

**CHARLESTON AREA CONVENTION
AND VISITORS BUREAU**

FINANCIAL REPORT

JUNE 30, 2022 AND 2021

CHARLESTON AREA CONVENTION AND VISITORS BUREAU
Charleston, South Carolina

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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, 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 the Charleston Area Convention and Visitors Bureau 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 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 Responsibility 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.

Members

SC Association of Certified Public Accountants

NC Association of Certified Public Accountants

Members

Division for CPA Firms, AICPA

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.

A handwritten signature in black ink that reads "Webster Rogues LLP". The signature is written in a cursive, flowing style.

Charleston, South Carolina
October 26, 2022

CHARLESTON AREA CONVENTION AND VISITORS BUREAU

**STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 7,833,847	\$ 7,618,736
Cash and cash equivalents - restricted	5,996,298	1,919,235
Accounts receivable, net of allowance of \$35,000 and \$65,043 in 2022 and 2021, respectively	891,461	679,368
Reimbursement due from governments	1,446,139	2,946,139
Inventories	67,098	66,508
Prepaid expenses	821,441	438,562
Total current assets	<u>17,056,284</u>	<u>13,668,548</u>
Property and Equipment		
Furniture and fixtures	210,979	268,517
Office equipment	121,724	166,293
Vehicle	26,212	26,212
Website and digital assets	1,226,321	1,221,656
Other assets	-	58,841
Leasehold improvements	83,353	83,353
	<u>1,668,589</u>	<u>1,824,872</u>
Less accumulated depreciation	<u>1,514,415</u>	<u>1,621,786</u>
Total property and equipment, net	<u>154,174</u>	<u>203,086</u>
TOTAL ASSETS	<u><u>\$ 17,210,458</u></u>	<u><u>\$ 13,871,634</u></u>

(Continued)

CHARLESTON AREA CONVENTION AND VISITORS BUREAU

STATEMENTS OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2022 AND 2021

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 1,339,853	\$ 1,407,484
Restricted deposits payable	783,917	899,054
Accrued expenses	1,128,680	857,647
Deferred revenue	91,885	270,700
Refundable advances	-	919,452
Line of credit	1,805,000	2,805,000
Current portion of long-term debt	-	597
Total current liabilities	5,149,335	7,159,934

Long-term Liabilities

Deferred rent liability	66,913	82,261
Long-term debt, net of current portion	-	149,403
Total long-term liabilities	66,913	231,664

Total liabilities

5,216,248	7,391,598
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Net Assets

Without donor restrictions	6,352,799	2,850,741
With donor restrictions	5,641,411	3,629,295

Total net assets

11,994,210	6,480,036
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TOTAL LIABILITIES AND NET ASSETS

\$ 17,210,458	\$ 13,871,634
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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, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
Net Assets Without Donor Restrictions		
Revenue, Support and Gains		
Accommodations tax	\$ 8,487,853	\$ 4,784,856
Regional funding, SCPRT	515,391	330,577
Travel Council support	577,520	539,850
Publication, advertising and program revenues	4,763,793	2,001,139
Lodging Cooperative	4,523,033	3,186,550
Contribution - nonfinancial asset	195,639	-
Other income	18,218	-
Investment return	56,473	14,172
Total revenue, support and gains	19,137,920	10,857,144
Net assets released from restrictions	<u>7,937,884</u>	<u>5,277,335</u>
Total unrestricted revenues, support and gains and net assets released from restrictions	<u>27,075,804</u>	<u>16,134,479</u>
Expenses and Losses		
Program services	23,244,614	15,122,595
Supporting services	1,476,512	1,629,757
Loss on disposal of equipment	-	39,622
Total expenses and losses	<u>24,721,126</u>	<u>16,791,974</u>
Change in net assets from operations	<u>2,354,678</u>	<u>(657,495)</u>
Other Changes and Unrestricted Nonoperating Activity		
Grants		
PPP forgiveness	919,452	919,400
Employee retention credits	227,928	-
Total Other Changes Unrestricted Nonoperating Activity	<u>1,147,380</u>	<u>919,400</u>
Increase (decrease) in net assets without donor restrictions	<u>3,502,058</u>	<u>261,905</u>
Net Assets With Donor Restrictions		
Destination specific marketing funding, SCPRT	9,950,000	8,180,000
Net assets released from restrictions	<u>(7,937,884)</u>	<u>(5,277,335)</u>
Increase (decrease) in net assets with donor restrictions	<u>2,012,116</u>	<u>2,902,665</u>
Increase (decrease) in net assets	5,514,174	3,164,570
Net Assets, Beginning of Year	<u>6,480,036</u>	<u>3,315,466</u>
Net Assets, End of Year	<u><u>\$ 11,994,210</u></u>	<u><u>\$ 6,480,036</u></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, 2022 AND 2021**

