166,500	-	-	166,500	148,250
<i>Total net assets</i>	2,934,770	735,424	-	3,670,194	5,110,195
<i>Total liabilities and net assets</i>	<u>\$ 5,067,021</u>	<u>\$ 771,697</u>	<u>\$ (45,206)</u>	<u>\$ 5,793,512</u>	<u>\$ 6,899,599</u>

INDIANAPOLIS CONVENTION & VISITORS ASSOCIATION, INC. AND SUBSIDIARY

Consolidating Statements of Activities

For the Year Ended December 31, 2008

With Comparative Totals for December 31, 2007

	Indianapolis Convention & Visitors Association, Inc.	Tourism Tomorrow, Inc.	Eliminations	Consolidated Totals	
				2008	2007
Unrestricted Revenue					
Promotional service fees	\$ 7,838,234	\$ -	\$ -	\$ 7,838,234	\$ 7,736,800
Membership dues	704,843	-	-	704,843	704,127
Subscription and advertising revenue	586,815	-	-	586,815	528,908
Convention and event	469,772	-	-	469,772	457,120
City of Indianapolis	90,250	-	-	90,250	95,000
Programs	263,382	-	-	263,382	393,927
Sponsorship and grant	657,221	52,500	-	709,721	1,184,044
Intercompany grants	52,500	330,000	(382,500)	-	-
Investment income (loss), net	(525,076)	22,354	-	(502,722)	225,226
Other income	130,535	55,897	-	186,432	155,493
Contributed goods and facilities	585,906	-	-	585,906	576,188
Net assets released from restriction	148,250	-	-	-	-
<i>Total unrestricted revenue</i>	<u>11,002,632</u>	<u>460,751</u>	<u>(382,500)</u>	<u>10,932,633</u>	<u>12,056,833</u>
Temporarily Restricted Revenue					
Marketing campaign	166,500	-	-	166,500	148,250
Net assets released from restriction	(148,250)	-	-	-	-
<i>Total temporarily restricted revenue</i>	<u>18,250</u>	<u>-</u>	<u>-</u>	<u>166,500</u>	<u>148,250</u>
<i>Total revenue</i>	<u>11,020,882</u>	<u>460,751</u>	<u>(382,500)</u>	<u>11,099,133</u>	<u>12,205,083</u>
Unrestricted Expenses					
Indianapolis Convention and Visitors Association					
Group sales	4,957,105	-	-	4,957,105	4,459,970
Individual sales	1,597,645	-	-	1,597,645	1,476,694
Convention services	733,538	-	-	733,538	658,709
Partnership development	980,657	-	-	980,657	939,031
Administration	1,209,770	-	(330,000)	879,770	803,494
Housing	849,980	-	-	849,980	766,350
Marketing and communications	2,085,124	-	-	2,085,124	2,163,623
Tourism Tomorrow					
Destination development	-	61,947	(52,500)	9,447	81,112
Visit Indy	-	42,514	-	42,514	89,952
Music initiative	-	403,353	-	403,353	249,609
<i>Total unrestricted expenses</i>	<u>12,413,819</u>	<u>507,814</u>	<u>(382,500)</u>	<u>12,539,133</u>	<u>11,688,544</u>
Change in Net Assets	(1,392,937)	(47,063)	-	(1,440,000)	516,539
Net Assets, Beginning of Year	<u>4,327,707</u>	<u>782,487</u>	<u>-</u>	<u>5,110,194</u>	<u>4,593,656</u>
Net Assets, End of Year	<u>\$ 2,934,770</u>	<u>\$ 735,424</u>	<u>\$ -</u>	<u>\$ 3,670,194</u>	<u>\$ 5,110,195</u>

See notes to consolidating financial statements.

