

CHAPMAN CULTURAL CENTER, INC.

FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

CHAPMAN CULTURAL CENTER, INC.
FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Chapman Cultural Center, Inc.

Opinion

We have audited the financial statements of Chapman Cultural Center, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Chapman Cultural Center, Inc. as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Chapman Cultural Center, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Chapman Cultural Center, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Chapman Cultural Center, Inc.'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.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Other Information on “Mary Wheeler Davis Fund” is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Halliday, Schwartz & Co.

Spartanburg, South Carolina
February 14, 2023

CHAPMAN CULTURAL CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

ASSETS

	2022			2021		
	Operating Fund	Capital Fund	Total	Operating Fund	Capital Fund	Total
Current Assets						
Cash and cash equivalents	\$ 942,769	\$ 196,592	\$ 1,139,361	\$ 563,084	\$ 219,280	\$ 782,364
Pledges receivable	115,214	-	115,214	22,152	-	22,152
Accounts receivable	16,493	-	16,493	14,153	-	14,153
Prepaid expenses	33,496	-	33,496	29,739	-	29,739
	<u>1,107,972</u>	<u>196,592</u>	<u>1,304,564</u>	<u>629,128</u>	<u>219,280</u>	<u>848,408</u>
Property and Equipment						
Land, land improvements, and building	32,832,319	-	32,832,319	32,832,319	-	32,832,319
Leasehold improvements	1,361,726	-	1,361,726	1,361,726	-	1,361,726
Furniture and equipment	1,971,479	-	1,971,479	1,847,282	-	1,847,282
Computer equipment and software	567,655	-	567,655	559,656	-	559,656
	<u>36,733,179</u>	<u>-</u>	<u>36,733,179</u>	<u>36,600,983</u>	<u>-</u>	<u>36,600,983</u>
Less accumulated depreciation	<u>(14,468,579)</u>	<u>-</u>	<u>(14,468,579)</u>	<u>(13,498,569)</u>	<u>-</u>	<u>(13,498,569)</u>
	<u>22,264,600</u>	<u>-</u>	<u>22,264,600</u>	<u>23,102,414</u>	<u>-</u>	<u>23,102,414</u>
Other Assets						
Inventory	1,065,275	-	1,065,275	-	-	-
Investments at Spartanburg County Foundation	548,117	6,943,238	7,491,355	624,624	7,909,886	8,534,510
	<u>1,613,392</u>	<u>6,943,238</u>	<u>8,556,630</u>	<u>624,624</u>	<u>7,909,886</u>	<u>8,534,510</u>
Total Assets	<u>\$ 24,985,964</u>	<u>\$ 7,139,830</u>	<u>\$ 32,125,794</u>	<u>\$ 24,356,166</u>	<u>\$ 8,129,166</u>	<u>\$ 32,485,332</u>

CHAPMAN CULTURAL CENTER, INC.
STATEMENTS OF FINANCIAL POSITION - CONTINUED
JUNE 30, 2022 AND 2021

LIABILITIES AND NET ASSETS

	2022			2021		
	Operating Fund	Capital Fund	Total	Operating Fund	Capital Fund	Total
Current Liabilities						
Accounts payable and related liabilities	\$ 42,900	\$ -	\$ 42,900	\$ 44,318	\$ -	\$ 44,318
Deferred revenue	12,000	-	12,000	3,950	-	3,950
Current portion of note payable	100,856	-	100,856	-	-	-
PPP Loan	-	-	-	154,160	-	154,160
	<u>155,756</u>	<u>-</u>	<u>155,756</u>	<u>202,428</u>	<u>-</u>	<u>202,428</u>
Non-Current Liabilities						
Note payable, less current portion	299,144	-	299,144	218,750	-	218,750
➤ Total Liabilities	<u>454,900</u>	<u>-</u>	<u>454,900</u>	<u>421,178</u>	<u>-</u>	<u>421,178</u>
Net Assets						
Without donor restrictions	23,953,947	-	23,953,947	23,310,364	-	23,310,364
With donor restrictions	577,117	7,139,830	7,716,947	624,624	8,129,166	8,753,790
	<u>24,531,064</u>	<u>7,139,830</u>	<u>31,670,894</u>	<u>23,934,988</u>	<u>8,129,166</u>	<u>32,064,154</u>
Total Liabilities and Net Assets	<u>\$ 24,985,964</u>	<u>\$ 7,139,830</u>	<u>\$ 32,125,794</u>	<u>\$ 24,356,166</u>	<u>\$ 8,129,166</u>	<u>\$ 32,485,332</u>

The accompanying notes are an integral part of the financial statements.

