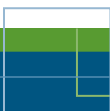




THE CONVENTION AND VISITORS BUREAU
OF GREATER CLEVELAND, INC.
DBA DESTINATION CLEVELAND
AND SPIRIT OF CLEVELAND, INC.

COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2014 AND 2013





Dave Yost • Auditor of State

Board of Directors
The Convention and Visitors Bureau of Greater Cleveland
DBA Destination Cleveland & Spirit of Cleveland, Inc.
334 Euclid Avenue
Cleveland, Ohio 44414

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, 2014 through December 31, 2014. 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 that reads "Dave Yost".

Dave Yost
Auditor of State

September 10, 2015

THE CONVENTION AND VISITORS BUREAU OF GREATER CLEVELAND, INC.
DBA DESTINATION CLEVELAND AND SPIRIT OF CLEVELAND, INC.

DECEMBER 31, 2014 AND 2013

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BOARD OF DIRECTORS
THE CONVENTION AND VISITORS BUREAU OF GREATER CLEVELAND, INC.
DBA DESTINATION CLEVELAND AND SPIRIT OF CLEVELAND, INC.

Independent Auditors' Report

Report on the Financial Statements

We have audited the accompanying combined financial statements of The Convention and Visitors Bureau of Greater Cleveland, Inc. DBA Destination Cleveland and Spirit of Cleveland, Inc. (nonprofit organizations), which comprise the combined statement of financial position as of December 31, 2014 and 2013, and the related combined statements of activities and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of The Convention and Visitors Bureau of Greater Cleveland, Inc. DBA Destination Cleveland and Spirit of Cleveland, Inc. as of December 31, 2014 and 2013, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying information on pages 17 and 18 is presented for purposes of additional analysis and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the combined financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2015 on our consideration of The Convention and Visitors Bureau of Greater Cleveland, Inc. DBA Destination 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 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 Convention and Visitors Bureau of Greater Cleveland, Inc. DBA Destination Cleveland and Spirit of Cleveland, Inc.'s internal control over financial reporting and compliance.

Cohen & Company Ltd.

June 29, 2015
Cleveland, Ohio

COMBINED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>		<u>2014</u>	<u>2013</u>
ASSETS			LIABILITIES AND NET ASSETS		
CURRENT ASSETS			CURRENT LIABILITIES		
Cash and cash equivalents	\$ 5,901,647	\$ 8,033,833	Accounts payable and accrued expenses	\$ 538,982	\$ 483,343
Amounts due from Cuyahoga County	1,885,193	1,287,426	Salaries and payroll taxes payable	351,262	315,289
Accounts receivable	907,193	362,144	Current portion of deferred lease incentive	41,460	41,460
Prepaid expenses and other assets	<u>566,119</u>	<u>376,993</u>	Gateway Economic Development		
	<u>9,260,152</u>	<u>10,060,396</u>	Corporation Liability	1,460,953	1,453,400
			Deferred revenue	<u>79,391</u>	<u>11,805</u>
				2,472,048	2,305,297
			DEFERRED RENT	42,192	32,730
PROPERTY AND EQUIPMENT - AT COST	3,074,526	2,788,898	DEFERRED LEASE INCENTIVE	<u>224,524</u>	<u>265,984</u>
Less: Accumulated depreciation				<u>2,738,764</u>	<u>2,604,011</u>
and amortization	<u>1,417,343</u>	<u>1,002,959</u>	COMMITMENTS AND CONTINGENCIES		
	<u>1,657,183</u>	<u>1,785,939</u>	UNRESTRICTED NET ASSETS		
			Unrestricted	5,535,897	4,213,569
			Board restricted	<u>2,967,126</u>	<u>5,028,755</u>
				8,503,023	9,242,324
OTHER ASSETS	<u>500,000</u>	<u> </u>	TEMPORARILY RESTRICTED NET ASSETS	<u>175,548</u>	<u> </u>
				<u>8,678,571</u>	<u>9,242,324</u>
	<u>\$ 11,417,335</u>	<u>\$ 11,846,335</u>		<u>\$ 11,417,335</u>	<u>\$ 11,846,335</u>

