



The Convention and Visitors Bureau
of Greater Cleveland, Inc. dba
Destination Cleveland and Subsidiaries

Consolidated Financial Statements
December 31, 2020 and 2019

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THE CONVENTION AND VISITORS BUREAU OF GREATER CLEVELAND, INC. DBA DESTINATION CLEVELAND
AND SUBSIDIARIES
CUYAHOGA COUNTY
SINGLE AUDIT
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

OHIO AUDITOR OF STATE
KEITH FABER



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Board of Directors
The Convention and Visitors Bureau of Greater Cleveland, Inc.
dba Destination Cleveland and Subsidiaries
334 Euclid Ave
Cleveland, Ohio 44114

We have reviewed the *Independent Auditor's Report* of The Convention and Visitors Bureau of Greater Cleveland, Inc. dba Destination Cleveland and Subsidiaries, Cuyahoga County, prepared by Cohen & Company, for the audit period January 1, 2020 through December 31, 2020. 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, Inc. dba Destination Cleveland and Subsidiaries is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

June 29, 2021

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THE CONVENTION AND VISITORS BUREAU OF GREATER CLEVELAND, INC. DBA
DESTINATION CLEVELAND AND SUBSIDIARIES

DECEMBER 31, 2020 AND 2019

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Independent Auditors' Report

Board of Directors
The Convention and Visitors Bureau of Greater Cleveland, Inc.
dba Destination Cleveland and Subsidiaries

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of The Convention and Visitors Bureau of Greater Cleveland, Inc. dba Destination Cleveland and Subsidiaries (nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2020 and 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Convention and Visitors Bureau of Greater Cleveland, Inc. dba Destination Cleveland and Subsidiaries as of December 31, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our 2020 audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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, 2021, on our consideration of The Convention and Visitors Bureau of Greater Cleveland, Inc. dba Destination Cleveland and Subsidiaries' 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 Destination Cleveland and Subsidiaries' internal control over financial reporting and compliance.



Cleveland, Ohio
June 2, 2021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>		<u>2020</u>	<u>2019</u>
ASSETS			LIABILITIES AND NET ASSETS		
CURRENT ASSETS			CURRENT LIABILITIES		
Cash and cash equivalents	\$ 15,554,643	\$ 11,002,752	Accounts payable and accrued expenses	\$ 365,418	\$ 1,228,772
Amounts due from Cuyahoga County	1,150,836	2,462,759	Grants payable	490,000	
Accounts receivable	20,853	583,392	Salaries and payroll taxes payable	227,867	689,163
Prepaid expenses and other assets	689,827	813,220	Current portion of deferred lease incentive	17,224	41,460
	<u>17,416,159</u>	<u>14,862,123</u>	Deferred revenue	104,982	245,717
				<u>1,205,491</u>	<u>2,205,112</u>
PROPERTY AND EQUIPMENT - AT COST	7,876,080	7,560,183	DEFERRED RENT	402,086	298,791
Less: Accumulated depreciation and amortization	6,042,866	5,045,670	DEFERRED LEASE INCENTIVE		17,224
	<u>1,833,214</u>	<u>2,514,513</u>		<u>1,607,577</u>	<u>2,521,127</u>
OTHER ASSETS			COMMITMENTS AND CONTINGENCIES		
Investments	1,293,730	6,090,719	NET ASSETS WITHOUT DONOR RESTRICTIONS		
Other	100,000	75,000	Undesignated	8,338,726	5,477,497
	<u>1,393,730</u>	<u>6,165,719</u>	Board designated	<u>8,338,726</u>	<u>5,395,321</u>
	<u>\$ 20,643,103</u>	<u>\$ 23,542,355</u>	NET ASSETS WITH DONOR RESTRICTIONS	10,696,800	10,148,410
				<u>19,035,526</u>	<u>21,021,228</u>
				<u>\$ 20,643,103</u>	<u>\$ 23,542,355</u>

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

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES			
Transient occupancy tax	\$ 5,825,741		\$ 5,825,741
Capital improvement transient occupancy tax		\$ 3,124,233	3,124,233
Less: Rock and Roll Hall of Fame and Museum	500,000		500,000
Less: Rocket Mortgage FieldHouse renovation	1,500,000		1,500,000
Net assets released from restriction	<u>5,030,843</u>	<u>(5,030,843)</u>	
Net transient occupancy tax	8,856,584	(1,906,610)	6,949,974
Partnership dues	465,021		465,021
Ad and publication	243,094		243,094
Grants		2,455,000	2,455,000
Interest and investment income - Net	124,112		124,112
Sponsorships and contributions	92,350		92,350
Miscellaneous	34,896		34,896
In-kind contributions	<u>22,023</u>		<u>22,023</u>
	<u>9,838,080</u>	<u>548,390</u>	<u>10,386,470</u>
EXPENSES			
Program services			
Destination development	1,562,016		1,562,016
Marketing	3,564,552		3,564,552
Partnerships	1,986,945		1,986,945
Sales - Convention	1,322,691		1,322,691
Services - Convention	229,208		229,208
Spirit of Cleveland	<u>1,845,119</u>		<u>1,845,119</u>
	10,510,531		10,510,531
Supporting services			
Management and general	<u>1,861,641</u>		<u>1,861,641</u>
	<u>12,372,172</u>		<u>12,372,172</u>
CHANGE IN NET ASSETS	(2,534,092)	548,390	(1,985,702)
NET ASSETS - BEGINNING OF THE YEAR	<u>10,872,818</u>	<u>10,148,410</u>	<u>21,021,228</u>
NET ASSETS - END OF THE YEAR	<u>\$ 8,338,726</u>	<u>\$ 10,696,800</u>	<u>\$ 19,035,526</u>

