



OHIO AUDITOR OF STATE  
**KEITH FABER**





**DOWNTOWN CLEVELAND IMPROVEMENT CORPORATION  
CUYAHOGA COUNTY**

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

Downtown Cleveland Improvement Corporation  
Cuyahoga County  
1010 Euclid Avenue, 3<sup>rd</sup> Floor  
Cleveland, Ohio 44115

To the Board of Directors:

### ***Report on the Audit of the Financial Statements***

#### ***Opinion***

We have audited the financial statements of the Downtown Cleveland Improvement Corporation, Cuyahoga County, Ohio (the Corporation), (a not-for-profit corporation), which comprise the statement of assets, liabilities, and net assets – modified cash basis as of December 31, 2021, and the related statement of revenues, expenses, and other changes in net assets – modified cash basis, statement of functional expenses – modified cash basis and statement of cash flows – modified cash basis for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective modified cash financial position of the Corporation, as of December 31, 2021, and the respective changes in modified cash financial position for the year then ended in accordance with the accounting basis described in Note 2.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Corporation, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Emphasis of Matter - Accounting Basis***

We draw attention to Note 2 of the financial statements, which describes the accounting basis, which differs from generally accepted accounting principles. Our opinion is not modified with respect to this matter.

#### ***Emphasis of Matter***

As discussed in Note 5 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Corporation. We did not modify our opinion regarding this matter.

***Responsibilities of Management for the Financial Statements***

Management is responsible for preparation and fair presentation of the financial statements in accordance with the modified cash accounting basis described in Note 2 and for determining that the modified cash basis of accounting is an acceptable basis for preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued, when applicable).

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 Corporation's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2022, on our consideration of the Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the Corporation's 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 Corporation's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio

June 10, 2022

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**DOWNTOWN CLEVELAND IMPROVEMENT CORPORATION**

**STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS -  
MODIFIED CASH BASIS**

**DECEMBER 31, 2021**

<b>ASSETS</b>		
Cash and cash equivalents		<u>\$ 5,268</u>
	<b>TOTAL ASSETS</b>	<u><u>\$ 5,268</u></u>
<b>NET ASSETS</b>		
Temporarily restricted		<u>\$ 5,268</u>
	<b>TOTAL NET ASSETS</b>	<u>5,268</u>
	<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 5,268</u></u>

See notes to financial statements.

**DOWNTOWN CLEVELAND IMPROVEMENT CORPORATION**  
**STATEMENT OF REVENUES, EXPENSES, AND OTHER CHANGES IN NET ASSETS -**  
**MODIFIED CASH BASIS**

**YEAR ENDED DECEMBER 31, 2021**

	Unrestricted	Temporarily Restricted	Total
<b>REVENUES AND OTHER SUPPORT</b>			
Revenues from special assessments	\$ -	\$ 4,399,889	\$ 4,399,889
Net assets released from restrictions through satisfaction of program restrictions	4,399,889	(4,399,889)	-
<b>TOTAL REVENUE AND OTHER SUPPORT</b>	4,399,889		4,399,889
<b>EXPENSES</b>			
Program services	4,399,889		4,399,889
<b>TOTAL EXPENSES</b>	4,399,889	-	4,399,889
<b>CHANGE IN NET ASSETS</b>	-	-	0
<b>NET ASSETS AT BEGINNING OF YEAR</b>	-	5,268	5,268
<b>NET ASSETS AT END OF YEAR</b>	\$ -	\$ 5,268	\$ 5,268

See notes to financial statements.

**DOWNTOWN CLEVELAND IMPROVEMENT CORPORATION**  
**STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS**  
**YEAR ENDED DECEMBER 31, 2021**

<b>EXPENSES - PROGRAM SERVICES</b>	
Funds disbursed to Downtown Cleveland Alliance	<u>\$ 4,399,889</u>
<b>TOTAL EXPENSES</b>	<u><u>\$ 4,399,889</u></u>

See notes to financial statements.

**DOWNTOWN CLEVELAND IMPROVEMENT CORPORATION**

**STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS**

**YEAR ENDED DECEMBER 31, 2021**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets	<u>\$ 0</u>
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	<u>-</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	-
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>5,268</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u><u>\$ 5,268</u></u>

See notes to financial statements.

# DOWNTOWN CLEVELAND IMPROVEMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

### NOTE 1 -- NATURE OF ACTIVITIES

Downtown Cleveland Improvement Corporation (“DCIC”) was formed in 2005 by a coalition of downtown property owners to create a Special Improvement District (“SID”) for downtown Cleveland and to represent the interests of the SID. SIDs are mechanisms that permit stakeholders in an area to provide funding for that area’s development. Each downtown property owner in the SID is a member of DCIC. DCIC has a contract with the City of Cleveland (the “City”) to provide a comprehensive array of services for the SID (the “Services Plan”). The contract with the City for the Services Plan has a term of five years and DCIC and City extended the contract through 2025. Since its inception, public security and maintenance has been a priority of the Services Plan through its Clean and Safe Program. The Services Plan also supports other initiatives, creating a favorable climate to recruit, retain and grow healthy businesses. These initiatives include:

- Promoting Downtown as a regional destination and viable housing market
- Programming public spaces for special events, entertainment and other crowd-attracting activities
- Assisting property owners and brokers to recruit and retain retail and office tenants
- Cosmetic capital improvements like gateway, signage, banners, public art and streetscape designs

To fund the Services Plan, the City collects special assessments from downtown property owners which are remitted as contributions to DCIC. DCIC, in turn, remits these special assessments, net of expenses, as grants to a related entity known as Downtown Cleveland Alliance (“DCA”) under an agreement between DCIC and DCA whereby DCA provides administrative and management services for the SID. Under the arrangement, DCA has entered into a contract with an outside party to implement the Services Plan. DCIC and DCA share common management and some common members on their Boards of Directors; however, neither entity has a controlling financial interest in the other. DCIC’s contracts with the City and DCA are more fully described in Note 3.

### NOTE 2 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of accounting:** The financial statements are prepared on the modified cash basis of accounting; consequently, certain revenue and the related assets, principally revenues from the special assessments, are recognized when cash is received rather than when earned; and certain expenses and the related liabilities, principally accounts payable and accrued liabilities, are recognized when cash is disbursed rather than when the obligation is incurred. Under this method, and when applicable, certain allowable modifications from the pure cash basis of accounting may be incorporated.

**Cash and cash equivalents:** DCIC considers all highly-liquid investments with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents consist of one checking account at a commercial bank. Although the balance in this account, at times, may exceed the federal insurance limit, management does not believe that DCIC is exposed to any substantial credit risk.

**Revenue recognition:** Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily restricted net

# DOWNTOWN CLEVELAND IMPROVEMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Temporarily restricted net assets consist of funds which are for future programs and services.

**Donated services and facilities:** The fair value of services and facilities donated to DCIC during 2021 was not material and; therefore, has not been recorded in the accompanying financial statements.

**Use of estimates:** The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Financial instruments:** DCIC's financial instruments are cash and cash equivalents. The recorded values of cash and cash equivalents approximate their fair values based on their short-term nature.

**Allocation of expenses by function:** Amounts in the accompanying statements of functional expenses are allocated entirely to program services. Total expenses for supporting services, which are entirely donated to DCIC, during 2021 were not material, and; therefore, have not been recorded in the accompanying financial statements.

**Subsequent events:** In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through the date the financial statements were available to be issued.

### NOTE 3 -- SPECIAL IMPROVEMENT DISTRICT

Under the Services Plan with the City, DCIC provides a comprehensive array of services for the SID. To fund the Services Plan, the City remits special assessments collected from Downtown Cleveland property owners to DCIC. The special assessments are invoiced to the property owners annually and remitted as contributions to DCIC within 30 days of receipt by the City. The total assessments each year are equal to the estimated cost of the Services Plan and are allocated to the property owners using a formula based upon property value and linear front footage. To accommodate cost of living and program changes, a 1% annual increase to the assessment was budgeted for each successive year through 2021. Of the cumulative budgeted assessments from inception in 2006 through 2021 of \$60,321,327 DCIC has collected in cash from the City during 2006 through 2021 a total of \$58,526,633.

**DOWNTOWN CLEVELAND IMPROVEMENT CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2021**

As of December 31, 2021, net of deductions by the City for certain authorized expenses, there is approximately \$1,126,680.27 still outstanding.

DCIC expects to receive, based on historical collection rates, substantially all the remaining balance, net of certain authorized expenses of the City, through assessments levied by Cuyahoga County.

DCIC has a contract with DCA whereby DCA provides administrative and management services for the SID. Under the arrangement, DCA has a contract with a third-party to provide services under the Services Plan. DCIC remits the special assessments received, net of expenses, as grants to DCA and DCA holds the net special assessment funds in separate bank and investment accounts. Funds disbursed to DCA during 2021 totaled \$4,399,889. In 2021, DCIC extended its contract with DCA through 2025.

In 2021, Cleveland City Council passed a five-year reauthorization of the SID for the years 2021 through 2025.

**NOTE 4 -- FEDERAL INCOME TAXES**

DCIC is a non-profit entity exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

**NOTE 5 -- COVID-19**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures has impacted the current period and will continue to impact subsequent periods of the Corporation. Due to the dynamic environment and change in fiscal policies, the exact impact on the Corporation's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be reasonably estimated.

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Downtown Cleveland Improvement Corporation  
Cuyahoga County  
1010 Euclid Avenue, 3<sup>rd</sup> Floor  
Cleveland, Ohio 44115

To the Board of Directors:

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 financial statements of the Downtown Cleveland Improvement Corporation, Cuyahoga County, (the Corporation) as of and for the year ended December 31, 2021, and the related notes to the financial statements, and have issued our report thereon dated June 10, 2022, wherein we noted the Corporation uses a special purpose framework other than generally accepted accounting principles. We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the Corporation.

### ***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purposes of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation'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 Corporation's 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 or significant deficiencies may exist that were not identified.

***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Corporation's 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 the Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber  
Auditor of State  
Columbus, Ohio

June 10, 2022

# OHIO AUDITOR OF STATE KEITH FABER



**DOWNTOWN CLEVELAND IMPROVEMENT CORPORATION**

**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 6/23/2022**

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This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)