

**The Charleston Gaillard  
Management Corporation**

*Report on Financial Statements*

*For the years ended June 30, 2019 and 2018*

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# The Charleston Gaillard Management Corporation

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## **Independent Auditor's Report**

Audit Committee of the Board of Directors  
The Charleston Gaillard Management Corporation  
Charleston, South Carolina

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

We have audited the accompanying financial statements of The Charleston Gaillard Management Corporation, which comprise the statements of financial position as of June 30, 2019 and 2018, the related statements of activities and cash flows for the years 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 audits. We conducted our audits 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, 2019 and 2018, 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.

## Adoption of a New Accounting Standard

As discussed in Note 1, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-14, *Not for Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses presentation of net asset classifications for consistency and understandability, provides information about liquidity and availability of resources, and allows consistency in information provided about expenses and investment return. The Charleston Gaillard Management Corporation adopted ASU 2016-14 during the year ended June 30, 2019, and it was applied retrospectively. The adoption of this standard did not have any impact on The Charleston Gaillard Management Corporation's net assets or changes in net assets. Our opinion is not modified with respect to this matter.

A handwritten signature in black ink that reads "Elliott Davis, LLC". The signature is written in a cursive style with a large, sweeping initial "E".

Charleston, South Carolina  
January 6, 2020

# The Charleston Gaillard Management Corporation

## Statements of Financial Position

As of June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 3,051,328	\$ 2,548,699
Investments	500,367	-
Accounts receivable, net	403,055	123,919
Contributions receivable, net	-	28,077
Prepaid expenses	-	106,265
Property and equipment, net	349,821	385,377
Total assets	<u>\$ 4,304,571</u>	<u>\$ 3,192,337</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 262,508	\$ 165,399
Accrued expenses	234,157	146,348
Deferred revenue	1,026,060	1,083,807
Capital lease obligations	38,776	15,933
Total liabilities	<u>1,561,501</u>	<u>1,411,487</u>
<b>Net assets</b>		
Without donor restrictions	2,743,070	1,754,600
With donor restrictions	-	26,250
Total net assets	<u>2,743,070</u>	<u>1,780,850</u>
Total liabilities and net assets	<u>\$ 4,304,571</u>	<u>\$ 3,192,337</u>

See Notes to Financial Statements

## The Charleston Gaillard Management Corporation

### Statements of Activities

For the years ended June 30, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and revenue</b>						
City of Charleston support	\$ 1,425,000	\$ -	\$ 1,425,000	\$ 1,400,000	\$ -	\$ 1,400,000
Event revenue/ticket sales	2,263,098	-	2,263,098	2,550,371	-	2,550,371
Rental revenue, net	1,885,863	-	1,885,863	1,382,749	-	1,382,749
Ticketing and other fees	607,954	-	607,954	492,422	-	492,422
Food and beverage	514,621	-	514,621	255,511	-	255,511
Contributions and sponsorships	386,238	-	386,238	792,706	26,250	818,956
Grants	109,840	-	109,840	57,458	-	57,458
Memberships	198,192	-	198,192	184,014	-	184,014
Other income	46,431	-	46,431	62,311	-	62,311
Total support and revenue	<u>7,437,237</u>	<u>-</u>	<u>7,437,237</u>	<u>7,177,542</u>	<u>26,250</u>	<u>7,203,792</u>
<b>Net assets released from restrictions</b>						
Net assets released from time and purpose restrictions	26,250	(26,250)	-	102,500	(102,500)	-
Total net assets released from restrictions	<u>26,250</u>	<u>(26,250)</u>	<u>-</u>	<u>102,500</u>	<u>(102,500)</u>	<u>-</u>
<b>Expenses</b>						
Program services	5,464,737	-	5,464,737	5,308,779	-	5,308,779
Management and general	525,409	-	525,409	615,999	-	615,999
Fundraising	484,871	-	484,871	566,447	-	566,447
Total expenses	<u>6,475,017</u>	<u>-</u>	<u>6,475,017</u>	<u>6,491,225</u>	<u>-</u>	<u>6,491,225</u>
Change in net assets	988,470	(26,250)	962,220	788,817	(76,250)	712,567
<b>Net assets, beginning of year</b>	1,754,600	26,250	1,780,850	965,783	102,500	1,068,283
<b>Net assets, end of year</b>	<u>\$ 2,743,070</u>	<u>\$ -</u>	<u>\$ 2,743,070</u>	<u>\$ 1,754,600</u>	<u>\$ 26,250</u>	<u>\$ 1,780,850</u>