	2022			2021		
	Program Services	Supporting Services	Total	Program Services	Supporting Services	Total
Functional Expenses						
Destination advertising and promotion	\$ 14,286,094	\$ 2,449	\$ 14,288,543	\$ 8,476,168	\$ 1,902	\$ 8,478,070
Personnel costs, including taxes and benefits	5,501,086	524,033	6,025,119	5,058,626	484,646	5,543,272
Business expense/postage	352,973	195,098	548,071	219,239	156,965	376,204
Tourism research	526,681	-	526,681	573,425	-	573,425
Building, equipment and utilities	2,086,584	241,320	2,327,904	362,006	346,386	708,392
Depreciation	67,986	19,619	87,605	128,325	83,454	211,779
Industry training and development	239,686	10,140	249,826	187,547	23,765	211,312
Professional services	4,642	88,591	93,233	24,890	113,333	138,223
Information technology	178,882	268,111	446,993	92,369	261,927	354,296
Insurance	-	72,891	72,891	-	81,360	81,360
Interest	-	54,260	54,260	-	76,019	76,019
Total functional expenses	<u>\$ 23,244,614</u>	<u>\$ 1,476,512</u>	<u>\$ 24,721,126</u>	<u>\$ 15,122,595</u>	<u>\$ 1,629,757</u>	<u>\$ 16,752,352</u>
Loss on disposal of equipment			<u>-</u>			<u>39,622</u>
Total expenses and losses per Statement of Activities			<u>\$ 24,721,126</u>			<u>\$ 16,791,974</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, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ 5,514,174	\$ 3,164,570
Adjustment to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Bad debt expense	1,435	51,280
Depreciation	87,603	211,777
Loss on disposition of property and equipment	-	39,622
Grant - PPP funds	(919,452)	(919,400)
(Increase) decrease in assets:		
Accounts receivable	(213,528)	307,715
Reimbursements due from governments	1,500,000	-
Prepaid expenses	(382,879)	(47,726)
Inventories	(590)	(14,789)
Increase (decrease) in liabilities:		
Accounts payable, accrued expenses and restricted deposits	88,265	799,452
Deferred revenue	(178,815)	231,840
Refundable advances	-	919,452
Deferred rent liability	(15,348)	20,275
Net cash provided by (used in) operating activities	<u>5,480,865</u>	<u>4,764,068</u>
Cash Flows From Investing Activities		
Purchases of property and equipment	(38,691)	(90,736)
Payment of project costs	-	(1,015,397)
Net cash used in investing activities	<u>(38,691)</u>	<u>(1,106,133)</u>
Cash Flows From Financing Activities		
Borrowings on line of credit	-	1,128,685
Payments on line of credit	(1,000,000)	-
Payments on long-term debt	(150,000)	-
Net cash provided by (used in) financing activities	<u>(1,150,000)</u>	<u>1,128,685</u>
Net increase (decrease) in cash and cash equivalents	<u>4,292,174</u>	<u>4,786,620</u>
Cash and Cash Equivalents - Beginning of Period	<u>9,537,971</u>	<u>4,751,351</u>
Cash and Cash Equivalents - End of Period	<u><u>\$ 13,830,145</u></u>	<u><u>\$ 9,537,971</u></u>

