Visit Salt Lake

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

For the Years Ended December 31, 2019 and 2018

Larson
CERTIFIED PUBLIC ACCOUNTANTS

VISIT SALT LAKE

CONTENTS

Larson
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Directors
Visit Salt Lake

We have audited the accompanying financial statements of **Visit Salt Lake** which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses 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 of 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 Salt Lake** as of December 31, 2019 and 2018 and the changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Larson & Company P.C.

Larson & Company PC
August 6, 2020

Larson & Company
11240 South River Heights Drive, Suite 300, Salt Lake City, UT 84095
Main: (801) 313-1900 | Fax: (801) 313-1912
www.larsco.com

VISIT SALT LAKE

Statements of Financial Position
As of December 31, 2019 and 2018

	2019	2018
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 1,787,788**	$ 1,912,671
Certificates of deposit	**1,250,000**	-
Accounts receivable, less allowance of **$19,335** and $36,307 respectively	**873,257**	634,648
Note and other receivable, related party	**39,121**	64,953
Deferred tax asset	**6,323**	6,323
Inventories	**69,017**	32,250
Prepaid expenses	**259,354**	513,873
Total current assets	**4,284,860**	3,164,718
Certificates of deposit	**2,750,000**	4,000,000
Property and equipment, net	**155,000**	-
Total assets	**$ 7,189,860**	$ 7,164,718
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable, trade	**$ 698,106**	$ 674,605
Accrued liabilities	**696,066**	792,526
Refundable advance	**518,434**	-
Deferred revenue	**818,717**	423,921
Total current liabilities	**2,731,323**	1,891,052
Total liabilities	**2,731,323**	1,891,052
Net assets:		
Net assets without donor restrictions:		
Undesignated	**458,537**	923,666
Board designated	**4,000,000**	4,000,000
Net assets with donor restrictions	**-**	350,000
Total net assets	**4,458,537**	5,273,666
Total liabilities and net assets	**$ 7,189,860**	$ 7,164,718

The accompanying notes to the financial statements
are an integral part of these statements

VISIT SALT LAKE

Statements of Activities

Years Ended December 31, 2019 and 2018

	2019	2018
Changes in net assets without donor restrictions:		
Revenue, gains, losses, other income and satisfaction of restrictions:		
Public sector:		
Contract with Salt Lake County: Operations	**$ 11,188,206**	$ 10,093,235
Contract with Salt Lake County: Ski Salt Lake	**450,000**	450,000
	11,638,206	10,543,235
Private Sector:		
Ticketing programs	**3,129,680**	2,968,894
Sales and marketing programs	**2,917,425**	542,665
Simply Salt Lake gift shop	**44,139**	146,047
Partner development	**603,236**	634,888
Loss on sale of subsidiary	**-**	(195,136)
Net investment return	**118,436**	129,911
	6,812,916	4,227,269
Satisfaction of donor restrictions	**350,000**	-
Total revenue, gains, losses, other income and satisfaction of restrictions	**18,801,122**	14,770,504
Expenses:		
Public Sector:		
Sales, marketing and services	**9,832,605**	8,560,495
General and administrative	**1,805,601**	1,982,744
	11,638,206	10,543,239
Private Sector:		
Ticketing programs	**3,124,074**	2,894,426
Sales and marketing programs	**3,334,474**	565,778
Simply Salt Lake gift shop	**119,215**	173,062
Partner development	**666,289**	703,782
Other general expenses	**383,993**	717,231
	7,628,045	5,054,279
Total expenses	**19,266,251**	15,597,518
Changes in net assets without donor restrictions	**(465,129)**	(827,014)
Net assets without donor restrictions beginning of year	**4,923,666**	5,750,680
Net assets without donor restrictions, end of year	**4,458,537**	4,923,666

The accompanying notes to the financial statements are an integral part of these statements

VISIT SALT LAKE

Statements of Activities (Continued)

Years Ended December 31, 2019 and 2018

	2019	2018
Changes in net assets with donor restrictions:		
Revenue, gains, losses, other income and satisfaction of restrictions:		
Public sector:		
Contract with Salt Lake County: Operations	**-**	350,000
Satisfaction of donor restrictions	**(350,000)**	-
Changes in net assets with donor restrictions	**(350,000)**	350,000
Net assets with donor restrictions, beginning of year	**350,000**	**-**
Net assets with donor restrictions, end of year	**-**	350,000
Changes in net assets	**(815,129)**	(477,014)
Net assets, beginning of year	**5,273,666**	5,750,680
Net assets, end of year	**$ 4,458,537**	$ 5,273,666