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

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Transient occupancy tax	\$ 14,051,978		\$ 14,051,978
Capital improvement transient occupancy tax		\$ 7,269,519	7,269,519
Less: Rock and Roll Hall of Fame and Museum	1,108,061		1,108,061
Less: Quicken Loans Arena renovation	1,750,000		1,750,000
Net assets released from restriction	<u>3,697,399</u>	<u>(3,697,399)</u>	<u>18,463,436</u>
Net transient occupancy tax	14,891,316	3,572,120	18,463,436
Partnership dues	633,111		633,111
Ad and publication	492,899		492,899
Interest and investment income - Net	202,893		202,893
Sponsorships and contributions	1,692,412		1,692,412
Miscellaneous	49,960		49,960
In-kind contributions	208,239		208,239
Gain on extinguishment of Gateway liability		1,476,847	1,476,847
	<u>18,170,830</u>	<u>5,048,967</u>	<u>23,219,797</u>
EXPENSES			
Program services			
Destination development	1,710,166		1,710,166
Marketing	8,129,822		8,129,822
Partnerships	1,207,165		1,207,165
Sales - Convention	3,611,982		3,611,982
Services - Convention	1,039,193		1,039,193
Spirit of Cleveland	<u>2,191,121</u>		<u>2,191,121</u>
	17,889,449		17,889,449
Supporting services			
Management and general	<u>3,181,305</u>		<u>3,181,305</u>
	<u>21,070,754</u>		<u>21,070,754</u>
CHANGE IN NET ASSETS	(2,899,924)	5,048,967	2,149,043
NET ASSETS - BEGINNING OF THE YEAR	<u>13,772,742</u>	<u>5,099,443</u>	<u>18,872,185</u>
NET ASSETS - END OF THE YEAR	<u>\$ 10,872,818</u>	<u>\$ 10,148,410</u>	<u>\$ 21,021,228</u>

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

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2020

	PROGRAM						SUPPORTING		Total Expenses
	Destination Development	Marketing	Partnerships	Sales - Convention	Services - Convention	Spirit of Cleveland	Total Program Services	Management and General	
Salaries and wages	\$ 323,161	\$ 1,032,210	\$ 484,650	\$ 623,704	\$ 140,579	\$ 25,742	\$ 2,630,046	\$ 973,451	\$ 3,603,497
Payroll taxes and fringe benefits	71,208	157,785	101,902	114,569	48,470		493,934	120,138	614,072
	<u>394,369</u>	<u>1,189,995</u>	<u>586,552</u>	<u>738,273</u>	<u>189,049</u>	<u>25,742</u>	<u>3,123,980</u>	<u>1,093,589</u>	<u>4,217,569</u>
Community support and initiatives	353,521		814,242			1,715,000	2,882,763		2,882,763
Marketing, advertising and promotions		1,269,522	224,088	53,533			1,547,143		1,547,143
Professional fees	45,829	562,128	26,305	55,623	5,624	95,581	791,090	91,256	882,346
Occupancy	68,394	152,090	41,791	68,267	8,415		338,957	136,532	475,489
Events, trade shows and meetings			198,789	225,907	4,927	987	430,610		430,610
Information technology						3,043	3,043	288,313	291,356
Research	12,650	163,459					176,109	14,742	190,851
Office	12,337	42,952	48,316	17,271	2,550	3,022	126,448	30,892	157,340
Travel and client development	340	22,084	7,693	24,787	8,558		63,462	15,452	78,914
Training, memberships and subscriptions		957	775	36,025	1,150		38,907	23,268	62,175
Destination development	50,926					216	51,142		51,142
Other	776	4,481		10,668	469	1,528	17,922	30,229	48,151
Insurance	3,741	11,947	2,998	5,359	662		24,707	10,724	35,431
Convention subsidies				23,696			23,696		23,696
	<u>548,514</u>	<u>2,229,620</u>	<u>1,364,997</u>	<u>521,136</u>	<u>32,355</u>	<u>1,819,377</u>	<u>6,515,999</u>	<u>641,408</u>	<u>7,157,407</u>
Depreciation and amortization	619,133	144,937	35,396	63,282	7,804		870,552	126,644	997,196
Total expenses	<u>\$ 1,562,016</u>	<u>\$ 3,564,552</u>	<u>\$ 1,986,945</u>	<u>\$ 1,322,691</u>	<u>\$ 229,208</u>	<u>\$ 1,845,119</u>	<u>\$ 10,510,531</u>	<u>\$ 1,861,641</u>	<u>\$ 12,372,172</u>

