

Toledo-Lucas County Convention and Visitors Bureau, Inc.

A Component Unit of the County of Lucas, Ohio

Financial Statements

Year Ended December 31, 2019

with Independent Auditors' Report





88 East Broad Street
Columbus, Ohio 43215
IPARreport@ohioauditor.gov
(800) 282-0370

Board of Trustees
Toledo-Lucas County Convention and Visitors Bureau, Inc.
401 Jefferson Avenue
Toledo, Ohio 43604

We have reviewed the *Independent Auditors' Report* of the Toledo-Lucas County Convention and Visitors Bureau, Inc., Lucas County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2019 through December 31, 2019. 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 Toledo-Lucas County Convention and Visitors Bureau Inc. is responsible for compliance with these laws and regulations.

Keith Faber
Auditor of State
Columbus, Ohio

May 6, 2020

This page intentionally left blank.

TABLE OF CONTENTS

Independent Auditors' Report	1-2
Management's Discussion and Analysis.....	3-6
Financial Statements for the Year Ended December 31, 2019	
Statement of Net Position	7
Statement of Revenues, Expenses and Changes in Net Position	8
Statement of Cash Flows.....	9
Notes to the Financial Statements.....	10-17
Supplementary Information	
Combining Schedule of TLCCVB Net Position	19
Combining Schedule of TLCCVB Revenues, Expense and Changes in Net Position	20
Combining Schedule of TLCCVB Cash Flows	21
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	22-23

This page intentionally left blank.

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Toledo-Lucas County Convention and Visitors Bureau, Inc.
Toledo, Ohio:

Report on the Financial Statements

We have audited the accompanying financial statements of the Toledo-Lucas County Convention and Visitors Bureau, Inc., a component unit of the County of Lucas, Ohio, (the "Organization") as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the 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 Organization'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 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the Toledo-Lucas County Convention and Visitors Bureau, Inc., a component unit of the County of Lucas, Ohio, as of December 31, 2019, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 11 to the financial statements, during 2020, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Organization. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Organization's basic financial statements. The combining schedules on pages 19 through 21 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic 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 April 10, 2020 on our consideration of the Toledo-Lucas County Convention and Visitors Bureau, Inc.'s internal control over financial reporting and on our tests of its 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 Toledo-Lucas County Convention and Visitors Bureau, Inc.'s internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Toledo, Ohio
April 10, 2020

The following Management Discussion and Analysis ("MD&A") provides a summary overview of the financial performance of the Toledo-Lucas County Convention and Visitors Bureau, Inc., a component unit of the County of Lucas, Ohio, ("TLCCVB"), and its blended component unit, Destination Toledo, Inc. ("DT") (collectively, the "Organization") for the fiscal year ended December 31, 2019. This information in the MD&A should be read in conjunction with the Organization's financial statements and the corresponding notes to the financial statements.

Financial Highlights

- The Huntington Center hosted 2 assemblies, 2 banquets, 2 consumer shows, 32 concerts (11 of which were the ProMedica Park Concert Series), 10 entertainment events, 12 family shows, 3 meetings, 5 sporting events, 9 miscellaneous events, and 49 Walleye games.
- The SeaGate Convention Centre hosted 3 assemblies, 17 banquets, 48 consumer shows, 3 concerts, 9 sporting events, 25 conventions, 12 family shows, 84 meetings, 7 sporting events, 7 trade shows, and 9 miscellaneous events.

Overview of the Financial Statements

The Organization's financial statements are prepared on the accrual basis in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standard Board ("GASB"). Under GASB Statement No. 14, as amended, the County of Lucas, Ohio (the "County"), is defined as a "primary government" and the Organization is considered a component unit of the primary government. For purposes of the Organization financial statements, the TLCCVB is defined as a "primary government", and the DT is considered a blended component unit of the primary government; both entities utilize enterprise fund accounting.

The basic financial statements of the Organization together with the notes, which are essential to a full understanding of the data contained in the financial statements, are the following:

- Statement of Net Position – This statement presents information on all the Organization's assets, liabilities and deferred inflows and outflows, with the difference reported as net position.
- Statement of Revenues, Expenses, and Changes in Net Position – This statement shows how the Organization's net position has changed during the most recent year. Revenue is reported generally when earned, and expenses are reported when incurred.
- Statement of Cash Flows – This statement reports cash and cash equivalent activities for the fiscal year resulting from operating, capital and related financing activities, and investing activities.
- The notes to the financial statements provide additional information that is essential to a full understanding of the financial statements.

**Financial Analysis of the Organization's Net Position and Revenues, Expenses and
Changes in Net Position**

The table below provides a summary of the Organization's financial position and operations for 2019 and 2018, respectively.