(Continued)

CHARLESTON AREA CONVENTION AND VISITORS BUREAU

STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Reconciliation to Statements of Financial Position		
Cash and cash equivalents	\$ 7,833,847	\$ 7,618,736
Cash and cash equivalents - restricted	<u>5,996,298</u>	<u>1,919,235</u>
Total cash and cash equivalents	<u>\$ 13,830,145</u>	<u>\$ 9,537,971</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for:		
Interest	<u>\$ 56,629</u>	<u>\$ 55,716</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, 2022 AND 2021

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 the Charleston 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. At its four area visitor centers, the Organization assists visitors with tour and accommodation reservations as well as providing area information and guidebooks.

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, 2022 AND 2021

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 bad debt expense and an adjustment to a valuation allowance. The allowance for doubtful accounts is calculated based on 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. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Accounts are considered delinquent when they are 30 days past due. Interest is not charged on past due accounts receivable.

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

Inventories

Inventories consist of retail store inventory, maps, various publications, guidebooks, and destination branded items and are stated at the lower of cost or market (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 transferred on July 1, 2002, when the Organization became an independent organization is recorded at its net book value on that date and is being depreciated over its remaining useful life. 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, 2022 and 2021, was approximately \$87,600 and \$211,800, respectively.

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

Contribution – Nonfinancial asset

During 2022, the Organization received the 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 (\$195,639 for the year ended June 30, 2022). 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.

CHARLESTON AREA CONVENTION AND VISITORS BUREAU

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2022 AND 2021

Note 1. Summary of Significant Accounting Policies (Continued)

Revenue and support

Grants, contributions and support

Revenue and support represent contributions of certain accommodations taxes and fees from Charleston County and the following municipalities:

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

The accommodations taxes passed through the municipalities 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. Accommodations taxes reported as revenue from Charleston County consist of an appropriation made by County Council based on estimated collections for the fiscal year ended June 30, 2022. 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).

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.

CHARLESTON AREA CONVENTION AND VISITORS BUREAU

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2022 AND 2021

Note 1. Summary of Significant Accounting Policies (Continued)

Revenue and support (continued)

Revenue contracts with customers (continued)

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 Statement 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, 2021 and 2022, the contract receivables were \$744,411 and \$783,880, respectively, and \$1,069,464 as of July 1, 2020, 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 Statement of Financial Position. The balances of deferred revenue at June 30, 2022 and 2021, were \$158,798 and \$352,961, respectively.

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.

Refundable advances

Unexpended conditional grant awards, such as the PPP loan awards, are reported as refundable advances until the funds are spent for the purposes of the grants.

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.

CHARLESTON AREA CONVENTION AND VISITORS BUREAU

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2022 AND 2021

Note 1. Summary of Significant Accounting Policies (Continued)

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 occupancy, depreciation, and amortization, are allocated on a square footage basis. Expenses for salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other, 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 2022 and 2021 and no taxes were due, no provision for income taxes has been accrued related to advertising income.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements. Such reclassification had no effect on the previously stated net assets or changes in net assets.

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, 2022 and 2021, were \$13,575,086 and \$9,039,334, 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, 2022 and 2021, the Organization contributed \$303,767 and \$267,447, respectively, to the plan.

CHARLESTON AREA CONVENTION AND VISITORS BUREAU

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2022 AND 2021

Note 3. Employee Benefits (Continued)

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 2021-2022 and 2020-2021 plan years for health and ancillary benefits. The related expense for this plan was \$523,924 and \$577,189 for the years ended June 30, 2022 and 2021, respectively.