INDIANAPOLIS CONVENTION & VISITORS ASSOCIATION, INC. AND SUBSIDIARY

Consolidating Statements of Functional Expenses

For the Year Ended December 31, 2008

With Comparative Totals for December 31, 2007

Indianapolis Convention & Visitors Association, Inc.						
	Group Sales	Individual Sales	Convention Services	Partnership Development	Administration	Housing
Direct Promotional Expenses						
Advertising production	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Market research	47,421	-	-	-	-	-
Advertising placement	256,216	1,152,730	-	-	-	-
Collateral and promotional materials	52,001	100,145	32,266	249,316	-	-
Collateral fulfillment	5,825	37,538	-	-	-	-
Marketing contracts	151,552	-	12,000	-	-	-
Sales trips and bid presentations	137,452	-	-	-	-	-
Client development	228,828	-	32,349	115,413	-	-
Site visits	141,343	6,396	28,193	-	-	-
Trade shows	202,928	-	16,939	-	-	-
Convention and event requirements	751,039	-	-	-	-	243,074
<i>Total direct promotional expenses</i>	<u>1,974,605</u>	<u>1,296,809</u>	<u>121,747</u>	<u>364,729</u>	<u>-</u>	<u>243,074</u>
Personnel Expenses						
Salaries	1,723,319	183,450	362,018	380,042	489,095	247,647
Part-time wages	14,160	252	1,071	-	-	105,116
Payroll taxes	125,208	12,923	25,402	30,324	34,585	26,866
Placement fees	85,386	-	-	-	8,000	-
Employee group insurance	243,434	24,474	43,862	37,470	80,817	39,684
Pension	113,040	16,991	33,505	21,675	44,885	29,533
<i>Total personnel expenses</i>	<u>2,304,547</u>	<u>238,090</u>	<u>465,858</u>	<u>469,511</u>	<u>657,382</u>	<u>448,846</u>
Office Expenses						
Telephone	35,917	3,156	7,608	7,927	11,403	7,120
Postage	21,264	1,868	4,504	4,693	6,751	4,215
Office supplies	18,103	1,591	3,835	3,995	5,747	3,588
Repairs and maintenance	11,221	986	2,377	2,477	3,562	2,224
Office and equipment rent	91,412	8,032	19,363	20,176	29,021	18,120
Insurance - office coverage	19,690	1,730	4,171	4,346	6,251	3,903
<i>Total office expenses</i>	<u>197,607</u>	<u>17,363</u>	<u>41,858</u>	<u>43,614</u>	<u>62,735</u>	<u>39,170</u>
Other Expenses						
Professional fees	141,459	12,429	29,964	31,222	44,908	28,040
Civic involvement	30,609	1,703	4,104	4,277	6,151	3,841
Mileage	21,568	1,895	4,568	4,760	6,848	4,275
Membership dues and subscriptions	15,991	1,405	3,387	3,529	5,077	3,170
Human resource development	20,177	1,545	3,724	3,880	5,581	3,485
Bad debts	6,004	528	1,272	1,325	1,905	1,190
Depreciation and amortization	155,324	13,648	32,901	34,282	49,309	30,789
Miscellaneous	5,988	526	1,268	1,322	1,902	1,187
Noncash rent and parking	83,226	11,704	22,887	18,206	37,972	42,913
Intercompany grants	-	-	-	-	330,000	-
<i>Total other expenses</i>	<u>480,346</u>	<u>45,383</u>	<u>104,075</u>	<u>102,803</u>	<u>489,653</u>	<u>118,890</u>
<i>Total expenses</i>	<u>\$ 4,957,105</u>	<u>\$ 1,597,645</u>	<u>\$ 733,538</u>	<u>\$ 980,657</u>	<u>\$ 1,209,770</u>	<u>\$ 849,980</u>

See notes to consolidating financial statements.

Tourism Tomorrow, Inc.

