

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

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

**FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

## **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, 2023 and 2022, 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, 2023 and 2022, 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 audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **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.

### **Auditors' 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.

A handwritten signature in black ink that reads "Glaser and Company, LLC". The signature is written in a cursive, flowing style.

Charleston, South Carolina  
January 4, 2024

**CHARLESTON WINE & FOOD FESTIVAL**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
<b><u>ASSETS</u></b>		
<b><u>Current Assets</u></b>		
Cash	\$ 573,102	\$ 2,027,781
Prepaid expenses	26,006	38,383
Retail inventory	6,677	2,387
Accounts receivable	80,913	16,211
Grants receivable	75,000	-
Total Current Assets	<u>761,698</u>	<u>2,084,762</u>
<b><u>Fixed and Intangible Assets</u></b>		
Furniture and equipment	82,766	74,768
Leasehold improvements	74,943	74,943
Website	20,000	20,000
Less: accumulated amortization	(20,000)	(20,000)
Less: accumulated depreciation	(123,341)	(105,215)
Property, Plant and Equipment, net	<u>34,368</u>	<u>44,496</u>
<b><u>Operating lease right-of-use asset</u></b>	<u>343,177</u>	<u>427,397</u>
<b>Total Assets</b>	<u><u>\$ 1,139,243</u></u>	<u><u>\$ 2,556,655</u></u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b><u>Current Liabilities</u></b>		
Accounts payable	44,724	\$ 27,272
Accrued payroll	24,844	-
Credit card liabilities	13,598	11,924
Deferred revenue	123,762	-
Finance lease obligation, current portion	4,787	4,509
Operating lease liabilities, current portion	83,851	79,210
Total Current Liabilities	<u>295,566</u>	<u>122,915</u>
<b><u>Noncurrent Liabilities</u></b>		
Finance lease obligation, net of current portion	717	4,787
Operating lease liabilities, long-term portion	264,335	348,187
Total Noncurrent Liabilities	<u>265,052</u>	<u>352,974</u>
Total Liabilities	560,618	475,889
<b><u>Net Assets</u></b>		
Without donor restrictions	503,625	2,080,766
With donor restrictions	75,000	-
Total Net Assets	<u>578,625</u>	<u>2,080,766</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 1,139,243</u></u>	<u><u>\$ 2,556,655</u></u>

See Accompanying Notes to the Financial Statements

**CHARLESTON WINE & FOOD FESTIVAL**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Support and Revenue</b>			
Sponsorships	\$ 987,250	\$ -	\$ 987,250
Ticket sales	2,922,297	-	2,922,297
Grants	410,347	75,000	485,347
Retail sales	39,655	-	39,655
In-kind donations	1,655,869	-	1,655,869
Interest	202	-	202
Miscellaneous	68,612	-	68,612
Total support and revenue	<u>6,084,232</u>	<u>75,000</u>	<u>6,159,232</u>
Net assets released from restriction	<u>-</u>	<u>-</u>	<u>-</u>
Total support and revenue and net assets released from restriction	<u>6,084,232</u>	<u>75,000</u>	<u>6,159,232</u>
<b>Expenses</b>			
Program services	7,000,446	-	7,000,446
Supporting services:			
General and administrative	339,647	-	339,647
Fundraising	321,280	-	321,280
Total supporting services	<u>660,927</u>	<u>-</u>	<u>660,927</u>
Total expenses	<u>7,661,373</u>	<u>-</u>	<u>7,661,373</u>
(Decrease) increase in net assets	(1,577,141)	75,000	(1,502,141)
Net assets at beginning of year	<u>2,080,766</u>	<u>-</u>	<u>2,080,766</u>
Net assets at end of year	<u>\$ 503,625</u>	<u>\$ 75,000</u>	<u>\$ 578,625</u>

See Accompanying Notes to the Financial Statements

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

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Support and Revenue</b>			
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>
<b>Expenses</b>			
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>\$ 2,080,766</u>	<u>\$ -</u>	<u>\$ 2,080,766</u>

