Orlando/Orange County Convention & Visitors Bureau, Inc. d.b.a. Visit Orlando

Financial Statements
Years Ended December 31, 2018 and 2017

The report accompanying these financial statements was issued by BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of BDO International Limited, a UK company limited by guarantee.

Orlando/Orange County Convention & Visitors Bureau, Inc.
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Independent Auditor's Report

Board of Directors
Orlando/Orange County Convention & Visitors Bureau, Inc., d.b.a. Visit Orlando
Orlando, Florida

We have audited the accompanying financial statements of Orlando/Orange County Convention & Visitors Bureau, Inc. d.b.a. Visit Orlando ("Visit Orlando"), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Visit Orlando as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BDO USA LLP

Certified Public Accountants
May 16, 2019

Financial Statements

Orlando/Orange County Convention & Visitors Bureau, Inc.
d.b.a. Visit Orlando

Statements of Financial Position

December 31,	**2018**	2017
Assets		
Current assets:		
Cash and cash equivalents	**$ 21,228,061**	$ 18,744,717
Investments	**2,468,301**	2,577,441
Accounts receivable:		
Tourist development tax	**7,961,074**	7,179,332
Trade, net of allowance for doubtful accounts of $90,000 in 2018 and 2017	**1,206,469**	2,057,573
Inventory	**793,305**	220,188
Prepaid expenses	**1,412,383**	1,552,860
Total current assets	**35,069,593**	32,332,111
Note receivable	**1,000,000**	—
Furniture, equipment and improvements, net	**2,687,637**	3,474,266
Total Assets	**$ 38,757,230**	$ 35,806,377
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	**$ 8,896,666**	$ 8,086,003
Accrued payroll and related expenses	**2,217,532**	1,833,782
Membership dues deposits	**1,483,646**	987,583
Deferred sports incentive funds	**5,502,230**	5,012,035
Other deferred revenue and deposits	**316,632**	243,502
Current portion of deferred rent liability	**247,243**	233,819
Total current liabilities	**18,663,949**	16,396,724
Deferred rent liability, less current portion	**1,758,883**	1,938,179
Commitments and contingencies (Notes 5 and 8)		
Net assets without donor restrictions	**18,334,398**	17,471,474
Total Liabilities and Net Assets	**$ 38,757,230**	$ 35,806,377

See accompanying notes to financial statements.

Orlando/Orange County Convention & Visitors Bureau, Inc.
d.b.a. Visit Orlando

Statements of Activities

Year Ended December 31,	**2018**	2017
Support, revenues and gains:		
Tourist development tax funding (Note 6)		
Primary agreement	**$ 59,272,599**	$ 54,171,360
Sports incentive funds	**1,562,500**	—
Global marketing	**3,649,208**	4,477,889
Convention sales and marketing	**2,118,095**	2,018,235
Destination meeting services	**1,657,750**	1,434,663
Visitor services	**20,730,880**	19,109,861
Member services	**3,490,699**	3,396,112
Investment income (loss), net	**(105,299)**	250,352
Other	**70,452**	92,369
Total support, revenues and gains	**92,446,884**	84,950,841
Program expenses:		
Global marketing	**44,575,326**	40,359,881
Convention sales and marketing	**10,218,145**	10,276,230
Destination meeting services	**2,582,868**	2,353,606
Visitor services	**20,778,508**	19,149,921
Member services	**2,311,587**	2,138,765
Sports marketing and incentives	**1,937,500**	500,000
Public relations	**3,303,258**	3,108,673
Research	**1,323,593**	1,643,010
Total program expenses	**87,030,785**	79,530,086
Supporting services:		
Management and general administration	**4,553,175**	4,149,037
Total expenses	**91,583,960**	83,679,123
Change in net assets without donor restrictions	**862,924**	1,271,718
Net assets without donor restrictions, beginning of year	**17,471,474**	16,199,756
Net assets without donor restrictions, end of year	**$ 18,334,398**	$ 17,471,474

See accompanying notes to financial statements.