Marketing & Communications	Total	Destination Development	Visit Indy	Music Initiative	Total	Eliminations	Consolidated Totals	
							2008	2007
\$ 52,622	\$ 52,622	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 52,622	\$ 126,350
43,796	91,217	9,447	-	-	9,447	-	100,664	265,222
-	1,408,946	-	-	-	-	-	1,408,946	1,426,825
20,431	454,159	-	19,625	-	19,625	-	473,784	576,355
-	43,363	-	-	-	-	-	43,363	67,386
57,319	220,871	-	-	-	-	-	220,871	269,755
18,099	155,551	-	-	7,308	7,308	-	162,859	126,318
1,000	377,590	-	-	1,388	1,388	-	378,978	426,055
19,515	195,447	-	-	655	655	-	196,102	181,995
19,132	238,999	-	-	6,008	6,008	-	245,007	287,989
-	994,113	-	-	152,419	152,419	-	1,146,532	917,870
<u>231,914</u>	<u>4,232,878</u>	<u>9,447</u>	<u>19,625</u>	<u>167,778</u>	<u>196,850</u>	<u>-</u>	<u>4,429,728</u>	<u>4,672,120</u>
1,133,385	4,518,956	-	10,441	146,289	156,730	-	4,675,686	4,066,656
-	120,599	-	5,552	-	5,552	-	126,151	114,211
86,436	341,744	-	1,247	10,318	11,565	-	353,309	306,969
-	93,386	-	-	-	-	-	93,386	4,650
169,152	638,893	-	1,582	17,911	19,493	-	658,386	460,684
86,820	346,449	-	1,528	15,364	16,892	-	363,341	358,114
<u>1,475,793</u>	<u>6,060,027</u>	<u>-</u>	<u>20,350</u>	<u>189,882</u>	<u>210,232</u>	<u>-</u>	<u>6,270,259</u>	<u>5,311,284</u>
20,795	93,926	-	-	-	-	-	93,926	88,502
12,311	55,606	-	-	-	-	-	55,606	49,515
10,481	47,340	-	-	1,955	1,955	-	49,295	78,283
6,497	29,344	-	-	-	-	-	29,344	17,393
52,925	239,049	-	-	-	-	-	239,049	116,971
11,400	51,491	-	-	-	-	-	51,491	53,641
<u>114,409</u>	<u>516,756</u>	<u>-</u>	<u>-</u>	<u>1,955</u>	<u>1,955</u>	<u>-</u>	<u>518,711</u>	<u>404,305</u>
81,901	369,923	-	-	-	-	-	369,923	72,725
11,219	61,904	-	-	23,024	23,024	-	84,928	83,429
12,487	56,401	-	2,440	12,287	14,727	-	71,128	55,447
9,259	41,818	-	-	8,095	8,095	-	49,913	60,295
10,178	48,570	-	99	-	99	-	48,669	70,850
3,476	15,700	-	-	-	-	-	15,700	39,432
89,928	406,181	-	-	-	-	-	406,181	655,814
3,467	15,660	-	-	332	332	-	15,992	4,347
41,093	258,001	-	-	-	-	-	258,001	258,496
-	330,000	52,500	-	-	52,500	(382,500)	-	-
<u>263,008</u>	<u>1,604,158</u>	<u>52,500</u>	<u>2,539</u>	<u>43,738</u>	<u>98,777</u>	<u>(382,500)</u>	<u>1,320,435</u>	<u>1,300,835</u>
<u>\$ 2,085,124</u>	<u>\$ 12,413,819</u>	<u>\$ 61,947</u>	<u>\$ 42,514</u>	<u>\$ 403,353</u>	<u>\$ 507,814</u>	<u>\$ (382,500)</u>	<u>\$ 12,539,133</u>	<u>\$ 11,688,544</u>

INDIANAPOLIS CONVENTION & VISITORS ASSOCIATION, INC. AND SUBSIDIARY

Consolidating Statements of Cash Flows

For the Year Ended December 31, 2008

With Comparative Totals for December 31, 2007

Page 1 of 2

CHANGE IN CASH AND CASH EQUIVALENTS

	Indianapolis Convention & Visitors Association, Inc.	Tourism Tomorrow, Inc.	Eliminations	Consolidated Totals	
				2008	2007
Cash Flows from Operating Activities					
Cash received from organizations and others	\$ 10,813,047	\$ 359,420	\$ (589,161)	\$ 10,613,306	\$ 11,055,978
Cash paid to suppliers and employees	(10,689,428)	(510,002)	589,161	(10,610,269)	(10,379,499)
Investment income received	117,830	21,052	-	138,882	221,129
Other income received	130,535	55,897	-	186,432	155,493
<i>Net cash from operating activities</i>	<u>371,984</u>	<u>(43,633)</u>	<u>-</u>	<u>328,351</u>	<u>1,053,101</u>
Cash Flows from Investing Activities					
Change in accounts receivable - intercompany	(752)	4,583	(3,831)	-	-
Acquisition of property and equipment	(397,006)	(10,650)	-	(407,656)	(448,969)
Purchase of investments	(122,152)	(524,162)	-	(646,314)	(552,659)
Proceeds from investments	-	346,000	-	346,000	519,000
<i>Net cash from investing activities</i>	<u>(519,910)</u>	<u>(184,229)</u>	<u>(3,831)</u>	<u>(707,970)</u>	<u>(482,628)</u>
Cash Flows from Financing Activities					
Change in accounts payable - intercompany	(4,583)	752	3,831	-	-
Net Change in Cash and Cash Equivalents	<u>(152,509)</u>	<u>(227,110)</u>	<u>-</u>	<u>(379,619)</u>	<u>570,473</u>
Cash & Cash Equivalents, Beginning of Year	<u>1,770,241</u>	<u>419,346</u>	<u>-</u>	<u>2,189,587</u>	<u>1,619,114</u>
Cash & Cash Equivalents, End of Year	<u>\$ 1,617,732</u>	<u>\$ 192,236</u>	<u>\$ -</u>	<u>\$ 1,809,968</u>	<u>\$ 2,189,587</u>

