

Spoletto Festival USA, Inc.

Report on Financial Statements

For the years ended August 31, 2023 and 2022

Spoletto Festival USA, Inc.

Contents

Page

Independent Auditor's Report	1-2
---	------------

Financial Statements

Statements of Financial Position.....	3
---------------------------------------	---

Statements of Activities	4-5
--------------------------------	-----

Statements of Cash Flows	6
--------------------------------	---

Notes to Financial Statements	7-25
-------------------------------------	------

Independent Auditor's Report

Board of Directors
Spoleto Festival USA, Inc.
Charleston, South Carolina

Opinion

We have audited the accompanying financial statements of Spoleto Festival USA, Inc. (the "Festival"), which comprise the statements of financial position as of August 31, 2023 and 2022, the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material aspects, the financial position of the Festival as of August 31, 2023 and 2022, 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 the Festival 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 the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Festival's ability to continue as a going concern within one year after the date of the financial statements are available to be 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions,

Auditor's Responsibilities for the Audit of the Financial Statements, Continued

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 generally accepted auditing standards, we:

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

A handwritten signature in black ink that reads "Elliott Davis, LLC". The signature is written in a cursive, flowing style.

Charleston, South Carolina
February 6, 2024

Spoletto Festival USA, Inc.**Statements of Financial Position****As of August 31, 2023 and 2022**

	2023	2022
Assets		
Cash and cash equivalents	\$ 182,344	\$ 716,129
Contributions and grants receivable, net	995,758	663,098
Employee retention tax credits receivable	148,141	148,141
Accounts receivable	107,825	7,177
Prepaid expenses	188,901	132,667
Inventory	4,898	4,000
Investments	12,609,209	11,541,519
Beneficial interest in charitable remainder trust	361,155	349,324
Property and equipment, net	4,574,805	5,064,832
Total assets	<u>\$ 19,173,036</u>	<u>\$ 18,626,887</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 177,567	\$ 177,261
Accrued expenses	15,460	95,581
Deferred income	266,364	277,706
Line of credit	1,700,000	400,000
Notes payable	1,048,950	1,104,322
Total liabilities	<u>3,208,341</u>	<u>2,054,870</u>
Net assets		
Net assets without donor restrictions	2,211,907	3,451,659
Net assets with donor restrictions	13,752,788	13,120,358
Total net assets	<u>15,964,695</u>	<u>16,572,017</u>
Total liabilities and net assets	<u>\$ 19,173,036</u>	<u>\$ 18,626,887</u>

See Notes to Financial Statements

Spoletto Festival USA, Inc.**Statement of Activities****For the year ended August 31, 2023**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Contributed Support			
Revenues			
Admissions	\$ 2,742,221	\$ -	\$ 2,742,221
Merchandise sales, net of COGS of \$7,778	8,642	-	8,642
Advertising and sponsorships	28,400	-	28,400
Box office handling charges	291,319	-	291,319
Investment return, net of brokerage fees	813	1,317,171	1,317,984
Change in value of split interest agreement	-	11,831	11,831
Rental and co-production income	557,378	-	557,378
Total revenues	3,628,773	1,329,002	4,957,775
Contributed support			
Contributions and other grants	4,282,477	491,373	4,773,850
Contributed services	74,816	-	74,816
Benefit programs and fundraising events, net of special event expense of \$397,632	399,142	-	399,142
Total contributed support	4,756,435	491,373	5,247,808
Net assets released from restrictions			
Net assets released for time and purpose restrictions	697,965	(697,965)	-
Net assets released for operating purposes	489,980	(489,980)	-
Total net assets released from restrictions	1,187,945	(1,187,945)	-
Total revenues, contributed support, and releases	9,573,153	632,430	10,205,583
Expenses			
Program and production	5,378,673	-	5,378,673
Marketing, public relations and box office	1,233,602	-	1,233,602
Development and fundraising	753,965	-	753,965
General and administrative	2,187,057	-	2,187,057
Bad debt expense	25,477	-	25,477
Interest and fees	37,261	-	37,261
Facility operations	643,953	-	643,953
Depreciation	552,917	-	552,917
Total expenses	10,812,905	-	10,812,905
Excess (deficiency) of revenues and support over (under) expenses	(1,239,752)	632,430	(607,322)
Net assets, beginning of year	3,451,659	13,120,358	16,572,017
Net assets, end of year	\$ 2,211,907	\$ 13,752,788	\$ 15,964,695