**Condensed statements of net position
As of December 31**

	<u>2019</u>	<u>2018</u>	<u>Change</u>
Current assets	\$ 9,329,559	\$ 9,792,009	\$ (462,450)
Capital assets, net	<u>6,389,496</u>	<u>4,677,983</u>	<u>1,711,513</u>
Total assets	<u>15,719,055</u>	<u>14,469,992</u>	<u>1,249,063</u>
Current liabilities	5,351,078	5,561,769	(210,691)
Investment in capital assets	6,389,496	4,677,983	1,711,513
Restricted	-	923,973	(923,973)
Unrestricted	<u>3,978,481</u>	<u>3,306,267</u>	<u>672,214</u>
Total net position	<u>\$ 10,367,977</u>	<u>\$ 8,908,223</u>	<u>\$ 1,459,754</u>

During 2019, net position increased by \$1,459,754. The majority of these changes related to the TLCCVB and were due to the following:

- Current assets decreased by \$462,450 primarily due to a decrease in cash and cash equivalents offset by an increase in receivables.
- Capital assets increased by \$1,711,513 primarily due to a new video board and ribbon boards at the Huntington Center.
- Current liabilities decreased by \$210,691 due to less advance ticket sales.

The following table summarizes the changes in revenues and expenses for the Organization between 2019 and 2018:

Condensed statements of revenues, expenses, and changes in net position

Years ended December 31

(Amounts in thousands)

	<u>2019</u>	<u>2018</u>	<u>Change</u>
Operating revenues			
Event and related revenue, net	\$ 1,357,535	\$ 1,559,411	\$ (201,876)
Food & beverage/novelty	1,347,831	1,208,991	138,840
Ticketing and sponsorship	844,277	746,386	97,891
Parking, net	836,952	746,416	90,536
Membership Dues	72,443	73,520	(1,077)
Total operating revenue	<u>4,459,038</u>	<u>4,334,724</u>	<u>124,314</u>
Operating expenses			
Payroll and benefits	2,919,478	2,696,122	223,356
Utilities	651,915	657,080	(5,165)
Convention, tourism	392,514	571,078	(178,564)
SMG management fees	485,611	493,832	(8,221)
Contracted services	396,215	329,018	67,197
Repairs and maintenance	341,933	303,896	38,037
Other	1,015,203	920,640	94,563
Total operating expense	<u>6,202,869</u>	<u>5,971,666</u>	<u>231,203</u>
Operating loss before depreciation and amortization	(1,743,831)	(1,636,942)	(106,889)
Depreciation and amortization	<u>474,436</u>	<u>555,936</u>	<u>(81,500)</u>
Operating loss after depreciation and amortization	(2,218,267)	(2,192,878)	(25,389)
Non-operating revenue			
Lucas County	3,083,105	2,792,854	290,251
Interest income	10,690	1,015	9,675
Capital contributions	<u>584,226</u>	<u>550,000</u>	<u>34,226</u>
Change in net position	\$ <u>1,459,754</u>	\$ <u>1,150,991</u>	\$ <u>308,763</u>

Non-operating revenues include lodging taxes provided by the County to fund operations and capital improvements. The amount of subsidies received by the TLCCVB was \$1,595,597 and by DT was \$1,487,508 for the year ended December 31, 2019. The remaining revenues largely come from related event revenues.

- TLCCVB event income decreased by \$201,876 in 2019.
- Parking income for the TLCCVB increased by \$90,536 in 2019.
- Lucas County provided \$503,000 in capital funding for current and future projects at Seagate Centre and Huntington Center. In addition, AVI made a capital contribution of \$81,226.

Operating Expenses

- Payroll and fringe benefits increased for the TLCCVB by \$223,356 due to wage increases and increase in employee count.
- Convention and Tourism costs for DT decreased by \$179,027 due to efforts by DT to focus on advertising deemed effective and website design.
- Contracted services increased by \$67,197 due to increased security at events.

Capital Assets

At the end of 2019, the TLCCVB had \$6,389,496 (net of accumulated depreciation) invested in capital assets. Current year depreciation expense was \$474,436. Capital asset acquisitions are capitalized at cost and depreciated using the straight-line method, based upon estimated useful lives of the assets.

DT capital assets increased by \$38,746 due to new equipment and furniture.

Economic Factors

Economic factors have started to improve in the convention and travel industry nationwide. This is true in Toledo/Lucas County as well. Convention attendance, as well as bookings increased for the year.

However, in early 2020 an outbreak of a novel strain of coronavirus (COVID-19) disrupted regular operations and events from mid-March to the date of this report were cancelled, with a possibility of additional events being cancelled if the outbreak extends past that date. The effects of the outbreak are still being evaluated by management.

