

**ORLANDO/ORANGE COUNTY CONVENTION &
VISITORS BUREAU, INC.**

FINANCIAL STATEMENTS

Years Ended December 31, 2007 and 2006

CONTENTS

	<u>Page Number</u>
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS	1
FINANCIAL STATEMENTS	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Notes to Financial Statements	5



**MOORE STEPHENS
LOVELACE, P.A.**

CERTIFIED PUBLIC ACCOUNTANTS

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors
Orlando/Orange County Convention &
Visitors Bureau, Inc.
Orlando, Florida

We have audited the accompanying statements of financial position of Orlando/Orange County Convention & Visitors Bureau, Inc. ("Orlando CVB") 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 Orlando CVB's management. Our responsibility is to express an opinion on the 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 Orlando/Orange County Convention & Visitors Bureau, Inc. as of December 31, 2007 and 2006, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, appearing to read 'Tom Stephens', followed by 'P.A.' in a smaller font.

Certified Public Accountants

Orlando, Florida
April 21, 2008

Orlando/Orange County Convention & Visitors Bureau, Inc.

STATEMENTS OF FINANCIAL POSITION

December 31, 2007 and 2006

ASSETS

	<u>2007</u>	<u>2006</u>
CURRENT ASSETS		
Cash and cash equivalents (Note 11)	\$ 6,875,722	\$ 3,911,998
Investments (Notes 2 and 11)	1,015,600	951,791
Accounts receivable		
Tourist development tax (Note 8)	6,657,667	6,389,357
Trade, net of allowance for doubtful accounts of \$90,000 in 2007 and 2006	1,574,862	1,009,742
Inventory (Note 3)	1,409,196	1,015,372
Prepaid expenses (Note 4)	2,425,978	3,589,862
TOTAL CURRENT ASSETS	19,959,025	16,868,122
FURNITURE, EQUIPMENT AND IMPROVEMENTS, NET (Note 5)	<u>489,785</u>	<u>414,387</u>
TOTAL ASSETS	<u>\$ 20,448,810</u>	<u>\$ 17,282,509</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 4,958,752	\$ 5,235,025
Deferred membership dues	1,030,290	1,025,524
Other deferred revenue and deposits (Note 6)	325,888	465,209
TOTAL CURRENT LIABILITIES	6,314,930	6,725,758
COMMITMENTS AND CONTINGENCIES (Notes 7, 8, 9, 11, 12 and 13)		
UNRESTRICTED NET ASSETS	<u>14,133,880</u>	<u>10,556,751</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 20,448,810</u>	<u>\$ 17,282,509</u>

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

Orlando/Orange County Convention & Visitors Bureau, Inc.

STATEMENTS OF ACTIVITIES

Years Ended December 31, 2007 and 2006

	2007	2006
SUPPORT AND REVENUES		
Tourist development tax funding (Note 8)	\$ 49,494,383	\$ 28,479,759
Convention sales	748,785	788,238
Destination meeting services	1,280,004	1,352,504
Visitor services	6,670,330	6,531,434
Convention housing services	322,977	312,177
Member services	2,478,495	2,400,873
Publications	3,528,912	3,366,162
Consumer and travel industry marketing	4,215,773	3,405,754
Other program revenue	73,500	77,536
Other income	17,101	39,179
Investment income, gains, net (Note 2)	341,344	263,269
	69,171,604	47,016,885
TOTAL SUPPORT AND REVENUES		
 PROGRAM EXPENSES		
Convention sales	5,827,217	5,151,974
Destination meeting services	2,101,188	2,239,056
Visitor services	6,855,662	6,742,351
Convention housing services	348,003	363,072
Member services	1,067,371	673,047
Publications	4,015,656	3,997,259
Consumer and travel industry marketing	39,393,807	15,357,147
Public relations	1,417,549	1,203,880
Research	1,465,419	1,244,869
	62,491,872	36,972,655
TOTAL PROGRAM EXPENSES		
 SUPPORTING SERVICES		
Management and general administration	3,102,603	3,360,661
 CHANGES IN UNRESTRICTED NET ASSETS		
	3,577,129	6,683,569
 NET ASSETS - BEGINNING OF YEAR		
	10,556,751	3,873,182
 NET ASSETS - END OF YEAR		
	\$ 14,133,880	\$ 10,556,751