Orlando/Orange County Convention & Visitors Bureau, Inc.
d.b.a. Visit Orlando

Statements of Cash Flows

Year Ended December 31,	**2018**	2017
Cash flows from operating activities:		
Change in net assets without donor restrictions	**$ 862,924**	$ 1,271,718
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities:		
Depreciation and amortization	**984,521**	1,220,676
Loss on disposal of assets	**3,790**	14,623
Provision for doubtful accounts	**22,845**	58,518
Net realized and unrealized loss (gains) on investments	**137,357**	(228,871)
Amortization of deferred rent liability	**1,204,684**	1,222,008
(Increase) decrease in:		
Accounts receivable	**46,517**	(870,871)
Inventory	**(573,117)**	204,486
Prepaid expenses	**140,477**	804,759
Increase (decrease) in:		
Accounts payable and accrued expenses	**1,194,413**	933,738
Membership dues deposits	**496,063**	72,935
Deferred marketing funds	**490,195**	5,012,035
Other deferred revenue and deposits	**73,130**	228,367
Deferred rent liability	**(1,370,556)**	(1,055,164)
Net cash provided by operating activities	**3,713,243**	8,888,957
Cash flows from investing activities:		
Advances paid related to note receivable	**(1,000,000)**	—
Payments received related to note receivable	**—**	1,000,000
Acquisition of furniture, equipment and improvements	**(201,682)**	(1,508,615)
Proceeds from sale of investments	**400,719**	498,653
Purchase of investments	**(428,936)**	(520,071)
Net cash used for investing activities	**(1,229,899)**	(530,033)
Net increase in cash and cash equivalents	**2,483,344**	8,358,924
Cash and cash equivalents, beginning of year	**18,744,717**	10,385,793
Cash and cash equivalents, end of year	**$ 21,228,061**	$ 18,744,717

See accompanying notes to financial statements.

1. Nature of the Organization and Summary of Accounting Policies

Nature of the Organization

The Orlando/Orange County Convention & Visitors Bureau, Inc. d.b.a. Visit Orlando ("Visit Orlando") was incorporated under the laws of the state of Florida as a not-for-profit organization to promote the Central Florida area as a destination for tourists, conventions and trade shows, and to provide services to these groups. Visit Orlando also provides information and various services to its members who are, for the most part, involved in the tourism and convention industry. To generate additional resources for use in promoting the destination, Visit Orlando undertakes a number of other business activities. Such activities include the sale of attraction tickets, the sale of advertising, publishing, registration assistance and guest services.

Basis of Accounting

The financial statements of Visit Orlando are prepared under the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Net Assets Without Donor Restrictions

Net assets without donor restrictions are available for use at the discretion of the Board of Directors and/or management for general operating purposes.

Concentrations of Credit Risk

Financial instruments which potentially subject Visit Orlando to concentrations of credit risk consist principally of cash and cash equivalents and investments in financial institutions in excess of Federal Deposit Insurance Corporation limits, and accounts receivable.

Visit Orlando maintains its cash and cash equivalents, and investments with what management believes to be high-credit, quality financial institutions, corporations and obligations of the U.S. Government, and limits the amount of credit exposure to any particular investment.

As of December 31, 2018 and 2017, substantially all of Visit Orlando's trade receivables are obligations of companies in the Central Florida tourism industry. Visit Orlando does not require collateral or other security on most of these accounts. The credit risk in these accounts is controlled through credit reviews, limits and monitoring procedures.

Visit Orlando receives a substantial amount of its support from Orange County, Florida, (the "County") and from organizations located in the Central Florida area in the tourism and convention industry. During 2018 and 2017, 64% of Visit Orlando's total support, revenues and gains were from the tourist development tax funding. If a significant reduction in the level of tourist development taxes collected by the County or a severe economic downturn on businesses in the Central Florida tourism industry occurred, this may have an adverse effect on Visit Orlando's programs and activities.

Cash and Cash Equivalents

Visit Orlando considers highly-liquid investments with original maturities of three months or less at the time of purchase to be cash equivalents.

Investments

Investments consist of mutual funds and a certificate of deposit, as disclosed in Note 2. Mutual funds are stated at fair value, as determined from quoted market prices. The certificate of deposit has a maturity date greater than three months from the purchase date. Investment income or loss (including realized and unrealized gains and losses on investments, dividends and interest) are reported in the period earned in the accompanying statements of activities. Investment expenses are netted against investment income in the accompanying statements of activities.

