

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

COMBINED FINANCIAL REPORT

DECEMBER 31, 1999 and 1998



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490
www.auditor.state.oh.us

Board of Directors
The Convention and Visitors Bureau of Greater Cleveland
3100 Terminal Tower
50 Public Square
Cleveland, Ohio 44113-2290

We have reviewed the independent auditor's report of the Convention and Visitors Bureau of Greater Cleveland, Cuyahoga County, prepared by Hausser + Taylor LLP, for the audit period January 1, 1999 through December 31, 1999. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink, appearing to read "Jim Petro", written over a horizontal line.

JIM PETRO
Auditor of State

July 20, 2000

THE CONVENTION AND VISITORS BUREAU
OF GREATER CLEVELAND

CONTENTS

	<u>Page</u>
AUDITORS' REPORT ON THE COMBINED FINANCIAL STATEMENTS	1
FINANCIAL STATEMENTS	
Combined statements of financial position	2-3
Combined statements of activities	4-5
Combined statements of cash flows	6
Notes to combined financial statements	7-10
Report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with Government Auditing Standards	11



HAUSSER + TAYLOR LLP

Business advisors and certified public accountants

1400 North Point Tower • 1001 Lakeside Avenue • Cleveland, Ohio 44114-1152 216/523-1900 • FAX: 216/522-1490 • www.hausser.com

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

Independent Auditors' Report

We have audited the accompanying combined statements of financial position of The Convention and Visitors Bureau of Greater Cleveland and related entity as of December 31, 1999 and 1998, and the related combined statements of activities and cash flows for the years then ended. These combined financial statements are the responsibility of The Convention and Visitors Bureau of Greater Cleveland and related entity's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

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

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of The Convention and Visitors Bureau of Greater Cleveland and related entity as of December 31, 1999 and 1998, and the changes in their net assets and their cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated May 4, 2000 on our consideration of The Convention and Visitors Bureau of Greater Cleveland and related entity's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Hausser + Taylor LLP

Cleveland, Ohio
May 4, 2000

THE CONVENTION AND VISITORS BUREAU
OF GREATER CLEVELAND

COMBINED STATEMENTS OF FINANCIAL POSITION

December 31, 1999 and 1998

	<u>1999</u>	<u>1998</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$5,376,076	\$5,301,430
Amounts due from Cuyahoga County	1,118,791	1,034,671
Current portion of long-term receivable	56,400	56,400
Accounts receivable	81,096	34,554
Grants receivable	45,000	158,000
Prepaid expenses	123,969	109,978
Deferred expenses	1,362,210	1,352,000
Total current assets	<u>8,163,542</u>	<u>8,047,033</u>
INVESTMENT IN PLANT		
Office furniture, equipment and leasehold improvements	1,067,029	1,030,801
Less allowance for depreciation	776,934	724,437
	<u>290,095</u>	<u>306,364</u>
OTHER ASSETS		
Investments	249,930	216,725
Receivable - North Olmsted bed tax	111,100	140,300
	<u>361,030</u>	<u>357,025</u>
Total assets	<u><u>\$8,814,667</u></u>	<u><u>\$8,710,422</u></u>

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

THE CONVENTION AND VISITORS BUREAU
OF GREATER CLEVELAND

COMBINED STATEMENTS OF FINANCIAL POSITION

December 31, 1999 and 1998

	<u>1999</u>	<u>1998</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 502,810	\$ 559,599
Salaries and payroll taxes payable	182,073	156,351
Accrued pension	96,494	89,383
Deferred membership revenue	88,390	10,855
Deferred other	35,386	44,233
Retirement benefits payable	75,000	75,000
Commitments and contingencies:		
Payable for Cleveland Convention Center	4,392,000	3,240,000
Payable to Gateway Economic Development Corporation - Incremental Bed Tax	410,210	1,200,000
Other contingencies	324,000	324,000
Total current liabilities	<u>6,106,363</u>	<u>5,699,421</u>
OTHER LIABILITIES		
Retirement benefits payable	120,200	174,400
Deferred compensation	59,921	37,725
Total other liabilities	<u>180,121</u>	<u>212,125</u>
Total liabilities	6,286,484	5,911,546
NET ASSETS - UNRESTRICTED		
Undesignated	1,784,323	1,395,119
Board designated	600,000	1,255,000
	<u>2,384,323</u>	<u>2,650,119</u>
TEMPORARILY RESTRICTED NET ASSETS		
	<u>143,860</u>	<u>148,757</u>
Total net assets	<u>2,528,183</u>	<u>2,798,876</u>
Total liabilities and net assets	<u>\$8,814,667</u>	<u>\$8,710,422</u>

