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December 31, 2009

Board of Directors
Tourism Tomorrow, Inc.
One RCA Dome, Ste. 100
Indianapolis, IN 46225

We have reviewed the audit report prepared by Greenwalt Sponsel & Co., 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 Tourism Tomorrow, 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

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

Consolidating Financial Statements

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

December 31, 2007

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, 2007 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. Information for the year ended December 31, 2006 was audited by us and is presented for comparative purposes only.

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 (2007 Revision) 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, 2007, 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 February 15, 2008 on our consideration of the Association's compliance and internal controls over financial reporting.

February 15, 2008

Greenwalt Sponsel & Co., Inc.

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INDIANAPOLIS CONVENTION & VISITORS ASSOCIATION, INC. AND SUBSIDIARY
Consolidating Statements of Financial Position
December 31, 2007
With Comparative Totals for December 31, 2006

ASSETS	Indianapolis	Tourism	Eliminations	Consolidated	
	Convention & Visitors Association, Inc.	Tomorrow, Inc.		2007	2006
Current Assets					
Cash and cash equivalents	\$ 1,770,241	\$ 419,346	\$ -	\$ 2,189,587	\$ 1,619,114
Accounts receivable					
Membership dues	421,029	-	-	421,029	383,189
Intercompany	16,954	32,083	(49,037)	-	-
Convention and event, less allowance for doubtful accounts of \$10,000 and \$1,750, respectively	317,869	-	-	317,869	224,713
Advertising, less allowance for doubtful accounts of \$9,000 and \$9,000, respectively	29,087	-	-	29,087	32,947
Pledges, less allowance for doubtful accounts of \$10,000 and \$0, respectively	138,250	-	-	138,250	-
Other, less allowance for doubtful accounts of \$18,250 and \$3,250, respectively	100,444	10,660	-	111,104	186,250
Prepayments and other	536,705	250	-	536,955	323,926
<i>Total current assets</i>	<u>3,330,579</u>	<u>462,339</u>	<u>(49,037)</u>	<u>3,743,881</u>	<u>2,770,139</u>
Property and Equipment, Net	675,428	-	-	675,428	882,273
Other Assets					
Investments held for future commitments	2,134,482	345,808	-	2,480,290	2,442,534
<i>Total assets</i>	<u>\$ 6,140,489</u>	<u>\$ 808,147</u>	<u>\$ (49,037)</u>	<u>\$ 6,899,599</u>	<u>\$ 6,094,946</u>
<u>LIABILITIES AND NET ASSETS</u>					
Current Liabilities					
Trade accounts payable	\$ 421,914	\$ 8,032	\$ -	\$ 429,946	\$ 150,199
Accounts payable - intercompany	32,083	16,954	(49,037)	-	-
Other accruals	609,451	674	-	610,125	639,232
Deferred revenue					
Membership dues	597,810	-	-	597,810	624,042
Advertising revenue	116,827	-	-	116,827	60,317
Other	34,696	-	-	34,696	27,500
<i>Total current liabilities</i>	<u>1,812,781</u>	<u>25,660</u>	<u>(49,037)</u>	<u>1,789,404</u>	<u>1,501,290</u>
Commitments (Notes 6 and 7)					
Net Assets					
Unrestricted net assets	4,179,458	782,487	-	4,961,945	4,593,656
Temporarily restricted net assets	148,250	-	-	148,250	-
<i>Total net assets</i>	<u>4,327,708</u>	<u>782,487</u>	<u>-</u>	<u>5,110,195</u>	<u>4,593,656</u>
<i>Total liabilities and net assets</i>	<u>\$ 6,140,489</u>	<u>\$ 808,147</u>	<u>\$ (49,037)</u>	<u>\$ 6,899,599</u>	<u>\$ 6,094,946</u>

See notes to consolidating financial statements.