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

COMBINED STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES			
Transient occupancy tax	\$10,553,934		\$10,553,934
Less: Gateway liability	1,460,953		1,460,953
Less: Convention Center / Global Ctr for Health Innovation	<u>674,319</u>		<u>674,319</u>
Net transient occupancy tax	8,418,662		8,418,662
Capital improvement transient occupancy tax	162,461	\$ 175,548	338,009
Partnership dues	758,698		758,698
Ad and publication	242,304		242,304
Interest	18,859		18,859
Registration	51,614		51,614
Miscellaneous	5,407		5,407
In-kind contributions	<u>46,497</u>		<u>46,497</u>
	<u>9,704,502</u>	<u>175,548</u>	<u>9,880,050</u>
DEPARTMENTAL EXPENSES			
Administrative	1,407,768		1,407,768
Destination development and community affairs	653,598		653,598
Marketing	4,295,616		4,295,616
Partnership	937,760		937,760
Sales - Convention	1,912,350		1,912,350
Services	<u>625,506</u>		<u>625,506</u>
	<u>9,832,598</u>		<u>9,832,598</u>
OTHER EXPENSES			
Sponsorships	609,679		609,679
Project grant	<u>1,526</u>		<u>1,526</u>
	<u>611,205</u>		<u>611,205</u>
	<u>10,443,803</u>		<u>10,443,803</u>
CHANGE IN NET ASSETS	(739,301)	175,548	(563,753)
NET ASSETS - BEGINNING OF THE YEAR	<u>9,242,324</u>		<u>9,242,324</u>
NET ASSETS - END OF THE YEAR	<u>\$ 8,503,023</u>	<u>\$ 175,548</u>	<u>\$ 8,678,571</u>

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

COMBINED STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2013

	<u>Unrestricted</u>
REVENUES	
Transient occupancy tax	\$ 9,890,937
Less: Gateway liability	1,453,400
Less: Convention Center / Global Ctr for Health Innovation	<u>500,000</u>
Net transient occupancy tax	7,937,537
Partnership dues	572,605
Ad and publication	346,034
Interest	26,550
Registration	25,492
Grant	10,000
Retail sales	1,283
Miscellaneous	8,927
In-kind contributions	<u>56,993</u>
	<u>8,985,421</u>
DEPARTMENTAL EXPENSES	
Administrative	1,412,764
Destination development and community affairs	659,169
Marketing	2,947,038
Partnership	824,268
Sales-convention	1,611,876
Services	<u>560,190</u>
	<u>8,015,305</u>
OTHER EXPENSES	
Sponsorships	470,128
Project grant	<u>24,893</u>
	<u>495,021</u>
	<u>8,510,326</u>
CHANGE IN UNRESTRICTED NET ASSETS	475,095
UNRESTRICTED NET ASSETS - BEGINNING OF THE YEAR	<u>8,767,229</u>
UNRESTRICTED NET ASSETS - END OF THE YEAR	<u>\$ 9,242,324</u>

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

COMBINED STATEMENT OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
CASH FLOW USED IN OPERATING ACTIVITIES		
Change in net assets	\$ (563,753)	\$ 475,095
Noncash items included in activities		
Depreciation and amortization of property and equipment	418,180	379,270
Loss on disposal of property and equipment	7,497	
Amortization of deferred lease incentive	(41,460)	(41,460)
Deferred rent	9,462	19,930
Deferred compensation		3,593
Realized and unrealized gains on investments held for deferred compensation		(3,593)
Increase (decrease) in cash caused by changes in current items:		
Amounts due from Cuyahoga County	(597,767)	108,207
Accounts receivable	(545,049)	13,713
Prepaid expenses and other assets	(689,126)	145,384
Accounts payable and accrued expenses	55,592	33,387
Salaries and payroll taxes payable	35,973	100,320
Gateway Economic Development Corporation liability	7,600	(1,304,172)
Deferred revenue	67,586	(6,305)
Net cash flow used in operations	<u>(1,835,265)</u>	<u>(76,631)</u>
CASH FLOW USED IN INVESTING ACTIVITIES		
Acquisition of property and equipment	(296,921)	(63,345)
Proceeds from sale of investments held for deferred compensation		26,973
	<u>(296,921)</u>	<u>(36,372)</u>
CASH FLOW USED IN FINANCING ACTIVITY		
Payment of deferred compensation		<u>(26,973)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,132,186)	(139,976)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>8,033,833</u>	<u>8,173,809</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 5,901,647</u>	<u>\$ 8,033,833</u>

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, Inc. DBA Destination Cleveland include the accounts of its related entity, Spirit of Cleveland, Inc., combined on the basis of common management and mission. The entities are collectively referred to as Destination Cleveland. All intercompany transactions and balances are eliminated in combination.

