

**The Charleston Gaillard Management Corporation**  
**Report on Financial Statements**  
**Years Ended June 30, 2020 and 2019**



**The Charleston Gaillard Management Corporation**  
**Table of Contents**

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<b>Independent Auditor's Report</b>	1 - 2
<b>Financial Statements</b>	
Statement of Financial Position	3
Statement of Activities	4 - 5
Statement of Functional Expenses	6 - 7
Statement of Cash Flows	8
Notes to Financial Statements	9 - 17

## ***Independent Auditor's Report***

Board of Directors  
The Charleston Gaillard Management Corporation

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of The Charleston Gaillard Management Corporation, which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

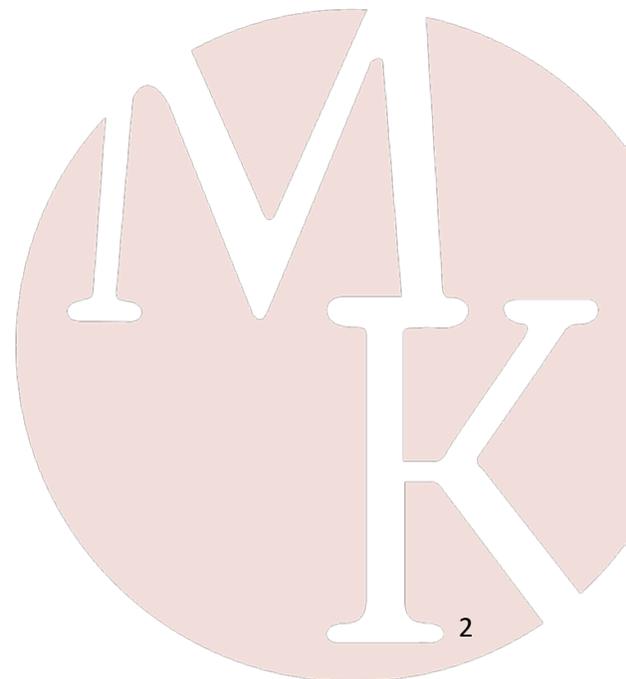
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Charleston Gaillard Management Corporation as of June 30, 2020, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matter***

The financial statements of The Charleston Gaillard Management Corporation for the year ended June 30, 2019, were audited by another auditor who expressed an unmodified opinion on those statements on January 6, 2020.

*McCoy Kiddy LLC*

Mount Pleasant, South Carolina  
September 18, 2020



**The Charleston Gaillard Management Corporation**  
**Statement of Financial Position**  
**June 30, 2020 and 2019**

	<b>2020</b>	<b>2019</b>
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	\$ 3,674,819	\$ 3,051,328
Accounts receivable, net	275,642	403,056
Investments	501,133	500,367
Prepaid expenses	7,357	-
Total Current Assets	4,458,951	3,954,751
Noncurrent Assets		
Depreciable property and equipment, net	290,562	349,820
Total Noncurrent Assets	290,562	349,820
<b>Total Assets</b>	<b>\$ 4,749,513</b>	<b>\$ 4,304,571</b>
<b>Liabilities and Net Assets</b>		
Current Liabilities		
Accounts payable	\$ 47,818	\$ 262,508
Accrued expenses	141,401	234,157
Deferred revenue	954,301	1,026,060
Current portion of notes payable	213,435	-
Current portion of capital lease obligations	6,973	8,621
Total Current Liabilities	1,363,928	1,531,346
Noncurrent Liabilities		
Notes payable, net of current portion	271,865	-
Capital lease obligations, net of current portion	18,666	30,155
Total Noncurrent Liabilities	290,531	30,155
Net Assets		
Without donor restrictions	3,086,554	2,743,070
With donor restrictions	8,500	-
Total Net Assets	3,095,054	2,743,070
<b>Total Liabilities and Net Assets</b>	<b>\$ 4,749,513</b>	<b>\$ 4,304,571</b>