The accompanying notes to the financial statements are an integral part of these statements

VISIT SALT LAKE

Statement of Functional Expenses

Year Ended December 31, 2019

	Public Sector			Private Sector						
	Sales, Marketing and Services	General and Administrative	Total Public Sector	Ticketing Programs	Sales and Marketing Programs	Simply Salt Lake Gift Shop	Partner Development	Other General Expenses	Total Private Sector	Total Combined
Salaries and wages	$ 3,775,084	$ 547,283	$ 4,322,367	$ -	$ -	$ 66,486	$ 360,475	$ (3,628)	$ 423,333	$ 4,745,700
Office expenses	122,003	100,300	222,303	28,319	-	2,851	9,525	-	40,695	262,998
Printing	57,314	-	57,314	-	-	-	2,492	-	2,492	59,806
Advertising and promotion	2,426,761	-	2,426,761	-	-	11	75,809	-	75,820	2,502,581
Occupancy	68,375	159,807	228,182	-	156,584	39,592	-	-	196,176	424,358
Fees for services	453,826	393,187	847,013	-	-	-	-	-	-	847,013
Travel	83,888	34,006	117,894	-	-	-	1,545	7,067	8,612	126,506
Conferences, conventions and meetings	2,083,751	246,304	2,330,055	3,095,755	2,909,568	-	147,200	-	6,152,523	8,482,578
Information technology	423,711	118,320	542,031	-	-	6,830	-	-	6,830	548,861
Education and awareness	160,607	206,119	366,726	-	285,294	-	71,737	350,000	707,031	1,073,757
Other expenses	177,285	275	177,560	-	(16,972)	3,445	(2,494)	30,554	14,533	192,093
	$ 9,832,605	$ 1,805,601	$11,638,206	$ 3,124,074	$ 3,334,474	$ 119,215	$ 666,289	$ 383,993	$ 7,628,045	$19,266,251

The accompanying notes to the financial statements are an integral part of these statements

VISIT SALT LAKE

Statement of Functional Expenses

Year Ended December 31, 2018

	Public Sector			Private Sector						
	Sales, Marketing and Services	General and Administrative	Total Public Sector	Ticketing Programs	Sales and Marketing Programs	Simply Salt Lake Gift Shop	Partner Development	Other General Expenses	Total Private Sector	Total Combined
Salaries and wages	$ 3,431,916	$ 665,382	$ 4,097,298	$ -	$ -	$ 72,801	$ 388,179	$ (3,377)	$ 457,603	$ 4,554,901
Office expenses	107,689	80,787	188,476	24,237	-	6,396	15,652	-	46,285	234,761
Printing	85,295	-	85,295	-	-	-	-	-	-	85,295
Advertising and promotion	1,919,178	-	1,919,178	-	-	-	103,481	-	103,481	2,022,659
Occupancy	-	112,027	112,027	-	-	90,066	39,404	-	129,470	241,497
Fees for services	327,330	306,918	634,248	-	-	2,160	1,782	-	3,942	638,190
Travel	67,863	20,806	88,669	-	-	-	1,105	6,919	8,024	96,693
Conferences, conventions and meetings	1,820,328	513,164	2,333,492	2,870,189	486,883	-	61,742	713,689	4,132,503	6,465,995
Information technology	487,325	108,215	595,540	-	-	1,310	2,277	-	3,587	599,127
Education and awareness	198,004	172,261	370,265	-	-	-	90,160	-	90,160	460,425
Other expenses	115,567	3,184	118,751	-	78,895	329	-	-	79,224	197,975
	$ 8,560,495	$ 1,982,744	$10,543,239	$ 2,894,426	$ 565,778	$ 173,062	$ 703,782	$ 717,231	$ 5,054,279	$15,597,518

The accompanying notes to the financial statements are an integral part of these statements