Fair Value Measurements

Visit Orlando reports its financial assets and liabilities using a three-tier hierarchy, which prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described below:

> Level 1 – Valuation based on unadjusted quoted prices in active markets for identical assets or liabilities.
>
> Level 2 – Valuation based on observable quoted prices for similar assets and liabilities in active markets.
>
> Level 3 – Valuation based on inputs that are unobservable and are supported by little or no market activity, therefore requiring management's best estimate of what market participants would use as fair value.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management. The respective carrying value of certain financial instruments approximates their fair values due to the short-term nature of these instruments. These financial instruments include accounts receivable and accounts payable and accrued expenses.

The fair value of the Company's notes receivable are estimated based on current rates that would be available for debt of similar terms which is not significantly different from its stated value.

Visit Orlando's Level 1 financial assets consist of investments as disclosed in Note 2 and are valued based on quoted market prices. There are no Level 2 or 3 financial assets or liabilities at December 31, 2018.

Inventory

Inventory consists primarily of attraction tickets, various publications, miscellaneous supplies and items held for resale or distribution to potential visitors. Inventory is stated at the lower of cost (determined using the specific-identification method) or net realizable value.

Furniture, Equipment and Improvements

Furniture, equipment and improvements are stated at cost. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets or, for leasehold improvements, over the term of the related lease.

Deferred Rent Liability

Deferred rent liability represents provisions for future rent increases, rent-free periods and leasehold improvement and incentives provided by the landlord. The difference between rent expense and leasehold improvement and incentives recorded and the amount paid is recorded as deferred rent liability in the accompanying statements of financial position. The deferred rent liability is amortized as a reduction of rent expense on a straight-line basis over the life of the lease.

Advertising Expense

Purchased advertising media is expensed when the related media is published or broadcast. Costs incurred in advance of an advertising program, such as printing and production, are recorded as prepaid expenses until the corresponding media is published or broadcast, at which time it is expensed.

Advertising expense amounted to approximately $30,060,000 and $25,793,000 in 2018 and 2017, respectively.

Revenue Recognition

Tourist development tax funding is recognized when earned, and in the period to which it relates, in accordance with the 2007 Tourist Promotion Agreement. Visitor services revenue primarily relates to sales of attraction tickets and are recognized when the tickets are sold. Member service revenue, which consists primarily of membership dues are initially deferred, and are recognized as revenue over the applicable membership period. Revenues from convention sales and marketing, destination meeting services, sports marketing and global marketing are recognized when the related services are provided. Payments for services received in advance are recorded as deferred revenue until earned.

Donated Goods and Services

Visit Orlando periodically receives or coordinates the donation of items, such as airline and attraction tickets, hotel rooms, and rental cars, which are used in efforts to promote the Central Florida area as a tourist and convention destination. The value of donated items has not been recorded as contributed support since Visit Orlando acts as an agent for the donated goods and services. The aggregate of such donations is not material to total support, revenues, and gains.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of Visit Orlando, which are required to be allocated on a consistent, reasonable basis. These expenses include:

- Business insurance, occupancy costs and certain legal expenses which are allocated based on the square footage of office space for those program or supporting areas.
- Certain portions of depreciation and amortization expenses which are allocated based on the estimated usage of the associated assets by those program or supporting areas. The remaining expenses are allocated based on the square footage of office space for those program or supporting areas.
- Software/website development and license fees are partially allocated based on estimated time and effort supporting those program or supporting areas.

The majority of the remaining expenses are directly attributable to a specific functional area of the Organization and are reported as expenses of those functional areas.

Income Taxes

Visit Orlando has been granted recognition as a tax-exempt entity under Section 501(c)(6) of the Internal Revenue Code. Accordingly, no provision for federal and state income taxes is reflected in the accompanying financial statements. However, Visit Orlando is subject to income taxes on net revenues earned from advertising, ticket sales and other unrelated business income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Visit Orlando has a deferred tax asset related to net operating loss carryforwards available to offset future unrelated business income that is fully reserved.

Visit Orlando identifies and evaluates uncertain tax positions, if any, and recognizes the impact of uncertain tax positions for which there is a less than more-likely-than-not probability of the position being upheld when reviewed by the relevant taxing authority. Such positions are deemed to be unrecognized tax benefits and a corresponding liability is established on the statement of financial position. Visit Orlando has not recognized a liability for uncertain tax positions. If there were an unrecognized tax benefit, Visit Orlando would recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. Visit Orlando's tax years subject to examination by the Internal Revenue Service generally remain open for three years from the date of filing.

Use of Estimates

The preparation of the 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 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.

