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

Financial Statements
Years Ended December 31, 2019 and 2018

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

Financial Statements
Years Ended December 31, 2019 and 2018

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

Contents

Tel: 407-841-6930
Fax: 407-841-6347
www.bdo.com

450 South Orange Ave., Suite 550
Orlando, FL 32801

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, 2019 and 2018, 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, 2019 and 2018, 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 27, 2020

Financial Statements

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

Statements of Financial Position

December 31,	**2019**	2018
Assets		
Current assets:		
Cash and cash equivalents	**$ 9,761,599**	$ 15,725,831
Restricted cash and cash equivalents	**6,908,778**	5,502,230
Investments	**4,424,063**	2,468,301
Accounts receivable:		
Tourist development tax	**11,699,328**	7,961,074
Trade, net of allowance for doubtful accounts of $90,000 in 2019 and 2018	**1,359,578**	1,206,469
Note receivable	**1,000,000**	—
Inventory	**130,896**	793,305
Prepaid expenses	**2,104,189**	1,412,383
Total current assets	**37,388,431**	35,069,593
Note receivable	**—**	1,000,000
Furniture, equipment and improvements, net	**2,251,624**	2,687,637
Total Assets	**$ 39,640,055**	$ 38,757,230
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	**$ 8,765,480**	$ 8,896,666
Accrued payroll and related expenses	**2,368,663**	2,217,532
Membership dues deposits	**920,513**	1,483,646
Funds held for others	**6,908,778**	5,502,230
Deferred revenue	**552,115**	316,632
Current portion of deferred rent liability	**230,000**	247,243
Total current liabilities	**19,745,549**	18,663,949
Deferred rent liability, less current portion	**1,577,042**	1,758,883
Commitments and contingencies (Notes 5 and 10)		
Net assets without donor restrictions	**18,317,464**	18,334,398
Total Liabilities and Net Assets	**$ 39,640,055**	$ 38,757,230

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,	**2019**	2018
Support, revenues and gains:		
Tourist development tax funding	**$ 67,987,401**	$ 59,272,599
Global marketing	**2,812,175**	3,649,208
Convention sales and marketing	**2,335,902**	2,118,095
Destination meeting services	**1,467,345**	1,657,750
Visitor services	**23,423,250**	20,730,880
Member services	**3,642,783**	3,490,699
Investment income (loss), net	**534,466**	(105,299)
Other	**86,494**	70,452
Total support, revenues and gains	**102,289,816**	90,884,384
Expenses:		
Program expenses	**97,330,011**	85,468,285
Management and general administration	**4,976,739**	4,553,175
Total expenses	**102,306,750**	90,021,460
Change in net assets without donor restrictions	**(16,934)**	862,924
Net assets without donor restrictions, beginning of year	**18,334,398**	17,471,474
Net assets without donor restrictions, end of year	**$ 18,317,464**	$ 18,334,398

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,	2019	2018
Cash flows from operating activities:		
Change in net assets without donor restrictions	**$ (16,934)**	$ 862,924
Adjustments to reconcile change in net assets without donor restrictions to net cash (used for) provided by operating activities:		
Depreciation and amortization	**738,111**	984,521
Loss on disposal of assets	**—**	3,790
Provision for doubtful accounts	**23,675**	22,845
Net realized and unrealized loss (gains) on investments	**(430,721)**	137,357
Amortization of deferred rent liability	**1,204,684**	1,204,684
(Increase) decrease in:		
Accounts receivable	**(3,915,038)**	46,517
Inventory	**662,409**	(573,117)
Prepaid expenses	**(691,806)**	140,477
Increase (decrease) in:		
Accounts payable and accrued expenses	**19,945**	1,194,413
Membership dues deposits	**(563,133)**	496,063
Funds held for others	**1,406,548**	490,195
Deferred revenue and deposits	**235,483**	73,130
Deferred rent liability	**(1,403,768)**	(1,370,556)
Net cash (used for) provided by operating activities	**(2,730,545)**	3,713,243
Cash flows from investing activities:		
Advances on note receivable	—	(1,000,000)
Acquisition of furniture, equipment and improvements	**(302,098)**	(201,682)
Proceeds from sale of investments	**2,031,438**	400,719
Purchase of investments	**(3,556,479)**	(428,936)
Net cash used for investing activities	**(1,827,139)**	(1,229,899)
Net (decrease) increase in cash and cash equivalents and restricted cash and cash equivalents	**(4,557,684)**	2,483,344
Cash and cash equivalents and restricted cash and cash equivalents, beginning of year	**21,228,061**	18,744,717
Cash and cash equivalents and restricted cash and cash equivalents, end of year	**$ 16,670,377**	$ 21,228,061

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" or "Organization") 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.

