

**LORAIN COUNTY VISITOR'S
BUREAU, INC.**

**COMPILED
FINANCIAL STATEMENTS**

**YEARS ENDED
DECEMBER 31, 2014 AND 2013**

LORAIN COUNTY VISITOR'S BUREAU, INC.

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ACCOUNTANTS' COMPILATION REPORT

To the Board of Directors
Lorain County Visitor's Bureau
Amherst, Ohio

We have compiled the accompanying statements of financial position of The Lorain County Visitor's Bureau (a non-profit corporation) as of December 31, 2014 and 2013, and the related statements activities and changes in unrestricted net assets, and cash flows for the years then ended. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

We are not independent in regards to Lorain County Visitor's Bureau.

Barnes Wendling CPAs, Inc.

February 25, 2015
Sheffield Village, Ohio

LORAIN COUNTY VISITOR'S BUREAU, INC.

Statements of Financial Position

	December 31,	
	2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 99,999	\$ 136,241
Restricted cash - sinking fund	16,714	17,858
Lodging and excise tax receivable	34,687	30,656
Inventory - promotional material	16,799	9,318
TOTAL CURRENT ASSETS	168,199	194,073
Property and Equipment		
Furniture and equipment	146,951	143,974
Vehicles	21,231	21,231
Land	225,941	225,941
Building and improvements	1,153,635	1,127,510
	<u>1,547,758</u>	<u>1,518,656</u>
Less accumulated depreciation	329,120	390,481
	<u>1,218,638</u>	<u>1,128,175</u>
Other Assets		
Restricted cash - reserve fund	104,219	124,500
Bond issue costs, net	96,450	55,631
	<u>200,669</u>	<u>180,131</u>
	<u>\$ 1,587,506</u>	<u>\$ 1,502,379</u>

See Accountants' Compilation Report
See Notes to Financial Statements

	December 31,	
	2014	2013
LIABILITIES AND UNRESTRICTED NET ASSETS		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 42,566	\$ 14,051
Accrued payroll	1,545	7,352
Current portion of bonds payable	40,000	60,000
TOTAL CURRENT LIABILITIES	84,111	81,403
 Bonds payable, less current portion	 1,091,667	 760,000
 Unrestricted Net Assets		
Undesignated	307,509	536,476
Designated for bond payment	104,219	124,500
 Total unrestricted net assets	 411,728	 660,976
	\$ 1,587,506	\$ 1,502,379

LORAIN COUNTY VISITOR'S BUREAU, INC.

Statements of Activities and Changes in Unrestricted Net Assets

	Years Ended December 31,	
	2014	2013
SUPPORT AND REVENUE		
Lodging excise tax revenues	\$ 472,348	\$ 391,979
Interest income	4	34
Rental income	-0-	11,000
Advertising, sales and reimbursements	36,377	41,855
Other income	29	2,274
Total support and revenue	508,758	447,142
EXPENSES		
Advertising and Promotion		
Media advertising	14,986	14,158
Printing and publications	28,232	31,237
Travel and conventions	481	1,617
Promotion	18,512	46,465
Trade show and events	4,369	3,817
Telephone, postage and supplies	5,449	4,489
Total advertising and promotion	72,029	101,783
Other Expenses		
Salaries and wages	148,665	148,546
Collection expense	12,293	11,964
Depreciation	27,575	32,466
Postage	2,908	2,223
Supplies	3,670	2,615
Payroll taxes	13,003	12,530
Telephone	1,827	1,691
Professional fees	31,564	10,000
Travel	1,975	1,577
Dues and subscriptions	5,371	5,836
Utilities	6,280	7,560
Insurance	9,985	9,170
Automobile expense	2,816	2,576
Maintenance and repairs	17,727	31,122
Conventions, seminars and meetings	321	1,078
Trustee and bond fees	4,992	7,275
Amortization of bond issues costs	56,917	6,014
Bank charges	779	468
Real estate taxes	694	695
Interest	42,905	55,631
Total other expenses	392,267	351,037
Total expenses	464,296	452,820
Changes in net assets before other changes to net assets	44,462	(5,678)
OTHER CHANGES TO NET ASSETS		
Loss on disposal of asset	(293,710)	-0-
Insurance proceeds	-0-	16,449
	(293,710)	16,449
Changes in net assets	(249,248)	10,771
Unrestricted net assets at beginning of year	660,976	650,205
Unrestricted net assets at end of year	\$ 411,728	\$ 660,976

See Accountants' Compilation Report
See Notes to Financial Statements

LORAIN COUNTY VISITOR'S BUREAU, INC.