CHAPMAN CULTURAL CENTER, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022				2021			
	Without Donor Restrictions	With Donor Restrictions		Total	Without Donor Restrictions	With Donor Restrictions		Total
	Operating Fund	Operating Fund	Capital Fund		Operating Fund	Operating Fund	Capital Fund	
Revenue, Gains and Other Support								
Contributions	\$ 787,390	\$ -	\$ -	\$ 787,390	\$ 721,089	\$ -	\$ -	\$ 721,089
Gift-in-kind contributions	1,065,275	-	-	1,065,275	-	-	-	-
Arts in education (exclusive of government grants)	61,221	-	-	61,221	69,284	-	-	69,284
Local government								
County	302,516	-	-	302,516	276,200	-	-	276,200
City	128,000	-	-	128,000	63,260	-	-	63,260
Federal government - PPP loan forgiven	154,160	-	-	154,160	175,912	-	-	175,912
South Carolina Arts Commission	65,130	-	-	65,130	94,353	-	-	94,353
Mayfair Art Studios capital grant	225,000	-	-	225,000	-	-	-	-
Private grants	75,000	29,000	-	104,000	98,250	57,500	-	155,750
Dividends, interest, investment gains	42	(66,507)	(805,448)	(871,913)	5,009	114,962	1,556,576	1,676,547
Rental income	578,663	-	-	578,663	459,863	-	-	459,863
Rental - MAS	94,905	-	-	94,905	83,671	-	-	83,671
Miscellaneous	122,931	-	-	122,931	23,654	-	-	23,654
Gain (loss) on sale of assets	39	-	-	39	(23)	-	-	(23)
Net assets released from restriction								
Satisfaction of time restriction	193,888	(10,000)	(183,888)	-	128,699	(15,003)	(113,696)	-
	<u>3,854,160</u>	<u>(47,507)</u>	<u>(989,336)</u>	<u>2,817,317</u>	<u>2,199,221</u>	<u>157,459</u>	<u>1,442,880</u>	<u>3,799,560</u>
Expenses								
Programs	2,692,317	-	-	2,692,317	2,164,819	-	-	2,164,819
General and administrative	266,697	-	-	266,697	293,931	-	-	293,931
Fundraising	251,563	-	-	251,563	242,108	-	-	242,108
	<u>3,210,577</u>	<u>-</u>	<u>-</u>	<u>3,210,577</u>	<u>2,700,858</u>	<u>-</u>	<u>-</u>	<u>2,700,858</u>
Change in Net Assets								
Without donor restrictions	643,583	-	-	643,583	(501,637)	-	-	(501,637)
With donor restrictions	-	(47,507)	(989,336)	(1,036,843)	-	157,459	1,442,880	1,600,339
	<u>643,583</u>	<u>(47,507)</u>	<u>(989,336)</u>	<u>(393,260)</u>	<u>(501,637)</u>	<u>157,459</u>	<u>1,442,880</u>	<u>1,098,702</u>
Net Assets - Beginning of Year	<u>23,310,364</u>	<u>624,624</u>	<u>8,129,166</u>	<u>32,064,154</u>	<u>23,812,001</u>	<u>467,165</u>	<u>6,686,286</u>	<u>30,965,452</u>
Net Assets - End of Year	<u>\$ 23,953,947</u>	<u>\$ 577,117</u>	<u>\$ 7,139,830</u>	<u>\$ 31,670,894</u>	<u>\$ 23,310,364</u>	<u>\$ 624,624</u>	<u>\$ 8,129,166</u>	<u>\$ 32,064,154</u>

The accompanying notes are an integral part of the financial statements.