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

Orlando/Orange County Convention & Visitors Bureau, Inc.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2007 and 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in unrestricted net assets	\$ 3,577,129	\$ 6,683,569
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities:		
Depreciation and amortization	294,526	353,563
Provision for doubtful accounts	35,590	4,257
Changes in unrealized gain on investments	(63,809)	(98,137)
(Increase) decrease in:		
Accounts receivable	(869,020)	(4,597,652)
Inventory	(393,824)	265,218
Prepaid expenses	1,163,884	(1,864,304)
Increase (decrease) in:		
Accounts payable and accrued expenses	(276,273)	369,184
Deferred membership dues	4,766	43,057
Other deferred revenue and deposits	(139,321)	249,628
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,333,648	1,408,383
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of furniture, equipment and improvements	(369,924)	(158,197)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings on bank line of credit	6,000,000	3,250,000
Repayments of bank line of credit	(6,000,000)	(3,250,000)
NET CASH USED IN FINANCING ACTIVITIES	-	-
NET INCREASE IN CASH	2,963,724	1,250,186
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	3,911,998	2,661,812
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 6,875,722	\$ 3,911,998

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

Orlando/Orange County Convention & Visitors Bureau, Inc.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2007 and 2006

NOTE 1 - NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Organization

The Orlando/Orange County Convention & Visitors Bureau, Inc. ("Orlando CVB") was incorporated under the laws of the state of Florida as a not-for-profit organization to promote the Central Florida area as a destination for tourists, conventions and trade shows, and to provide referral, reservation, information and other services to these groups. Orlando CVB also provides information and various services to its members who are, for the most part, involved in the tourism and convention industry. To generate additional resources for use in promoting the destination, Orlando CVB undertakes a number of other business activities. Such activities include the sale of attraction tickets, the sale of advertising, publishing, registration assistance and guest services.

Basis of Presentation

The financial statements of Orlando CVB have been prepared on the accrual basis of accounting.

The financial statements have also been prepared in accordance with Statement of Financial Accounting Standards No. 117, *Financial Statements of Not-for-Profit Organizations* ("SFAS No. 117"). SFAS No. 117 establishes standards for financial reporting by not-for-profit organizations and requires the presentation of balances and transactions according to the existence or absence of donor-imposed restrictions. As Orlando CVB has not received assets with donor-imposed restrictions, all of Orlando CVB's net assets, support and revenues and expenses have been classified as unrestricted in nature.

Cash and Cash Equivalents

Orlando CVB considers highly-liquid investments with original maturities of three months or less at the time of purchase to be cash equivalents.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are stated at fair value, as determined from quoted market prices. Realized and unrealized gains and losses on investments are reported in the statements of activities as increases or decreases in unrestricted net assets. Dividends, interest and other investment income are reported in the period earned as increases in unrestricted net assets (see Note 2).

**NOTE 1 - NATURE OF THE ORGANIZATION AND
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Inventory

Inventory consists primarily of attraction tickets, various publications, miscellaneous supplies and items held for resale or distribution to potential visitors. Inventory is stated at the lower of cost (determined using the specific-identification method) or market (see Note 3).

Furniture, Equipment and Improvements

Furniture, equipment and improvements are stated at cost. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 - 7 years or, for leasehold improvements, over the term of the related leases, if shorter (see Note 5).

Advertising Expense

Purchased advertising media is expensed when the related media is published or broadcast. Costs incurred in advance of an advertising program, such as printing and production, are recorded as prepaid expenses until the corresponding media is published or broadcast, at which time it is expensed.

Advertising expense amounted to \$31,788,929 and \$7,672,695 in 2007 and 2006, respectively.

Revenue Recognition

Membership dues are initially deferred and are recognized as revenue over the applicable membership period. Other support and revenue are recognized when earned.

Donated Goods and Services

Orlando CVB periodically receives or coordinates the donation of items, such as airline and attraction tickets, hotel rooms, and rental cars, which are used in efforts to promote the Central Florida area as a tourist and convention destination. The value of donated items has not been recorded as contributed support since Orlando CVB does not receive the direct benefit of the donated goods and services. The aggregate of such donations is not material to total support and revenues.

Functional Allocation of Expenses

The costs of providing the various programs and other activities of Orlando CVB have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**NOTE 1 - NATURE OF THE ORGANIZATION AND
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Income Taxes

Orlando CVB has been granted recognition as a tax-exempt entity under Section 501(c)(6) of the Internal Revenue Code. However, Orlando CVB is subject to income taxes on net revenues earned from advertising, ticket sales and other unrelated business income (see Note 10).

