



FY 2022 - 2023 Expenditure and Revenue Report

***A Report to the Governor and
the House Appropriations &
Senate Finance Committees***

September 1, 2023





Southwest Virginia Cultural Heritage Foundation & Friends of Southwest Virginia

On behalf of the Southwest Virginia Cultural Heritage Foundation, the following report is submitted to the Governor and the Chairs of the House Appropriations and Senate Finance & Appropriations Committees per the 2022 Appropriation Act (SSI) Item 115 K.2.

ORGANIZATION OVERVIEW AND HISTORY:

The Southwest Virginia Cultural Heritage Foundation's purpose is to encourage economic development of a 19-county, four-city, and 53-town region through innovative expansion of cultural heritage and natural asset-based development, supporting entrepreneurship, tourism, and overall business growth. Recognizing a transition in the economic structure of the region from the loss of extractive, agricultural and manufacturing industries, the Department of Housing and Community Development (DHCD) worked with regional partners in 2002 to envision a new future for Southwest Virginia that capitalizes on the region's cultural and natural assets to attract tourism and enhance quality of life.

The Southwest Virginia Cultural Heritage Commission, established in 2008 by the Virginia General Assembly, took the lead in developing a creative economy in Southwest Virginia. In 2011, the Commission became the Southwest Virginia Cultural Heritage Foundation, a community development and tourism marketing organization with administrative support from DHCD. Through a cooperative non-profit, Friends of Southwest Virginia (an incorporated 501(c)(3)), the dual organizations serve as the coordinating body to help communities, organizations, and individual entrepreneurs mobilize and succeed throughout the region. A third incorporated 501(c)(3) entity, 'Round the Mountain: Southwest Virginia's Artisan Network, was founded in 2004 and operated independently until June 2017 when management and programming was assumed by Friends of Southwest Virginia.

The creative economy movement is defined by innovative business development techniques. From the arts and music of the region to cultural goods and services capitalized through tourism to research and development, the joint work of the Foundation and the non-profit is revolutionizing the rural economic development system of Southwest Virginia and providing new jobs for the region.

A multifaceted plan identifies the cultural and natural assets of the region; coordinates initiatives, organizations and venues engaged in cultural and natural heritage toward more efficient operations for all partner organizations; and develops a comprehensive strategy and capital improvements plan to maximize the impact of state investments in this significant restructuring effort.



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Key organizational goals included within the Code of Virginia include:

- Branding and marketing Southwest Virginia to the world as a distinct culture and destination
- Developing and sustaining the Southwest Virginia Cultural Center & Marketplace (formerly Heartwood)
- Expanding outdoor recreation development initiatives and marketing throughout the region
- Planning and implementation of downtown revitalization throughout the region to instill a high quality of life within communities and promote them to the world for a broad spectrum of economic development opportunities

Friends of Southwest Virginia is supported through a regional partnership program of the 19 counties, four cities and 53 towns of Southwest Virginia; while funding from the many communities varies, support across the region for a single front in economic redevelopment is unified. State partners include the Virginia Department of Housing and Community Development, Virginia Tourism Corporation, and the Virginia Department of Conservation and Recreation. Funding partners include the Commonwealth of Virginia, Virginia Tobacco Region Revitalization Commission, Appalachian Regional Commission, U.S. Economic Development Administration, several private foundations, and the communities of Southwest Virginia through the SWVA Partnership Program.



SOUTHWEST VIRGINIA CULTURAL CENTER & MARKETPLACE

The Southwest Virginia Cultural Center & Marketplace showcases a comprehensive picture of Southwest Virginia and the creative economy as a gateway to the region and creates new economic impact while sustaining financial stability as an organization. The 58,000 square foot artisan, performance, meeting, and office center was completed and opened to the public in 2011 with an investment of approximately \$15 million dollars of public funding through state and federal programs.

