Visit Salt Lake, The Convention & Visitors Bureau and Orchid Events Solutions

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

For the Years Ended December 31, 2017 and 2016

Larson

CERTIFIED PUBLIC ACCOUNTANTS

VISIT SALT LAKE
THE CONVENTION & VISITORS BUREAU
AND ORCHID EVENT SOLUTIONS

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Independent Auditor's Report

To the Executive Committee of the Board of Trustees
Visit Salt Lake – The Convention & Visitors Bureau and Orchid Event Solutions

We have audited the accompanying consolidated financial statements of **Visit Salt Lake – The Convention & Visitors Bureau and Orchid Event Solutions**, (the "Organization") which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of **Visit Salt Lake – The Convention & Visitors Bureau and Orchid Event Solutions** as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

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

Larson & Company PC

Salt Lake City, Utah
April 18, 2018

VISIT SALT LAKE
THE CONVENTION & VISITORS BUREAU
AND ORCHID EVENT SOLUTIONS

Consolidated Statements of Financial Position
As of December 31, 2017 and 2016

	2017	2016
ASSETS		
Current assets		
Cash and cash equivalents	**$ 3,256,499**	$ 2,298,832
Accounts receivable, less allowance of **$45,313** and $91,012 respectively	**1,694,124**	1,821,816
Accounts receivable, related party	**7,936**	3,103
Income tax receivable	**1,885**	-
Inventories	**57,496**	61,595
Prepaid expenses	**512,821**	110,174
Total current assets	**5,530,761**	4,295,520
Deferred income tax asset	**4,438**	8,926
Equity investment	**52,780**	-
Certificates of deposit	**3,750,000**	-
Property and equipment, net	**142,465**	194,356
Note receivable, related party	**20,000**	20,000
Goodwill	**128,779**	128,779
Total assets	**$ 9,629,223**	$ 4,647,581
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable, trade	**$ 2,073,742**	$ 2,373,364
Accrued liabilities	**1,011,128**	887,381
Advance deposits	**234,722**	269,040
Capital lease, current portion	**24,601**	22,920
Income tax payable	**-**	-
Deferred rent, current portion	**13,784**	10,094
Deferred revenue	**395,196**	355,518
Total current liabilities	**3,753,173**	3,918,317
Capital lease, less current portion	**15,177**	39,778
Deferred rent, less current portion	**110,193**	123,978
Total liabilities	**3,878,543**	4,082,073
Net assets		
Unrestricted net assets		
Undesignated	**750,680**	565,508
Board designated	**5,000,000**	-
Total unrestricted net assets	**5,750,680**	565,508
Total liabilities and net assets	**$ 9,629,223**	$ 4,647,581

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

VISIT SALT LAKE
THE CONVENTION & VISITORS BUREAU
AND ORCHID EVENT SOLUTIONS

Consolidated Statements of Activities

Years Ended December 31, 2017 and 2016

	2017	2016
Changes in unrestricted net assets		
Revenue, gains, losses and other income		
Public sector		
Contract with Salt Lake County: Operations	**$ 9,581,860**	$ 9,842,346
Contract with Salt Lake County: Ski Salt Lake	**450,000**	450,000
	10,031,860	10,292,346
Private Sector		
Ticketing programs	**3,922,162**	2,695,142
Orchid Event Solutions	**3,216,011**	3,167,511
Sales and marketing programs	**649,704**	2,775,573
Simply Salt Lake gift shop	**175,728**	203,809
Partner development	**677,957**	559,226
Contract settlement gain	**6,500,000**	-
Loss on equity investment	**(43,220)**	-
Net investment return	**9,112**	2,185
	15,107,454	9,403,446
Total revenue, gains, losses and other income	**25,139,314**	19,695,792
Expenses		
Public Sector		
Sales, marketing and services	**7,463,879**	8,147,362
General and administrative	**2,567,981**	2,144,984
	10,031,860	10,292,346
Private Sector		
Ticketing programs	**3,914,135**	2,629,689
Orchid Event Solutions	**3,144,677**	3,247,738
Sales and marketing programs	**1,984,088**	2,791,865
Simply Salt Lake gift shop	**238,582**	256,151
Partner development	**624,032**	530,840
Other general expenses	**12,316**	51,159
	9,917,830	9,507,442
Total expenses	**19,949,690**	19,799,788
Increase (decrease) in unrestricted net assets before income tax	**5,189,624**	(103,996)
Income tax (expense) benefit	**(4,452)**	3,992
Increase (decrease) in unrestricted net assets after income tax (expense) benefit	**5,185,172**	(100,004)
Net assets, beginning of year	**565,508**	665,512
Net assets, end of year	**$ 5,750,680**	$ 565,508