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

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2019

	PROGRAM						SUPPORTING		
	Destination Development	Marketing	Partnerships	Sales - Convention	Services - Convention	Spirit of Cleveland	Total Program Services	Management and General	Total Expenses
Salaries and wages	\$ 610,239	\$ 1,375,969	\$ 492,234	\$ 1,440,499	\$ 533,178		\$ 4,452,119	\$ 1,386,207	\$ 5,838,326
Payroll taxes and fringe benefits	106,931	259,605	74,881	291,572	101,691		834,680	246,209	1,080,889
	<u>717,170</u>	<u>1,635,574</u>	<u>567,115</u>	<u>1,732,071</u>	<u>634,869</u>		<u>5,286,799</u>	<u>1,632,416</u>	<u>6,919,215</u>
Community support and initiatives						\$ 417,865	417,865	295,797	713,662
Marketing, advertising and promotions	98,894	4,153,173	316,292	21,396	6,283	73	4,596,111		4,596,111
Professional fees	57,173	1,257,324	27,419	137,437	27,419	1,077,645	2,584,417	220,741	2,805,158
Occupancy	80,403	90,093	33,785	78,832	33,785		316,898	73,201	390,099
Events, trade shows and meetings	269,932		124,047	643,417	113,505	691,176	1,842,077		1,842,077
Information technology								438,092	438,092
Research	27,500	502,737					530,237	15,957	546,194
Office	23,195	64,254	6,971	15,254	86,263	4,362	200,299	86,695	286,994
Travel and client development	19,350	151,767	30,437	299,083	35,291		535,928	85,886	621,814
Training, memberships and subscriptions		7,080	1,700	69,938	2,987		81,705	78,298	160,003
Destination development	242,135						242,135		242,135
Other	3,678	19,478	6,271	32,636	5,663		67,726	52,444	120,170
Insurance	6,953	10,113	3,792	8,849	3,792		33,499	8,217	41,716
Convention subsidies				364,618			364,618		364,618
	<u>829,213</u>	<u>6,256,019</u>	<u>550,714</u>	<u>1,671,460</u>	<u>314,988</u>	<u>2,191,121</u>	<u>11,813,515</u>	<u>1,355,328</u>	<u>13,168,843</u>
Depreciation and amortization	<u>163,783</u>	<u>238,229</u>	<u>89,336</u>	<u>208,451</u>	<u>89,336</u>		<u>789,135</u>	<u>193,561</u>	<u>982,696</u>
Total expenses	<u>\$ 1,710,166</u>	<u>\$ 8,129,822</u>	<u>\$ 1,207,165</u>	<u>\$ 3,611,982</u>	<u>\$ 1,039,193</u>	<u>\$ 2,191,121</u>	<u>\$ 17,889,449</u>	<u>\$ 3,181,305</u>	<u>\$ 21,070,754</u>

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

CONSOLIDATED STATEMENT OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOW PROVIDED FROM (USED IN) OPERATING ACTIVITIES		
Change in net assets	\$ (1,985,702)	\$ 2,149,043
Noncash items included in activities:		
Depreciation and amortization of property and equipment	997,196	982,696
Amortization of deferred lease incentive	(41,460)	(41,460)
Deferred rent	103,295	48,286
Gain on disposal of property and equipment		(3,116)
Gain on extinguishment of Gateway liability		(1,476,847)
Realized gains on investments	(44,517)	(12,334)
Unrealized losses (gain) on investments	26,453	(50,061)
(Decrease) increase in cash and cash equivalents caused by changes in current items:		
Amounts due from Cuyahoga County	1,311,923	(198,920)
Accounts receivable	562,539	(40,309)
Prepaid expenses and other assets	123,393	(67,174)
Other assets	(25,000)	(25,000)
Accounts payable and accrued expenses	(863,354)	(814,645)
Grants payable	490,000	
Salaries and payroll taxes payable	(461,296)	231,880
Gateway Economic Development Corporation liability		(1,485,151)
Deferred revenue	(140,735)	(58,700)
Net cash flow provided from (used in) operations	<u>52,735</u>	<u>(861,812)</u>
CASH FLOW PROVIDED FROM (USED IN) INVESTING ACTIVITIES		
Acquisition of property and equipment	(315,897)	(688,709)
Purchase of investments	(1,249,536)	(3,253,721)
Proceeds from sale of investments	6,064,589	3,000,000
	<u>4,499,156</u>	<u>(942,430)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,551,891	(1,804,242)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>11,002,752</u>	<u>12,806,994</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 15,554,643</u>	<u>\$ 11,002,752</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND PURPOSE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose

The accompanying consolidated financial statements of The Convention and Visitors Bureau of Greater Cleveland, Inc. dba Destination Cleveland (Destination Cleveland) include the accounts of its wholly-owned subsidiaries, DC CCC Investment LLC (DC CCC), and Spirit of Cleveland, Inc. (Spirit).

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

DC CCC, a limited liability company, began operations in 2018, for the purpose of investing in a local concert company.

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

Prior to 2020, the accounts of Destination Cleveland and Spirit were combined on the basis of common management and mission. During 2020, Spirit's code of regulations were amended whereby the board of Spirit consists of members of Destination Cleveland's Board of Directors or members appointed by the Executive Committee of Destination Cleveland. Due to this transfer of control and economic interest, Destination Cleveland and Spirit, along with DC CCC, are reported on a consolidated basis as though the transfer of control and economic interest occurred at January 1, 2020. All prior period information presented has also been retrospectively adjusted to furnish comparative information (referred to as the consolidated financial statements). The entities are collectively referred to as the Organization. All intercompany transactions and balances are eliminated in consolidation.

