



OHIO AUDITOR OF STATE
KEITH FABER



**CUYAHOGA COUNTY CONVENTION FACILITIES DEVELOPMENT CORPORATION
CUYAHOGA COUNTY
DECEMBER 31, 2020**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Cuyahoga County Convention Facilities Development Corporation
Cuyahoga County
1 St. Clair Avenue, N.E.
Cleveland, Ohio 44114

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the Cuyahoga County Convention Facilities Development Corporation, Cuyahoga County, Ohio (the Corporation), a component unit of Cuyahoga County, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Academy's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Academy's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Cuyahoga County Convention Facilities Development Corporation, Cuyahoga County as of December 31, 2020 and the changes in financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 13 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Corporation. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2021, on our consideration of the Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine 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 Academy's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

November 5, 2021

Cuyahoga County Convention Facilities Development Corporation

*Management's Discussion and Analysis
For the Year Ended December 31, 2020
Unaudited*

This discussion and analysis of the Cuyahoga County Convention Facilities Development Corporation's (the Corporation) financial performance provides an overall review of the Corporation's financial activities for the year ended December 31, 2020. Readers should also review the basic financial statements and notes to enhance their understanding of the Corporation's financial performance.

Financial Highlights

Key financial highlights for 2020 are as follows:

- The Corporation's revenues exceeded expenses by \$3,371,386, thus increasing both the net position and the cash balance of the Corporation.
- The Corporation is cognizant of providing the best public services while staying within projected revenues.
- In accordance with the Corporation's Operating Agreement with Cuyahoga County, a capital improvement plan was conducted during 2016 which established the Corporation's initial and future capital cash reserve amounts. The Corporation has continued to fund these cash reserve bank accounts and at December 31, 2020 these reserve accounts total \$10,934,621.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the readers can understand the Cuyahoga County Convention Facilities Development Corporation as a financial whole.

Overview of the Financial Statements

The Corporation's financial statements are prepared on the accrual basis in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standard Board (GASB). The financial information of the Corporation is accounted for in a single enterprise fund with revenues recognized when earned, not when received. Expenses are recognized when incurred, not when they are paid. See the notes to the financial statements for a summary of the Corporation's significant accounting policies.

Following this management's discussion and analysis are the basic financial statements of the Corporation together with the notes, which are essential to a full understanding of the data contained in the financial statements. Included in the financial statements for the Corporation are the following:

- Statement of Net Position – This statement presents information on all of the Corporation's assets and liabilities, with the difference between the two reported as net position.
- Statement of Revenues, Expenses and Changes in Net Position – This statement includes all operating and nonoperating revenues and expenses for the Corporation and shows the change in the Corporation's net position during the most recent year.
- Statement of Cash Flows – This statement reports cash and cash equivalent activities for the year resulting from operating, capital and investing activities. A reconciliation of operating income with cash provided from operations is included.

Cuyahoga County Convention Facilities Development Corporation

Management's Discussion and Analysis

For the Year Ended December 31, 2020

Unaudited

Financial Analysis

Table 1 reflects the net position for 2020 as compared to net position for 2019.

	<i>(Table 1)</i>		
	<i>Net Position</i>		
	<u>2020</u>	<u>2019</u>	<u>Change</u>
Assets			
Current and Other Assets	\$223,849,360	\$250,684,252	(\$26,834,892)
Capital Assets, Net	<u>9,831,578</u>	<u>7,286,957</u>	<u>2,544,621</u>
<i>Total Assets</i>	<u>233,680,938</u>	<u>257,971,209</u>	<u>(24,290,271)</u>
Liabilities			
Current Liabilities	2,784,719	4,990,239	2,205,520
Long-term Liabilities			
Due Within One Year	26,719,906	25,452,875	(1,267,031)
Due in More Than One Year	<u>182,093,767</u>	<u>208,816,935</u>	<u>26,723,168</u>
<i>Total Liabilities</i>	<u>211,598,392</u>	<u>239,260,049</u>	<u>27,661,657</u>
Net Position			
Investment in Capital Assets	7,754,616	5,036,952	2,717,664
Unrestricted	<u>14,327,930</u>	<u>13,674,208</u>	<u>653,722</u>
<i>Total Net Position</i>	<u>\$22,082,546</u>	<u>\$18,711,160</u>	<u>\$3,371,386</u>

The assets of the Corporation exceeded its liabilities at the close of 2020 by \$22,082,546 (net position), \$14,327,930 of which is unrestricted. Net position increased, as a decrease in liabilities outpaced a decrease in assets. The decrease in assets is due to a decrease in the lease receivable, partially offset by an increase in the Corporation's net capital assets. The decrease in liabilities is due to the annual payment of principal on the loan payable. The majority of the Corporation's net position relates to its capital repair reserve bank accounts which totaled \$10,934,621 at December 31, 2020.

