The Peace Center Foundation

Consolidated Financial Statements

Years Ended August 31, 2022 and 2021

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FORVIS

Independent Auditor's Report

Board of Trustees
The Peace Center Foundation
Greenville, South Carolina

Opinion

We have audited the consolidated financial statements of The Peace Center Foundation (the "Foundation"), which comprise the consolidated statements of financial position as of August 31, 2022 and 2021, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Foundation as of August 31, 2022 and 2021, and the change 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audits of the Consolidated Financial Statements section of our report. We are required to be independent of the Foundation 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audits of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 GAAS and *Government 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 consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Foundation'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation'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.

FORVIS, LLP

December 12, 2022
Greenville, South Carolina

The Peace Center Foundation
Consolidated Statements of Financial Position
August 31, 2022 and 2021

	2022	2021
ASSETS		
Cash and cash equivalents	**$ 29,194,750**	$ 24,235,553
Contributions receivable	**168,071**	129,340
Other assets	**572,950**	706,009
Investments	**41,248,458**	46,007,696
Property and equipment, net	**27,592,174**	28,020,906
Total assets	**$ 98,776,403**	$ 99,099,504
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	**$ 930,087**	$ 683,290
Deferred revenue	**10,081,159**	11,300,943
Total liabilities	**11,011,246**	11,984,233
Net assets:		
Without donor restrictions	**87,597,086**	86,985,931
With donor restrictions	**168,071**	129,340
	87,765,157	87,115,271
Total liabilities and net assets	**$ 98,776,403**	$ 99,099,504

The Peace Center Foundation
Consolidated Statements of Activities
Years Ended August 31, 2022 and 2021

	2022	2021
Operating revenues without donor restrictions:		
Programming	**$ 23,544,660**	$ 889,827
Venue rentals - performance	**1,055,304**	253,790
Contributions	**3,623,866**	4,572,798
Venue rentals - non-performance	**839,410**	409,193
Tenants	**249,859**	321,481
Grants	**2,248,515**	8,895,008
Net assets released from restrictions	**52,808**	100,146
Total operating revenues without donor restrictions	**31,614,422**	15,442,243
Expenses:		
Program	**23,781,381**	5,551,568
Management and general	**1,641,838**	770,044
Fundraising	**868,422**	550,190
Total expenses	**26,291,641**	6,871,802
Increase in net assets without donor restrictions from operations	**5,322,781**	8,570,441
Nonoperating revenues (expenses) without donor restrictions:		
Investment return (loss), net	**(4,711,626)**	9,067,040
Other revenue, net	**-**	104,769
Total nonoperating revenues (expenses) without donor restrictions	**(4,711,626)**	9,171,809
Increase in net assets without donor restictions	**611,155**	17,742,250
Changes in net assets with donor restrictions:		
Contributions	**91,539**	65,629
Net assets released from restrictions	**(52,808)**	(100,146)
Increase (decrease) in net assets with donor restrictions	**38,731**	(34,517)
Increase in net assets	**649,886**	17,707,733
Net assets, beginning of year	**87,115,271**	69,407,538
Net assets, end of year	**$ 87,765,157**	$ 87,115,271

See accompanying notes.

The Peace Center Foundation
Consolidated Statements of Cash Flows
Years Ended August 31, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Increase in net assets	**$ 649,886**	$ 17,707,733
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Net realized and unrealized losses (gains) on investments	**7,081,512**	(8,086,456)
Depreciation expense	**2,384,576**	2,171,340
Changes in assets and liabilities:		
Contributions receivable, net	**(38,731)**	34,517
Other assets	**133,059**	(159,966)
Accounts payable and accrued expenses	**246,797**	(54,436)
Deferred revenue	**(1,219,784)**	3,294,367
Net cash flows provided by operating activities	**9,237,315**	14,907,099
Cash flows from investing activities		
Purchases of property and equipment	**(1,955,844)**	(3,120,290)
Purchases of investments, net of sales	**(2,322,274)**	(929,109)
Net cash used in investing activites	**(4,278,118)**	(4,049,399)
Change in cash and cash equivalents	**4,959,197**	10,857,700
Cash and cash equivalents, beginning of year	**24,235,553**	13,377,853
Cash and cash equivalents, end of year	**$ 29,194,750**	$ 24,235,553

See accompanying notes.