Accounting Pronouncements Issued but Not Yet Adopted

Contributions Received and Contributions Made

In June 2018 the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new standard clarifies and improves guidance about whether a transfer of assets is a contribution or an exchange transaction, as well as clarifying how an entity determines whether a resource provider is participating in an exchange transaction by evaluating whether the resource provider is receiving commensurate value in return for the resources transferred. The new standard is effective for fiscal periods beginning after December 15, 2018, using either of the following transition methods: (i) a modified prospective in the first set of financial statements following the effective date to agreements that are either not completed as of the effective date or entered into after the effective date, or (ii) a full retrospective approach reflecting the application of the standard in each prior reporting period in the consolidated financial statements. Early adoption is permitted. Management is currently evaluating the impact of this ASU on its financial statements.

Revenue

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09), which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP.

The standard is effective for annual periods beginning after December 15, 2018, using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (ii) a retrospective approach with the cumulative effect of initially adopting ASU 2014-09 recognized at the date of adoption (which includes additional footnote disclosures). Visit Orlando is currently evaluating the impact of its pending adoption of ASU 2014-09 on its financial statements and has not yet determined the method by which it will adopt the standard. However, management does not expect adoption will have a significant impact on the financial statements.

Leases

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842).* This ASU requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments. For leases with a lease term of 12 months or less, a practical expedient is available whereby a lessee may elect, by class of underlying asset, not to recognize a right-of-use asset or lease liability. A lessee making this accounting policy election would recognize lease expense over the term of the lease, generally in a straight-line pattern.

This guidance is effective for financial statements issued for fiscal years beginning after December 15, 2019. Early adoption is permitted. In transition, a lessee and a lessor will recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The modified retrospective approach includes a number of optional practical expedients. These practical expedients relate to identifying and classifying leases that commenced before the effective date, initial direct costs for leases that commenced before the effective date, and the ability to use hindsight in evaluating lessee options to extend or terminate a lease or to purchase the underlying asset. ASU 2018-11 was issued in June 2018 that also permits entities to choose to initially apply ASU 2016-02 at the adoption date and recognize a cumulative-effect adjustment to the opening balance of net assets in the period of adoption. Management is currently evaluating the impact of this ASU on its financial statements.

Accounting Pronouncement Adopted

Effective January 1, 2018, Visit Orlando adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) – Presentation of Financial Statements of Not-for-Profit Entities*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements.

Implementation of ASU 2016-14 did not require reclassification or restatement of any opening balances related to the periods presented. Visit Orlando’s net assets previously reported as unrestricted are now reported as net assets without donor restrictions.

2. Investments

Investments are stated at fair value and consist of the following:

December 31,	**2018**	2017
Certificate of deposit	**$ 25,000**	$ 25,000
Level 1 investments:		
Mutual funds:		
Large cap equity	**983,436**	1,047,347
Small cap equity	**368,120**	417,852
Intermediate-term bond	**1,047,021**	1,038,684
International equity	**44,724**	48,558
Total Level 1 investments	**2,443,301**	2,552,441
Total investments	**$ 2,468,301**	$ 2,577,441

3. Prepaid Expenses

Prepaid expenses consist of the following:

December 31,	**2018**	2017
Advertising and production	**$ 53,653**	$ 117,641
Marketing events and related sponsorships	**379,544**	397,750
Rent	**260,730**	329,339
Insurance	**235,373**	239,573
Software maintenance agreements	**260,240**	167,606
Membership dues	**—**	114,650
Trade show registrations	**73,175**	64,522
Travel expenses	**53,333**	20,323
Consulting and agency fees	**4,165**	20,000
Other	**92,170**	81,456
	$ 1,412,383	$ 1,552,860

4. Furniture, Equipment and Improvements, Net

Furniture, equipment and improvements consist of the following:

December 31,	*Useful Life*	**2018**	2017
Leasehold improvements	5-10 years	**$ 3,613,862**	$ 3,579,683
Furniture, fixtures and equipment	3-5 years	**4,256,319**	4,334,514
Exhibit booths	3 years	**682,365**	649,054
Transportation equipment	5 years	**76,182**	76,182
Website development	3 years	**—**	60,000
		8,628,728	8,699,433
Less accumulated depreciation and amortization		**(5,941,091)**	(5,225,167)
		$ 2,687,637	$ 3,474,266

Depreciation and amortization expense was $984,521 and $1,220,676 for the years ended December 31, 2018 and 2017, respectively.

