THE CONVENTION AND VISITORS BUREAU OF GREATER CLEVELAND

COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2004 AND 2003

Cohen & Company
Certified Public Accountants

Service Quality Innovation and Fun

Auditor of State
Betty Montgomery

Board of Trustees
The Convention and Visitors Bureau of Greater Cleveland and
Spirit of Cleveland, Inc.

We have reviewed the Independent Auditor's Report of The Convention and Visitors Bureau of Greater Cleveland and Spirit of Cleveland, Inc., Cuyahoga County, prepared by Cohen & Company for the audit period January 1, 2004 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Convention and Visitors Bureau of Greater Cleveland and Spirit of Cleveland, Inc. is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

July 6, 2005

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THE CONVENTION AND VISITORS BUREAU
OF GREATER CLEVELAND

DECEMBER 31, 2004 AND 2003

Cohen & Company
Certified Public Accountants

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

Independent Auditors' Report

We have audited the accompanying combined statement of financial position of The Convention and Visitors Bureau of Greater Cleveland and Spirit of Cleveland, Inc. as of December 31, 2004 and 2003, and the related combined statements of activities and cash flows for the years then ended. These combined financial statements are the responsibility of these organizations' management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of The Convention and Visitors Bureau of Greater Cleveland and Spirit of Cleveland, Inc. as of December 31, 2004 and 2003, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued our report dated March 30, 2005 on our consideration of The Convention and Visitors Bureau of Greater Cleveland and Spirit of Cleveland, Inc.'s internal control over financial reporting and on our tests of their 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Cohen & Company

March 30, 2005
Cleveland, Ohio

THE CONVENTION AND VISITORS BUREAU OF GREATER CLEVELAND

COMBINED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2004 AND 2003

	2004	2003
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 2,203,513	$ 1,762,787
Amounts due from Cuyahoga County	542,304	865,133
Receivable - North Olmsted bed tax		22,551
Accounts receivable - Net	22,875	53,372
Prepaid expenses and other	106,096	87,327
	2,874,788	2,791,170
PROPERTY AND EQUIPMENT - AT COST		
Office furniture, equipment and leasehold improvements	508,466	1,194,978
Less: Accumulated depreciation and amortization	331,750	974,966
	176,716	220,012
OTHER ASSETS		
Investments	747,864	1,015,816
Note receivable	250,000	250,000
	997,864	1,265,816
	$ 4,049,368	$ 4,276,998

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

	2004	2003
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 157,313	$ 266,313
Salaries and payroll taxes payable	174,887	242,681
Accrued pension	61,512	68,845
Deferred membership revenue	400	4,640
	394,112	582,479
LONG-TERM LIABILITIES		
Payable for Cleveland Convention Center	433,000	225,000
Payable to Gateway Economic Development Corporation - Incremental bed tax	249,004	248,184
Deferred compensation payable	69,037	50,200
	751,041	523,384
	1,145,153	1,105,863
COMMITMENTS AND CONTINGENCY		
NET ASSETS		
UNRESTRICTED	2,900,315	3,166,235
TEMPORARILY RESTRICTED	3,900	4,900
	2,904,215	3,171,135
	$ 4,049,368	$ 4,276,998

COMBINED STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2004

	Unrestricted	Temporarily Restricted	Total
REVENUES			
Transient occupancy tax	$ 6,403,119		$ 6,403,119
Membership income	448,014		448,014
Interest	39,772		39,772
Visitor Information Centers	4,504		4,504
Miscellaneous income	115,247		115,247
In-kind contributions	64,793		64,793
Net assets released from restrictions	1,000	$ (1,000)	
	7,076,449	(1,000)	7,075,449
EXPENSES			
Meetings and conventions	2,068,757		2,068,757
Travel and tourism	1,304,883		1,304,883
Membership development	252,435		252,435
Convention Center renovation	1,408,000		1,408,000
Incremental bed tax liability	213,000		213,000
Spirit of Hospitality program	1,000		1,000
Visitor Information Centers	70,953		70,953
Community programs	500,304		500,304
Program marketing	511,127		511,127
Management and general	1,011,910		1,011,910
	7,342,369		7,342,369
CHANGE IN NET ASSETS	(265,920)	(1,000)	(266,920)
NET ASSETS - BEGINNING OF YEAR	3,166,235	4,900	3,171,135
NET ASSETS - END OF YEAR	$ 2,900,315	$ 3,900	$ 2,904,215