The purpose of The Convention and Visitors Bureau of Greater Cleveland, Inc. (CVB), a non-profit organization exempt from federal income tax under Section 501(c)(6) of the Internal Revenue Code, is to drive economic impact and stimulate community vitality for Greater Cleveland through leisure and business travel.

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 provide training programs to enhance the Cleveland visitor experience and destination development projects to strengthen Cleveland as a visitor destination.

Revenue Recognition

A substantial portion of Destination Cleveland's revenue comes from the Transient Occupancy Tax, which is accounted for on the accrual basis based on reports from Cuyahoga County.

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

A portion of the Transient Occupancy Tax is required to be used for direct and indirect costs of capital improvements (Capital Improvement Funds), as such any unspent funds are recorded as temporarily restricted net assets. When Capital Improvement Funds are spent, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Capital Improvement Funds spent in the year the funding is received are recorded as unrestricted.

Use of Accounting Estimates

The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) 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 combined 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

Destination Cleveland has recorded contributed in-kind goods and services for travel and other expenses totaling \$46,497 and \$56,993 during 2014 and 2013, respectively. These in-kind goods and services have been included in revenues and expenses in the combined financial statements.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

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

Cash and cash equivalents includes certain funds restricted by the Board of Directors for Destination Cleveland's Special Initiatives (see Note 8).

Receivables and Credit Policies

Accounts receivable includes program service fees 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. Additionally, management estimates an allowance for the aggregate remaining receivables based on historical collectability. When receivables are determined to be uncollectible, they are written off against the allowance for doubtful accounts.

As of December 31, 2014 and 2013, management believed that all receivables were collectible and therefore no valuation allowance was necessary.

Property and Equipment

Property and equipment is stated at cost at the date of acquisition. Minor items of property and equipment 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, which range from three to ten years, or the life of the lease.

Software includes of capitalized website development costs, which are amortized over three years.

Advertising

Advertising costs are expensed as incurred and amounted to \$1,765,139 and \$851,952 for 2014 and 2013, respectively.

Income Taxes

Destination Cleveland accounts for uncertain tax positions in accordance with GAAP, which requires recognition of and disclosure related to uncertain tax positions. As of and during the years ended December 31, 2014 and 2013, Destination Cleveland did not have a liability for unrecognized tax benefits. Destination Cleveland is no longer subject to examination by federal and state taxing authorities prior to 2011.

Subsequent Events

Management has evaluated subsequent events through June 29, 2015, the date the combined financial statements were available to be issued.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

2. PROPERTY AND EQUIPMENT

At December 31, 2014 and 2013, the cost of property and equipment consisted of the following:

	<u>2014</u>	<u>2013</u>
Leasehold improvements	\$ 1,722,339	\$ 1,702,906
Furniture and fixtures	453,412	400,753
Office equipment	254,730	240,392
Software	512,310	444,847
Destination development projects	131,735	
	<u>\$ 3,074,526</u>	<u>\$ 2,788,898</u>

3. AMOUNTS DUE FROM CUYAHOGA COUNTY

The amounts due from Cuyahoga County (County) at December 31 of each year include Destination Cleveland'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 a portion of the amounts collected to Destination Cleveland.

In August 2014, Destination Cleveland entered into an agreement with the County and the Mayor of the City of Cleveland in which the County and the Mayor of Cleveland agreed to allocate a portion of the revenue they receive from the Capital Improvement portion of the Transient Occupancy Tax to Destination Cleveland to be used for the direct and indirect costs of capital improvements, as defined in the agreement. At December 31, 2014, the amounts due from Cuyahoga County include Destination Cleveland's unremitted share of the Capital Improvement Funds in the amount of \$338,009.

4. GATEWAY ECONOMIC DEVELOPMENT CORPORATION LIABILITY

Destination Cleveland entered into a Cooperative Agreement (the Agreement) with Gateway Economic Development Corporation (Gateway) and the County of Cuyahoga (County). In that Cooperative Agreement, Destination Cleveland 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 annual incremental credit, as defined in the Agreement, for the previous year multiplied by the bed tax percentage increase from the previous year (limited to a 3% annual increase) plus 100% of the annual incremental credit for the previous year (annual incremental credit - \$260,953 in 2014 and \$253,400 in 2013) 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. Destination Cleveland's obligation is severable, distinct and non-cumulative for each year. According to the Agreement, these amounts are payable in the year following the year in which they are incurred. The Cooperative Agreement will remain in effect until the year 2023 or such earlier time as the Arena Bonds are paid in full.

