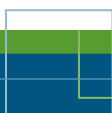




THE CONVENTION AND VISITORS BUREAU
OF GREATER CLEVELAND, INC.
DBA POSITIVELY CLEVELAND
AND SPIRIT OF CLEVELAND, INC.

COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012





Dave Yost • Auditor of State

Board of Directors
The Convention and Visitors Bureau of Greater Cleveland
DBA Positively Cleveland and Spirit of Cleveland, Inc.
334 Euclid Avenue
Cleveland, Ohio 44114

We have reviewed the *Independent Auditors' Report* of the Convention and Visitors Bureau of Greater Cleveland DBA Positively Cleveland and Spirit of Cleveland, Inc., Cuyahoga County, prepared by Cohen & Company, for the audit period January 1, 2013 through December 31, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Convention and Visitors Bureau of Greater Cleveland DBA Positively Cleveland. and Spirit of Cleveland, Inc. is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

June 20, 2014

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THE CONVENTION AND VISITORS BUREAU OF GREATER CLEVELAND, INC.
DBA POSITIVELY CLEVELAND AND SPIRIT OF CLEVELAND, INC.

DECEMBER 31, 2013 AND 2012

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BOARD OF DIRECTORS
THE CONVENTION AND VISITORS BUREAU OF GREATER CLEVELAND, INC.
DBA POSITIVELY CLEVELAND AND SPIRIT OF CLEVELAND, INC.

Independent Auditors' Report

Report on the Financial Statements

We have audited the accompanying combined financial statements of The Convention and Visitors Bureau of Greater Cleveland, Inc. DBA Positively Cleveland and Spirit of Cleveland, Inc. (nonprofit organizations), which comprise the combined statement of financial position as of December 31, 2013, and the related combined statements of activities and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the 2013 financial position of The Convention and Visitors Bureau of Greater Cleveland, Inc. DBA Positively Cleveland and Spirit of Cleveland, Inc. as of December 31, 2013, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The combined financial statements of The Convention and Visitors Bureau of Greater Cleveland, Inc. DBA Positively Cleveland and Spirit of Cleveland, Inc. as of December 31, 2012, were audited by other auditors whose report dated May 29, 2013, expressed an unmodified opinion on those statements.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying information on pages 16 and 17 is presented for purposes of additional analysis and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the combined financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 2, 2014, on our consideration of The Convention and Visitors Bureau of Greater Cleveland, Inc. DBA Positively Cleveland and Spirit of Cleveland, Inc.'s internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Convention and Visitors Bureau of Greater Cleveland, Inc. DBA Positively Cleveland and Spirit of Cleveland, Inc.'s internal control over financial reporting and compliance.

Cohen & Company

June 2, 2014
Cleveland, Ohio

COMBINED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012*</u>		<u>2013</u>	<u>2012*</u>
ASSETS			LIABILITIES AND NET ASSETS		
CURRENT ASSETS			CURRENT LIABILITIES		
Cash and cash equivalents	\$ 8,033,833	\$ 8,173,809	Accounts payable and accrued expenses	\$ 483,343	\$ 449,956
Amounts due from Cuyahoga County	1,287,426	1,395,633	Salaries and payroll taxes payable	315,289	214,969
Accounts receivable	362,144	375,857	Current portion of deferred lease incentive	41,460	41,460
Prepaid expenses and other	<u>376,993</u>	<u>522,377</u>	Gateway Economic Development		
	<u>10,060,396</u>	<u>10,467,676</u>	Corporation liability	1,453,400	2,757,572
			Deferred revenue	<u>11,805</u>	<u>18,110</u>
				2,305,297	3,482,067
PROPERTY AND EQUIPMENT - AT COST			DEFERRED COMPENSATION PAYABLE		23,380
Office furniture, equipment, and			DEFERRED RENT	32,730	12,800
leasehold improvements	2,788,898	2,725,553	DEFERRED LEASE INCENTIVE	<u>265,984</u>	<u>307,444</u>
Less: Accumulated depreciation				<u>2,604,011</u>	<u>3,825,691</u>
and amortization	<u>1,002,959</u>	<u>623,689</u>	COMMITMENTS		
	<u>1,785,939</u>	<u>2,101,864</u>	UNRESTRICTED NET ASSETS		
OTHER ASSETS			Unrestricted	4,213,569	5,529,644
Investments		<u>23,380</u>	Board restricted	<u>5,028,755</u>	<u>3,237,585</u>
				<u>9,242,324</u>	<u>8,767,229</u>
	<u>\$ 11,846,335</u>	<u>\$ 12,592,920</u>		<u>\$ 11,846,335</u>	<u>\$ 12,592,920</u>

*Reclassified to conform with current year presentation.