Notes to the Consolidated Financial Statements

1. Organization and Summary of Significant Accounting Policies

This summary of significant accounting policies of The Peace Center Foundation (the "Foundation") is presented to assist in the understanding of the consolidated financial statements. The consolidated financial statements and notes are representations of the Foundation's management, who are responsible for their integrity and objectivity. These accounting policies conform to United States of America generally accepted accounting principles ("U.S. GAAP") and have been consistently applied in the preparation of the consolidated financial statements.

Organization

The Foundation was incorporated as a nonprofit corporation on December 9, 1985 and operates a performing arts center in Greenville, South Carolina ("Peace Center"). Peace Center Properties ("Properties") was incorporated as a nonprofit corporation on January 31, 2011 for the purpose of holding and improving portions of the campus that comprise the Peace Center.

The Peace Center is located on a six-acre site in the heart of downtown Greenville at the corner of Main Street and Broad Street. The mission of the Peace Center is to present the world's finest performers from a wide variety of disciplines, to sustain state-of-the-art theatrical venues and quality services to support local performing arts groups, and to foster life-long appreciation for the arts through comprehensive education and community impact programs for local area children, educators, and adults.

The Peace Center's campus includes five performance venues: the Peace Concert Hall, seating 2,100 patrons; the Gunter Theatre, seating 400 patrons; TD Stage, an outdoor amphitheater accommodating over 1,200 patrons; Genevieve's, the Peace Center's patrons lounge and cabaret venue; and the Huguenot Mill.

The Peace Center's campus also includes three additional buildings which currently serve various purposes.

Basis of Presentation

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

> *Net Assets Without Donor Restrictions* – Net assets that are not subject to donor-imposed stipulations. This includes funds that are designated for discretionary use by the Foundation and board-designated funds functioning as endowments.
>
> *Net Assets With Donor Restrictions* – Net assets subject to donor-imposed stipulations that expire by passage of time or can be fulfilled by actions of the Foundation or have donor-imposed stipulations to be held in perpetuity. Restrictions on gifts of fixed assets or contributions restricted for the purchase of fixed assets expire when the asset is placed in service, unless otherwise stipulated by the donor. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported on the consolidated statement of activities as net assets released from restrictions. Contributions that are restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the contribution is recognized.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

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.

Income and realized and unrealized net gains and losses on investments are reported as increases in net assets with donor restrictions if the terms of the gift impose restrictions on the use of the income and as increases or decreases in net assets without donor restrictions in all other cases.

Principles of Consolidation

The accompanying consolidated financial statements of the Foundation include the accounts of Properties based on the Peace Center's voting rights in the Properties' Board of Trustees (the "Board"). Intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentrations of Credit and Market Risk

Financial instruments that potentially expose the Foundation to concentrations of credit and market risk consist primarily of cash and investments. Cash equivalents are maintained at high-quality financial institutions. The Foundation has not experienced any losses on its cash equivalents. Management monitors the risk of exposure to loss through monitoring the performance of the financial institutions through publicly available rating agencies.

Management believes that the Foundation's investments do not represent significant concentrations of market risk because the Foundation's investment portfolio is adequately diversified among issuers and management believes that the Foundation has the ability to hold its investment portfolio during periods of temporary market declines.

Cash and Cash Equivalents

Cash and cash equivalents include interest-bearing money market accounts and short-term investments with a maturity of less than three months at the time of purchase. The Foundation's deposits in each bank are insured by the Federal Deposit Insurance Corporation ("FDIC"). It is management's opinion that the Foundation is not exposed to any significant credit risk related to cash.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued on the consolidated statements of financial position at their fair value. Fair value is determined by reference to exchange or dealer-quoted market prices. If a quoted market price is not available, fair value is estimated using quoted market prices for similar investment securities. The Foundation estimates the fair value of investments in investment companies for which the investment does not have a readily determinable fair value using net asset value (“NAV”) per share. Unless it is possible that all or a portion of the investments will be sold for an amount different from NAV, the Foundation applies a practical expedient and concludes that NAV reported by the underlying funds approximate the fair value of these investments. Quantitative information for the valuation inputs and related sensitivities of these alternative investments is maintained by third parties and is not reasonably available to the Foundation. The Foundation has estimated the fair value of its hedge fund investments at NAV per share without adjustment. Changes in the fair value of securities are reflected in investment return, net on the consolidated statements of activities.

