

**CHARLESTON WINE & FOOD FESTIVAL
CHARLESTON, SOUTH CAROLINA**

**AUDITED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT**

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Charleston Wine & Food Festival
Charleston, South Carolina

Opinion

We have audited the accompanying financial statements of Charleston Wine & Food Festival (a non-profit organization) which comprise the statements of financial position as of June 30, 2022 and 2021, 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 Charleston Wine & Food Festival as of June 30, 2022 and 2021, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Charleston Wine & Food Festival and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities 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 Charleston Wine & Food Festival'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 auditors' 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 audits.
- 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 audits 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 Charleston Wine & Food Festival'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 Charleston Wine & Food Festival'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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2023, on our consideration of Charleston Wine & Food Festival's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Charleston Wine & Food Festival's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Charleston Wine & Food Festival's internal control over financial reporting and compliance.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2023, on our consideration of Charleston Wine & Food Festival's compliance for each major program and on internal control over compliance required by the Uniform Guidance. The purpose of that report is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Charleston Wine & Food Festival's compliance for each major program and on internal control over compliance required by the Uniform Guidance.



Charleston, South Carolina
January 31, 2023

**CHARLESTON WINE & FOOD FESTIVAL
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash	\$ 2,027,781	\$ 847,253
Prepaid expenses	38,383	4,674
Retail inventory	2,387	1,379
Accounts receivable	16,211	12,174
Total Current Assets	<u>2,084,762</u>	<u>865,480</u>
<u>Fixed and Intangible Assets</u>		
Furniture and equipment	74,768	75,247
Leasehold improvements	74,943	74,943
Website	20,000	20,000
Less: accumulated amortization	(20,000)	(20,000)
Less: accumulated depreciation	(105,215)	(102,466)
Property, Plant and Equipment, net	<u>44,496</u>	<u>47,724</u>
Security deposits	<u>-</u>	<u>3,700</u>
Total Assets	<u>\$ 2,129,258</u>	<u>\$ 916,904</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities</u>		
Accounts payable	\$ 27,272	\$ 8,952
Credit card liabilities	11,924	7,813
Deferred revenue	-	207,000
Capital lease obligation, current portion	4,509	821
Total Current Liabilities	<u>43,705</u>	<u>224,586</u>
<u>Noncurrent Liabilities</u>		
Capital lease obligation, net of current portion	<u>4,787</u>	<u>-</u>
Total Liabilities	48,492	224,586
<u>Net Assets</u>		
Without donor restrictions	<u>2,080,766</u>	<u>692,318</u>
Total Net Assets	<u>2,080,766</u>	<u>692,318</u>
Total Liabilities and Net Assets	<u>\$ 2,129,258</u>	<u>\$ 916,904</u>

See Accompanying Notes to the Financial Statements

**CHARLESTON WINE & FOOD FESTIVAL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Sponsorships	\$ 940,000	\$ -	\$ 940,000
Ticket sales	3,251,628	-	3,251,628
Grants	274,012	-	274,012
Retail sales	127,991	-	127,991
In-kind donations	3,342,640	-	3,342,640
Interest	265	-	265
Federal financial assistance - SVOG	1,709,200	-	1,709,200
Miscellaneous	4,731	-	4,731
Total support and revenue	<u>9,650,467</u>	<u>-</u>	<u>9,650,467</u>
Net assets released from restriction	<u>-</u>	<u>-</u>	<u>-</u>
Total support and revenue and net assets released from restriction	<u>9,650,467</u>	<u>-</u>	<u>9,650,467</u>
Expenses			
Program services	7,704,129	-	7,704,129
Supporting services:			
General and administrative	254,318	-	254,318
Fundraising	303,572	-	303,572
Total supporting services	<u>557,890</u>	<u>-</u>	<u>557,890</u>
Total expenses	<u>8,262,019</u>	<u>-</u>	<u>8,262,019</u>
Increase in net assets	1,388,448	-	1,388,448
Net assets at beginning of year	<u>692,318</u>	<u>-</u>	<u>692,318</u>
Net assets at end of year	<u><u>\$ 2,080,766</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,080,766</u></u>