During 2020, the Corporation was awarded \$2,067,611 under the Coronavirus Aid, Relief and Economic Security Act (CARES Act). The grant passed through the County to the Corporation and was awarded to reimburse the Corporation for health and safety expenditures incurred. This grant is shown as intergovernmental nonoperating revenue on the statement of revenues, expenses and changes in net position.

Cuyahoga County Convention Facilities Development Corporation

Management's Discussion and Analysis

For the Year Ended December 31, 2020

Unaudited

Table 2 shows the changes in net position for 2020 as compared to the changes in net position for 2019.

(Table 2)
Changes in Net Position

	<u>2020</u>	<u>2019</u>	<u>Change</u>
Revenues			
Operating Revenues	\$9,655,841	\$28,986,558	(\$19,330,717)
Non-Operating Revenues:			
Change in County Surplus	1,879,025	0	1,879,025
Intergovernmental	2,067,611	0	2,067,611
Interest	<u>10,790,127</u>	<u>12,079,054</u>	<u>(1,288,927)</u>
<i>Total Revenues</i>	<u>24,392,604</u>	<u>41,065,612</u>	<u>(16,673,008)</u>
Expenses			
Operating Expenses	10,279,165	25,285,028	15,005,863
Non-Operating Expenses	<u>10,742,053</u>	<u>13,144,593</u>	<u>2,402,540</u>
<i>Total Expenses</i>	<u>21,021,218</u>	<u>38,429,621</u>	<u>17,408,403</u>
<i>Change in Net Position</i>	3,371,386	2,635,991	735,395
<i>Net Position Beginning of Year</i>	<u>18,711,160</u>	<u>16,075,169</u>	<u>2,635,991</u>
<i>Net Position End of Year</i>	<u>\$22,082,546</u>	<u>\$18,711,160</u>	<u>\$3,371,386</u>

The Corporation's revenues exceeded its expenses by \$3,371,386 as revenues continue to outpace expenses.

One of the Corporation's primary operating revenues is charges for services for the use of the Cleveland Convention Center and the Global Center for Health Innovation. These receipts represented 43.19 percent of the total operating revenues received during the year. The decrease from the prior year is because the Convention Center and Global Center were closed most of the year due to the coronavirus pandemic.

The Corporation's primary operating expenses are contractual services for running the Cleveland Convention Center and the Global Center for Health Innovation in addition to vendors used for special events held there. These expenses represent 79.30 percent of the total operating expenses incurred during the year. The Corporation also had expenses for personal services related to the management of the Cleveland Convention Center and Global Center for Health Innovation. These expenses represented 2.39 percent of total operating expenses incurred during the year. The overall decrease in expenses is a result of the Convention Center and Global Center being closed most of the year due to the coronavirus pandemic.

Cuyahoga County Convention Facilities Development Corporation

Management's Discussion and Analysis

For the Year Ended December 31, 2020

Unaudited

Capital Assets and Debt Administration

Capital Assets

Total capital assets increased from the prior year due to additional construction in progress, building and improvements, equipment, furniture and build out costs incurred. Information relative to capital assets is identified in Note 5 to the basic financial statements.

Debt

At December 31, 2020, the Corporation had outstanding loans payable in the amounts of \$206,736,711 and \$2,076,962 payable to Cuyahoga County for the Cleveland Convention Center and the Global Center for Health Innovation building and Levy for the Starbucks and Au Bon Pain build out, respectively. Information relative to debt is identified in Note 6 to the basic financial statements.