CHAPMAN CULTURAL CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

	PROGRAM SERVICES							SUPPORTING SERVICES		
	Arts	Outreach	Facilities	Marketing	Ticketing & Theater Services	Mayfair Art Studios	Total Programs Expense	G&A and Office Services	Fundraising	Total
Salaries & Benefits	\$ 66,980	\$ 78,696	\$ 207,540	\$ 80,691	\$ 101,671	\$ 59,767	\$ 595,345	\$ 135,408	\$ 198,769	\$ 929,522
Artist Fees	31,526	19,881	-	20,395	-	-	71,802	-	-	71,802
Operating Support Grants	-	387,490	-	-	-	-	387,490	-	-	387,490
Repairs & Maintenance	-	-	118,058	-	2,977	5,024	126,059	-	-	126,059
Insurance	-	-	34,567	-	-	2,304	36,871	13,716	-	50,587
Utilities	-	-	210,304	-	-	12,795	223,099	-	-	223,099
Marketing, & Printing	58	-	-	13,410	-	226	13,694	-	9,480	23,174
Operating Supplies	4,805	1,893	6,008	737	10,373	2,360	26,176	6,375	8,488	41,039
Outside Services	7,224	26,867	93,893	5,511	24,656	28,975	187,126	40,209	5,176	232,511
Donor Recognition	-	-	-	-	-	-	-	-	15,442	15,442
Other	-	-	-	-	-	-	-	39,042	1,704	40,746
Interest	-	-	-	-	-	-	-	9,945	-	9,945
Computer Support	-	5,176	46,579	7,940	14,224	19	73,938	4,776	10,437	89,151
Total	<u>110,593</u>	<u>520,003</u>	<u>716,949</u>	<u>128,684</u>	<u>153,901</u>	<u>111,470</u>	<u>1,741,600</u>	<u>249,471</u>	<u>249,496</u>	<u>2,240,567</u>
Depreciation	-	-	869,477	-	-	81,240	950,717	17,226	2,067	970,010
Total Expenses	<u>\$ 110,593</u>	<u>\$ 520,003</u>	<u>\$1,586,426</u>	<u>\$ 128,684</u>	<u>\$ 153,901</u>	<u>\$ 192,710</u>	<u>\$ 2,692,317</u>	<u>\$ 266,697</u>	<u>\$ 251,563</u>	<u>\$ 3,210,577</u>

The accompanying notes are an integral part of the financial statements.

CHAPMAN CULTURAL CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2021

	PROGRAM SERVICES							SUPPORTING SERVICES		
	Arts	Outreach	Facilities	Marketing	Ticketing & Theater Services	Mayfair Art Studios	Total Programs Expense	G&A and Office Services	Fundraising	Total
Salaries & Benefits	\$ 64,458	\$ 101,574	\$ 78,947	\$ 53,540	\$ 105,264	\$ 47,110	\$ 450,893	\$ 180,409	\$ 201,640	\$ 832,942
Artist Fees	36,242	22,726	-	-	-	-	58,968	-	-	58,968
Operating Support Grants	-	197,211	-	-	-	-	197,211	-	-	197,211
Repairs & Maintenance	-	-	78,725	-	1,177	282	80,184	-	-	80,184
Insurance	-	-	37,032	-	-	-	37,032	12,761	-	49,793
Utilities	-	-	173,254	-	-	13,345	186,599	-	-	186,599
Marketing, & Printing	-	-	-	5,651	-	715	6,366	896	10,748	18,010
Operating Supplies	7,231	324	3,105	661	956	7,478	19,755	5,597	-	25,352
Outside Services	12,880	-	72,284	131	3,528	32,113	120,936	40,781	2,127	163,844
Donor Recognition	-	-	-	-	-	-	-	-	11,184	11,184
Other	-	-	-	-	-	3,216	3,216	29,825	6,602	39,643
Computer Support	-	5,660	49,882	8,582	646	423	65,193	4,639	9,807	79,639
Total	120,811	327,495	493,229	68,565	111,571	104,682	1,226,353	274,908	242,108	1,743,369
Depreciation	-	-	857,317	-	-	81,149	938,466	19,023	-	957,489
Total Expenses	\$ 120,811	\$ 327,495	\$ 1,350,546	\$ 68,565	\$ 111,571	\$ 185,831	\$ 2,164,819	\$ 293,931	\$ 242,108	\$ 2,700,858

The accompanying notes are an integral part of the financial statements.