COVID-19 Impact

The COVID-19 pandemic has impacted and could further impact the Organization's operations and the operations of the Organization's partners and vendors as a result of quarantines, facility closures, and travel and logistics restrictions. The extent to which the COVID-19 pandemic impacts the Organization's results of operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to the duration, spread, severity, and impact of the COVID-19 pandemic, the effects of the COVID-19 pandemic on the Organization's partners and vendors and the remedial actions and stimulus measures adopted by local and federal governments, and to what extent normal economic and operating conditions can resume. Even after the COVID-19 pandemic has subsided, the Organization may continue to experience adverse impacts to its operations as a result of any economic recession or depression that has occurred or may occur in the future. Therefore, the Organization cannot reasonably estimate the impact at this time.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND PURPOSE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

The Organization's revenue from contracts with customers consists primarily of sponsorships and partnership dues. Sponsorship obligations are satisfied at the conclusion of conferences or events hosted by the Organization. Partnership dues, which are nonrefundable, are comprised of an exchange element based benefits provided to the partners over one year. Obligations to these partners are satisfied and recognized ratably over time as partners are simultaneously receiving and consuming the benefit of the partnership with the Organization over one year. Included in deferred revenue are partnership dues received by the Organization in advance of completing the over time performance obligation.

Total revenue recognized from contracts with customers for the years ended December 31, 2020 and 2019, amounted to approximately \$465,000 and \$2,800,000, respectively.

Contributions are recognized when the donor makes a promise to give to the Organization, that is, in substance, unconditional. All donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

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

A portion of the Transient Occupancy Tax is required to be used for direct and indirect costs of capital improvements (Capital Improvement Funds), as outlined in the agreement with the City of Cleveland and the County and subject to Destination Cleveland's capital improvement policy. As such, Capital Improvement Funds are recorded as net assets with donor restrictions. When Capital Improvement Funds are spent, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

A portion of the Organization's revenue is derived from cost-reimbursable federal contracts and grants, which are conditioned upon the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. A receivable is recorded to the extent grants earned exceed cash advances. Conversely, deferred revenue is recorded when grant or contract cash advances exceed support earned. There were no such advances received for the year ended December 31, 2020. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. The grantors may, at their discretion, request reimbursement for unallowed expenses as a result of noncompliance by the Organization with the terms of the grant. On certain grants, if advances exceed eligible costs, the funds must be returned to the grantor. No funds were required to be returned during the current year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND PURPOSE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Accounting Estimates

The preparation of the consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from the estimates that were used, particularly given the significant social and economic disruptions and uncertainties associated with the ongoing COVID-19 pandemic, and such differences may be material.

Functional Allocation of Expenses

The consolidated statements of activities and functional expenses report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, payroll taxes and fringe benefits, lease, depreciation, and overhead, which are allocated on the basis of estimates of time and effort.

Contributed Goods and Services

The Organization has recorded contributed in-kind goods and services for travel, visitor meals and entertainment and other expenses totaling \$22,023 and \$208,239 during 2020 and 2019, respectively. These in-kind goods and services have been recorded at fair value on the date of contribution and have been included in revenues and expenses in the accompanying consolidated statement of activities.

Cash and Cash Equivalents

The Organization considers all short-term securities purchased and highly liquid debt instruments with an original maturity of three months or less to be cash equivalents, except for certificates of deposits included in the Organization's investment accounts. In addition, the Organization 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 the Organization's Special Initiatives (see Note 10) and money market accounts.

Receivables and Credit Policies

Accounts receivable primarily includes receivables due from exchange transactions. These amounts are due under various payment terms.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND PURPOSE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables and Credit Policies (continued)

The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of the amounts that will not be collected based on historical experience. 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, 2020 and 2019, 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 property and equipment are charged to expense as incurred. Depreciation and amortization are computed by the straight-line method over the following estimated useful lives of the assets:

Leasehold improvements	Term of lease
Furniture and fixtures	3-10 years
Office equipment	3-5 years
Software	3-5 years
Destination development projects	5 years

Investments

Investments are carried at fair value and consist of United States (U.S.) treasury securities and certificates of deposit. Investments in securities with readily determinable fair values are reported at quoted market values. Fair values of certificates of deposit approximate cost, as they are generally short-term in nature and bear market rates of interest. Realized and unrealized gains or losses are reflected in the accompanying consolidated statement of activities.

Advertising

Advertising costs are expensed as incurred and amounted to \$1,242,243 and \$3,881,223 for 2020 and 2019, respectively.

Income Taxes

The Organization 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, 2020 and 2019, the Organization did not have a liability for unrecognized tax benefits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND PURPOSE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications

Certain accounts in the prior year consolidated financial statements have been reclassified for comparative purposes to conform with the presentation in the current year

Subsequent Events

Management has evaluated subsequent events through June 2, 2021, the date the consolidated financial statements were available to be issued.

2. LIQUIDITY AND AVAILABILITY OF RESOURCES

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, the Organization had investments without donor restrictions of \$1,293,730 and \$6,090,719 at December 31, 2020 and 2019, respectively, which can be drawn upon if necessary. In addition the Organization has a committed line of credit in the amount of \$2,000,000 to be drawn upon if necessary.