See Notes to Financial Statements

Spoletto Festival USA, Inc.**Statement of Activities****For the year ended August 31, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Contributed Support			
Revenues			
Admissions	\$ 2,689,735	\$ -	\$ 2,689,735
Merchandise sales, net of COGS of \$1,693	11,891	-	11,891
Advertising and sponsorships	29,963	-	29,963
Box office handling charges	216,469	-	216,469
Investment return, net of brokerage fees	(440)	(2,126,921)	(2,127,361)
Change in value of split interest agreement	-	(74,551)	(74,551)
Rental and co-production income	499,220	-	499,220
Total revenues	3,446,838	(2,201,472)	1,245,366
Contributed support			
Contributions and grants	3,938,404	265,963	4,204,367
Government grant - shuttered venue operators grant	-	798,592	798,592
Government grant - refundable advance forgiveness	1,010,633	-	1,010,633
Contributed services	65,425	-	65,425
Benefit programs and fundraising events, net of special event expense of \$442,605	205,054	-	205,054
Total contributed support	5,219,516	1,064,555	6,284,071
Net assets released from restrictions			
Net assets released for time and purpose restrictions	2,228,361	(2,228,361)	-
Net assets released for operating purposes	450,678	(450,678)	-
Total net assets released from restrictions	2,679,039	(2,679,039)	-
Total revenues, contributed support, and releases	11,345,393	(3,815,956)	7,529,437
Expenses			
Program and production	6,745,801	-	6,745,801
Marketing, public relations and box office	935,358	-	935,358
Development and fundraising	678,480	-	678,480
General and administrative	1,906,255	-	1,906,255
Bad debt expense	1,630	-	1,630
Interest and fees	25,206	-	25,206
Facility operations	589,898	-	589,898
Depreciation	515,866	-	515,866
Total expenses	11,398,494	-	11,398,494
Excess (deficiency) of revenues and support over (under) expenses	(53,101)	(3,815,956)	(3,869,057)
Net assets, beginning of year	3,504,760	16,936,314	20,441,074
Net assets, end of year	\$ 3,451,659	\$ 13,120,358	\$ 16,572,017

See Notes to Financial Statements

Spoleto Festival USA, Inc.**Statements of Cash Flows****For the years ended August 31, 2023 and 2022**

	2023	2022
<i>Cash flows from operating activities</i>		
Cash received from admissions, merchandise and other sales and charges	\$ 3,945,574	\$ 4,061,916
Cash received from contributors for other than long-term purposes	4,411,589	5,886,392
Cash paid to employees and vendors	(10,383,173)	(11,271,552)
Interest and dividends received, net	90,025	256,632
Interest paid	(59,433)	(44,053)
Net cash used for operating activities	<u>(1,995,418)</u>	<u>(1,110,665)</u>
<i>Cash flows from investing activities</i>		
Acquisition of property and equipment	(62,890)	(469,217)
Contributions received restricted for endowment	29,601	78,000
Proceeds from sale of investments	250,294	-
Purchase of investments	-	(114,744)
Net cash provided by (used for) investing activities	<u>217,005</u>	<u>(505,961)</u>
<i>Cash flows from financing activities</i>		
Proceeds from line of credit, net	1,300,000	400,000
Payments on notes payable	(55,372)	(253,785)
Net cash provided by financing activities	<u>1,244,628</u>	<u>146,215</u>
Net decrease in cash and cash equivalents	<u>(533,785)</u>	<u>(1,470,411)</u>
<i>Cash and cash equivalents, beginning of year</i>	<u>716,129</u>	<u>2,186,540</u>
<i>Cash and cash equivalents, end of year</i>	<u><u>\$ 182,344</u></u>	<u><u>\$ 716,129</u></u>

See Notes to Financial Statements

Spoletto Festival USA, Inc.

Notes to Financial Statements

August 31, 2023 and 2022

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

Operations:

Spoletto Festival USA, Inc. (the "Festival") is a not-for-profit cultural organization, incorporated on September 16, 1977, whose purpose is to create a comprehensive and innovative arts festival in Charleston, South Carolina. The Festival produces and presents events featuring an international mix of distinguished artists and emerging talent. The Festival seeks excellence in all of its endeavors as it strives to provide excitement, enjoyment and education for artists and audiences alike. The Festival depends on earned income and contributed support to fund its activities and to meet its obligations. Management believes the Festival will continue to rely on these sources of income and endowment earnings to meet operating and production costs in future years.

Basis of accounting:

The financial statements of the Festival have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, revenue is recognized when earned rather than when received and expenses are recognized when incurred rather than when paid.

Basis of presentation:

The Festival'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 Festival. These net assets may be used at the discretion of the Festival's management and the board of directors. Net assets without donor restrictions include board designated net assets.

Net assets with donor restrictions: Net assets that are subject to donor-imposed restrictions. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Festival or by the passage of time (that is, when 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.

Cash and cash equivalents:

For the purpose of the Statements of Cash Flows, the Festival considers all investment instruments purchased with a maturity of three months or less to be cash equivalents. Mutual funds and other temporary and permanent investments are excluded from cash and cash equivalents.

Availability of funds for general expenditures:

The Festival has certain net assets that are available for general expenditures within one year of August 31, 2023 and 2022 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).

Spoletto Festival USA, Inc.

Notes to Financial Statements

August 31, 2023 and 2022

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

Revenue recognition:

Revenue is recognized upon the transfer of control of promised goods or services to customers in an amount that reflects the consideration the Festival expects to receive in exchange for those products or services. Contracts are analyzed with the following steps: (i) identify the contract with the customer; (ii) determine whether the promised goods or services are separate performance obligations in the contract; (iii) determine the transaction price, including considering the constraint on variable consideration; (iv) allocate the transaction price to the performance obligations in the contract based on the standalone selling price or estimated standalone selling price of the good or service; and (v) recognize revenue when (or as) each performance obligation is satisfied.

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account. Revenue is allocated to each performance obligation as the related performance obligation is satisfied, if applicable, as noted below.

