

Visit Salt Lake

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

For the Years Ended December 31, 2021 and 2020



VISIT SALT LAKE

CONTENTS

	<u>Page</u>
Independent Auditor's Report	2 - 3
Financial Statements:	
Statements of Financial Position	4
Statements of Activities	5
Statements of Functional Expenses	6 - 7
Statements of Cash Flows	8
Notes to the Financial Statements	9 - 19



Independent Auditor's Report

To the Board of Directors
Visit Salt Lake

Opinion

We have audited the accompanying financial statements of **Visit Salt Lake** (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020 and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of **Visit Salt Lake** and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibility of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about **Visit Salt Lake's** ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 **Visit Salt Lake's** internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about **Visit Salt Lake's** ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

A handwritten signature in black ink that reads "Larson & Company P.C." in a cursive, flowing script.

Larson & Company PC
August 24, 2022

VISIT SALT LAKE
 Statements of Financial Position
 As of December 31, 2021 and 2020

	2021	2020
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 4,657,944	\$ 2,381,755
Certificates of deposit	1,500,000	750,000
Accounts receivable, less allowance of \$17,061 and \$20,584, respectively	613,091	623,120
Note receivable, current portion	21,119	-
Inventories	-	54,845
Prepaid expenses	150,047	77,506
Total current assets	6,942,201	3,887,226
Certificates of deposit	-	1,500,000
Property and equipment, net	134,334	144,667
Note receivable, less current portion	16,259	-
Total assets	\$ 7,092,794	\$ 5,531,893
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable, trade	\$ 689,080	\$ 610,132
Accrued liabilities	1,205,161	595,633
Deferred revenue	1,437,745	401,761
Total current liabilities	3,331,986	1,607,526
Total liabilities	3,331,986	1,607,526
Net assets:		
Net assets without donor restrictions	3,760,808	3,924,367
Net assets with donor restrictions	-	-
Total net assets	3,760,808	3,924,367
Total liabilities and net assets	\$ 7,092,794	\$ 5,531,893

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

VISIT SALT LAKE
 Statements of Activities
 Years Ended December 31, 2021 and 2020

	2021	2020
Changes in net assets without donor restrictions:		
Revenue, gains, losses, other income and satisfaction of restrictions:		
Public sector:		
Contract with Salt Lake County: Operations	\$ 8,977,426	\$ 8,571,771
Contract with Salt Lake County: Ski Salt Lake	450,000	450,000
	9,427,426	9,021,771
Private Sector:		
Ticketing programs	2,498,517	2,280,196
Sales and marketing programs	2,467,478	2,277,183
Simply Salt Lake gift shop	16,366	10,436
Partner development	522,085	566,867
Net investment return	50,778	100,783
	5,555,224	5,235,465
Satisfaction of donor restrictions	-	-
Total revenue, gains, losses, other income and satisfaction of restrictions	14,982,650	14,257,236
Expenses:		
Public Sector:		
Sales, marketing and services	7,725,598	7,595,217
General and administrative	1,701,828	1,426,554
	9,427,426	9,021,771
Private Sector:		
Ticketing programs	2,474,673	2,225,264
Sales and marketing programs	1,912,489	2,761,825
Simply Salt Lake gift shop	85,823	55,299
Partner development	720,563	572,869
Other general expenses	525,235	154,378
	5,718,783	5,769,635
Total expenses	15,146,209	14,791,406
Changes in net assets without donor restrictions	(163,559)	(534,170)
Net assets without donor restrictions beginning of year	3,924,367	4,458,537
Net assets without donor restrictions, end of year	\$ 3,760,808	\$ 3,924,367

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, 2021

	Public Sector			Private Sector					Total Private Sector	Total Combined
	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		
Salaries and wages	\$ 3,923,218	\$ 813,007	\$ 4,736,225	\$ -	\$ -	\$ -	\$ 436,273	\$ 14,617	\$ 450,890	\$ 5,187,115
Office expenses	-	72,181	72,181	118,074	-	3,823	9,417	-	131,314	203,495
Printing	17,066	-	17,066	-	-	-	-	-	-	17,066
Advertising and promotion	1,956,140	-	1,956,140	2,325,678	-	3,207	117,497	-	2,446,382	4,402,522
Occupancy	-	102,389	102,389	-	-	55,539	-	10,333	65,872	168,261
Fees for services	451,952	267,216	719,168	-	-	-	-	-	-	719,168
Travel	28,499	20,148	48,647	-	-	-	432	-	432	49,079
Conferences, conventions and meetings	732,893	706,708	1,439,601	-	1,912,047	-	48,894	-	1,960,941	3,400,542
Information technology	498,728	169,450	668,178	-	-	5,161	-	-	5,161	673,339
Education and awareness	38,540	14,645	53,185	-	-	-	108,050	-	108,050	161,235
Other expenses	78,562	(463,916)	(385,354)	30,921	442	18,093	-	500,285	549,741	164,387
	<u>\$ 7,725,598</u>	<u>\$ 1,701,828</u>	<u>\$ 9,427,426</u>	<u>\$ 2,474,673</u>	<u>\$ 1,912,489</u>	<u>\$ 85,823</u>	<u>\$ 720,563</u>	<u>\$ 525,235</u>	<u>\$ 5,718,783</u>	<u>\$15,146,209</u>