See Accompanying Notes to the Financial Statements

CHARLESTON WINE & FOOD FESTIVAL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Sponsorships	\$ 256,000	\$ -	\$ 256,000
Grants	87,288	-	87,288
Retail sales	776	-	776
In-kind donations	61,463	-	61,463
Interest	91	-	91
Federal financial assistance - PPP	278,110	-	278,110
Miscellaneous	5,883	-	5,883
Total support and revenue	689,611	-	689,611
Net assets released from restriction	37,500	(37,500)	-
Total support and revenue and net assets released from restriction	727,111	(37,500)	689,611
Expenses			
Program services	774,648	-	774,648
Supporting services:			
General and administrative	158,054	-	158,054
Fundraising	235,618	-	235,618
Total supporting services	393,672	-	393,672
Total expenses	1,168,320	-	1,168,320
Decrease in net assets	(441,209)	(37,500)	(478,709)
Net assets at beginning of year	1,133,527	37,500	1,171,027
Net assets at end of year	\$ 692,318	\$ -	\$ 692,318

See Accompanying Notes to the Financial Statements

**CHARLESTON WINE & FOOD FESTIVAL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022**

	Program and Production	General and Administrative	Fundraising	Total
Contract Staff	\$ 77,420	\$ -	\$ -	\$ 77,420
Salaries	499,974	135,422	230,779	866,175
Employee Benefits	59,157	15,874	27,051	102,082
Payroll Taxes	37,001	9,928	16,919	63,848
Lodging - In-kind	116,643	-	-	116,643
Direct Festival Expenses	5,925,660	-	-	5,925,660
Marketing	805,028	-	-	805,028
Professional Fees	-	60,289	-	60,289
Miscellaneous	4,879	9,812	1,344	16,035
Training	5,208	-	579	5,787
Occupancy Costs	78,210	7,208	8,559	93,977
Office Expense	31,743	6,394	7,389	45,526
Meals and Entertainment	27,281	6,296	8,394	41,971
Donations	16,000	-	-	16,000
Dues and Subscriptions	6,117	1,748	874	8,739
Depreciation and Amortization	13,808	1,347	1,684	16,839
	<u>\$ 7,704,129</u>	<u>\$ 254,318</u>	<u>\$ 303,572</u>	<u>\$ 8,262,019</u>

See Accompanying Notes to the Financial Statements

**CHARLESTON WINE & FOOD FESTIVAL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021**

	Program and Production	General and Administrative	Fundraising	Total
Contract Staff	\$ 78,022	\$ -	\$ -	\$ 78,022
Salaries	339,322	76,600	175,400	591,322
Employee Benefits	52,898	11,856	26,449	91,203
Payroll Taxes	25,759	5,773	12,879	44,411
Lodging - In-kind	3,571	-	-	3,571
Direct Festival Expenses - cancelled	80,710	-	-	80,710
Marketing	66,837	-	-	66,837
Professional Fees	-	51,148	-	51,148
Miscellaneous	5,621	4,101	-	9,722
Training	3,108	345	-	3,453
Occupancy Costs	67,839	3,111	10,889	81,839
Office Expense	11,296	1,936	4,319	17,551
Meals and Entertainment	3,696	853	1,137	5,686
Donations	7,552	-	-	7,552
Dues and Subscriptions	4,213	1,204	602	6,019
Depreciation and Amortization	24,204	1,127	3,943	29,274
	<u>\$ 774,648</u>	<u>\$ 158,054</u>	<u>\$ 235,618</u>	<u>\$ 1,168,320</u>

See Accompanying Notes to the Financial Statements

**CHARLESTON WINE & FOOD FESTIVAL
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<u>Cash Flows from Operating Activities:</u>		
Change in net assets	\$ 1,388,448	\$ (478,709)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation	16,839	28,163
Amortization	-	1,111
Gain on forgiveness of PPP loan	-	(133,000)
Change in:		
Accounts receivable	(4,037)	28,058
Grants receivable	-	37,500
Security deposit	3,700	-
Retail inventory	(1,008)	1,752
Prepaid expenses	(33,709)	19,876
Credit card liabilities	4,111	4,085
Accrued payroll	-	-
Deferred revenue	(207,000)	207,000
Accounts payable	18,320	(30,232)
	<u>1,185,664</u>	<u>(314,396)</u>
Net cash provided by (used for) operating activities		
<u>Cash Flows from Financing Activities:</u>		
Principal payments on capital lease obligations	<u>(5,136)</u>	<u>(4,839)</u>
Net cash used for financing activities	<u>(5,136)</u>	<u>(4,839)</u>
Net increase (decrease) in cash	1,180,528	(319,235)
Cash, beginning of year	<u>847,253</u>	<u>1,166,488</u>
Cash, end of year	<u><u>\$ 2,027,781</u></u>	<u><u>\$ 847,253</u></u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	<u><u>\$ 630</u></u>	<u><u>\$ 211</u></u>
Forgiveness of PPP funds	<u><u>\$ -</u></u>	<u><u>\$ 133,000</u></u>