See notes to consolidating financial statements.

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INDIANAPOLIS CONVENTION & VISITORS ASSOCIATION, INC. AND SUBSIDIARY
Consolidating Statements of Cash Flows, Continued
For the Year Ended December 31, 2008
With Comparative Totals for December 31, 2007

Page 2 of 2

RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH
AND CASH EQUIVALENTS PROVIDED BY OPERATING ACTIVITIES

	Indianapolis Convention & Visitors Association, Inc.	Tourism Tomorrow, Inc.	Eliminations	Consolidated Totals	
				2008	2007
Change in Net Assets	\$ (1,392,937)	\$ (47,063)	\$ -	\$ (1,440,000)	\$ 516,539
Adjustments to Reconcile Change in Net Assets To Net Cash and Cash Equivalents from Operating Activities					
Depreciation and amortization	406,181	-	-	406,181	655,814
Loss on disposal of property and equipment	1,016	-	-	1,016	-
Unrealized (gain) loss on investments	642,906	(1,302)	-	641,604	(4,097)
<i>(Increase) decrease in operating assets:</i>					
Accounts receivable:					
Trade accounts receivable	-	6,920	-	6,920	(5,780)
Membership dues	77,456	-	-	77,456	(37,840)
Convention and event	95,716	-	-	95,716	(93,156)
Advertising	(20,459)	-	-	(20,459)	3,860
Pledges	(18,500)	-	-	(18,500)	(138,230)
Other	64,194	-	-	64,194	80,926
Prepayments and other	192,358	(12,049)	-	180,309	(213,029)
<i>Increase (decrease) in operating liabilities:</i>					
Trade accounts payable	(24,562)	10,535	-	(14,027)	279,747
Other accruals	381,292	(674)	-	380,618	(29,107)
Deferred revenue:					
Membership dues	(18,145)	-	-	(18,145)	(26,232)
Advertising revenue	(3,582)	-	-	(3,582)	56,510
Other	(10,950)	-	-	(10,950)	7,196
<i>Total adjustments</i>	<u>1,764,921</u>	<u>3,430</u>	<u>-</u>	<u>1,768,351</u>	<u>536,562</u>
Net Cash and Cash Equivalents from Operating Activities	\$ <u>371,984</u>	\$ <u>(43,633)</u>	\$ <u>-</u>	\$ <u>328,351</u>	\$ <u>1,053,101</u>

See notes to consolidating financial statements.

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INDIANAPOLIS CONVENTION & VISITORS ASSOCIATION, INC. AND SUBSIDIARY

Notes to Consolidating Financial Statements

December 31, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Indianapolis Convention & Visitors Association, Inc. (the Association) was formed in 1923. Today, its mission is to advance Indianapolis tourism and economic growth. The Association assists visitors by providing services and information. The Association also assists the Capital Improvement Board of Marion County and member businesses by marketing their facilities, products and services to visiting groups and individuals.

The Association has contracted with the Capital Improvement Board of Managers (CIB) of Marion County to solicit and book conventions, expositions, trade shows and other meetings and to work in conjunction with the staff of the Indiana Convention Center & Lucas Oil Stadium (ICCLOS) on all conventions involving the ICCLOS' facilities. The CIB payments represent 68% of the Association's total revenue in 2008.