**The Charleston Gaillard Management Corporation**  
**Statement of Activities**  
**Year Ended June 30, 2020**

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	Without Donor Restriction	With Donor Restriction	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Revenue and Support</b>			
Rental revenue, net	\$ 1,674,429	\$ -	\$ 1,674,429
City of Charleston support	1,450,000	-	1,450,000
Event revenue/ticket sales	1,235,844	-	1,235,844
Ticketing and other fees	360,694	-	360,694
Food and beverage	356,835	-	356,835
Contributions and sponsorships	250,626	8,500	259,126
Memberships	200,667	-	200,667
Grants	167,306	-	167,306
Other income	85,107	-	85,107
	<u>5,781,508</u>	<u>8,500</u>	<u>5,790,008</u>
Total Support and Revenue			
<b>Expenses</b>			
Program services	4,505,133	-	4,505,133
Management and general	473,758	-	473,758
Fundraising	459,133	-	459,133
	<u>5,438,024</u>	<u>-</u>	<u>5,438,024</u>
Total Expenses			
<b>Change in Net Assets</b>	343,484	8,500	351,984
Net Assets, Beginning of Year	<u>2,743,070</u>	<u>-</u>	<u>2,743,070</u>
<b>Ending Net Assets</b>	<u>\$ 3,086,554</u>	<u>\$ 8,500</u>	<u>\$ 3,095,054</u>

**The Charleston Gaillard Management Corporation**  
**Statement of Activities**  
**Year Ended June 30, 2019**

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	Without Donor Restriction	With Donor Restriction	Total
<b>Revenue and Support</b>			
Event revenue/ticket sales	\$ 2,263,098	\$ -	\$ 2,263,098
Rental revenue, net	1,885,863	-	1,885,863
City of Charleston support	1,425,000	-	1,425,000
Ticketing and other fees	607,954	-	607,954
Food and beverage	514,621	-	514,621
Contributions and sponsorships	386,238	-	386,238
Memberships	198,192	-	198,192
Grants	109,840	-	109,840
Other income	46,431	-	46,431
Net assets released from restrictions	26,250	(26,250)	-
<b>Total Support and Revenue</b>	<u>7,463,487</u>	<u>(26,250)</u>	<u>7,437,237</u>
<b>Expenses</b>			
Program services	5,464,737	-	5,464,737
Management and general	525,409	-	525,409
Fundraising	484,871	-	484,871
<b>Total Expenses</b>	<u>6,475,017</u>	<u>-</u>	<u>6,475,017</u>
<b>Change in Net Assets</b>	988,470	(26,250)	962,220
Net Assets, Beginning of Year	<u>1,754,600</u>	<u>26,250</u>	<u>1,780,850</u>
<b>Ending Net Assets</b>	<u>\$ 2,743,070</u>	<u>\$ -</u>	<u>\$ 2,743,070</u>

**The Charleston Gaillard Management Corporation**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2020**

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	Program Services	Management and General	Fundraising	Total
Production costs	\$ 2,189,241	\$ -	\$ 1,571	\$ 2,190,812
Personnel	1,496,992	289,557	348,925	2,135,474
Non-event marketing	149,958	28,516	63,226	241,700
Information technology	192,069	23,052	11,922	227,043
Venue operations and management	208,402	2,343	-	210,745
Professional fees	26,478	75,936	-	102,414
Depreciation and amortization	58,823	5,427	6,747	70,997
Insurance and permits	45,876	9,672	780	56,328
Management travel/professional development	36,874	11,471	1,726	50,071
Parking	34,905	2,963	4,500	42,368
Supplies and postage	24,323	5,247	1,899	31,469
Office communications	12,003	11,041	5,185	28,229
Ticket office operations	19,190	-	-	19,190
Fundraising	-	-	12,392	12,392
Rent	6,000	6,000	-	12,000
Programming	3,120	-	-	3,120
Recruitment	879	736	260	1,875
Bank fees	-	1,637	-	1,637
Interest	-	160	-	160
<b>Total Functional Expenses</b>	<b>\$ 4,505,133</b>	<b>\$ 473,758</b>	<b>\$ 459,133</b>	<b>\$ 5,438,024</b>

See accompanying notes to financial statements and independent auditor's report.