Currently Known Facts and Conditions

The Corporation has assumed the responsibility to manage the Cleveland Convention Center (the Center) and Global Center for Health Innovation (GCHI). Both venues are state-of-the art and GCHI is one of a kind because it displays the future of health and health care. The Corporation has contracted with ASM to operate the Center and GCHI. ASM is the nation's largest and most experienced convention center and facility management firm. With this partnership, the Corporation is certain the Center and GCHI will be profitable and maintain their distinctions.

The challenge for all governments is to provide quality services while staying within the restrictions imposed by limited funding. Management is continually reviewing plans to determine the most efficient use of funds and resources.

Contacting the Corporation's Management

This financial report is designed to provide our citizens and creditors with a general overview of the Corporation's finances and to demonstrate accountability for the money it receives. If you have any questions about this report or need additional financial information, contact George Hillow at Cuyahoga County Convention Facilities Development Corporation, 1 St. Clair NE, Cleveland, OH 44114, or by email at ghillow@cccfdc.com.

Basic Financial Statements

Cuyahoga County Convention Facilities Development Corporation

Statement of Net Position

December 31, 2020

Assets	
<i>Current Assets:</i>	
Equity in Pooled Cash and Cash Equivalents	\$4,030,531
Cash in Segregated Capital Accounts	10,934,621
Accounts Receivable	752,842
Intergovernmental Receivable	1,235,063
Lease Receivable	26,516,168
Prepaid Items	159,592
	<hr/>
<i>Total Current Assets</i>	<i>43,628,817</i>
	<hr/>
<i>Noncurrent Assets:</i>	
Lease Receivable	180,220,543
<i>Capital Assets:</i>	
Construction in Progress	1,845,221
Depreciable Capital Assets, Net	7,986,357
	<hr/>
<i>Total Noncurrent Assets</i>	<i>190,052,121</i>
	<hr/>
<i>Total Assets</i>	<i>233,680,938</i>
	<hr/>
Liabilities	
<i>Current Liabilities:</i>	
Accounts Payable	1,274,881
Loans Payable	26,719,906
Unearned Revenue	1,509,838
	<hr/>
<i>Total Current Liabilities</i>	<i>29,504,625</i>
	<hr/>
<i>Long-Term Liabilities:</i>	
Loans Payable (net of current portion)	182,093,767
	<hr/>
<i>Total Liabilities</i>	<i>211,598,392</i>
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Net Position	
Net Investment in Capital Assets	7,754,616
Unrestricted	14,327,930
	<hr/>
<i>Total Net Position</i>	<i>\$22,082,546</i>
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See accompanying notes to the basic financial statements

Cuyahoga County Convention Facilities Development Corporation

*Statement of Revenues,
Expenses and Changes in Net Position
For the Year Ended December 31, 2020*

Operating Revenues	
Charges for Services	\$4,169,916
Other	5,485,925
	<hr/>
<i>Total Operating Revenues</i>	<i>9,655,841</i>
	<hr/>
Operating Expenses	
Personal Services	245,731
Contractual Services	8,151,228
Materials and Supplies	960,571
Depreciation	920,437
Other	1,198
	<hr/>
<i>Total Operating Expenses</i>	<i>10,279,165</i>
	<hr/>
<i>Operating Loss</i>	<i>(623,324)</i>
	<hr/>
Non-Operating Revenue (Expenses)	
Change in County Surplus	1,879,025
Intergovernmental	2,067,611
Interest and Fiscal Charges	(10,742,053)
Interest	10,790,127
	<hr/>
<i>Total Non-Operating Revenues (Expenses)</i>	<i>3,994,710</i>
	<hr/>
<i>Change in Net Position</i>	<i>3,371,386</i>
	<hr/>
<i>Net Position Beginning of Year</i>	<i>18,711,160</i>
	<hr/>
<i>Net Position End of Year</i>	<i>\$22,082,546</i>
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See accompanying notes to the basic financial statements

Cuyahoga County Convention Facilities Development Corporation

Statement of Cash Flows

For the Year Ended December 31, 2020

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities

Cash Received from Customers	\$4,129,004
Cash Received from Cuyahoga County on Lease Receivable	25,257,947
Other Cash Receipts	5,485,925
Cash Payments to Employees for Services	(245,731)
Cash Payments for Goods and Services	(9,350,608)
Other Cash Payments	(1,198)