5. Leases

During 2013, Visit Orlando entered into a non-cancelable operating lease for office space which expires in October 2024. Rent payments commenced in August 2014.

During December 2016, Visit Orlando entered into a non-cancelable operating lease for commercial space for a five year term. The lease includes two 5-year options which Visit Orlando intends to exercise. Rent payments commenced in August 2017, based on certain conditions stipulated in the lease agreement.

Future minimum lease payments under these non-cancelable operating leases as of December 31, 2018, are approximated as follows:

Year Ending December 31,	
2019	$ 1,404,000
2020	1,438,000
2021	1,472,000
2022	1,509,000
2023	1,545,000
Thereafter	4,672,000
	$ 12,040,000

Rent expense amounted to approximately $1,205,000 and $1,268,000 during the years ended December 31, 2018 and 2017, respectively.

6. Tourist Development Tax Funding

Visit Orlando receives support from the County from the tourist development tax ("TDT") presently being levied in the County, under the 2007 Tourist Promotion Agreement ("Agreement") dated September 11, 2007, as amended. Effective October 1, 2008, monthly payments to Visit Orlando are made under this Agreement, based on an annual calculation as follows:

- An amount as if the TDT was levied at the rate of one-half of one percent (0.5%),
- $8,050,000, and
- One-half of the sixth cent of TDT.

In 2012, Visit Orlando entered into a second addendum to the Agreement which extended the Agreement for an additional three-year term through September 30, 2015, and the Agreement was automatically extended for an additional two-year term, through September 30, 2017.

In 2013, Visit Orlando entered into a third addendum to the Agreement, whereby Visit Orlando received an additional $5,500,000 per year in each of the County's fiscal years, effective October 1, 2013 through September 30, 2018. The third addendum stipulated that $5,000,000 be used for additional marketing and promotion campaigns and $500,000 for attracting sporting events to Orange County.

In 2015 and 2016, fourth and fifth addenda, respectively, further modified certain parameters of the previous amendment related to sports marketing with existing terms remaining substantially unchanged.

In 2017, Visit Orlando entered into a sixth addendum to the Agreement, which extended the Agreement for one year. The sixth addendum was effective October 1, 2017 through September 30, 2018. The sixth addendum also stipulated that Visit Orlando receive $5,000,000 in sports incentive funds, restricted for use to attract sporting events. The funds are to be held in a separate interest-bearing bank account with interest accruing to and held with those funds. The use of the funds is conditional upon guidelines in the addendum. In the event the Agreement is terminated or expires, Visit Orlando shall, upon written request of the County, return all unexpended funds, together with related interest earnings thereon, to the County.

In 2018, Visit Orlando entered into a seventh addendum to the Agreement, which extended the Agreement for one year. The seventh addendum is effective October 1, 2018 through September 30, 2019. The seventh addendum also stipulates that Visit Orlando receive an additional $2,000,000 per year in sports incentive funds, restricted for use to attract sporting events with the same requirements as set forth in the sixth addendum discussed above. The seventh addendum also authorizes Visit Orlando to expend $200,000 for administrative expenses to be paid to the Central Florida Sports Commission.

In 2018 and 2017, Visit Orlando received $2,000,000 and $5,000,000, respectively, under the sixth and seventh addendums, which were recorded as deferred sports incentive funds. In 2018 and 2017, $52,695 and $12,035, respectively, of interest was earned on the funds, and $1,562,500 and $0, respectively, of the funds were expended. The remaining balances were reflected as deferred sports incentive funds on the accompanying statements of financial position.

In 2018, Visit Orlando entered into an eighth addendum to the Agreement, whereby Visit Orlando receives an additional $10,000,000 in the County's fiscal year, effective October 1, 2018 through September 30, 2019. The eighth addendum stipulates that the funds will be used for additional marketing and promotion campaigns.

7. Employee Benefit Plan

Visit Orlando maintains a defined contribution plan (the "Plan") that covers substantially all eligible employees. Participants may contribute a percentage of pre-tax earnings, as defined in the Plan, up to an annual maximum allowed under the Internal Revenue Code. Participants may also contribute amounts representing distributions from other qualified defined benefit or contribution plans. Visit Orlando utilizes the IRS Safe Harbor matching formula for employer contributions based on the following: 100% of the first 3% of participants' contributions, then 50% of the next 2% of participants' contributions. Such percentages are subject to change at Visit Orlando's discretion.