Contributions/Grants: Contributions and grants that are with or without donor restrictions are earned and recognized when the donation is received or unconditionally pledged, as long as there is no performance requirement attached to the contribution or grant. In the instance where there is a performance obligation attached to the contribution or grant, the portion that is attached to a performance requirement is recorded as deferred revenue until it is earned when the performance requirement is met, while the portion that is considered to be a contribution or grant is recorded as revenue when received or unconditionally pledged.

Contributions and grants 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.

Bequests represent conditional pledges which are subject to change. Accordingly, bequests are not recognized as contributions until after the will is probated, without challenge, by the court.

Admissions, Advertising and sponsorships, Box office handling charges: Ticket and sponsorship revenue for future events is recorded as deferred revenue and recognized as revenue at a point in time when the scheduled event occurs.

Special events revenue: Special events revenue is recorded and recognized on the day of the event. While some benefit is received by attendees, it is considered immaterial relative to the amount paid. Any payment received before the event (tickets and sponsorship) is recorded as deferred revenue and released at a point in time, when the event occurs.

Merchandise revenue: Merchandise revenue is recorded as goods are delivered to customers, generally immediately, since performance obligations are met simultaneously to funds being received.

Spoletto Festival USA, Inc.

Notes to Financial Statements

August 31, 2023 and 2022

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

Revenue recognition, continued:

Rental and co-production income: Revenue is recognized as deferred revenue and recognized as revenue at a point in time when the scheduled event occurs. Rental income from parking is considered earned over time per the rental agreement.

Contributions, grants, accounts receivable and allowances for doubtful accounts:

Unconditional promises to give are recorded as contributions receivable in the year pledges are made. Contributions receivable for support of current operations are included in the Statements of Activities as net assets without donor restrictions, while pledges for support of future purposes are reported as increases in net assets with donor restrictions based on their purpose and/or implied time restrictions. Contributions are released from restriction as the nature of the restriction changes, or restrictions are satisfied, including time restrictions.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. A discount rate of approximately 4.85% and approximately 1.5% was applied to new contributions in the fiscal years ended August 31, 2023 and 2022, respectively, that are due after one year.

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

Allowance for doubtful accounts for contributions and grants receivable as of August 31, 2023 and 2022 totaled \$3,783 and \$20,000, respectively. Bad debt expense for the years ended August 31, 2023 and 2022 was \$25,477 and \$1,630, respectively.

Inventory valuation:

Inventories, consisting primarily of posters, are stated at the lower of cost (first-in, first-out method) or net realizable value.

Investments:

The Festival's investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the Statements of Financial Position. Unrealized gains and losses are included in the changes in net assets. Donor restricted interest and dividend income are reported as increases in net assets with donor restrictions and released to net assets without donor restrictions in the reporting period when the restrictions are met or use is approved by the Board.

Spoletto Festival USA, Inc.**Notes to Financial Statements****August 31, 2023 and 2022**

Note 1. Nature of Activities and Summary of Significant Accounting Policies, Continued*Beneficial interest in charitable remainder trust:*

Beneficial interest in charitable remainder trust includes the estimated fair value of the remainder interest of an irrevocable charitable trust held by third parties in which the Festival is the secondary beneficiary. The fair value of the Festival's remainder interest is determined using investment returns consistent with the composition of the asset portfolios.

Fair value measurements:

The Financial Accounting Standards Board's ("FASB") Fair Value Measurements defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurement. It also emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and sets out a fair value hierarchy with the highest priority being quoted prices in active markets. Under this standard, fair value measurements are disclosed by level within that hierarchy. The Festival utilizes a three-tier fair value hierarchy that clarifies fair value as an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Property and equipment:

Property and equipment are carried at cost and are depreciated over the estimated useful lives of the respective property items using the straight-line method. Leasehold improvements are depreciated over the term of the lease. Maintenance and repairs are expensed as incurred. Expenditures which result in substantial betterment of assets are capitalized at cost. When it is determined that the carrying value of a long-lived asset will not be fully recovered, an asset is considered impaired and a loss is recognized as it is written down to its fair value. Production sets and costumes are generally expensed, except for those for which future use, rental or sale is highly probable, in which case they are included in prepaid and other assets.

The Festival capitalizes all expenditures in excess of \$2,500 for property and equipment. Contributed property and equipment is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support, when placed in service.

Contributed nonfinancial assets and services:

Contributed nonfinancial assets and services are recognized as revenue with or without donor restrictions. Nonfinancial assets can include fixed assets (such as land, buildings, and equipment), use of fixed assets or utilities, material and supplies, intangibles, and services. The Festival measures and reports contributions of nonfinancial assets and services at the estimated fair value in the financial statements. The Festival had contributed services for the years ended August 31, 2023 and 2022 of \$74,816 and \$65,425, respectively.

Spoletto Festival USA, Inc.**Notes to Financial Statements****August 31, 2023 and 2022**

Note 1. Nature of Activities and Summary of Significant Accounting Policies, Continued*Contributed nonfinancial assets and services, continued:*

The Festival records various types of in-kind support mainly related to donated professional services. These services are used for the support of the Festival and its operations. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The value is determined using a standard rate per hour of service comparable to similar services purchased.