VISIT SALT LAKE

Statements of Cash Flows

Years Ended December 31, 2019 and 2018

		2019		2018
Cash flow from operating activities:				
Increase (decrease) in net assets	**$**	**(815,129)**	$	(477,014)
Adjustments to reconcile change in net assets to cash flow from operating activities:				
Forgiveness of debt		**-**		20,000
Loss on sale of Orchid Events Solutions		**-**		195,136
Decrease (increase) in operating assets:				
Accounts receivable		**(238,609)**		969,807
Accounts receivable, related party		**25,832**		(57,017)
Inventories		**(36,767)**		25,246
Prepaid expenses		**254,519**		(1,052)
Goodwill		**-**		128,779
Increase (decrease) in operating liabilities:				
Accounts payable, trade		**23,501**		(1,399,137)
Accrued liabilities		**(96,460)**		(218,602)
Advance deposits		**518,434**		(234,722)
Deferred rent		**-**		(123,977)
Deferred revenue		**394,796**		28,725
Net cash flow from operating activities		**30,117**		(1,143,828)
Cash flow from investing activities:				
Purchase of certificates of deposit		**-**		(250,000)
Proceeds on sale of Orchid Events Solutions		**-**		50,000
Purchase of property and equipment		**(155,000)**		-
Net cash flow from investing activities		**(155,000)**		(200,000)
Net increase in cash and cash equivalents		**(124,883)**		(1,343,828)
Cash and cash equivalents, beginning of year		**1,912,671**		3,256,499
Cash and cash equivalents, end of year	**$**	**1,787,788**	$	1,912,671

Supplemental disclosures of cash flow information:

Cash paid during the year for

Interest	**$**	**-**	$	-
Income taxes	**$**	**-**	$	-

Supplemental disclosures of noncash investment and financing activities:

Change in net assets related to the sale of Orchid	**$**	**-**	$	448,003
Note receivable related to sale of Orchid Events Solutions	**$**	**-**	$	50,000

The accompanying notes to the financial statements are an integral part of these statements

1. ORGANIZATION

Visit Salt Lake ("VSL" or the "Organization") is a 501(c)(6) nonprofit sales and marketing organization. Previously known as Salt Lake Convention and Visitor's Bureau, the entity changed its legal name to Visit Salt Lake in 2018. VSL was established to improve the area economy by attracting and providing support to conventions, leisure travelers, and tourists to Salt Lake County. In fulfilling its mission, VSL promotes Salt Lake through development and operation of its websites, social media, advertising and both national and international public relations efforts and deploys a convention and tourism sales force to contract for conventions, tradeshows, meetings, sporting events and tour and ski tour groups having Salt Lake as their destination. VSL assists conventions with logistics, locating services offered by VSL's members, attendance promotion, and raising awareness for upcoming events. Approximately half of VSL's funding is provided by Salt Lake County through a contract for services to promote conventions and tourism. VSL obtains additional funding through the sale of memberships, sponsorships, ticketing programs, and grants, as well as charging for services rendered to local and national businesses in the meetings, conventions and tourism industry.

VSL offers housing services to tourists and visitors through Orchid Event Solutions, LLC ("Orchid"), a related entity owned by an employee of the Organization. Refer to Note 10 for additional detail.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis in accordance with Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958); Presentation of Financial Statements for Non-for-Profit Entities*. The standard was adopted by VSL for the year ended December 31, 2018. Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of VSL management and the designation of the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature: those restrictions will be met by actions of VSL or by the passage of time. Other donor restrictions are perpetual in nature, where-by the donor has stipulated the funds be maintained in perpetuity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of New Accounting Standards

During the year ended December 31, 2019, the Organization adopted ASU 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this update provide a more robust framework for determining whether a transaction should be accounted for as a contribution or an exchange transaction. This update has been applied retrospectively to all periods presented. However, the revenue recognized in prior periods was not modified as a result of adopting this guidance retrospectively.

Additionally, the Organization has adopted ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606),* as amended as management believes the standard improves the usefulness and understandability of the Organization's financial reporting. Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

Public and Private Sector Accounting

The accounts of VSL are maintained as one general operating entity, which is comprised of public and private sector funds. Under the terms of the operating contract with the County, all public sector receipts and expenditures are reviewed and approved by the County. All private sector receipts and expenditures are to be accounted for separately and do not require authorization from the County. Private sector also includes any governmental funding besides the County. In the normal course of business, the Organization records transactions between public and private sector divisions. These inter-division transactions are recorded in each sector with an entry to interdivision accounts payable and accounts receivable.

