

**THE CONVENTION AND VISITORS BUREAU
OF GREATER CLEVELAND**

COMBINED FINANCIAL REPORT

DECEMBER 31, 2001 and 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Board of Directors
The Convention and Visitors Bureau of Greater Cleveland
3100 Terminal Tower
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Cleveland, Ohio 44113

We have reviewed the Independent Auditor's Report of The Convention and Visitors Bureau of Greater Cleveland, Cuyahoga County, prepared by Hausser + Taylor LLP, for the audit period January 1, 2001 through December 31, 2001. 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 is responsible for compliance with these laws and regulations.

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JIM PETRO
Auditor of State

June 27, 2002

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THE CONVENTION AND VISITORS BUREAU
OF GREATER CLEVELAND

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Board of Directors
The Convention and Visitors Bureau
of Greater Cleveland
Cleveland, Ohio

Independent Auditors' Report

We have audited the accompanying combined statements of financial position of The Convention and Visitors Bureau of Greater Cleveland and related entity as of December 31, 2001 and 2000, and the related combined statements of activities and cash flows for the years then ended. These combined financial statements are the responsibility of The Convention and Visitors Bureau of Greater Cleveland and related entity's management. Our responsibility is to express an opinion on these combined 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of The Convention and Visitors Bureau of Greater Cleveland and related entity as of December 31, 2001 and 2000, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated April 10, 2002 on our consideration of The Convention and Visitors Bureau of Greater Cleveland and related entity's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Hausser + Taylor LLP

Cleveland, Ohio
April 10, 2002

THE CONVENTION AND VISITORS BUREAU
OF GREATER CLEVELAND

COMBINED STATEMENTS OF FINANCIAL POSITION

December 31, 2001 and 2000

<u>ASSETS</u>	<u>2001</u>	<u>2000</u>
CURRENT ASSETS		
Cash and cash equivalents	\$7,674,572	\$6,810,128
Amounts due from Cuyahoga County	1,088,647	1,047,424
Current portion of long-term receivable	56,380	67,656
Accounts receivable	49,773	150,900
Grants receivable	-	16,500
Prepaid expenses	<u>86,161</u>	<u>85,624</u>
Total current assets	8,955,533	8,178,232
INVESTMENT IN PLANT		
Office furniture, equipment and leasehold improvements	1,222,335	1,092,130
Less allowance for depreciation	<u>929,742</u>	<u>849,914</u>
	292,593	242,216
OTHER ASSETS		
Investments	232,647	248,394
Note receivable	250,000	250,000
Receivable - North Olmsted bed tax	<u>38,396</u>	<u>75,996</u>
	521,043	574,390
Total assets	<u>\$9,769,169</u>	<u>\$8,994,838</u>

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

THE CONVENTION AND VISITORS BUREAU
OF GREATER CLEVELAND

COMBINED STATEMENTS OF FINANCIAL POSITION

December 31, 2001 and 2000

	<u>2001</u>	<u>2000</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 573,236	\$ 586,094
Salaries and payroll taxes payable	191,944	172,340
Accrued pension	93,505	87,733
Deferred membership revenue	4,892	15,075
Deferred other	17,693	26,540
Retirement benefits payable	55,700	75,000
Commitments and contingencies:		
Payable for Cleveland Convention Center	5,544,000	4,392,000
Payable to Gateway Economic Development Corporation - Incremental Bed Tax	228,058	223,722
Other contingencies	324,000	324,000
Total current liabilities	<u>7,033,028</u>	<u>5,902,504</u>
OTHER LIABILITIES		
Retirement benefits payable	-	48,400
Deferred compensation	50,667	60,072
Total other liabilities	<u>50,667</u>	<u>108,472</u>
 Total liabilities	 7,083,695	 6,010,976
NET ASSETS - UNRESTRICTED		
Undesignated	2,678,339	2,477,275
Board designated	-	361,000
	<u>2,678,339</u>	<u>2,838,275</u>
TEMPORARILY RESTRICTED NET ASSETS	<u>7,135</u>	<u>145,587</u>
 Total net assets	 <u>2,685,474</u>	 <u>2,983,862</u>
 Total liabilities and net assets	 <u>\$9,769,169</u>	 <u>\$8,994,838</u>