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, 2020

	Public Sector			Private Sector						Total Combined
	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	
Salaries and wages	\$ 3,167,120	\$ 434,745	\$ 3,601,865	\$ -	\$ -	\$ 39,730	\$ 301,726	\$ 76,907	\$ 418,363	\$ 4,020,228
Office expenses	-	77,370	77,370	12,001	-	2,344	7,016	-	21,361	98,731
Printing	23,010	-	23,010	-	-	-	-	-	-	23,010
Advertising and promotion	2,013,288	-	2,013,288	2,213,263	-	-	134,568	-	2,347,831	4,361,119
Occupancy	-	161,465	161,465	-	374,562	15,298	-	10,333	400,193	561,658
Fees for services	428,564	358,056	786,620	-	-	-	-	-	-	786,620
Travel	20,238	25,684	45,922	-	-	-	514	3,578	4,092	50,014
Conferences, conventions and meetings	1,748,569	296,467	2,045,036	-	1,938,591	-	91,972	-	2,030,563	4,075,599
Information technology	457,583	107,718	565,301	-	9,000	-	-	-	9,000	574,301
Education and awareness	45,073	(2,131)	42,942	-	(779)	-	34,579	-	33,800	76,742
Other expenses	(308,228)	(32,820)	(341,048)	-	440,451	(2,073)	2,494	63,560	504,432	163,384
	<u>\$ 7,595,217</u>	<u>\$ 1,426,554</u>	<u>\$ 9,021,771</u>	<u>\$ 2,225,264</u>	<u>\$ 2,761,825</u>	<u>\$ 55,299</u>	<u>\$ 572,869</u>	<u>\$ 154,378</u>	<u>\$ 5,769,635</u>	<u>\$14,791,406</u>

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, 2021 and 2020

	2021	2020
Cash flow from operating activities:		
Increase (decrease) in net assets	\$ (163,559)	\$ (534,170)
Adjustments to reconcile change in net assets to cash flow from operating activities:		
Depreciation and amortization	10,333	10,333
Decrease (increase) in operating assets:		
Accounts receivable	10,029	250,137
Accounts receivable, related party	(21,119)	39,121
Deferred tax asset	-	6,323
Inventories	54,845	14,172
Prepaid expenses	(72,541)	181,848
Increase (decrease) in operating liabilities:		
Accounts payable, trade	78,948	(25,237)
Accrued liabilities	609,528	(163,170)
Advance deposits	-	(518,434)
Deferred revenue	1,035,984	(416,956)
Net cash flow from operating activities	1,542,448	(1,156,033)
Cash flow from investing activities:		
Issuance of note receivable	(16,259)	-
Proceeds from investment maturities	750,000	1,750,000
Net cash flow from investing activities	733,741	1,750,000
Net increase in cash and cash equivalents	2,276,189	593,967
Cash and cash equivalents, beginning of year	2,381,755	1,787,788
Cash and cash equivalents, end of year	\$ 4,657,944	\$ 2,381,755
<u>Supplemental disclosures of cash flow information:</u>		
Cash paid during the year for		
Interest	\$ -	\$ -
Income taxes	\$ -	\$ -

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

VISIT SALT LAKE

Notes to the Financial Statements
For the Years Ended December 31, 2021 and 2020

1. **ORGANIZATION**

Visit Salt Lake (“VSL” or the “Organization”) is a 501(c)(6) nonprofit sales and marketing organization. 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, tradeshow, 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.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation

The Organization prepares its financial statements on the accrual basis of accounting and follows accounting principles generally accepted in the United States for nonprofit organizations and reports information regarding its financial position and activities according to two classes of net assets, with donor restrictions and without donor restrictions, based upon the following criteria:

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.

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.

VISIT SALT LAKE

Notes to the Financial Statements
For the Years Ended December 31, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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.

