

Organization Certifications

- 1) Organization hereby gives assurance that no person shall, upon the grounds of race, creed, color, or national origin, be excluded from participation in, be denied the benefit of, or be otherwise subjected to discrimination under any program or activity for which this organization is responsible.
- 2) Organization certifies that it will provide quarterly spending reports to the Agency Providing Contribution listed above.
- 3) Organization certifies that it will provide an accounting at the end of the fiscal year to the Agency Providing Contribution listed above.
- 4) Organization certifies that it will allow the State Auditor to audit or cause to be audited the contributed funds.



Organization Signature

President & CEO

Title

Helen T. Hill

Printed Name

12.2.2024

Date

Certifications of State Agency Providing Contribution

- 1) State Agency certifies that the planned expenditure aligns with the Agency's mission and/or the purpose specified in the appropriations act.
- 2) State Agency certifies that the Organization has set forth a public purpose to be served through receipt of the expenditure.
- 3) State Agency certifies that it will make distributions directly to the organization.
- 4) State Agency certifies that it will provide the quarterly spending reports and accounting received from the organization to the Senate Finance Committee, House Ways and Means Committee, and the Executive Budget Office by June 30, 2025.
- 5) State Agency certifies that it will publish on their website any and all reports, accountings, forms, updates, communications, or other materials required by Proviso 117.21 of the appropriations act.
- 6) State Agency will certify to the Office of the Governor that it has complied with the requirements of Executive Order 2022-19 by June 30, 2025.



Agency Head Signature

Duane Parrish

Printed Name

12/04/2024

Date

**SOUTH CAROLINA DEPARTMENT OF PARKS, RECREATION
&
TOURISM**

PROCUREMENT CERTIFICATION FORM

GRANTEE NAME: Charleston Area CFB / Explore Charleston
PROJECT NAME: Hampton Court Flower Show

I hereby certify that all labor, materials and contracts acquired or performed in the accomplishment of the above named project will be accomplished in accordance with the named entity's established procurement guidelines. Any questions, concerns or grievances should be directed to this agency.

Helen T. Hill
PRINTED NAME

President & CEO
TITLE

Shirley J. Hill
SIGNATURE

12.2.2024
DATE

**Statement of Non-Discrimination
By Organizations Funded in the
South Carolina General Appropriations Act**

To meet requirements of a provision of the South Carolina General Appropriations Act regarding your funding, please fill in the blanks below, sign and return to PRT with your other credentials. If desired, you may retype the statement on your own letterhead.

Statement of Non-Discrimination

12.2.2024

Date

Assurance is hereby given by the

Charleston Area CRB / Explore Charleston

(Name of Organization)

that no person shall, upon the grounds of race, creed, color or national origin be excluded from participation in, be denied the benefit of or be otherwise subjected to discrimination under any program or activity for which this organization is responsible.

Signature

Steve J. O'Leary

Title

President & CEO



Log In

CHARLESTON AREA CONVENTION & VISITORS BUREAU

Corporate Information

Entity Id 00071419
Entity Type Nonprofit
Status Good Standing
Domestic/Foreign Domestic
Incorporated State South Carolina

Important Dates

Effective Date 03/07/2002
Expiration Date N/A
Term End Date N/A
Dissolved Date N/A

Registered Agent

Agent HELEN T HIL
Address 81 MARY ST
CHARLESTON, South Carolina 29403

+ Request Documents + Add Filing

Official Documents On File

Filing Type	Filing Date
Amendment	07/01/2013
Incorporation	03/07/2002

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Charleston Area CVB Budget Proposal

	Approved 06/30/2024	Proposed 06/30/2025	Budget Variance
Revenue by Department			
Operational Department	9,280,000	10,963,802	1,683,802.00
Executive Department	510,000	540,000	30,000.00
Finance/HR Department	36,000	260,000	224,000.00
Visitor Services Revenue	720,704	779,575	58,871.00
Group Sales and Sports Development	33,500	34,500	1,000.00
Destination Marketing	7,459,300	627,000	(6,832,300.00)
Destination Specific Grant Revenue	8,100,000	11,176,845	3,076,845.00
Total Departmental and Grant Revenue	26,139,504	24,381,722	(1,757,782.00)
Expense by Department			
Operational Department	644,577	713,486	68,909.00
Executive Department	311,230	202,793	(108,437.00)
Finance/HR Department	728,282	718,716	(9,566.00)
Visitor Services Department	1,856,760	2,166,114	309,353.00
Group Sales and Sports Development Expense	1,823,167	1,948,848	125,682.00
Destination Marketing Expense	10,909,791	7,410,057	(3,499,734.00)
Media Department	1,415,397	1,128,331	(287,066.00)
Destination Specific Grant Expense	8,375,300	10,018,376	1,643,076.00
Total Departmental and Grant Expense	26,064,504	24,306,722	(1,757,783.00)
Total Increase/(Decrease) in Net Assets	75,000	75,000	0.00