The Organization's financial assets available to meet cash needs for general expenditures within one year were as follows at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 15,554,643	\$ 11,002,752
Amounts due from Cuyahoga County	1,150,836	2,462,759
Accounts receivable	20,853	583,392
Investments	<u>1,293,730</u>	<u>6,090,719</u>
Total financial assets, at year end	<u>18,020,062</u>	<u>20,139,622</u>
Less: Amounts unavailable for general expenditures within one year, due to:		
Grants payable	490,000	
Donor imposed restrictions:		
Spirit of Cleveland initiatives	52,564	
Capital Improvement Funds	<u>10,644,236</u>	<u>10,148,410</u>
	<u>11,186,800</u>	<u>10,148,410</u>
Board designations:		
Special Initiatives Funds	<u> </u>	<u>5,395,321</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 6,833,262</u>	<u>\$ 4,595,891</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. PROPERTY AND EQUIPMENT

At December 31, 2020 and 2019, the cost of property and equipment consisted of the following:

	<u>2020</u>	<u>2019</u>
Leasehold improvements	\$ 2,783,128	\$ 2,684,493
Furniture and fixtures	722,461	722,461
Office equipment	619,590	595,909
Software	500,570	475,072
Destination development projects	<u>3,250,331</u>	<u>3,082,248</u>
	<u>\$ 7,876,080</u>	<u>\$ 7,560,183</u>

4. FAIR VALUE OF FINANCIAL INSTRUMENTS

The various inputs that may be used to determine the fair value of the Organization'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 the Organization's own assumptions used to determine value)

Assets measured at fair value are comprised of the following at December 31, 2020:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	<u>\$</u>	<u>\$ 1,293,730</u>	<u>\$</u>	<u>\$ 1,293,730</u>

Assets measured at fair value are comprised of the following at December 31, 2019:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S treasury securities	\$ 3,570,112	\$	\$	\$ 3,570,112
Certificates of deposit	<u></u>	<u>2,520,607</u>	<u></u>	<u>2,520,607</u>
Investments at fair value	<u>\$ 3,570,112</u>	<u>\$ 2,520,607</u>	<u>\$</u>	<u>\$ 6,090,719</u>

The Organization did not hold any Level 3 assets during 2020 or 2019.

5. AMOUNTS DUE FROM CUYAHOGA COUNTY

The amounts due from the County at December 31 of each year include Destination 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 Destination Cleveland.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. AMOUNTS DUE FROM CUYAHOGA COUNTY (Continued)

Destination Cleveland is also party to an agreement with the County and the Mayor of the City of Cleveland (the Mayor) in which the County and the Mayor agreed to allocate a portion of the revenue they receive from the Capital Improvement portion of the Transient Occupancy Tax to Destination Cleveland to be used for the direct and indirect costs of capital improvements, as defined in the agreement. At December 31, 2020 and 2019, the amounts due from the County include Destination Cleveland's unremitted share of the Capital Improvement Funds in the amounts of \$199,181 and \$582,541, respectively.

6. GATEWAY ECONOMIC DEVELOPMENT CORPORATION LIABILITY

Destination Cleveland entered into a Cooperative Agreement (the Agreement) with Gateway Economic Development Corporation (Gateway) and the County. In the Agreement, Destination 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 – approximately \$285,000 in 2019) 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. Destination 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 Agreement will remain in effect until the year 2023 or such earlier time as the Arena Bonds in an amount exceeding \$75,000,000 are paid in full.

During 2019, the County determined that the Organization's obligation to make payments under the Agreement has been relieved and therefore, \$1,476,847 of the Gateway liability at December 31, 2018, was recorded as a gain on extinguishment of liability in the 2019 consolidated statement of activities.

7. LINE OF CREDIT

As of December 31, 2020, the Organization has available a line of credit with a bank in the amount of \$2,000,000, expiring in October 2021. The line is secured by receivables and equipment, and bears interest at the prime rate (3.25% at December 31, 2020). At December 31, 2020, there is no balance outstanding. No interest was paid on the line in 2020. The line of credit is renewable annually. The line of credit agreement contains certain non-financial covenants. Management believes the Organization is in compliance with these covenants.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. RETIREMENT PLAN

Destination 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. During 2019 and through March 31, 2020, Destination Cleveland provided matching contributions of 50% of employee deferrals up to 6% of compensation. Destination Cleveland may also make discretionary contributions to the plan. Destination Cleveland's policy is to fund the plan annually. The provisions for pension costs are included in benefits and amounted to approximately \$42,000 and \$111,000 (including matching contributions) for 2020 and 2019, respectively.

9. COMMITMENTS AND CONTINGENCIES

Leases

The Organization has an office lease agreement, set to expire in 2025, which includes certain cancellable provisions, rent escalation clauses, and three five-year renewal options.

The Organization leases certain equipment under operating leases that expire through December 2023.

The future minimum rental commitments for these operating leases are as follows:

2021	\$	508,180
2022		492,839
2023		455,248
2024		454,171
2025		454,171
		<u>\$ 2,364,609</u>

The Organization is recognizing rental expense ratably over the term of the lease and, accordingly, a deferred rent liability has been recorded to recognize the escalation of rent.

The Organization 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, GCSC pays for a portion of information technology and office maintenance services and equipment.

The future minimum rental commitment due from GCSC is \$39,572 in 2021.

Total rental expense, net of the sublease, amounted to approximately \$399,000 and \$325,000 during 2020 and 2019, respectively.

Lease Incentive Obligation

The Organization has recorded a lease incentive obligation in connection with the construction of its 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 in both 2020 and 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. COMMITMENTS AND CONTINGENCIES (Continued)

Employee Leasing Agreement

Destination Cleveland has an employee leasing agreement with GCSC that expires on December 31, 2024. GCSC's CEO and President provides executive services as required by Destination Cleveland consistent with the terms provided in the agreement. Either party may terminate the leasing agreement with 30 days written notice, with or without cause.

Future Sponsorship and Convention Subsidy Commitments

The Organization has made commitments of approximately \$3,407,000 to sponsor and subsidize conventions scheduled to occur in 2021 – 2028. Based on the nature and conditions surrounding these commitments, no amounts have been accrued in the consolidated statement of financial position at December 31, 2020 and 2019.