CHAPMAN CULTURAL CENTER, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
Cash Flows Provided / (Used) by Operating Activities		
Changes in net assets	\$ (393,260)	\$ 1,098,702
Adjustments to reconcile change in net assets		
Loss on disposition of assets	-	23
Gift-in-kind donations included in inventory	(1,065,275)	-
Income from loans forgiven	(154,160)	(225,912)
Depreciation	970,010	957,489
Change in allowance for uncollectible accounts	-	-
(Earnings) Loss on investments with intermediary	872,029	(1,671,482)
(Increase) decrease in pledges receivable	(93,062)	2,586
(Increase) decrease in accounts receivable	(2,340)	(889)
(Increase) decrease in prepaid expense	(3,757)	(1,572)
Increase (decrease) in accounts payable	(1,418)	(70,045)
Increase (decrease) in deferred revenue	8,050	(23,018)
	<u>136,817</u>	<u>65,882</u>
Cash Flows Provided / (Used) by Investing Activities		
Purchases of property and equipment	(132,196)	(131,372)
Contributions to endowment (intermediary)	(31,500)	(57,500)
Withdrawals from endowment (intermediary)	202,626	191,452
	<u>38,930</u>	<u>2,580</u>
Cash Flows Provided / (Used) by Financing Activities		
Proceeds (repayment) of notes	(218,750)	(31,250)
Proceeds from note payable	400,000	154,160
	<u>181,250</u>	<u>122,910</u>
Net Increase (Decrease) in Cash	356,997	191,372
Cash and Cash Equivalents - Beginning of Year	<u>782,364</u>	<u>590,992</u>
Cash and Cash Equivalents - End of Year	<u>\$ 1,139,361</u>	<u>\$ 782,364</u>
<u>Supplemental Information</u>		
Interest paid	\$ 9,945	

The accompanying notes are an integral part of the financial statements.

CHAPMAN CULTURAL CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Chapman Cultural Center, Inc. (the Center), is presented to assist in understanding the financial statements. The financial statements and notes are representations of the Center's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could differ from those estimates.

Organization

The Center's mission is to provide cultural leadership for Greater Spartanburg by developing, strengthening, and promoting the scope, excellence, and educational role of the arts, humanities and sciences, and to further their significance in the life of the community. The Center provides major funding and support for many of Spartanburg's arts and cultural organizations.

Tax Exempt Status

The Internal Revenue Service and the State of South Carolina have determined that Chapman Cultural Center, Inc., is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. It has been classified as an organization that is not a private foundation under Section 170(b)(1)(A)(vi).

Financial Statement Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP). Net assets, support and revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Without Donor Restrictions: Net assets available for use in general operations and not subject to donor restrictions. Grants and contributions gifted for recurring programs are generally not considered "restricted" under GAAP, though for internal reporting, the Center tracks such grants and contributions to verify that the disbursement matches the intent. Assets restricted solely through the actions of the Board are reported as net assets without donor restrictions.

With Donor Restrictions: Net assets subject to donor-imposed stipulations that are more restrictive than the Center's mission and purpose. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when the restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor-imposed restrictions could potentially be perpetual in nature when the donor stipulates that resources be maintained in perpetuity.

CHAPMAN CULTURAL CENTER, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2022 AND 2021

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Contributions

Contributions, including unconditional pledges receivable, are recognized as revenues in the period received. Contributions of assets other than cash are recorded at their estimated fair value at the date of the gift. Contributions to be received after one year are discounted at an appropriate discount rate as of the date of the gift and with consideration of the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions received is provided based upon management's judgment, including such factors as prior collection history, type of contribution, and nature of fund-raising activity. At the current time there are no discounts because all pledges are due within one year and management has determined that no allowance is needed for uncollectible contributions for the years ended June 30, 2022 and 2021.

Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a donor 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.

Other Revenue

The Center recognizes rental income over the lease term from arts organizations, businesses, and individuals for use of its theater, art museum, science center, art studios, and its other public spaces. Collection is generally within 30 days.