**CHARLESTON AREA CONVENTION
AND VISITORS BUREAU**

FINANCIAL REPORT

JUNE 30, 2024 AND 2023

CHARLESTON AREA CONVENTION AND VISITORS BUREAU
Charleston, South Carolina

C O N T E N T S

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Independent Auditor's Report

To the Board of Governors
Charleston Area Convention and Visitors Bureau
Charleston, South Carolina

Opinion

We have audited the accompanying financial statements of ***Charleston Area Convention and Visitors Bureau*** (the Organization) which comprise the statements of financial position as of June 30, 2024 and 2023, 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 the Charleston Area Convention and Visitors Bureau as of June 30, 2024 and 2023, 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 Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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 these 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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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PO Box 20099 (29413)
Charleston, South Carolina
Phone 803-905-4000, Fax 803-905-4001
www.websterrogers.com

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization'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 the Organization'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.

Webster Rogers LLP

Charleston, South Carolina
October 9, 2024

CHARLESTON AREA CONVENTION AND VISITORS BUREAU

**STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 7,460,504	\$ 8,168,675
Cash and cash equivalents - restricted	11,346,523	7,682,791
Accounts receivable, net of allowance of \$70,202 and \$43,000 in 2024 and 2023, respectively	932,168	1,207,069
Inventories	74,147	79,129
Prepaid expenses	858,714	1,059,603
Total current assets	<u>20,672,056</u>	<u>18,197,267</u>
Property and Equipment		
Furniture and fixtures	277,220	252,293
Office equipment	136,240	136,240
Vehicle	102,508	102,508
Website and digital assets	1,366,241	1,290,601
Leasehold improvements	170,686	97,742
	2,052,895	1,879,384
Less accumulated depreciation	<u>1,704,353</u>	<u>1,597,040</u>
Total property and equipment, net	<u>348,542</u>	<u>282,344</u>
Other Assets		
Operating lease right-of-use asset	<u>2,219,238</u>	<u>2,636,698</u>
TOTAL ASSETS	<u><u>\$ 23,239,836</u></u>	<u><u>\$ 21,116,309</u></u>

(Continued)

CHARLESTON AREA CONVENTION AND VISITORS BUREAU

**STATEMENTS OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 1,555,812	\$ 1,696,291
Restricted deposits payable	817,434	816,136
Accrued expenses	1,096,399	777,902
Deferred revenue	344,910	98,775
Operating lease liabilities, current portion	<u>349,831</u>	<u>356,610</u>
Total current liabilities	<u>4,164,386</u>	<u>3,745,714</u>
Long-term Liabilities		
Operating lease liabilities, net of current portion	<u>1,975,532</u>	<u>2,307,774</u>
Total liabilities	<u>6,139,918</u>	<u>6,053,488</u>
Net Assets		
Without donor restrictions	6,476,231	6,452,189
With donor restrictions	<u>10,623,687</u>	<u>8,610,632</u>
Total net assets	<u>17,099,918</u>	<u>15,062,821</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 23,239,836</u>	<u>\$ 21,116,309</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

CHARLESTON AREA CONVENTION AND VISITORS BUREAU

**STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
Net Assets Without Donor Restrictions		
Revenue, Support and Gains		
Accommodations tax	\$ 11,723,957	\$ 11,417,142
Regional funding, SCPRT	856,244	528,175
Travel Council support	677,055	618,610
Publication, advertising and program revenues	5,436,271	5,046,065
Lodging Cooperative	5,011,652	4,824,617
Contribution - nonfinancial asset	250,000	220,000
Other income	1,748	746,695
Investment return	603,126	189,331
Total revenue, support and gains	24,560,053	23,590,635
Net assets released from restrictions	<u>6,330,445</u>	<u>5,630,779</u>
Total unrestricted revenues, support and gains and net assets released from restrictions	<u>30,890,498</u>	<u>29,221,414</u>
Expenses		
Program services	28,966,606	27,394,396
Supporting services	1,899,850	1,727,628
Total expenses	<u>30,866,456</u>	<u>29,122,024</u>
Increase in net assets without donor restrictions	<u>24,042</u>	<u>99,390</u>
Net Assets With Donor Restrictions		
Destination specific marketing funding, SCPRT	8,343,500	8,600,000
Net assets released from restrictions	<u>(6,330,445)</u>	<u>(5,630,779)</u>
Increase in net assets with donor restrictions	<u>2,013,055</u>	<u>2,969,221</u>
Increase in net assets	<u>2,037,097</u>	<u>3,068,611</u>
Net Assets, Beginning of Year	<u>15,062,821</u>	<u>11,994,210</u>
Net Assets, End of Year	<u>\$ 17,099,918</u>	<u>\$ 15,062,821</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