The liability for 2014 and 2013 related to this agreement has been included in the combined financial statements as of December 31, 2014 and 2013.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

5. CONVENTION CENTER / GLOBAL CENTER FOR HEALTH INNOVATION (CC/GC)
 LIABILITY

Effective January 1, 2011, Cuyahoga County implemented a 1% increase to the Transient Occupancy Tax to support the CC/GC project.

Destination Cleveland entered into an agreement with the County in which Destination Cleveland agreed to allocate a portion of the revenue it receives from the existing Transient Occupancy Tax to further support the repayment of the County's bonds related to the CC/GC project. Destination Cleveland paid \$1,000,000 and \$500,000 to the CC/GC project in 2014 and 2013, respectively, in accordance with this agreement. This agreement remains in effect until January 1, 2027. The maximum amounts of transient occupancy tax allocable to the CC/GC project each year are as follows:

2015	\$ 1,000,000
2016	1,000,000
2017	1,000,000
2018	1,000,000
2019	1,000,000
Thereafter	<u>8,750,000</u>
	<u>\$ 13,750,000</u>

Destination Cleveland's allocation of revenue under this agreement is subject to a "contribution credit" in years 2014 through 2027. The "contribution credit" allows for a reduction of Destination Cleveland's annual allocation of revenue based on the annual dollar amount of the 1% tax increase. In years 2014 through 2027, the "contribution credit" shall be calculated as follows:

- If the 1% tax increase generates greater than \$3,000,000 but less than or equal to \$3,500,000 of revenue for the County, the contribution credit shall be calculated as 50% of revenue in excess of \$3,000,000, capped at \$250,000.
- If the 1% tax increase generates greater than \$3,500,000 but less than or equal to \$4,000,000 of revenue for the County, the contribution credit shall be calculated as \$250,000 plus 75% of revenue in excess of \$3,500,000, capped at \$625,000.
- If the 1% tax increase generates greater than \$4,000,000 of revenue for the County, the contribution credit shall be calculated as 100% of revenues in excess of \$4,000,000, plus \$625,000.

For the year ended December 31, 2014, the contribution credit amounted to \$325,669 and will be used to reduce the amount to be paid to the CC/GC in 2015. The contribution credit is included in prepaid expenses and other assets on the combined statement of financial position.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

6. RETIREMENT PLAN

Destination Cleveland 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. Destination Cleveland may make matching contributions of 25% of employee deferrals up to 4% of compensation. Destination Cleveland may also make discretionary contributions to the plan. Destination Cleveland's policy is to fund the plan annually. The provisions for pension costs are included in benefits and amounted to approximately \$20,000 and \$18,000 (including matching contributions) during 2014 and 2013, respectively.

7. COMMITMENTS AND CONTINGENCIES

Leases

Destination Cleveland has an office lease agreement, initially set to expire in 2021, which includes certain cancellable provisions, rent escalation clauses, and two five year renewal options. Subsequent to year-end, the agreement was amended to expire in 2025, while maintaining the two five year renewal options after expiration.

Destination Cleveland leases certain equipment under operating leases that expire through December 2019.

The future minimum rental commitments for these operating leases are as follows:

2015	\$	349,849
2016		369,554
2017		375,780
2018		378,405
2019		379,820
Thereafter		1,968,448
		<u>\$ 3,821,856</u>

Destination Cleveland subleases a portion of its office space through 2021 to the Greater Cleveland Sports Commission (GCSC), which includes two five year renewal options. As part of the sublease agreement, the GCSC pays for a portion of information technology and office maintenance services and equipment.

The future minimum rental commitments due from the GCSC are as follows:

2015	\$	85,614
2016		89,373
2017		92,282
2018		93,069
2019		93,857
Thereafter		134,216
		<u>\$ 588,411</u>

Destination Cleveland is recognizing rental expense ratably over the term of the lease and, accordingly, a deferred rent liability has been recorded to recognize the escalation of rent. No portion of this liability is expected to be paid during 2015 and therefore is included as a long-term liability.

