



THE CONVENTION AND VISITORS BUREAU  
OF GREATER CLEVELAND  
COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001





**Auditor of State  
Betty Montgomery**

Board of Trustees  
The Convention and Visitors Bureau of Greater Cleveland  
3100 Terminal Tower  
50 Public Square  
Cleveland, Ohio 44113

We have reviewed the Independent Auditor's Report of The Convention and Visitors Bureau of Greater Cleveland, Cuyahoga County, prepared by Cohen & Company, for the audit period January 1, 2002 through December 31, 2002. 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.

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

July 15, 2004

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THE CONVENTION AND VISITORS BUREAU  
OF GREATER CLEVELAND

DECEMBER 31, 2002 AND 2001

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BOARD OF TRUSTEES  
THE CONVENTION AND VISITORS BUREAU  
OF GREATER CLEVELAND AND  
SPIRIT OF CLEVELAND, INC.

Independent Auditors' Report

We have audited the accompanying combined statement of financial position of The Convention and Visitors Bureau of Greater Cleveland and Spirit of Cleveland, Inc. as of December 31, 2002, and the related combined statements of activities and cash flows for the year then ended. These combined financial statements are the responsibility of these organizations' management. Our responsibility is to express an opinion on these financial statements based on our audit. The combined financial statements of The Convention and Visitors Bureau of Greater Cleveland and Spirit of Cleveland, Inc. as of and for the year ended December 31, 2001 were audited by other auditors whose report dated April 10, 2002 expressed an unqualified opinion.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 audit provides a reasonable basis for our opinion.

In our opinion, the 2002 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 Spirit of Cleveland, Inc. as of December 31, 2002, and the changes in their net assets and their cash flows for the year 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 March 18, 2003 on our consideration of The Convention and Visitors Bureau of Greater Cleveland and Spirit of Cleveland, Inc.'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.

*Cohen & Company*

March 18, 2003, except for Note 10, which is dated June 6, 2003  
Cleveland, Ohio

## COMBINED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2002 AND 2001

	<u>2002</u>	<u>2001</u>		<u>2002</u>	<u>2001</u>
ASSETS			LIABILITIES		
CURRENT ASSETS			CURRENT LIABILITIES		
Cash and cash equivalents	\$ 2,459,611	\$ 7,674,572	Accounts payable and accrued expenses	\$ 246,181	\$ 573,236
Amounts due from Cuyahoga County	1,003,480	1,088,647	Salaries and payroll taxes payable	223,700	191,944
Receivable - North Olmsted bed tax	38,398	56,380	Accrued pension	108,199	93,505
Accounts receivable - Net	7,808	49,773	Deferred membership revenue	4,669	4,892
Prepaid expenses	82,922	86,161	Deferred other		17,693
	<u>3,592,219</u>	<u>8,955,533</u>	Retirement benefit payable		55,700
				<u>582,749</u>	<u>936,970</u>
PROPERTY AND EQUIPMENT - AT COST			COMMITMENTS AND CONTINGENCIES		
Office furniture, equipment and leasehold improvements	1,271,464	1,222,335	Payable for Cleveland Convention Center		5,544,000
Less: Accumulated depreciation and amortization	1,012,828	929,742	Payable to Gateway Economic Development Corporation - Incremental bed tax	240,974	228,058
	<u>258,636</u>	<u>292,593</u>	Other contingencies		324,000
				<u>240,974</u>	<u>6,096,058</u>
OTHER ASSETS			DEFERRED COMPENSATION PAYABLE	<u>40,167</u>	<u>50,667</u>
Investments	213,054	232,647			
Note receivable	250,000	250,000	NET ASSETS		
Receivable - North Olmsted bed tax	38,396	38,396	TEMPORARILY RESTRICTED	5,900	7,135
	<u>463,054</u>	<u>521,043</u>	UNRESTRICTED	3,444,119	2,678,339
	<u>\$ 4,313,909</u>	<u>\$ 9,769,169</u>		<u>3,450,019</u>	<u>2,685,474</u>
				<u>\$ 4,313,909</u>	<u>\$ 9,769,169</u>