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

COMBINED STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2003

	Unrestricted*	Temporarily Restricted	Total
REVENUES			
Transient occupancy tax	$ 6,715,467		$ 6,715,467
Membership income	515,378		515,378
Interest	47,402		47,402
Visitor Information Centers	24,796		24,796
Miscellaneous income	87,756		87,756
In-kind contributions	105,485		105,485
Net assets released from restriction	1,000	$ (1,000)	
	7,497,284	(1,000)	7,496,284
EXPENSES			
Meetings and conventions	2,079,629		2,079,629
Travel and tourism	1,297,580		1,297,580
Membership development	377,268		377,268
Convention Center renovation	1,425,000		1,425,000
Incremental bed tax liability	219,390		219,390
Spirit of Hospitality program	1,000		1,000
Visitor Information Centers	58,411		58,411
Community programs	869,944		869,944
Program marketing	329,947		329,947
Other programs	77,092		77,092
Management and general	1,039,907		1,039,907
	7,775,168		7,775,168
CHANGE IN NET ASSETS	(277,884)	(1,000)	(278,884)
NET ASSETS - BEGINNING OF YEAR	3,444,119	5,900	3,450,019
NET ASSETS - END OF YEAR	$ 3,166,235	$ 4,900	$ 3,171,135

**Reclassified to conform with current year's presentation*

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

COMBINED STATEMENT OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2004 AND 2003

	2004	2003
CASH FLOW PROVIDED FROM OPERATING ACTIVITIES		
Change in net assets	$ (266,920)	$ (278,884)
Noncash items included in activities		
Depreciation and amortization	69,944	84,057
Deferred compensation	13,304	
Loss on disposal of property and equipment	38,096	1,120
Provision for Convention Center renovation and incremental bed tax	208,820	232,210
Gain on investments	(6,407)	(16,729)
Increase (decrease) in cash caused by changes in current items:		
Amounts due from Cuyahoga County	322,829	138,347
Receivable - North Olmsted bed tax	22,551	15,847
Accounts receivable - Net	30,497	(45,564)
Prepaid expenses and other	(18,769)	(4,405)
Accounts payable and accrued expenses	(116,333)	(19,222)
Salaries and payroll taxes payable	(67,794)	18,981
Deferred membership revenue	(4,240)	(29)
Net cash flow provided from operations	225,578	125,729
CASH FLOW PROVIDED FROM (USED IN) INVESTING ACTIVITIES		
Acquisition of property and equipment	(64,744)	(46,553)
Acquisition of investments	(1,162,856)	
Sale of investments	1,442,748	(776,000)
	215,148	(822,553)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	440,726	(696,824)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	1,762,787	2,459,611
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 2,203,513	$ 1,762,787
NONCASH INVESTING AND FINANCING ACTIVITY		
Unrealized gain on investments held for deferred compensation	$ 5,533	$ 10,033

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose

The accompanying combined financial statements of The Convention and Visitors Bureau of Greater Cleveland (the CVB) include the accounts of its related entity, Spirit of Cleveland, Inc., combined on the basis of common management and mission. All intercompany transactions and balances are eliminated in combination.

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

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

Revenue Recognition

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

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

Substantially all of CVB's revenue comes from occupancy tax, which is accounted for on the accrual basis based on reports from Cuyahoga County.

Use of Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Contributed Goods and Services

The CVB has recorded in-kind contributions for travel and other expenses totaling approximately $80,000 and $105,000 during 2004 and 2003, respectively.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

The CVB considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents. In addition, the CVB maintains cash at major financial institutions which may exceed federally insured amounts at times.

