



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
668 Euclid Avenue, Suite 101
Cleveland, Ohio 44114

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, 2023 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, 2023, and the respective changes in modified cash financial position and cash flows 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.

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 October 9, 2024, 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

October 9, 2024

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DOWNTOWN CLEVELAND IMPROVEMENT CORPORATION
STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS -
MODIFIED CASH BASIS

DECEMBER 31, 2023

ASSETS	
Cash and cash equivalents	<u>\$ 5,268</u>
TOTAL ASSETS	<u><u>\$ 5,268</u></u>
NET ASSETS	
With Donor Restrictions	<u>\$ 5,268</u>
TOTAL NET ASSETS	<u>5,268</u>
TOTAL LIABILITIES AND NET ASSETS	<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, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Revenues from special assessments	\$ -	\$ 6,499,025	\$ 6,499,025
Net assets released from restrictions through satisfaction of program restrictions	6,499,025	(6,499,025)	-
TOTAL REVENUE AND OTHER SUPPORT	6,499,025	-	6,499,025
EXPENSES			
Program services	6,499,025	-	6,499,025
TOTAL EXPENSES	6,499,025	-	6,499,025
CHANGE IN NET ASSETS		-	-
NET ASSETS AT BEGINNING OF YEAR	-	5,268	5,268
NET ASSETS AT END OF YEAR	\$ -	\$ 5,268	\$ 5,268

See notes to financial statements.

DOWNTOWN CLEVELAND IMPROVEMENT CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH
BASIS YEAR ENDED DECEMBER 31, 2023

EXPENSES - PROGRAM SERVICES

Funds disbursed to Downtown
Cleveland Alliance

\$ 6,499,025

TOTAL EXPENSES

\$ 6,499,025

See notes to financial statements.

DOWNTOWN CLEVELAND IMPROVEMENT CORPORATION
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Revenues from special assessments	\$ 6,499,025
Cash paid for program services	(6,499,025)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-
CASH AND CASH EQUIVALENTS, beginning of year	5,268
CASH AND CASH EQUIVALENTS, end of year	\$ 5,268

See notes to financial statements.

DOWNTOWN CLEVELAND IMPROVEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

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, in February 2021, 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. The special assessments collected are restricted by the approved uses listed in the comprehensive service plan. 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.

DOWNTOWN CLEVELAND IMPROVEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

Revenue recognition: Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

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. Net Assets with donor restrictions 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 2023 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-modified cash basis are allocated entirely to program services. Total expenses for supporting services, which are entirely donated to DCIC, during 2023 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 October 9, 2024 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 property owners via the Cuyahoga County property tax process from downtown Cleveland property owners to DCIC. The special assessments are certified by the City of Cleveland Department of Assessments and Licenses to Cuyahoga County Real Estate Tax division, and the property owner is invoiced biannually with a line item for the SID assessment. The payments collected by the County are then remitted to the City, (the municipal taxing authority), and then the City remits the payments 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 2025. Of the cumulative budgeted assessments from inception in 2006 through 2023 of \$70,335,329, DCIC has collected in cash from the City during 2006 through 2023 a total of \$70,289,039.

DOWNTOWN CLEVELAND IMPROVEMENT CORPORATION

**NOTES TO FINANCIAL
STATEMENTS DECEMBER 31, 2023**

As of December 31, 2023, net of deductions by the City for certain authorized expenses, there is approximately \$46,290 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 2023 totaled \$6,499,025. In February 2021, DCIC extended its contract with DCA through March 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
668 Euclid Avenue, Suite 101
Cleveland, Ohio 44114

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 (*Government Auditing Standards*), the modified cash-basis financial statements of Downtown Cleveland Improvement Corporation, Cuyahoga County, (the Corporation) as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated October 9, 2024 wherein we noted the Corporation uses a special purpose framework other than generally accepted accounting principles

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 opinions 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

October 9, 2024

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 10/22/2024

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This report is a matter of public record and is available online at
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