Contacting the Organization's Financial Management

This financial report is designed to provide a general overview of the Organization's finance for all interested parties. Questions and requests for additional information regarding this report should be addressed to the Finance Director, Toledo Lucas County Convention and Visitor's Bureau, Inc., 401 Jefferson Avenue, Toledo, Ohio 43604.

Toledo-Lucas County Convention and Visitors Bureau, Inc.
A Component Unit of The County of Lucas, Ohio
Statement of Net Position
December 31, 2019

Assets

Current assets:

Cash and cash equivalents	\$	7,039,927
Receivables:		
Trade		1,135,937
Sponsorship		561,389
Related party receivables		500,000
Prepaid expenses		92,306
Total current assets		9,329,559

Noncurrent assets:

Capital assets:

Parking rights		1,175,000
Depreciable capital assets, net		5,214,496
Total capital assets		6,389,496

Total assets		15,719,055
--------------	--	------------

Liabilities

Current liabilities:

Accounts payable - trade		977,409
Accrued payroll and payroll taxes		330,128
Accrued real estate taxes and special assessments		86,947
Other accrued liabilities		248
Advance ticket sales		2,294,822
Unearned revenue		1,579,887
Security deposits		81,637
Total liabilities		5,351,078

Net Position

Net position:

Investment in capital assets		6,389,496
Unrestricted		3,978,481
Total net position	\$	10,367,977

Toledo-Lucas County Convention and Visitors Bureau, Inc.
A Component Unit of The County of Lucas, Ohio
Statement of Revenues, Expenses and Changes in Net Position
Year Ended December 31, 2019

Operating revenues:	
Event revenue (net of expenses)	\$ 18,949
Other ticketing and sponsorship revenue	844,277
Parking (net of expenses)	836,952
Food and beverage / novelty sales	1,347,831
Membership dues	72,443
Other event related	<u>1,338,586</u>
Total operating revenues	<u>4,459,038</u>
Operating expenses:	
Payroll and benefits	2,919,478
Utilities	651,915
General and administrative	363,009
Contracted services	396,215
Miscellaneous	223,931
Operating	47,597
Insurance	179,136
SMG management fees	485,611
Repairs and maintenance	341,933
Real estate taxes and special assessments	96,012
Operational supplies	98,846
Membership expenses	6,672
Convention/tourism/community expenses	<u>392,514</u>
Total operating expenses	<u>6,202,869</u>
Operating loss before depreciation and amortization	(1,743,831)
Depreciation and amortization	<u>474,436</u>
Operating loss	<u>(2,218,267)</u>
Nonoperating revenues	
Lucas County	3,083,105
Interest income	10,690
Capital contributions	<u>584,226</u>
Change in net position	1,459,754
Net position, beginning of year	<u>8,908,223</u>
Net position, end of year	\$ <u>10,367,977</u>

Toledo-Lucas County Convention and Visitors Bureau, Inc.
A Component Unit of The County of Lucas, Ohio
Statement of Cash Flows
Year Ended December 31, 2019

Cash flows from operating activities:	
Cash received from customers, contributions and subsidies	\$ 3,660,321
Cash payments to suppliers for goods and services	(3,074,087)
Cash payments to employees for services	<u>(2,900,743)</u>
Net cash flows used in operating activities	<u>(2,314,509)</u>
Cash flows from noncapital activities:	
Lucas County contributions	<u>2,583,105</u>
Cash flows from capital and related financing activities:	
Purchases of capital assets	(2,185,949)
Capital contributions	<u>584,226</u>
Net cash flows used in capital and related financing activities	<u>(1,601,723)</u>
Cash flows provided by investing activities:	
Interest received	<u>10,690</u>
Decrease in cash and cash equivalents	(1,322,437)
Cash and cash equivalents, beginning of year	<u>8,362,364</u>
Cash and cash equivalents, end of year	\$ <u><u>7,039,927</u></u>
Cash flows from operating activities:	
Operating loss	\$ (2,218,267)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation and amortization	474,436
Changes in operating assets and liabilities which used by cash:	
Accounts receivable	(284,123)
Sponsorship receivable	(55,611)
Other assets	(20,253)
Other accrued liabilities	(17)
Accrued real estate taxes	(1,494)
Accounts payable	231,068
Accrued payroll and payroll taxes	18,735
Unearned revenue	(454,815)
Security deposits	<u>(4,168)</u>
Net cash flows used in operating activities	\$ <u><u>(2,314,509)</u></u>