See Accompanying Notes to the Financial Statements

**CHARLESTON WINE & FOOD FESTIVAL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

1. SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Nature of Operations

Charleston Wine & Food Festival (the "Festival") is a non-profit organization established on April 13, 2005. Its principle activities consist of an annual wine and food festival for the purpose of public education about the culinary arts and to financial support to provide various culinary charities in the Charleston, South Carolina area. Charleston Wine + Food infuses homegrown flavor with top chefs, winemakers, authors, storytellers, artisans, experts, and food enthusiasts from around the globe for a five-day event that spans the first full weekend each March. The 2022 festival was held on March 2 - 6, 2022.

Global COVID-19 Pandemic and Festival Cancellation

On March 11, 2020, the World Health Organization characterized coronavirus (COVID-19) as a pandemic, and on March 13, 2020 the President of the United States declared a national emergency relating to the disease. In addition to the President's declaration, state and local authorities have recommended social distancing and have imposed quarantine and isolation measures on large portions of the population, including mandatory business closures. These measures are designed to protect the overall public health, however are expected to have material adverse impacts on domestic and foreign economies and may result in the United States entering a period of recession.

On July 30, 2020, after significant consideration by management and the board of directors, as well as cooperation with community and municipal leaders the 2021 festival, scheduled for March 3 - 7, 2021, was cancelled. The cancellation was made in direct response to the public health precautions being taken against the spread of COVID-19.

The Festival provided all 2021 partners and Friends of the Festival two options associated with their paid sponsorships: 1) defer to the 2022 festival or 2) donate sponsorship to the Charleston Wine & Food Festival. The Festival has communicated with all sponsors regarding choosing one of these options.

Basis of Accounting

The Festival's financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles of the United States of America, and accordingly reflect all significant receivables, payables, and other liabilities. Under this basis, revenue is recognized when earned and expenditures are recognized when incurred.

Estimates and Assumptions

The preparation of financial statements, in conformity with generally accepted accounting principles of the United States of America, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Basis of Presentation

The financial statements of the Festival have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Festival to report information regarding its financial position and activities according to the following net asset classifications:

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 Festival. These net assets may be used at the discretion of the Festival's management and 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 the Festival 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.

**CHARLESTON WINE & FOOD FESTIVAL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

1. SIGNIFICANT ACCOUNTING AND REPORTING POLICIES - CONTINUED

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Fixed and Intangible Assets

Property, equipment, leasehold improvements, and intangible assets are recorded at cost at the date of acquisition or, if donated, at the approximate value at the date of donation. The Festival maintains a capitalization threshold of \$1,000 or more and an estimated useful life in excess of one year. Expenditures that result in the substantial betterment of assets are capitalized. Other expenditures for maintenance and repairs are charged to operations in the year costs are incurred. Depreciation is provided for over the estimated lives of respective assets using the straight-line method.

Contributed Property, Equipment, and Leasehold Improvements

Contributed property, equipment, and leaseholder improvements are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Cash and Cash Equivalents

The Festival considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. As of June 30, 2022 and 2021, the Festival had no investments that qualified as cash equivalents.

Deferred Revenue

At June 30, 2022 and 2021, sponsorships of \$0 and \$207,000 respectively, were received and deferred until recognition in the year of the related festival.

Public Support and Revenue

Grants and contributions, which are limited to the use of various Festival programs, received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, and are provided by persons possessing those specialized skills, and would need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statements of functional expenses. The Festival allocates its expenses on a functional basis among its various programs and supporting services. Expenses that can be identified with specific programs or support services are allocated directly to their natural expenditure classification. Other expenses that are common to several functions are allocated by various statistical methods.

**CHARLESTON WINE & FOOD FESTIVAL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

1. SIGNIFICANT ACCOUNTING AND REPORTING POLICIES – CONTINUED

Income Tax Status

The Festival is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and exempt from state income taxes under the laws of South Carolina. In addition, the Festival has been determined by the Internal Revenue Service not to be a “private foundation” within the meaning of Section 509(a) of the Code. Therefore, no provision of income taxes has been provided for. There is no unrelated business income for the years ended June 30, 2022 and 2021.