INDIANAPOLIS CONVENTION & VISITORS ASSOCIATION, INC. AND SUBSIDIARY

Consolidating Statements of Activities

For the Year Ended December 31, 2007

With Comparative Totals for December 31, 2006

	Indianapolis Convention & Visitors Association, Inc.	Tourism Tomorrow, Inc.	Eliminations	Consolidated Totals	
				2007	2006
Unrestricted Revenue					
Promotional service fees	\$ 7,736,800	\$ -	\$ -	\$ 7,736,800	\$ 7,052,923
Membership dues	704,127	-	-	704,127	742,755
Subscription and advertising revenue	528,908	-	-	528,908	482,985
Convention and event	457,120	-	-	457,120	427,478
City of Indianapolis	95,000	-	-	95,000	95,000
Programs	393,927	-	-	393,927	350,256
Sponsorship and grant	1,084,044	100,000	-	1,184,044	531,798
Intercompany grants	100,000	489,161	(589,161)	-	-
Investment income	197,573	27,653	-	225,226	248,112
Other income	150,305	5,188	-	155,493	140,303
Contributed goods and facilities	575,693	495	-	576,188	594,034
<i>Total unrestricted revenue</i>	<u>12,023,497</u>	<u>622,497</u>	<u>(589,161)</u>	<u>12,056,833</u>	<u>10,665,644</u>
Temporarily Restricted Revenue					
Marketing campaign	148,250	-	-	148,250	-
<i>Total revenue</i>	<u>12,171,747</u>	<u>622,497</u>	<u>(589,161)</u>	<u>12,205,083</u>	<u>10,665,644</u>
Unrestricted Expenses					
Indianapolis Convention and Visitors Association					
Group sales	4,459,970	-	-	4,459,970	3,834,003
Individual sales	1,476,694	-	-	1,476,694	1,194,818
Convention services	658,709	-	-	658,709	642,399
Partnership development	939,031	-	-	939,031	1,061,247
Administration	1,292,655	-	(489,161)	803,494	761,364
Housing	766,350	-	-	766,350	720,912
Marketing and communications	2,163,623	-	-	2,163,623	1,868,862
Tourism Tomorrow					
Destination development	-	181,112	(100,000)	81,112	133,323
Visit Indy	-	89,952	-	89,952	174,033
Music initiative	-	249,609	-	249,609	-
<i>Total unrestricted expenses</i>	<u>11,757,032</u>	<u>520,673</u>	<u>(589,161)</u>	<u>11,688,544</u>	<u>10,390,961</u>
Change in Net Assets	414,715	101,824	-	516,539	274,683
Net Assets, Beginning of Year	<u>3,912,993</u>	<u>680,663</u>	<u>-</u>	<u>4,593,656</u>	<u>4,318,973</u>
Net Assets, End of Year	<u>\$ 4,327,708</u>	<u>\$ 782,487</u>	<u>\$ -</u>	<u>\$ 5,110,195</u>	<u>\$ 4,593,656</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, 2007
With Comparative Totals for December 31, 2006

