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AN EQUAL OPPORTUNITY EMPLOYER

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STATE BOARD OF ACCOUNTS
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February 3, 2010

Board of Directors
Vincennes/Knox County Convention
and Visitors Bureau, Inc.
102 N. 3rd St.
P.O. Box 602
Vincennes, IN 47591

We have reviewed the audit report prepared by Kemper CPA Group, LLP, Independent Public Accountants, for the period January 1, 2006 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 Vincennes/Knox County Convention and Visitors Bureau, Inc., as of December 31, 2007 and 2006, and the results of its operations for the periods 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.

We call your attention to the findings in the report. The management letter contains three comments.

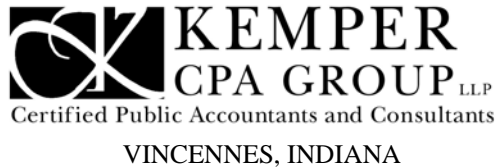
STATE BOARD OF ACCOUNTS

FINANCIAL STATEMENTS

**VINCENNES/KNOX COUNTY CONVENTION
AND VISITORS BUREAU, INC.
(An Indiana Nonprofit Corporation)**

VINCENNES, INDIANA

December 31, 2007 and 2006



VINCENNES/KNOX COUNTY CONVENTION AND VISITORS BUREAU, INC.

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INDEPENDENT AUDITOR'S REPORT

To The Board of Directors
Vincennes/Knox County Convention and Visitors Bureau, Inc.
Vincennes, Indiana

We have audited the accompanying statements of financial position of Vincennes/Knox County Convention and Visitors Bureau, Inc. (a not-for-profit corporation) as of December 31, 2007 and 2006 and the related statements of activities 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 audits 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 Vincennes/Knox 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.



Certified Public Accountants and Consultants

July 22, 2008

VINCENNES/KNOX COUNTY CONVENTION AND VISITORS BUREAU, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2007 and 2006

| | <u>2007</u> | <u>2006</u> |
|---|-------------------|-------------------|
| <u>ASSETS</u> | | |
| CURRENT ASSETS | | |
| Cash | \$ 40,754 | 116,960 |
| Certificates of deposits | 156,512 | 50,000 |
| Grant receivable | 62,000 | 46,000 |
| Accounts receivable | 437 | 0 |
| Current portion of note receivable | 1,200 | 0 |
| TOTAL CURRENT ASSETS | <u>260,903</u> | <u>212,960</u> |
| FIXED ASSETS | | |
| Office equipment | 10,253 | 10,253 |
| Leasehold improvements | 20,550 | 900 |
| Less: accumulated depreciation | <u>(8,114)</u> | <u>(5,554)</u> |
| TOTAL FIXED ASSETS | <u>22,689</u> | <u>5,599</u> |
| OTHER ASSETS | | |
| Note receivable, net current portion | <u>13,343</u> | <u>0</u> |
| TOTAL OTHER ASSETS | <u>13,343</u> | <u>0</u> |
| TOTAL ASSETS | <u>\$ 296,935</u> | <u>\$ 218,559</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 1,378 | \$ 248 |
| Payroll tax withholding | <u>1,287</u> | <u>(59)</u> |
| TOTAL CURRENT LIABILITIES | <u>2,665</u> | <u>189</u> |
| NET ASSETS | | |
| Unrestricted | <u>294,270</u> | <u>218,370</u> |
| TOTAL NET ASSETS | <u>294,270</u> | <u>218,370</u> |
| TOTAL LIABILITIES & NET ASSETS | <u>\$ 296,935</u> | <u>\$ 218,559</u> |

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

VINCENNES/KNOX COUNTY CONVENTION AND VISITORS BUREAU, INC.

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2007 and 2006

| | <u>2007</u> | <u>2006</u> |
|---|-----------------------|-----------------------|
| REVENUE AND OTHER SUPPORT | | |
| Tourism commission grant | \$ 219,412 | \$ 215,000 |
| Guided tour revenue | 1,085 | 0 |
| In-kind donations | 2,880 | 2,880 |
| Membership fees | 3,157 | 2,760 |
| Interest income | 6,996 | 3,661 |
| Miscellaneous income | 5,180 | 2,471 |
| Afghans and replicas income | 2,722 | 3,269 |
| TOTAL REVENUE AND OTHER SUPPORT | 241,432 | 230,041 |
| EXPENSES | | |
| Wages | 51,819 | 46,160 |
| Public relations and advertising | 69,436 | 57,587 |
| Seminars | 1,484 | 63 |
| Depreciation | 2,560 | 3,140 |
| Dues and subscriptions | 4,034 | 3,924 |
| Insurance | 2,500 | 375 |
| Accounting and legal | 4,341 | 4,271 |
| Afghans and replicas | 2,012 | 1,683 |
| Postage | 2,492 | 4,158 |
| Office expense | 9,198 | 12,016 |
| In-kind rent expense | 2,880 | 2,880 |
| Payroll taxes | 4,606 | 3,366 |
| Other taxes | 0 | 210 |
| Telephone | 2,794 | 2,375 |
| Travel | 2,527 | 2,545 |
| Miscellaneous | 2,006 | 3,702 |
| Repairs and maintenance | 843 | 2,574 |
| TOTAL EXPENSES | 165,532 | 151,029 |
| CHANGE IN UNRESTRICTED NET ASSETS | 75,900 | 79,012 |
| UNRESTRICTED NET ASSETS, beginning of year | 218,370 | 139,358 |
| UNRESTRICTED NET ASSETS, end of year | \$ 294,270 | \$ 218,370 |