Receivables and Credit Policies

Accounts receivable includes program service fees. These amounts are due under various payment terms. Payments of receivables are allocated to the specific invoices identified on the remittance advice or, if unspecified, are applied to the earliest unpaid invoices.

The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of the amounts that will not be collected. Management individually reviews all receivable balances that exceed 90 days from invoice date and estimates the portion, if any, of the balance that will not be collected.

The CVB has provided an allowance for uncollectible accounts of $63,205 and $49,455 at December 31, 2004 and 2003, respectively. The allowance relates to interest accrued on the note receivable from the Cleveland Sports Commission.

Property and Equipment

Property and equipment is stated at cost at date of acquisition. Minor items of office furniture, equipment and leasehold improvements are charged to expense as incurred. Depreciation and amortization are computed by the straight-line method over the lesser of the estimated useful lives of individual assets or the life of the lease of five to ten years.

Investments

Investments at December 31, 2004 and 2003 are carried at fair value and consist of marketable debt and equity securities. Investments in securities with readily determinable fair values are reported at published fair market values and realized and unrealized gains and losses are reflected in the statement of activities. Net unrealized gains during 2004 and 2003 were $25,244 and $26,762, respectively, including investments held for deferred compensation. Investments at December 31, 2004 and 2003 consist primarily of US Treasury Bills with the balance invested in common stock.

Advertising

Advertising costs are expensed as incurred and amounted to $875,522 and $726,776 as of December 31, 2004 and 2003, respectively.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

2. PROPERTY AND EQUIPMENT

At December 31, 2004 and 2003, property and equipment consisted of the following:

	2004			2003		
	CVB	Spirit	Total	CVB	Spirit	Total
Leasehold improvements	$ 37,040	$ 115,555	$ 152,595	$ 149,460	$ 231,290	$ 380,750
Office furniture	9,066		9,066	269,974		269,974
Office equipment	316,629	30,176	346,805	514,078	30,176	544,254
	$ 362,735	$ 145,731	$ 508,466	$ 933,512	$ 261,466	$ 1,194,978

3. AMOUNTS DUE FROM CUYAHOGA COUNTY

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

4. RECEIVABLE – NORTH OLMSTED BED TAX

In 1997, Cuyahoga County discovered an error in occupancy taxes due the CVB which were remitted to the City of North Olmsted in error. North Olmsted agreed to repay the CVB through the County $270,617 in equal quarterly installments of $11,276 beginning in March 1998. At December 31, 2003, $22,551 remained outstanding to the CVB. The balance was collected during 2004.

5. NOTE RECEIVABLE

In 2000, the CVB loaned the Greater Cleveland Sports Commission $250,000. Principal payments of $50,000 are due annually on January 1, beginning in 2005. The note is unsecured and interest is accrued at 5.5%. Subsequent to December 31, 2004, the terms of the note are being renegotiated.

6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2004 and 2003 are available for the following purposes:

	2004	2003
Cleveland Cares Program	$ 3,900	$ 4,900

NOTES TO THE COMBINED FINANCIAL STATEMENTS

7. LONG-TERM LIABILITIES

Cleveland Convention Center

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

Under the Agreement, the CVB is required to contribute $1,200,000 annually to the City of Cleveland to assist with the debt service through December 2006, with a final additional payment of $900,000. The CVB is recording the liability for this final payment over the four-year period of 2003 through 2006. The discounted present value of the liability related to this agreement at December 31, 2004 and 2003 amounted to $433,000 and $225,000, respectively.