1. DESCRIPTION OF THE REPORTING:

The Toledo-Lucas County Convention and Visitors Bureau, Inc., a component unit of the County of Lucas, Ohio, ("TLCCVB"), operates the SeaGate Centre (a convention center) and Huntington Center (an arena) in the City of Toledo, Ohio. The accompanying financial statements report all of the accounts of the SeaGate Centre and Huntington Center. The reporting entity is comprised of the TLCCVB, and its blended component unit, Destination Toledo, Inc. ("DT") (collectively, the "Organization"), which was established to encourage and promote the utilization of convention, restaurant, hotel, motel and entertainment facilities in Toledo, Ohio, and the surrounding areas. Upon the dissolution of DT, any remaining assets after payment of all obligations will be distributed to the TLCCVB. The Huntington Center is an 8,000 plus seat multi-purpose arena owned by the County which opened October 2009. TLCCVB and DT are supported primarily through event revenues, private contributions, and County subsidies.

For financial reporting purposes, the TLCCVB is a component unit of Lucas County as the County appoints the TLCCVB's Board of Trustees and the County is financially accountable for, and provides significant subsidies to, the TLCCVB and its component unit, DT.

The TLCCVB is affiliated with DT by virtue of being the sole member of DT, as provided under DT's code of regulations. Consequently, TLCCVB has controlling interest in DT, and is responsible for appointing and removing DT's Board of Trustees.

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") Statement No. 14, as amended, is the "primary government." A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is a legally separate entity for which the primary government is financially accountable. The criteria of financial accountability are the ability of the primary government to impose its will upon the potential component unit. Based on these criteria, TLCCVB is determined to be a component unit of Lucas County and DT is determined to be a component unit of TLCCVB.

2. SUMMARY OF SIGNIFICANT ACCOUNTING:

A. Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting, whereby revenues and expenses are recognized in the period earned or incurred. All transactions are accounted for in single enterprise funds.

Enterprise funds are used to account for the costs of providing goods and services to the general public on a continuing basis which are financed or recovered primarily through user charges or to report any activity for which a fee is charged to external users for goods or services, regardless of whether the government intends to fully recover the cost of the goods or services provided.

B. Measurement Focus

The enterprise fund is accounted for on a flow of economic resources measurement focus. All assets and liabilities associated with the operation of the Organization are included on the statement of net position. The statement of changes in net position presents increases (i.e., revenue) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the Organization finances and meets the cash flow needs of its enterprise activity.

C. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

D. Cash and Cash Equivalents

The Organization considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents. All cash is held at one financial institution.

E. Accounts Receivable - Trade

A reserve for uncollectible accounts is determined based on prior history and individual account status. An account is delinquent at 30 days past due. The Organization does not accrue interest on past due accounts.

F. Capital Assets

Capital assets are recorded at cost. Costs that materially add to the productive capacity or extend the life of an asset are capitalized while maintenance and repair costs are expensed as incurred. Contributed assets are stated at fair value at the time of contribution. TLCCVB and DT maintain a capitalization threshold of five thousand dollars.

Depreciation is recorded using the straight-line method over the estimated useful lives of the depreciable assets.

Intangible assets with an indefinite life are not amortized. If changes in factors and conditions result in the useful life of an intangible asset no longer being indefinite, the asset should be tested for impairment because a change in the expected duration of use of the asset has occurred.

G. Revenues

Operating revenues are those revenues generated directly from TLCCVB's primary business activities. These revenues include event revenue, food and beverage, and sponsorships.

H. Compensated Absences

The Organization follows GASB Statement No. 16, *Accounting for Compensated Absences*, which requires that a liability be accrued if it is probable that the employee will be compensated through cash payment upon termination of employment.

I. Unearned Revenue

Income from suite rentals received in advance is recognized over the term of the lease agreement. Preferred seating rights are recognized over the term of the agreement. Sponsorship income received in advance is recognized over the term of the agreement. These revenues are recognized monthly over the term of their agreements using the straight-line method. Capital contributions from the food and beverage manager and facilities management company are recognized over the period when the scheduled events take place. Other unearned revenue for DT consists of membership dues which are recognized over the period to which the dues relate.

J. Income Taxes

TLCCVB and DT are both incorporated under the laws of the State of Ohio as not-for-profit corporations and are exempt from state and local income taxes. The Internal Revenue Service has determined TLCCVB and DT to be exempt from federal income taxes under Section 501(c)(3) and Section 501(c)(6), respectively, of the Internal Revenue Code. However, income from certain activities not directly related to their tax-exempt purpose may be subject to taxation as unrelated business income. TLCCVB and DT believe that they have no liability for unrelated business income and, accordingly, no provision for income taxes has been included in the accompanying financial statements.

K. Net Position

Net position represents the difference between assets and liabilities. The net investment in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets.

Items are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. There is no restricted net position for the Organization as of December 31, 2019.