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

COMBINED STATEMENT OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012*</u>
REVENUES		
Transient occupancy tax	\$ 9,890,937	\$ 9,215,234
Less: Gateway liability	1,453,400	1,318,762
Less: Convention Center / Global Ctr for Health Innovation	500,000	250,000
Net transient occupancy tax	<u>7,937,537</u>	<u>7,646,472</u>
Partnership dues	572,605	515,369
Ad and publication	346,034	309,275
Interest	26,550	15,555
Registration	25,492	3,286
Grant	10,000	5,000
Retail sales	1,283	5,706
Miscellaneous	8,927	17,949
In-kind contributions	56,993	27,768
	<u>8,985,421</u>	<u>8,546,380</u>
DEPARTMENTAL EXPENSES		
Administrative	1,412,764	743,744
Destination development and community affairs	659,169	582,523
Marketing	2,947,038	2,367,350
Partnership	824,268	855,248
Sales - Convention	1,611,876	1,418,217
Services	560,190	546,438
	<u>8,015,305</u>	<u>6,513,520</u>
OTHER EXPENSES		
Sponsorships	470,128	451,860
Project grant	24,893	17,268
	<u>495,021</u>	<u>469,128</u>
	<u>8,510,326</u>	<u>6,982,648</u>
CHANGE IN UNRESTRICTED NET ASSETS	475,095	1,563,732
UNRESTRICTED NET ASSETS - BEGINNING OF THE YEAR	<u>8,767,229</u>	<u>7,203,497</u>
	9,242,324	8,767,229
LESS: BOARD RESTRICTED NET ASSETS	<u>5,028,755</u>	<u>3,237,585</u>
UNRESTRICTED NET ASSETS - END OF THE YEAR	<u>\$ 4,213,569</u>	<u>\$ 5,529,644</u>

*Reclassified to conform with current year presentation.

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

COMBINED STATEMENT OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012*</u>
CASH FLOW PROVIDED FROM (USED IN)		
OPERATING ACTIVITIES		
Change in net assets	\$ 475,095	\$ 1,563,732
Noncash items included in activities		
Depreciation and amortization of property and equipment	379,270	381,522
Amortization of deferred lease incentive	(41,460)	(40,518)
Deferred rent	19,930	(141,691)
Deferred compensation	3,593	2,650
Realized and unrealized gains on investments held for deferred compensation	(3,593)	(2,650)
Increase (decrease) in cash caused by changes in current items:		
Amounts due from Cuyahoga County	108,207	(175,987)
Accounts receivable	13,713	79,306
Prepaid expenses and other	145,384	(186,617)
Accounts payable and accrued expenses	33,387	358,191
Salaries and payroll taxes payable	100,320	3,163
Gateway Economic Development Corporation liability	(1,304,172)	1,318,760
Deferred revenue	(6,305)	8,110
Net cash flow provided from (used in) operations	<u>(76,631)</u>	<u>3,167,971</u>
CASH FLOW USED IN INVESTING ACTIVITIES		
Acquisition of property and equipment	(63,345)	(235,919)
Proceeds from sale of property and equipment		4,200
Proceeds from sale of investments held for deferred compensation	26,973	49,754
	<u>(36,372)</u>	<u>(181,965)</u>
CASH FLOW USED IN FINANCING ACTIVITY		
Payment of deferred compensation	<u>(26,973)</u>	<u>(49,754)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(139,976)	2,936,252
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>8,173,809</u>	<u>5,237,557</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 8,033,833</u>	<u>\$ 8,173,809</u>

**Reclassified to conform with current year presentation.*

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose

The accompanying combined financial statements of The Convention and Visitors Bureau of Greater Cleveland, Inc. DBA Positively Cleveland include the accounts of its related entity, Spirit of Cleveland, Inc., combined on the basis of common management and mission. The entities are collectively referred to as Positively Cleveland. All intercompany transactions and balances are eliminated in combination.

The purpose of The Convention and Visitors Bureau of Greater Cleveland, Inc. (CVB), a non-profit organization exempt from federal income tax under Section 501(c)(6) of the Internal Revenue Code, is to drive economic impact and stimulate community vitality for Greater Cleveland through leisure and business travel.