Contributions Receivable

Contributions are recognized when the donor makes a promise to give that, in substance, is unconditional. Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. Unconditional promises to give (pledges) are stated net of an allowance for doubtful accounts. Pledges are periodically evaluated for collectability based on management's assessment of the collectability of each pledge. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using discounted rates applicable to the years in which the promises are to be received.

Contributions receivable due in less than one year total $168,071 and $129,340 at August 31, 2022 and 2021, respectively.

Property and Equipment

Purchases of property and equipment with future economic benefit are recorded at cost, and donated property and equipment are recorded at estimated fair value at the time of contribution. The Foundation capitalizes purchases of property and equipment with value greater than $5,000. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis. The following is a summary of the estimated useful lives used in computing depreciation:

Equipment	3 to 10 years
Furniture and fixtures	3 to 10 years
Buildings	30 years
Building improvements	15 to 30 years

Deferred Revenue

The Foundation sells tickets to performances in advance of the event. All amounts collected from ticket sales for events occurring subsequent to August 31, 2022 and 2021 have been recorded as deferred revenue for the respective year. Revenue is then recognized when the events are held.

Functional Expenses

The Foundation performs three functions: program, management and general, and fundraising. Expenses which benefit more than one function of the Foundation are allocated based on time and effort and depreciation, administrative, facilities, insurance, and other information technology, which are allocated based on the average ratio of pre-allocated expenses to total expenses for each category.

Income Taxes

The Peace Center received a determination letter dated June 2, 1999, from the Internal Revenue Service ("IRS") qualifying it as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code ("IRC") and, therefore, is exempt from taxes on related income.

Properties received a favorable determination letter dated November 22, 2011, from the IRS qualifying it as a tax-exempt organization under the IRC and, therefore, is exempt from taxes on related income.

The Peace Center and Properties are obligated to pay income taxes on unrelated business income. Unrelated business income represents the profit derived from activity that is not substantially related to the exempt purpose of the Peace Center. The Foundation had no unrelated business income for the year ended August 31, 2022.

The Foundation's policy for accounting for uncertainty in income taxes is to record a liability for any tax position taken that is beneficial to the Foundation, including any related interest and penalties, when it is more likely than not the position taken by management with respect to a transaction or class of transactions will be overturned by a taxing authority upon examination. Management believes there are no such positions as of August 31, 2022 and 2021, and, accordingly, no liability has been accrued.

Revenue Recognition

The Foundation's customer contracts generally require the Foundation to present theater performances, provide space for short-term performance and nonperformance venue rentals, as well as provide space for long-term tenant rentals.

The Foundation has four main sources of revenue from customer contracts: programming, venue rentals – performance, venue rentals – nonperformance, and tenant revenue.

<u>Programming and Venue Rentals (Performance and Nonperformance)</u>
The Foundation presents various performances throughout the year for the public and also owns five performance venues which are available to be rented for performance events, weddings, conferences, etc. The majority of the Foundation's revenues are generated from theater admissions, ticket handling fees, concession revenues, and venue rentals which are considered to be single performance obligations. Revenues for performance obligations satisfied at a point in time are recognized when the services are provided, which is when the related theater performances are presented or event has been held. Tickets for theater performances are generally made available for purchase at the time the theater performance is advertised.