See Notes to Financial Statements

## The Charleston Gaillard Management Corporation

### Statements of Cash Flows

For the years ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>Operating activities</b>		
Cash received from grantors, donors, and patrons	\$ 7,128,431	\$ 7,438,964
Cash paid to suppliers	(4,207,707)	(4,392,585)
Cash paid to employees	(1,900,150)	(1,925,476)
Cash paid for interest	(449)	(906)
Net cash provided by operating activities	<u>1,020,125</u>	<u>1,119,997</u>
<b>Investing activities</b>		
Purchases of property and equipment	(39,972)	(117,472)
Purchase of investments	(500,367)	-
Net cash used for investing activities	<u>(540,339)</u>	<u>(117,472)</u>
<b>Financing activities</b>		
Proceeds from capital lease obligations	33,600	-
Payments on capital lease obligations	(10,757)	(8,412)
Net cash provided by (used for) financing activities	<u>22,843</u>	<u>(8,412)</u>
Net increase in cash and cash equivalents	502,629	994,113
<b>Cash and cash equivalents, beginning of year</b>	2,548,699	1,554,586
<b>Cash and cash equivalents, end of year</b>	<u>\$ 3,051,328</u>	<u>\$ 2,548,699</u>

See Notes to Financial Statements

# The Charleston Gaillard Management Corporation

## Notes to Financial Statements

June 30, 2019 and 2018

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### Note 1. Nature of Activities and Summary of Significant Accounting Policies

#### Nature of activities:

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 educational 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:

The financial statements of CGMC have been prepared on the accrual basis of accounting. CGMC’s financial statements follow the recommendation of the Financial Accounting Standards Board in its Accounting Standards Codification, *Financial Statements of Not-for-Profit Organizations*.

#### Net assets:

CGMC’s net assets are classified as follows:

**Net assets without donor restrictions:** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of CGMC’s management and the board of directors.

**Net assets with donor restrictions:** Net assets that are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time (that is, when a stipulated time restriction ends or purpose restriction is accomplished). Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. As of June 30, 2019 and 2018, CGMC had no net assets with permanent donor restrictions. As of June 30, 2019, CGMC also had no net assets with temporary donor restrictions.

# The Charleston Gaillard Management Corporation

## Notes to Financial Statements

June 30, 2019 and 2018

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### Note 1. Nature of Activities and Summary of Significant Accounting Policies, Continued

#### Revenue recognition:

Contributions received are recorded as support without donor restrictions or support with donor restrictions, depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities as net assets released from restrictions.

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.

#### Cash and cash equivalents:

For purposes of the Statements of Cash Flows, CGMC considers all highly-liquid investments with an initial maturity of three months or less to be cash equivalents.

#### Availability of funds for general expenditures:

CGMC has certain net assets that are available for general expenditures within one year of June 30, 2019 based on conducting the normal activities of its programs in the coming year. Accordingly, the related resources have been included in the quantitative information detailing the financial assets available to meet general expenditures within one year (See Note 2).

#### Accounts receivable:

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. The allowance for the year ended June 30, 2019 and 2018 was \$11,021. 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.