Donated Services

During the years ended June 30, 2022 and 2021, the value of contributed services meeting the requirements for recognition in the financial statements has been recorded. A substantial number of unpaid volunteers have made significant contributions of their time in performing a variety of tasks that assisted the Festival. The value of these services has not been determined and has not been recognized in the financial statements for the years ended June 30, 2022 and 2021.

Advertising and Fundraising Expenses

The Festival reports advertising and fundraising costs as incurred.

Compensated Absences

All vacation and sick days earned by employees for the year are accrued at the beginning of the fiscal year and do not carry over to the next year. Full-time staff members are eligible for a certain number of vacation days, during which the employee will receive full pay. The exact number of vacation days is based on the employee's length of employment. Employees, who have worked at the Festival longer than six months, receive two weeks paid vacation (80 hours). Employees, who have worked at the Festival for over five years, receive three weeks paid vacation (120 hours) and four weeks paid vacation (160 hours) after ten years. Salaried employees receive one week paid for sick time (40 hours) at the completion of the first salaried six months with the Festival.

Recently Adopted Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. On May 20, 2020, the FASB voted to defer the effective date of ASC 606. The ASU was effective for the Festival's annual periods beginning after December 15, 2019, which is the year ended June 30, 2021. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. Festival has implemented this new standard and it did not materially impact the financial statements.

Recently Issued Accounting Pronouncements

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The objective of this ASU is to increase transparency of contributed nonfinancial assets for not-for-profit (“NFP”) entities through enhancements to presentation and disclosure. The amendments in this ASU apply to NFPs that receive contributed nonfinancial assets. Contribution revenue may be presented in the financial statements using different terms (for example, gifts, donations, grants, gifts-in-kind, donated services, or other terms). The term nonfinancial asset includes fixed assets (such as land, buildings, and equipment), use of fixed assets or utilities, materials and supplies, intangible assets, services, and unconditional promises of those assets. The amendments in this ASU will improve financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets for NFPs, including additional disclosure requirements for recognized contributed services. The amendments will not change the recognition and measurement requirements. ASU

**CHARLESTON WINE & FOOD FESTIVAL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

1. SIGNIFICANT ACCOUNTING AND REPORTING POLICIES – CONTINUED

2020-07 is effective for fiscal years beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early application of the amendments is permitted. The Festival adopted the standard on July 1, 2021, retrospectively. The standard did not have an impact on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* (“Topic 842”), which will require a lessee to recognize assets and liabilities for leases with lease terms of more than twelve months. Consistent with current GAAP, the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. However, unlike current GAAP—which requires only finance leases to be recognized on the balance sheet—Topic 842 will require both finance and operating leases to be recognized on the statements of financial position. Various subsequent accounting standards have been issued by the FASB that clarify, modify, or expand the guidance for Topic 842. In November 2019, the FASB issued ASU 2019-10, *Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates*, which deferred the effective date of Topic 842, as amended, by one year. Additionally, in June 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, which further deferred the effective date of Topic 842, as amended, by one additional year. The guidance set forth in Topic 842 is now effective for the Festival for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Early application is permitted.

The Festival is currently assessing the impact this recent accounting pronouncement will have on its financial statements.

2. IN-KIND CONTRIBUTIONS

In-kind contributions included in the statements of activities for the years ended June 30 are as follows:

	<u>2022</u>	<u>2021</u>
Marketing	\$ 470,955	\$ 3,600
Lodging	116,643	3,571
Food and beverages	437,742	552
Production services	2,289,299	48,740
Professional services	<u>28,001</u>	<u>5,000</u>
Total in-kind contributions	<u>\$ 3,342,640</u>	<u>\$ 61,463</u>

In-kind amounts, which are based upon information provided by third-party service providers, are recorded at their estimated fair value determined on the date of contribution and are reported as contributions in-kind and supporting services on the accompanying statements of activities and statements of functional expenses.

3. OPERATING LEASES

The Festival entered into a lease agreement for office space located at 635 Rutledge Avenue in February 2017. The lease is for sixty months and expires April 30, 2022. The lease calls for monthly payments of \$6,969 due on the first day of each calendar month beginning April 1, 2017. On January 6, 2022, the office space lease agreement was extended for an additional 60 month term and expires April 30, 2027. The lease calls for monthly payments of \$7,504 increasing 2.5% annually. The festival also leases equipment under an operating lease with payments of \$124 due monthly.