Use of Estimates

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

Cash and Cash Equivalents

The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and cash equivalents consists of cash on hand, demand deposits, and money market accounts with financial institutions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

Accounts receivable are stated net of an allowance for uncollectible accounts. The Organization estimates the allowance based on its historical experience and on an analysis of specific customers, taking into consideration the age of past due accounts and an assessment of the customer's ability to pay. An account is written off when it is determined that all collection efforts have been exhausted.

Inventories

Inventories are stated at the lower of cost or market and consist of goods held for resale in the gift shop. Cost is determined using the first-in, first-out ("FIFO") method. Market is based upon realizable value less an allowance for selling expenses and normal gross profit.

Investments

The Organization records investment purchases at cost, or if donated, at fair value on the date of donation. Net investment return or loss is reported in the statement of activities as return on investments and consists of; interest and dividend income, realized and unrealized gains and losses, less investment fees.

Certificates of Deposit

The Organization holds certificates of deposit with maturities ranging between 2020 and 2022. As of December 31, 2019 and 2018, interest rates ranged from 1.9% to 2.4%, with interest paid periodically on a monthly or semi-annual basis and reported in the statement of activities as return on investments of **$118,436** and $129,911, respectively for the years ended December 31, 2019 and 2018. The Organization intends to hold these certificates until maturity and, as such, has classified these accordingly on the statements of financial position. As of December 31, 2019 and 2018, the current portion of certifications of deposits were **$1,250,000** and $0, respectively.

Property and Equipment

Under the contract with the County, the County retains ownership of all property, buildings, and equipment purchased or constructed by the VSL with County funds. Accordingly, property and equipment expenditures are not capitalized on the Organization's financial statements for the public sector, but are recorded as general and administrative expenses in the period expended. However, property and equipment specifically acquired for the private sector operations, costing in excess of $1,000, is capitalized in the Organization's financial statements and then depreciated on a straight-line basis over the applicable useful life.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment (Continued)

Depreciation and amortization is calculated using the straight-line method over the following estimated useful lives:

Assets	Useful Lives
Office equipment	5 years
Computer equipment	3 years
Software	3 years

Fair Value of Financial Instruments

The VSL's financial instruments, including cash, accounts receivable, accounts payable, and accrued liabilities are carried at cost, which approximates fair value because of the short term nature of these assets and liabilities.

Long-lived Assets

The Organization reviews 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 net 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 amount of the assets exceeds 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. Management does not believe impairment indicators are present for the year ended December 31, 2019 and 2018.

Advance Deposits

Advance deposits consist of registration and housing deposits for conventions.

Revenue Recognition

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest 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.

Public sector revenues are derived from cost-reimbursable state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are accrued based on a contractual obligation with the County to fund all authorized expenditures and are recognized as revenue as expenditures are incurred in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Private sector revenues are recognized at the point of sale, at the completion of any contracted services, or over the period of membership. The majority of private sector revenues represent ski voucher sales (Ski City Super Pass), housing and registration service fees, advertising revenues, gift shop sales, member dues, hotel participation in sales and marketing programs and funds from other governmental agencies. Funds are deposited in the general operating account and are available to VSL for both public and private sector use. Membership dues received for the coming year, if any, are recorded as deferred revenues and recognized in the period earned. Ski voucher sales anticipated to be redeemed in the following year are recorded as deferred revenue. Contract revenue is recognized as revenue in the period in which it is earned and expended. Funds received in advance under these contracts are recorded as deferred revenue. Other contract revenue is recognized as revenue in the period in which it is earned.

Trade Revenue

The Organization receives transportation and related services in exchange for membership dues and advertising, and networking opportunities. The Organization records these transactions at the fair market value of the services exchanged. Trade revenue was **$33,150** and $24,240 for the years ended December 31, 2019 and 2018, respectively.

Contributions and Donor Imposed Restrictions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or are restricted by the donor for specific purposes are reported as net assets with donor restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as net assets without donor restrictions.

Functional Allocation of Expenses

The costs of programs and supporting services have been summarized on a functional basis in the statement of activities. All direct costs are charged to the functional area they pertain to. Indirect costs are charged to the programs and supporting services based on estimates made by management, taking into account the nature of the expense and how it relates to the functional area. General and administrative costs include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Advertising Costs

Advertising costs are charged to operations when incurred. Advertising expense for the public sector was **$1,508,916** and $1,165,147 the years ended December 31, 2019 and 2018, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

VSL is exempt from federal and state income taxes under Section 501(c)(6) of the Internal Revenue Code on the excess of revenue over expenses generated in the normal course of business. However, the Organization remains subject to income taxes on net income that is derived from a trade or business, regularly carried on, and not for the exempt purpose of the Organization. In the opinion of management the Organization does not have any unrelated business income.