**The Charleston Gaillard Management Corporation**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2019**

	Program Services	Management and General	Fundraising	Total
Production costs	\$ 3,057,357	\$ -	\$ -	\$ 3,057,357
Personnel	1,431,962	266,846	337,997	2,036,805
Programming	261,751	952	1,244	263,947
Venue operations and management	186,401	74,706	-	261,107
Non-event marketing	133,191	32,308	75,221	240,720
Information technology	200,955	25,873	5,702	232,530
Depreciation and amortization	50,871	18,247	6,410	75,528
Insurance and permits	53,499	11,865	1,440	66,804
Professional fees	11,367	50,318	3,825	65,510
Fundraising	-	-	39,166	39,166
Office communications	11,049	12,403	6,379	29,831
Parking	20,707	3,355	3,052	27,114
Management travel/professional development	18,621	5,752	2,086	26,459
Ticket office operations	19,596	-	-	19,596
Recruitment	-	15,267	-	15,267
Supplies and postage	7,410	4,947	2,249	14,606
Bank fees	-	2,121	100	2,221
Interest	-	449	-	449
<b>Total Functional Expenses</b>	<b>\$ 5,464,737</b>	<b>\$ 525,409</b>	<b>\$ 484,871</b>	<b>\$ 6,475,017</b>

See accompanying notes to financial statements and independent auditor's report.

**The Charleston Gaillard Management Corporation**  
**Statements of Cash Flows**  
**Years Ended June 30, 2020 and 2019**

	2020	2019
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ 351,984	\$ 962,220
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	70,997	75,528
Unrealized gain on investments	(766)	-
Change in:		
Accounts receivable, net	127,414	(251,060)
Prepaid expenses	(7,357)	106,265
Accounts payable	(214,690)	97,109
Accrued expenses	(92,756)	87,809
Deferred revenue	(71,759)	(57,747)
Net cash provided by operating activities	163,067	1,020,124
<b>Cash Flows from Investing Activities:</b>		
Purchase of property and equipment	(11,739)	(39,971)
Purchase of investments	-	(500,367)
Net cash used in investing activities	(11,739)	(540,338)
<b>Cash Flows from Financing Activities:</b>		
Proceeds from note payable	485,300	-
Proceeds from capital lease obligation	-	33,600
Payments on capital lease obligation	(13,137)	(10,757)
Net cash provided by financing activities	472,163	22,843
<b>Net Increase in Cash and Cash Equivalents</b>	623,491	502,629
Cash and Cash Equivalents, Beginning of Year	3,051,328	2,548,699
Cash and Cash Equivalents, End of Year	\$ 3,674,819	\$ 3,051,328
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash paid for interest	\$ 160	\$ 449

See accompanying notes to financial statements and independent auditor's report.

# The Charleston Gaillard Management Corporation

## Notes to Financial Statements

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### Note A – Nature of Operations and Summary of Significant Accounting Policies

#### Nature of Organization

The Charleston Gaillard Management Corporation (CGMC) is a South Carolina nonprofit corporation established in April 2013 to manage the operations of the Gaillard Center (the Center), an asset owned by the City of Charleston, South Carolina (the City of Charleston). CGMC is governed by a Board of Directors and is organized exclusively for charitable and education purposes.

The Center is the home of the Martha and John M. Rivers Performance Hall, a fine arts performance hall located in Charleston, South Carolina. CGMC manages the operations, bookings, and related administrative functions of the performance and exhibition halls and related facilities. Therefore, CGMC advances, promotes, and supports the interest of the City of Charleston in connection with the arts, performances, tourism, and education programs in and around the Charleston area. In addition to ticket sales and rental income, one of CGMC's primary revenue sources for these services to date has been support from the City of Charleston.