Revenue Recognition and Contract Liabilities

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This guidance requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which entities expect to be entitled in exchange for those goods or services. The ASU also requires additional disclosure to enable readers of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The Organization adopted ASU 2014-09, along with all subsequent amendments (collectively, "ASC 606") as of January 1, 2019 under the modified retrospective method. The effect of the Organization's adoption of Accounting Standards Codification ("ASC") 606 is outlined below.

In June 2018 the FASB issued 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 financial statements. The Organization adopted this update on a modified prospective basis as of January 1, 2019. The effects of the adoption are outlined below.

The effect of the adoption of ASC 606 and ASU 2018-08 on the Organization's financial statements were examined in conjunction with one another.

Tourist Development Tax ("TDT") revenues received from Orange County, Florida ("County") were accounted for under ASC Topic 958-605, *Not-for-Profit Entities, Revenue Recognition*, as an exchange transaction before the implementation of the new standards. TDT revenue does not meet the definition of an exchange transaction under the clarified guidance in ASU 2018-08. Under the clarified guidance, such transactions constitute contributions and must be examined further to determine whether the transactions qualify as unconditional or conditional contributions. The Organization determined that TDT revenue meets the criteria for unconditional contribution accounting and will therefore be recorded when the Organization is notified of the unconditional promise to give. There was no material change to TDT revenue recognition as a result of the adoption of ASU 2018-08.

Global marketing, convention sales and marketing, destination meeting services, visitor services, and member services revenues fall under ASC 606. There were no material changes in the Organization's pattern of recognition for these arrangements. Visitor services revenue primarily relates to sales of attraction tickets and are recognized at the point in time when the tickets are sold. Revenues from convention sales and marketing, destination meeting services, and global marketing are recognized over the time period in which the advertising and media services are provided. Member service revenue, which consists primarily of membership dues, are initially deferred and are recognized as revenue over the applicable membership period, which is the subsequent calendar year, as services are being performed by Visit Orlando.

Payments for services received in advance are recorded as deferred revenue (contract liability) until earned in accordance with discussion above. During the year ended December 2019, the Organization recognized revenue of $1,800,278 that was included in the deferred revenue balance at December 31, 2018.

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").

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.

Restricted Cash and Cash Equivalents and Funds Held for Others

Under agreements with the County (see further discussion in Note 6) the Organization receives funds for sports marketing and business development. The Organization accounts for this funding as agency transactions and amounts are therefore not included in revenue or expense in the accompanying statements of activities. Amounts held at December 31, 2019 and 2018 are shown as restricted cash and cash equivalents and funds held for others in the accompanying statements of financial position.

Investments

Investments consist of mutual funds and certificates of deposit, as disclosed in Note 2. Mutual funds are stated at fair value, as determined from quoted market prices. The certificates of deposit have maturity dates 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 Organization's note receivable is 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, 2019 or 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 shorter of the term of the related lease or the estimated useful life of the asset.

Impairment of Long-Lived Assets

The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amounts of the assets exceed the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. During fiscal years 2019 and 2018, there was no impairment of long-lived assets.

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.

Contributions Revenue

Visit Orlando recognizes contributions when cash, securities or other assets or an unconditional promise to give is received. Conditional promises to give, that is those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. There were no conditional contributions at December 31, 2019 or 2018.

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.

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 $38,722,000 and $30,060,000 in 2019 and 2018, respectively.

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

As presented in Note 9, certain categories of expenses that are attributable to one or more program or supporting functions of Visit Orlando are required to be allocated on a consistent and reasonable basis. These expenses include:

- Occupancy costs, depreciation, amortization, and certain legal expenses which are allocated based on the square footage of office space for the related program or supporting areas.
- Software/website development and license fees are partially allocated based on estimated time and effort supporting the related program or supporting areas.

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 U.S. GAAP 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

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, 2021. 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 Pronouncements Adopted

Restricted Cash

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows: Restricted Cash (Topic 230)*. The provisions of the ASU require that a statement of cash flows explain the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash and restricted cash equivalents. To meet this requirement amounts generally described as restricted cash or restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The ASU is effective for fiscal years beginning after December 15, 2018. The Organization adopted this update on a retroactive basis as of January 1, 2018 which did not have a material impact on its financial statements.