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

VISIT SALT LAKE
THE CONVENTION & VISITORS BUREAU
AND ORCHID EVENT SOLUTIONS

Consolidated Statements of Cash Flows
Years Ended December 31, 2017 and 2016

	2017	2016
Cash flow from operating activities		
Increase (decrease) in net assets	**$ 5,185,172**	$ (100,004)
Adjustments to reconcile change in net assets to cash flow from operating activities		
Depreciation and amortization	**78,462**	76,011
Loss on equity investment	**43,220**	-
Decrease (increase) in operating assets		
Accounts receivable	**127,692**	(368,985)
Accounts receivable, related party	**(4,833)**	5,360
Income tax receivable	**(1,885)**	4,934
Inventories	**4,099**	7,761
Prepaid expenses	**(402,647)**	58,903
Deferred tax asset	**4,488**	(8,926)
Increase (decrease) in operating liabilities		
Accounts payable, trade	**(299,622)**	1,095,496
Accrued liabilities	**123,747**	6,315
Advance deposits	**(34,318)**	144,910
Deferred rent	**(10,095)**	(6,512)
Deferred revenue	**39,678**	(324,797)
Net cash flow from operating activities	**4,853,158**	590,466
Cash flow from investing activities		
Purchase of certificates of deposit	**(3,750,000)**	-
Purchase of investments	**(96,000)**	-
Purchase of property and equipment	**(26,571)**	(99,756)
Net cash flow from investing activities	**(3,872,571)**	(99,756)
Cash flow from financing activities		
Payments on capital lease obligations	**(22,920)**	(20,178)
Net cash flow from financing activities	**(22,920)**	(20,178)
Net increase in cash and cash equivalents	**957,667**	470,532
Cash and cash equivalents, beginning of year	**2,298,832**	1,828,300
Cash and cash equivalents, end of year	**$ 3,256,499**	$ 2,298,832

Supplemental disclosures of cash flow information

Cash paid during the year for

	2017	2016
Interest	**$ -**	$ 5,282
Income taxes	**$ -**	$ -

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

1. ORGANIZATION

Visit Salt Lake - The Convention and Visitors Bureau ("VSL") is a 501(c)(6) nonprofit sales and marketing organization 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. **Orchid Event Solutions** ("Orchid") was organized on November 30, 2006 as a wholly owned subsidiary of VSL and provides housing and registration services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The accompanying consolidated financial statements include the accounts of **Visit Salt Lake – The Convention & Visitors Bureau and Orchid Event Solutions** (collectively the "Organization"). All significant intercompany balances and transactions between VSL and Orchid have been eliminated in the consolidation.

Basis of presentation

The Organization prepares its consolidated financial statements on the accrual basis of accounting and follows U.S. generally accepted accounting principles for nonprofit organizations and reports information regarding its consolidated financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted net assets. Classification of restricted net assets is determined by the nature of the donor-imposed restrictions.

- **Unrestricted net assets** represent expendable funds available for operations which are not limited by external donor restrictions. The net asset class includes undesignated and board designated balances. The board designated balances represent amounts set aside by the board to satisfy possible future contingencies related to the settlement of a contract.
- **Temporarily restricted net assets** consist of contributed funds subject to specific donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Organization may spend the funds.
- **Permanently restricted net assets** are subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity usually for the purpose of generating investment income to fund current operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Public and private sector accounting

The accounts of the Organization 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 U.S. generally accepted accounting principles 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

During the year ended December 31, 2017, the Organization purchased 40% ownership in a company called EventRay. This investment has been recorded using the equity method of accounting. During 2017 the original cost was written down by $43,220 for the Organization's share of the loss incurred by EventRay for the year ended December 31, 2017. The decline is recorded as a loss on equity investment in the statement of activities.