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

THE CONVENTION AND VISITORS BUREAU
OF GREATER CLEVELAND

COMBINED STATEMENTS OF ACTIVITIES

Year Ended December 31, 1999

	Unrestricted	Temporarily Restricted	Total
REVENUES			
Transient Occupancy Tax	\$7,587,095		\$7,587,095
Membership income	487,409		487,409
Interest	245,212		245,212
Spirit of Hospitality program	159,750		159,750
Terminal Tower receipts	34,183		34,183
JEM Marketing	246,420		246,420
Miscellaneous income	188,133		188,133
Gifts and grants	5,000	\$ 172,500	177,500
Net assets released from restriction	177,397	(177,397)	-
Total revenues	<u>9,130,599</u>	<u>(4,897)</u>	<u>9,125,702</u>
EXPENSES			
Meetings and conventions	2,484,869		2,484,869
Travel and tourism	3,517,683		3,517,683
Membership development	537,153		537,153
Convention Center renovation	1,152,000		1,152,000
Contingencies	200,000		200,000
Spirit of Hospitality program	263,031		263,031
Other	393,005		393,005
Management and general	848,654		848,654
Total expenses	<u>9,396,395</u>		<u>9,396,395</u>
DECREASE IN NET ASSETS	(265,796)	(4,897)	(270,693)
NET ASSETS AT BEGINNING OF YEAR	<u>2,650,119</u>	<u>148,757</u>	<u>2,798,876</u>
NET ASSETS AT END OF YEAR	<u>\$2,384,323</u>	<u>\$ 143,860</u>	<u>\$2,528,183</u>

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

THE CONVENTION AND VISITORS BUREAU
OF GREATER CLEVELAND

COMBINED STATEMENTS OF ACTIVITIES (CONTINUED)

Year Ended December 31, 1998

	Unrestricted	Temporarily Restricted	Total
REVENUES			
Transient Occupancy Tax	\$7,038,203		\$7,038,203
Membership income	411,917		411,917
Interest	257,514		257,514
Terminal Tower receipts	37,475		37,475
JEM Marketing	329,710		329,710
Miscellaneous income	202,813		202,813
Gifts and grants		\$ 158,000	158,000
Net assets released from restriction	129,812	(129,812)	-
Total revenues	<u>8,407,444</u>	<u>28,188</u>	<u>8,435,632</u>
EXPENSES			
Meetings and conventions	2,097,880		2,097,880
Travel and tourism	3,750,943		3,750,943
Membership development	403,946		403,946
Convention Center renovation	1,044,000		1,044,000
Contingencies	362,000		362,000
Cleveland Cares and hospitality programs	129,812		129,812
Other	352,067		352,067
Management and general	816,713		816,713
Total expenses	<u>8,957,361</u>		<u>8,957,361</u>
INCREASE (DECREASE) IN NET ASSETS	<u>(549,917)</u>	28,188	<u>(521,729)</u>
NET ASSETS AT BEGINNING OF YEAR	<u>3,200,036</u>	<u>120,569</u>	<u>3,320,605</u>
NET ASSETS AT END OF YEAR	<u>\$2,650,119</u>	<u>\$ 148,757</u>	<u>\$2,798,876</u>

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

THE CONVENTION AND VISITORS BUREAU
OF GREATER CLEVELAND

COMBINED STATEMENTS OF CASH FLOWS

Years Ended December 31, 1999 and 1998

	<u>1999</u>	<u>1998</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in net assets	\$ (270,693)	\$ (521,729)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	73,046	70,231
Amortization of deferred expenses	1,352,000	1,044,000
Changes in operating assets and liabilities:		
Amounts due from Cuyahoga County	(84,120)	(130,465)
Receivable - North Olmsted bed tax	29,200	22,700
Accounts receivable	(46,542)	(12,782)
Grants receivable	113,000	(92,200)
Prepaid expenses	(13,991)	104,707
Accounts payable and accrued expenses	(49,678)	288,832
Salaries and payroll taxes payable	25,722	43,507
Deferred membership revenue and other	68,688	(6,882)
Contributions payable	-	(50,000)
Other contingencies	-	362,000
Payable to Gateway Economic Development Corporation	(1,000,000)	-
Retirement benefits payable	(54,200)	32,400
Deferred compensation	22,196	13,279
Total adjustments	<u>435,321</u>	<u>1,689,327</u>
Net cash provided by operating activities	<u>164,628</u>	<u>1,167,598</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in investments	(33,205)	(38,279)
Purchases of office furniture, equipment and leasehold improvements	(56,777)	(107,456)
Net cash used by investing activities	<u>(89,982)</u>	<u>(145,735)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	74,646	1,021,863
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>5,301,430</u>	<u>4,279,567</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$5,376,076</u>	<u>\$5,301,430</u>

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

THE CONVENTION AND VISITORS BUREAU
OF GREATER CLEVELAND

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

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

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

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

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

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

- C. Contributions – The CVB utilizes Statement of Financial Accounting Standards No. 116 (SFAS 116), *Accounting for Contributions Received and Contributions Made*. SFAS 116 provides that contributions be recognized as revenue in the period in which the pledge (promise to give) is received.
- D. Use of Estimates – The preparation of financial statements in conformity with 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.
- E. Board Designated Net Assets – During 1999 and 1998, the CVB's Board of Directors designated \$600,000 and \$1,255,000, respectively, for the 2000 and 1999 advertising and marketing campaigns.