ASC Topic 740, *Income Taxes*, provides guidance on how uncertain tax positions should be recognized, measured, disclosed and presented in the financial statements. This requires the evaluation by management of tax positions taken or expected to be taken in preparation of the Organization’s tax returns to determine if the positions are more-likely-than-not of being sustained if examined by the taxing authorities. Management has determined there are no uncertain income tax positions. Tax years that remain subject to examination are 2016 and forward.

Recently Issued Accounting Pronouncements

In March of 2016, the FASB issued Accounting Standards Update 2016-02, *Leases*, which requires all leases that have a term of more than 12 months to be recognized as assets and liabilities on the balance sheet at inception. A lessee would recognize a lease liability to make lease payments owed to a lessor (liability) and a benefit for the right to use the leased asset (asset) for the lease term. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee would depend on whether the lessee is expected to consume more than an insignificant portion of the economic benefits embedded in the underlying asset. This new guidance is effective for fiscal years beginning after December 15, 2021. The Company does not anticipate a significant impact on the Company’s results of operations, financial position, or cash flows as a result of this new standard.

3. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	2019	2018
Cash and cash equivalents	**$ 1,787,788**	$ 1,912,671
Certificates of deposit	**1,250,000**	-
Accounts receivable	**873,257**	634,648
Accounts receivable, related party	**39,121**	64,953
Total financial assets	**3,950,166**	2,612,272
Less:		
Accounts payable, trade	**(698,106)**	(674,605)
Accrued liabilities	**(696,066)**	(792,526)
Refundable advance	**(518,434)**	-
Financial assets available to meet general expenditures within one year	**$ 2,037,560**	$ 1,145,141

The Organization holds certificates of deposit for $4,000,000, of which $1,250,000 has been included as a current financial asset in the statements of financial position and in the schedule above. These certificates will mature between 2020 and 2022, and may be subject to early withdrawal penalties if cashed in before maturity or, market fluctuations if sold.

The Board has designated $4,000,000 of unrestricted net assets to fund an attendance based rebate VSL will pay to a specific tradeshow company if that company brings one or more tradeshows to Salt Lake City prior to June of 2022. VSL is working diligently to book these valuable tradeshows, but as of July 2020, no such tradeshows have been booked and management is confident the reserve amount is sufficient.

Several of VSL's marketing programs are based on a call to action involving the sale of a pass to an attraction – the Connect Pass, Ski City Super Pass, and the Pub Pass. Through various media, VSL sells a pass and when redeemed, sends an agreed upon amount to the participating attraction, ski resort or pub/drinking establishment, as the case may be. These funds are received into and paid out of a designated bank account. The amounts held for these passes were **$747,897** and $375,791 as of December 31, 2019 and 2018, respectively.

During the year ended December 31, 2018, VSL received funds from Salt Lake County with a proviso that 100% will be used for a hospitality training course developed by Salt Lake Community College and that they will be disbursed in accordance with an agreed upon billing process. As of December 31, 2019 and 2018, cash held for this agreement was **$0** and $350,000, respectively, and was classified as net assets with donor restrictions.

3. LIQUIDITY AND AVAILABILITY (Continued)

During the year ended December 31, 2018, VSL received funds from Salt Lake County with a proviso that 100% will fund a convention in Salt Lake County during the summer of 2019. As of December 31, 2019 and 2018, cash held for this agreement was **$0** and $1,291, respectively.

The Organization invests cash in excess of bi-weekly requirements and deposit balances required to offset banking fees in money market funds.

4. PROPERTY AND EQUIPMENT

The cost and related accumulated depreciation and amortization of property and equipment as of December 31, 2019 and 2018 are as follows:

	2019	2018
Cost		
Office equipment	**$ 26,008**	$ 26,008
Construction in progress	**155,000**	-
Total cost of property and equipment	**181,008**	26,008
Accumulated depreciation and amortization	**(26,008)**	(26,008)
Total property and equipment, net	**$ 155,000**	$ -

Depreciation and amortization expense was **$0** and $0 for the years ended December 31, 2019 and 2018, respectively.