Note 4. Line of Credit

During the year ended June 30, 2020, the Organization received a \$2,805,000 non-revolving line of credit from a bank. The line matured on April 20, 2022, and was renewed for \$1,805,000. The renewed line of credit matures on June 20, 2023. Borrowings under the line bear interest at the bank's indexed rate minus 1.00%. The bank's indexed rate at June 30, 2022 and 2021, was 4.75% and 3.25%, respectively. Outstanding borrowings on the line at June 30, 2022 and 2021, were \$1,805,000 and \$2,805,000, respectively. The line requires monthly payments of interest only. Total interest expense incurred for the years ended June 30, 2022 and 2021, was \$65,255 and \$57,643, respectively.

Note 5. Long-Term Debt

In April 2020, the Organization received an Economic Injury Disaster Loan (EIDL) as provided under the CARES (Coronavirus Aid, Relief, and Economic Security) Act, and administered by the federal Small Business Administration (SBA) in the amount of \$150,000. This unsecured loan carried interest at 2.75% and was repayable beginning May 2022 over 30 years. The principal and accrued interest of \$7,380 was paid in full in March 2022.

Note 6. Lease Commitments

On March 1, 2014, the Organization exercised the first of two five-year renewal options for office space, and in January 2018, exercised the second of the two five-year renewal options with a lease term beginning March 1, 2019. Under the new lease agreement, the rent obligation of \$17,319 per month increases annually over the term of the lease, although the rent expense would be recognized on the straight-line basis over the 60-month term in accordance with generally accepted accounting principles. The lease was terminated in August 2021, then rented on a month-to-month basis through November 2021. Rent expense under the lease for the years ended June 30, 2022 and 2021, was \$49,958 and \$260,150, respectively. The Organization was responsible for insurance, utilities, maintenance, and repairs.

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 2022, the Organization received \$330,999 from leasing revenue and paid \$191,667 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.

The Organization rents office equipment under noncancelable operating lease agreements with terms in excess of one year. Lease expense relating to this equipment was \$124,127 and \$116,228 during 2022 and 2021, respectively, with monthly lease payments ranging from \$263 to \$5,066, ending in May 2025.

CHARLESTON AREA CONVENTION AND VISITORS BUREAU

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2022 AND 2021

Note 6. Lease Commitments (Continued)

In January 2021, the Organization entered into an agreement to lease parking spaces through June 2030. Under the agreement, the lease obligation is \$3,625 per month. Lease expense for the year ended June 30, 2022 and 2021, was \$43,500 and \$21,750, respectively.

Minimum rental payments required under these lease agreements as of June 30, 2022, are as follows:

<u>Years Ending June 30,</u>	<u>Facilities and parking spaces</u>	<u>Parking lot</u>	<u>Equipment</u>
2023	\$ 65,445	\$ 244,375	\$ 92,637
2024	66,103	262,703	80,302
2025	66,781	282,406	74,161
2026	67,480	303,586	74,161
2027	49,071	326,355	41,536
Thereafter	130,500	1,116,573	-
	<u>\$ 445,380</u>	<u>\$ 2,535,998</u>	<u>\$ 362,797</u>

Note 7. 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, 2022 and 2021.

Note 8. COVID-19

In December 2019, a novel strain of coronavirus was reported in Wuhan, China. The World Health Organization declared the outbreak constituted a "Public Health Emergency of International Concern." The COVID-19 outbreak is disrupting global and national economies and affecting donors of all types. The extent of the impact of COVID-19 on the Organization's operational and financial performance depends on certain developments, including the duration and spread of the outbreak, impact on the Organization's grantors, donors, employees, and related organizations, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 has or may impact the Organization's financial position and changes in its net assets is uncertain.

In response to the coronavirus (COVID-19) pandemic in 2020, the U.S. Federal Government enacted the Coronavirus Aid, Relief, and Economic Security (CARES) Act that, among other economic stimulus measures, established the Paycheck Protection Program (PPP) to provide small business loans and the Employee Retention Credit program. Laws and regulations concerning government programs are complex and subject to varying interpretations. Claims made under the CARES Act may also be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the Organization's claim to the PPP and ERC, and it is not possible to determine the impact (if any) this would have upon the Organization.