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

## COMBINED STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2002

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUES</b>			
Transient occupancy tax	\$ 7,121,029		\$ 7,121,029
Membership income	597,222		597,222
Interest	103,403		103,403
JEM Marketing	13,914		13,914
Visitors Information Centers	66,003		66,003
Miscellaneous income	407,733		407,733
Net assets released from restriction	1,235	\$ (1,235)	
	<u>8,310,539</u>	<u>(1,235)</u>	<u>8,309,304</u>
<b>EXPENSES</b>			
Meetings and conventions	2,426,888		2,426,888
Travel and tourism	2,279,658		2,279,658
Membership development	377,676		377,676
Convention Center renovation	1,152,000		1,152,000
Contingencies	225,096		225,096
Spirit of Hospitality program	2,470		2,470
Visitor Information Centers	75,239		75,239
Other programs	233,420		233,420
Management and general	772,312		772,312
	<u>7,544,759</u>		<u>7,544,759</u>
CHANGE IN NET ASSETS	765,780	(1,235)	764,545
NET ASSETS - BEGINNING OF YEAR	<u>2,678,339</u>	<u>7,135</u>	<u>2,685,474</u>
NET ASSETS - END OF YEAR	<u>\$ 3,444,119</u>	<u>\$ 5,900</u>	<u>\$ 3,450,019</u>

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

## COMBINED STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2001

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUES</b>			
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
Visitors Information Centers	92,236		92,236
Miscellaneous income	127,620		127,620
Net assets released from restrictions	<u>138,452</u>	<u>\$ (138,452)</u>	<u>8,539,649</u>
	<u>8,678,101</u>	<u>(138,452)</u>	<u>8,539,649</u>
<b>EXPENSES</b>			
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 programs	198,369		198,369
Management and general	<u>810,689</u>		<u>810,689</u>
	<u>8,838,037</u>		<u>8,838,037</u>
CHANGE IN NET ASSETS	(159,936)	(138,452)	(298,388)
NET ASSETS - BEGINNING OF YEAR	<u>2,838,275</u>	<u>145,587</u>	<u>2,983,862</u>
NET ASSETS - 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 combined statements.*

COMBINED STATEMENT OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2002 AND 2001

	<u>2002</u>	<u>2001*</u>
<b>CASH FLOWS PROVIDED FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 764,545	\$ (298,388)
Noncash items included in activities		
Depreciation and amortization	83,086	79,829
Provision for commitments and contingencies	(311,084)	1,156,335
Loss on investments	9,093	6,342
Increase (decrease) in cash caused by changes in current items:		
Amounts due from Cuyahoga County	85,167	(41,223)
Receivable - North Olmsted bed tax	56,378	48,876
Accounts receivable - Net	41,965	101,127
Grants receivable		16,500
Prepaid expenses	3,239	(537)
Accounts payable and accrued expenses	(312,361)	(7,086)
Salaries and payroll taxes payable	31,756	19,604
Deferred membership revenue and other	(223)	(19,030)
Retirement benefit payable	(55,700)	(67,700)
Deferred other	(17,693)	
Net cash flow provided from operations	<u>378,168</u>	<u>994,649</u>
<b>CASH FLOW USED IN INVESTING ACTIVITY</b>		
Acquisition of property and equipment	<u>(49,129)</u>	<u>(130,205)</u>
<b>CASH FLOW USED IN FINANCING ACTIVITY</b>		
Payments to Cleveland Convention Center	<u>(5,544,000)</u>	
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(5,214,961)	864,444
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>7,674,572</u>	<u>6,810,128</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 2,459,611</u>	<u>\$ 7,674,572</u>
<b>NONCASH INVESTING AND FINANCING ACTIVITY</b>		
Unrealized loss on investments held for deferred compensation	<u>\$ 10,500</u>	<u>\$ 9,405</u>

*\*Reclassified to conform to current year presentation*

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

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose

The accompanying combined financial statements of The Convention and Visitors Bureau of Greater Cleveland (the CVB) include the accounts of its related entity, Spirit of Cleveland, Inc., combined on the basis of common management and mission. 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 Visitors Information Centers and an educational and job training forum for the hospitality, tourism and restaurant industries.