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

THE CONVENTION AND VISITORS BUREAU
OF GREATER CLEVELAND

COMBINED STATEMENTS OF ACTIVITIES

Year Ended December 31, 2001

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES			
Transient Occupancy Tax	\$7,324,967		\$7,324,967
Membership income	570,278		570,278
Interest	240,714		240,714
Terminal Tower receipts	17,058		17,058
JEM Marketing	166,776		166,776
Visitor Information Centers	92,236		92,236
Miscellaneous income	127,620		127,620
Net assets released from restriction	138,452	\$(138,452)	-
Total revenues	<u>8,678,101</u>	<u>(138,452)</u>	<u>8,539,649</u>
EXPENSES			
Meetings and conventions	2,485,011		2,485,011
Travel and tourism	3,361,023		3,361,023
Membership development	396,565		396,565
Convention Center renovation	1,152,000		1,152,000
Contingencies	216,515		216,515
Spirit of Hospitality program	75,992		75,992
Visitor Information Centers	141,873		141,873
Other	198,369		198,369
Management and general	810,689		810,689
Total expenses	<u>8,838,037</u>		<u>8,838,037</u>
DECREASE IN NET ASSETS	(159,936)	(138,452)	(298,388)
NET ASSETS AT BEGINNING OF YEAR	<u>2,838,275</u>	<u>145,587</u>	<u>2,983,862</u>
NET ASSETS AT END OF YEAR	<u>\$2,678,339</u>	<u>\$ 7,135</u>	<u>\$2,685,474</u>

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

THE CONVENTION AND VISITORS BUREAU
OF GREATER CLEVELAND

COMBINED STATEMENTS OF ACTIVITIES (CONTINUED)

Year Ended December 31, 2000

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES			
Transient Occupancy Tax	\$7,728,519		\$ 7,728,519
Membership income	518,669		518,669
Interest	348,676		348,676
Spirit of Hospitality program	104,375		104,375
Terminal Tower receipts	29,340		29,340
JEM Marketing	246,590		246,590
Visitor Information Centers	37,489		37,489
Miscellaneous income	111,809		111,809
Gifts and grants		\$ 29,000	29,000
Net assets released from restriction	<u>27,273</u>	<u>(27,273)</u>	<u>-</u>
Total revenues	9,152,740	1,727	9,154,467
EXPENSES			
Meetings and conventions	2,316,304		2,316,304
Travel and tourism	3,409,011		3,409,011
Membership development	375,440		375,440
Convention Center renovation	1,152,000		1,152,000
Contingencies	210,210		210,210
Spirit of Hospitality program	106,559		106,559
Visitor Information Centers	54,354		54,354
Other	181,307		181,307
Management and general	893,603		893,603
Total expenses	<u>8,698,788</u>		<u>8,698,788</u>
INCREASE IN NET ASSETS	453,952	1,727	455,679
NET ASSETS AT BEGINNING OF YEAR	<u>2,384,323</u>	<u>143,860</u>	<u>2,528,183</u>
NET ASSETS AT END OF YEAR	<u>\$2,838,275</u>	<u>\$ 145,587</u>	<u>\$ 2,983,862</u>

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

THE CONVENTION AND VISITORS BUREAU
OF GREATER CLEVELAND

COMBINED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2001 and 2000

	<u>2001</u>	<u>2000</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
(Decrease) increase in net assets	\$ (298,388)	\$ 455,679
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	79,829	72,979
Provision for commitments and contingencies	1,368,517	1,362,210
Changes in operating assets and liabilities:		
Amounts due from Cuyahoga County	(41,223)	71,367
Receivable - North Olmsted bed tax	48,876	23,848
Accounts receivable	101,127	(69,804)
Grants receivable	16,500	28,500
Prepaid expenses	(537)	38,345
Accounts payable and accrued expenses	(7,086)	74,523
Salaries and payroll taxes payable	19,604	(9,733)
Deferred membership revenue and other	(19,030)	(82,161)
Payments to Gateway Economic Development Corporation	(212,182)	(186,488)
Retirement benefits payable	(67,700)	(71,800)
Deferred compensation	(9,405)	151
Total adjustments	<u>1,277,290</u>	<u>1,251,937</u>
Net cash provided by operating activities	978,902	1,707,616
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in investments	15,747	1,536
Issuance of note receivable	-	(250,000)
Purchases of office furniture, equipment and leasehold improvements	<u>(130,205)</u>	<u>(25,100)</u>
Net cash used by investing activities	<u>(114,458)</u>	<u>(273,564)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	864,444	1,434,052
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>6,810,128</u>	<u>5,376,076</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$7,674,572</u>	<u>\$6,810,128</u>