Payments received for advance ticket sales and venue rental deposits are reported as a liability until the theater performance is presented or event has been held. The aggregate amount of the Foundation's performance obligation includes advance ticket sales and venue rental deposits which are reported as deferred revenue on the consolidated statements of financial position. The liability for advance ticket sales and venue rental deposits totaled $10,081,159 and $11,300,943 at August 31, 2022 and 2021, respectively. Because the performance obligation for advance ticket sales and venue rental deposits relate to contracts with a duration of less than one year, the Foundation has elected to apply the ASU practical expedients to not restate completed obligations that begin and end in the same reporting period, not disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied at the end of the reporting period, and not capitalize the incremental costs. The performance obligation for advance ticket sales will generally be completed in the following fiscal year when the theater performance is presented and the performance obligation for venue rental deposits will generally be completed in the following fiscal year when the event is presented.

Tenant Revenue
The Foundation receives payments from tenants who rent spaces owned by the Foundation. Rental income is recognized monthly and totaled $249,859 and $321,481 for the years ending August 31, 2022 and 2021, respectively.

Recently Issued Accounting Pronouncements Not Yet Adopted

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*, which requires that operating leases be recorded on the consolidated statement of financial position as assets and liabilities. This new standard creates a distinction in classification criteria between finance leases and operating leases, which is similar to the classification criteria used to distinguish between capital leases and operating leases under current U.S. GAAP. However, for leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election not to recognize lease assets and lease liabilities. If a lessee makes this election, it should recognize lease expense for such leases generally on a straight-line basis over the lease term. For nonpublic entities, the ASU is effective for annual reporting periods beginning after December 15, 2021, and early adoption is permitted. The Foundation is currently assessing the impact the adoption of ASU 2016-02 will have on its consolidated financial statements.

2. Liquidity and Availability

The Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Foundation has various sources of liquidity at its disposal, including cash and cash equivalents, investments, grants receivable, and contributions receivable. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Foundation considers all expenditures related to its ongoing activities of presenting the world's finest performers, providing arts education and community impact, and supporting local arts organizations as well as the conduct of services undertaken to support those activities to be general expenditures.

Financial assets available to meet cash needs for general expenditures within one year consist of the following at August 31:

	2022	2021
Cash and cash equivalents	**$ 29,194,750**	$ 24,235,553
Investments	**41,248,458**	46,007,696
Less: board designated endowment funds	**(26,116,581)**	(32,946,625)
	$ 44,326,627	$ 37,296,624

In addition to financial assets available to meet general expenditures over the next 12 months, the Foundation generally operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

Endowment funds consist of funds designated by the Board as endowments. The Board does not intend to spend from the board-designated endowment of $26,116,581 and $32,946,625 at August 31, 2022 and 2021, respectively, and has excluded these funds from total financial assets in the table above. However, these amounts could be made available if necessary at the discretion of the Board.

3. Investments

A summary of investments is as follows at August 31:

	2022	2021
Money market funds	**$ 569,059**	$ 496,767
Common stock and equity mutual funds	**19,488,945**	23,318,337
Fixed income mutual funds	**8,180,612**	7,940,555
Hedge funds	**13,009,842**	14,252,037
	$ 41,248,458	$ 46,007,696

Investment return consists of the following for the years ended August 31:

	2022	2021
Investment income	**$ 2,369,886**	$ 980,584
Net realized and unrealized gains (losses) on investments	**(7,081,512)**	8,086,456
	$ (4,711,626)	$ 9,067,040

Management fees of $240,587 and $228,137 for the years ended August 31, 2022 and 2021, respectively, are netted against investment return, net on the consolidated statements of activities.

4. Property and Equipment

Property and equipment is as follows at August 31:

	2022	2021
Land, buildings, and improvements	**$ 62,342,366**	$ 60,523,229
Equipment	**8,595,648**	8,125,789
Furniture and fixtures	**4,430,726**	4,411,641
Construction in process	**1,101,864**	1,454,101
	76,470,604	74,514,760
Less accumulated depreciation	**(48,878,430)**	(46,493,854)
	$ 27,592,174	$ 28,020,906

Depreciation expense for the years ended August 31, 2022 and 2021 is $2,384,576 and $2,171,340, respectively.

The Foundation leases the land on which several of the Peace Center's buildings are located from the City of Greenville. The Foundation paid the City of Greenville $1.00 for the lease and no further lease payments are due under the agreement. The lease term expires August 31, 2111, and shall be deemed extended for additional successive terms of 25 years until such time as either party shall terminate the same at the end of any additional term by written notice to the other at least one year prior to the end of such additional term.