Revenue Recognition

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

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

Substantially all of CVB's revenue comes from occupancy tax, which is accounted for on the accrual basis based on reports from Cuyahoga County. At December 31, 2002 and 2001, amounts due from the County amounted to \$1,003,480 and \$1,088,647, respectively.

Use of Accounting 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 the 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.

Contributed Goods and Services

The value of contributed goods and services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Accounts Receivable - Net

The CVB has provided an allowance for uncollectible accounts of \$35,905 and \$21,955 at December 31, 2002 and 2001, respectively.

Property and Equipment

Property and equipment is 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 of five to ten years.

Investments

Investments at December 31, 2002 and 2001 are carried at fair value (which approximates cost) and consist of marketable equity securities. Investments in equity securities with readily determinable fair values are reported at published fair market values and realized and unrealized gains and losses are reflected in the statement of activities. Net unrealized losses during 2002 and 2001 were \$19,593 and \$15,747, respectively.

## 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. The taxes are levied under state legislation enabling the County to impose the tax and enter into an agreement to remit the amounts collected to the CVB.

## 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, 2002 and 2001, \$38,398 and \$101,484, respectively, remained outstanding to the CVB. The present value of the receivable was \$38,398 and \$94,776 at December 31, 2002 and 2001.

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

## 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.

## 5 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets of \$5,900 and \$7,135 at December 31, 2002 and 2001, respectively, are available for the following purposes.

	<u>2002</u>	<u>2001</u>
Cleveland Cares Program	<u>\$ 5,900</u>	<u>\$ 7,135</u>

## 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, the CVB is required to contribute \$1,200,000 annually to the City of Cleveland to assist with the debt service through December 2006, with a final additional payment of \$900,000.

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 (\$5,544,000) was included in the financial statements as of December 31, 2001 and such amount was paid during 2002.

Gateway Economic Development Corporation

The CVB entered into a Cooperative Agreement with Gateway Economic Development Corporation (Gateway) and the County of Cuyahoga (County). In that Cooperative 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, 2002 and 2001.

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

## 6. COMMITMENTS AND CONTINGENCIES (Continued)

Retirement Agreement

The CVB had an obligation to pay retirement benefits to a former employee. The present value of the retirement benefits payable at December 31, 2001 was \$55,700. The amount was paid in 2002.

## 7. PENSION AND 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 \$120,000 and \$107,000 during 2002 and 2001, 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' elective 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, 2002 and 2001 was \$40,167 and \$50,667, respectively.

## 8. LEASES

Total rental expense for all leases amounted to approximately \$352,179 and \$370,858 during 2002 and 2001, respectively.

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

2003	\$ 207,736
2004	57,833
2005	47,778
2006	<u>35,833</u>
	<u>\$ 349,180</u>

## 9. NET ASSETS

At December 31, 2002 and 2001, net assets of the Organizations consisted of the following:

	<u>Temporarily Restricted</u>	<u>Unrestricted</u>
CVB		\$3,254,438
Spirit	\$ 5,900	<u>189,681</u>
	<u>\$ 5,900</u>	<u>\$3,444,119</u>

NOTES TO THE COMBINED FINANCIAL STATEMENTS

10. SUBSEQUENT EVENT

In May 2003, the Bureau's practices relating to entertainment and promotion came under review. As a result, the Bureau put its Executive Director on paid administrative leave, pending an independent review by legal and accounting professionals. This investigation is currently in process.

The effects of this review and the impact on the financial statements is unknown at this time.

BOARD OF TRUSTEES  
THE CONVENTION AND VISITORS BUREAU  
OF GREATER CLEVELAND AND  
SPIRIT OF CLEVELAND, INC.

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 Spirit of Cleveland, Inc. (the organizations) for the year ended December 31, 2002 and have issued our report thereon dated March 18, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 organizations' 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 organizations' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the 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. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the organizations in a separate letter dated March 18, 2003.

This report is intended solely for the information and use of management, others within the Organization and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

March 18, 2003  
Cleveland, Ohio

*Cohen & Company*



**Auditor of State  
Betty Montgomery**

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**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  
AUGUST 5, 2004**