A substantial number of volunteers have donated significant amounts of time to the Festival's program services and its fundraising activities. The value of these amounts has not been recorded, as the criteria for recognition under generally accepted accounting principles have not been met.

Use of estimates:

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Areas requiring significant estimates include the allowance for doubtful accounts, the discount on unconditional promises to give, the economic useful lives of fixed assets for depreciation purposes, and the functional allocation of expenses. It is at least reasonably possible that the significant estimates used will change within the next year.

Income tax status:

The Festival 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. The Festival is classified by the Internal Revenue Service as other than a private foundation.

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 the Festival's tax positions and concluded that the Festival has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance for the years ended August 31, 2023 or 2022. With few exceptions, the Festival is no longer subject to income tax examinations by the U.S. Federal, state, or local tax authorities for years before 2020.

Spoletto Festival USA, Inc.**Notes to Financial Statements****August 31, 2023 and 2022**

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 (See Note 14). Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Expenses of the Festival include:

Program expenses - Program expenses include the costs associated with the production of the Festival and its performances.

General and administrative - Management and general expenses include the general, administrative, and supporting costs of the Festival.

Development and fundraising - 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 costs	Based on time and effort
Travel, housing, and per diem	Direct costs by department function
Production expenses	Direct costs by department function
Publications, website, and advertising	Direct costs by department function
Facilities and depreciation	Direct costs by department function
Office expense and postage	Direct costs by department function
Professional and consulting	Direct costs by department function

New accounting pronouncements:

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which was effective for the Festival's fiscal year ended August 31, 2023. The ASU establishes a dual approach for classifying leases as either financing or operating leases, and requires recognition of an asset and liability on the statement of net position for both types of leases. The Festival adopted this new standard on September 1, 2022; however, the new standard did not materially change or impact the Festival's 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 the Festival's net assets or changes in net assets.

Spoletto Festival USA, Inc.

Notes to Financial Statements

August 31, 2023 and 2022

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

Subsequent events:

In preparing these financial statements, the Festival has evaluated events and transactions for potential recognition or disclosure through February 6, 2024, the date the financial statements were available to be issued.

Reclassifications:

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation adopted in the current year financial statements.

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 Statements of Financial Position dates of August 31, 2023 and 2022, are comprised of the following:

	<u>2023</u>	<u>2022</u>
Assets at year-end	\$ 19,173,036	\$ 18,626,887
Less amounts not available to be used within one year due to illiquidity:		
Contributions and grants receivable – due after one year, net	(309,875)	(207,102)
Prepaid assets	(188,901)	(132,667)
Property and equipment, net	(4,574,805)	(5,064,832)
Less amounts not available to be used within one year due to:		
Contractual or donor imposed restrictions:		
Beneficial interest in charitable remainder trust	(361,155)	(349,324)
Portion of donor-restricted endowment to be retained in perpetuity	<u>(10,327,153)</u>	<u>(10,297,552)</u>
Assets available to meet cash needs for general expenditures within one year	<u>\$ 3,411,147</u>	<u>\$ 2,575,410</u>

As part of its liquidity plan, the Festival has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due. The Festival invests excess cash in short-term investments, including money market accounts, and has the ability to redeem certain investments as necessary to meet its obligations. The Festival also has available for use a line of credit with a limit of \$2,500,000 (see Note 9).

Note 3. Concentration of Credit Risk

The Festival maintains its cash at three 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.

Spoletto Festival USA, Inc.

Notes to Financial Statements

August 31, 2023 and 2022

Note 3. Concentration of Credit Risk, Continued

The Festival's investments in securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with investment securities and the level of uncertainty related to changes in value of the investments, it is at least reasonably possible that changes in risks in the near term would materially affect the Festival's investment balance. Securities and cash accounts maintained by the Festival's investment firms are insured by the Securities Investors Protection Corporation ("SIPC") up to \$500,000 (\$250,000 for cash balances). SIPC insurance does not cover changes in value attributed to market valuation changes.

Note 4. Contributions and Grants Receivable, Net

Contributions and grants receivable, net, as of August 31 consist of the following:

	<u>2023</u>	<u>2022</u>
Contributions and grants receivable	\$ 1,012,666	\$ 704,996
Less: unamortized discount	(13,125)	(21,898)
Less: allowances for uncollectible accounts	(3,783)	(20,000)
Contributions and grants receivable, net	<u>\$ 995,758</u>	<u>\$ 663,098</u>
Amounts due in:		
Less than one year	\$ 689,666	\$ 475,996
Two to five years	323,000	229,000
Contributions and grants receivable	<u>\$ 1,012,666</u>	<u>\$ 704,996</u>

Note 5. Investments

Investments as of August 31, 2023 are as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Net Unrealized Gains/(Losses)</u>
Cash and money market funds	\$ 216,492	\$ 216,492	\$ -
Equities	790,772	1,107,525	316,753
Mutual funds - equities	3,344,872	3,464,864	119,992
Mutual funds - bonds	643,201	597,536	(45,665)
Exchange traded funds - equities	5,780,691	6,330,186	549,495
Exchange traded funds - bonds	909,182	892,606	(16,576)
	<u>\$ 11,685,210</u>	<u>\$ 12,609,209</u>	<u>\$ 923,999</u>

Spoletto Festival USA, Inc.