Certificates of deposit

The Organization purchased certificates of deposit during the year ended December 31, 2017. Initial maturities at the purchase date of these certificates ranged from 3 to 5 years. At December 31, 2017, 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 $9,112 for the year ended December 31, 2017.

Property and equipment

Under the contract with the County, the County retains ownership of all property, buildings, and equipment purchased or constructed by the Organization 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:

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

Fair value of financial instruments

The Organization'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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2017 and 2016.

Goodwill

Goodwill represents the excess purchase price over the fair value of net assets acquired that is not allocable to separately identifiable intangible assets. Goodwill is reviewed for potential impairments whenever events or circumstances indicate that carrying amounts may not be recoverable. No impairment charges were recorded during the fiscal year ended December 31, 2017 and 2016.

Advance deposits

Advance deposits consist of registration and housing deposits for conventions.

Revenue recognition

Public sector revenues are accrued based on a contractual obligation with the County to fund all authorized expenditures and are recognized as revenue as authorized expenditures are incurred. 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 the Organization 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 $65,000 and $72,470 for the years ended December 31, 2017 and 2016, 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 temporarily restricted support that increases temporarily restricted net assets. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted. The Organization did not receive any restricted support during the years ending December 31, 2017 and 2016.

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 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 $993,309 and $1,097,599 for the years ended December 31, 2017 and 2016, respectively.

Income taxes

The Organization is exempt from federal and state income taxes under Section 501(c)(6) of the Internal Revenue Code. However, the Organization is subject to Federal and State income taxes on income determined to be unrelated business taxable income which is reported annually on IRS Form 990-T. At December 31, 2017 and 2016, the Organization recorded a tax asset of **$4,438** and $8,926, respectively, on this unrelated business activity. Deferred taxes are reported in the consolidated financial statements (Note 10).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income taxes (Continued)

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 2014 and forward.

Reclassifications

Certain reclassifications have been made to the 2016 financial statement presentation in order to reflect the current year presentation. Such reclassifications did not have an effect on overall changes in net assets for the year ended December 31, 2016, and were solely for presentation purposes.

Recently issued accounting pronouncements

In May 2014, the FASB issued Accounting Standards Update No. 2014-09 ("ASU No. 2014-09"), an update to FASB ASC 606, *Revenue from Contracts with Customers*. This update revises previous revenue recognition standards to improve guidance on revenue recognition requirements. Under the new standard, recognition of revenue occurs when a customer obtains control of promised goods or services in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. In addition, the standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The new standard will be effective for the Organization beginning September 1, 2018.

In March of 2016, the FASB issued 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, 2019. The Company does not anticipate a significant impact on the Organization's results of operations, financial position, or cash flows as a result of this new standard.

In August of 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements for Not-for-Profit Entities*. ASU 2016-14 establishes a new financial reporting framework for not-for-profit entities. This will result in changes to the presentation of the statements of financial position, activities, and cash flows.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently issued accounting pronouncements (Continued)

The guidance reduces the classification of net assets to two categories: (1) net assets without donor restrictions and (2) net assets with donor restriction. It also changes the classification and accounting for underwater endowments. ASU 2016-14 requires enhanced net asset disclosures which include information about the timing, nature of restrictions, and composition of the net assets with donor restrictions. Enhanced disclosures are also required for board designated net assets, which are classified as net assets without donor restrictions.

To improve the transparency and utility of liquidity information provided in not-for-profit financial statements, ASU 2016-14 requires disclosure of quantitative and qualitative liquidity information, including how an entity manages liquidity risk and disclosures about availability of assets to meet cash needs within one year of the balance sheet date.

Changes to the statement of activities includes a requirement to report the total change in net assets and the changes in each of the two new classes of nets assets described above. All nonprofits will be required to present an analysis of expenses by function and by natural classification. This can be done on the face of the statement of activities, in a separate statement, or in the footnotes to the financial statements. The statement of cash flows may be presented using the direct or indirect method. If the direct method is used, the Organization is no longer required to include the indirect method reconciliation.

ASU 2016-14 is effective for the fiscal years beginning after December 15, 2017. Early adoption is permitted and encouraged.