See Accompanying Notes to the Financial Statements

**CHARLESTON WINE & FOOD FESTIVAL  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2023**

	<b>Program and Production</b>	<b>General and Administrative</b>	<b>Fundraising</b>	<b>Total</b>
Contract Staff	\$ 79,018	\$ -	\$ -	\$ 79,018
Salaries	698,826	112,478	222,703	1,034,007
Employee Benefits	77,970	12,549	24,848	115,367
Payroll Taxes	52,988	8,529	16,887	78,404
Lodging - In-kind	136,255	-	-	136,255
Direct Festival Expenses	4,657,694	-	-	4,657,694
Marketing	1,013,040	-	-	1,013,040
Professional Fees	72,292	175,606	22,000	269,898
Miscellaneous	6,918	10,765	1,873	19,556
Training	13,033	-	1,448	14,481
Occupancy Costs	93,254	4,007	12,728	109,989
Office Expense	27,477	3,410	6,510	37,397
Meals and Entertainment	18,218	4,204	5,606	28,028
Donations	21,400	-	-	21,400
Dues and Subscriptions	20,099	5,743	2,871	28,713
Depreciation and Amortization	11,964	2,356	3,806	18,126
	<u>\$ 7,000,446</u>	<u>\$ 339,647</u>	<u>\$ 321,280</u>	<u>\$ 7,661,373</u>

See Accompanying Notes to the Financial Statements

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

	<b>Program and Production</b>	<b>General and Administrative</b>	<b>Fundraising</b>	<b>Total</b>
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  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
<b><u>Cash Flows from Operating Activities:</u></b>		
Change in net assets	\$ (1,502,141)	\$ 1,388,448
Adjustments to reconcile change in net assets to net cash (used for) provided by operating activities:		
Depreciation	18,126	16,839
Change in:		
Accounts receivable	(64,702)	(4,037)
Grants receivable	(75,000)	-
Security deposit	-	3,700
Change in operating lease right-of-use asset	84,220	(427,397)
Retail inventory	(4,290)	(1,008)
Prepaid expenses	12,377	(33,709)
Credit card liabilities	1,674	4,111
Accrued payroll	24,844	-
Deferred revenue	123,762	(207,000)
Change in operating lease liability	(79,211)	427,397
Accounts payable	17,452	18,320
Net cash (used for) provided by operating activities	<u>(1,442,889)</u>	<u>1,185,664</u>
<b><u>Cash Flows from Investing Activities:</u></b>		
Purchase of equipment and leasehold improvements	<u>(6,363)</u>	<u>-</u>
Net cash used for investing activities	<u>(6,363)</u>	<u>-</u>
<b><u>Cash Flows from Financing Activities:</u></b>		
Principal payments on capital lease obligations	<u>(5,427)</u>	<u>(5,136)</u>
Net cash used for financing activities	<u>(5,427)</u>	<u>(5,136)</u>
Net (decrease) increase in cash	(1,454,679)	1,180,528
Cash, beginning of year	<u>2,027,781</u>	<u>847,253</u>
Cash, end of year	<u><u>\$ 573,102</u></u>	<u><u>\$ 2,027,781</u></u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Interest paid	<u><u>\$ 1,635</u></u>	<u><u>\$ 630</u></u>

See Accompanying Notes to the Financial Statements

**CHARLESTON WINE & FOOD FESTIVAL  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

**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 2023 festival was held on March 1 - 5, 2023 and the 2022 festival was held on March 2 - 6, 2022.

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.

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.

**CHARLESTON WINE & FOOD FESTIVAL  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

**1. SIGNIFICANT ACCOUNTING AND REPORTING POLICIES - CONTINUED**

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, 2023 and 2022, the Festival had no investments that qualified as cash equivalents.

Receivables

Receivables are stated at unpaid balances less amounts determined by management to be uncollectible. It is the Festival's policy to charge off an uncollectible receivable when management determines the receivable will not be collected based on experience, third-party contracts, and other circumstances. Accounts are considered delinquent when they are sixty days past due. Interest is not charged on past due accounts. At June 30, 2023 and 2022, no allowance was deemed necessary.

Grants Receivable

Grants receivable represent amounts awarded by various government agencies. Government grants receivable are due within one year and are recorded at their net realizable value. Management estimates an allowance for uncollectible government grants receivable based on current economic conditions, historical trends, and current and past experience with the individual grantors. Management determined that no allowance was necessary at June 30, 2023 and 2022.

Deferred Revenue

At June 30, 2023 and 2022, sponsorships and ticket sales of \$123,762 and \$0 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, 2023 AND 2022**

**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, 2023 and 2022.

Donated Services

During the years ended June 30, 2023 and 2022, 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, 2023 and 2022.

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.

Leases

The Festival leases office space and equipment. The Festival determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, other current liabilities, and operating lease liabilities on our statements of financial position. Finance leases are included in furniture and equipment, other current liabilities, and other long-term liabilities on our statements of financial position.