Notes to Financial Statements

August 31, 2023 and 2022

Note 5. Investments, Continued

Investments as of August 31, 2022 are as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Net Unrealized Gains/(Losses)</u>
Cash and money market funds	\$ 3,412	\$ 3,412	\$ -
Equities	798,588	1,122,984	324,396
Mutual funds - equities	7,525,063	8,113,749	588,686
Mutual funds - bonds	<u>2,561,523</u>	<u>2,301,374</u>	<u>(260,149)</u>
	<u>\$ 10,888,586</u>	<u>\$ 11,541,519</u>	<u>\$ 652,933</u>

The following summarizes the net investment return (loss) and classification in the Statements of Activities and changes in net assets for the years ended August 31:

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 97,079	\$ 285,698
Net realized gains	980,159	186,352
Net unrealized gains/(losses)	247,800	(2,569,348)
Brokerage fees	<u>(7,054)</u>	<u>(30,063)</u>
	<u>\$ 1,317,984</u>	<u>\$ (2,127,361)</u>

Note 6. Fair Value Measurements

Accounting standards define fair value as the exchange price that would be received for an asset or paid to transfer a liability (i.e., an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Accounting standards also establish a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

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

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

Spoletto Festival USA, Inc.

Notes to Financial Statements

August 31, 2023 and 2022

Note 6. Fair Value Measurements, Continued

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at August 31, 2023 or 2022.

Equity securities - Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds - Valued at the net asset value ("NAV") of shares held by the Festival at year end using closing prices reported in the active market.

Exchange traded funds - Valued at the net asset value ("NAV") of shares held by the Festival at year end using closing prices reported in the active market.

Beneficial interest in charitable remainder trust - Valued at the fair market value ("FMV") in the underlying assets of the charitable remainder unitrust ("CRUT") at year end using closing prices reported in the active market.

The following is a summary of assets measured at fair value as of August 31, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities	\$ 1,107,525	\$ -	\$ -	\$ 1,107,525
Mutual funds - equities	3,464,864	-	-	3,464,864
Mutual funds - bonds	597,536	-	-	597,536
Exchange traded funds - equities	6,330,186	-	-	6,330,186
Exchange traded funds - bonds	892,606	-	-	892,606
Beneficial interest in charitable remainder trust assets	<u>361,155</u>	<u>-</u>	<u>-</u>	<u>361,155</u>
	<u>\$ 12,753,872</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,753,872</u>

The following is a summary of assets measured at fair value as of August 31, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities	\$ 1,122,984	\$ -	\$ -	\$ 1,122,984
Mutual funds - equities	8,113,749	-	-	8,113,749
Mutual funds - bonds	2,301,374	-	-	2,301,374
Beneficial interest in charitable remainder trust assets	<u>349,324</u>	<u>-</u>	<u>-</u>	<u>349,324</u>
	<u>\$ 11,887,431</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,887,431</u>

Spoletto Festival USA, Inc.**Notes to Financial Statements****August 31, 2023 and 2022**

Note 7. Related Party Transactions

The following is a summary of transactions and balances with related parties, including employees, directors and officers:

Various employees, board members, their families, and companies contributed a total of \$1,098,675 and \$1,070,805 in cash and stock donations during the years ended August 31, 2023 and 2022, respectively.

Contributions receivable from related parties as of August 31, 2023 and 2022 totaled \$516,000 and \$603,000, respectively.

Three board members or spouses of board members are executives/shareholders of banks where the Festival maintains several bank accounts and two notes.

One board member is an executive/shareholder of the firm that the Festival began using for investment management services during the year ended August 31, 2023. No amounts have been paid to this investment management firm during the fiscal year.

Note 8. Property and Equipment, Net

Property and equipment, net, at August 31 is as follows:

	<u>2023</u>	<u>2022</u>
Building and related improvements:		
George Street building renovations	\$ 3,009,025	\$ 2,992,374
George Street garden, landscaping and paving	412,733	412,733
Scene shop	1,174,963	1,174,963
Leasehold improvements - theaters and stages	7,061,457	7,037,334
Equipment:		
Lighting and technical theater equipment	457,821	457,821
Computer and office equipment	388,124	373,210
Musical instruments	195,698	195,698
Website	35,000	35,000
Furniture	210,789	203,587
Vehicles	<u>40,278</u>	<u>40,278</u>
Total depreciable property and equipment	12,985,888	12,922,998
Less: accumulated depreciation	<u>(8,411,083)</u>	<u>(7,858,166)</u>
Property and equipment, net	<u>\$ 4,574,805</u>	<u>\$ 5,064,832</u>

Depreciation expense totaled \$552,917 and \$515,866 for the years ended August 31, 2023 and 2022, respectively.

Spoletto Festival USA, Inc.**Notes to Financial Statements****August 31, 2023 and 2022**

Note 9. Line of Credit

The Festival has a line of credit at Wells Fargo Bank, N.A. with a maximum borrowing amount of \$2,500,000. The line bears interest at a floating rate equal to the Index (Daily Simple SOFR) plus 2.50% (7.80% as of August 31, 2023). Payments of interest only are due monthly and the line matures on May 15, 2024. The line is secured by all personal property including contributions receivable and other assets. At August 31, 2023 and 2022, the balance was \$1,700,000 and \$400,000, respectively.