CHARLESTON AREA CONVENTION AND VISITORS BUREAU

STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2024 AND 2023

	2024		2023	
	Program Services	Supporting Services	Program Services	Supporting Services
Functional Expenses				
Destination advertising and promotion	\$ 19,909,850	\$ 4,843	\$ 18,911,801	\$ 4,852
Personnel costs, including taxes and benefits	6,429,535	717,614	6,079,752	632,973
Business expense/postage	609,048	293,368	482,904	239,661
Tourism research	615,389	-	562,944	-
Building, equipment and utilities	720,062	285,116	664,685	298,945
Depreciation	37,127	70,186	28,552	54,073
Industry training and development	436,318	54,478	490,413	15,421
Professional services	-	152,038	25,838	124,449
Information technology	209,277	233,989	147,507	238,046
Insurance	-	88,218	-	66,725
Interest	-	-	-	52,483
Total functional expenses	<u>\$ 28,966,606</u>	<u>\$ 1,899,850</u>	<u>\$ 27,394,396</u>	<u>\$ 1,727,628</u>
		<u>\$ 30,866,456</u>		<u>\$ 29,122,024</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

CHARLESTON AREA CONVENTION AND VISITORS BUREAU

**STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
Cash Flows From Operating Activities		
Increase in net assets	\$ 2,037,097	\$ 3,068,611
Adjustment to reconcile increase in net assets to net cash provided by operating activities:		
Bad debt expense	27,471	22,089
Depreciation	107,313	82,625
Amortization of operating lease right-of-use asset	439,150	420,704
(Increase) decrease in assets:		
Accounts receivable	247,430	(337,697)
Reimbursements due from governments	-	1,446,139
Prepaid expenses	200,889	(248,004)
Inventories	4,982	(12,031)
Increase (decrease) in liabilities:		
Accounts payable, accrued expenses and restricted deposits	179,316	37,879
Deferred revenue	246,135	6,890
Operating lease liabilities	(360,711)	(383,176)
Deferred rent liability	-	(66,913)
Net cash provided by operating activities	<u>3,129,072</u>	<u>4,037,116</u>
Cash Flows From Investing Activities		
Purchases of property and equipment	<u>(173,511)</u>	<u>(210,795)</u>
Net cash used in investing activities	<u>(173,511)</u>	<u>(210,795)</u>
Cash Flows From Financing Activities		
Payments on line of credit	<u>-</u>	<u>(1,805,000)</u>
Net cash used in financing activities	<u>-</u>	<u>(1,805,000)</u>
Net increase in cash and cash equivalents	<u>2,955,561</u>	<u>2,021,321</u>
Cash and Cash Equivalents - Beginning of Period	<u>15,851,466</u>	<u>13,830,145</u>
Cash and Cash Equivalents - End of Period	<u><u>\$ 18,807,027</u></u>	<u><u>\$ 15,851,466</u></u>

(Continued)

CHARLESTON AREA CONVENTION AND VISITORS BUREAU

STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Reconciliation to Statements of Financial Position		
Cash and cash equivalents	\$ 7,460,504	\$ 8,168,675
Cash and cash equivalents - restricted	<u>11,346,523</u>	<u>7,682,791</u>
Total cash and cash equivalents	<u>\$ 18,807,027</u>	<u>\$ 15,851,466</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for:		
Interest	<u>\$ -</u>	<u>\$ 54,852</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

CHARLESTON AREA CONVENTION AND VISITORS BUREAU

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2024 AND 2023

Note 1. Summary of Significant Accounting Policies

Organization

The Charleston Area Convention and Visitors Bureau (the "Organization") was established in July 2002. The Organization's mission is to unify and lead the local travel industry in marketing and managing the Charleston, South Carolina, area as an individual, incentive, and group destination to both the domestic and international markets. The Organization partners with local businesses, municipalities, and regional alliances to allow for maximum exposure of the area as a destination.