Recently Adopted Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued guidance (*Accounting Standards Codification [ASC] 842, Leases*) to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Festival adopted the standard effective July 1, 2021 and recognized and measured leases existing at, or entered into after, July 1, 2021 (the beginning of the earliest comparative period presented) using a modified retrospective approach, with certain practical expedients available.

**CHARLESTON WINE & FOOD FESTIVAL  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

**2. IN-KIND CONTRIBUTIONS**

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

	<u>2023</u>	<u>2022</u>
Marketing	\$ 691,522	\$ 470,955
Lodging	136,255	116,643
Food and beverages	37,030	437,742
Production services	755,987	2,289,299
Professional services	<u>35,075</u>	<u>28,001</u>
Total in-kind contributions	<u>\$ 1,655,869</u>	<u>\$ 3,342,640</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. 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. In January 2022, the lease was renewed for another sixty months and expires April 30, 2027. The lease calls for monthly payments of \$7,504 increasing 2.5% annually.

In July 2021 the Festival acquired computer equipment through a three-year capital lease agreement. Under the terms of the agreement, the Festival committed to pay monthly installments of \$412, including interest. In December 2022 the Festival acquired additional computer equipment through a three-year capital lease agreement. Under the terms of the agreement, the Festival committed to pay monthly installments of \$42, including interest. Amortization expense on the equipment has been included in depreciation expense for the years ended June 30, 2023 and 2022. The net book value of the equipment was and \$5,673 and \$9,073 at June 30, 2023 and 2022, respectively.

In accordance with ASC 842, Leases, management determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, other current liabilities, and operating lease liabilities on our statements of financial position.

ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As our leases does not provide an implicit rate, we elected to use a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Festival's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

**CHARLESTON WINE & FOOD FESTIVAL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

**3. LEASES – CONTINUED**

Total right-of-use assets and lease liabilities at June 30:

	<u>2023</u>	<u>2022</u>
Right-of-use asset		
Operating lease	\$ 343,177	\$ 427,397
Finance lease	\$ 14,975	\$ 13,610
Operating lease liability, current portion	\$ 83,851	\$ 79,210
Operating lease liability, long-term portion	<u>264,335</u>	<u>348,187</u>
Total	<u><u>\$ 348,186</u></u>	<u><u>\$ 427,397</u></u>
Finance lease liability, current portion	\$ 4,787	\$ 4,509
Finance lease liability, long-term portion	<u>717</u>	<u>4,787</u>
Total	<u><u>\$ 5,504</u></u>	<u><u>\$ 9,296</u></u>
Average discount rate		
Operating leases	2.92%	2.92%
Finance leases	6.23%	5.70%
Average remaining lease term years		
Operating leases	3.6	4.8
Finance leases	1.3	2.0

Rental expense charged to operations was \$95,429 and \$86,440 for the years ended June 30, 2023 and 2022, respectively.

Future minimum lease payments under non-cancellable leases as of June 30, 2023 were as follows:

	<u>Operating Leases</u>	<u>Finance Leases</u>
2024	\$ 92,680	\$ 5,036
2025	94,997	504
2026	97,372	252
2027	<u>82,827</u>	<u>-</u>
	367,876	5,792
Less imputed interest	<u>(19,690)</u>	<u>\$ (288)</u>
Present value of lease liability	<u><u>\$ 348,186</u></u>	<u><u>\$ 5,504</u></u>

**4. 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, 2023 and 2022. At June 30, 2023, \$323,265 of the Festival's cash balances exceeded federally insured limits.

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**5. 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, 2023. The Festival did not have any balances due on the line of credit at June 30, 2023 and 2022.

**6. NET ASSETS**

Net assets with donor restrictions were as follows at June 30:

	<u>2023</u>	<u>2022</u>
<b>Specific Purpose</b>		
Marketing	\$ 75,000	\$ -
	<u>\$ 75,000</u>	<u>\$ -</u>

**7. 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, 2023 and 2022, was \$21,792 and \$20,309 respectively.

**8. AVAILABILITY OF FINANCIAL RESOURCES**

The following reflects the Festival's financial assets at June 30, 2023 and 2022, 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>2023</u>	<u>2022</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 573,102	\$ 2,027,781
Accounts receivable	80,913	16,211
Grants receivable, due within one year	75,000	-
Total financial assets	<u>729,015</u>	<u>2,043,992</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>\$ 729,015</u>	<u>\$ 2,043,992</u>

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**9. SUBSEQUENT EVENTS**

In accordance with ASC 855, the Festival evaluated subsequent events at June 30, 2023 through January 4, 2024, 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.