Estimates

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

NOTE 2 - INVESTMENTS

Investments are stated at fair value and consist of the following at December 31, 2007 and 2006:

	2007		2006	
	Cost	Fair Value	Cost	Fair Value
Mutual funds	\$ 701,000	\$ 990,600	\$ 701,000	\$ 926,791
Certificate of deposit	25,000	25,000	25,000	25,000
	<u>\$ 726,000</u>		<u>\$ 726,000</u>	
Total investments, at fair value		<u>\$ 1,015,600</u>		<u>\$ 951,791</u>

Components of investment income for the years ended December 31, 2007 and 2006, consist of the following:

	2007	2006
Interest income	\$ 277,535	\$ 165,132
Change in net unrealized gains	63,809	98,137
Total investment income, gains	<u>\$ 341,344</u>	<u>\$ 263,269</u>

NOTE 3 - INVENTORY

Inventory consists of the following at December 31, 2007 and 2006:

	2007	2006
Publications	\$ 337,741	\$ 305,012
Attraction tickets	1,009,425	625,067
Merchandise	5,398	9,195
Other	56,632	76,098
	<u>\$ 1,409,196</u>	<u>\$ 1,015,372</u>

NOTE 4 - PREPAID EXPENSES

Prepaid expenses consist of the following at December 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Advertising	\$ 1,832,750	\$ 3,126,547
Trade show registration and related	158,790	176,914
Insurance	76,586	73,801
Rent	36,667	39,710
Postage deposits	22,072	8,826
Other	299,113	164,064
	<u>\$ 2,425,978</u>	<u>\$ 3,589,862</u>

NOTE 5 - FURNITURE, EQUIPMENT AND IMPROVEMENTS, NET

Furniture, equipment and improvements consist of the following at December 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Furniture, fixtures and equipment	\$ 2,462,974	\$ 2,691,318
Exhibit booths	410,996	288,854
Leasehold improvements	415,959	405,973
Transportation equipment	44,434	16,175
	<u>3,334,363</u>	<u>3,402,320</u>
Accumulated depreciation and amortization	<u>(2,844,578)</u>	<u>(2,987,933)</u>
	<u>\$ 489,785</u>	<u>\$ 414,387</u>

NOTE 6 - OTHER DEFERRED REVENUE AND DEPOSITS

Other deferred revenue and deposits consists of the following at December 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Unearned advertising revenue	\$ 219,599	\$ 323,575
Convention housing deposits	45,621	26,669
Event participation deposits and other	60,668	114,965
	<u>\$ 325,888</u>	<u>\$ 465,209</u>

NOTE 7 - LEASES

Orlando CVB leases facilities under operating leases, which expire in 2013. Future minimum lease payments under all noncancelable operating leases (with initial or remaining lease terms in excess of one year) as of December 31, 2007, are approximately as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2008	\$ 450,000
2009	411,000
2010	423,000
2011	436,000
2012	449,000
Thereafter	463,000
	<u>\$ 2,632,000</u>

Rent expense amounted to approximately \$837,000 and \$828,000 in 2007 and 2006, respectively.

NOTE 8 - TOURIST DEVELOPMENT TAX FUNDING

Orlando CVB received monthly support from Orange County, Florida (the "County") under an agreement originally expiring on October 1, 2007. The funding is a result of the tourist development tax presently being levied in the County. Orlando CVB receives monthly amounts based upon a formula, as defined in the agreement. Total support recognized under this agreement amounted to \$13,568,620 and \$16,975,844 in 2007 and 2006, respectively.

In 2006, Orlando CVB entered into one-year addendum to the original agreement with the County, whereby Orlando CVB received \$4,000,000 in equal monthly amounts in the County's fiscal year, which started October 1, 2006. Total support recognized under this addendum amounted to \$3,000,000 and \$1,000,000 in 2007 and 2006, respectively. Total support recognized under a similar addendum in the County's fiscal year, which started October 1, 2005, totaled \$3,000,000 in 2006.

On July 18, 2006, the County enacted an additional 1% in the tourist development tax effective September 1, 2006. Orlando CVB entered into a two-year addendum to the original agreement with the County whereby Orlando CVB will receive in monthly amounts all of the additional 1% tax collected through September 30, 2007. Total support recognized under this addendum amounted to \$21,039,261 and \$7,503,915 in 2007 in 2006, respectively.

In 2007, Orlando CVB entered into a three-year agreement with the County. Under the new agreement, funding through September 2008 will be at the same level for each of the current contract funding layers described above. Thereafter, the funding of the layer from the additional 1% of tourist development tax will be at 50% of the tax collected reduced by 1/20th of the actual collections from inception through September 2008. Total support recognized under this agreement amounted to \$11,886,502 in 2007. Under this agreement, future expenditures of the \$4,000,000 per year, plus all amounts received from the additional 1% of the tourist development tax, will be limited in use solely for advertising.