	Indianapolis Convention & Visitors Association, Inc.										Tourism Tomorrow, Inc.		Consolidated Totals		
	Group Sales	Individual Sales	Convention Services	Partnership Development	Administration	Housing	Marketing & Communications	Total	Destination Development	Vital Indy	Music Initiative	Total	Eliminations	2007	2006
Direct Promotional Expenses															
Advertising production	\$ 134,415			3,495	5,564		\$ 126,350	\$ 126,350	\$ 81,112			\$ 81,112		\$ 226,350	\$ 42,014
Market research	138,871	1,087,954					194,110	194,110	40,636			40,636		265,222	184,466
Advertising placement	89,531	56,492	20,828	281,278			200,000	200,000	1,426,825			1,426,825		1,426,825	821,106
Collateral and promotional materials	4,845	62,541					99,501	99,501	18,268			18,268		576,355	651,497
Collateral fulfillment	178,470						67,386	67,386						67,386	40,693
Marketing contracts	113,666						91,285	209,755						269,755	389,647
Sales tapes and bid presentations	253,449					71	12,652	126,318						126,318	107,121
Client development	209,236						3,563	413,579						426,085	354,716
Site visits	661,886						16,353	179,239						181,995	219,007
Trade shows							33,818	267,144						287,989	221,077
Convention and event requirements						217,082		917,870						917,870	752,369
Travel direct promotional expenses	1,914,977	1,206,987	99,577	466,790	5,564	217,153	624,158	4,535,206	81,112	18,268	37,534	136,914		4,672,120	3,783,713
Personnel Expenses															
Salaries	1,502,877	172,433	328,092	276,727	449,895	224,235	924,539	3,878,798		47,464	140,394	187,858		4,066,656	3,948,782
Part-time wages	6,949	811				98,138		108,716		5,495		5,495		114,211	118,846
Payroll taxes	111,494	12,411	24,110	21,974	32,686	23,804	66,380	293,059		3,984	9,926	13,910		306,969	294,227
Placement fees	3,361			1,289			4,650					4,650		12,399	12,399
Employee group insurance	103,281	7,215	35,626	23,576	66,381	28,403	115,555	439,737		4,910	16,037	20,947		460,684	459,865
Pension	114,389	18,755	33,794	13,972	43,427	27,078	86,399	337,814		5,204	15,096	20,300		358,114	394,996
Total personnel expenses	1,902,351	211,625	424,440	337,538	592,389	401,658	1,192,773	5,062,774		67,657	181,433	248,310		5,311,284	5,229,115
Office Expenses															
Telephone	33,797	2,970	7,159	7,459	10,720	6,699	19,568	88,381		120		120		88,501	92,831
Postage	18,918	1,662	4,007	4,175	6,007	3,750	10,953	49,472		43		43		49,515	77,631
Office supplies	29,145	2,561	6,173	6,433	9,253	5,777	16,874	76,216		335	1,732	2,067		78,283	47,090
Repairs and maintenance	6,651	584	1,469	1,468	2,111	1,318	3,851	17,292						17,292	21,397
Office and equipment rent	44,730	3,930	9,475	9,972	14,201	8,866	25,898	116,972						116,972	103,509
Insurance - office coverage	20,513	1,802	4,345	4,527	6,513	4,056	11,876	53,642						53,642	51,184
Total office expenses	153,754	13,569	32,568	33,934	48,814	30,476	89,220	402,075		498	1,732	2,230		404,305	393,642
Other Expenses															
Professional fees	27,810	2,444	5,891	6,138	8,828	5,513	16,101	72,725						72,725	54,578
Civic involvement	39,348	1,502	3,620	3,772	5,424	3,387	9,894	66,947			16,482	16,482		83,429	54,091
Mileage	16,940	1,488	3,998	3,739	5,378	3,398	9,808	44,299		3,420	7,727	11,147		55,446	56,033
Membership dues and subscriptions	21,475	1,887	4,549	4,740	6,817	4,257	12,434	56,159			4,136	4,136		60,295	43,691
Human resources development	32,803	2,063	4,972	5,181	7,452	4,633	13,590	70,714				137		70,851	53,631
Bid debts	15,079	1,325	3,194	3,328	4,787	2,989	8,730	39,432						39,432	27,501
Depreciation and amortization	250,783	22,035	53,121	55,331	79,616	49,711	145,197	655,814						655,814	432,283
Miscellaneous	1,424	125	302	314	453	282	825	3,725		77	545	622		4,347	4,187
Noncash rent and parking	83,226	11,704	22,887	18,206	37,972	42,913	41,093	258,001						258,001	258,496
Intercompany grants					489,161			489,161	100,000			100,000	(589,161)		
Total other expenses	488,888	44,573	102,124	100,769	645,888	117,063	257,672	1,756,977	100,000	28,890		133,019	(589,161)	1,300,835	984,491
Total expenses	\$ 4,459,970	\$ 1,476,694	\$ 688,709	\$ 939,031	\$ 1,222,655	\$ 766,350	\$ 2,163,623	\$ 11,175,032	\$ 181,112	\$ 89,952	\$ 249,669	\$ 520,673	\$ (589,161)	\$ 11,685,544	\$ 10,390,261

See notes to consolidating financial statements.

INDIANAPOLIS CONVENTION & VISITORS ASSOCIATION, INC. AND SUBSIDIARY

Consolidating Statements of Cash Flows

For the Year Ended December 31, 2007

With Comparative Totals for December 31, 2006

Page 1 of 2

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	Indianapolis Convention & Visitors Association, Inc.	Tourism Tomorrow, Inc.	Eliminations	Consolidated Totals	
				2007	2006
Cash Flows from Operating Activities					
Cash received from organizations and others	\$ 11,061,758	\$ 583,381	\$ (589,161)	\$ 11,055,978	\$ 9,443,492
Cash paid to suppliers and employees	(10,453,063)	(515,597)	589,161	(10,379,499)	(9,631,414)
Investment income received	194,773	26,356	-	221,129	99,271
Other income received	150,305	5,188	-	155,493	259,331
<i>Net cash from operating activities</i>	<u>953,773</u>	<u>99,328</u>	<u>-</u>	<u>1,053,101</u>	<u>170,680</u>
Cash Flows from Investing Activities					
Change in accounts receivable - intercompany	18,378	(4,301)	(14,077)	-	-
Acquisition of property and equipment	(448,969)	-	-	(448,969)	(239,102)
Purchase of investments	(206,659)	(346,000)	-	(552,659)	(1,752,770)
Proceeds from investments	-	519,000	-	519,000	1,600,000
<i>Net cash from investing activities</i>	<u>(637,250)</u>	<u>168,699</u>	<u>(14,077)</u>	<u>(482,628)</u>	<u>(391,872)</u>
Cash Flows from Financing Activities					
Change in accounts payable - intercompany	4,301	(18,378)	14,077	-	-
Net Change in Cash and Cash Equivalents	320,824	249,649	-	570,473	(221,192)
Cash & Cash Equivalents, Beginning of Year	<u>1,449,417</u>	<u>169,697</u>	<u>-</u>	<u>1,619,114</u>	<u>1,840,306</u>
Cash & Cash Equivalents, End of Year	<u>\$ 1,770,241</u>	<u>\$ 419,346</u>	<u>\$ -</u>	<u>\$ 2,189,587</u>	<u>\$ 1,619,114</u>