Net Cash Provided by Operating Activities 25,275,339

Cash Flows from Noncapital Financing Activities

Intergovernmental 832,548

Cash Flows from Capital and Related Financing Activities

Principal Payments - Loans Payable	(25,456,137)
Interest Payments - Loans Payable	(10,742,053)
Payments for Capital Acquisitions	(3,465,058)

Net Cash Used in Capital and Related Financing Activities (39,663,248)

Cash Flows from Investing Activities

Interest on Investments	48,074
Interest from Lease Receivable	10,742,053

Net Cash Provided by Investing Activities 10,790,127

Net Increase in Cash and Cash Equivalents (2,765,234)

Cash and Cash Equivalents Beginning of Year 17,730,386

Cash and Cash Equivalents End of Year \$14,965,152

Reconciliation of Operating Loss to Net Cash Provided by Operating Activities

Operating Income (\$623,324)

Adjustments:

Depreciation 920,437

(Increase) Decrease in Assets:

Accounts Receivable 13,392

Lease Receivable 25,257,947

Prepaid Items 33,382

Increase (Decrease) in Liabilities:

Accounts Payable (272,191)

Unearned Revenue (54,304)

Net Cash Provided by Operating Activities \$25,275,339

See accompanying notes to the basic financial statements

Cuyahoga County Convention Facilities Development Corporation

*Notes to the Basic Financial Statements
For The Year Ended December 31, 2020*

Note 1 - Description of the Entity

The Cuyahoga County Convention Facilities Development Corporation, (the Corporation) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Corporation was formed on December 12, 2013 pursuant to Chapter 1702 of the Ohio Revised Code. The Corporation is directed by a nine-member Board of Directors (the Board) comprised of three individuals nominated by the Cuyahoga County Executive, three individuals nominated by the Cuyahoga County Council, two individuals nominated by the joint selection of the Cuyahoga County Executive and the Cuyahoga County Council, and an individual nominated by the joint selection of Destination Cleveland and the Greater Cleveland Partnership. The Board accepts or rejects these nominations. The Corporation promotes the common good and general welfare of residents of Cuyahoga County by enhancing the creation of new employment opportunities and supporting economic growth by overseeing the management of the Cleveland Convention Center and Global Center for Health Innovation.

The Corporation is a discretely presented component unit of Cuyahoga County's Comprehensive Annual Financial Report, in accordance with the provisions of Governmental Accounting Standards Board Statement No. 14. The Corporation's management believes the accompanying financial statements include all activities over which the Corporation is financially accountable.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the Corporation have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Corporation's more significant accounting policies are described below.

Basis of Presentation

The Corporation's basic financial statements consist of a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows.

The Corporation uses single enterprise fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Enterprise accounting focuses on the determination of operating income, change in net position, financial position, and cash flows. Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods or services.

Measurement Focus

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

Cuyahoga County Convention Facilities Development Corporation

Notes to the Basic Financial Statements
For The Year Ended December 31, 2020

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Corporation's financial statements are prepared using the accrual basis of accounting. On the accrual basis, revenue is recorded on exchange transactions when the exchange takes place. Nonexchange transactions, in which the Corporation receives value without directly giving equal value in return, include capital contributions. Expenses are recognized at the time they are incurred.

Unearned Revenue Unearned revenue represents amounts under the accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not yet been met because such amounts have not yet been earned. For the Corporation, revenue received as of December 31, 2020, for 2021 services, has been recorded as unearned.

Cash and Cash Equivalents

To improve cash management, cash received by the Corporation is pooled. Individual fund integrity is maintained through the Corporation's records. The Corporation had no investments during the year or at the end of the year.

The Corporation has segregated bank accounts for monies held for various capital reserves. These accounts are presented as "cash in segregated capital accounts".

Investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents.

Prepays

Payments made to vendors for services that will benefit periods beyond the current year, are recorded as prepaid items using the consumption method by recording a current asset for the period amount at the time of purchase and reflecting the expenditure/expense in the year in which the services are consumed.

Capital Assets

Capitalized assets utilized by the Corporation are reported on the statement of net position. All capital assets are capitalized at cost and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the date received. The Corporation maintains a capitalization threshold of two thousand five hundred dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All capital assets are depreciated except for construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	15 years
Furniture and Fixtures	10 years
Equipment	5 years

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the financial statements.