The Center recognizes revenue related to grants from federal, state, and local agencies typically in the period received or when conditions or stipulations of the grant (if any) are substantially met.

Theater ticket and instructional class revenues are recognized when the performance or class are held with collection generally no later than the date of the event.

Donated Goods and Services

Donated assets are recorded at their fair market value on the date of contribution. Donated services consist primarily of services of board members, membership on various committees, and volunteers. Because a fair value of these services cannot be objectively measured, they are not recorded in the financial statements.

The Center's policy is to sell any contributed nonfinancial assets unless restricted by donor stipulations.

Donated Nonfinancial Assets (Gift-In-Kind Contributions)

During the year ended June 30, 2022, the Center received 954 pieces of donated artwork which is expected to be held for sale to various patrons of the Center over an extended period. All proceeds from sales of this inventory will be used to support the Center and its programs because the donor did not impose any restrictions. As of June 30, 2022, the Center recorded the artwork at its estimated fair market value of \$1,065,275 and included it in inventory in the enclosed statement of financial position with a corresponding amount reported as gift-in-kind revenue in the enclosed statement of activities. The value was determined by using a third-party fair value appraisal which was discounted by the Center for the local area market where the Center is located and intends to conduct the sales. Inventory is reflected on the statement of financial position as a noncurrent asset because a significant portion of the inventory donated is not expected to be sold in the next 12 months.

CHAPMAN CULTURAL CENTER, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2022 AND 2021

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Cash and Cash Equivalents

Cash and cash equivalents include deposit accounts and certificates of deposit. The Center considers all short-term, highly liquid investments with an original maturity of three months or less to be cash equivalents.

Financial Instruments

Financial instruments consist of cash, investments, accounts receivable, accounts payable, notes payable and other accrued liabilities. The carrying amounts approximate the fair market value of these financial instruments due to their short-term nature. Management is of the opinion that the Center is not exposed to significant interest rate or credit risk arising from these instruments.

Fair Value Measurements

The fair value of financial assets and liabilities is measured according to the Fair Value Measurements and Disclosures topic of the FASB Accounting Standards Codification. Fair value is required to be evaluated and adjusted according to the following valuation techniques:

Level 1 – Fair value is determined using quoted market prices in active markets for identical assets and liabilities.

Level 2 – Fair value is determined using quoted market prices in active markets for similar assets and liabilities, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant inputs are observable in the market for substantially the full term of the assets or liabilities.

Level 3 – Fair value is determined using inputs that are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The market for assets and liabilities using level 3 measures is typically inactive.

Property and Equipment

Property and equipment are recorded at cost or fair market value on the date donated. The Center has no minimum dollar amount for capitalizing assets. Depreciation is calculated on the straight-line basis over the estimated useful life of the asset.

The estimated useful lives for depreciation are as follows:

Buildings	40 years
Land Improvements	20 years
Leasehold Improvements	20 years
Furniture & Equipment	5-10 years

Depreciation expense for the years ended June 30, 2022 and 2021, was \$970,010 and \$957,489, respectively.

CHAPMAN CULTURAL CENTER, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2022 AND 2021

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Functional Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of functional expenses. Expenses that can be identified with a specific program and supporting service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated using estimates of employee time or space utilization as a basis for the allocation.

The Center provides operating support grants to arts organizations that reside in the Center's facility as part of its outreach program.

Change in Accounting Principle

In September 2020, the FASB Accounting Standards Board issued Accounting Standards Update 2020-07 to increase the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. The adoption of this standard allows for presentation of contributed nonfinancial assets as a separate line item on the statement of activities, along with disclosure of qualitative information about contributed nonfinancial assets; any related donor-imposed restrictions; descriptions of valuation techniques for fair value measurements; and the principal market used to arrive at those fair value measurements of the contributed nonfinancial assets. The Center was required to retrospectively adopt the provisions of this standard during the year ended June 30, 2022. There was no impact on the previously issued financial statements for the year ended June 30, 2021.

NOTE 2 – LIQUIDITY

The Center has \$1,271,068 and \$818,669, as of June 30, 2022 and 2021, of financial assets that are available within one year of the statement of financial position date to meet cash needs for general expenditures and the current principal amount due of \$100,856 for notes payable. The financial assets consist of cash of \$1,139,361 and \$782,364 and pledges and accounts receivable of \$131,707 and \$36,305, respectively. The pledges receivable are expected to be collected within one year.