THE CONVENTION AND VISITORS BUREAU
OF GREATER CLEVELAND

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

Note 1. Summary of Significant Accounting Policies (Continued)

- F. Cash and Cash Equivalents – The CVB considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents. In addition, the CVB maintains cash at major financial institutions which may exceed federally insured amounts at times and which may, at times, significantly exceed statement of financial position amounts due to outstanding checks.
- G. Office Furniture, Equipment and Leasehold Improvements – Fixed assets are stated at cost at date of acquisition. Minor items of office furniture, equipment and leasehold improvements are charged to expense as incurred. Depreciation and amortization are computed by the straight-line method over the lesser of the estimated useful lives of individual assets or the life of the lease.

Note 2. Amounts Due From Cuyahoga County

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

Note 3. Receivable - North Olmsted Bed Tax

In 1997, Cuyahoga County discovered an error in bed taxes due the CVB which were remitted to the City of North Olmsted in error. North Olmsted has agreed to repay the CVB through the County \$270,617 in equal quarterly installments of \$11,276 beginning in March 1998. At December 31, 1999 and 1998, \$191,692 and \$236,790, respectively, remained outstanding to the CVB. The present value of the receivable was \$167,500 and \$196,700 at December 31, 1999 and 1998, respectively, including the current portion.

Note 4. Temporarily Restricted Net Assets

Temporarily restricted net assets of \$143,860 and \$148,757 at December 31, 1999 and 1998, respectively, are available for the following purposes:

	<u>1999</u>	<u>1998</u>
Cleveland Cares Program	\$ 17,382	\$ 21,847
Spirit of Hospitality Program	18,978	76,910
Visitor Information Center	107,500	-
Fall Advertising Campaign	-	50,000
	<u>\$143,860</u>	<u>\$148,757</u>

THE CONVENTION AND VISITORS BUREAU
OF GREATER CLEVELAND

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

Note 5. Commitments and Contingencies

Cleveland Convention Center

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

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

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

Deferred expenses and a related liability for this agreement have been included in the financial statements as of December 31, 1999 and 1998.

Gateway Economic Development Corporation

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

Deferred expenses and a related liability for this agreement has been included in the financial statements as of December 31, 1999 and 1998.

Retirement Agreement

The CVB has an obligation to pay retirement benefits to a former employee. The present value of the retirement benefits payable at December 31, 1999 and 1998 was \$195,200 and \$249,400, respectively.

THE CONVENTION AND VISITORS BUREAU
OF GREATER CLEVELAND

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

Note 6. Pension Plan/Deferred Compensation Plan

The CVB has a defined contribution pension plan which covers all employees who meet certain criteria as to age and years of service. Pension expense is based upon a defined set of actuarial assumptions. The CVB's policy is to fund the plan annually. The provisions for pension costs are included in fringe benefits and amounted to approximately \$96,000 and \$89,000 during 1999 and 1998, respectively.

The CVB also maintains a non-qualified deferred compensation plan for certain employees. Under the plan, the employees' elected deferral is invested for their benefit by the CVB. The employees are entitled to the amounts in the plan including earnings thereon upon retirement, disability or death. The assets of the plan can, however, be used in certain circumstances to satisfy the liabilities of the CVB. Compensation expense is recognized as amounts are deferred by the employees. The balance included in investments and in deferred compensation payable at December 31, 1999 and 1998 was \$59,921 and \$37,725, respectively.

Note 7. Leases

Total rental expense for all leases amounted to approximately \$372,800 and \$307,000 during 1999 and 1998, respectively.

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

<u>Year</u>	<u>Total</u>
2000	\$ 341,100
2001	339,100
2002	330,400
2003	210,100
2004	8,500
Total minimum payments required	<u>\$1,229,200</u>



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

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

We have audited the combined financial statements of The Convention and Visitors Bureau of Greater Cleveland and related entity as of and for the year ended December 31, 1999, and have issued our report thereon dated May 4, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered The Convention and Visitors Bureau of Greater Cleveland and related entity's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the combined financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management in a separate letter dated May 4, 2000.

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

Hausser + Taylor LLP

Cleveland, Ohio
May 4, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

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
SEPTEMBER 14, 2000**