The purpose of Spirit of Cleveland, Inc., a non-profit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, is to provide training programs to enhance the Cleveland visitor experience and destination development projects to strengthen Cleveland as a visitor destination.

Revenue Recognition

A substantial portion of Positively Cleveland's revenue comes from the Transient Occupancy Tax, which is accounted for on the accrual basis based on reports from Cuyahoga County.

Revenue from partnership (membership) dues is recognized as revenue in the year to which it applies. Dues received in advance are recorded as deferred revenue.

All contributions are considered available for unrestricted use, unless received with donor stipulations that limit the use of the assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donations whose stipulations are met in the year received are recorded as unrestricted support.

Use of Accounting Estimates

The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Contributed Goods and Services

Positively Cleveland has recorded contributed in-kind goods and services for travel and other expenses totaling \$56,993 and \$27,768 during 2013 and 2012, respectively. These in-kind goods and services have been included in revenues and expenses in the combined financial statements.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Positively Cleveland considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents. In addition, Positively Cleveland maintains cash at major financial institutions which may, at times, exceed federally insured amounts.

Cash and cash equivalents includes certain funds restricted by the Board of Directors for Positively Cleveland's Special Initiatives (see Note 9).

Receivables and Credit Policies

Accounts receivable includes program service fees receivable. These amounts are due under various payment terms. Payments of receivables are allocated to the specific invoices identified on the remittance advice or, if unspecified, are applied to the earliest unpaid invoices.

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 receivable balances that exceed 90 days from invoice date and estimates the portion, if any, of the balance that will not be collected. Additionally, management estimates an allowance for the aggregate remaining receivables based on historical collectability. When receivables are determined to be uncollectible, they are written off against the allowance for doubtful accounts.

As of December 31, 2013 and 2012, management believed that all receivables were collectible and therefore no valuation allowance was necessary.

Property and Equipment

Property and equipment is stated at cost at the date of acquisition. Minor items of office furniture, equipment, and leasehold improvements are charged to expense as incurred. Depreciation and amortization are computed by the straight-line method over the lesser of the estimated useful lives of individual assets or the life of the lease which range from three to ten years.

During 2013 and 2012, Positively Cleveland capitalized \$41,675 and \$62,675, respectively, in website development costs in accordance with GAAP. Amortization of the website began in March 2014 as this is when the development of the website was completed.

Investments

Investments at December 31, 2012, were carried at fair value and consisted of marketable debt and equity securities. Investments in securities with readily determinable fair values are reported at quoted market values and realized and unrealized gains and losses are reflected in the combined statement of activities. During 2013 and 2012, Positively Cleveland recognized \$3,593 and \$2,650 of realized and unrealized gains, respectively, on investments held for deferred compensation. Investments at December 31, 2012, consisted primarily of mutual funds.

Advertising

Advertising costs are expensed as incurred and amounted to \$851,952 and \$736,713 for 2013 and 2012, respectively.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

Positively Cleveland accounts for uncertain tax positions in accordance with GAAP, which requires recognition of and disclosure related to uncertain tax positions. As of and during the years ended December 31, 2013 and 2012, Positively Cleveland did not have a liability for unrecognized tax benefits. Positively Cleveland is no longer subject to examination by federal and state taxing authorities prior to 2010.

Subsequent Events

Management has evaluated subsequent events through June 2, 2014, the date the combined financial statements were available to be issued.

2. PROPERTY AND EQUIPMENT

At December 31, 2013 and 2012, the cost of property and equipment consisted of the following:

	<u>2013</u>	<u>2012</u>
Leasehold improvements	\$ 1,702,906	\$ 1,691,540
Furniture and fixtures	400,753	400,753
Office equipment	240,392	242,523
Software	340,497	328,062
Website development costs	<u>104,350</u>	<u>62,675</u>
	<u>\$ 2,788,898</u>	<u>\$ 2,725,553</u>

3. AMOUNTS DUE FROM CUYAHOGA COUNTY

The amounts due from Cuyahoga County at December 31 of each year represent Positively Cleveland's unremitted share of that year's Transient Occupancy Taxes. The taxes are levied under state legislation enabling the County to impose the tax and enter into an agreement to remit a portion of the amounts collected to Positively Cleveland.