#### Basis of Accounting

CGMC'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.

#### Basis of Presentation

CGMC's financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) of the United States of America in its Accounting Standards Codification (ASC) 958 – 205, *Not-For-Profit Entities – Presentation of Financial Statements*. These standards require classification of net assets and changes in net assets as net assets without donor restrictions and net assets with donor restrictions as follows:

Net assets without donor restrictions - Net assets that are not subject to or are no longer subject to donor-imposed stipulations.

Net assets with donor restrictions - Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Revenue and support are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. GCMC has adopted a policy to classify donor restricted contributions as without donor restrictions to the extent that donor restrictions were met in the year the contribution was received.

#### Use of Estimates and Assumptions

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

**The Charleston Gaillard Management Corporation**  
**Notes to Financial Statements**

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Cash and Cash Equivalents

CGMC considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable, Net

Accounts receivable includes amounts due from rental revenues, sponsorships, support and other earned income sources.

All receivables are stated at unpaid balances, less an appropriate discount, where applicable, and less an allowance for doubtful accounts. CGMC provides for losses on accounts receivable using the allowance method. The allowance is based on experience and other circumstances which may affect the ability of customers to meet their obligations. Receivables are considered impaired if payments are not received in accordance with stated terms. It is CGMC's policy to charge off uncollectible receivables when management determines the receivable will not be collected.

Property and Equipment, Net

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation, less accumulated depreciation. Generally, items costing \$5,000 or more are capitalized; lesser amounts for property and equipment and costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed. Depreciation is computed using straight-line method over the estimated useful lives of the respective assets. When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any resulting gain or loss is included in the Statement of Activities. Management periodically determines if any property and equipment is impaired. Useful lives of property and equipment are as follows:

Theater equipment	10 years
Office equipment	5 - 7 years
Website	3 years
Computer/IT hardware	5 years

Compensated Absences

Regular employees of CGMC are granted vacation benefits which accrued annually on a fiscal year basis. The maximum amount employees may accrue or carryover from one fiscal year to the next is that amount equal to one half of the vacation leave accrued over a one-year period based on years of service. Vacation benefits, up to the annual carryover total, are paid out upon termination if not due to misconduct. At June 30, 2020 and 2019, vacation benefits carried over into the next fiscal year of \$45,724 and \$52,602, respectively, were recorded as a liability in accrued expenses in the accompanying Statement of Financial Position.

Deferred Revenue

Deferred revenue primarily consists of advance ticket sales, rental deposits for the exhibition hall, and memberships received for future periods not yet earned by CGMC.

Revenue Recognition

Contributions, which at times, may include unconditional promises to give, are recognized as revenues in the period received or promised. Contributions receivable due beyond one year are stated at net present value of the estimated cash flows using a risk-adjusted rate. Conditional contributions are recorded when the conditions have been met. Contributions are considered to be without donor restrictions unless specifically restricted by the donor for time or purpose.

## The Charleston Gaillard Management Corporation

### Notes to Financial Statements

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CGMC reports contributions in the donor restricted net asset class if they are received with donor stipulations as to their use and/or time. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are released and reclassified to net assets without donor restrictions in the Statement of Activities.

Ticket sales, rental event revenue memberships, ticketing and other fees, and food and beverage income are recognized when the event has occurred, or the income has been earned.

#### Functional Allocation of Expense

The costs of providing various programs and activities have been summarized on a functional basis in the Statement of Activities and the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Expenses of CGMC include:

Program services – Program services include direct and allocated costs to coordinating programs and events for CGMC.

Management and general expenses – Management and general expenses include the general, administrative, and operating costs of CGMC.