Certificates of Deposit

The Organization holds certificates of deposit with maturities ranging between 2021 and 2022. As of December 31, 2021 and 2020, interest rates ranged from 2.1% 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 **\$50,778** and \$100,783 for the years ended December 31, 2021 and 2020, respectively. 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, 2021 and 2020, the current portion of certifications of deposits were **\$1,500,000** and \$750,000, respectively.

VISIT SALT LAKE

Notes to the Financial Statements
For the Years Ended December 31, 2021 and 2020

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

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

<u>Assets</u>	<u>Useful Lives</u>
Office equipment	5 years
Computer equipment	3 years
Software	3 years
Building improvements	15 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, 2021 and 2020.

Advance Deposits

As part of operations, VSL may receive deposits consisting of registration and housing deposits for future conventions. When applicable, these are recognized as an advance deposit in the liabilities section of the statement of financial position.

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.

VISIT SALT LAKE

Notes to the Financial Statements
For the Years Ended December 31, 2021 and 2020

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Revenue Recognition (Continued)

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.

The Organization recognizes revenue under the core principle of depicting the transfer of promised goods and services to its customers in an amount that reflects the consideration to which it expects to be entitled. In order to achieve that core principle, the Organization applies the following five-step approach: (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when a performance obligation is satisfied.

The Organization recognizes revenue when (or as) a performance obligation is satisfied by transferring promised goods or services to a customer. 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 in sales and marketing programs at the fair market value of the services exchanged. Trade revenue was **\$6,800** and \$21,250 for the years ended December 31, 2021 and 2020, 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.

VISIT SALT LAKE

Notes to the Financial Statements
For the Years Ended December 31, 2021 and 2020

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 **\$1,462,485** and \$1,215,533 the years ended December 31, 2021 and 2020, respectively.

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.

Management evaluates 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. The Organization's Returns of Organization Exempt from Income Tax (Form 990) generally remain subject to examination by the Internal Revenue Service for three years after they are filed.

Reclassification

Certain amounts in the prior year financial statements have been reclassified in order to be comparable with the current year presentation. There were no changes to ending or beginning net assets as a result of these reclassifications.

Recent Developments Related to COVID-19

The World Health Organization has declared the recent COVID-19 outbreak to constitute a "Public Health Emergency of International Concern." The outbreak 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.

VISIT SALT LAKE

Notes to the Financial Statements
For the Years Ended December 31, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements

In March of 2016, the FASB issued Accounting Standards Update (“ASU”) 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.

In September of 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which increases the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure requirements. The amendments in this update require organizations to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. Additionally, organizations are required to enhance disclosures by disaggregating the amount of nonfinancial assets recognized within the statement of activities by type of contributed nonfinancial asset and providing additional qualitative information for each disaggregated category. This new guidance is effective for fiscal years beginning after June 15, 2021. The Organization is currently in the process of evaluating the impacts this update will have on the presentation of its financial statements.

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:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 4,657,944	\$ 2,381,755
Certificates of deposit	1,500,000	750,000
Accounts receivable	613,091	623,120
Note receivable, current portion	<u>21,119</u>	<u>-</u>
Total financial assets	6,792,154	3,754,875
Less:		
Accounts payable, trade	(689,080)	(610,132)
Accrued liabilities	<u>(1,205,161)</u>	<u>(595,633)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 4,897,913</u>	<u>\$ 2,549,110</u>

VISIT SALT LAKE

Notes to the Financial Statements
For the Years Ended December 31, 2021 and 2020

3. LIQUIDITY AND AVAILABILITY (Continued)

The Organization holds certificates of deposit for \$1,500,000 which has been included as a current financial asset in the statements of financial position and in the schedule above. These certificates will mature in 2022 and may be subject to early withdrawal penalties if cashed in before maturity or market fluctuations if sold.

During the year ended December 31, 2020, the Board released its designation on unrestricted net assets. The Board had 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 worked diligently to book these valuable tradeshows, but no such tradeshows were booked. Due to the lack of any tradeshows being recorded, management and the Board considered the release of the designated funds appropriate.

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 **\$253,654** and \$248,496 as of December 31, 2021 and 2020, respectively.

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

4. NOTES RECEIVABLE

During the year ended December 31, 2021, the Organization entered into an unsecured promissory note with an unrelated party in the amount of \$42,560. The note receivable bears interest at a rate of 3% per annum, requires quarterly payments of \$5,501 and is due at maturity in July 2023. As of December 31, 2021, the balance on this note was \$37,378.