# The Charleston Gaillard Management Corporation

## Notes to Financial Statements

June 30, 2019 and 2018

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### Note 1. Nature of Activities and Summary of Significant Accounting Policies, Continued

#### Contributions receivable:

Contributions receivable are recorded as contributions at the time the promises to give are made and are, in substance, unconditional. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Contributions expected to be collected within one year are recorded at their net realizable values. Contributions expected to be collected in future years are recorded at the present value of their estimated future cash flows (i.e., net of a present value discount). No discount was considered necessary as of June 30, 2018, as all amounts were due within one year. As of June 30, 2019, all contributions receivable had been collected.

CGMC uses the allowance method to account for uncollectible contributions receivable. The allowance is based on management's estimate of collectability for the contributions receivable. As of June 30, 2018, there was no allowance for uncollectible contributions receivable.

#### Property, equipment, and depreciation:

CGMC capitalizes all expenditures for property and equipment in excess of \$5,000. Property and equipment is carried at cost, or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, ranging from 3-10 years.

#### Compensated absences:

Regular employees of CGMC are granted vacation benefits which accrue 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 vacation leave accrued over a one-year period based on years of service. Vacation benefits are paid out upon termination if not due to misconduct. At June 30, 2019 and 2018, vacation benefits carried over into the next fiscal year of \$52,602 and \$45,526, respectively, were recorded as a liability in accrued expenses in the accompanying Statements 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.

# The Charleston Gaillard Management Corporation

## Notes to Financial Statements

June 30, 2019 and 2018

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### Note 1. Nature of Activities and Summary of Significant Accounting Policies, Continued

#### Income tax status:

CGMC is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code as a charitable organization whereby only unrelated business income, if any, as defined by the Code, is subject to federal income tax. CGMC is classified by the Internal Revenue Service as other than a private foundation.

Generally accepted accounting principles (“GAAP”) prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. GAAP also provides guidance on derecognition of tax benefits, classification on the Statements of Financial Position, interest and penalties, accounting in interim periods, and disclosure.

Management has evaluated CGMC’s tax positions and concluded that CGMC has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance as of June 30, 2019 or 2018. With few exceptions, CGMC is no longer subject to income tax examinations by the U.S. Federal, state, or local tax authorities for years before 2016.

#### Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Reclassifications:

Certain items in the prior year have been reclassified to conform with the current year presentation.

# The Charleston Gaillard Management Corporation

## Notes to Financial Statements

June 30, 2019 and 2018

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### Note 1. Nature of Activities and Summary of Significant Accounting Policies, Continued

#### Expense allocation:

The costs of providing various programs and activities have been summarized on a functional basis in the Statements of Activities and Functional Expenses footnote. 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:

<u>Expense Type</u>	<u>Method of Allocation</u>
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

June 30, 2019 and 2018

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### Note 1. Nature of Activities and Summary of Significant Accounting Policies, Continued

#### New accounting pronouncements:

The Financial Accounting Standards Board ("FASB"), on August 18, 2016, published Accounting Standards Update ("ASU") No. 2016-14, *Not for Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities*. The standard changes how not-for-profit organizations classify their net assets, with groups required to categorize assets as either those with donor restrictions or without. The standard also requires new information about an organization's liquidity and an analysis of expenses by nature and function. The update aims to help charities, universities, foundations, and other not-for-profit groups better convey how they spend and manage their resources. CGMC has adopted this standard for the year ended June 30, 2019 and has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented. As allowed under the standard, the liquidity footnote disclosure (see Note 2) has not been presented for the year ended June 30, 2018.

The new standards change the following aspects of CGMC's financial statements:

- The temporarily restricted and permanently restricted (as applicable) net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- Disclosure of the allocation methodology for functional expenses.
- The financial statements include a new disclosure about liquidity and availability of resources (see Note 2).

In May 2014, the FASB issued guidance to change the recognition of revenue from contracts with customers. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. The guidance in ASU 2014-09 will be effective for CGMC for reporting the period ending June 30, 2020 and thereafter. CGMC is currently evaluating the impact of this new guidance on its financial statements.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, an update to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The clarifying guidance will be effective for annual periods beginning after December 15, 2019. Early adoption is permitted. CGMC is currently in the process of evaluating the impact of adoption of this guidance on the financial statements.