4. FAIR VALUE MEASUREMENTS

The various inputs that may be used to determine the fair value of Positively Cleveland's assets are summarized in three broad levels:

- Level 1 Quoted prices in active markets for identical securities
- Level 2 Other significant observable inputs (including quoted prices for similar securities, interest rates, credit risk, etc.)
- Level 3 Significant unobservable inputs (including Positively Cleveland's own assumptions used to determine value)

NOTES TO THE COMBINED FINANCIAL STATEMENTS

4. FAIR VALUE MEASUREMENTS (Continued)

Equity securities are valued at the closing price reported on the active market on which the individual securities are traded and mutual funds are valued at the net asset value of the shares held at year end.

Assets and liabilities measured at fair value on a recurring basis are comprised of the following at December 31, 2012:

<u>Description</u>	<u>Level 1</u>
Common stock and fixed income mutual funds	<u>\$ 23,380</u>

Positively Cleveland did not hold any Level 3 assets during 2013 or 2012.

5. GATEWAY ECONOMIC DEVELOPMENT CORPORATION LIABILITY

Positively Cleveland entered into a Cooperative Agreement (the Agreement) with Gateway Economic Development Corporation (Gateway) and the County of Cuyahoga (County). In that Cooperative Agreement, Positively Cleveland pledged two sources of revenue to help secure a loan from the County to Gateway to assist in financing the Arena Facility (Arena Bonds). The two sources of pledged revenues are: 1) the annual incremental credit, as defined in the Agreement, for the previous year multiplied by the bed tax percentage increase from the previous year (limited to a 3% annual increase) plus 100% of the annual incremental credit for the previous year (annual incremental credit - \$253,400 in 2013 and \$245,974 in 2012) and 2) commencing in the year 2007, \$1,200,000 annually. These pledged amounts may only be called upon in any year if Gateway's net revenues in that year are insufficient to pay its obligation to the County for Arena Bond payments and its obligations higher in priority thereto. Positively Cleveland's obligation is severable, distinct and non-cumulative for each year. According to the Agreement, these amounts are payable in the year following the year in which they are incurred. The Cooperative Agreement will remain in effect until the year 2023 or such earlier time as the Arena Bonds are paid in full.

The liability for 2013 and 2012 related to this agreement has been included in the combined financial statements as of December 31, 2013 and 2012.

6. CONVENTION CENTER / GLOBAL CENTER FOR HEALTH INNOVATION (CC/GC) LIABILITY

Effective January 1, 2011, Cuyahoga County implemented a 1% increase to the Transient Occupancy Tax to support the CC/GC project.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

6. CONVENTION CENTER / GLOBAL CENTER FOR HEALTH INNOVATION (CC/GC)
LIABILITY (Continued)

Positively Cleveland entered into an agreement with the County in which Positively Cleveland agreed to allocate a portion of the revenue it receives from the existing Transient Occupancy Tax to further support the repayment of the County's bonds related to the CC/GC project. Positively Cleveland allocated \$500,000 and \$250,000 to the CC/GC project in 2013 and 2012, respectively, in accordance with this agreement. This agreement remains in effect until January 1, 2027. The maximum amounts of transient occupancy tax allocable to the CC/GC project each year are as follows:

2014	\$	1,000,000
2015		1,000,000
2016		1,000,000
2017		1,000,000
2018		1,000,000
Thereafter		<u>9,750,000</u>
	\$	<u>14,750,000</u>

Positively Cleveland's allocation of revenue under this agreement is subject to a "contribution credit" in years 2014 through 2027. The "contribution credit" allows for a reduction of Positively Cleveland's annual allocation of revenue based on the annual dollar amount of the 1% tax increase. In years 2014 through 2027, the "contribution credit" shall be calculated as follows:

- If the 1% tax increase generates greater than \$3,000,000 but less than or equal to \$3,500,000 of revenue for the County, the contribution credit shall be calculated as 50% of revenue in excess of \$3,000,000, capped at \$250,000.
- If the 1% tax increase generates greater than \$3,500,000 but less than or equal to \$4,000,000 of revenue for the County, the contribution credit shall be calculated as \$250,000 plus 75% of revenue in excess of \$3,500,000, capped at \$625,000.
- If the 1% tax increase generates greater than \$4,000,000 of revenue for the County, the contribution credit shall be calculated as 100% of revenues in excess of \$4,000,000, plus \$625,000.