Fundraising expenses – These expenses include direct and indirect activities undertaken to solicit contributions from donors

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated and the method of allocation include:

<b><u>Expense Type</u></b>	<b><u>Method of Allocation</u></b>
Personnel	Time and effort
Venue operations and management	Direct costs to programs; remaining to management/general
Programming	Direct costs to programs; remaining to management/general and fundraising based on management's estimate of resources expended
Non-event marketing	Based on management's estimate of resources expended
Depreciation and amortization	Based on the intended use of each category of property and equipment
Insurance and permits	Based on management's estimate of resources expended
Parking	Based on employee's department position
Bank fees	Direct costs to management/general; remaining to fundraising

All other expense types not mentioned above are allocated based on direct costs to programs, management/general, and fundraising.

**The Charleston Gaillard Management Corporation**  
**Notes to Financial Statements**

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Income Tax Status

CGMC 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. Therefore, no provision for income taxes has been provided for. CGMC qualifies for the charitable contribution deduction under Section 170(b)(1) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

The FASB provides guidance on CGMC's evaluation of accounting for uncertainty in income taxes. Management evaluated CGMC's tax position and concluded that CGMC had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

Advertising Expenses

Costs of promotion and advertising are expensed as incurred. Advertising and promotion expense were \$241,700 and \$240,720 for the years ended June 30, 2020 and 2019, respectively.

Adoption of Accounting Pronouncement

In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606), requires entities to recognize revenue when control of the promised good or services is transferred to customers at an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. CGMC adopted this standard on January 1, 2019 using the modified retrospective method. The adoption of this standard did not have a material impact on the amount and timing of revenue recognition and did not materially affect changes in net assets, financial position, or cash flows.

Recent Accounting Pronouncement

In February 2016, the FASB issued ASU 2016-02, Leases. ASU 2016-02 requires that lease arrangements longer than 12 months result in an entity recognizing an asset and a liability. The updated guidance is effective for interim and annual periods beginning after December 15, 2019, and early adoption is permitted. The standard requires use of the modified retrospective transition approach. While CGMC is currently evaluating this standard, given the small number of leases CGMC is party to, CGMC expects this standard will not have a significant impact on CGMC's financial statements from the recognition of right of use assets and related liabilities. This guidance is effective for CGMC for fiscal years beginning after December 15, 2021.

**Note B – Accounts Receivable, Net**

Accounts receivable consisted of the following as of June 30:

	2020	2019	2018
Accounts receivable	\$ 282,371	\$ 414,076	\$ 134,939
Total Accounts Receivable	282,371	414,076	134,939
Less: allowance for doubtful accounts	(6,729)	(11,020)	(11,020)
Total Accounts Receivable, Net	\$ 275,642	\$ 403,056	\$ 123,919

Bad debt expense was \$0 and \$150 for the years ended June 30, 2020 and 2019, respectively.

**The Charleston Gaillard Management Corporation**  
**Notes to Financial Statements**

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**Note C – Property and Equipment, Net**

Property and equipment consisted of the following at June 30:

	2020	2019
Depreciable Assets:		
Theater equipment	\$ 363,122	\$ 363,122
Office equipment	133,120	133,120
Website	15,694	15,694
Computer/IT hardware	57,161	45,422
Total Depreciable Assets	569,097	557,358
Less: accumulated depreciation	(278,535)	(207,538)
Total Depreciable Assets, Net	\$ 290,562	\$ 349,820

Depreciation and amortization expense for the years ended June 30, 2020 and 2019 totaled \$70,997 and \$75,528, respectively.

**Note D – Fair Value of Financial Assets and Liabilities**

CGMC follows the provisions of ASC 820, *Fair Value Measurements and Disclosures*, for its financial assets and liabilities. ASC 820 clarifies that fair value is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. CGMC utilizes market data or assumptions that market participants would use in pricing the asset or liability. ASC 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. The three levels of inputs used to measure fair value are as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Prices for fixed income securities are readily available in the active markets in which those securities are traded, and the resulting fair values are categorized as Level 1.

CGMC does not have any financial assets or liabilities measured at fair value on a recurring basis categorized as Level 3, and there were no transfers in or out of Level 3 during the years ended June 30, 2020 and 2019. There were no changes during the years ended June 30, 2020 and 2019 to CGMC's valuation techniques used to measure asset and liability fair values on a recurring basis.