The Board of Trustees (the "Board") of TLCCVB has designated unrestricted net position aggregating for capital improvements and expansions. Such amounts are not restricted and may be designated for other purposes or eliminated at the discretion of the Board. Unrestricted net position at December 31, 2019 for the Organization is \$3,978,481.

3. CASH AND INVESTMENTS:

Deposits

Protection of TLCCVB and DT's deposits is provided by the Federal Deposit Insurance Corporation ("FDIC"), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the finance director by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution. As a non-profit organization, there are no Ohio Revised Code statutory requirements regarding the investment of funds held by the Organization.

Custodial credit risk for deposits is the risk that in the event of bank failure, the Organization will not be able to recover deposits or collateral securities that are in the possession of an outside party. As of December 31, 2019, the carrying amount of the Organization's deposits were \$7,039,927. At year-end, none of TLCCVB's bank balance of \$7,135,267 was exposed to custodial credit risk because they were uninsured and collateralized by the financial institution's collateral pool.

4. PARKING RIGHTS:

During 2007, the Organization purchased the rights to a portion of the parking spaces in the SeaGate Centre Parking Garage for \$1,175,000. The parking rights purchased were recorded as a capital asset in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 51, Accounting and Financial Reporting for Intangible Assets, which establishes standards of accounting and financial reporting for intangible assets. As these rights have an indefinite life, they are not amortized.

Toledo-Lucas County Convention and Visitors Bureau Inc.
A Component Unit of the County of Lucas, Ohio
Notes to the Financial Statements
December 31, 2019

5. CAPITAL ASSETS AND DEPRECIATION:

Capital asset activity is as follows for the year ended December 31, 2019:

	Balance at <u>January 1, 2019</u>	<u>Additions</u>	<u>Dispositions</u>	Balance at <u>December 31, 2019</u>
Nondepreciable capital assets				
Construction in progress	\$ 360,600	\$ -	\$ (360,600)	\$ -
Parking rights	1,175,000	-	-	1,175,000
Total nondepreciable assets	<u>1,535,600</u>	<u>-</u>	<u>(360,600)</u>	<u>1,175,000</u>
Depreciable capital assets				
Building improvements	4,093,241	1,486,688	-	5,579,929
Furniture and fixtures	844,778	470,725	-	1,315,503
Machinery and equipment	779,562	317,845	-	1,097,407
Computer equipment	448,493	249,194	-	697,687
Office equipment	8,471	22,097	-	30,568
Other capital assets	46,569	-	-	46,569
Total depreciable assets	<u>6,221,114</u>	<u>2,546,549</u>	<u>-</u>	<u>8,767,663</u>
Accumulated depreciation:				
Building improvements	1,794,638	248,118	-	2,042,756
Furniture and fixtures	586,539	43,159	-	629,698
Machinery and equipment	508,113	83,580	-	591,693
Computer equipment	175,959	86,004	-	261,963
Office equipment	6,776	9,186	-	15,962
Other capital assets	6,706	4,389	-	11,095
Total accumulated depreciation	<u>3,078,731</u>	<u>474,436</u>	<u>-</u>	<u>3,553,167</u>
Capital assets being depreciated, net	<u>3,142,383</u>	<u>2,072,113</u>	<u>-</u>	<u>5,214,496</u>
Capital assets, net	<u>\$ 4,677,983</u>	<u>\$ 2,072,113</u>	<u>\$ -</u>	<u>\$ 6,389,496</u>
Depreciation expense charged to operating activities		<u>\$ 474,436</u>		

6. RELATED PARTY TRANSACTIONS:

TLCCVB, under an operating lease agreement, leases the convention center and arena from the Lucas County Commissioners for a nominal annual fee. The agreement commenced on February 1, 2009 and extends through January 31, 2039.

TLCCVB retains a law firm of which a partner is a trustee of the TLCCVB. The TLCCVB incurred fees from this firm amounting to \$22,010 for 2019.

DT reimburses TLCCVB for various personnel and administrative services provided. Total reimbursements for the year ended December 31, 2019 were approximately \$36,968.

DT leases office space from TLCCVB on a month-to-month basis for \$750 per month. Total rental expense under the month-to-month lease was \$9,000 for 2019.

TLCCVB and DT receive operating revenues in the form of lodging tax collections from Lucas County. Amounts received from the County by TLCCVB and DT during 2019 was \$1,595,597 and \$1,487,508, respectively. TLCCVB also received \$503,000 in capital contributions from the County.