INDIANAPOLIS CONVENTION & VISITORS ASSOCIATION, INC. AND SUBSIDIARY

Consolidating Statements of Cash Flows, Continued

For the Year Ended December 31, 2007

With Comparative Totals for December 31, 2006

Page 2 of 2

	Indianapolis	Tourism	Eliminations	Consolidated	
	Convention & Visitors Association, Inc.	Tomorrow, Inc.		2007	2006
Change in Net Assets	<u>\$ 414,715</u>	<u>\$ 101,824</u>	<u>\$ -</u>	<u>\$ 516,539</u>	<u>\$ 274,683</u>
Adjustments to Reconcile Change in Net Assets To Net Cash and Cash Equivalents from Operating Activities					
Depreciation and amortization	655,814	-	-	655,814	432,283
Unrealized gain on investments	(2,800)	(1,297)	-	(4,097)	(128,330)
Realized gain on investments	-	-	-	-	(20,511)
<i>(Increase) decrease in operating assets:</i>					
Accounts receivable					
Trade accounts receivable	-	(5,780)	-	(5,780)	(302)
Membership dues	(37,840)	-	-	(37,840)	258,411
Convention and event	(93,156)	-	-	(93,156)	(154,201)
Advertising	3,860	-	-	3,860	(2,264)
Pledges	(138,250)	-	-	(138,250)	-
Other	80,926	-	-	80,926	(99,503)
Prepayments and other	(213,029)	-	-	(213,029)	(24,786)
<i>Increase (decrease) in operating liabilities:</i>					
Trade accounts payable	275,840	3,907	-	279,747	(525,764)
Other accruals	(29,781)	674	-	(29,107)	256,279
Deferred revenue					
Membership dues	(26,232)	-	-	(26,232)	(74,273)
Advertising revenue	56,510	-	-	56,510	(8,392)
Other	7,196	-	-	7,196	(12,650)
<i>Total adjustments</i>	<u>539,058</u>	<u>(2,496)</u>	<u>-</u>	<u>536,562</u>	<u>(104,003)</u>
Net Cash from Operating Activities	<u>\$ 953,773</u>	<u>\$ 99,328</u>	<u>\$ -</u>	<u>\$ 1,053,101</u>	<u>\$ 170,680</u>

INDIANAPOLIS CONVENTION & VISITORS ASSOCIATION, INC. AND SUBSIDIARY

Notes to Consolidating Financial Statements

December 31, 2007

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 & RCA Dome (ICCRD) on all conventions involving the ICCRD's facilities. The CIB payments represent 63% of the Association's total revenue in 2007.

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.

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 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 Associations. 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 all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

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, 2007

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 and Grants 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	\$ 148,250
Less allowance for doubtful accounts	<u>(10,000)</u>
	<u>\$ 138,250</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, 2007:

Leasehold improvements, office furniture and equipment	\$ 1,553,901
Computer equipment, software and web design	<u>1,422,610</u>
	2,976,511
Accumulated depreciation	<u>(2,301,083)</u>
	<u>\$ 675,428</u>

The Association will vacate their current offices by March 2008, due to the convention center renovations. See Note 6 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 *Statement of Financial Accounting Standards (SFAS) No. 124, Accounting for Certain Investments Held by Not-for-Profit Associations*. 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.

