



THE CONVENTION AND VISITORS BUREAU  
OF GREATER CLEVELAND  
COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002





**Auditor of State  
Betty Montgomery**

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

We have reviewed the Independent Auditor's Report of The Convention and Visitors Bureau of Greater Cleveland, Cuyahoga County, prepared by Cohen & Company, for the audit period January 1, 2003 through December 31, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

July 15, 2004

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THE CONVENTION AND VISITORS BUREAU  
OF GREATER CLEVELAND

DECEMBER 31, 2003 AND 2002

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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, 2003 and 2002, 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 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, 2003 and 2002, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 1, 2004 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Cohen & Company*

April 1, 2004  
Cleveland, Ohio

## COMBINED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2003 AND 2002

	<u>2003</u>	<u>2002</u>		<u>2003</u>	<u>2002</u>
ASSETS			LIABILITIES		
CURRENT ASSETS			CURRENT LIABILITIES		
Cash and cash equivalents	\$ 1,762,787	\$ 2,459,611	Accounts payable and accrued expenses	\$ 266,313	\$ 246,181
Amounts due from Cuyahoga County	865,133	1,003,480	Salaries and payroll taxes payable	242,681	223,700
Receivable - North Olmsted bed tax	22,551	38,398	Accrued pension	68,845	108,199
Accounts receivable - Net	53,372	7,808	Deferred membership revenue	4,640	4,669
Prepaid expenses and other	87,327	82,922		<u>582,479</u>	<u>582,749</u>
	<u>2,791,170</u>	<u>3,592,219</u>			
			LONG-TERM LIABILITIES		
PROPERTY AND EQUIPMENT - AT COST			Payable for Cleveland Convention Center	225,000	
Office furniture, equipment and leasehold improvements	1,194,978	1,271,464	Payable to Gateway Economic Development Corporation - Incremental bed tax	248,184	240,974
Less: Accumulated depreciation and amortization	974,966	1,012,828	Deferred compensation payable	50,200	40,167
	<u>220,012</u>	<u>258,636</u>		<u>523,384</u>	<u>281,141</u>
				<u>1,105,863</u>	<u>863,890</u>
			COMMITMENTS		
OTHER ASSETS			NET ASSETS		
Investments	1,015,816	213,054	UNRESTRICTED	3,166,235	3,444,119
Note receivable	250,000	250,000	TEMPORARILY RESTRICTED	4,900	5,900
	<u>1,265,816</u>	<u>463,054</u>		<u>3,171,135</u>	<u>3,450,019</u>
	<u>\$ 4,276,998</u>	<u>\$ 4,313,909</u>		<u>\$ 4,276,998</u>	<u>\$ 4,313,909</u>

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

## COMBINED STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2003

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUES</b>			
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 restrictions	<u>1,000</u>	<u>\$ (1,000)</u>	<u>7,496,284</u>
	<u>7,497,284</u>	<u>(1,000)</u>	<u>7,496,284</u>
<b>EXPENSES</b>			
Meetings and conventions	2,329,280		2,329,280
Travel and tourism	1,480,721		1,480,721
Membership development	386,234		386,234
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
Other programs	77,092		77,092
Management and general	<u>928,096</u>		<u>928,096</u>
	<u>7,775,168</u>		<u>7,775,168</u>
<b>CHANGE IN NET ASSETS</b>	<b>(277,884)</b>	<b>(1,000)</b>	<b>(278,884)</b>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>3,444,119</u>	<u>5,900</u>	<u>3,450,019</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 3,166,235</u>	<u>\$ 4,900</u>	<u>\$ 3,171,135</u>

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



## COMBINED STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2002

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

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

## COMBINED STATEMENT OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2003 AND 2002

	<u>2003</u>	<u>2002</u>
<b>CASH FLOW PROVIDED FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (278,884)	\$ 764,545
Noncash items included in activities		
Depreciation and amortization	84,057	83,086
Loss on disposal of equipment	1,120	
Provision for commitments and contingencies	232,210	(311,084)
(Gain) loss on investments	(16,729)	9,093
Increase (decrease) in cash caused by changes in current items:		
Amounts due from Cuyahoga County	138,347	85,167
Receivable - North Olmsted bed tax	15,847	56,378
Accounts receivable - Net	(45,564)	41,965
Prepaid expenses and other	(4,405)	3,239
Accounts payable and accrued expenses	(19,222)	(312,361)
Salaries and payroll taxes payable	18,981	31,756
Deferred membership revenue and other	(29)	(223)
Retirement benefit payable		(55,700)
Deferred other		(17,693)
Net cash flow provided from operations	<u>125,729</u>	<u>378,168</u>
<b>CASH FLOW USED IN INVESTING ACTIVITY</b>		
Acquisition of property and equipment	(46,553)	(49,129)
Purchase of investments	(776,000)	
	<u>(822,553)</u>	<u>(49,129)</u>
<b>CASH FLOW USED IN FINANCING ACTIVITY</b>		
Payments to Cleveland Convention Center		<u>(5,544,000)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		
	(696,824)	(5,214,961)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>2,459,611</u>	<u>7,674,572</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,762,787</u>	<u>\$ 2,459,611</u>
<b>NONCASH INVESTING AND FINANCING ACTIVITY</b>		
Unrealized loss (gain) on investments held for deferred compensation	<u>\$ (10,033)</u>	<u>\$ 10,500</u>