The Center has available a revolving line of credit for up to \$200,000 as needed for additional liquidity (see Note 7).

The Center does not have a specific, written liquidity plan, which consists of targeted amounts of cash on hand to meet normal operating expenses, however, per its history, the Center operates conservatively and maintains reserves with goals to increase the amounts in reserves. As part of The Center's liquidity management, there is a policy to structure its financial assets to be available as the general expenditures, liabilities, and other obligations come due.

NOTE 3 — CONCENTRATION OF CUSTODIAL CREDIT RISK

The Center's cash and cash equivalents are held at multiple depositories that are insured by the Federal Deposit Insurance Corporation. At times the balances in these accounts could exceed insured balances. The Center does not have a formal deposit policy for custodial risk, which is the risk that in the event of bank failure, the deposits may not be refunded.

The Center has not experienced any losses on the uninsured cash balances that exceed federal deposit insurance and does not believe that it is exposed to any significant risk.

CHAPMAN CULTURAL CENTER, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2022 AND 2021

NOTE 4 — PLEDGES RECEIVABLE

Pledges are realized in the following periods:

	2022	2021
Pledges due in less than one year	\$ 115,214	\$ 22,152
Less allowance for uncollectible	-	-
	<u>\$ 115,214</u>	<u>\$ 22,152</u>

NOTE 5 — INVESTMENTS AT SPARTANBURG COUNTY FOUNDATION

The following described funds are held and managed by the Spartanburg County Foundation (Foundation) as component funds for the benefit of the Center. The Foundation maintains an investment pool of various mutual funds and managed accounts. The investment pool is allocated to various sub-funds, including the Center, based on a percentage of ownership interest in the market value of the investment pool. Distributions are made from the fund at the discretion of the Foundation. The funds do not operate as permanently restricted endowed funds as indicated in the titles.

- I. **W. Marshall Chapman Arts Endowment** - In 1991, the Center's predecessor, Arts Council of Spartanburg County, Inc., established this fund with the Foundation. The principal and net income of the Fund shall be devoted to the use and assistance of the Center for the purpose of educating, encouraging, and stimulating the practice and appreciation of the arts among the people of Spartanburg County. Variance power was granted to the Foundation.
- II. **The Chapman Cultural Center Capital Endowment Fund** - Established during the year ended June 30, 2002. Variance power was granted to the Foundation.
- III. **The Chapman Cultural Center Operating Endowment Fund** - Established during the year ended June 30, 2010. Variance power was granted to the Foundation.
- IV. **The Avarilla Jennings Hughes Arts Education Fund** - Established during the year ended June 30, 2015; funded during the year ended June 30, 2016. Variance power was granted to the Foundation.

CHAPMAN CULTURAL CENTER, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2022 AND 2021

NOTE 5 — INVESTMENTS AT SPARTANBURG COUNTY FOUNDATION

The activity in the funds are as follows for the years ended June 30, 2022 and 2021:

June 30, 2022	I.	II.	III.	IV.	Total
Balance, Beginning	\$ 150,783	\$ 7,909,886	\$ 284,216	\$ 189,625	\$ 8,534,510
Contributions	-	31,500	-	-	31,500
Transfers / Withdrawals	-	(192,626)	(5,000)	(5,000)	(202,626)
Dividends and int., net of fees	460	62,044	857	569	63,930
Realized and unreal. gain (loss)	(16,625)	(867,566)	(31,099)	(20,669)	(935,959)
Balance, Ending	<u>\$ 134,618</u>	<u>\$ 6,943,238</u>	<u>\$ 248,974</u>	<u>\$ 164,525</u>	<u>\$ 7,491,355</u>

June 30, 2021	I.	II.	III.	IV.	Total
Balance, Beginning	\$ 122,296	\$ 6,542,315	\$ 178,568	\$ 153,801	\$ 6,996,980
Contributions	-	-	57,500	-	57,500
Transfers / Withdrawals	-	(188,950)	(2,502)	-	(191,452)
Dividends and int., net of fees	607	67,066	1,172	762	69,607
Realized and unreal. gain (loss)	27,880	1,489,455	49,478	35,062	1,601,875
Balance, Ending	<u>\$ 150,783</u>	<u>\$ 7,909,886</u>	<u>\$ 284,216</u>	<u>\$ 189,625</u>	<u>\$ 8,534,510</u>

The Spartanburg County Foundation's annual audited financial statements are available by contacting the Spartanburg County Foundation at 424 East Kennedy Street, Spartanburg, SC 29302, (864) 582-0138.