CHARLESTON AREA CONVENTION AND VISITORS BUREAU

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

Note 8. COVID-19 (Continued)

In April 2020, the Organization received a PPP loan in the amount of \$919,400. The loan contained conditions to maintain employment levels and use the funds for certain payroll, rent, and utility expenses. The loan carried interest at 1% and payments were to start 7 months from the date of disbursement, with repayment over 24 months, with the first 6 months of principal and interest being deferred, with interest accruing then converting to monthly principal and interest payments amortized over 18 months. The Organization used all of the proceeds for qualifying expenses and received approval of its application for the obligation to be forgiven in March 2021. The Organization recognized grant revenue of \$919,400 on the statements of activities for the year ended June 30, 2021.

In March 2021, the Organization received a Paycheck Protection Program (PPP) Second Draw loan, in the amount of \$919,452. The loan had the same terms as the PPP First Draw Loan. As of June 30, 2021, the loan proceeds were unspent, pending clarification by the U.S. Congress regarding eligible recipients, and therefore, the balance was included in refundable advances on the statements of financial position. In November 2021, the PPP loan amount was forgiven and recognized as grant revenue of \$919,452 on the statements of activities for the year ended June 30, 2022.

During the year, the Organization received \$227,928 in Employee Retention Credit funds, which is reflected as grant revenue on the statements of activities.

Note 9. 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.

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>2022</u>	<u>2021</u>
Financial assets at year end:		
Cash and cash equivalents - restricted and unrestricted	\$ 13,830,145	9,537,971
Accounts receivable, net	891,461	679,368
Reimbursement due from governments	<u>1,446,139</u>	<u>2,946,139</u>
Total financial assets	16,167,745	13,163,478
Less amounts not available to be used within one year		
Restricted cash - Paycheck Protection Program refundable advance	-	(919,452)
Designated for air carrier agreement (See Note 7)	(816,282)	(998,969)
Net assets with donor restrictions	<u>(5,641,411)</u>	<u>(3,629,295)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 9,710,052</u></u>	<u><u>\$ 7,615,762</u></u>

CHARLESTON AREA CONVENTION AND VISITORS BUREAU

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2022 AND 2021

Note 10. Net Assets with Donor Restrictions

During the years ended June 30, 2022 and 2021, the South Carolina Department of Parks, Recreation and Tourism awarded \$8,400,000 and \$8,180,000, respectively, to the Organization to be used for destination specific tourism marketing. Additionally, for the year ended June 30, 2022, the South Carolina Department of Parks, Recreation and Tourism awarded \$1,500,000 for costs incurred by the Organization to renovate the Charleston Visitor Center, and \$50,000 for Explore Black Charleston. The Organization incurred expenses of \$7,937,884 and \$5,277,335 in the years ended June 30, 2022 and 2021, respectively, related to these awards resulting in net assets being released from donor restrictions. Net assets with donor restrictions as of June 30, 2022 and 2021, of \$5,591,411 and \$3,629,295, respectively, are restricted to destination specific tourism marketing. The remaining \$50,000 net assets with donor restrictions as of June 30, 2022, is restricted to Explore Black Charleston.

Note 11. Pending Financial Accounting Standards Board Standards Updates

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, *Leases, (Topic 842)*, which will require leases to be recorded as an asset on the Statement of Financial Position for the right to use the leased asset and a liability for the corresponding lease obligation for leases with terms of more than 12 months. ASU 2016-02 is effective for non-public companies for fiscal years beginning after December 15, 2020, with early adoption permitted. As of May 20, 2020, the FASB deferred implementation by one year to reporting periods beginning after December 15, 2021. The Organization is evaluating the impact the standard may have on its financial statements.

Note 12. Subsequent Events

The Organization was awarded \$8,400,000 in August 2022 by the South Carolina Department of Parks, Recreation and Tourism for destination specific tourism marketing.

Subsequent events have been evaluated through October 26, 2022, which is the date the financial statements were available to be issued.