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

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose

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

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

The purpose of Spirit of Cleveland, Inc., a non-profit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, is to promote the City of Cleveland through 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. At December 31, 2003 and 2002, amounts due from the County amounted to \$865,133 and \$1,003,480, respectively.

Use of Accounting Estimates

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

Contributed Goods and Services

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

## 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 and membership dues receivable. 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 \$49,455 and \$35,905 at December 31, 2003 and 2002, respectively. The allowance relates to interest incurred 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, 2003 and 2002 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/(losses) during 2003 and 2002 were \$26,762 and \$(19,593), respectively, including investments held for deferred compensation. Investments at December 31, 2003 consist primarily of US Treasury Bills with the balance invested in common stock.

## 2. PROPERTY AND EQUIPMENT

At December 31, 2003 and 2002, property and equipment consisted of the following:

	2003			2002		
	CVB	Spirit	Total	CVB	Spirit	Total
Leasehold improvements	\$ 149,460	\$ 231,290	\$ 380,750	\$ 149,460	\$ 231,290	\$ 380,750
Office furniture	269,974		269,974	269,974		269,974
Office equipment	514,078	30,176	544,254	590,564	30,176	620,740
	<u>\$ 933,512</u>	<u>\$ 261,466</u>	<u>\$ 1,194,978</u>	<u>\$ 1,009,998</u>	<u>\$ 261,466</u>	<u>\$ 1,271,464</u>

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

## 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 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, 2003 and 2002, \$22,551 and \$38,398, respectively, remained outstanding to the CVB.

## 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%.

## 6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2003 and 2002 are available for the following purposes:

	<u>2003</u>	<u>2002</u>
Cleveland Cares Program	\$ <u>4,900</u>	\$ <u>5,900</u>

## 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, 2003 amounted to \$225,000.

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

## 7. LONG-TERM LIABILITIES (Continued)

Gateway Economic Development Corporation

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

The CVB paid \$219,390 and \$225,096 during 2003 and 2002, 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, 2003 and 2002.

## 8. PENSION AND DEFERRED COMPENSATION PLAN

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 \$80,000 and \$130,000 during 2003 and 2002, 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, 2003 and 2002 was \$50,200 and \$40,167, respectively.

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

## 9. COMMITMENTS

Leases

Total rental expense for all leases (facilities and office equipment) amounted to approximately \$311,529 and \$352,179 during 2003 and 2002, respectively.

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

2004	\$	76,457
2005		66,611
2006		50,709
2007		<u>1,351</u>
	\$	<u>195,128</u>

## 10. NET ASSETS

At December 31, 2003 and 2002, net assets of the organizations consisted of the following:

	<u>2003</u>		<u>2002</u>	
	<u>Temporarily Restricted</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Unrestricted</u>
CVB		\$3,022,162		\$3,254,438
Spirit	\$ 4,900	144,073	\$ 5,900	189,681
	<u>\$ 4,900</u>	<u>\$3,166,235</u>	<u>\$ 5,900</u>	<u>\$3,444,119</u>

## 11. INTERNAL OPERATIONS REVIEW

During 2003, the CVB engaged the professional services of legal and accounting firms to conduct a review of its travel and entertainment policies and procedures. As a result of this review, additional control procedures were documented and adopted.

Management of the CVB, along with its appropriate oversight committees, are confident that the procedures adopted will provide sufficient and sound practices that the Bureau can follow in the future.

No material adjustments to the financial statements of the CVB resulted from this review. In addition, a settlement agreement was reached with the former president of the Bureau. All contractual obligations have been fulfilled by both parties to the agreement, including mutual releases of all legal claims.

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

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

We have audited the combined financial statements of The Convention and Visitors Bureau of Greater Cleveland and Spirit of Cleveland, Inc. (the organizations) for the year ended December 31, 2003 and have issued our report thereon dated April 1, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the organizations' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the 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 that we have reported to the management of the organizations in a separate letter dated April 1, 2004.

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.

April 1, 2004  
Cleveland, Ohio

*Cohen & Company*





**Auditor of State  
Betty Montgomery**

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**CONVENTION AND VISITORS BUREAU OF GREATER CLEVELAND**

**CUYAHOGA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 5, 2004**