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

VINCENNES/KNOX COUNTY CONVENTION AND VISITORS BUREAU, INC.

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2007 and 2006

| | <u>2007</u> | <u>2006</u> |
|---|------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Increase in net assets | \$ 75,900 | \$ 79,012 |
| Adjustments to reconcile increase in net assets to net cash used by operating activities | | |
| Depreciation | 2,560 | 3,140 |
| (Increase) Decrease in grant receivables | (16,000) | (1,000) |
| (Increase) Decrease in accounts receivables | (437) | 0 |
| Increase (Decrease) in accounts payable | 1,130 | (3,114) |
| Increase (Decrease) in payroll liabilities | 1,346 | (1,317) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>64,499</u> | <u>76,721</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of certificates of deposit | (106,512) | 0 |
| Purchase of property and equipment | (19,650) | 0 |
| Advances on note receivable | (14,943) | 0 |
| Payments on note receivable | 400 | 0 |
| NET CASH USED IN INVESTING ACTIVITIES | <u>(140,705)</u> | <u>0</u> |
| INCREASE (DECREASE) IN CASH | (76,206) | 76,721 |
| CASH, beginning of year | <u>116,960</u> | <u>40,239</u> |
| CASH, end of year | <u>\$ 40,754</u> | <u>\$ 116,960</u> |

VINCENNES/KNOX COUNTY CONVENTION AND VISITORS BUREAU, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Vincennes/Knox County Convention and Visitors Bureau, Inc. is presented to assist the reader in evaluating the Organization's financial statements and other data contained herein.

NATURE OF ORGANIZATION

Vincennes/Knox County Convention and Visitors Bureau, Inc., (CVB) is a not-for-profit organization which was established February 1, 1996, to promote tourism in the City of Vincennes and in Knox County, Indiana, and has become a coordinator of group tours to local attractions. CVB is primarily funded by and dependent upon continued funding from the Vincennes/Knox County Tourism Commission, as described in Note 2.

METHOD AND BASIS OF ACCOUNTING

Effective with its creation, the CVB adopted Financial Accounting Standards Board Statement No. 117 Financial Statements of Not-For-Profit Organizations (FAS 117) which does not require reporting on a fund basis, but rather requires that net assets taken as a whole be presented and that changes in the unrestricted, temporarily restricted and permanently restricted net assets and total change in net assets be reported.

CVB does not have any temporarily or permanently restricted net assets.

The financial statements of CVB have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

INCOME TAXES

CVB has been granted exemption from federal income taxes in accordance with Code Section 501(c)(6) of the Internal Revenue Code as a business league organized for nonprofit purposes.

CREDIT RISK

The Organization maintains cash and certificate of deposit balances in one financial institution in Vincennes, Indiana. Accounts are insured by the Federal Deposit Insurance Corporation up to \$100,000. At December 31, 2007 and 2006, the Organization's uninsured cash balances were \$92,374 and \$69,763 respectively.

VINCENNES/KNOX COUNTY CONVENTION AND VISITORS BUREAU, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2007 and 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
ACCOUNTS AND NOTE RECEIVABLE

Accounts and note receivable are reported at the amount the Organization expects to collect from outstanding balances. Differences between the amount due and the amount the Organization expects to collect are reported in the results of operations of the year in which those differences are determined, with an offsetting entry to a valuation allowance for uncollectible accounts. Balances that are still outstanding after the Organization has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the accounts or note receivable. No interest is charged to accounts or note receivable, and at December 31, 2007, the Organization considered all accounts to be fully collectible.

USE OF ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - RELATED PARTY TRANSACTIONS

The CVB is related to the Vincennes/Knox County Tourism Commission through the CVB's creation by the Tourism Commission and appointment of certain Directors to the CVB's Board by the Tourism Commission. A majority of the CVB's financial support comes to it through an annual contract with the Tourism Commission for funds collected through a local tourism tax. This support totaled \$219,412 for 2007 and \$215,000 for 2006. The Tourism Commission also reimburses the CVB for specific expenses related to marketing Vincennes and Knox County.