The Organization markets the Charleston area through targeted advertising and marketing campaigns. These efforts often involve print, television, and digital advertising; presence at tradeshows for group travel; and development of relationships with media outlets. In addition, the Organization maintains multiple websites and publishes several guides for distribution to visitors in the leisure, wedding, and group travel markets. The Organization has an important role in tourism management through its four area visitor centers. The Organization assists visitors with tour and accommodation reservations as well as providing area information and guidebooks, encouraging visitation throughout the community.

Basis of accounting

The Organization's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in 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 (see treatment of accommodations tax under Revenue and Support). Program service fees received in advance are deferred to the applicable period in which the related services are performed. Contributions/grants are recorded as increases in net assets without donor restrictions and net assets with donor restrictions, depending on the existence and/or nature of any donor/grantor restrictions.

Financial statement presentation

The Organization prepares its financial statements in accordance with generally accepted accounting principles for not-for-profit organizations. Under this guidance, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. A description of the two net assets categories follows:

- Net assets without donor restrictions - net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions also include funds designated for specific purposes by action of the Board of Directors.
- Net assets with donor restrictions - net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions reported in the statements of activities as net assets released from donor restrictions.

Management estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The actual outcome of the estimates could differ from the estimates made in the preparation of the financial statements. Areas requiring significant estimates include the allowance for doubtful accounts, economic useful lives of capital assets for depreciation purposes, and the value of donated nonfinancial assets, such as the use of facilities.

CHARLESTON AREA CONVENTION AND VISITORS BUREAU

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2024 AND 2023**

Note 1. Summary of Significant Accounting Policies (Continued)

Cash and cash equivalents

For purposes of reporting, cash and cash equivalents include cash on hand, restricted cash, amounts on deposit with banks, and other highly liquid instruments with a maturity of less than three months from the date of purchase.

Accounts receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for credit losses and an adjustment to a valuation allowance. At each statement of financial position date, the Organization recognizes an expected allowance for credit losses. In addition, also at each report date, this estimate is updated to reflect any changes in credit risk since the receivable was initially recorded. The estimate is calculated on a polled basis where similar risk characteristics exist. The allowance estimate is derived from management's review of the current accounts receivable outstanding, including trends in historical loss experience, specific impaired accounts, economic conditions, and other risks inherent in unsecured receivables. This estimate is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by the Organization. The Organization believes historical loss information is a reasonable starting point in which to calculate the expected allowance for credit losses as the Organization's portfolio segment has remained constant since the Organization's inception.

Amounts due for non-trade receivables are due on demand with no specified terms of repayments or interest.

The allowance for credit losses was \$70,202 and \$43,000 for the years ended June 30, 2024 and 2023, respectively.

The Organization writes off receivables when there is information that indicates the debtor is facing significant financial difficulty and there is no possibility of recovery. If any recoveries are made from any accounts previously written off, they will be recognized in income or an offset to credit loss expense in the year of recovery, in accordance with the Organization's account policy election. The total amount of write-offs was immaterial to the financial statements as a whole for the years ended June 30, 2024 and 2023.

Inventories

Inventories consist of retail store inventory, maps, various publications, guidebooks, and destination branded items and are stated at the lower of cost or net realizable value (first-in, first-out basis). Supplies are expensed as acquired.

Property and equipment, net

Property and equipment are recorded at cost or, if donated, at the approximate fair value at the date of donation. Property and equipment is capitalized if its expected service life is in excess of one year and its cost is in excess of \$5,000. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Depreciation expense for the years ended June 30, 2024 and 2023, was approximately \$107,300 and \$82,600, respectively.

Maintenance and repairs are expensed as incurred; expenditures that result in substantial betterment of assets are capitalized.

CHARLESTON AREA CONVENTION AND VISITORS BUREAU

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2024 AND 2023**

Note 1. Summary of Significant Accounting Policies (Continued)

Contribution – Nonfinancial asset

The Organization received a non-cash donation of free use of facilities where the Organization maintains its administrative offices and a visitor center. Such donation has been reflected in the accompanying financial statements as operating revenues and building, equipment, and utilities expenses under supporting services at the fair market value of the use of the facilities (\$250,000 and \$220,000 for the years ended June 30, 2024 and 2023, respectively). The fair market value was derived from a comparison with similar spaces in the downtown Charleston area. A portion of the operating and maintenance expenses for the facilities are the responsibility of the Organization.

The donation of use of the facility was considered without donor restrictions and able to be used by the Organization as determined by the Board of Directors and management.