The Association is the sole member and parent of Tourism Tomorrow, Inc. (TTI). TTI was formed to educate the public regarding recreational and tourism opportunities available in central Indiana, conduct social science research in the public interest, provide research conclusions about the feasibility and viability of tourism related infrastructure, and to lessen the burdens of government, promote the social welfare and combat community deterioration by improving the economic conditions in central Indiana. Additionally, TTI operates under the name Music Crossroads to advance quality of life through attraction, support, collaboration and advocacy of leading national and international entrepreneurs in the arts.

Financial Statement Presentation

The accompanying consolidating financial statements have been prepared on the accrual basis of accounting. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Principles of Consolidation

The Association and TTI follow Statement of Financial Accounting Standards (SFAS) No. 94, *Consolidation of All-Majority Owned Subsidiaries*. Accordingly, the accounts of the Association's wholly owned subsidiary, TTI, are included in the Association's consolidating financial statements. Intercompany transactions include shared expenses and grants between the organizations. All significant intercompany transactions have been eliminated in consolidation.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Association and subsidiary consider most highly liquid investments instruments purchased with an original maturity of three months or less to be cash equivalents. There was \$720,027 of cash at December 31, 2008 in investments held for future commitments on the statement of financial position.

Accounts Receivable and Credit Policies

Accounts receivable are uncollateralized obligations due from members and others under normal trade terms requiring payment within 30 days from the invoice date. Accounts receivable are stated at the amount billed to the customer. Member account balances with invoices dated over 90 days old are considered delinquent. Payments of accounts receivable are allocated to the specific invoices identified on the member's remittance advice or, if unspecified, are applied to the earliest unpaid invoices.

INDIANAPOLIS CONVENTION & VISITORS ASSOCIATION, INC. AND SUBSIDIARY

Notes to Consolidating Financial Statements

December 31, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of the amounts that will not be collected. Management individually reviews all accounts receivable balances that exceed 90 days from invoice date and, based on an assessment of current creditworthiness, estimates the portion, if any, of the balance that will not be collected.

Pledges Receivable

The Association has adopted SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions received are recorded as unrestricted or temporarily restricted, depending on the existence or nature of any donor restrictions. The contributions are recognized when the donor makes a promise to give to the Association and are recorded at their fair market value as revenues and assets in the period received.

Pledges receivable within one year	\$ 166,500
Less allowance for doubtful accounts	<u>(9,750)</u>
	<u>\$ 156,750</u>

Property and Equipment

Property and equipment is recorded at cost. Depreciation is provided on the straight line method over the estimated useful lives of the depreciable assets. Maintenance and repairs are charged against earnings as incurred. Property and equipment is comprised of the following at December 31, 2008:

Leasehold improvements, office furniture and equipment	\$ 679,465
Computer equipment, software and web design	<u>1,639,691</u>
Accumulated depreciation	<u>(1,643,269)</u>
	<u>\$ 675,887</u>

Due to the convention center renovations, the Association vacated their office during 2008. See Note 7 for temporary lease terms. The CIB has agreed to provide the Association with a newly renovated space at no cost once the convention center project is complete.

Investments

The Association has adopted SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Under SFAS No. 124, investments in equity securities with readily determinable fair values and all investments in debt securities must be measured at fair value in the statements of financial position. Fair market value is the value of the security at market close on the date of valuation. Unrealized gains and losses are based on the differences between book value and fair value of each security and are reported in the statements of activities. All interest and dividends received from these investments are re-invested into the investment balance.

INDIANAPOLIS CONVENTION & VISITORS ASSOCIATION, INC. AND SUBSIDIARY
Notes to Consolidating Financial Statements
 December 31, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Fair Value Measurements

Fair values measured on a recurring basis at December 31, 2008 are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments	\$ 1,418,973	\$ 1,418,973	\$ -	\$ -

Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions. See Note 3.

Deferred Revenue

Membership dues and advertising revenue are recognized as revenue in the month in which they are earned. Deferred revenue represents amounts invoiced and/or received prior to December 31 of each year, which are applicable to the subsequent year.

Net Assets

The Association has adopted SFAS No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Association reports information regarding its financial position and activities according to the following classes of net assets:

Unrestricted

These include revenue and expenses from the regular operations of the Association, which are at the discretion of the Association's management and Board of Directors.