Total rental expense, net of the sublease, amounted to approximately \$166,000 and \$176,000 during 2014 and 2013, respectively.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

7. COMMITMENTS AND CONTINGENCIES (Continued)

Lease Incentive Obligation

Destination Cleveland has recorded a lease incentive obligation in connection with the construction of its office facilities. The original amount provided by the landlord of approximately \$440,000 is being amortized on a straight-line basis over the term of the lease. Amortization of this lease incentive obligation utilized to reduce rent expense totaled \$41,460 in 2014 and 2013.

Employee Leasing Agreement

Destination Cleveland has an employee leasing agreement with the GCSC that expired in December 2013 and continues on a month to month basis. The GCSC's CEO and President provide executive services as required by Destination Cleveland consistent with the terms provided in the agreement. Either party may terminate this agreement with 30 days written notice, with or without cause.

Back End Guarantee

As a condition precedent to a national convention entering into an agreement with the Cleveland 2016 Host Committee ("Host Committee"), the national convention is requiring Destination Cleveland and other entities to jointly guarantee a certain amount of funds necessary to satisfy the Net Transferable Cash Funds Requirement. The Net Transferable Funds Requirement obligates the Host Committee to raise a minimum amount in monetary donations on or before March 1, 2016, for the national convention.

In 2014, Destination Cleveland also paid a \$500,000 sponsorship to the Host Committee to be used in 2016 for this national convention. This payment is included in other assets on the combined statement of financial position.

The Rock and Roll Hall of Fame

In November 2014, Destination Cleveland entered into an agreement with The Rock and Roll Hall of Fame and Museum, Inc. (Museum), in which Destination Cleveland agrees to pay to the Museum on a quarterly basis, an amount equal to 20% of the total proceeds received by Destination Cleveland from the Capital Improvement Funds for the first 12 months of the agreement; and thereafter, 25% of the total proceeds received by Destination Cleveland from the Capital Improvement Funds. The agreement expires at the same time as the Capital Improvement Funds, in 2054. Amounts due under this agreement commenced in December 2014 and at December 31, 2014, \$66,127 of amounts due to the Museum were included in accounts payable and accrued expenses.

Under this agreement, Destination Cleveland also commits to allocating a portion of the Capital Improvement Funds to pay a one-time expense in 2015 (up to a maximum of \$500,000) to plan, fabricate and install the Museum's Rock Walk plaques honoring inductees to date and to spending a minimum of \$100,000 annually to market the Museum during the time period the Capital Improvement Funds are in effect.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

8. NET ASSETS

At December 31, 2014 and 2013, net assets consisted of the following:

	<u>2014</u>	<u>2013</u>
Destination Cleveland		
Unrestricted	\$ 3,197,099	\$ 4,103,779
Board restricted	5,197,172	5,028,755
Temporarily restricted	175,548	
Spirit of Cleveland, Inc.	<u>108,752</u>	<u>109,790</u>
	<u>\$ 8,678,571</u>	<u>\$ 9,242,324</u>

Board Restricted Net Assets

The Board of Directors has restricted certain funds (board restricted) for Destination Cleveland's Special Initiatives. These initiatives, including destination development and certain marketing campaigns, are anticipated to result in a significant impact on the economic vitality of the region.

Temporarily Restricted Net Assets

At December 31, 2014, temporarily restricted net assets were restricted for direct and indirect costs of capital improvements relating to Destination Cleveland's share of the Capital Improvement Funds.

BOARD OF DIRECTORS
THE CONVENTION AND VISITORS BUREAU OF GREATER CLEVELAND, INC.
DBA DESTINATION CLEVELAND AND SPIRIT OF CLEVELAND, INC.

Independent Auditors' 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, 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, the combined financial statements of The Convention and Visitors Bureau of Greater Cleveland, Inc. DBA Destination Cleveland and Spirit of Cleveland, Inc. (nonprofit organizations) (collectively referred to as Destination Cleveland), which comprise the combined statement of financial position as of December 31, 2014, and the related combined statements of activities, and cash flows for the year then ended, and the related notes to the combined financial statements, and have issued our report thereon dated June 29, 2015.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's combined financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Destination Cleveland's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Destination Cleveland's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cohen & Company Ltd.