Interest expense of approximately \$37,600 and \$2,500 on the line of credit was incurred for the years ended August 31, 2023 and 2022, respectively.

Note 10. Note Payable

The Festival has a term loan with First Citizens Bank & Trust Company for \$1,300,000. Interest is at 2.87% with monthly payments of \$7,231 maturing on October 21, 2028. The term loan is secured by the scene shop. At August 31, 2023 and 2022, the balance of this term loan was \$1,048,950 and \$1,104,322, respectively.

This term loan contains a financial covenant requiring the Festival to maintain a certain debt service coverage ratio. For the year ended August 31, 2023, the Festival did not achieve the required debt to service coverage ratio of 1.25:1.0 and has therefore, obtained a waiver from the bank.

Future scheduled principal payments for the note payable due at August 31 are as follows:

2024	\$ 57,443
2025	59,113
2026	60,832
2027	62,601
2028	64,422
Thereafter	<u>744,539</u>
	<u>\$ 1,048,950</u>

For the years ended August 31, 2023 and 2022, interest expense on the term loan totaled \$31,400 and \$32,986, respectively.

Note 11. Refundable Advance

In March 2021, the Festival applied for a second Paycheck Protection Program Loan ("PPP loan") of \$1,010,633. On March 21, 2021, the PPP loan was approved and the Festival received the PPP loan proceeds. The second PPP loan bore interest of 1.0% per annum and had a two-year term that matured on March 20, 2023. The Festival applied for and was notified that the full amount of the loan was forgiven as of August 31, 2022. Amount forgiven is reflected as refundable advance forgiveness in the accompanying 2022 Statement of Activities.

Spoletto Festival USA, Inc.

Notes to Financial Statements

August 31, 2023 and 2022

Note 12. Endowments

The Festival's endowments consist of several funds established for a variety of purposes. As required by accounting principles generally accepted in the United States of America, the net assets associated with the endowments are classified and reported based on the existence or absence of donor imposed restrictions.

Interpretation of relevant law - The Festival has interpreted the State of South Carolina's enacted version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), also known as the State Prudent Management of Institutional Funds Act ("SPMIFA"), as requiring the preservation of the fair value of the original gift, as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Festival classifies net assets with donor restrictions subject to perpetual restrictions as the original value of the gifts donated to the endowment and the original value of subsequent gifts to the endowment. The remaining portion of the donor-restricted fund that is not classified as net assets restricted in perpetuity is classified as net assets with temporary restrictions until those amounts are appropriated for expenditure by the Festival in a manner consistent with the standards of prudence prescribed by SPMIFA.

Interpretation of relevant law - In accordance with SPMIFA, the Festival considered the following factors in making their determination to appropriate or accumulate endowment funds:

- 1) The duration and preservation of the fund
- 2) The purposes of the Festival and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the Festival
- 7) The investment policies of the Festival

Spending policy and how the investment objectives relate to spending policy - The Festival has a policy of appropriating for distribution each year, as determined by the investment committee and approved by the Board of Directors, 4 to 5% of its endowment funds' average fair value over the prior 36 months as of June 30th (measurement date) each year. In establishing these policies, the Festival considered the expected return on its endowment. Accordingly, the Festival 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 excess investment return.

Strategies employed for achieving investment objectives - The Festival follows an investment policy with long-term growth as the main objective. The Festival 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 Festival utilizes a diversified asset allocation, with greater emphasis on equity-based investments, to achieve its long-term return objectives within prudent risk constraints.

Funds with deficiencies - From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the Festival to retain as a fund of perpetual duration. There were no deficiencies of this nature at August 31, 2023 or 2022.

Spoletto Festival USA, Inc.**Notes to Financial Statements****August 31, 2023 and 2022****Note 12. Endowments, Continued**

Endowment net asset composition by type of fund:

	<u>At August 31, 2023</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor restricted endowment funds:			
Perpetual in nature	\$ -	\$ 10,327,153	\$ 10,327,153
Temporary in nature	-	<u>2,550,206</u>	<u>2,550,206</u>
Total funds	<u>\$ -</u>	<u>\$ 12,877,359</u>	<u>\$ 12,877,359</u>

	<u>At August 31, 2022</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor restricted endowment funds:			
Perpetual in nature	\$ -	\$ 10,297,552	\$ 10,297,552
Temporary in nature	-	<u>1,723,016</u>	<u>1,723,016</u>
Total funds	<u>\$ -</u>	<u>\$ 12,020,568</u>	<u>\$ 12,020,568</u>

Changes in endowment net assets for the year ended August 31, 2023 are as follows:

	<u>Net Assets With Donor Restrictions</u>
Endowment net assets, beginning of year	\$ 12,020,568
Investment return:	
Net dividends and interest income	89,084
Net appreciation (realized and unrealized)	<u>1,228,086</u>
Total investment income	1,317,170
Contributions	29,601
Appropriation of endowment assets for expenditure	<u>(489,980)</u>
Endowment net assets, end of year	<u>\$ 12,877,359</u>

Spoletto Festival USA, Inc.**Notes to Financial Statements****August 31, 2023 and 2022**