CHAPMAN CULTURAL CENTER, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2022 AND 2021

NOTE 6 — FAIR VALUE MEASUREMENTS

The Center's assets and liabilities are reported at fair value in the accompanying Statements of Financial Position:

Fair Value Measurements Using:			
June 30, 2022			
	Fair Value	Sign. Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Unconditional Promises to Give	\$ 115,214	\$ -	\$ 115,214
Investments at Spartanburg County Foundation	7,491,355	7,491,355	-
Total	<u>\$ 7,606,569</u>	<u>\$ 7,491,355</u>	<u>\$ 115,214</u>
June 30, 2021			
	Fair Value	Sign. Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Unconditional Promises to Give	\$ 22,152	\$ -	\$ 22,152
Investments at Spartanburg County Foundation	8,534,510	8,534,510	-
Total	<u>\$ 8,556,662</u>	<u>\$ 8,534,510</u>	<u>\$ 22,152</u>

Level 2 Fair Value Measurements

The investments at Spartanburg County Foundation are adjusted to value as determined and reported by the Foundation (see footnote 5).

Level 3 Fair Value Measurements

The fair value for unconditional promises to give is based on outstanding pledges less allowance for uncollectible accounts and adjusted to present value using a discount rate of 3.0%, if applicable. In the current and prior year, there is no adjustment for present value because there are no long-term pledges. The following table provides further details of the Level 3 fair value measurements.

	Unconditional Promises to Give 2022	Unconditional Promises to 2021
Balance, Beginning	\$ 22,152	\$ 24,738
New Pledges	577,638	528,980
Payments received (net of write-offs)	(484,576)	(531,566)
Change in present value	-	-
Balance, Ending	<u>\$ 115,214</u>	<u>\$ 22,152</u>

CHAPMAN CULTURAL CENTER, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2022 AND 2021

NOTE 7 — NOTES PAYABLE AND LINE OF CREDIT AGREEMENTS

Loans and notes payable as of June 30, 2022 and 2021 consist of the following:

	<u>2022</u>	<u>2021</u>
Promissory note payable to Mary Black Foundation (MBF); interest rate of 4%. MBF loaned four quarterly payments of \$100,000 each at the beginning of each quarter of the fiscal year ended June 30, 2022. Interest only due quarterly during the year ended June 30, 2022. Principal and interest payments of \$28,861.71 due quarterly beginning September 30, 2022 until maturity on March 31, 2026.	\$ 400,000	\$ -
Unsecured promissory note issued during the year ended June 30, 2020 for \$300,000 bearing no interest and payable in full on August 1, 2022. \$50,000 was forgiven by the issuer during the year ended June 30, 2021.	-	218,750
	<u>400,000</u>	<u>218,750</u>
Less current portion	<u>(100,856)</u>	<u>-</u>
	<u>\$ 299,144</u>	<u>\$ 218,750</u>

Annual debt service requirements to maturity for the loans and note payables as of June 30, 2022 are:

Years Ended June 30	Principal	Interest	Total
2023	100,856	14,591	115,447
2024	104,965	10,482	115,447
2025	109,242	6,205	115,447
2026	84,937	1,743	86,680
Totals	<u>\$ 400,000</u>	<u>\$ 33,021</u>	<u>\$ 433,021</u>

Line of Credit

The Center has available a revolving line of credit bearing interest at prime plus 1.75%. It has a limit of \$200,000. No amount was outstanding as of June 30, 2022 or 2021. The credit line is unsecured with no maturity date or required bank covenants.