Cuyahoga County Convention Facilities Development Corporation

Notes to the Basic Financial Statements
For The Year Ended December 31, 2020

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the Corporation, these revenues are for event income and certain payments from Cuyahoga County. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the Corporation. All revenues and expenses not meeting these definitions are reported as non-operating.

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets 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. Net position is reported as restricted when there are limitations imposed on its use or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Corporation applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Note 3 – Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of bank failure, the Corporation will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2020, \$15,336,271 of the Corporation's bank balance of \$15,836,271 was uncollateralized and uninsured. Although the securities were held by the pledging financial institutions' trust departments and all statutory requirements for the deposit of money had been followed, noncompliance with the Federal requirements could potentially subject the Corporation to a successful claim by the FDIC.

The Corporation has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Corporation or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Note 4 – Receivables

Receivables at December 31, 2020, consisted of accounts (special event rental space) and intergovernmental and a lease receivable from Cuyahoga County. Most receivables, except the lease receivable, are expected to be collected within one year. Intergovernmental receivables in the amount of \$1,235,063 represents reimbursement from the County for COVID related expenditures. A portion of the accounts receivable includes an amount the Corporation will not collect within one year.

	Accounts Receivable	Estimated Uncollectible	Net Receivable
Allowance for Doubtful Accounts	<u>\$777,901</u>	<u>\$25,059</u>	<u>\$752,842</u>

Cuyahoga County Convention Facilities Development Corporation

*Notes to the Basic Financial Statements
For The Year Ended December 31, 2020*

The County entered into a lease agreement with the Corporation for the Facility. During 2014, the Corporation assumed the lease receivable in the amount \$360,272,155 from Merchandise Mart Properties, Inc. This lease meets the definition of a capital lease under GASB 62. The County will make monthly lease payments through 2027. As of December 31, 2020, the lease receivable is \$206,736,711.

The annual lease requirements are as follows:

Year	Principal	Interest
2021	\$26,516,168	\$9,483,832
2022	27,837,068	8,162,932
2023	29,223,768	6,776,232
2024	30,679,546	5,320,454
2025	32,207,844	3,792,156
2026-2027	60,272,317	2,727,683
Total	<u>\$206,736,711</u>	<u>\$36,263,289</u>

Note 5 – Capital Assets

Capital asset activity for the fiscal year ended December 31, 2020, was as follows:

	Balance 12/31/2019	Additions	Deductions	Balance 12/31/2020
Capital Assets not being depreciated:				
Construction in Progress	\$573,206	\$2,253,650	(\$981,635)	\$1,845,221
Capital Assets being depreciated:				
Building and Improvements	6,121,536	1,008,813	0	7,130,349
Furniture and Fixtures	955,392	462,307	0	1,417,699
Equipment	1,122,302	721,923	0	1,844,225
Total Capital Assets being depreciated	8,199,230	2,193,043	0	10,392,273
Less Accumulated Depreciation				
Building and Improvements	(689,348)	(440,032)	0	(1,129,380)
Furniture and Fixtures	(343,057)	(177,426)	0	(520,483)
Equipment	(453,074)	(302,979)	0	(756,053)
Total Accumulated Depreciation	(1,485,479)	(920,437)	0	(2,405,916)
Total Capital Assets being Depreciated, net	6,713,751	1,272,606	0	7,986,357
Total Capital Assets, net	<u>\$7,286,957</u>	<u>\$3,526,256</u>	<u>(\$981,635)</u>	<u>\$9,831,578</u>

Cuyahoga County Convention Facilities Development Corporation

Notes to the Basic Financial Statements

For The Year Ended December 31, 2020

Note 6 – Long-term Obligations

	Outstanding 12/31/2019	Additions	Reductions	Outstanding 12/31/2020	Amount Due in One Year
Loans from Direct Borrowings					
2014 County	\$231,994,658	\$0	\$25,257,947	\$206,736,711	\$26,516,168
2013 Levy	25,147	0	25,147	0	0
2018 Levy	2,250,005	0	173,043	2,076,962	203,738
Total Loans from Direct Borrowings	\$234,269,810	\$0	\$25,456,137	\$208,813,673	\$26,719,906

The annual requirements to retire the loans payable are as follows:

Year	<i>From Direct Borrowings</i>		
	County		Levy
	Principal	Interest	Principal
2021	\$26,516,168	\$9,483,832	\$203,738
2022	27,837,068	8,162,932	203,737
2023	29,223,768	6,776,232	203,737
2024	30,679,546	5,320,454	203,737
2025	32,207,844	3,792,156	203,737
2026-2027	60,272,317	2,727,683	353,276
Total	\$206,736,711	\$36,263,289	\$1,371,962

During 2014, the Corporation assumed a loan payable in the amount \$360,272,155 from Merchandise Mart Properties, Inc. The loan has an interest rate of 4.87 percent.

During 2013, the Corporation signed a Services Agreement (the Agreement) with Levy Premium Food Service Limited Partnership (Levy) in the amount of \$700,000 to be used towards the 2013 Au Bon Pain build-out costs. The repayment is on a straight-line basis, without interest, over seven years with a final maturity in 2020.

During 2018, the Corporation signed an amendment to their Agreement with Levy in the amount of \$1,545,005 to be used towards the relocation of the current Au Bon Pain and build-out of a Starbucks. The repayment is on a straight-line basis, without interest, over seven years starting in 2020 with a final maturity in 2027.

During 2018, the Corporation signed another amendment to the Agreement with Levy in the amount of \$705,000 for a capital loan to also be used towards the relocation of Au Bon Pain and build-out of a Starbucks. There is no repayment schedule for the \$705,000 capital loan. Upon termination of the Agreement, for any reason, including without limitation expiration of the Agreement, the Corporation shall immediately pay back Levy the full amount of the capital loan, in addition to any amounts owed on the \$1,371,962, as a pre-condition to the effectiveness of the termination.

In the event that, for any reason, this Agreement is terminated, the Corporation hereby agrees, as a condition precedent to such termination (except in the case of Levy's bankruptcy or termination due to a Corporate Fraud Scheme (as hereafter defined)), to pay Levy, in a single lump sum payment, all amounts owed to Levy, including without limitation, (a) the unamortized value of the pre-opening costs and the Au Bon Pain build-out costs on an annual straight line basis, without interest, over each year of the initial term of the Agreement

Cuyahoga County Convention Facilities Development Corporation

Notes to the Basic Financial Statements
For The Year Ended December 31, 2020

(with no amortization for partial term years), (b) the unamortized value of the 2017 build-out costs on an annual straight line basis, without interest, over each year of the renewal term of the Agreement (with no amortization for partial term years), (c) any other amounts owed to Levy, and (d) an amount equal to the cost incurred by Levy for all products on hand at the facility that are not reasonably usable by Levy elsewhere. "Corporate Fraud Scheme" means an intentional and fraudulent scheme by Levy or any of its employees or agents against the Corporation that has a material adverse impact on the operations of the facility and that has not been cured by Levy.

Note 7 – Benefit and Postemployment Plan

The employees of the Corporation are eligible to participate in a Simplified Employee Pension (SEP) plan as provided for under Internal Revenue Code section 408k. The Corporation makes a discretionary employer contribution for each employee participating in the plan.

Note 8 – Operating Lease Obligations

On December 27, 2013, the County entered into a sublease and operation agreement with the Cuyahoga County Convention Facilities and Development Corporation (the Corporation). The Corporation is to operate the Facility solely as a convention center and medical or health industry showroom/office/educational facility and any legally permitted activities that are reasonably associated therewith, including without limitation trade and consumer shows, including setting the rates. This operating lease expires in 2027.

Note 9 – Risk Management

Workers' compensation coverage is provided by the State of Ohio. The Corporation pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

During the year, the Corporation contracted with various vendors for the following types of insurance:

<u>Company</u>	<u>Type of Coverage</u>	<u>Coverage</u>	<u>Deductible</u>
Berkshire Hathaway Speciality Insurance Company	General Liability:		
	Each Occurrence	\$1,000,000	\$0
	Personal Injury	1,000,000	0
	General Aggregate	3,000,000	0
	Liquor Liability	1,000,000	0
Federal Insurance Company	Employment Practices	1,000,000	500,000
National Union Fire Insurance Company	Professional Liability	2,000,000	150,000
North River Insurance Company	Automobile Liability	1,000,000	1,000
Berkshire Hathaway Homestate Insurance Company	Umbrella Liability	25,000,000	0
	Employer Liability	1,000,000	0
Federal Insurance Company	Crime	5,000,000	100,000

Cuyahoga County Convention Facilities Development Corporation

*Notes to the Basic Financial Statements
For The Year Ended December 31, 2020*

Settled claims have not exceeded this commercial coverage in any of the past three years and there was no significant reduction in coverage from the prior year.