The Cultural Center was created to showcase and sell the work of regional artisans and musicians and to interpret Southwest Virginia's history, heritage, outdoor recreation and scenic beauty via stories and first-person narratives to inspire travel to other parts of the region. The facility was constructed by People Incorporated, a local community action agency, through funding sourced by 'Round the Mountain. The



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property for the development is under a long-term lease from Virginia Highlands Community College and the building is leased by Friends of Southwest Virginia from owner People Inc. The facility has been operated by three joint entities: Friends of Southwest Virginia, the Southwest Virginia Cultural Heritage Foundation, and 'Round the Mountain, Southwest Virginia's 501(c)(3) non-profit artisan network.

2022-2023 CULTURAL CENTER ACCOMPLISHMENTS

- **Expanded Operational Hours:** In April 2023, the Cultural Center successfully extended its operational hours, now operating seven (7) days a week, providing increased accessibility to visitors.
- **Trail Blazer Award and Recognition:** The Cultural Center received the prestigious Trail Blazer Award from the Virginia Tourism Corporation, reaffirming its position as the number one Visitor Center in the Commonwealth of Virginia during the Spring of 2023.
- **Successful Special Events:** The Cultural Center successfully hosted the Love is SWVA Concert Series and Christmas in Southwest Virginia events, attracting numerous attendees from 10 states, including Michigan, Indiana, Wisconsin, Texas, Georgia, Kentucky, West Virginia, Tennessee, North Carolina, and Virginia, to its renowned Amphitheater.
- **Impressive Visitor Growth:** The Cultural Center witnessed an exceptional 49.1% increase in visitation during FY23, surpassing the previous fiscal year.
- **Diverse Special Events:** Several special events, including the Love in SWVA Concert Series, Christmas in SWVA, a memorable Father/Daughter Dance at the Cultural Center, and an esteemed Appalachian Regional Commission reception, were successfully hosted.
- **Remarkable Rental Income Growth:** In FY23, the Cultural Center experienced a remarkable 604% increase in rental income, reflecting its growing popularity as a preferred venue for various events.
- **Enhanced Point of Sale and E-Commerce Platform:** The Cultural Center implemented an advanced point of sale system and a cutting-edge e-commerce platform to promote and sell artisan items showcased within the center. This new system enables international shipping, expanding the reach and accessibility of these unique artisan products to a global audience.



REGIONAL PROGRAMMING & COMMUNITY DEVELOPMENT

Apart from its direct operations involving the SWVA Cultural Center, the Foundation and Friends of Southwest Virginia actively engaged in several region-wide initiatives during 2022-2023, which are poised to yield substantial long-term benefits for both the Foundation and the region as a whole. These initiatives encompass the ongoing expansion of the Southwest Virginia Outdoors product development and marketing campaign, further enhancement of the regionally supported Southwest Virginia brand, and continual enlargement of the scope of the creative economy in Southwest Virginia.

It is important to note that these activities lie beyond the purview of the Cultural Center and, therefore, are not included in the financial and program reports provided below. For more detailed information on these initiatives, interested parties are encouraged to refer to the Friends of Southwest Virginia 2022 Annual Report, which was issued in January 2023. The report can be accessed at the following link: <http://friendsofswva.org/about/annualreport/>.

REGIONAL COMMUNITY CAPACITY BUILDING STATISTICS:

The Friends of Southwest Virginia Development Team plays a pivotal role in spearheading innovative strategies and projects, aimed at fostering sustainable development within the creative economy. Through effective capacity-building efforts and seamless collaboration across Southwest Virginia, the team actively promotes the growth and prosperity of the region.

QUICK DEVELOPMENT STATS

- Number of current development initiatives – 6 (2 planning and 4 construction)
- Completed projects in past 18 months – 11
- Current partnership development initiatives – 6
- Number of supported counties through current development initiatives – 14

CURRENT CONSTRUCTION PROJECTS

- Haysi Riverwalk Project
- High Knob Destination Center
- New River Destination Center
- Big Stone Gap Pump Track & Skate Park



PLANNING PROJECTS COMPLETED IN 2022-2023

- Cumberland Plateau Outdoor Recreation Economic Analysis & Development Plan
- Lee & Wise County Outdoor Access
- Mendota Trail Master Development Plan and Economic Impact Study
- Mount Rogers Outdoor Economy Asset Analysis and Development Plan
- Virginia Creeper Trail Conservancy Master Plan Development
- Breaks Interstate Park Hospitality Analysis

COMMUNITY DEVELOPMENT & PARTNERSHIP

The following are capacity building and regional support efforts.