Grant receivable of \$62,000 and \$46,000 was due from the Tourism Commission as of December 31, 2007 and 2006.

NOTE 3 - NOTE RECEIVABLE

The Company has a note receivable from a former employee totaling \$14,543 as of December 31, 2007. This note is unsecured and is being repaid with payments of \$100 per month. No interest is being charged on this receivable.

VINCENNES/KNOX COUNTY CONVENTION AND VISITORS BUREAU, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2007 and 2006

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment is stated at cost. Depreciation is computed using the straight-line method with lives of 5 to 7 years for office equipment and 15 to 39 years for leasehold improvements. Depreciation amounted to \$2,560 and \$3,140 for 2007 and 2006, respectively.

Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

NOTE 5 - IN-KIND DONATIONS AND RENT EXPENSE

CVB is located at quarters owned and furnished by the City of Vincennes at 102 North Third Street (the Van Eaton Building). As a service to the community, the City has donated use of these facilities to CVB, and to other organizations, free of charge. For the years ended December 31, 2007 and 2006, the value of the donated facilities was determined to be \$2,880.

July 22, 2008

To the Board of Directors
Vincennes/Knox County Convention and Visitors Bureau, Inc.
Vincennes, Indiana

We have audited the financial statements of Vincennes/Knox County Convention and Visitors Bureau, Inc. (a nonprofit organization), as of and for the year ended December 31, 2007, and have issued our report thereon dated July 22, 2008.

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.

The management of the Organization is responsible for establishing and maintaining effective internal control. In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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 on a timely basis misstatements in the financial statements. 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.

We believe that the following significant deficiencies constitute material weaknesses:

1. There is a lack of segregation of duties over maintaining and reconciling the general ledger.
2. There is a lack of segregation of duties over cash receipts and cash disbursements.
3. Management does not possess the expertise to prepare its basic financial statements in conformity with the accounting principles generally accepted in the United States of America.

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

Very truly yours,

A handwritten signature in black ink that reads "Kemper CPA Group LLP". The signature is written in a cursive, flowing style.

Certified Public Accountants and Consultants

July 22, 2008

To the Board of Directors
Vincennes/Knox County Convention and Visitors Bureau, Inc.
Vincennes, Indiana

We have audited the financial statements of Vincennes/Knox County Convention and Visitors Bureau, Inc. for the years ended December 31, 2007 and 2006, and have issued our report thereon dated July 22, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated June 1, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We planned the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters and as documented in our engagement letter dated June 1, 2008.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Vincennes/Knox County Convention and Visitors Bureau, Inc. are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007 or 2006. We noted no transactions entered into by the Company during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the depreciation is based on the expected useful lives of the individual assets. We evaluated the key factors and assumptions used to develop the expected useful lives in determining that it is reasonable in relation to the financial statements taken as a whole.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 22, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Company's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Company's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

The Board of Directors
Vincennes/Knox County Convention and Visitors Bureau, Inc.
July 22, 2008
Page 3

This information is intended solely for the use of the Board of Directors and management of Vincennes/Knox County Convention and Visitors Bureau, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "KEMPER CPA GROUP LLP". The signature is written in a cursive, slightly stylized font.

Certified Public Accountants and Consultants

Client: **143402 - VINCENNES/KNOX COUNTY CONVENTION AND VISITORS BUREAU, INC.**
 Engagement: **143402 - Vincennes/Knox County Convention and Visitors Bureau, Inc.**
 Period Ending: **12/31/2007**
 Trial Balance: **TB - Annual Trial Balance - 2 Year**

| | | | | |
|---|-----------------|------------|------------------------|------------------------|
| Proposed JE # 6 | | L-8 | | |
| To accrue payroll accrual not done by client. | | | | |
| 606 | Wages | | 1,428.57 | |
| 210 | Accrued Payroll | | | 1,428.57 |
| Total | | | <u><u>1,428.57</u></u> | <u><u>1,428.57</u></u> |

| | | | | |
|--|-------------------|------------|------------------------|------------------------|
| Proposed JE # 8 | | B-4 | | |
| To adjust N/R Marge Beaman to present value. | | | | |
| 111 | Receivable Beaman | | 3,348.83 | |
| 432 | Interest Income | | | 3,348.83 |
| Total | | | <u><u>3,348.83</u></u> | <u><u>3,348.83</u></u> |

| | | | | |
|---|---------------------------------|------------|------------------------|------------------------|
| Proposed JE # 15 | | E-1 | | |
| To accrue interest income on CD's not recorded by client. | | | | |
| 115 | FAB - CD#5310664525 | | 584.64 | |
| 117 | FAB - CD Commercial #5302389226 | | 834.82 | |
| 118 | FAB - CD Retail # 5311189225 | | 123.14 | |
| 432 | Interest Income | | | 1,542.60 |
| Total | | | <u><u>1,542.60</u></u> | <u><u>1,542.60</u></u> |