During 2022, the Foundation entered into an agreement with a contractor to perform work related to a campus project that will result in the addition of various venues for the Peace Center's use. The estimated cost of Phase I of the project is approximately $35,500,000. Work for this phase of the project is expected to begin in the third quarter of fiscal year 2023 and completed in the first quarter of fiscal year 2025.

5. Line of Credit

On August 18, 2022, the Foundation entered into an secured line of credit agreement with a bank with a borrowing capacity of $10,000,000 which matures on August 18, 2025. The agreement bears interest rate of 4.63% accruing thereon from the day of each advance. Interest payments are due monthly with the unpaid principal balance being due at the maturity date. As of August 31, 2022, there is no outstanding balance.

6. Endowment Funds

The Foundation's endowment consists of funds established for purposes of funds designated by the Board to function as endowments. There were no donor-restricted endowment funds at August 31, 2022 and 2021. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act of 2006 (the "Act") adopted in South Carolina in 2008 as requiring the preservation of the fair value of the original gift as of the gift date. As a result of this interpretation, the Foundation's board designated endowment includes (a) the original value of gifts donated, (b) the original value of subsequent gifts to be held in perpetuity, and (c) accumulations to the gifts held in perpetuity made in accordance with the direction of the applicable designation at the time the accumulation is added to the fund.

In accordance with the Act, the Foundation considers the following factors in making a determination to appropriate or accumulate board-designated and donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Foundation and the endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policy of the Foundation

Endowment net assets consist of the following at August 31, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Board designed endowment funds	$ 26,116,581	$ -	$ 26,116,581
Accumulated annual earnings	15,131,877	-	15,131,877
Total endowed net assets	$ 41,248,458	$ -	$ 41,248,458

Endowment net assets consist of the following at August 31, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Board designed endowment funds	$ 32,946,625	$ -	$ 32,946,625
Accumulated annual earnings	13,061,071	-	13,061,071
Total endowed net assets	$ 46,007,696	$ -	$ 46,007,696

Changes in endowment net assets for the years ended August 31, 2022 and 2021, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, August 31, 2020	$ 36,992,131	$ -	$ 36,992,131
Investment return, net	9,015,565	-	9,015,565
Endowment net assets, August 31, 2021	46,007,696	-	46,007,696
Investment return, net	(4,759,238)	-	(4,759,238)
Endowment net assets, August 31, 2022	$ 41,248,458	$ -	$ 41,248,458

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of various benchmarks while assuming a moderate level of investment risk. The Foundation expects to provide an average annual rate that is at least 5% greater than the rate of inflation. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places emphasis on its long-term objectives within prudent risk constraints. The Foundation's asset allocation may vary from the target ratio depending on the Foundation's evaluation of overall market conditions.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy allowing for annual distribution up to 5% of its endowment fund's average fair value of the prior three fiscal years preceding the fiscal year in which the distribution is planned. In establishing these policies, the Foundation considered the expected return on its endowment. Accordingly, the Foundation expects the current spending policy to allow its endowment to maintain its purchasing power by growing at a rate equal to planned payouts. Additional real growth will be provided through new gifts and any excess investment return. The Foundation has maintained annual distributions in the endowment fund resulting in accumulated annual earnings of $15,131,877 and $13,061,071 at August 31, 2022 and 2021, respectively.

7. Fair Value Measurements

In accordance with the authoritative guidance on fair value measurements and disclosures under U.S. GAAP, the Foundation discloses and recognizes the fair value of its assets using a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The guidance establishes three levels of fair value as follows:

- Level 1: Observable inputs such as quoted prices in active markets.
- Level 2: Inputs other than quoted prices in active markets that are either directly or indirectly observable.
- Level 3: Unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The inputs or methodology used for valuing investments are not necessarily an indication of the risk associated with investing in those investments.