Leases

The Organization accounts for its lease agreements in accordance with Financial Accounting Standards Board (FASB) ASU 2016-02, *Leases* (Topic 842).

Lease liabilities represent the Organization's obligation to make lease payments arising from the lease and are recognized as the present value of the future minimum lease payments over the lease term as of the commencement date.

Right of Use (ROU) assets represent the Organization's right to use an underlying asset for the lease term and are recognized as the present value of future minimum lease payments over the lease term as of the commencement date, plus any initial direct costs incurred and lease payments made, less any lease incentives received.

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

The Organization determines if an arrangement contains a lease at inception. In evaluating contracts to determine if they qualify as a lease, the Organization considers factors such as if the Organization has obtained substantially all of the rights to the underlying asset through exclusivity, if the Organization can direct the use of the asset by making decisions about how and for what purpose the asset will be used, and if the lessor has substantive substitution rights. The evaluation may require significant judgement.

If an arrangement is considered a lease, the Organization determines at the commencement date whether the lease is an operating or finance lease. Finance leases are leases that meet any of the following criteria: the lease transfers ownership of the underlying asset at the end of the lease term; the lessee is reasonably certain to exercise an option to purchase the underlying asset; the lease term is for the major part of the remaining economic life of the underlying asset (except when the commencement date falls at or near the end of such economic life); the present value of the sum of the lease payments and any additional residual value guarantee by the lessee equals or exceeds substantially all of the fair value of the underlying asset; or the underlying asset is of such a specialized nature that it is expected to have no alternative use to the lessor at the end of the lease term. A lease that does not meet any of these criteria is considered an operating lease. After the commencement date, lease cost for an operating lease is recognized over the remaining lease term on a straight-line basis, while lease cost for a finance lease is based on the amortization of the lease asset and interest on the lease liability. All of the Organization's leases were considered to be operating leases as of and for the years ended June 30, 2024 and 2023.

CHARLESTON AREA CONVENTION AND VISITORS BUREAU

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2024 AND 2023

Note 1. Summary of Significant Accounting Policies (Continued)

Leases (continued)

The terms of the Organization's lease arrangements vary, and certain leases include one or more of the following: renewal option(s), a cancellation option, a residual value guarantee, a purchase option, or an escalation clause. An option to extend or terminate a lease is accounted for when assessing a lease term when it is reasonably certain that the Organization will exercise such option. The Organization has made a policy election to classify leases with an initial lease term of 12 months or less as short-term leases, and these leases are not recorded in the accompanying statements of financial position unless the lease contains a purchase option that is reasonably certain to be exercised. Lease cost related to short-term leases is recognized on a straight-line basis over the lease term.

Determinations with respect to lease term (including any extension thereof), discount rate, variable lease cost, and future minimum lease payments require the use of judgment based on the facts and circumstances related to each lease. The Organization considers various factors, including economic incentives and penalties and business need, to determine the likelihood that a renewal option will be exercised. Unless a renewal option is reasonably certain to be exercised, which is typically at the Organization's sole discretion, the initial non-cancelable lease term is used.

In determining the discount rate used to measure the right-of-use asset and lease liability, the Organization uses the rates implicit in the lease, or if not readily available, the Organization has elected to use a risk-free rate. The risk-free rate is considered to equal the rate of a zero-coupon U.S. Treasury instrument for the same period as the term of the lease and is used for all major classes underlying assets.

Revenue and support

Grants, contributions and support

Revenue and support include contributions of certain accommodations taxes and fees from the following counties and municipalities:

- Charleston County
- City of Charleston
- City of Isle of Palms
- Town of Kiawah Island
- Town of Mount Pleasant
- City of North Charleston
- Town of Seabrook Island
- City of Folly Beach
- Town of Sullivan's Island
- Berkeley County
- City of Goose Creek

The accommodations taxes passed through the local governments represent amounts received by those entities for the sales within the 12 months ended each March as these funds are received during the fiscal year and are available to provide for expenses of that fiscal year. The revenues are to be used for destination marketing, visitor services, and related media and operational support.

The state of South Carolina provides regional funding and destination specific marketing funding through the Department of Parks, Recreation and Tourism (SCPRT).

CHARLESTON AREA CONVENTION AND VISITORS BUREAU

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2024 AND 2023**

Note 1. Summary of Significant Accounting Policies (Continued)

Revenue and support (continued)

Grants, contributions and support (continued)

The Lodging Cooperative, formed in early 2008, is comprised of voluntarily participating Charleston area hotels. Members of the group collect a daily rented unit fee from their guests in order to continue growth of advertising opportunities for the Charleston area. The fee is remitted to the Organization in the subsequent month. The fees are used for expanded marketing efforts of the destination.