Statements of Cash Flows

	Years Ended December 31,	
	2014	2013
Cash Flows From Operating Activities		
Changes in net assets	(\$ 249,248)	\$ 10,771
Adjustments to reconcile changes in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation and amortization	84,492	38,480
Loss on disposal of asset	293,710	-0-
Change in operating assets and liabilities:		
Decrease (increase) in assets:		
Restricted cash - reserve fund	1,144	576
Lodging and excise tax receivable	(4,031)	10,279
Inventory - promotional material	(7,481)	(2,853)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	28,515	11,054
Accrued payroll	(5,807)	1,510
Net cash provided by operating activities	141,294	69,817
Cash Flows From Investing Activities		
Purchase of property and equipment	(411,748)	(965)
Net cash used in investing activities	(411,748)	(965)
Cash Flows From Financing Activities		
Repayment of debt obligations	(843,052)	(63,892)
Proceeds from debt obligations	1,175,000	-0-
Payment of bond issue costs	(97,736)	-0-
Net cash provided by (used in) financing activities	234,212	(63,892)
Net increase (decrease) in cash and cash equivalents	(36,242)	4,960
Cash and cash equivalents at beginning of the year	136,241	131,281
Cash and cash equivalents at end of the year	\$ 99,999	\$ 136,241

See Accountants' Compilation Report
See Notes to Financial Statements

LORAIN COUNTY VISITOR'S BUREAU, INC.

Notes to Financial Statements Years Ended December 31, 2014 and 2013

NOTE A - NATURE OF ORGANIZATION

Nature of the Organization

Lorain County Visitor's Bureau, Inc. (the Organization) an Ohio non-profit corporation, was formed to use funds generated in Lorain County from the Hotel Lodging Excise Tax enacted under Resolution 83-492 on April 29, 1982. The Organization's purpose is to promote travel and tourism in Lorain County.

The Organization promotes travel and tourism in Lorain County by undertaking numerous activities throughout the year. It spends a substantial amount of its resources in media advertising promoting Lorain County, and in developing brochures promoting the activities and points of interest in the county. Each year, the Organization publishes a Lorain County Visitor's Guide available to those who are interested in visiting Lorain County. The Organization also works with other non-profit organizations and other area visitors' bureaus to further its efforts.

The Organization was established by the Board of Commissioners of Lorain County, Ohio who oversee the collection of the lodging excise tax. Under the Ohio Revised Code, revenue from the lodging tax is to be spent solely to make contributions to the convention and visitors' bureau operating within the county. To the extent the bed tax exists and the Organization maintains its existence, it will be the recipient of the bed tax proceeds, after allocations to localities and the collection fee charged by the County Commissioners. The existence of the Organization depends on the collections of the lodging excise tax.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared utilizing the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities. Furthermore, the accounting policies adhered to by the Organization are generally consistent with the *Audit and Accounting Guide for Not-For-Profit Organizations* issued by the American Institute of Certified Public Accountants.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board. The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

See Accountants' Compilation Report

LORAIN COUNTY VISITOR'S BUREAU, INC.

Notes to Financial Statements Years Ended December 31, 2014 and 2013

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unrestricted Net Assets

Net assets not subject to donor-imposed stipulations. Board designated net assets are monies reserved for the next bond payment which include principal, interest, and fees.

Temporarily Restricted Net Assets

Net assets subject to donor-imposed stipulations that may or will be met by actions of the Board/Organization and/or the passage of time. The Organization currently does not have temporarily restricted net assets.

Permanently Restricted Net Assets

Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. The Organization currently does not have permanently restricted net assets.

Cash and Cash Equivalents

The Organization considers all unrestricted, highly liquid investments with an initial maturity of 90 days or less to be cash equivalents.