The Rock and Roll Hall of Fame

Effective January 1, 2020, the Organization entered into a Restated Agreement (Agreement) with The Rock and Roll Hall of Fame and Museum, Inc. (Museum) whereby the Organization agrees to sponsor the Museum's biennial induction ceremonies in the County and shall pay to the Museum \$500,000 in even-numbered years beginning January 2020. The agreement states the induction must be held at least once every other year. The agreement may be terminated by mutual written consent of the Organization and the Museum at any time. In addition, if the Organization's bed tax funding is significantly reduced by any change in law or legislative action, the Museum has agreed to renegotiate the agreement with the Organization to account for the reduction.

Prior to January 1, 2020, the Organization was party to an agreement with the Museum whereby the Organization agreed to pay to the Museum on a quarterly basis, an amount equal to 20% of the total proceeds received by the Organization from the Capital Improvement Funds for the first 12 months of the agreement; and thereafter, 25% of the total proceeds received by the Organization from the Capital Improvement Funds.

In 2020 and 2019, these sponsorships and allocations amounted to approximately \$500,000 and \$1,100,000, respectively, and were recorded as a reduction to net Transient Occupancy Tax revenue. At December 31, 2019, approximately \$306,000 was due to the Museum and included in accounts payable and accrued expenses on the consolidated statement of financial position. No such amounts were due to the Museum as of December 31, 2020.

Laws and Regulations

The Ohio Revised Code (the Code) relating to the Transient Occupancy Tax is subject to interpretation. Potential noncompliance with the Code can be subject to future government review and interpretation as well as regulatory action. During 2016, the County withheld Transient Occupancy Tax generated from the Hilton Cleveland Downtown Hotel, which opened in 2016, from Destination Cleveland. Management therefore believes additional Transient Occupancy Tax could be owed to Destination Cleveland. However, no amounts have been recorded in these consolidated financial statements related to the County's potential noncompliance with state legislation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. COMMITMENTS AND CONTINGENCIES (Continued)

Rocket Mortgage FieldHouse Renovation

In 2017, the Organization entered into a new agreement with the County to financially support a portion of the costs to renovate Quicken Loans Arena, a multi-purpose arena located in downtown Cleveland. During 2019, Quicken Loans Arena started operating under the name Rocket Mortgage FieldHouse. Under the agreement, the Organization will allocate a portion of the gross Capital Improvement Transient Occupancy Tax receipts generated in any calendar year to renovate Rocket Mortgage FieldHouse, according to a schedule of annual payments during the period January 1, 2017, through December 31, 2034. The sum of all annual payments during the term of the new agreement shall amount to \$44,000,000.

The annual payments to be made each year, as defined, are as follows:

2021	\$	1,500,000
2022		2,000,000
2023		2,000,000
2024		2,750,000
2025		2,750,000
Thereafter		<u>27,000,000</u>
	\$	<u>38,000,000</u>

During 2020, \$1,803,899 of the gross Capital Improvement Transient Occupancy Tax receipts were applied to the annual payment requirements, \$1,500,000 of which related to the required 2020 payment and an advance of \$303,899 related to the required 2021 payment. The \$303,899 related to 2021, has been included in prepaid expenses and other assets on the accompanying consolidated statement of financial position.

During 2019, \$2,146,311 of the gross Capital Improvement Transient Occupancy Tax receipts were applied to the annual payment requirements, \$1,750,000 of which related to the required 2019 payment and an advance of \$396,311 related to the required 2020 payment. The \$396,311 related to 2020, has been included in prepaid expenses and other assets on the accompanying consolidated statement of financial position.

Ohio Senate Bill 310

On December 29, 2020, Ohio passed Senate bill 310 effective immediately to provide federal COVID funding to local subdivisions. The Organization is currently evaluating the new legislation's impact on its consolidated financial statements through the date the consolidated financial statements are available to be issued.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. NET ASSETS

Board Designated Net Assets

The Board of Directors had designated assets for the Organization’s Special Initiatives. These initiatives, including destination development, certain marketing campaigns and convention attraction, are anticipated to result in a significant impact on the economic vitality of the region.

During the year ended December 31, 2020, the Board of Directors lifted the board designations on these assets.

Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods as follows at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose:		
Capital improvements for the Organization’s		
share of the Capital improvement Funds	\$ 10,644,236	\$ 10,148,410
Spirit of Cleveland initiatives	<u>52,564</u>	<u> </u>
	<u>\$ 10,696,800</u>	<u>\$ 10,148,410</u>

11. SUBSEQUENT EVENTS

In January 2021, the Organization received proceeds from their lending bank of \$1,044,970, as guaranteed by the Small Business Administration’s Paycheck Protection Program (PPP1) under the Consolidated Appropriations Act, 2021 (CAA Act). The Organization secured these funds in order to help keep their workforce employed during the COVID-19 crisis. The loan can be 100% forgiven as long as the Organization meets specific criteria, as defined, for the covered period through April 15, 2021, following receipt of the loan proceeds. This includes maintaining a certain level of employee headcount and compensation during that time period, demonstrating that the money was used for payroll costs, rent, mortgage interest, or utilities, and documenting in good faith the Organization was unable to operate between February 15, 2020, and the end of the covered period at the same level of business activity as before February 15, 2020, due to the maintenance of standards for social distancing. If the Organization does not apply for and receive forgiveness, the loan will be required to be repaid with interest at 1%, maturing January 2026. Principal and interest payments are deferred for a certain period, as defined by the SBA, or after the SBA remits the Organization’s loan forgiveness amount to the bank. Management expects the Organization to meet the safe harbor criteria for loan forgiveness.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. SUBSEQUENT EVENTS (Continued)