NOTE 9 - EMPLOYEE BENEFIT PLAN

Orlando CVB maintains a defined contribution plan (the "Plan") that covers substantially all eligible employees. Participants may contribute a percentage of pre-tax earnings, as defined in the Plan, up to an annual maximum allowed under the Internal Revenue Code. Participants may also contribute amounts representing distributions from other qualified defined benefit or contribution plans. Orlando CVB utilizes the IRS Safe Harbor matching formula for employer contributions based on the following: 100% of the first 3% of participants' contributions, then 50% of the next 2% of participants' contributions. Such percentages are subject to change at Orlando CVB's discretion.

Orlando CVB also makes an elective contribution equal to 3% of eligible participants' annual gross compensation, regardless of whether the employee contributes to the Plan through salary reduction. This percentage is subject to change at Orlando CVB's discretion. To receive the employer discretionary contribution, the employee must meet certain eligibility requirements, including having worked at least 1,000 hours during the year and still be actively employed on the last day of the Plan year.

Total expense under this Plan amounted to approximately \$598,000 and \$606,000 for 2007 and 2006, respectively.

NOTE 10 - INCOME TAXES

Orlando CVB had no income tax expense or benefit during 2007 and 2006. Orlando CVB has taxable income only to the extent of its unrelated business income.

Orlando CVB has net operating loss carryforwards available to offset future unrelated business income approximating the following:

<u>Expiring In</u>	<u>Amount</u>
2011	\$ 243,000
2020	370,000
2021	553,000
	<u>\$1,166,000</u>

The deferred tax asset relating to the net operating loss carryforward was offset by a valuation reserve of 100%.

NOTE 11 - LINE OF CREDIT

Orlando CVB has a revolving line of credit with a commercial bank under which it may borrow up to \$1,000,000 on an unsecured basis at the bank's prime rate less 50 basis points. Advances against the line are due on demand. There were no amounts outstanding under this arrangement at December 31, 2007 and 2006.

NOTE 11 - LINE OF CREDIT *(Continued)*

The line of credit was increased by \$3,500,000 and \$1,500,000 in 2007 and 2006, respectively, to totals of \$4,500,000 and \$2,500,000, respectively. The increased lines were collateralized by the accounts receivable of Orlando CVB and required \$2,000,000 of compensating balances of cash or securities to be maintained at the commercial bank. Maximum borrowings on the combined lines totaled \$4,500,000 and \$2,500,000 during 2007 and 2006, respectively.

Effective February 5, 2008, the line-of-credit agreement was further revised to provide for total borrowings on the line of \$6,500,000 through September 30, 2008. The line is then reduced to \$4,500,000 through February 28, 2009, at which time it expires, and any amounts borrowed are due and payable.

Cash paid for interest amounted to approximately \$85,000 and \$56,000 for the years ended December 31, 2007 and 2006, respectively.

NOTE 12 - COMPENSATION ARRANGEMENTS

In 1993 and 1997, Orlando CVB entered into agreements with its president to defer portions of his compensation until retirement. The agreements, as amended, provided for the president to purchase split-dollar life insurance policies, the premiums of which were paid by Orlando CVB. Under the terms of the agreements, the president became indebted to Orlando CVB for an amount equal to the premiums paid, and this indebtedness was simultaneously offset by an equal indebtedness by Orlando CVB to the president for deferred compensation. The president retired on December 31, 2006, at which time the agreements terminated. All amounts due from both parties were paid in full in January 2007.

Deferred compensation expense recorded under these agreements in the statements of activities for the year ended December 31 2006, was \$51,000. As of December 31, 2007 and 2006, total premiums paid on the insurance policies covered under these agreements totaled approximately \$434,000. As the receivable to and liability from the president arose from the same agreements and were equal, fully collateralized, and due and payable at the same time, they have been offset in the statements of financial position.

The statement of activities for the years ended December 31, 2006 and 2007 includes \$365,000 and \$-0-, respectively, of expense for retirement-related contractual obligations.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Concentrations of Credit Risk

As of December 31, 2007 and 2006, substantially all of Orlando CVB's trade receivables are obligations of companies in the Central Florida tourism industry. Orlando CVB does not require collateral or other security on most of these accounts. The credit risk in these accounts is controlled through credit reviews, limits and monitoring procedures.

NOTE 13 - COMMITMENTS AND CONTINGENCIES *(Continued)*

Concentrations of Credit Risk *(Continued)*

Financial instruments which potentially subject Orlando CVB to concentrations of credit risk consist principally of cash and cash equivalents, and investments in financial institutions in excess of Federal Deposit Insurance Corporation limits.

Orlando CVB maintains its cash and cash equivalents, and investments with what management believes to be high-credit, quality financial institutions, corporations and obligations of the U.S. Government, and limits the amount of credit exposure to any particular investment.