CHAPMAN CULTURAL CENTER, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2022 AND 2021

NOTE 7 — NOTES PAYABLE AND LINE OF CREDIT AGREEMENTS - CONTINUED

Paycheck Protection Program Loans

On April 28, 2020, the Center applied for and received a \$175,912 loan from the Paycheck Protection Program, (PPP) administered by the Small Business Association and provided for by the CARES Act. The CARES Act was passed by Congress on March 27, 2020, to provide one percent interest loans to qualifying small businesses within the United States. The PPP loan program also allows for the possibility of 100% forgiveness of the loan, if the proceeds are used for specific purposes, such as payroll costs, utilities, rent and interest on mortgaged debt. In order to qualify for the forgiveness component, at least 60% of the proceeds must be used on payroll costs. On September 14, 2021, the entire loan for \$175,912 was forgiven and the Center recognized this amount in revenue from the federal government during the fiscal year ended June 30, 2021.

On March 21, 2021, the Center applied for and received a second PPP loan for \$154,160. On April 12, 2022, the entire loan for \$154,160 was forgiven and the Center recognized this amount in revenue from the federal government during the fiscal year ended June 30, 2022.

NOTE 8 — COMPOSITION OF NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes:

	<u>2022</u>	<u>2021</u>
Operating Fund		
Specific Purpose :		
Theater streaming	\$ 29,000	\$ -
Operating & Education Fund	<u>548,117</u>	<u>624,624</u>
	<u>577,117</u>	<u>624,624</u>
Capital / Endowment Fund		
Specific Purpose :		
Capital Fund - Cash	196,592	219,280
Capital Fund - Investments	<u>6,943,238</u>	<u>7,909,886</u>
	<u>7,139,830</u>	<u>8,129,166</u>
	<u>\$ 7,716,947</u>	<u>\$ 8,753,790</u>

CHAPMAN CULTURAL CENTER, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2022 AND 2021

NOTE 9 — LEASES

The Center has a copier lease which expires March 31, 2024 with payments due for approximately \$899 per month. Additional charges apply for excess usage. Rent expense was \$13,737 and \$13,843 for the years ended June 30, 2022 and 2021, respectively.

Minimum lease payments are as follows:

Year Ended June 30,	
2023	\$ 10,786
2024	<u>8,089</u>
	<u>\$ 18,875</u>

NOTE 10 — CONTINGENCIES AND COMMITMENTS

In connection with the Mayfair Art Studios, the Center has entered into a ground lease for \$1.00 annually for 20 years. After certain requirements are met, the intent is for the landlord to contribute the building and transfer it to the Center for \$1.00.

It is reasonably possible that the donated artwork included in inventory during the fiscal year ended June 30, 2022 may sell for a different amount than the estimated fair market value.

NOTE 11 – RECLASSIFICATIONS AND CHANGES IN PRESENTATION OF PRIOR YEAR ITEMS

Certain financial statement line items shown for the prior year have been reclassified and restated to conform to the current year presentation.

NOTE 12 — SUBSEQUENT EVENTS

Subsequent events were evaluated through February 14, 2023, which is the date the financial statements were available to be issued.

OTHER INFORMATION (UNAUDITED)

CHAPMAN CULTURAL CENTER, INC.
MARY WHEELER DAVIS FUND
JUNE 30, 2022 AND 2021

Although benefiting the Center, under accounting principles generally accepted in the United States of America, the following fund does not meet the criteria to be considered an investment asset of the Center and is not included in the accompanying financial statements.

In 1989, a fund known as the Mary Wheeler Davis Fund for the Promotion of the Arts was established with the Spartanburg County Foundation. The Fund is the property of the Foundation held by it in its corporate capacity as a component fund of the Foundation and is not deemed a trust fund held by it in a trustee capacity. The Fund shall be held, managed, administered, applied, and disbursed as a special fund under the general powers and duties of the Foundation.

The principal and net income of the Fund shall be devoted to the promotion of the performing and visual arts in Spartanburg County.

The following is a summary of the activity of the Fund as reported by the Foundation as of June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Fund Balance - Beginning	\$ 110,267	\$ 89,759
Investment Income/(Loss), Net	(11,961)	20,783
Contributions	3,025	725
Distributions - Scholarships	<u>(2,000)</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 99,331</u>	<u>\$ 110,267</u>