**The Charleston Gaillard Management Corporation**  
**Notes to Financial Statements**

The following tables present the assets measured at fair value on a recurring basis as of June 30, 2020 and 2019:

	Fair Value Measurements at June 30, 2020		
	Level 1	Level 2	Level 3
Fixed income securities	\$ 501,133	\$ -	\$ -
Total	\$ 501,133	\$ -	\$ -
	Fair Value Measurements at June 30, 2019		
	Level 1	Level 2	Level 3
Fixed income securities	\$ 500,367	\$ -	\$ -
Total	\$ 500,367	\$ -	\$ -

**Note E – Note Payable**

In April 2020, CGMC received a note payable of \$485,300 from a bank in conjunction with the Paycheck Protection Program. The note matures on April 18, 2022 and bears interest of 1.00%. This note payable is eligible for forgiveness and management expects the full amount to be forgiven subsequent to June 30, 2020. The balance of the note payable was \$485,300 as of June 30, 2020. If the full amount of the note is not forgiven, the expected monthly principal and interest payments of \$27,311 will begin in November 2020.

The schedule of future minimum payments is as follows:

Year Ending June 30,	
2021	\$ 213,435
2022	271,865
Total	\$ 485,300

**Note F – Capital Lease Obligations**

In May 2015, CGMC acquired a copier and digital server for \$32,885 through a capital lease agreement. Under the terms of the agreement, CGMC committed to pay 63 monthly installments of \$572, including interest. The balance of this capital leases was \$572 as of June 30, 2020. Amortization expense on the equipment has been included in depreciation expense for the years ended June 30, 2020 and 2019. The net book value of the equipment was \$0 and \$1,680, respectively, at June 30, 2020 and 2019.

In February 2019, CGMC acquired a copier for \$33,600 through a capital lease agreement. Under the terms of the agreement, CGMC committed to pay 63 monthly installments of \$533, including interest. The balance of this capital leases was \$25,067 as of June 30, 2020. Amortization expense on the equipment has been included in depreciation expense for the years ended June 30, 2020 and 2019. The net books value of the equipment was \$25,067 and \$31,446, respectively, at June 30, 2020 and 2019.

**The Charleston Gaillard Management Corporation**  
**Notes to Financial Statements**

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Future minimum payments under the capital leases are as follows for the years ended June 30:

2021	\$	6,973
2022		6,400
2023		6,400
2024		5,866
		5,866
	\$	25,639

**Note G – Net Assets with Donor Restrictions**

CGMC’s net assets with donor restrictions are restricted for the following purposes at June 30, 2020 and 2019:

	2020	2019
Subject to Purpose Restrictions		
Sponsorship fiscal year 20-21 season	\$ 8,500	\$ -
Total	\$ 8,500	\$ -

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors. Releases from restrictions are as follows for the years ended June 30, 2020 and 2019:

	2020	2019
Subject to Purpose Restrictions		
Artistic programs	\$ -	\$ 21,500
Sponsorship fiscal year 18-19 season	-	4,750
Subtotal	\$ -	\$ 26,250

**Note H – Concentration of Credit Risk**

CGMC maintains its cash and cash equivalents in bank deposit accounts which, at times, may exceed federally insured limits. CGMC has not experienced any losses in such accounts and management believes CGMC is not exposed to any significant credit risk on cash and cash equivalents.

CGMC received approximately 25% and 19%, respectively, of its funding through support and contributions from the City of Charleston for the years ended June 30, 2020 and 2019. Loss of this support in future years could have a significant impact on CGMC’s operations.

## **The Charleston Gaillard Management Corporation**

### **Notes to Financial Statements**

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#### **Note I – Commitments**

In April 2015, CGMC signed an operating agreement with the City of Charleston to establish CGMC as the entity responsible for the management and operation of the Center, to include its utilization, programming, and promotion, for the benefit of the Center and the City of Charleston and the mission of CGMC. The term of the agreement commenced on April 13, 2015 and shall continue until June 30, 2030, with a renewal option available within one year of the expiration date. Upon termination of this agreement for any reason, CGMC must transfer all assets and contracts related to the Center to the City of Charleston or an alternate non-profit designated by the City of Charleston.