7. PENSION AND DEFERRED COMPENSATION PLANS

Positively Cleveland has a defined contribution pension plan, with a 401(k) provision, which covers all employees who meet certain criteria as to age and years of service. Positively Cleveland may make matching contributions of 25% of employee deferrals up to 4% of compensation. Positively Cleveland may also make discretionary contributions to the plan. Positively Cleveland's policy is to fund the plan annually. The provisions for pension costs are included in benefits and amounted to approximately \$18,000 and \$10,000 (including matching contributions) during 2013 and 2012, respectively.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

7. PENSION AND DEFERRED COMPENSATION PLANS (Continued)

Positively Cleveland also maintained a non-qualified deferred compensation plan for certain employees. Under the plan, the employees' elective deferral was invested for their benefit by Positively Cleveland. The employees were entitled to the amounts in the plan including earnings thereon upon retirement, disability, or death. The assets of the plan could, however, be used in certain circumstances to satisfy the liabilities of Positively Cleveland. This plan was terminated in 2013. The balance included in investments and in deferred compensation payable for this plan at December 31, 2012, was \$23,380.

8. COMMITMENTS

Leases

Positively Cleveland has a ten year office lease agreement expiring in 2021 which includes certain cancellable provisions, rent escalation clauses, and two five year renewal options.

The future minimum rental commitments for this operating lease are as follows:

2014	\$	292,464
2015		295,089
2016		301,380
2017		307,606
2018		310,231
Thereafter		<u>760,246</u>
	\$	<u>2,267,016</u>

Positively Cleveland subleases a portion of its office space through 2021 to the Greater Cleveland Sports Commission (GCSC), which includes two five year renewal options. As part of the sublease agreement, the GCSC pays for a portion of information technology and office maintenance services and equipment.

The future minimum rental commitments due from the GCSC are as follows:

2014	\$	84,827
2015		85,614
2016		89,373
2017		92,282
2018		93,069
Thereafter		<u>228,073</u>
	\$	<u>673,238</u>

A deferred rent liability has been recorded upon the escalation of rent during the term of the lease. No portion of this liability is expected to be paid during 2014 and therefore is included as a long-term liability.

Total rental expense net of the sublease, amounted to approximately \$176,000 and \$169,000 during 2013 and 2012, respectively.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

8. COMMITMENTS (Continued)

Lease Incentive Obligation

The Company has recorded a lease incentive obligation in connection with the construction of its new office facilities. The original amount provided by the landlord of approximately \$440,000 is being amortized on a straight-line basis over the term of the lease. Amortization of this lease incentive obligation utilized to reduce rent expense totaled \$41,460 and \$40,518 in 2013 and 2012, respectively.

Employee Leasing Agreement

Positively Cleveland has an employee leasing agreement with the GCSC extending through December 2016. The GCSC's CEO and President shall provide executive services as required by Positively Cleveland consistent with the terms provided in the agreement. Either party may terminate this agreement with 30 days written notice, with or without cause.

9. NET ASSETS

The Board of Directors has restricted certain funds (board restricted) for Positively Cleveland's Special Initiatives. These initiatives, including destination development and certain marketing campaigns, are anticipated to result in a significant impact on the economic vitality of the region. At December 31, 2013 and 2012, unrestricted net assets consisted of the following:

	<u>2013</u>	<u>2012</u>
Positively Cleveland		
Unrestricted	\$ 4,103,779	\$ 5,411,633
Board restricted	5,028,755	3,237,585
Spirit of Cleveland, Inc.	<u>109,790</u>	<u>118,011</u>
	<u>\$ 9,242,324</u>	<u>\$ 8,767,229</u>

BOARD OF DIRECTORS
THE CONVENTION AND VISITORS BUREAU OF GREATER CLEVELAND, INC.
DBA POSITIVELY CLEVELAND AND SPIRIT OF CLEVELAND, INC.

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined financial statements of The Convention and Visitors Bureau of Greater Cleveland, Inc. DBA Positively Cleveland and Spirit of Cleveland, Inc. (nonprofit organizations) (collectively referred to as Positively Cleveland), which comprise the combined statement of financial position as of December 31, 2013, and the related combined statements of activities, and cash flows for the year then ended, and the related notes to the combined financial statements, and have issued our report thereon dated June 2, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the combined financial statements, we considered Positively Cleveland's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of Positively Cleveland's internal control. Accordingly, we do not express an opinion on the effectiveness of Positively Cleveland's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's combined financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Positively Cleveland's combined financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Positively Cleveland's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Positively Cleveland's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cohen & Company