3. PROPERTY AND EQUIPMENT

	2017	2016
Cost		
Office equipment	**$ 236,430**	$ 236,430
Computer equipment	**162,739**	136,168
Software	**168,347**	168,347
Total cost of property and equipment	**567,516**	540,945
Accumulated depreciation and amortization	**(425,051)**	(346,589)
Net property and equipment	**$ 142,465**	$ 194,356

Depreciation and amortization expense was **$78,462** and $76,011 for the years ended December 31, 2017 and 2016, respectively.

4. GOODWILL

In June 2009, the Organization completed an acquisition of a software company and acquired certain assets of this company. In conjunction with the purchase, the Organization recorded goodwill. As of December 31, 2017 and 2016, respectively, the Organization had **$128,779** in goodwill related to this acquisition.

5. LINE OF CREDIT

The Organization has a $300,000 line of credit with interest set at prime plus 2%. The interest rate in effect was **6.25%** and 5.75% as of December 31, 2017 and 2016, respectively. The line of credit matured on August 25, 2017 and was immediately renewed. The instrument is collateralized by cash, accounts receivable, inventory and equipment. In addition, the line of credit requires that the Organization meet certain financial covenants. As of December 31, 2017 and 2016, the Organization was in compliance with all covenants included in the line of credit agreement. As of December 31, 2017 and 2016, the entire line of credit was unused and available.

6. CAPITAL LEASE

The Organization leases certain computer hardware and software under a capital lease agreement. The Organization will make 21 payments of $2,219 with a purchase option at the end of the lease of $1. Future capital lease payments are as follows:

Years Ending December 31,	
2018	26,636
2019	15,537
Total minimum lease payments	42,173
Less amount representing interest	(2,395)
Present value of minimum lease payments	$ 39,778

The following is a summary of the leased assets included in property and equipment:

	2017	2016
Office equipment	**$ 92,511**	$ 92,511
Total cost of leased assets	**92,511**	92,511
Accumulated amortization	**(47,797)**	(29,295)
Net leased assets	**$ 44,714**	$ 63,216

7. CONTRACT SETTLEMENT GAIN

During the year ended December 31, 2017, the Organization recognized a settlement gain of $6,500,000 related to the early termination of a contract.

The Organization 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 the Organization $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 (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, 2017 but will be expensed in the year in which performance occurs.

8. GIFT SHOP EXPENSE

Gift shop expense includes cost of goods sold of **$97,101** and $111,036 for the years ended December 31, 2017 and 2016, respectively

9. OPERATING LEASES

The Organization has a lease agreement for office space which is accounted for as an operating lease. In June of 2015, the terms of the lease were amended to remove VSL's option to terminate the lease in exchange for a payment of $100,000 to VSL from the lessor. The deferred rent balance was increased by this amount and will be amortized ratably against rent over the remaining term of the lease.

9. OPERATING LEASES (Continued)

The deferred rent liability arising from the escalating lease terms is amortized over the lease term. At December 31, 2017 and 2016, the deferred rent liability was **$123,977** and $134,072, respectively. Future minimum annual rental payments required under operating leases that have an initial or remaining non-cancelable lease term in excess of one year as of December 31, 2017, are as follows:

Years Ending December 31,		
2018		126,679
2019		130,480
2020		134,395
2021		138,426
2022		142,579
Thereafter		72,343
Total minimum lease payments	$	744,902

Total rent expense under operating leases with terms in excess of one year was **$112,896** and $144,164 for the years ended December 31, 2017 and 2016, respectively.

10. INCOME TAXES

The Organization provides deferred income taxes to reflect the impact of temporary differences between recorded amounts of assets and liabilities for financial reporting purposes and such amounts are measured by tax laws and regulations.

The provision for income taxes includes the tax effects of unrelated business transactions reported in the financial statements and consists of tax currently due plus deferred income taxes. Deferred income taxes are recognized for differences between the basis of assets and liabilities for financial statement and income tax purposes.