5. LINE OF CREDIT

VSL has a $300,000 line of credit with interest set at prime plus 2%. The interest rate in effect was **7%** and 6.25% as of December 31, 2019 and 2018, respectively. The line of credit does not have a maturity date. The instrument is collateralized by cash, accounts receivable, inventory and equipment. In addition, the line of credit requires that VSL meet certain financial covenants. As of December 31, 2019 and 2018, the Organization was in compliance with all covenants included in the line of credit agreement. As of December 31, 2019 and 2018, the entire line of credit was unused and available.

6. NET ASSETS – BOARD DESIGNATED

In a prior year, VSL entered into a settlement agreement related to the early termination of a contract. At the time of entering the agreement, VSL recognized a settlement gain of $6,500,000. A portion of the funds related to this settlement have been designated by the board of directors and invested in certificates of deposit for the payment of future liabilities that may arise under the settlement agreement. Each year the board will evaluate the remaining likelihood that future payments will be required and release the designated funds for operations based on this evaluation. For the years ended December 31, 2019 and 2018 **$0** and $1,000,000, respectively, of designated funds were released for operations.

7. CONTRACT SETTLEMENT

VSL and a customer entered into a Letter of Agreement dated July 31, 2015 to hold a major trade show in Salt Lake City through 2018. In 2017 the customer elected to withdraw early from the agreement which resulted in a breach of the Letter of Agreement. A settlement agreement was reached between the two parties and documented as an amendment to the July 31, 2015 Letter of Agreement.

Important terms of the agreement include the following: (1) the customer agreed to pay VSL $6,500,000 to be irrevocably released from all obligations in the 2015 Letter of Agreement and the 2017 Letter of Intent, (2) the Organization provided the customer access to Salt Lake City Block #85 for the 2017 summer trade show and reimbursed the customer $2,200,000 for costs associated with operation and clean-up of show pavilions, and (3) both parties agreed to engage in good-faith efforts to bring future trade shows to Salt Lake City. If the customer is successful in bringing qualified trade shows to Salt Lake City, the Organization will make per-attendee payments to the customer in the form of incentives not to exceed $5,500,000 over a 5 year period. The payments are related to the occurrence of future events and performance of the customer over which the Organization has no control. The Organization has determined that these payments do not represent a liability as of December 31, 2019 and 2018 but will be expensed in the year in which performance occurs. For the years ended December 31, 2019 and 2018 there had been no occurrence of events or performance under the settlement agreement for which VSL was liable for payments to the customer.

8. REVENUE FROM CONTRACTS

The following table provides information about significant changes in the contract liabilities for the years ended December 31, 2019 and 2018:

	2019	2018
Deferred revenues, beginning of year	**$ 423,921**	$ 395,196
Revenue recognized that was included in deferred revenue at the beginning of year	**(423,921)**	(395,196)
Increase in deferred revenue due to cash received	**818,717**	423,921
Deferred revenues, end of year	**$ 818,717**	$ 423,921

9. GIFT SHOP EXPENSE

Gift shop expense includes cost of goods sold of **$36,956** and $84,721 for the years ended December 31, 2019 and 2018, respectively

10. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2008, The Utah Arts and Cultural Coalition (dba Now Playing Utah), a nonprofit organization, was formed by the VSL, the Utah Arts Council, and Salt Lake Zoo, Arts and Parks as a marketing and promotional collaboration of Utah's art and cultural organizations.

During the year ended December 31, 2018, VSL provided management services to Now Playing Utah based on an operating agreement. As part of the agreement, Now Playing Utah reimbursed the Organization for all management expenses incurred by the Organization on behalf of Now Playing Utah. The Organization had accounts receivable due from Now Playing Utah for management fees of **$0** and $4,509 as of December 31, 2019 and 2018, respectively. Management fees paid by Now Playing Utah to VSL totaled **$0** and $20,000 for the years ended December 31, 2019 and 2018, respectively.

During January 2009, VSL made a non-interest bearing loan to Now Playing Utah for $20,000. During October 2018 Visit Salt Lake agreed to cancel the promissory note with Now Playing Utah and recorded related forgiveness of debt $20,000 for the year ended December 31, 2018.