Under this agreement, both the City of Charleston and CGMC will use office space within the complex. The City of Charleston will be responsible for all utilities for the Center, excluding telephone and internet expenses incurred by CGMC. In addition, the City of Charleston will maintain property, casualty, and liability insurance for the facility at large, while CGMC will maintain Directors and Officers, event, general liability, and property, casualty, and liability insurance on personal property within the Center.

In April 2017, CGMC signed an agreement with Spectra Food Services & Hospitality (Spectra) in which Spectra will provide professional catering services in connection with CGMC's operation of the Center. This agreement is to continue for a period for five years, unless terminated. According to the agreement, CGMC pays a fee of 5 percent of gross receipts (Base Fee) from all food and beverage services performed at the facility. CGMC will also retain a monthly percentage of gross receipts derived from food and beverage services at the facility in accordance with a commissions schedule. In addition, after deducting the Base Fee, Spectra will share the remaining net profits derived from food and beverage services performed at the facility based on an annual profit schedule. The net profits share will be applicable over an operating year. In relation to this catering services agreement, amounts earned by CGMC for the years ended June 30, 2020 and 2019 totaled \$356,835 and \$514,620, respectively. As of June 30, 2020 and 2019, \$47,808 and \$23,431, respectively, was due from Spectra and is included in accounts receivable on the accompanying statement of Financial Position.

Spectra will also maintain a reserve fund, ranging from 0.50% to 1.00% percent of gross receipts, for the purpose of funding its maintenance and repair obligations, as well as an additional 1.00% percent for marketing and advertising purposes.

#### **Note J – Liquidity and Availability of Financial Assets**

CGMC's working capital and cash flows have seasonal variations throughout the year attributable to the timing of support, ticket revenues, and expenses. As part of its liquidity plan, CGMC has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due. CGMC invests excess cash in short-term investments, including certificates of deposit and money market accounts, and has the ability to redeem certain investments as necessary to meet its obligations.

**The Charleston Gaillard Management Corporation**  
**Notes to Financial Statements**

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The following reflects CGMC’s financial assets as of the balance sheet date, reduced by amounts not available for general use within one year of the balance sheet date because of contractual or donor-imposed restrictions or internal designations.

	2020	2019
Cash and cash equivalents	\$ 3,674,819	\$ 3,051,328
Accounts receivable, net	275,642	403,056
Investments	501,133	500,367
Total financial assets	4,451,594	3,954,751
Less amounts not available to be used within one year:		
Net assets with donor restrictions	(8,500)	-
Add back: Net assets with purpose or time restrictions to be met in less than a year	8,500	-
Total amounts not available to be used within one year	-	-
Total Financial Assets Available to Meet Cash Needs for Expenditures Within One Year	\$ 4,451,594	\$ 3,954,751

**Note K – Subsequent Events**

Management has evaluated subsequent events through the date which the financial statements were available to be issued.

In December 2019, a novel strain of coronavirus (COVID-19) was reported to have surfaced in China. The World Health Organization declared COVID-19 to constitute a “Public Health Emergency of International Concern” and characterized COVID-19 as a pandemic. The U.S. government implemented enhanced screenings, quarantine requirements, and travel restrictions in connection with the COVID-19 outbreak. The spread of this virus began causing business disruptions domestically beginning in January 2020 and are anticipated to continue for the foreseeable future. CGMC expects the ramifications of COVID-19 to have an impact on its results. The extent of the impact of COVID-19 on CGMC’s operational and financial performance will depend on future developments, including the duration and spread of the outbreak and related restrictions and the impact of COVID-19 on overall demand for CGMC’s services, all of which are highly uncertain and cannot be predicted.