Note 12. Endowments, Continued

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

	<u>Net Assets With Donor Restrictions</u>
Endowment net assets, beginning of year	\$ 14,520,167
Investment return:	
Net dividends and interest income	255,449
Net depreciation (realized and unrealized)	<u>(2,382,370)</u>
Total investment income (loss)	(2,126,921)
Contributions	78,000
Appropriation of endowment assets for expenditure	<u>(450,678)</u>
Endowment net assets, end of year	<u><u>\$ 12,020,568</u></u>

Other endowments - In February 1998, the Spoletto Festival USA Fund was established at the Coastal Community Foundation of South Carolina (the "Community Foundation") for the purpose of providing annual distributions to the Festival. These funds are excluded from the financial statements as a result of the Community Foundation's variance power over the funds. The original donor who established the fund and the Community Foundation intend for this fund to be available to receive additional contributions from the Festival and other donors. The Community Foundation determines annual distributions. Annual distributions are currently calculated at five percent (5%) of the average fair value over the prior 20 quarters as of June 30th of each year.

The balance of the fund at June 30, 2023 and 2022 was \$6,430,528 and \$6,297,063, respectively. The Festival received \$301,012 and \$303,306 from this endowment during the years ended August 31, 2023 and 2022, respectively.

During 2004, the Wayland H. Cato, Jr. & Marion Rivers Cato Spoletto Garden Endowment fund was established at the Community Foundation for the purpose of maintaining the garden at the Festival's 14 George Street office. The balance of the fund as of June 30, 2023 and 2022 was \$400,554 and \$388,247, respectively. Contributions from this fund to the Festival were \$14,744 and \$14,764 during the years ended August 31, 2023 and 2022, respectively.

In January 2001, the Donald H. and Barbara K. Bernstein Spoletto Festival USA Continuity Fund was established at the Foundation for the Charlotte Jewish Community for the purpose of providing annual distributions to the Festival. These funds are excluded from the financial statements as a result of the Foundation's variance power over the funds. The Foundation determines annual distributions. The balance of the fund at June 30, 2023 and 2022 was \$98,754 and \$95,461, respectively. The Festival received \$4,367 and \$14,616 from this endowment during the years ended August 31, 2023 and 2022, respectively.

Spoletto Festival USA, Inc.**Notes to Financial Statements****August 31, 2023 and 2022****Note 13. Net Assets with Donor Restrictions**

The Festival has net assets with donor restrictions comprised of the following at August 31:

	<u>2023</u>	<u>2022</u>
Subject to expenditures for specific purposes and/or passage of time:		
Earnings on endowment for programmatic purposes	\$ 2,550,206	\$ 1,723,016
Beneficial interest in charitable remainder trust	361,155	349,324
Time and purpose restricted funds	514,274	188,241
Cash reserve	-	562,225
Subject to perpetual restrictions:		
Endowment for artistic leadership and programming	9,477,153	9,447,552
Endowment for operations (The Julia Fund)	<u>850,000</u>	<u>850,000</u>
	<u>\$ 13,752,788</u>	<u>\$ 13,120,358</u>

Note 14. Expense Allocation

For the year ended August 31, 2023, expenses were allocated as follows:

	<u>Program</u>	<u>General and administrative</u>	<u>Development and fundraising</u>	<u>Total</u>
Personnel costs	\$ 2,380,054	\$ 853,496	\$ 773,552	\$ 4,007,102
Performance fees	1,495,557	-	-	1,495,557
Production expenses	1,333,576	-	-	1,333,576
Travel, housing and per diem	1,141,684	115,814	22,842	1,280,340
Facilities and depreciation	303,330	566,680	165,045	1,035,055
Office expense and postage	285,260	734,142	22,541	1,041,943
Publications, website and advertising	343,801	66,389	10,029	420,219
Professional and consulting	3,379	148,092	-	151,471
Auditions, workshops and rehearsals	<u>47,642</u>	-	-	<u>47,642</u>
	<u>\$ 7,334,283</u>	<u>\$ 2,484,613</u>	<u>\$ 994,009</u>	<u>\$ 10,812,905</u>

Statement of Activities reconciliation:

Program and production	\$ 5,378,673	\$ -	\$ -	\$ 5,378,673
Marketing, public relations and box office	1,233,602	-	-	1,233,602
Development and fundraising	-	-	753,965	753,965
General and administrative	362,000	1,750,059	75,000	2,187,059
Bad debt expense	-	25,477	-	25,477
Interest and bank fees	-	37,261	-	37,261
Facility operations	360,008	118,899	165,044	643,951
Depreciation	<u>-</u>	<u>552,917</u>	<u>-</u>	<u>552,917</u>
	<u>\$ 7,334,283</u>	<u>\$ 2,484,613</u>	<u>\$ 994,009</u>	<u>\$ 10,812,905</u>

Spoletto Festival USA, Inc.**Notes to Financial Statements****August 31, 2023 and 2022****Note 14. Expense Allocation, Continued**

For the year ended August 31, 2022, expenses were allocated as follows:

	<u>Program</u>	<u>General and administrative</u>	<u>Development and fundraising</u>	<u>Total</u>
Personnel costs	\$ 2,334,060	\$ 861,873	\$ 826,077	\$ 4,022,010
Performance fees	2,190,365	-	-	2,190,365
Production expenses	1,892,308	33,072	-	1,925,380
Travel, housing and per diem	1,116,800	119,416	18,152	1,254,368
Facilities and depreciation	426,526	345,370	50,237	822,133
Office expense and postage	94,023	602,360	21,531	717,914
Publications, website and advertising	256,526	401	8,784	265,711
Professional and consulting	21,832	140,577	-	162,409
Auditions, workshops and rehearsals	38,204	-	-	38,204
	<u>\$ 8,370,644</u>	<u>\$ 2,103,069</u>	<u>\$ 924,781</u>	<u>\$ 11,398,494</u>

Statement of Activities reconciliation:

Program and production	\$ 6,745,801	\$ -	\$ -	\$ 6,745,801
Marketing, public relations and box office	935,358	-	-	935,358
Development and fundraising	-	-	678,480	678,480
General and administrative	295,460	1,414,731	196,064	1,906,255
Bad debt expense	-	1,630	-	1,630
Interest and bank fees	-	25,206	-	25,206
Facility operations	394,025	145,636	50,237	589,898
Depreciation	-	515,866	-	515,866
	<u>\$ 8,370,644</u>	<u>\$ 2,103,069</u>	<u>\$ 924,781</u>	<u>\$ 11,398,494</u>

Spoletto Festival USA, Inc.***Notes to Financial Statements******August 31, 2023 and 2022***

Note 15. Retirement Plan

On January 1, 2006, the Festival implemented the Spoletto USA 401(k) Plan for the purpose of providing retirement benefits for participating employees. Effective January 1, 2018, the plan was amended so that an eligible employee is immediately eligible for participation upon employment and is auto-enrolled at deferral rate of 1% of salary. The employee may opt out of participation at any time. The deferral rate automatically increases by 1% each year until the maximum deferral matching rate of 6% is reached.

The Festival paid \$92,875 and \$94,028 for retirement benefits during the years ended August 31, 2023 and 2022, respectively. The Festival paid \$1,413 and \$1,434, respectively, in administrative expenses; and \$8,373 and \$11,062, respectively, in advisor and plan fees for the years ended August 31, 2023 and 2022. As of January 1, 2020, plan participants pay no fees.

Note 16. Employee Retention Tax Credits

The Employee Retention Credit ("ERC") program was created under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") and was significantly modified, expanded and extended into the first two quarters of calendar year 2021 by the Consolidated Appropriations Act, 2021 (the "Act"). The goal of the ERC program is to encourage employers to retain and continue paying employees during periods of pandemic-related reductions in business volume even if those employees are not actually working, and therefore, are not providing a service to the employer. Under the Act, eligible employers could take credits up to 50% of qualified wages with a limit of \$10,000 per employee per quarter for calendar year 2020 and 70% of qualified wages with a limit of \$10,000 per employee per quarter for the first two quarters of calendar year 2021. In order to qualify for the ERC, organizations had to experience at least a 50% or 20% drop in gross receipts, in the 2020 or 2021 quarter, respectively, compared to the same quarter in calendar year 2019.

The Festival applied for the ERC in the amount of \$714,265 for the second and third quarters of calendar year 2020 and for the first two quarters of calendar year 2021. As of August 31, 2023 and 2022, the Festival has \$148,141 still outstanding; these funds were received in full subsequent to year end.

Note 17. State Appropriations Grant

As part of the State of South Carolina's (the "State") budgeting process, the State approved an allocation of \$500,000 to the Festival for the fiscal year 2022-2023. The grant was received in full during the year ended August 31, 2023.

Spoletto Festival USA, Inc.***Notes to Financial Statements******August 31, 2023 and 2022***

Note 18. Shuttered Venue Operators Grant

The Shuttered Venue Operators Grant (“SVOG”) program was established by the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act, and amended by the American Rescue Plan Act on December 31, 2020. Eligible applicants qualified for grants equal to 45% of their gross earned revenue, net of any second round Payroll Protection Program refundable advances, with the maximum amount available depending on the size of the organization. The grant funds were to be spent on normal operations of the organization that were in effect as of February 15, 2020 such as payroll, rent, utilities, mortgage payments, etc. The Festival used the SVOG grant for refunds of Festival tickets for the 2020 Festival cancelled due to COVID as allowable under the grant. The Festival applied for and was awarded \$586,550 from this grant which was used on allowable costs. This amount was recorded as revenue in fiscal year ended August 31, 2021.

In October 2021, the Festival amended their SVOG which increased their awarded amount to \$1,385,142. With the amendment, the Festival received an additional \$798,592 which was used on allowable costs. This amount was recorded as revenue in fiscal year ended August 31, 2022.

Note 19. Commitments

The Festival entered into a management agreement with the City of Charleston on February 2, 2007. In exchange for the right to occupy, possess, enjoy and use Festival Hall, the Festival has paid for renovation and construction costs for existing and new buildings, and will provide certain management services for Festival Hall. The term of the agreement is 50 years with the right to renew the agreement for an additional 25 years on the same terms.

In August, the Festival entered into an agreement for warehouse space for a period of 5 years, at a cost of approximately \$90,000 per year.