After spending PPP1 funds on eligible expenses by April 15, 2021, the Organization received proceeds from their lending bank in the amount of \$1,044,970 as guaranteed by the Small Business Administration's Paycheck Protection Program (PPP2) under the CAA Act. The loan can be 100% forgiven as long as the Organization meets the same specific criteria as PPP1 funds for the covered period of up to 24 weeks following the receipt of the loan proceeds. If the Organization does not apply for and receive forgiveness, the loan will be required to be repaid with interest at 1%, maturing April 2026. Principal and interest payments are deferred for a certain period, as defined by the SBA, or after the SBA remits the Organization's loan forgiveness amount to the bank. Management expects the Organization to meet the safe harbor criteria for loan forgiveness.

THE CONVENTION AND VISITORS BUREAU OF GREATER CLEVELAND, INC.
DBA DESTINATION CLEVELAND AND SUBSIDIARIES

SUPPLEMENTAL FINANCIAL INFORMATION

DECEMBER 31, 2020

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2020

Federal Grantor/Pass-Through Grantor/Program Title	Identifying #	CFDA #	Passed Through to Subrecipients	Federal Expenditures
United States Department of Treasury passed through the County of Cuyahoga, Ohio Coronavirus Relief Fund	EMRP-20-051	21.019	\$ 650,000	\$ 650,000
Coronavirus Relief Fund	EMRP-20-149	21.019	\$ 1,225,000	\$ 1,250,000
Coronavirus Relief Fund	EMRP-20-162	21.019	<u>490,000</u>	<u>500,000</u>
Total United States Department of Treasury			<u>1,715,000</u>	<u>2,400,000</u>
Total Federal Expenditures			<u><u>\$ 1,715,000</u></u>	<u><u>\$ 2,400,000</u></u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

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*

Board of Directors
The Convention and Visitors Bureau of Greater Cleveland, Inc.
dba Destination Cleveland and Subsidiaries

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 consolidated financial statements of The Convention and Visitors Bureau of Greater Cleveland, Inc. dba Destination Cleveland and Subsidiaries (nonprofit organization) (referred to as Destination Cleveland), which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated June 2, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Destination Cleveland's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Destination Cleveland's internal control. Accordingly, we do not express an opinion on the effectiveness of Destination 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 consolidated 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 Destination Cleveland's consolidated 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 financial statements. 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 Destination 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 Destination Cleveland's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cohen & Company Ltd.

Cleveland, Ohio
June 2, 2021

Independent Auditors' Report on Compliance for The Major Program and on Internal Control over Compliance Required by the Uniform Guidance

Board of Directors
The Convention and Visitors Bureau of Greater Cleveland, Inc.
dba Destination Cleveland and Subsidiaries

Report on Compliance for the Major Federal Program

We have audited The Convention and Visitors Bureau of Greater Cleveland, Inc. dba Destination Cleveland and Subsidiaries' (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended December 31, 2020. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of their federal awards applicable to their federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Organization's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on the Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended December 31, 2020.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Cohen & Company Ltd.

Cleveland, Ohio
June 2, 2021

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2020

SECTION I - SUMMARY OF AUDITORS' RESULTS

Consolidated Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes √ No

Significant deficiencies identified not considered to be material weaknesses? _____ Yes √ None reported

Noncompliance material to consolidated financial statements noted? _____ Yes √ No

Federal Awards

Internal control over the major program:

Material weakness(es) identified? _____ Yes √ No

Significant deficiencies identified not considered to be material weaknesses? _____ Yes √ None reported

Type of auditors' report issued on compliance for the major program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance, section 200.516? _____ Yes √ No

Identification of the major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
21.019	Coronavirus Relief Fund

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? _____ Yes √ No

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION IV - PRIOR YEAR FINDINGS AND QUESTIONED COSTS

No matters were reported.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of The Convention and Visitors Bureau of Greater Cleveland, Inc. dba Destination Cleveland and Subsidiaries (the Organization) under the programs of the federal government for the year ended December 31, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the consolidated financial position, changes in net assets, or cash flows of the Organization.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Organization has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Independent Auditors' Report on Supplemental Information

Board of Directors
The Convention and Visitors Bureau of Greater Cleveland, Inc.
dba Destination Cleveland and Subsidiaries

We have audited the consolidated financial statements of The Convention and Visitors Bureau of Greater Cleveland, Inc. dba Destination Cleveland and Subsidiaries as of and for the year ended December 31, 2020, and our report thereon dated June 2, 2021, which expressed an unmodified opinion on those consolidated financial statements, appears on pages 2 – 3. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position and activities on pages 31 – 32 are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Cohen & Company Ltd.