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

THE CONVENTION AND VISITORS BUREAU
OF GREATER CLEVELAND

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

- A. Organization and Purpose – The accompanying combined financial statements of The Convention and Visitors Bureau of Greater Cleveland (the CVB) include the accounts of its related entity, Spirit of Cleveland, Inc. All intercompany transactions and balances are eliminated in combination.

The purpose of the CVB, a non-profit organization exempt from federal income tax under Section 501(c)(6) of the Internal Revenue Code, is to provide destination marketing of Greater Cleveland's facilities, attractions and events to the convention, trade show and tourism industries. The CVB takes an active part in servicing Greater Cleveland conventions, particularly in the matters of registration, housing and public relations.

The purpose of Spirit of Cleveland, Inc., a non-profit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, is to promote the city of Cleveland through Visitor Information Centers and an educational and job training forum for the hospitality, tourism and restaurant industries.

- B. Financial Statement Presentation and Accounting Method – The CVB's financial statements have been prepared on the accrual basis of accounting. The accompanying financial statements of the CVB have been prepared, in all material respects, as recommended by the American Institute of Certified Public Accountants' (AICPA) Audit and Accounting Guide, Not-for-Profit Organizations. The audit guide includes the requirements of the Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS 117, the CVB is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. The CVB has no permanently restricted net assets.

Temporarily restricted net assets result from timing differences between the receipt of funds and the incurrence of the related expenses. The CVB reports receipts of cash and other assets as temporarily restricted if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

- C. Contributions – The CVB utilizes Statement of Financial Accounting Standards No. 116 (SFAS 116), *Accounting for Contributions Received and Contributions Made*. SFAS 116 provides that contributions be recognized as revenue in the period in which the pledge (promise to give) is received.
- D. Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

THE CONVENTION AND VISITORS BUREAU
OF GREATER CLEVELAND

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

Note 1. Summary of Significant Accounting Policies (Continued)

- E. Board Designated Net Assets – During 2000, the CVB's Board of Directors designated \$361,000, for the 2001 advertising and marketing campaigns. There were no board designated net assets at December 31, 2001.
- F. Cash and Cash Equivalents – The CVB considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents. In addition, the CVB maintains cash at major financial institutions which may exceed federally insured amounts at times and which may, at times, significantly exceed statement of financial position amounts due to outstanding checks.
- G. Accounts Receivable – The CVB has provided an allowance for uncollectible accounts of \$21,955 at December 31, 2001. There was no allowance in 2000.
- H. Office Furniture, Equipment and Leasehold Improvements – Fixed assets are stated at cost at date of acquisition. Minor items of office furniture, equipment and leasehold improvements are charged to expense as incurred. Depreciation and amortization are computed by the straight-line method over the lesser of the estimated useful lives of individual assets or the life of the lease.
- I. Reclassification – Certain reclassifications of 2000 amounts have been made to conform with the 2001 presentation.

Note 2. Amounts Due From Cuyahoga County

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

Note 3. Receivable - North Olmsted Bed Tax

In 1997, Cuyahoga County discovered an error in bed taxes due the CVB which were remitted to the City of North Olmsted in error. North Olmsted has agreed to repay the CVB through the County \$270,617 in equal quarterly installments of \$11,276 beginning in March 1998. At December 31, 2001 and 2000, \$101,484 and \$157,864, respectively, remained outstanding to the CVB. The present value of the receivable was \$94,776 and \$143,652 at December 31, 2001 and 2000, respectively, including the current portion.

Note 4. Note Receivable

In 2000, the CVB loaned the Greater Cleveland Sports Commission \$250,000. In 2001 the terms of the loan were renegotiated. Principal payments of \$50,000 are due annually on January 1, beginning in 2005. Interest accrues at 5.5% and is payable beginning January 1, 2005. Interest is payable annually thereafter.