Visit Orlando can also make an elective contribution to eligible participants, regardless of whether the employee contributes to the Plan. The percentage of this contribution is subject to change at Visit Orlando's discretion. To receive the employer discretionary contribution, the employee must meet certain eligibility requirements, including having worked at least 1,000 hours during the year and still be actively employed on the last day of the Plan year. For 2018 and 2017, Visit Orlando elected to make a contribution equal to 3% of eligible participants' annual gross compensation.

Total expense under this Plan amounted to approximately $908,000 and $834,000 for 2018 and 2017, respectively.

8. Contingencies

In the normal course of conducting its business, Visit Orlando may be involved in litigation. Visit Orlando is not a party to any litigation which management believes could result in any judgments that would have a material adverse effect on its financial position, liquidity or results of future operations.

9. Note Receivable

During 2018, Visit Orlando advanced a national trade association ("association") $1,000,000 in exchange for a note receivable at an interest rate of 2% per annum. The entire balance was outstanding at December 31, 2018 and is due at various dates starting February 28, 2020 through November 30, 2020. The outstanding amounts advanced to the association are secured with a pledge of the rights to the association's trade show.

10. Statement of Functional Expenses

Year Ended December 31, 2018	Program	Management and General Administration	Total
Advertising and related expenses	**$ 33,425,084**	**$ —**	**$ 33,425,084**
Payroll and related expenses	**16,538,868**	**3,209,794**	**19,748,662**
Cost of goods sold and merchant fees	**20,269,866**	**—**	**20,269,866**
Travel, trade shows, events and related costs	**4,312,067**	**7,489**	**4,319,556**
Sports marketing and incentives	**1,937,500**	**—**	**1,937,500**
Software/website development and license fees	**1,468,631**	**133,082**	**1,601,713**
Occupancy	**1,250,819**	**238,251**	**1,489,070**
International representation fees	**1,490,351**	**—**	**1,490,351**
Depreciation and amortization	**863,316**	**121,205**	**984,521**
Research programs	**830,935**	**—**	**830,935**
Other	**4,643,348**	**843,354**	**5,486,702**
	$ 87,030,785	**$ 4,553,175**	**$ 91,583,960**

Year Ended December 31, 2017	Program	Management and General Administration	Total
Advertising and related expenses	$ 28,518,014	$ —	$ 28,518,014
Payroll and related expenses	15,550,027	3,003,862	18,553,889
Cost of goods sold and merchant fees	18,771,110	—	18,771,110
Travel, trade shows, events and related costs	4,547,598	9,142	4,556,740
Sports marketing and incentives	500,000	—	500,000
Software/website development and license fees	1,090,754	56,715	1,147,469
Occupancy	1,260,195	240,037	1,500,232
International representation fees	1,402,917	—	1,402,917
Depreciation and amortization	1,109,764	110,912	1,220,676
Research programs	1,192,879	—	1,192,879
Other	5,586,828	728,369	6,315,197
	$ 79,530,086	$ 4,149,037	$ 83,679,123

11. Financial Assets and Liquidity Resources

As of December 31, 2018, financial assets and liquidity resources available within one year for general expenditure, such as program and operating expenses, were as follows:

December 31,	**2018**
Cash and cash equivalents	**$ 21,228,061**
Investments	**2,468,301**
Accounts receivable	**9,167,543**
	$ 32,863,905

Visit Orlando's cash flows have seasonal variations during the year mainly attributable to tourist development tax collections, attraction ticket sales and advertising spending, along with a concentration of membership dues received near year end. As part of Visit Orlando's liquidity management, it maintains adequate funds in several banks to be available as its general expenditures, liabilities, and other obligations come due. In addition, it is Visit Orlando's goal to generally maintain reserve financial assets to cover near-term operating expense needs of approximately $7,000,000. Visit Orlando invests cash in excess of daily requirements in short-term investments, including money markets, certificates of deposit and mutual funds.

12. Subsequent Events

Visit Orlando has evaluated events and transactions occurring subsequent to December 31, 2018 as of May 16, 2019, which is the date the financial statements were available to be issued. Subsequent events occurring after May 16, 2019 have not been evaluated by management. No material events have occurred since December 31, 2018 that require additional recognition or disclosure in the financial statements.