Temporarily Restricted

These include donations and grant revenues used to meet expenses of current operations in accordance with restrictions specified by the donors or grantors. When a donor restriction expires, that is, when a stipulated time restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted net assets at December 31, 2008 of \$166,500 were restricted for future use.

INDIANAPOLIS CONVENTION & VISITORS ASSOCIATION, INC. AND SUBSIDIARY
Notes to Consolidating Financial Statements
December 31, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Income Taxes

The Association is partially exempt from income taxes under Section 501(c)(6) of the Internal Revenue Code and has been classified as an Association that is not a private foundation under Section 509(a) of the Internal Revenue Code. Certain income of the Association can be subject to federal and state income tax. No income tax expense was incurred for 2008.

TTI is a not-for-profit Association exempt from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code, and has been classified as an Association that is not a private foundation under Section 509(a) of the Internal Revenue Code.

In June 2006, the FASB issued Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes*. FIN 48 provides detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in an enterprise's financial statements in accordance with SFAS No. 109, *Accounting for Income Taxes*.

On December 30, 2008, the FASB issued FASB Staff Position (FSP) FIN 48-3 which allows deferral of FIN 48 for nonpublic enterprises included within this FSP's scope to the annual financial statements for fiscal years beginning after December 15, 2008. The Association and TTI have elected to defer implementation of FIN 48 to the year ending on December 31, 2009. The Association and TTI do not expect that the adoption of FIN 48 will have a material effect on the financial position, results of operations or cash flows.

The Association and TTI individually evaluate the activities to determine that they are in compliance with their exempt purposes. For those activities that the Association and TTI determine to be unrelated business income, the Association and TTI record the resulting unrelated business income tax liability, if any.

Advertising

The Association and TTI incurred \$1,461,568 in advertising production, advertising placement, and advertising/sponsorship commission expense for the year ended December 31, 2008. These costs were expensed as incurred.

2. UNINSURED CASH BALANCES

The Association and TTI's cash and cash equivalents are comprised of cash accounts at a commercial bank and a money market account with a national investment company. Accounts at the bank are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank. The money market account is insured by Securities Investor Protection Corporation (SIPC) up to \$250,000. At various times during the year and at year-end, the Association and TTI had balances in excess of federally insured limits.

INDIANAPOLIS CONVENTION & VISITORS ASSOCIATION, INC. AND SUBSIDIARY
Notes to Consolidating Financial Statements
 December 31, 2008

3. INVESTMENTS

Cost and fair value at December 31, 2008 are as follows:

	Cost	Unrealized Gain/(Loss)	Market Value
Cash	\$ 720,027	\$ -	\$ 720,027
Mutual funds	506,382	(204,473)	301,909
Equity securities	832,348	(189,394)	642,954
Certificates of Deposit	473,000	1,110	474,110
	<u>\$ 2,531,757</u>	<u>\$ (392,757)</u>	<u>\$ 2,139,000</u>

The net investment loss for the year ended December 31, 2008 is comprised of the following:

Interest income	\$ 55,776
Dividend income	83,106
Unrealized loss	<u>(641,604)</u>
	<u>\$ (502,722)</u>

4. RETIREMENT PLANS

The Association and TTI have a 401(k) plan for all full-time employees with more than one year of service. The Association contributes a maximum of 10% of the employee's W-2 wages to the plan. This is comprised of a 4% safe harbor contribution utilizing a matching formula and a discretionary contribution of an additional 1% match and 5% contribution. The plan provides that forfeitures will be applied as a reduction to the current year employer contribution. Safe harbor contributions are 100% vested on the date of contribution. For all other contributions, vesting begins with 20% at two years of service and increases by 20% each year thereafter until the employee becomes fully vested after six years of service. In 2008, \$363,341 was expensed.

In addition, the Association has recorded a liability for post employment benefits for current and retired key employees totaling approximately \$223,000.

5. CONTRIBUTED GOODS AND USE OF FACILITIES

During 2008, contributed goods and use of facilities were received by the Association and TTI. The fair market value of these goods and facilities of \$585,906 has been reflected in the accompanying financial statements, which includes \$258,001 for office rent and parking. Other contributed goods include printing, travel and other promotional items. These transactions have been treated as noncash transactions and have been excluded from the statement of cash flows.