Revenue Recognition

The operations of Lorain County Visitor's Bureau, Inc. are dependent upon the collection of the Lorain County Lodging Excise Tax. The tax is collected and remitted monthly. Taxes collected in a given month are remitted to Lorain County Visitor's Bureau, Inc. approximately 60 days after the end of the month.

Lodging Excise Tax Collections Receivable

Lodging and excise tax receivable are uncollateralized obligations due from the Lodging Excise Tax collected by Lorain County area hotels. Unpaid receivables with invoice dates over 30 days bear no interest. The amount due to the Organization for the years ended December 31, 2014 and 2013 was \$34,687 and \$30,656, respectively. Based on management's assessment of the outstanding receivable balance, it has concluded that no allowance for doubtful accounts is required at December 31, 2014 and 2013.

Inventory

Inventory consists of promotional materials such as brochures and guides. Inventory is carried at cost and is relieved on a first-in, first-out basis.

LORAIN COUNTY VISITOR'S BUREAU, INC.

Notes to Financial Statements Years Ended December 31, 2014 and 2013

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment are recorded at cost. Furniture and equipment are depreciated over a useful life ranging from 5-10 years. Building and improvements are being depreciated over a useful life ranging from 15-40 years. Vehicles are depreciated over 5 years. Expenses for repairs and maintenance that do not add to the useful life of assets or contribute to their betterment are expensed as repairs and maintenance in the period incurred. The Organization capitalizes and depreciates all assets that exceed \$500 if they have a useful life extending beyond one year.

Depreciation expense for the years ended December 31, 2014 and 2013 was \$27,575 and \$32,466, respectively.

Bond Issue Costs

The costs associated with the issuance of the bonds are capitalized as bond issue costs on the statement of financial position. These costs are being amortized over the life of the bond.

Donated Services

Periodically, volunteers provide services to Lorain County Visitor's Bureau, Inc. The value of these services is not recorded in the financial statements since there is no objective method for assigning a monetary value to those services, and they are not considered material in relation to the overall financial operations of the Organization.

Income Taxes

The Organization is a not-for-profit corporation as described in Section 501(c)(6) of the Internal Revenue Code and is exempt from Federal income taxes, and is not a private foundation under Section 509(a)(2). In addition, the Organization qualifies for charitable contribution deduction under Section 170(b)(1)(a).

The Organization is no longer subject to tax examinations for years before 2011 by taxing authorities in jurisdictions where the Organization has filed returns. The Organization did not identify any material unrecognized tax benefits upon evaluation of tax positions taken and therefore, there was no material effect on the Organization's financial condition or results of operations.

LORAIN COUNTY VISITOR'S BUREAU, INC.

Notes to Financial Statements Years Ended December 31, 2014 and 2013

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

The Organization evaluates at each balance sheet date uncertain tax positions taken, if any, to determine the need to record liabilities for taxes, penalties, and interest. The Organization's policy is to record interest and penalties on uncertain tax provisions as income tax expense. As of December 31, 2014 and 2013, the Organization had no accrued taxes, interest or penalties related to uncertain tax positions. The Organization estimates the unrecognized tax benefit will not change significantly within the next twelve months.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events

Subsequent events have been evaluated through February 25, 2015, which is the date the financial statements were available to be issued.

NOTE C - INTANGIBLE ASSETS

Intangible assets consist of the following at December 31, 2014:

	Carrying Amount	Accumulated Amortization	Carrying Amount
Bond Issue Costs	\$ 97,736	\$ 1,286	\$ 96,450

Intangible assets consist of the following at December 31, 2013:

	Carrying Amount	Accumulated Amortization	Carrying Amount
Bond Issue Costs	\$ 120,286	\$ 64,655	\$ 55,631

See Accountants' Compilation Report

LORAIN COUNTY VISITOR'S BUREAU, INC.