When available, the Foundation uses unadjusted quoted market prices to determine the fair value of investment securities, and they are included in Level 1. For investments held in hedge funds, the Foundation uses other inputs including NAV per share estimated by the investment hedge fund's manager. Such investments may not have readily available market values and may be subject to certain redemption restrictions.

The Foundation's investments measured at fair value as of August 31, 2022 are as follows:

	Fair Value Measurements at August 31, 2022		
	Level 1	**Level 2**	**Level 3**
Assets measured at fair value:			
Money market	**$ 569,059**	**$ -**	**$ -**
Mutual funds:			
Common stock and equity	**19,488,945**	**-**	**-**
Fixed income	**8,180,612**	**-**	**-**
Total assets in the fair value hierarchy	**28,238,616**	**$ -**	**$ -**
Investments at NAV (a)	**13,009,842**		
Total investments	**$ 41,248,458**		

The Foundation's investments measured at fair value as of August 31, 2021 are as follows:

	Fair Value Measurements at August 31, 2021		
	Level 1	**Level 2**	**Level 3**
Assets measured at fair value:			
Money market	$ 496,767	$ -	$ -
Mutual funds:			
Common stock and equity	23,318,337	-	-
Fixed income	7,940,555	-	-
Total assets in the fair value hierarchy	31,755,659	$ -	$ -
Investments at NAV (a)	14,252,037		
Total investments	$ 46,007,696		

(a) In accordance with Topic 820, certain investments that were measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented on the consolidated statements of financial position. Further information on investments measured at NAV is summarized below.

The following table provides information on the Foundation's hedge fund investments whose value is calculated using NAV per share as of August 31, 2022:

	2022 Fair Value	Redemption Frequency	Redemption Notice Period	Redemption Terms and Restrictions	Unfunded Commitments
Absolute return hedge fund (a)	**$ 312,404**	**N/A**	**N/A**	**With investment fund consent**	**$ 78,201**
Total return hedge fund (b)	**1,303,831**	**Quarterly**	**60 days**	**None**	**None**
Select equity fund (c)	**6,593,878**	**Quarterly**	**90 days**	**None**	**802,701**
Private equity hedge fund (d)	**4,799,729**	**At liquidation**	**At liquidation**	**At liquidation**	**5,092,989**
	$ 13,009,842				**$ 5,973,891**

The following table provides information on the Foundation's hedge fund investments whose value is calculated using NAV per share as of August 31, 2021:

	2021 Fair Value	Redemption Frequency	Redemption Notice Period	Redemption Terms and Restrictions	Unfunded Commitments
Absolute return hedge fund (a)	$ 393,295	N/A	N/A	With investment fund consent	$ 78,201
Total return hedge fund (b)	2,772,025	Quarterly	60 days	None	None
Select equity fund (c)	7,084,004	Quarterly	90 days	None	1,077,066
Private equity hedge fund (d)	4,002,713	At liquidation	At liquidation	At liquidation	3,054,323
	$ 14,252,037				$ 4,209,590

a) The fund's objective is to maximize risk-adjusted returns and achieve low correlation to the equity markets by investing in a diversified group of pooled investment vehicles.

b) The fund's objective is to generate long-term growth in assets by investing primarily in equity and equity- related securities.

c) The fund's objective is to realize long-term total return by investing in a broad range of private equity funds which will, in turn, invest in different private equity-related disciplines.

d) The fund's objective is to realize long-term total return by investing in a broad range of private equity funds which will, in turn, invest in different private equity-related disciplines.

8. Savings Plan

The Foundation sponsors a 401(k) employee retirement savings plan (the "401(k) Plan") for its eligible employees. The 401(k) Plan includes safe harbor matching contributions at 100% of the first 3% and 50% of the next 2% of the employees' compensation. The Foundation contributed $88,693 and $77,949 based on this matching formula on behalf of its employees during the years ended August 31, 2022 and 2021, respectively.

9. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following at August 31:

	2022	2021
Contributions receivable for future years' activities	$ 168,071	$ 129,340

10. Functional Expenses

Expenses by function and nature consist of the following for the year ended August 31, 2022:

	Program	Management and General	Fundraising	Total
Programming costs	**$ 14,278,036**	**$ -**	**$ -**	**$ 14,278,036**
Compensation, taxes, and benefits	**3,519,097**	**1,018,345**	**489,021**	**5,026,463**
Depreciation	**2,146,118**	**190,766**	**47,692**	**2,384,576**
Advertising	**1,475,571**	**-**	**-**	**1,475,571**
Administrative	**324,453**	**293,310**	**298,530**	**916,293**
Facilities	**644,686**	**57,396**	**14,321**	**716,403**
Cost of goods sold - food and beverage	**544,826**	**-**	**-**	**544,826**
Information technology	**574,865**	**51,099**	**12,775**	**638,739**
Insurance	**273,729**	**24,331**	**6,083**	**304,143**
Legal fees	**-**	**6,591**	**-**	**6,591**
	$ 23,781,381	**$ 1,641,838**	**$ 868,422**	**$ 26,291,641**

Expenses by function and nature consist of the following for the year ended August 31, 2021:

	Program	Management and General	Fundraising	Total
Programming costs	$ 365,039	$ -	$ -	$ 365,039
Compensation, taxes, and benefits	1,930,200	443,362	415,322	2,788,884
Depreciation	1,954,206	173,707	43,427	2,171,340
Advertising	85,844	-	-	85,844
Administrative	355,511	72,954	74,767	503,232
Facilities	370,202	37,771	8,227	416,200
Cost of goods sold - food and beverage	110,439	-	-	110,439
Information technology	224,878	19,989	4,997	249,864
Insurance	155,249	13,800	3,450	172,499
Legal fees	-	8,461	-	8,461
	$ 5,551,568	$ 770,044	$ 550,190	$ 6,871,802

The consolidated statements of activities 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 include compensation, taxes, and benefits, which are allocated based on time and effort and depreciation, administrative, facilities, insurance, and information technology, which are allocated based on the average ratio of pre-allocated expenses to total expenses for each category.

11. COVID-19 Pandemic

In March 2020, the World Health Organization declared the outbreak of COVID-19, a novel strain of Coronavirus, a pandemic. The coronavirus outbreak has had far reaching and unpredictable impacts on the global economy, supply chains, financial markets, and global business operations of a variety of industries. Governments have taken substantial action to contain the spread of the virus including mandating social distancing, suspension of certain gatherings, and shuttering of certain nonessential businesses.

During 2022 and 2021, the Foundation received and recognized $1,948,515 and $8,051,485, respectively, in revenue from the Shuttered Venue Operators Grant (SVOG) program. This program was established in Section 324 of the the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (Economic Aid Act) signed into law on December 27, 2020. Section 324 of the Economic Aid Act was amended by Section 5005 of the American Rescue Plan Act signed into law on March 11, 2021. Funds received from this grant were used for expenses such as payments to independent contractors, payroll, utilities, advertising, other ordinary and necessary business expenses, and capital expenditures.

During 2021, the Foundation also received $843,523 from the Greenville County CARES Grant program. Greenville County received $91 million of the Federal CARES Act money to provide relief directly to the COVID-19 pandemic in the community. In June 2021, Greenville County Council approved a comprehensive CARES program to ensure that funding was disbursed in the most efficient and impactful way. The program was developed to provide funding to businesses, nonprofits, public health organizations, local governments, housing agencies, special purpose districts, and Greenville County related agencies.

During 2022, the Foundation received and recognized $300,000 from the Arts Emergency Relief program from the South Carolina Arts Commission. This program was established to support individual artists who have lost income related to their artistic practice due to the ongoing COVID-19 pandemic.

As of August 31, 2022 and 2021, respectively, the Foundation has utilized the proceeds from the grants received as directed by the grant agreements, therefore, all proceeds were recognized as revenue. Such funds are subject to review and recoupment to the extent the conditions for their expenditure were not met.

12. Subsequent Events

During October 2022, the Foundation entered into a contract totaling $2,566,903 for renovations of the Huguenot Mill. The estimated completion date of these renovations is August 2023.

The Foundation has evaluated subsequent events through December 12, 2022, the date which the consolidated financial statements were available to be issued.