10. INCOME TAXES (Continued)

The current and deferred provision for income taxes consists of the following:

	Years Ended December 31, 2017	2016
Current provision:		
Federal income tax	$ -	$ 3,701
State income tax	-	1,233
Total income taxes, current provision	-	4,934
Deferred income taxes resulting from:		
Net operating losses	4,452	(8,926)
Total deferred income taxes	4,452	(8,926)
Total income tax (benefit) expense	$ 4,452	$ (3,992)

The temporary difference and related deferred tax asset is as follows:

	Years Ended December 31, 2017	2016
Net operating losses	$ 4,438	$ 8,926
Total deferred income taxes	$ 4,438	$ 8,926

The following is a reconciliation of the statutory federal income tax rate applied to pretax unrelated business income with the income tax provision attributable to the increase (decrease) in unrestricted net assets in the statement of activities:

	2017	2016
Tax at statutory rate	$ 3,945	$ (9,280)
Increase (decrease) resulting from:		
Prior tax provision adjustment	-	4,934
Meals and entertainment	507	354
Total income tax (benefit) expense	$ 4,452	$ (3,992)

11. RELATED PARTY TRANSATIONS

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

The Organization provides management services to Now Playing Utah based on an operating agreement. As part of the agreement, Now Playing Utah reimburses 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 **$7,936** and $3,103 as of December 31, 2017 and 2016, respectively. Management fees paid by Now Playing Utah to the Organization totaled $20,000 for the years ended December 31, 2017 and 2016, respectively.

During January 2009, the Organization made a non-interest bearing loan to Now Playing Utah for $20,000 with principal due on January 1, 2018.

12. 401(k) SAVINGS PLAN

The Organization 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.

The Organization 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, 2017 and 2016, the Organization contributed **$124,165** and $117,824, respectively, in required matching contributions. The Organization made discretionary contributions of **$116,925** and $107,738 for the years ended December 31, 2017 and 2016, respectively.

13. CONCENTRATIONS

The Organization 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.

13. CONCENTRATIONS (Continued)

The Organization receives a significant amount of contract revenue from Salt Lake County. The county contract provided approximately **40%** and 52% of the total revenue of the Organization for the years ended December 31, 2017 and 2016, respectively.

As of December 31, 2017 and 2016, there were concentrations in the Organization's accounts receivable balances from certain parties as follows:

	2017	2016
Entity B	15%	*
Entity A	12%	11%

*Balance did not represent 10% or more of total receivables for the period presented

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 the Organization 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 the Organization'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,	
2018	76,000
2019	38,000
2020	25,000
2021	30,000
2022	-
Thereafter	30,000
Total commitments	$ 199,000

15. SUBSEQUENT EVENTS

Management has evaluated events and accounts of the Organization from December 31, 2017 through April 18, 2018, the date the financial statements were available to be issued, to determine if there are any subsequent events that provide additional information about conditions that existed at the financial position date.

Orchid Event Solutions Proposed Sale

The Executive Committee of Visit Salt Lake is currently in the process of reviewing a proposal from a current employee for the purchase of Orchid Events, LLC, a wholly owned subsidiary of Visit Salt Lake. Management believes it is more likely than not that this transaction will take place. However, the Organization is still in the early stages of determining the details of the transaction. The sale of Orchid Events, LLC would result in the deconsolidation of the entity as of the effective date of sale, as it would no longer be a fully owned subsidiary of Visit Salt Lake.