Cleveland, Ohio
June 2, 2021

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2020

	Destination Cleveland	Spirit of Cleveland, Inc.	Eliminations	Total		Destination Cleveland	Spirit of Cleveland, Inc.	Eliminations	Total
ASSETS					LIABILITIES AND NET ASSETS				
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents	\$ 14,935,747	\$ 618,896		\$ 15,554,643	Accounts payable and accrued expenses	\$ 345,810	\$ 38,994	\$ (19,386)	\$ 365,418
Amounts due from Cuyahoga County	1,150,836			1,150,836	Grants payable		490,000		490,000
Accounts receivable	33,739	6,500	\$ (19,386)	20,853	Salaries and payroll taxes payable	227,867			227,867
Prepaid expenses and other assets	689,827			689,827	Current portion of deferred lease incentive	17,224			17,224
	<u>16,810,149</u>	<u>625,396</u>	<u>(19,386)</u>	<u>17,416,159</u>	Deferred revenue	104,982			104,982
						695,883	528,994	(19,386)	1,205,491
PROPERTY AND EQUIPMENT - AT COST	7,876,080			7,876,080	DEFERRED RENT	402,086			402,086
Less: Accumulated depreciation and amortization	6,042,866			6,042,866		<u>1,097,969</u>	<u>528,994</u>	<u>(19,386)</u>	<u>1,607,577</u>
	<u>1,833,214</u>			<u>1,833,214</u>					
OTHER ASSETS					NET ASSETS WITHOUT DONOR RESTRICTIONS	8,338,726	43,838	(43,838)	8,338,726
Investments	1,293,730			1,293,730	NET ASSETS WITH DONOR RESTRICTIONS	10,696,800	52,564	(52,564)	10,696,800
Investment in subsidiaries	96,402		(96,402)			<u>19,035,526</u>	<u>96,402</u>	<u>(96,402)</u>	<u>19,035,526</u>
Other	100,000			100,000					
	<u>1,490,132</u>		<u>(96,402)</u>	<u>1,393,730</u>					
	<u>\$ 20,133,495</u>	<u>\$ 625,396</u>	<u>\$ (115,788)</u>	<u>\$ 20,643,103</u>		<u>\$ 20,133,495</u>	<u>\$ 625,396</u>	<u>\$ (115,788)</u>	<u>\$ 20,643,103</u>

CONSOLIDATING STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2020

	Destination Cleveland			Spirit of Cleveland, Inc.			Eliminations	Total
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total		
REVENUES								
Transient occupancy tax	\$ 5,825,741		\$ 5,825,741					\$ 5,825,741
Capital improvement transient occupancy tax		\$ 3,124,233	3,124,233					3,124,233
Less: Rock and Roll Hall of Fame and Museum	500,000		500,000					500,000
Less: Rocket Mortgage FieldHouse renovation	1,500,000		1,500,000					1,500,000
Net assets released from restriction	3,278,407	(3,278,407)		\$ 1,752,436	\$ (1,752,436)			
Net transient occupancy tax	7,104,148	(154,174)	6,949,974	1,752,436	(1,752,436)			6,949,974
Partnership dues	465,021		465,021					465,021
Ad and publication	243,094		243,094					243,094
Grants		650,000	650,000		1,805,000	\$ 1,805,000		2,455,000
Interest and investment income - Net	123,709		123,709	403		403		124,112
Sponsorships and contributions	75,500		75,500	116,850		116,850	\$ (100,000)	92,350
Miscellaneous	34,896		34,896					34,896
In-kind contributions	19,251		19,251	28,242		28,242	(25,470)	22,023
Income from subsidiaries	27,342	52,564	79,906				(79,906)	
	<u>8,092,961</u>	<u>548,390</u>	<u>8,641,351</u>	<u>1,897,931</u>	<u>52,564</u>	<u>1,950,495</u>	<u>(205,376)</u>	<u>10,386,470</u>
EXPENSES								
Program services								
Destination development	1,562,016		1,562,016					1,562,016
Marketing	3,564,552		3,564,552					3,564,552
Partnerships	1,986,945		1,986,945					1,986,945
Sales - Convention	1,322,691		1,322,691					1,322,691
Services - Convention	229,208		229,208					229,208
Spirit of Cleveland				1,870,589		1,870,589	(25,470)	1,845,119
	<u>8,665,412</u>		<u>8,665,412</u>	<u>1,870,589</u>		<u>1,870,589</u>	<u>(25,470)</u>	<u>10,510,531</u>
Supporting services								
Intercompany contribution	100,000		100,000				(100,000)	
Management and general	1,861,641		1,861,641					1,861,641
	<u>1,961,641</u>		<u>1,961,641</u>				<u>(100,000)</u>	<u>1,861,641</u>
	<u>10,627,053</u>		<u>10,627,053</u>	<u>1,870,589</u>		<u>1,870,589</u>	<u>(125,470)</u>	<u>12,372,172</u>
CHANGE IN NET ASSETS	(2,534,092)	548,390	(1,985,702)	27,342	52,564	79,906	(79,906)	(1,985,702)
NET ASSETS - BEGINNING OF THE YEAR	<u>10,872,818</u>	<u>10,148,410</u>	<u>21,021,228</u>	<u>16,496</u>		<u>16,496</u>	<u>(16,496)</u>	<u>21,021,228</u>
NET ASSETS - END OF THE YEAR	<u>\$ 8,338,726</u>	<u>\$ 10,696,800</u>	<u>\$ 19,035,526</u>	<u>\$ 43,838</u>	<u>\$ 52,564</u>	<u>\$ 96,402</u>	<u>\$ (96,402)</u>	<u>\$ 19,035,526</u>

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OHIO AUDITOR OF STATE KEITH FABER



CONVENTION AND VISITORS BUREAU OF GREATER CLEVELAND

CUYAHOGA COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 7/13/2021

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