Revenue contracts with customers

The Organization recognizes revenue from contracts with customers in accordance with ASU Topic 606, which provides a five-step model for recognizing revenue from contracts with customers as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when or as the performance obligations are satisfied

The Organization recognizes revenues from contracts with customers when the related performance obligation is satisfied at transaction amounts expected to be received as described below. Amounts received for future periods are deferred and recognized as income in the period to which they apply.

Contracts with customers and performance obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account in ASC 606. Revenue is allocated to each performance obligation as the related performance obligation is satisfied as discussed below.

The Organization receives revenue and support through advertising and program sales to fund convention and visitor programs.

Travel Council support, primarily from membership dues, represents funds received from businesses in the Charleston tourism industry to help raise promotional dollars to match public sector funding to ensure that the local hospitality industry continues to thrive.

Contract balances

The timing of revenue recognition, billings, and cash collections results in billed accounts receivable on the statements of financial position. Amounts billed as services are performed in accordance with agreed upon contractual terms at periodic intervals. Generally, billing occurs simultaneously to revenue recognition resulting in contract receivables. As of June 30, 2024 and 2023, the contract receivables were approximately \$1,002,000 and \$1,250,000, respectively, and \$927,000 as of July 1, 2022, and are included in accounts receivable on the statements of financial position.

Contract liabilities represent billings in advance and payments received in advance for providing services under contracts with customers and are included in unearned revenue on the accompanying statements of financial position. The balances of deferred revenue at June 30, 2024 and 2023, were approximately \$344,900 and \$98,800, respectively, and \$91,900 as of July 1, 2022.

CHARLESTON AREA CONVENTION AND VISITORS BUREAU

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2024 AND 2023

Note 1. Summary of Significant Accounting Policies (Continued)

Deferred revenue

Deferred revenue consists of membership dues and advertising fees received in advance is deferred and recognized over the periods to which the dues and fees relate.

Advertising

Expenses for advertising are recognized as incurred as it is not practical to determine the future benefit of advertising efforts. As the Organization's mission is to market the Charleston area, virtually all non-supporting expenses are directly or indirectly related to advertising.

Foreign currency transactions

Although the financial statements are stated in U.S. dollars, certain commitments are transacted in foreign currencies, specifically British pound sterling (GBP). The Organization's policy is to record all transactions in U.S. dollars at the exchange rate in effect on the date of the transaction or the date the liability is recognized and to recognize gains and losses as the obligations are paid.

Functionalized expense allocation

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated in building, equipment and utilities, and depreciation, are allocated on a square footage basis. Expenses for personnel costs, business expenses/postage, training and development, professional services, and information technology, are allocated on the basis of estimates of time and effort.

Income taxes

Under Section 501(c)(6) of the Internal Revenue Code, the Organization is exempt from federal income tax on all income except unrelated business income as noted under Section 511 of the Internal Revenue Code.

Internal Revenue Code 513(a) defines an unrelated trade or business of an exempt organization as any trade or business which is not substantially related to the exercise or performance of its exempt purpose. The Organization's advertising income is considered unrelated business income. Because related expenses exceeded the advertising income for the years ended 2024 and 2023 and no taxes were due, no provision for income taxes has been accrued related to advertising income.

Recently adopted accounting standards

In June 2016, the FASB issued guidance (FASB ASC 326) which significantly changed how entities measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Organization that are subject to the guidance in FASB ASC 326 were trade accounts receivable. The Organization adopted the standard effective July 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in enhanced disclosures only.

CHARLESTON AREA CONVENTION AND VISITORS BUREAU

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2024 AND 2023

Note 2. Significant Concentrations and Credit Risks

The Organization's major sources of revenue and support are related to the tourism industry in the Charleston area. Accommodations tax revenue is generated by hotel fees collected by the state of South Carolina and Charleston County and allocated to the municipalities that the Organization serves. Participants in the Lodging Cooperative are hoteliers in the Charleston area and rely on tourism. Travel Council support is received from businesses that depend on tourism.

The Organization holds its cash accounts at three financial institutions in South Carolina. All accounts are insured by the Federal Deposit Insurance Corporation (FDIC) to the maximum amount allowed by law. Uninsured cash balances as of June 30, 2024 and 2023, were \$18,026,927 and \$15,338,771, respectively.

Financial instruments that potentially subject the Organization to credit risk are primarily accounts receivable. The Organization extends unsecured credit to participants in marketing programs.