As of December 31, 2021, future maturities of the notes receivable are as follows:

Years Ending December 31,

2022	\$	21,119
2023		16,259
Thereafter		-
Total notes receivable		37,378
Less current portion		(21,119)
Notes receivable, less current portion	\$	<u>16,259</u>

VISIT SALT LAKE

Notes to the Financial Statements
For the Years Ended December 31, 2021 and 2020

5. PROPERTY AND EQUIPMENT

The cost and related accumulated depreciation and amortization of property and equipment as of December 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Cost		
Office equipment	\$ 26,008	\$ 26,008
Construction in progress	155,000	155,000
Total cost of property and equipment	181,008	181,008
Accumulated depreciation and amortization	(46,674)	(36,341)
Total property and equipment, net	<u>\$ 134,334</u>	<u>\$ 144,667</u>

Depreciation and amortization expense was **\$10,333** and \$10,333 for the years ended December 31, 2021 and 2020, respectively.

6. LINE OF CREDIT

VSL has a \$300,000 line of credit with interest set at prime plus 2%. The interest rate in effect was **5.25%** and 5.25% as of December 31, 2021 and 2020, 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, 2021 and 2020, the Organization was in compliance with all covenants included in the line of credit agreement. As of December 31, 2021 and 2020, the entire line of credit was unused and available.

7. 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 were 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 evaluates the remaining likelihood that future payments will be required and releases the designated funds for operations based on this evaluation. For the years ended December 31, 2021 and 2020 **\$0** and \$4,000,000, respectively, of designated funds were released for operations.

8. 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.

VISIT SALT LAKE

Notes to the Financial Statements
For the Years Ended December 31, 2021 and 2020

8. CONTRACT SETTLEMENT (Continued)

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, 2021 and 2020 but will be expensed in the year in which performance occurs. For the years ended December 31, 2021 and 2020 there had been no occurrence of events or performance under the settlement agreement for which VSL was liable for payments to the customer.

9. REVENUE FROM CONTRACTS

The following table provides information about significant changes in the contract liabilities for the years ended December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Deferred revenues, beginning of year	\$ 401,761	\$ 818,717
Revenue recognized that was included in deferred revenue at the beginning of year	(401,761)	(818,717)
Increase in deferred revenue due to cash received	<u>1,437,745</u>	<u>401,761</u>
Deferred revenues, end of year	<u>\$ 1,437,745</u>	<u>\$ 401,761</u>

10. GIFT SHOP EXPENSE

Gift shop expense includes cost of goods sold of **\$54,882** and \$18,137 for the years ended December 31, 2021 and 2020, respectively

11. RELATED PARTY TRANSACTIONS

In January 2018, an employee of VSL (“buyer”) 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%. Original terms of the note prohibited prepayment. However, during the year ended December 31, 2020 the note was modified to allow prepayment and the note was paid in full.

VISIT SALT LAKE

Notes to the Financial Statements
For the Years Ended December 31, 2021 and 2020

11. RELATED PARTY TRANSACTIONS (Continued)

Simultaneous with the sale transaction, VSL and Orchid entered into a number of service agreements for membership, 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 employees.

During the year ended December 31, 2021, VSL and Orchid entered into an agreement to terminate these services being provided. Additionally, the buyer of Orchid terminated his employment with VSL and Orchid is no longer considered to be a related party.

Payments by VSL to Orchid under the service agreements totaled **\$217,471** and \$364,718 for the years ended December 31, 2021 and 2020, respectively. Interest payments received by VSL related to the note totaled **\$0** and \$15,000 and membership dues received totaled **\$10,000** and \$10,000 for the years ended December 31, 2021 and 2020, respectively.

12. 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, 2021 and 2020, VSL contributed **\$105,182** and \$100,927, respectively, in required matching contributions. The Organization made discretionary contributions of **\$38,183** and \$0 for the years ended December 31, 2021 and 2020, respectively.

13. 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 **66%** and 63% of the total revenue of the Organization for the years ended December 31, 2021 and 2020, respectively.

VISIT SALT LAKE

Notes to the Financial Statements
For the Years Ended December 31, 2021 and 2020

13. CONCENTRATIONS (Continued)

As of December 31, 2021, there were concentrations in the Organization's accounts receivable balances as 47% of total accounts receivable balances were from one party. As of December 31, 2020, no such concentrations were noted.

14. 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,

2022	\$ 1,710,000
2023	-
2024	-
2025	30,000
2026	-
Thereafter	-
Total commitments	<u>\$ 1,740,000</u>

15. 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.