The following table provides a reconciliation of cash and cash equivalents, and restricted cash and cash equivalents reported within the statements of financial position that sum to the total of the same such amounts shown in the statements of cash flows:

December 31,	**2019**	2018
Cash and cash equivalents	**$ 9,761,599**	$ 15,725,831
Restricted cash and cash equivalents	**6,908,778**	5,502,230
Total cash and cash equivalents and restricted cash and cash equivalents shown in the statements of cash flows	**$ 16,670,377**	$ 21,228,061

Reclassifications

Certain items have been reclassified in the 2018 financial statements to conform to the 2019 presentation. Such reclassifications had no impact on previously reported change in net assets.

2. Investments

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

December 31,	**2019**	2018
Certificates of deposit	**$ 1,524,601**	$ 25,000
Level 1 investments:		
Mutual funds:		
Large cap equity	**1,302,542**	983,436
Small cap equity	**447,332**	368,120
Intermediate-term bond	**1,092,160**	1,047,021
International equity	**57,428**	44,724
Total Level 1 investments	**2,899,462**	2,443,301
Total investments	**$ 4,424,063**	$ 2,468,301

3. Prepaid Expenses

Prepaid expenses consist of the following:

December 31,	**2019**	2018
Advertising and production	**$ 573,083**	$ 53,653
Marketing events and related sponsorships	**390,410**	379,544
Rent	**261,593**	260,730
Insurance	**237,703**	235,373
Software maintenance agreements	**199,398**	260,240
Membership dues	**120,350**	—
Trade show registrations	**40,570**	73,175
Travel expenses	**136,407**	53,333
Consulting and agency fees	**28,841**	4,165
Other	**115,834**	92,170
	$ 2,104,189	$ 1,412,383

4. Furniture, Equipment and Improvements, Net

Furniture, equipment and improvements consist of the following:

December 31,	Useful Life	**2019**	2018
Leasehold improvements	5-10 years	**$ 3,625,324**	$ 3,613,862
Furniture, fixtures and equipment	3-5 years	**4,413,756**	4,256,319
Exhibit booths	3 years	**623,647**	682,365
Transportation equipment	5 years	**76,182**	76,182
		8,738,909	8,628,728
Less accumulated depreciation and amortization		**(6,487,285)**	(5,941,091)
		$ 2,251,624	$ 2,687,637

Depreciation and amortization expense totaled $738,111 and $984,521 for the years ended December 31, 2019 and 2018, 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, 2019, are approximated as follows:

Year Ending December 31,	
2020	$ 1,438,000
2021	1,472,000
2022	1,509,000
2023	1,545,000
2024	1,323,000
Thereafter	3,348,000
	$ 10,635,000

Rent expense amounted to approximately $1,199,000 and $1,205,000 during the years ended December 31, 2019 and 2018, respectively, and is included in occupancy expenses in the statements of functional expense detail presented in Note 9.

6. Tourist Development Tax Funding

Visit Orlando receives support from the County from the tourist development tax presently being levied in the County. Effective October 1, 2019, funding is received monthly under a newly executed Tourism Promotion Agreement (the "2019 Agreement"). Prior to that date, funding was received monthly under the 2007 Tourist Promotion Agreement, as amended in addendums one through nine (collectively, the "2007 Agreement").

The 2019 Agreement

Under the 2019 Agreement, Visit Orlando receives defined percentages of the County's TDT collections through its maturity date of September 30, 2028. These percentages increase over time, and payment to Visit Orlando is computed based on the percentage effective at the time applied to the TDT collected pertaining to each month in the County's fiscal years ending September 30, as follows:

- 25.07% for fiscal 2020
- 27.07% for fiscal 2021
- 28.57% for fiscal 2022, and
- 30.00% for fiscal 2023 through 2028

Of the amounts received under the 2019 Agreement, $1,000,000 each year is specifically designated for business development for the Orange County Convention Center ("Convention Center"), to be paid, at the direction and approval of the Convention Center's executive director, to attract events to the facility. The funds are to be held in a separate interest-bearing bank account with interest accruing to and held with those funds.

Also, under the 2019 Agreement, and in addition to the funding formula described above, $4,000,000 per year is to be paid to Visit Orlando for use to attract sporting events. This is a continuation of a similar sports funding provision in the 2007 Agreement (discussed further below). The funds are to be held in a separate interest-bearing bank account with interest accruing to and held with those funds. Expenditures of these funds are determined by Orange County's TDT Sports Incentive Committee, an independent committee organized under County statute and administered by Visit Orlando, with final funding approval provided by the County's Board of County Commissioners.

The 2007 Agreement

Under the terms of the 2007 Agreement, original base funding was provided to Visit Orlando as the total of a) TDT as if levied at the rate of one-half of one percent (0.5%), b) $8,050,000 per year, and c) one-half of the sixth cent of TDT. The original 2007 Agreement was executed in September 2007, and was extended by addendums executed in 2012, 2017 and 2018, through September 30, 2019 when it expired. The original base funding described above was supplemented by various additional amounts of TDT in addendums executed in 2013, 2017 and 2018, including an additional $10,000,000 per year for tourism promotion for the fiscal year ended September 30, 2019 and $500,000 per year for sports marketing through September 30, 2018.