THE CONVENTION AND VISITORS BUREAU
OF GREATER CLEVELAND

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

Note 5. Temporarily Restricted Net Assets

Temporarily restricted net assets of \$7,135 and \$145,587 at December 31, 2001 and 2000, respectively, are available for the following purposes:

	<u>2001</u>	<u>2000</u>
Cleveland Cares Program	\$ 7,135	\$ 12,645
Spirit of Hospitality Program	-	442
Visitor Information Center	<u>-</u>	<u>132,500</u>
	<u>\$ 7,135</u>	<u>\$145,587</u>

Note 6. Commitments and Contingencies

Cleveland Convention Center

The CVB entered into a debt service agreement (the Agreement) with the City of Cleveland for a city bond offering, the proceeds of which were used for major renovation of the Cleveland Convention Center.

Under the Agreement CVB is required to contribute annually, to the City of Cleveland, to assist with the debt service.

The Agreement is cancelable with financial obligations extending through the calendar year in which notification of termination is given by the CVB.

The liability related to this agreement has been included in the financial statements as of December 31, 2001 and 2000.

Gateway Economic Development Corporation

The CVB entered into a Cooperative Agreement with the Gateway Economic Development Corporation (Gateway) and the County of Cuyahoga (County). In that Agreement, the CVB 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) \$200,000 indexed annually, using 1998 as a base year (limited to a 3% annual increase), to the "incremental amount" the CVB receives from the County Transient Occupancy Tax, 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. The CVB's obligation is severable, distinct and non-cumulative for each year. The Cooperative Agreement will remain in effect until the year 2023 or such earlier time as the Arena Bonds are paid in full.

The liability related to this agreement has been included in the financial statements as of December 31, 2001 and 2000.

THE CONVENTION AND VISITORS BUREAU
OF GREATER CLEVELAND

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

Note 6. Commitments and Contingencies (Continued)

Retirement Agreement

The CVB has an obligation to pay retirement benefits to a former employee. The present value of the retirement benefits payable at December 31, 2001 and 2000 was \$55,700 and \$123,400, respectively.

Note 7. Pension Plan/Deferred Compensation Plan

The CVB has a defined contribution pension plan which covers all employees who meet certain criteria as to age and years of service. Pension expense is based upon a defined set of actuarial assumptions. The CVB's policy is to fund the plan annually. The provisions for pension costs are included in fringe benefits and amounted to approximately \$107,000 and \$88,000 during 2001 and 2000, respectively. Effective February 2, 2001, the CVB added a 401(k) provision with an employer match of 25% of employee deferrals up to 4% of compensation.

The CVB also maintains a non-qualified deferred compensation plan for certain employees. Under the plan, the employees' elected deferral is invested for their benefit by the CVB. The employees are entitled to the amounts in the plan including earnings thereon upon retirement, disability or death. The assets of the plan can, however, be used in certain circumstances to satisfy the liabilities of the CVB. Compensation expense is recognized as amounts are deferred by the employees. The balance included in investments and in deferred compensation payable at December 31, 2001 and 2000 was \$50,667 and \$60,072, respectively.

Note 8. Leases

Total rental expense for all leases amounted to approximately \$370,858 and \$367,300 during 2001 and 2000, respectively.

The future minimum rental commitments for non-cancelable operating leases for office space and office equipment are as follows:

2002	\$322,613
2003	208,054
2004	57,833
2005	47,778
2006	<u>35,833</u>
Total minimum payments required	<u>\$672,111</u>

Board of Directors
The Convention and Visitors Bureau
of Greater Cleveland
Cleveland, Ohio

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

We have audited the combined financial statements of The Convention and Visitors Bureau of Greater Cleveland and related entity as of and for the year ended December 31, 2001, and have issued our report thereon dated April 10, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether The Convention and Visitors Bureau of Greater Cleveland and related entity's combined financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered The Convention and Visitors Bureau of Greater Cleveland and related entity's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the combined financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Directors and management of The Convention and Visitors Bureau of Greater Cleveland and related entity and the Auditor of the State of Ohio and is not intended to be and should not be used by anyone other than these specified parties.

Cleveland, Ohio
April 10, 2002

Hausser + Taylor LLP



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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THE CONVENTION AND VISITORS BUREAU OF GREATER CLEVELAND

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 16, 2002**