7. RETIREMENT AND OTHER BENEFIT PLANS:

TLCCVB has a retirement and savings plan for hourly and salaried employees under the ASM Global retirement and savings plan, which is administered by Fidelity. Contributions by TLCCVB are discretionary based on employees' deferral contribution on an annual basis. Employer contributions to the plan were \$23,615 in 2019. DT has a defined contribution retirement plan for eligible employees, created under the authority of a resolution of the governing board. DT employee plan is administered by John Hancock Retirement Plan Services. Under the provisions of the DT 401(k) plan, DT contributes an amount equal to 4% of its employees' gross salaries. In addition, DT makes matching contributions at a rate of 75% of employee contributions up to a maximum of 1% of an employee's gross salary. Employer contributions to the plans were \$39,249 for 2019.

TLCCVB participates in an industry-wide, defined contribution, multi-employer pension plan for its union stage employees that provides for pension benefits. Contributions are based on 10% of gross wages earned. Pension expense under the plan amounted to \$39,340 in 2019.

As of the date of this report, management is not aware of any unfunded pension expense or withdrawal liability.

8. INSURANCE:

The Organization maintains comprehensive insurance coverage with private carriers for health, real property, building contents and vehicles. There were no significant reductions in coverage from the prior year and settled claims were not in excess of coverage in any of the past three years. The Organization is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets and injuries to employees. The Organization also maintains Directors' and Officers' liability insurance with an aggregate limit of insurance of \$2,000,000.

9. MANAGEMENT AGREEMENTS:

TLCCVB entered into management agreements with ASM Global during 2007 and 2009 to manage its facilities. The agreements were originally amended and consolidated on January 1, 2013 and expired on December 31, 2017 with an option for TLCCVB to extend for an additional five-year term. The agreements were amended, and the extension was approved on December 13, 2016 and will expire December 31, 2022. The management agreement provides for a current annual fixed fee of approximately \$255,317, with additional compensation based on achieving predetermined revenue goals. Total fees paid to ASM Global were \$485,611 for 2019.

TLCCVB entered into a management agreement late in 2001, renewed in 2012, with the Board of Lucas County Commissioners to manage the County owned parking lots for an annual fee that increases by the preceding years Consumer Price Index through 2021, with the fee to be received by March 1. The fee is being paid to TLCCVB to cover all costs including labor, repair and maintenance, taxes and utilities of the lots. Management income for 2019 was \$100,881 and is included in parking revenue.

The parking receipts from these lots are to replace the receipts from the lots lost resulting from the construction of a new ballpark. Stated in the agreement is a clause that if net parking receipts are less than \$50,000 annually, then the owner will pay the balance up to \$50,000 to TLCCVB. Conversely, if net parking receipts exceed \$50,000, the first \$15,000 will be kept by the manager for a restricted capital reserve account for the lots. Any excess over the \$15,000 will be allocated 75% to TLCCVB and 25% to the owner. Net parking receipts to the Organization for 2019 under the above arrangement were \$102,429.

TLCCVB has entered into an agreement with AVI Foodsystems, Inc. ("AVI") to manage its food and beverage operations. The agreement expires June 30, 2026. Under this agreement, AVI retains the proceeds of food and beverage sales at TLCCVB facilities and pays TLCCVB a guaranteed annual amount and additional compensation if facility sales exceed certain target amounts. If facility food and beverage sales exceed certain targets, TLCCVB may be obligated to pay an incentive management fee to AVI. TLCCVB received approximately \$2,585,628 under this agreement in 2019. The total management fee, including incentive, paid to AVI during 2019 under this agreement was \$397,353.

10. CONTINGENCIES:

In connection with the consolidation and amendment of the management agreement with ASM Global in 2013, ASM Global made a capital contribution to TLCCVB in the amount of \$400,000 and an additional \$300,000 in 2016 at the contract renewal to be used to fund mutually agreed-upon projects at the arena and convention center. The remaining unspent amount as of December 31, 2019 of \$555,750 is included in the statement of net position in unearned revenue. In the event of the expiration or termination of the TLCCVB's management agreement with ASM Global, the TLCCVB may be required to re-pay certain amounts of the contribution to ASM Global.

In connection with the management agreement with AVI in 2012, AVI made a capital contribution to TLCCVB in the amount of \$500,000 and an additional \$280,000 in 2019 to be used to acquire certain fixtures and equipment and fund mutually agreed-upon projects at the arena and convention center. The unspent amount as of December 31, 2019 of \$2,591 is included in the statement of net position in unearned revenue. In the event of the expiration or termination of TLCCVB's management agreement with AVI, TLCCVB may be required to re-pay certain amounts of the contribution to AVI.