In 2017, Visit Orlando entered into an addendum to the 2007 Agreement which, among other provisions, stipulated that Visit Orlando receive $5,000,000 in sports incentive funds restricted for use to attract sporting events. A 2018 addendum provided an additional $2,000,000 per fiscal year in sports incentive funds.

The funding received under both the 2019 and 2007 agreements during the years ended December 31, 2019 and 2018 for business development and sports marketing are considered agency transactions and are therefore not included in revenue or expenses on the accompanying statements of activities. At December 31, 2019 and 2018, amounts held in the amount of $6,908,778 and $5,502,230, respectively, are shown as funds held for others and included in restricted cash and cash equivalents on the accompanying statements of financial position. In the event the 2019 Agreement is terminated or expires, Visit Orlando shall, upon written request of the County, return all unexpended sports and business development funds, together with related earnings thereon, to the County.

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 2019 and 2018, Visit Orlando elected to make a contribution equal to 3% of eligible participants’ annual gross compensation, which amounted to approximately $952,000 and $908,000, respectively.

8. 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, 2019 and 2018 and is due at various dates 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.

9. Statements of Functional Expenses

Year Ended December 31, 2019	Program	Management and General Administration	Total
Advertising and related expenses	**$ 42,658,060**	**$ —**	**$ 42,658,060**
Payroll and related expenses	**17,094,578**	**3,523,013**	**20,617,591**
Cost of goods sold and merchant fees	**22,468,401**	**—**	**22,468,401**
Travel, trade shows, events and related costs	**4,915,907**	**8,047**	**4,923,954**
Software/website development and license fees	**1,413,791**	**276,617**	**1,690,408**
Occupancy	**1,246,603**	**237,448**	**1,484,051**
International representation fees	**1,401,477**	**—**	**1,401,477**
Depreciation and amortization	**625,980**	**112,131**	**738,111**
Research programs	**842,536**	**—**	**842,536**
Other	**4,662,678**	**819,483**	**5,482,161**
	$ 97,330,011	**$ 4,976,739**	**$ 102,306,750**

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	375,000	—	375,000
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
	$ 85,468,285	$ 4,553,175	$ 90,021,460

10. 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.

11. Financial Assets and Liquidity Resources

As of December 31, 2019 and 2018, financial assets and liquidity resources available within one year for general expenditure, such as program and operating expenses, were as follows:

December 31,	**2019**	2018
Cash and cash equivalents	**$ 9,761,599**	$ 15,725,831
Investments	**4,424,063**	2,468,301
Accounts receivable	**13,058,906**	9,167,543
	$ 27,244,568	$ 27,361,675

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. 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, 2019 and 2018, 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 the County and from organizations located in the Central Florida area in the tourism and convention industry. During 2019 and 2018, 66% and 64%, respectively, 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 (see further discussion in Note 13).

13. Subsequent Events

Visit Orlando has evaluated events and transactions occurring subsequent to December 31, 2019 as of May 27, 2020, which is the date the financial statements were available to be issued. Subsequent events occurring after May 27, 2020, have not been evaluated by management. No material events have occurred since December 31, 2019 that require additional recognition or disclosure in the financial statements, except as follows:

Covid-19

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The results in Orlando and on the Orlando tourism industry began in mid-March with the announcement that the three major theme parks in Orlando (Walt Disney World, Universal Studios Parks and Resorts and SeaWorld) would close to guests starting Monday, March 16, 2020. In addition, travel bans were implemented and a stay at home order was issued by the Mayor of Orange County. The immediate impact to Visit Orlando has been minimal due to the timing of receipt of funding payments provided by Orange County from its Tourist Development Tax payments. However, in anticipation of the reduced future funding in the remaining months of 2020, Visit Orlando has taken steps to reduce its largest expenses by halting significant media activities and reducing labor expenses through furloughs and wage and hour reductions. Although Visit Orlando cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, it may have a material adverse effect on its results of future operations, financial position, and liquidity in fiscal year 2020.

CARES Act

On March 27, 2020 the Coronavirus Aid, Relief and Economics Security ("CARES") Act was enacted. The CARES Act was enacted to address the economic fallout of the COVID 19 outbreak on the economy. Management is currently evaluating the effect, if any, on Visit Orlando of the provisions of the CARES Act, but is uncertain what provisions might be applicable as of the date of this report.