SUPPLEMENTARY INFORMATION

VISIT SALT LAKE
THE CONVENTION & VISITORS BUREAU
AND ORCHID EVENT SOLUTIONS

Consolidating Statement of Financial Position
As of December 31, 2017

	Visit Salt Lake	Orchid Event Solutions	Eliminations	Total
ASSETS				
Current assets				
Cash and cash equivalents	$ 2,141,616	$ 1,114,883	$ -	**$ 3,256,499**
Accounts receivable, net	773,715	920,409	-	**1,694,124**
Accounts receivable, related party	99,253	-	(91,317)	**7,936**
Income tax receivable	-	1,885	-	**1,885**
Inventories	57,496	-	-	**57,496**
Prepaid expenses	510,534	2,287	-	**512,821**
Total current assets	3,582,614	2,039,464	(91,317)	**5,530,761**
Deferred income tax asset	-	4,438	-	**4,438**
Investments	-	52,780	-	**52,780**
Certificates of deposit	3,750,000	-	-	**3,750,000**
Property and equipment, net	-	142,465	-	**142,465**
Note receivable, related party	20,000	-	-	**20,000**
Goodwill	-	128,779	-	**128,779**
Total assets	$ 7,352,614	$ 2,367,926	$ (91,317)	**$ 9,629,223**
LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable, trade	$ 680,567	$ 1,393,175	$ -	**$ 2,073,742**
Accounts payable, related party	-	91,317	(91,317)	**-**
Accrued liabilities	827,630	183,498	-	**1,011,128**
Advance deposits	-	234,722	-	**234,722**
Capital lease, current portion	-	24,601	-	**24,601**
Income tax payable	-	-	-	**-**
Deferred rent, current portion	6,140	7,644	-	**13,784**
Deferred revenue	395,196	-	-	**395,196**
Total current liabilities	1,909,533	1,934,957	(91,317)	**3,753,173**
Capital lease, less current portion	-	15,177	-	**15,177**
Deferred rent, less current portion	49,087	61,106	-	**110,193**
Total liabilities	1,958,620	2,011,240	(91,317)	**3,878,543**
Net assets				
Unrestricted net assets				
Undesignated	393,994	356,686	-	**750,680**
Board designated	5,000,000	-	-	**5,000,000**
Total unrestricted net assets	5,393,994	356,686	-	**5,750,680**
Total liabilities and net assets	$ 7,352,614	$ 2,367,926	$ (91,317)	**$ 9,629,223**

See Independent Auditor’s Report

VISIT SALT LAKE
THE CONVENTION & VISITORS BUREAU
AND ORCHID EVENT SOLUTIONS

Consolidating Statement of Financial Position
As of December 31, 2016

	Visit Salt Lake	Event Solutions	Eliminations	Total
ASSETS				
Current assets				
Cash and cash equivalents	$ 1,359,873	$ 938,959	$ -	**$ 2,298,832**
Accounts receivable, net	540,496	1,281,320	-	**1,821,816**
Accounts receivable, related party	143,433	-	(140,330)	**3,103**
Inventories	61,595	-	-	**61,595**
Prepaid expenses	108,112	2,062	-	**110,174**
Total current assets	2,213,509	2,222,341	(140,330)	**4,295,520**
Deferred income tax asset	-	8,926	-	**8,926**
Property and equipment, net	-	194,356	-	**194,356**
Note receivable, related party	20,000	-	-	**20,000**
Goodwill	-	128,779	-	**128,779**
Total assets	$ 2,233,509	$ 2,554,402	$ (140,330)	**$ 4,647,581**
LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable, trade	$ 857,048	$ 1,516,316	$ -	**$ 2,373,364**
Accounts payable, related party	-	140,330	(140,330)	**-**
Accrued liabilities	735,637	151,744	-	**887,381**
Advance deposits	-	269,040	-	**269,040**
Capital lease, current portion	-	22,920	-	**22,920**
Deferred rent, current portion	3,977	6,117	-	**10,094**
Deferred revenue	355,518	-	-	**355,518**
Total current liabilities	1,952,180	2,106,467	(140,330)	**3,918,317**
Capital lease, less current portion	-	39,778	-	**39,778**
Deferred rent, less current portion	48,845	75,133	-	**123,978**
Total liabilities	2,001,025	2,221,378	(140,330)	**4,082,073**
Net assets				
Unrestricted net assets				
Undesignated	232,484	333,024	-	**565,508**
Board designated	-	-	-	**-**
Total unrestricted net assets	232,484	333,024	-	**565,508**
Total liabilities and net assets	$ 2,233,509	$ 2,554,402	$ (140,330)	**$ 4,647,581**