11. SUBSEQUENT EVENTS:

Subsequent to the date of the financial statements, an outbreak of a novel strain of coronavirus (COVID-19) has disrupted supply chains and affected production and sales across a range of industries. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak. Impact on our customers, employees and vendors cannot be predicted, and the extent to which COVID-19 may impact our financial condition or results of operations is uncertain at this time. The impact of COVID-19 will be partially offset by business interruption insurance depending on coverage and other factors. There is also a possibility of offering event tickets for future events instead of refunding the cost of the tickets of cancelled events. These options are still being evaluated by management.

SUPPLEMENTARY INFORMATION

Toledo-Lucas County Convention and Visitors Bureau, Inc
A Component Unit of the County of Lucas, Ohio
Combining Schedule of TLCCVB Net Position
December 31, 2019

	Huntington Center	SeaGate Convention Centre	Eliminating Entries	Destination Toledo	TLCCVB Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 4,474,561	\$ 2,081,852	\$ -	\$ 483,514	\$ 7,039,927
Accounts receivable trade	1,043,945	222,738	(150,145)	19,399	1,135,937
Sponsorship receivable	561,389	-	-	-	561,389
Related party receivable	500,000	-	-	-	500,000
Prepaid expenses	39,043	53,263	-	-	92,306
Total current assets	<u>6,618,938</u>	<u>2,357,853</u>	<u>(150,145)</u>	<u>502,913</u>	<u>9,329,559</u>
Noncurrent assets:					
Capital assets:					
Parking rights	-	1,175,000	-	-	1,175,000
Capital assets, net	2,661,823	2,509,727	-	42,946	5,214,496
Total capital assets	<u>2,661,823</u>	<u>3,684,727</u>	<u>-</u>	<u>42,946</u>	<u>6,389,496</u>
Total assets	<u>9,280,761</u>	<u>6,042,580</u>	<u>(150,145)</u>	<u>545,859</u>	<u>15,719,055</u>
LIABILITIES					
Current liabilities:					
Accounts payable - trade	979,397	130,510	(150,145)	17,647	977,409
Accrued payroll and payroll taxes	141,986	161,360	-	26,782	330,128
Accrued real estate taxes and special assessmen	-	86,947	-	-	86,947
Other accrued liabilities	-	248	-	-	248
Advance ticket sales	2,261,257	33,565	-	-	2,294,822
Unearned income	903,232	577,002	-	99,653	1,579,887
Security deposits	32,512	49,125	-	-	81,637
Total current liabilities	<u>4,318,384</u>	<u>1,038,757</u>	<u>(150,145)</u>	<u>144,082</u>	<u>5,351,078</u>
NET POSITION					
Net position					
Net investment in capital assets	2,661,823	3,684,727	-	42,946	6,389,496
Unrestricted	2,300,554	1,319,096	-	358,831	3,978,481
Total net position	<u>\$ 4,962,377</u>	<u>\$ 5,003,823</u>	<u>\$ -</u>	<u>\$ 401,777</u>	<u>\$ 10,367,977</u>

Toledo-Lucas County Convention and Visitors Bureau, Inc.
A Component Unit of the County of Lucas, Ohio
Combining Schedule of TLCC Revenues, Expenses and Changes in Net Position
Year Ended December 31, 2019

	Huntington Center	SeaGate Convention Centre	Eliminating Entries	Destination Toledo	TLCCVB Total
Operating revenues:					
Event revenue (net of expenses)	\$ (536,982)	\$ 555,931	\$ -	\$ -	\$ 18,949
Other ticketing and sponsorship revenue	737,861	76,416	-	30,000	844,277
Parking (net of expenses)	-	836,952	-	-	836,952
Food and beverage / novelty sales	1,062,712	285,119	-	-	1,347,831
Membership dues	-	-	-	72,443	72,443
Other event related	1,293,705	44,881	-	-	1,338,586
Total operating revenues	2,557,296	1,799,299	-	102,443	4,459,038
Operating expenses:					
Payroll and benefits	1,075,200	1,148,163	-	696,115	2,919,478
Utilities	343,965	307,950	-	-	651,915
General and administrative	102,017	99,629	-	161,363	363,009
Contracted services	145,050	163,128	-	88,037	396,215
Miscellaneous	195,830	150	-	27,951	223,931
Operating	18,866	28,731	-	-	47,597
Insurance	97,200	81,936	-	-	179,136
SMG management fees	348,258	137,353	-	-	485,611
Repairs and maintenance	174,902	167,031	-	-	341,933
Real estate taxes and special assessments	-	96,012	-	-	96,012
Operational supplies	56,150	42,696	-	-	98,846
Membership expenses	-	-	-	6,672	6,672
Convention/tourism/community expenses	-	-	-	392,514	392,514
Total operating expenses	2,557,438	2,272,779	-	1,372,652	6,202,869
Operating loss before depreciation and amortization	(142)	(473,480)	-	(1,270,209)	(1,743,831)
Depreciation and amortization	179,924	276,648	-	17,864	474,436
Operating loss	(180,066)	(750,128)	-	(1,288,073)	(2,218,267)
Nonoperating revenues:					
Lucas county	924,605	670,992	-	1,487,508	3,083,105
Interest income	61	10,629	-	-	10,690
Total nonoperating revenue	924,666	681,621	-	1,487,508	3,093,795
Capital contributions	100,000	484,226	-	-	584,226
Change in net position	844,600	415,719	-	199,435	1,459,754
Net position, beginning of year	4,117,777	4,588,104	-	202,342	8,908,223
Net position, ending of year	\$ 4,962,377	\$ 5,003,823	\$ -	\$ 401,777	\$ 10,367,977