6. RELATED PARTY TRANSACTIONS

At December 31, 2008, the Association had \$26,715 due from and owed \$201,052 to companies related to members of the board of directors. The Association paid companies related to the board of directors approximately \$819,675 for insurance, legal and other services during 2008.

INDIANAPOLIS CONVENTION & VISITORS ASSOCIATION, INC. AND SUBSIDIARY
Notes to Consolidating Financial Statements
December 31, 2008

7. OPERATING LEASES

The Association has office equipment operating leases which are payable in monthly installments through 2010. Total equipment rent was \$64,824 for 2008.

The Association has two leases for communications and internet services. The leases are payable in monthly installments through 2009. Total lease expense for 2008 was \$38,437.

The Association entered into a lease for temporary office space while expansion of the convention center is taking place. The lease term is March 2008 through April 2011 with monthly payments of \$24,138 through April 2009, \$24,493 through April 2010, and \$24,848 through April 2011. Moreover, the Association leases additional office space for \$2,299 per month through December 2011. Total office rent for 2008 was \$213,219.

TTI entered into a lease for office space during 2008. The lease term is February 2009 through February 2019 with monthly payments of \$21,042. As discussed in Note 8, TTI has agreed to two subleases.

Future minimum annual rental payments for these operating leases over the remaining terms of the leases are as follows:

	Gross	Sublease	Net
2009	\$ 663,943	\$ 71,184	\$ 592,759
2010	614,595	106,776	507,819
2011	354,214	106,776	247,438
2012	252,500	106,776	145,724
2013	252,500	106,776	145,724
Thereafter	<u>1,031,042</u>	<u>569,472</u>	<u>461,570</u>
	<u>\$ 3,168,794</u>	<u>\$ 1,067,760</u>	<u>\$ 2,101,034</u>

8. COMMITMENTS

As of December 31, 2008, the Association has committed to spend \$5,378,717 on future conventions (definite bookings) to be held from 2009 through 2018.

Future minimum commitments for future conventions are as follows:

	Required Expenses	Projected Income	Collection Only Rebates	Projected Deficit
2009	\$ 1,009,662	\$ (239,762)	\$ (91,015)	\$ (860,915)
2010	978,302	(74,299)	(9,849)	(913,852)
2011	1,006,408	(229,009)	(34,664)	(812,063)
2012	910,870	(127,845)	-	(783,025)
2013	454,603	(81,501)	-	(373,102)
Thereafter	<u>1,018,872</u>	<u>(191,435)</u>	<u>(34,664)</u>	<u>(862,101)</u>
	<u>\$ 5,378,717</u>	<u>\$ (943,851)</u>	<u>\$ (170,192)</u>	<u>\$ (4,605,058)</u>

In addition, the Association has a cancellable contract with the Indiana Sports Corporation (ISC) that provides for an annual payment of \$150,000 to ISC to promote sporting events in the City of Indianapolis.

INDIANAPOLIS CONVENTION & VISITORS ASSOCIATION, INC. AND SUBSIDIARY
Notes to Consolidating Financial Statements
December 31, 2008

8. COMMITMENTS, CONTINUED

In exchange for their long-term commitment to conduct events in Indianapolis, the Association has agreed to facilitate a 10 year real estate lease for the national headquarters of two associations at below market value rates. The Association believes that these leases will be completed in a way that represents no material liability for the Association.

Subsequent to the balance sheet date, TTI entered into a construction contract for the build out of the leased office space in the amount of \$300,000. Concurrently, the Subsidiary entered into two separate subleases that are contingent upon the completion of the build out by May 2009.

GS&CO Greenwalt Sponsel & Co., Inc.

Business & Financial Advisors

Certified Public Accountants

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

To the Board of Directors of
Indianapolis Convention & Visitors Association, Inc.:

We have audited the consolidating financial statements of Indianapolis Convention & Visitors Association, Inc. and Subsidiary (the Association) as of and for the year ended December 31, 2008, and have issued our report thereon dated April 20, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States and *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit for the year ended December 31, 2008, we considered the Association's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidating financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Association'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.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that, in the auditors' professional judgment is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the 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 the 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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association's consolidating 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*.

This report is intended solely for the information and use of the Board of Directors and management of the Association and the Indiana State Board of Accounts and is not intended to be and should not be used by anyone other than these specified parties.

April 20, 2009

Greenwalt Sponcel & Co., Inc.