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies are not expected to have a material impact on CGMC's net assets or changes in net assets.

#### Subsequent events:

In preparing these financial statements, CGMC has evaluated events and transactions for potential recognition or disclosure through January 6, 2020, the date the financial statements were available to be issued.

# The Charleston Gaillard Management Corporation

## Notes to Financial Statements

June 30, 2019 and 2018

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### Note 2. Availability and Liquidity

Assets available for general expenditure, that are without donor or other restrictions limiting their use within one year of the Statement of Financial Position date of June 30, 2019, are comprised of the following at June 30, 2019:

Assets at year end	\$ 4,304,571
Less amounts not available to be used within one year due to illiquidity:	
Property and equipment, net	<u>(349,821)</u>
Assets available to meet cash needs for general expenditures within one year	<u>\$ 3,954,750</u>

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.

### Note 3. Concentrations of Credit Risk and Funding

CGMC maintains its cash at several local financial institutions in Charleston. Cash accounts are guaranteed in aggregate by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 per bank. From time to time, cash balances may exceed FDIC insured limits.

CGMC received approximately 19 percent of its funding through support and contributions from the City of Charleston for each of the years ended June 30, 2019 and 2018. 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

June 30, 2019 and 2018

### Note 4. Property and Equipment, Net

Property and equipment, net, is summarized as follows by major category at June 30:

	<u>2019</u>	<u>2018</u>
Theater equipment	\$ 363,122	\$ 363,122
Office equipment	133,121	99,521
Website	15,694	15,694
Computer/IT hardware	<u>45,422</u>	<u>39,049</u>
	557,359	517,386
Less: accumulated depreciation	<u>(207,538)</u>	<u>(132,009)</u>
Total	<u>\$ 349,821</u>	<u>\$ 385,377</u>

Depreciation and amortization expense for the years ended June 30, 2019 and 2018 totaled \$75,528 and \$63,598, respectively.

### Note 5. Functional Expenses

The functional expense allocations for the years ended June 30 are as follows:

	<u>2019</u>			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fund- Raising</u>	<u>Total</u>
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
Total expenses	<u>\$ 5,464,737</u>	<u>\$ 525,409</u>	<u>\$ 484,871</u>	<u>\$ 6,475,017</u>

# The Charleston Gaillard Management Corporation

## Notes to Financial Statements

June 30, 2019 and 2018

### Note 5. Functional Expenses, Continued

	2018			
	Program Services	Management and General	Fund- Raising	Total
Production costs	\$ 3,147,744	\$ -	\$ -	\$ 3,147,744
Personnel	1,245,590	336,670	341,838	1,924,098
Venue operations and management	191,731	145,613	14,980	352,324
Programming	350,042	-	-	350,042
Non-event marketing	110,368	12,985	90,597	213,950
Information technology	91,191	27,255	7,800	126,246
Fundraising	-	-	87,801	87,801
Professional fees	26,225	35,557	4,338	66,120
Depreciation and amortization	54,058	9,540	-	63,598
Office communications	14,840	14,840	7,420	37,100
Insurance and permits	25,928	5,147	492	31,567
Other expenses	11,671	10,763	5,327	27,761
Ticket office operations	24,215	-	-	24,215
Management travel/professional development	10,055	6,504	3,252	19,811
Supplies and postage	4,789	4,629	2,315	11,733
Recruitment	-	6,209	-	6,209
Interest	332	287	287	906
Total expenses	<u>\$ 5,308,779</u>	<u>\$ 615,999</u>	<u>\$ 566,447</u>	<u>\$ 6,491,225</u>

### Note 6. Capital Lease

In July 2014, CGMC acquired a copier for \$10,077 through a five year capital lease agreement. Under the terms of the agreement, CGMC committed to pay monthly installments of \$201, including interest. Amortization expense on the equipment has been included in depreciation expense for the years ended June 30, 2019 and 2018. In February 2019, CGMC obtained a new copier and new capital lease agreement to replace this one. The net book value of the equipment was \$2,015 at June 30, 2018.