Gateway Economic Development Corporation

The CVB entered into a Cooperative Agreement with Gateway Economic Development Corporation (Gateway) and the County of Cuyahoga (County). In that Cooperative Agreement, the CVB pledged two sources of revenue to help secure a loan from the County to Gateway to assist in financing the Arena Facility (Arena Bonds). The two sources of pledged revenues are: 1) the greater of $200,000 indexed annually, using 1998 as a base year (limited to a 3% annual increase) to the "incremental amount" the CVB receives from the County Transient Occupancy Tax or the previous year's payment and 2) commencing in the year 2007, $1,200,000 annually. These pledged amounts may only be called upon in any year if Gateway's net revenues in that year are insufficient to pay its obligation to the County for Arena Bond payments and its obligations higher in priority thereto. The CVB's obligation is severable, distinct and non-cumulative for each year. The Cooperative Agreement will remain in effect until the year 2023 or such earlier time as the Arena Bonds are paid in full.

The CVB paid $212,180 during 2004 and 2003, respectively, in incremental bed tax relating to this arrangement.

The liability related to this agreement has been included in the financial statements as of December 31, 2004 and 2003.

8. PENSION AND DEFERRED COMPENSATION PLANS

The CVB has a defined contribution pension plan, with a 401(k) provision, which covers all employees who meet certain criteria as to age and years of service. The CVB may make matching contributions of 25% of employee deferrals up to 4% of compensation. The CVB may also make discretionary contributions to the plan. The CVB's policy is to fund the plan annually. The provisions for pension costs are included in fringe benefits and amounted to approximately $115,000 and $80,000 (including matching contributions) during 2004 and 2003, respectively.

The CVB also maintains a non-qualified deferred compensation plan for certain employees. Under the plan, the employees' elective deferral is invested for their benefit by the CVB. The employees are entitled to the amounts in the plan including earnings thereon upon retirement, disability, or death. The assets of the plan can, however, be used in certain circumstances to satisfy the liabilities of the CVB. Compensation expense is recognized as amounts are deferred by the employees. The balance included in investments and in deferred compensation payable at December 31, 2004 and 2003 was $55,733 and $50,200, respectively.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

8. PENSION AND DEFERRED COMPENSATION PLANS (Continued)

In 2004, the CVB established a qualified deferred compensation plan for certain key employees. Discretionary contributions are determined annually by the Board of Directors. Discretionary contributions made during 2004 amounted to $13,304. Annuities which the CVB intends to use to fund this arrangement have been included in investments on the statement of financial position

9. COMMITMENTS AND CONTINGENCY

Leases

Total rental expense for all leases (facilities and office equipment) amounted to approximately $318,681 and $311,529 during 2004 and 2003, respectively.

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

2005	$ 74,597
2006	50,709
2007	1,350
	$ 126,656

County Administrative Fees

During 2004, the CVB was notified by Cuyahoga County (the County) that an adjustment was being made to the amount of administrative fees due to the County for its processing of the occupancy tax revenue that is forwarded to the CVB. The County began deducting a portion of this additional administrative charge from the CVB's 2004 occupancy tax audit revenue. At December 31, 2004, the County estimates that an additional $744,700 will be offset against future occupancy tax audit revenues to repay the remainder of the administrative charges due. The County's collection of these administrative charges will, however, be contingent upon the County's future occupancy tax audit revenues, and, therefore, the CVB has not recorded a liability for this amount.

10. NET ASSETS

At December 31, 2004 and 2003, net assets of the organizations consisted of the following:

	2004		2003	
	Temporarily Restricted	Unrestricted	Temporarily Restricted	Unrestricted
CVB		$2,842,059		$3,022,162
Spirit	$ 3,900	58,256	$ 4,900	144,073
	$ 3,900	$2,900,315	$ 4,900	$3,166,235

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

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

We have audited the combined financial statements of The Convention and Visitors Bureau of Greater Cleveland and Spirit of Cleveland, Inc. (the organizations) for the year ended December 31, 2004 and have issued our report thereon dated March 30, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the organizations' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the combined financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the organizations in a separate letter dated March 30, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the organizations' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and 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 and other matters that are required to be reported herein under *Government Auditing Standards*.

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

Cohen & Company

March 30, 2005
Cleveland, Ohio

Auditor of State
Betty Montgomery

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CONVENTION AND VISITORS BUREAU OF GREATER CLEVELAND

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
AUGUST 4, 2005