Effective January 1, 2018 a former employee of VSL purchased Orchid from VSL. Per the terms of the sale agreement all assets and liabilities of Orchid were transferred to the buyer in exchange for a cash payment of **$50,000** and a **$50,000** note receivable due on January 1, 2023 with an interest rate of 20%. Terms of the note prohibit prepayment. Additionally, VSL reserved a portion of Orchid's right to participate in up to **$50,000** of the profits in an Orchid affiliate, Eventray, Inc.; and the right to receive one sixth ($1/6^{th}$) of the proceeds from exercise of an option held by Eventray's management team to purchase Orchid's interest in Eventray's common stock (**$50,000;** however, this option was not exercised). Orchid also entered into a five year membership agreement with VSL in which Orchid will pay VSL $10,000 per year in exchange for Orchid being marketed by VSL as the exclusive housing provider for VSL events.

VSL recognized a loss on the sale of Orchid in the amount of **$195,136.** Interest payments related to the note totaled **$10,000** and Membership dues totaled **$10,000** for the years ended December 31, 2019 and 2018**.**

10. RELATED PARTY TRANSACTIONS (Continued)

Simultaneous with the sale transaction, VSL and Orchid entered into a number of service agreements for office sharing, executive services, accounting, payroll and IT support provided to VSL by Orchid. The lease agreement for office space is between Orchid and the lessor. In order for both VSL and Orchid to enjoy large group purchasing power employee benefits related to health insurance and pensions, VSL remained Employer of Record for both Orchid and VSL. Payments by VSL to Orchid under the service agreements totaled **$375,024** and $360,757 for the years ended December 31, 2019 and 2018, respectively.

11. 401(k) SAVINGS PLAN

VSL administers a defined contribution profit sharing and savings plan under Section 401(k) of the Internal Revenue Code for eligible employees who are at least 21 years old and have completed three months of service with the Organization.

VSL matches 100% of pretax 401(k) contributions up to 3% of base compensation plus 50% of pretax 401(k) contributions on the next 2% of base compensation subject to the limits of the Internal Revenue Code. In addition, a discretionary amount up to 3% of the employee's annual compensation may be contributed by the Organization, subject to the limits of the Internal Revenue Code and 401(k) Plan criteria.

For the years ended December 31, 2019 and 2018, VSL contributed **$107,604** and $99,633, respectively, in required matching contributions. The Organization made discretionary contributions of **$73,129** and $74,696 for the years ended December 31, 2019 and 2018, respectively.

12. CONCENTRATIONS

VSL maintains its cash and cash equivalent balances at financial institutions located in Salt Lake City, Utah. The deposits may at times exceed their federally insured limits of $250,000 established by the Federal Deposit Insurance Corporation. The Organization has not experienced any losses related to these accounts and believes it is not exposed to any significant credit risk on these balances.

VSL receives a significant amount of its revenue from Salt Lake County (the "County"). The County contract provided approximately **62%** and 71% of the total revenue of the Organization for the years ended December 31, 2019 and 2018, respectively.

As of December 31, 2019 and 2018, there were concentrations in the Organization's accounts receivable balances as **31%** and 18%, respectively, of total accounts receivable balances were from one party.

13. COMMITMENTS

In order to entice groups to select Salt Lake City as the destination for their future convention, trade show or meeting, management has made promotional and service commitments to certain groups that VSL will be obligated to fulfill during the year of the group's arrival. These commitments are expected to increase attendance or enhance the quality of the group's event, and thus are anticipated to increase the likelihood of new or repeat bookings.

Anticipated funding for the fulfillment of these commitments is based on VSL's expectation of its continued contractual relationship with the County to fund the Organization's destination sales and marketing programs. The promotional and service commitment expenses are submitted to the County for reimbursement when incurred. However, no liability for these commitments has been accrued in the financial statements as they are contingent upon the respective individual events taking place.

Management's estimate of the costs and timing associated with fulfilling these commitments in the future are as follows:

Years Ending December 31,		
2020	$	25,000
2021		30,000
2022		-
2023		-
2024		-
Thereafter		30,000
Total commitments	$	85,000

14. SUBSEQUENT EVENTS

Subsequent events have been evaluated by management through the date of the audit report, which is the date the consolidated financial statements were available to be issued.

COVID-19

In December 2019, a novel strain of coronavirus was reported in Wuhan, China. The World Health Organization has declared the outbreak to constitute a "Public Health Emergency of International Concern." The subsequent COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of various industry business operations. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of effects of COVID-19. The related financial impact and duration cannot be reasonably estimated at this time.