Toledo-Lucas County Convention and Visitors Bureau
A Component Unit of the County of Lucas, Ohio
Combining Schedule of TLCCVB Cash Flows
Year Ended December 31, 2019

	Huntington Center	SeaGate Convention Centre	Eliminating Entries	Destination Toledo	TLCCVB Total
Cash flows from operating activities:					
Cash received from customers and contributions	\$ 1,780,048	\$ 1,656,009	\$ 62,158	\$ 162,106	\$ 3,660,321
Cash payments to suppliers for goods and services	(1,159,982)	(1,163,104)	(62,158)	(688,843)	(3,074,087)
Cash payments to employees for services	(1,067,181)	(1,153,912)	-	(679,650)	(2,900,743)
Net cash used in operating activities	<u>(447,115)</u>	<u>(661,007)</u>	<u>-</u>	<u>(1,206,387)</u>	<u>(2,314,509)</u>
Cash flows provided by noncapital financing activities:					
Lucas County contributions	424,605	670,992	-	1,487,508	2,583,105
Cash flows from capital and related financing activities:					
Purchase of capital assets	(1,912,828)	(216,511)	-	(56,610)	(2,185,949)
Capital contributions	100,000	484,226	-	-	584,226
Net cash provided by (used in) capital and related financing	<u>(1,812,828)</u>	<u>267,715</u>	<u>-</u>	<u>(56,610)</u>	<u>(1,601,723)</u>
Cash flows provided by investing activities:					
Interest received	61	10,629	-	-	10,690
Increase (decrease) in cash and cash equivalents	(1,835,277)	288,329	-	224,511	(1,322,437)
Cash and cash equivalents, beginning of year	6,309,838	1,793,523	-	259,003	8,362,364
Cash and cash equivalents, ending of year	<u>\$ 4,474,561</u>	<u>\$ 2,081,852</u>	<u>\$ -</u>	<u>\$ 483,514</u>	<u>\$ 7,039,927</u>
Cash flows from operating activities:					
Operating loss	\$ (180,066)	\$ (750,128)	\$ -	\$ (1,288,073)	\$ (2,218,267)
Adjustments to reconcile operating loss to net cash used in operating activities					
Depreciation and amortization	179,924	276,648	-	17,864	474,436
Changes in operating assets and liabilities which provided (used) cash:					
Accounts receivable	(278,723)	(56,916)	62,158	(10,642)	(284,123)
Sponsorship receivable	(55,611)	-	-	-	(55,611)
Other assets	(10,959)	(9,294)	-	-	(20,253)
Other accrued liabilities	(55)	38	-	-	(17)
Accrued real estate taxes	-	(1,494)	-	-	(1,494)
Accounts payable	333,270	(27,738)	(62,158)	(12,306)	231,068
Accrued payroll and payroll taxes	8,019	(5,749)	-	16,465	18,735
Unearned revenue	(442,365)	(82,755)	-	70,305	(454,815)
Security Deposits	(549)	(3,619)	-	-	(4,168)
Net cash used in operating activities	<u>\$ (447,115)</u>	<u>\$ (661,007)</u>	<u>\$ -</u>	<u>\$ (1,206,387)</u>	<u>\$ (2,314,509)</u>

**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*****INDEPENDENT AUDITORS' REPORT**

To the Board of Trustees
Toledo-Lucas County Convention and Visitors Bureau, Inc.
Toledo, Ohio:

We have audited, in accordance with the 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 Toledo-Lucas County Convention and Visitors Bureau, Inc., a component unit of the County of Lucas, Ohio, (the "Organization") as of and for the year ended December 31, 2019 and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements and have issued our report thereon dated April 10, 2020, wherein we noted the potential financial impact of COVID-19 and emergency measures subsequent to year end.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 Organization'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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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 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 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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Toledo, Ohio
April 10, 2020

This page intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



TOLEDO- LUCAS COUNTY CONVENTION AND VISITORS BUREAU

LUCAS 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
MAY 19, 2020**