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. Amortization expense on the equipment has been included in depreciation expense for the year ended June 30, 2019. The net book value of the equipment was \$31,466 at June 30, 2019.

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. Amortization expense on the equipment has been included in depreciation expense for the years ended June 30, 2019 and 2018. The net book value of the equipment was \$1,680 and \$12,058 at June 30, 2019 and 2018, respectively.

# The Charleston Gaillard Management Corporation

## Notes to Financial Statements

June 30, 2019 and 2018

### Note 6. Capital Lease, Continued

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

2020	\$	13,266
2021		6,972
2022		6,400
2023		6,400
2024		<u>5,888</u>
Total minimum payments		38,926
Less: amount representing interest		<u>(150)</u>
Present value of minimum payments	\$	<u><u>38,776</u></u>

### Note 7. Net Assets with Donor Restrictions

CGMC has recognized revenue related to contributions that are restricted as to purpose or the expiration of time. The following is a detail of the nature of the restrictions on net assets with donor restrictions at June 30:

	<u>2019</u>	<u>2018</u>
Artistic programs – Chenoweth Show	\$ -	\$ 15,000
Artistic programs – Prints in Clay	-	6,500
Sponsorship – FY 18-19 Season	-	<u>4,750</u>
	<u>\$ -</u>	<u>\$ 26,250</u>

All amounts were released from restrictions during the year ended June 30, 2019 as all programs and sponsorships were fulfilled.

### Note 8. 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.

# The Charleston Gaillard Management Corporation

## *Notes to Financial Statements*

*June 30, 2019 and 2018*

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### **Note 8. Commitments, Continued**

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 of 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 year ended June 30, 2019 and 2018 totaled \$514,621 and \$228,148, respectively. As of June 30, 2019 and 2018, \$23,431 and \$29,420, respectively, was due from Spectra and is included in accounts receivable on the accompanying Statements of Financial Position and \$535 and \$594, respectively, was due to Spectra and is included in accounts payable on the accompanying Statements of Financial Position.

Spectra will also maintain a reserve fund, ranging from 0.5 percent to 1 percent of gross receipts, for the purpose of funding its maintenance and repair obligations, as well as an additional 1 percent for marketing and advertising purposes.

On April 18, 2018, The Charleston Gaillard Management Corporation entered into an exclusive booking agreement with National Shows 2, LLC (“NS2”) in which NS2 will serve as CGMC's booking entity and co-promoter of national touring events (music, comedy and childrens' tours) at the Gaillard Center, with the exception of resident and community artistic groups, classical and pop, dance, jazz, education, Broadway, and private & charity events, etc. The agreement provided that the shows will be co-promoted events with each party taking on 50 percent of the risk and sharing revenue according to a fixed fee and 50/50 net profit split. CGMC reserves the right to self-promote any show that NS2 does not wish to co-promote, and to refuse booking of any event or performance proposed by NS2 that CGMC deems inappropriate for any reason. The agreement is in effect until April 17, 2021 and may be terminated with 30 days’ notice by either party. CGMC paid \$53,804 and \$24,498 for the profit split to NS2 for the years ended June 30, 2019 and 2018, respectively, under this agreement which are included in program expenses on the Statements of Activities. As of June 24, 2019, this agreement ended although CGMC still continue to work together in a non-exclusive booking relationship.

### **Note 9. Investments**

Investments as of June 30, 2019, consists of two certificates of deposit with maturity dates of October 4, 2019 and interest rates of 2.50 percent. The value of these certificates of deposit as of June 30, 2019 is \$500,367.