See Independent Auditor's Report

VISIT SALT LAKE
THE CONVENTION & VISITORS BUREAU
AND ORCHID EVENT SOLUTIONS

Consolidating Statement of Activity
Year Ended December 31, 2017

	Visit Salt Lake	Orchid Event Solutions	Eliminations	Total
Changes in unrestricted net assets				
Revenue, gains, losses and other income				
Public sector				
Contracts with Salt Lake County				
Operations	$ 9,581,860	$ -	$ -	**$ 9,581,860**
Ski Salt Lake	450,000	-	-	**450,000**
	10,031,860	-	-	**10,031,860**
Private Sector				
Ticketing programs	3,922,162	-	-	**3,922,162**
Orchid Event Solutions	-	3,216,011	-	**3,216,011**
Sales and marketing programs	649,704	-	-	**649,704**
Simply Salt Lake gift shop	175,728	-	-	**175,728**
Partner development	677,957	-	-	**677,957**
Contract settlement gain	6,500,000	-	-	**6,500,000**
Loss on equity invesment	-	(43,220)	-	**(43,220)**
Net investment return	9,112	-	-	**9,112**
	11,934,663	3,172,791	-	**15,107,454**
Total revenue, gains and other income	21,966,523	3,172,791	-	**25,139,314**
Expenses				
Public Sector				
Sales, marketing and services	7,463,879	-	-	**7,463,879**
General and administrative	2,567,981	-	-	**2,567,981**
	10,031,860	-	-	**10,031,860**
Private Sector				
Ticketing programs	3,914,135	-	-	**3,914,135**
Orchid Event Solutions	-	3,144,677	-	**3,144,677**
Sales and marketing programs	1,984,088	-	-	**1,984,088**
Simply Salt Lake gift shop	238,582	-	-	**238,582**
Partner development	624,032	-	-	**624,032**
Other general expenses	12,316	-	-	**12,316**
	6,773,153	3,144,677	-	**9,917,830**
Total expenses	16,805,013	3,144,677	-	**19,949,690**
Increase (decrease) in unrestricted net assets before income taxes	5,161,510	28,114	-	**5,189,624**
Income tax benefit (expense)	-	(4,452)	-	**(4,452)**
Increase (decrease) in unrestricted net assets after income tax benefit (expense)	5,161,510	23,662	-	**5,185,172**
Net assets, beginning of year	232,484	333,024	-	**565,508**
Net assets, end of year	$ 5,393,994	$ 356,686	$ -	**$ 5,750,680**

See Independent Auditor's Report

VISIT SALT LAKE
THE CONVENTION & VISITORS BUREAU
AND ORCHID EVENT SOLUTIONS

Consolidating Statement of Activity
Year Ended December 31, 2016

	Visit Salt Lake	Orchid Event Solutions	Eliminations	Total
Changes in unrestricted net assets				
Revenue and other income				
Public sector				
Contract with Salt Lake County				
Operations	$ 9,842,346	$ -	$ -	**$ 9,842,346**
Ski Salt Lake	450,000	-	-	**450,000**
	10,292,346	-	-	**10,292,346**
Private Sector				
Ticketing programs	2,695,142	-	-	**2,695,142**
Orchid Event Solutions	-	3,167,511	-	**3,167,511**
Sales and marketing programs	2,775,573	-	-	**2,775,573**
Simply Salt Lake gift shop	203,809	-	-	**203,809**
Partner development	559,226	-	-	**559,226**
Interest and other income	2,185	-	-	**2,185**
	6,235,935	3,167,511	-	**9,403,446**
Total revenue and other income	16,528,281	3,167,511	-	**19,695,792**
Expenses				
Public Sector				
Sales, marketing and services	8,147,362	-	-	**8,147,362**
General and administrative	2,144,984	-	-	**2,144,984**
	10,292,346	-	-	**10,292,346**
Private Sector				
Ticketing programs	2,629,689	-	-	**2,629,689**
Orchid Event Solutions	-	3,247,738	-	**3,247,738**
Sales and marketing programs	2,791,865	-	-	**2,791,865**
Simply Salt Lake gift shop	256,151	-	-	**256,151**
Partner development	530,840	-	-	**530,840**
Other general expenses	51,159	-	-	**51,159**
	6,259,704	3,247,738	-	**9,507,442**
Total expenses	16,552,050	3,247,738	-	**19,799,788**
Increase (decrease) in unrestricted net assets before income taxes	(23,769)	(80,227)	-	**(103,996)**
Income tax benefit (expense)	-	3,992	-	**3,992**
Increase (decrease) in unrestricted net assets after income tax benefit (expense)	(23,769)	(76,235)	-	**(100,004)**
Net assets, beginning of year	256,253	409,259	-	**665,512**
Net assets, end of year	$ 232,484	$ 333,024	$ -	**$ 565,508**

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