**CHARLESTON WINE & FOOD FESTIVAL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

3. OPERATING LEASES – CONTINUED

Rental expense charged to operations was \$86,440 and 75,004 for the years ended June 30, 2022 and 2021, respectively.

Future minimum rental payments for office space and equipment under an operating lease as of June 30, 2022 are as follows:

2023	\$	90,422
2024		92,678
2025		95,002
2026		97,376
2027		82,830
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	\$	458,308
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4. CAPITAL LEASE

In July 2018 the Festival acquired computer equipment for \$14,089 through a three-year capital lease agreement. Under the terms of the agreement, the Festival committed to pay \$14,893 over the term of the lease in monthly installments of \$414, including interest. Amortization expense on the equipment has been included in depreciation expense for the years ended June 30, 2022 and 2021. The net book value of the equipment was and \$0 and \$4,696 at June 30, 2022 and 2021, respectively.

Future minimum payments under the capital lease are as follows for the years ending June 30:

2023	\$	4,509
2024		4,787
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	\$	9,296
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5. CONCENTRATION OF ECONOMIC RISK

The Festival maintains its cash account at a local financial institution. The Festival has not experienced any losses in the account and does not believe it is exposed to any significant credit risk on cash which may, at times, exceed federally insured limits. These cash funds were insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 at June 30, 2022 and 2021. At June 30, 2022, \$1,777,322 of the Festival's cash balances exceeded federally insured limits.

6. LINE OF CREDIT

On August 8, 2017 the Festival entered into a line of credit agreement with Truist (formerly Branch Banking & Trust Bank) permitting the Festival to borrow up to \$75,000. This lending agreement was renewed on August 8, 2021 and bears interest at the bank's prime interest rate plus .5%. Principal plus any accrued interest on the line of credit is due in full at maturity on August 11, 2022. The Festival did not have any balances due on the line of credit at June 30, 2022 and 2021.

7. PAYCHECK PROTECTION PROGRAM NOTE

On April 21, 2020, the Festival received a \$133,000 Payroll Protection Program ("PPP") loan from the US Small Business Administration ("SBA") through a commercial lender. The loan is forgivable under expanding terms if the Festival was able to retain employees and expend funds under the criteria of the PPP.

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7. PAYCHECK PROTECTION PROGRAM NOTE - CONTINUED

The Festival was not required to repay any of the \$133,000 PPP funds as it complied with and received approval for forgiveness during the 2021 fiscal year.

On April 2, 2021, the Festival received a second Paycheck Protection Program ("PPP") loan in the amount of \$145,110 from the US Small Business Administration ("SBA") through a commercial lender. The loan also is forgivable under defined terms.

In accordance with generally accepted accounting principles in the United States of America (US GAAP), an organization can elect to treat a PPP note as federal financial assistance if it is probable it will meet the PPP forgiveness criteria at the time of note issuance or during the term of the related note. Accordingly, the Festival has treated the forgiveness and anticipated forgiveness of the second PPP loan as federal financial assistance, and not gain on forgiveness of debt under US GAAP. Further, the Festival presented such federal financial assistance in the operating section of the statements of cash flows versus the financing section under these standards.

8. 401(k) RETIREMENT PLAN

The Festival maintains a 401(k)-retirement plan (the "Plan") administered by Ascensus. Employees are eligible to participate if they have been with the Festival for at least three months and are 21 years of age or older. Employees may defer between 1% to 100% of their compensation on a pre-tax basis, up to a maximum of \$19,000, to the retirement plan. Employee contributions are 100% vested after 1 year of service. Employees receive an employer match of 3%. Total retirement plan expense for the years ended June 30, 2022 and 2021, was \$20,309 and \$17,742 respectively.

9. AVAILABILITY OF FINANCIAL RESOURCES

The following reflects the Festival's financial assets at June 30, 2022 and 2021, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

	<u>2022</u>	<u>2021</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 2,027,781	\$ 847,253
Accounts receivable	16,211	12,174
Total financial assets	<u>2,043,992</u>	<u>859,427</u>
Less those unavailable for general expenditures within one year due to:		
Contractual or donor-imposed restrictions:		
Subject to satisfaction of donor-imposed restrictions	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,043,992</u>	<u>\$ 859,427</u>

**CHARLESTON WINE & FOOD FESTIVAL
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10. SUBSEQUENT EVENTS

In accordance with ASC 855, the Festival evaluated subsequent events at June 30, 2022 through January 31, 2023, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.