INDIANAPOLIS CONVENTION & VISITORS ASSOCIATION, INC. AND SUBSIDIARY
Notes to Consolidating Financial Statements
December 31, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Cost and fair value at December 31, 2007 are as follows:

	<u>Cost</u>	<u>Unrealized Gain/(Loss)</u>	<u>Market Value</u>
Cash	\$ 585,215	\$ -	\$ 585,215
Mutual funds	413,760	82,094	495,854
Equity securities	879,009	174,404	1,053,413
Certificates of Deposit	<u>346,000</u>	<u>(192)</u>	<u>345,808</u>
	<u>\$ 2,223,984</u>	<u>\$ 256,306</u>	<u>\$ 2,480,290</u>

Investment income for the year ended December 31, 2007 is comprised of the following:

Interest income	\$ 58,215
Dividend income	162,914
Unrealized gain	<u>4,097</u>
	<u>\$ 225,226</u>

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 net assets and temporarily restricted net assets.

Unrestricted

These include revenue and expenses from the regular operations of the Association, which are at the discretion of the Associations 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, 2007 of \$148,250 were restricted for future use.

INDIANAPOLIS CONVENTION & VISITORS ASSOCIATION, INC. AND SUBSIDIARY
Notes to Consolidating Financial Statements
December 31, 2007

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 2007.

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

Advertising

The Association and subsidiary incurred \$1,553,175 in advertising production, advertising placement, and advertising/sponsorship commission expense for the year ended December 31, 2007. These costs were expensed as incurred.

Reclassification

Certain items in the 2006 financial statements have been retroactively reclassified to conform to the 2007 presentation. These reclassifications had no effect on net assets at December 31, 2006.

2. UNINSURED CASH BALANCES

The Association and subsidiary'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 \$100,000 per bank. The money market account is insured by Securities Investor Protection Corporation (SIPC) up to \$100,000. At various times during the year and at year-end, the Association and TTI had balances in excess of federally insured limits.

3. RETIREMENT PLANS

The Association and subsidiary 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 2007, \$358,114 was expensed.

In addition, the Association has recorded a liability for post employment benefits for current and retired key employees totaling approximately \$178,000.

4. CONTRIBUTED GOODS AND USE OF FACILITIES

During 2007, contributed goods and use of facilities were received by the Association and subsidiary. The fair market value of these goods and facilities of \$575,694 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.

INDIANAPOLIS CONVENTION & VISITORS ASSOCIATION, INC. AND SUBSIDIARY

Notes to Consolidating Financial Statements

December 31, 2007

5. RELATED PARTY TRANSACTIONS

At December 31, 2007, the Association was owed \$42,397 from and owed \$130,774 to companies related to members of the board of directors. The Association paid companies related to the board of directors approximately \$1,301,148 for insurance, legal and other services during 2007.

6. OPERATING LEASES

The Association acquired various office equipment under operating leases which are payable in various monthly installments through 2010. Moreover, the Association leased additional office space for \$2,169 per month through December 2007 and renewed the lease for \$2,299 per month through December 2009. Total equipment rent was \$64,824 for 2007. Total office rent for 2007 was \$26,028.

The Association has two leases for communications and internet services. The leases are payable in monthly installments through 2009. Total lease expense for 2007 was \$18,250.

Subsequent to December 31, 2007, 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 straight-line monthly payments of \$23,204 included in the payment schedule below. Additionally, the Association entered into a \$58,000 construction contract to build out this temporary office space.

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

2008	\$ 290,943
2009	369,535
2010	315,927
2011	139,223
	<hr/>
	\$ 1,115,628

7. COMMITMENTS

As of December 31, 2007, the Association has committed to spend \$4,498,450 on future conventions (definite bookings) and association relocations to be held from 2008 through 2018.

Future minimum commitments for future conventions are as follows:

	Required <u>Expenses</u>	Projected <u>Income</u>	Projected <u>Deficit</u>
2008	\$ 848,723	\$ 64,187	\$ (784,536)
2009	763,520	132,501	(631,019)
2010	649,311	25,575	(623,736)
2011	876,095	228,932	(647,163)
2012	621,655	60,162	(561,493)
Thereafter	739,146	272,859	(466,287)
	<hr/>	<hr/>	<hr/>
	\$ 4,498,450	\$ 784,216	\$ (3,714,234)

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, 2007

8. RECLASSIFICATIONS

Certain items of the December 31, 2006 financial statements have been retroactively reclassified to conform with the December 31, 2007 presentation. These reclassifications had no effect at December 31, 2006.

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. (the Association) as of and for the year ended December 31, 2007, and have issued our report thereon dated February 15, 2008. 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, 2007, 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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 Indianapolis Convention and Visitors Association, Inc. 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.

Greenwell Sponsel & Co., Inc.

February 15, 2008