The Corporation participates in the Cuyahoga County self-insurance program to provide medical, prescription, dental, and vision insurances for employees. The Corporation pays a monthly premium averaging \$1,500.

Note 10 – Related Party Transactions

During 2020, the Corporation received \$36,000,000 in capital lease payments and \$5,400,000 as required by various lease agreements from Cuyahoga County. For legal purposes, all payments made by the County to the Corporation are called monthly base rental payments in the lease agreements. The \$5,400,000 base rental payment is reflected as other operating revenue on the Statement of Revenues, Expenses and Changes in Net Position.

During 2020, the Corporation paid \$36,000,000 in loan repayments to Cuyahoga County as required by the loan agreements. The Corporation paid \$25,257,947 towards loan principal reduction during 2020 leaving a remaining balance of \$206,736,711 as of December 31, 2020. In accordance with the Corporation's Amended and Restated Sublease and Operating Agreement with the County, the Corporation is required to calculate an annual surplus and remit that surplus to the County. At December 31, 2020, the calculated surplus was \$0.

During 2020, the Cuyahoga County Convention Facilities Development Corporation paid \$18,148 for participation in the County's self-insurance program.

During 2020, the Corporation received \$1,289,497 from Cuyahoga County on behalf of the Cuyahoga County Common Pleas Courts for use of space at the Convention Center. As of December 31, 2020, the Corporation recognized \$1,169,555 as charges for services and \$119,942 as unearned revenue on the financial statements.

Note 11 – Capital Funding and Reserves

The Corporation adopted a capital funding and reserve requirement policy earmarking certain Corporation cash balances for capital repairs, improvements and equipment as follows:

<u>Capital Project Descriptions</u>	<u>Amount</u>
Capital Repair/Replacement	\$8,819,849
Capital Improvements	1,363,894
Food Service Equipment	735,321
Capital Equipment	15,557
Total	<u>\$10,934,621</u>

Note 12 – Litigation

The Corporation is a party to legal proceedings. The Corporation is of the opinion that the ultimate disposition of claims will not have a material effect, if any, on the financial condition of the Corporation.

Cuyahoga County Convention Facilities Development Corporation

*Notes to the Basic Financial Statements
For The Year Ended December 31, 2020*

Note 13 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Corporation. The Corporation's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the Corporation's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

During 2020, the Corporation received \$2,067,611 in on-behalf monies from Cuyahoga County. These monies were determined to be provided to the Corporation as a beneficiary, in accordance with Treasury FAQ and not as a subrecipient. These amounts are reflected as intergovernmental revenue on the statement of revenues, expenses, and changes in net position.

OHIO AUDITOR OF STATE KEITH FABER



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

Cuyahoga County Convention Facilities Development Corporation
Cuyahoga County
1 St. Clair Avenue, N.E.
Cleveland, Ohio 44114

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Cuyahoga County Convention Facilities Development Corporation, Cuyahoga County, (the Corporation) as of and for the year ended December 31, 2020, and the related notes to the financial statements and have issued our report thereon dated November 5, 2021, wherein we noted the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Corporation.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Corporation's internal control over financial reporting (internal control) as a basis for designing audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Corporation's internal control. Accordingly, we have not opined on it.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. *A material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Corporation's financial statements. *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 internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the Corporation's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statements. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Corporation's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this report is not suitable for any other purposes.



Keith Faber
Auditor of State
Columbus, Ohio

November 5, 2021

OHIO AUDITOR OF STATE KEITH FABER



CUYAHOGA COUNTY CONVENTION FACILITIES DEVELOPMENT CORPORATION

CUYAHOGA COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 11/30/2021

88 East Broad Street, Columbus, Ohio 43215
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This report is a matter of public record and is available online at
www.ohioauditor.gov