Note 3. Employee Benefits

The Organization offers its employees participation in a 401(k) retirement plan. The plan is a defined contribution plan covering all employees meeting certain age and length of service requirements. Employees qualifying for the plan can make a pre-tax contribution of no less than 1% of their compensation and up to the maximum allowed by law. The Organization may make a matching contribution of 100% up to a maximum of 8% of the employees' eligible compensation if employed prior to January 1, 2015. The Organization may make a matching contribution of 100% up to a maximum of 6% of the employees' eligible compensation if employed after January 1, 2015. For the fiscal years ended June 30, 2024 and 2023, the Organization contributed \$320,884 and \$310,533, respectively, to the plan.

The Organization offers its employees participation in a Section 125 Cafeteria Plan. Under the plan, employees are able to pay for group insurance benefits, medical reimbursements, and dependent care reimbursements through a salary reduction plan. In addition, the Organization offers a health insurance plan that provides employees an allowance of at least \$7,800 for the 2023-2024 and 2022-2023 plan years for health and ancillary benefits. The related expense for this plan was \$689,001 and \$532,301 for the years ended June 30, 2024 and 2023, respectively.

Note 4. Leases

In September 2021, the Organization entered into a lease for a parking lot. Under the lease agreement, the rent obligation of \$19,167 per month increases annually by 7.50% over the term of the lease which expires in June 2030. The Organization entered into an agreement with a third party to manage and operate the parking lot space. Under the agreement, the lessee will pay the Organization 80% of the monthly gross parking lot revenue. In 2024, the Organization received \$453,384 from leasing revenue and paid \$262,703 under the terms of the lease. In 2023, the Organization received \$439,081 from leasing revenue and paid \$244,375 under the terms of the lease.

In October 2021, the Organization entered into a lease for a building to be used for mail operations. Under the lease agreement, the rent obligation of \$1,650 per month, plus common area maintenance, increases annually by approximately \$50 over the term of the lease which expires in September 2026, and includes one renewal option for three additional years, which the Organization plans to exercise. Lease expense relating to the building was \$22,237 and \$23,190 during 2024 and 2023, respectively.

The Organization rents office equipment under noncancelable operating lease agreements with terms in excess of one year. Lease expense relating to this equipment was \$106,774 and \$112,140 during 2024 and 2023, respectively, with monthly lease payments ranging from \$263 to \$5,180, ending in August 2028.

CHARLESTON AREA CONVENTION AND VISITORS BUREAU

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2024 AND 2023**

Note 4. Leases (Continued)

In January 2021, the Organization entered into an agreement to lease additional parking spaces through June 2030. Under the agreement, the lease obligation is \$3,625 per month. Lease expense for the years ended June 30, 2024 and 2023, was \$43,500 each year.

The components of the leases in the accompanying statements of financial position are as follows:

<u>Leases</u>	<u>Classification</u>	<u>2024</u>	<u>2023</u>
Assets:			
Operating lease right-of-use assets	Noncurrent assets	\$ 2,219,238	\$ 2,636,698
Liabilities:			
Operating lease liabilities, current portion	Current liabilities	\$ 349,831	\$ 356,610
Operating lease liabilities, net of current portion	Long-term liabilities	\$ 1,975,532	\$ 2,307,774

The components of lease cost in the accompanying statements of activities are as follows:

<u>Lease cost</u>	<u>Classification</u>	<u>2024</u>	<u>2023</u>
Operating lease cost	Program services -		
	Destination, advertising & promotion	\$ 317,000	\$ 317,000
	Program services -		
	Building, equipment & utilities	129,128	118,922
	Supporting services -		
	Building, equipment & utilities	65,737	65,737
		\$ 511,865	\$ 501,659

Supplemental cash flow information:

	<u>2024</u>	<u>2023</u>
Cash paid for amounts included in the of lease liabilities:		
Operating cash flows from operating leases	\$ 433,426	\$ 464,132
Right-of-use assets obtained in lease liabilities:		
Operating leases (upon implementation)	\$ -	\$2,953,238
Operating leases - fiscal year ended June 30, 2023	\$ 21,690	\$ 104,163

The following summarizes the weighted average remaining lease term and discount rate as of June 30, 2024:

Weighted average remaining lease term	
Operating leases	5.78 years
Weighted average discount rate	
Operating leases	2.93%

CHARLESTON AREA CONVENTION AND VISITORS BUREAU

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2024 AND 2023**

Note 4. Leases (Continued)

Future minimum lease payments for non-cancelable operating leases are as follows for the years ending June 30:

	Facilities and parking	Parking lot	Equipment	Total
2025	\$ 64,978	\$ 282,406	\$ 64,732	\$ 412,116
2026	65,623	303,586	25,581	394,790
2027	66,286	326,355	25,581	418,222
2028	66,970	350,832	10,081	427,883
2029	67,674	377,144	-	444,818
Thereafter	49,588	388,597	-	438,185
Total future minimum lease payments	381,119	2,028,920	125,975	2,536,014
Less: interest	29,996	175,231	5,424	210,651
Present value of lease liabilities	<u>\$ 351,123</u>	<u>\$ 1,853,689</u>	<u>\$ 120,551</u>	<u>\$ 2,325,363</u>

Present value of lease liabilities reported as:

	2024	2023
Operating lease liabilities, current portion	\$ 349,831	\$ 356,610
Operating lease liabilities, net of current portion	1,975,532	2,307,774
	<u>\$ 2,325,363</u>	<u>\$ 2,664,384</u>

Note 5. Other Commitments

On October 17, 2018, the Organization entered into an agreement with an air carrier to provide financial support up to £1,400,000 (GBP), or \$2,003,458, per biannual operating season (April to September and October to March) for the purpose of route support and joint marketing activities, as well as a one-time support payment of up to \$150,000. On October 18, 2018, the Organization entered into a third-party agency agreement with the State and County to obtain the funding necessary to satisfy the above-referenced commitment with the air carrier. The actual liability of the Organization is dependent upon route performance per biannual operating season and, at the date of this report, is not expected to exceed the amount provided by the agency agreement. As of June 30, 2020, the arrangement had been suspended due to COVID-19 related shutdowns. Other than exchange rate valuation adjustments, there was no activity related to the agreement during the years ended June 30, 2024 and 2023.

Note 6. Liquidity and Availability

The Organization strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Financial assets in excess of daily cash requirements are held in checking and savings accounts at financial institutions to be utilized as needed.

CHARLESTON AREA CONVENTION AND VISITORS BUREAU

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2024 AND 2023**

Note 6. Liquidity and Availability (Continued)

Financial assets available for general expenditures (that is, without donor or other restrictions limiting their use), within one year of the date of the statements of financial position, comprise of the following:

	<u>2024</u>	<u>2023</u>
Financial assets at year end:		
Cash and cash equivalents - restricted and unrestricted	\$ 18,807,027	\$ 15,851,466
Accounts receivable, net	<u>932,168</u>	<u>1,207,069</u>
Total financial assets	19,739,195	17,058,535
Less amounts not available to be used within one year		
Designated for air carrier agreement (See Note 5)	(849,798)	(848,501)
Net assets with donor restrictions	<u>(10,623,687)</u>	<u>(8,610,632)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 8,265,710</u>	<u>\$ 7,599,402</u>

Note 7. Net Assets with Donor Restrictions

During the years ended June 30, 2024 and 2023, the Organization received funds from the SCPRT to be used for restricted purposes. The Organization incurred expenses in each year related to these awards resulting in net assets being released from donor restrictions. The activity of the donor restricted net assets during the years ended June 30, 2024 and 2023, are as follows:

<u>June 30, 2024</u>				
Purpose restriction	Balance at June 30, 2023	Receipts	Released from donor restrictions	Balance at June 30, 2024
Destination specific tourism marketing	\$ 8,554,857	\$ 8,343,500	\$ (6,274,670)	\$ 10,623,687
Explore Black Charleston	55,775	-	(55,775)	-
	<u>\$ 8,610,632</u>	<u>\$ 8,343,500</u>	<u>\$ (6,330,445)</u>	<u>\$ 10,623,687</u>

<u>June 30, 2023</u>				
Purpose restriction	Balance at June 30, 2022	Receipts	Released from donor restrictions	Balance at June 30, 2023
Destination specific tourism marketing	\$ 5,594,985	\$ 8,500,000	\$ (5,540,128)	\$ 8,554,857
Explore Black Charleston	46,426	100,000	(90,651)	55,775
	<u>\$ 5,641,411</u>	<u>\$ 8,600,000</u>	<u>\$ (5,630,779)</u>	<u>\$ 8,610,632</u>

Note 8. Subsequent Events

The Organization was awarded \$6,920,000 in August 2024 by the South Carolina Department of Parks, Recreation and Tourism for destination specific tourism marketing.

Subsequent events have been evaluated through October 9, 2024, which is the date the financial statements were available to be issued. There were no further subsequent events requiring disclosure as of this date.