June 2, 2014
Cleveland, Ohio

COMBINING STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2013

	Positively Cleveland	Spirit of Cleveland, Inc.	Eliminations	Total		Positively Cleveland	Spirit of Cleveland, Inc.	Eliminations	Total
ASSETS					LIABILITIES AND NET ASSETS				
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents	\$ 7,846,050	\$ 187,783		\$ 8,033,833	Accounts payable and accrued expenses	\$ 482,356	\$ 79,711	\$ (78,724)	\$ 483,343
Amounts due from Cuyahoga County	1,287,426			1,287,426	Salaries and payroll taxes payable	315,289			315,289
Accounts receivable	439,150	1,718	\$ (78,724)	362,144	Current portion of deferred lease incentive	41,460			41,460
Prepaid expenses and other	376,993			376,993	Gateway Economic Development Corporation liability	1,453,400			1,453,400
	<u>9,949,619</u>	<u>189,501</u>	<u>(78,724)</u>	<u>10,060,396</u>	Deferred revenue	11,805			11,805
						<u>2,304,310</u>	<u>79,711</u>	<u>(78,724)</u>	<u>2,305,297</u>
					DEFERRED RENT	32,730			32,730
PROPERTY AND EQUIPMENT - AT COST					DEFERRED LEASE INCENTIVE	265,984			265,984
Office furniture, equipment, and leasehold improvements	2,788,898			2,788,898		<u>2,603,024</u>	<u>79,711</u>	<u>(78,724)</u>	<u>2,604,011</u>
Less: Accumulated depreciation and amortization	1,002,959			1,002,959	UNRESTRICTED NET ASSETS				
	<u>1,785,939</u>			<u>1,785,939</u>	Unrestricted	4,103,779	109,790		4,213,569
					Board restricted	5,028,755			5,028,755
						<u>9,132,534</u>	<u>109,790</u>		<u>9,242,324</u>
	<u>\$ 11,735,558</u>	<u>\$ 189,501</u>	<u>\$ (78,724)</u>	<u>\$ 11,846,335</u>		<u>\$ 11,735,558</u>	<u>\$ 189,501</u>	<u>\$ (78,724)</u>	<u>\$ 11,846,335</u>

COMBINING STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2013

	Positively Cleveland	Spirit of Cleveland, Inc.	Total
REVENUES			
Transient occupancy tax	\$ 9,890,937		\$ 9,890,937
Less: Gateway liability	1,453,400		1,453,400
Less: Convention Center / Global Ctr for Health Innovation	500,000		500,000
Net transient occupancy tax	<u>7,937,537</u>		<u>7,937,537</u>
Partnership dues	572,605		572,605
Ad and publication	346,034		346,034
Interest	26,131	\$ 419	26,550
Registration	25,492		25,492
Grant		10,000	10,000
Retail sales	1,283		1,283
Miscellaneous	2,674	6,253	8,927
In-kind contributions	56,993		56,993
	<u>8,968,749</u>	<u>16,672</u>	<u>8,985,421</u>
DEPARTMENTAL EXPENSES			
Administrative	1,412,764		1,412,764
Destination development and community affairs	659,169		659,169
Marketing	2,947,038		2,947,038
Partnerships	824,268		824,268
Sales - Convention	1,611,876		1,611,876
Services	560,190		560,190
	<u>8,015,305</u>		<u>8,015,305</u>
OTHER EXPENSES			
Sponsorships	470,128		470,128
Project grant		24,893	24,893
	<u>470,128</u>	<u>24,893</u>	<u>495,021</u>
	<u>8,485,433</u>	<u>24,893</u>	<u>8,510,326</u>
CHANGE IN UNRESTRICTED NET ASSETS	483,316	(8,221)	475,095
UNRESTRICTED NET ASSETS - BEGINNING OF THE YEAR	<u>8,649,218</u>	<u>118,011</u>	<u>8,767,229</u>
	9,132,534	109,790	9,242,324
LESS: BOARD RESTRICTED NET ASSETS	<u>5,028,755</u>		<u>5,028,755</u>
UNRESTRICTED NET ASSETS - END OF THE YEAR	<u>\$ 4,103,779</u>	<u>\$ 109,790</u>	<u>\$ 4,213,569</u>

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Dave Yost • Auditor of State

**THE CONVENTION AND VISITORS BUREAU OF GREATER CLEVELAND DBA POSITIVELY
CLEVELAND AND SPIRIT OF CLEVELAND, INC.**

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 3, 2014**