Notes to Financial Statements Years Ended December 31, 2014 and 2013

NOTE C - INTANGIBLE ASSETS (CONTINUED)

During 2014, the Organization refinanced its revenue bonds as further described in Note G. As a result, \$55,631, representing the net book value of the previously capitalized bond issue costs was expensed. The Organization capitalized \$97,736 of bond issue costs incurred from the refinancing. Amortization expense for the years ended December 31, 2014 and 2013 was \$56,917 and \$6,014, respectively. The Company expects annual amortization expense to be \$5,143 through December 31, 2032 and \$3,858 for the year ended December 31, 2033.

NOTE D - CONCENTRATIONS AND CREDIT RISK

The Organization is dependent upon the collection of the lodging excise tax for the majority of its revenues. In addition, 100% of its accounts receivable as of December 31, 2014 and 2013, respectively, represented amounts due for December from the Lodging Excise Tax.

The Organization maintains cash balances in several accounts. Accounts at each institution are insured by the Federal Deposit Insurance Corporation. The Organization has account balances that may exceed the insured amount from time to time.

NOTE E - LINE OF CREDIT

The Organization had available a demand line of credit that provided maximum borrowings of \$75,000. The line of credit was secured by the real estate and required monthly payments of interest at an annual rate of 8.75% plus an adjustable index. The line was canceled in September 2014. There was no outstanding balance on the line at December 31, 2014 and 2013.

NOTE F - TERM NOTE

In December 2014, the Organization entered into a multi-draw term note agreement with the Lorain County Port Authority that provides maximum borrowings of \$80,000. Under terms of the agreement, the Organization may request advances and make repayments throughout the term of the loan through its maturity date of December 2017. The term note is secured by the real estate and bears interest at a fixed rate of 4.25%. There was no outstanding balance on the term note at December 31, 2014 and 2013.

See Accountants' Compilation Report

LORAIN COUNTY VISITOR'S BUREAU, INC.

Notes to Financial Statements Years Ended December 31, 2014 and 2013

NOTE G - BONDS PAYABLE

The Organization had a loan agreement with the Lorain County Port Authority agreeing to pay \$1,245,000 of taxable development revenue bonds. In September 2014, the note was refinanced with the Lorain County Port Authority issuing \$1,175,000 of taxable development revenue and refunding bonds. Proceeds from the note and issuance of bonds were used to pay off existing loan and to finance the reconstruction of the Organization's facility. The note bears interest at a rate of 5.75% per year and matures in November 2033. The balance outstanding at December 31, 2014 and 2013 was \$1,131,667 and \$820,000, respectively.

The note requires mandatory sinking fund requirements for the purpose of redeeming the bonds on a semi-annual basis. Debt service payments into the short-term sinking fund include a fee to the Lorain County Port Authority and a trustee fee to a bank. Required deposits into the short-term sinking fund over the next five years and thereafter, including the port fee and the trustee fee, are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2015	\$ 100,058
2016	99,105
2017	98,019
2018	96,519
2019	95,019
Thereafter	1,398,786
	<u>\$ 1,887,506</u>

Principal payments on the note for the purpose of redeeming the bonds through the Port Authority over the next five years and thereafter are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2015	\$ 40,000
2016	40,000
2017	40,000
2018	40,000
2019	40,000
Thereafter	931,667
	<u>\$ 1,131,667</u>

The note is secured by the facility and includes prepayment penalties. Interest expense was \$42,905 and \$55,631, respectively, for the years ended December 31, 2014 and 2013.

LORAIN COUNTY VISITOR'S BUREAU, INC.

Notes to Financial Statements Years Ended December 31, 2014 and 2013

NOTE H - RESTRICTED CASH

As required by the bond loan agreement between the Lorain County Port Authority and the Lorain County Visitors Bureau, Inc. the bond loan consisted of a principal account and an interest account. Both of these accounts were invested in government money market funds and restricted for future payments on the bonds. At the years ended December 31, 2014 and 2013 these accounts totaled \$16,714 and \$17,858, respectively.

The bond loan agreement also requires the establishment of a long-term reserve fund. The amount invested in the reserve fund was \$104,219 and \$124,500 at December 31, 2014 and 2013.

NOTE I - SUPPLEMENTAL CASH FLOW DISCLOSURES

Cash Paid for Interest

During the years ended December 31, 2014 and 2013, the Organization paid interest charges of \$48,799 and \$49,737, respectively.