June 29, 2015
Cleveland, Ohio

COMBINING STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2014

	<u>Destination Cleveland</u>	<u>Spirit of Cleveland, Inc.</u>	<u>Eliminations</u>	<u>Total</u>		<u>Destination Cleveland</u>	<u>Spirit of Cleveland, Inc.</u>	<u>Eliminations</u>	<u>Total</u>
ASSETS					LIABILITIES AND NET ASSETS				
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents	\$ 5,712,067	\$ 189,580		\$ 5,901,647	Accounts payable and accrued expenses	\$ 537,978	\$ 80,828	\$ (79,824)	\$ 538,982
Amounts due from Cuyahoga County	1,885,193			1,885,193	Salaries and payroll taxes payable	351,262			351,262
Accounts receivable	985,917		\$ (78,724)	907,193	Current portion of deferred lease incentive Gateway Economic Development	41,460			41,460
Prepaid expenses and other assets	567,219		(1,100)	566,119	Corporation Liability	1,460,953			1,460,953
	<u>9,150,396</u>	<u>189,580</u>	<u>(79,824)</u>	<u>9,260,152</u>	Deferred revenue	79,391			79,391
						<u>2,471,044</u>	80,828	(79,824)	<u>2,472,048</u>
PROPERTY AND EQUIPMENT - AT COST	3,074,526			3,074,526	DEFERRED RENT	42,192			42,192
Less: Accumulated depreciation and amortization	1,417,343			1,417,343	DEFERRED LEASE INCENTIVE	224,524			224,524
	<u>1,657,183</u>			<u>1,657,183</u>		<u>2,737,760</u>	<u>80,828</u>	<u>(79,824)</u>	<u>2,738,764</u>
					UNRESTRICTED NET ASSETS				
					Undesignated	5,427,145	108,752		5,535,897
					Board designated	2,967,126			2,967,126
						<u>8,394,271</u>	<u>108,752</u>		<u>8,503,023</u>
OTHER ASSETS	500,000			500,000	TEMPORARILY RESTRICTED NET ASSETS				
						175,548			175,548
						<u>8,569,819</u>	<u>108,752</u>		<u>8,678,571</u>
						<u>\$11,307,579</u>	<u>\$ 189,580</u>	<u>\$ (79,824)</u>	<u>\$11,417,335</u>

COMBINING STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2014

	Destination Cleveland			Spirit of Cleveland, Inc.		Total
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Total	
REVENUES						
Transient occupancy tax	\$ 10,553,934		\$ 10,553,934			\$ 10,553,934
Less: Gateway liability	1,460,953		1,460,953			1,460,953
Less: Convention Center / Global Ctr for Health Innovation	674,319		674,319			674,319
Net transient occupancy tax	8,418,662		8,418,662			8,418,662
Capital improvement transient occupancy tax	162,461	\$ 175,548	338,009			338,009
Partnership dues	758,698		758,698			758,698
Ad and publication	242,304		242,304			242,304
Interest	18,471		18,471	\$ 388	\$ 388	18,859
Registration	51,614		51,614			51,614
Miscellaneous	5,307		5,307	100	100	5,407
In-kind contributions	46,497		46,497			46,497
	<u>9,704,014</u>	<u>175,548</u>	<u>9,879,562</u>	<u>488</u>	<u>488</u>	<u>9,880,050</u>
DEPARTMENTAL EXPENSES						
Administrative	1,407,768		1,407,768			1,407,768
Destination development and community affairs	653,598		653,598			653,598
Marketing	4,295,616		4,295,616			4,295,616
Partnerships	937,760		937,760			937,760
Sales - Convention	1,912,350		1,912,350			1,912,350
Services	625,506		625,506			625,506
	<u>9,832,598</u>		<u>9,832,598</u>			<u>9,832,598</u>
OTHER EXPENSES						
Sponsorships	609,679		609,679			609,679
Project grant				1,526	1,526	1,526
	<u>609,679</u>		<u>609,679</u>	<u>1,526</u>	<u>1,526</u>	<u>611,205</u>
	<u>10,442,277</u>		<u>10,442,277</u>	<u>1,526</u>	<u>1,526</u>	<u>10,443,803</u>
CHANGE IN NET ASSETS	(738,263)	175,548	(562,715)	(1,038)	(1,038)	(563,753)
NET ASSETS - BEGINNING OF THE YEAR	<u>9,132,534</u>		<u>9,132,534</u>	<u>109,790</u>	<u>109,790</u>	<u>9,242,324</u>
NET ASSETS - END OF THE YEAR	<u>\$ 8,394,271</u>	<u>\$ 175,548</u>	<u>\$ 8,569,819</u>	<u>\$ 108,752</u>	<u>\$ 108,752</u>	<u>\$ 8,678,571</u>



Dave Yost • Auditor of State

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 22, 2015**