AIR SHIFT: A three-day workshop led by trained facilitators, empowering community members to foster their creativity and collaboratively design projects that enhance the local living experience.

Clinch River Valley Initiative (CRVI): Friends of Southwest Virginia is actively supporting CRVI's transition into a sustainable nonprofit. Services provided include overseeing the hiring of a CRVI Executive Director, serving as administration and fiscal partner, and collaborating on resource identification and initiatives for long-term sustainability.

FROG (Forest Recreation Outdoor Group): As part of the Clinch Ranger District Trail study, Friends of Southwest Virginia participates in the FROG collective, which serves as a conduit for community concerns, opportunities, and involvement in shaping future development efforts.

High Knob Enhancement Corporation: Friends of Southwest Virginia advises the High Knob Enhancement Corporation in executing the High Knob Master Plan initiatives.

Opportunity SWVA / RALLY: Friends of Southwest Virginia staff collaborates with Opportunity SWVA monthly to leverage the Real Action Leadership Learning (RALLY) program, a community capacity and leadership development initiative.

PRODUCT DEVELOPMENT INITIATIVES

The state's investment in the Southwest Virginia Cultural Heritage Foundation and Friends of Southwest Virginia has enabled the organization to leverage these funds for diverse grant applications, attracting supplementary state and federal resources for projects spanning the entire creative economy. Notably, in FY2023, the allocated state funds were actively utilized as matching dollars for various grants and program projects, contributing to the region's continued development.



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Active grant and program projects that utilized the state's allocation as matching dollars for the region in FY2023 include:

- Appalachian Regional Commission - Building Appalachian Spring POWER 16 Construction Projects.
- Virginia Tobacco Region Revitalization Commission - Southwest Economic Development Building Appalachian Spring.
- Appalachian Regional Commission - 2017 ARC Area Development Lee and Wise County Outdoor Access:
- Appalachian Regional Commission - POWER 18: Bridge Builders Interstate Collaborative

2023 REGIONAL MARKETING

Throughout 2023, Friends of Southwest Virginia strategically invested in robust regional marketing and public relations campaigns, reflecting the momentum and enthusiasm shared with localities, communities, and business partners. Friends' efforts have been focused on promoting Southwest Virginia as a world-class tourism destination, emphasizing the region's rich culture through compelling storytelling.

Key Marketing Initiatives:

- *Southwest Virginia Regional Marketing Campaign:* Extensive efforts have been made to unveil new marketing campaigns and collateral, engaging regional partners to identify key assets and establish campaign themes. Fresh videography and photography assets are being procured and shared on an open-source platform with partners, facilitating traditional and digital ad placements to bolster visitation to the region.
- *Southwest Virginia National Public Relations Campaign:* With resounding support from regional partners, a national public relations campaign is underway. Collaborating with Laurie Rowe Communications, Friends is actively pitching to national media, hosting travel journalists, and securing media placements. An online Travel Press Room has been created as a resource, and site visits to attractions in the 19-county, 4-city region are being conducted to showcase the story of Southwest Virginia to national media outlets.



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- Southwest Virginia Artisan Storytelling Campaign: Emphasizing the growth of 'Round the Mountain Artisan Network, marketing efforts have amplified sustainable membership growth with featured artisans, gift guides, and social media initiatives. Curated artisan videos are being distributed across various digital platforms to capture the region's craft heritage.

Other Marketing Initiatives:

- *Digital Asset Management System:* A comprehensive digital asset management system provides regional partners with access to photography, videography, and branding materials to support ad campaigns, social media, and other promotional needs.
- Marketing Access Program: Collaborating with tourism-based businesses, Friends has developed marketing plans, including maps, signage, e-commerce platforms, blog content, and digital advertising, to boost audience numbers and promote Southwest Virginia as a desirable tourism destination.
- *Digital Storytelling - Stories from Southwest Virginia Podcast:* Entering its third season, the podcast delves into the unique history, heritage, music, artisans, and outdoor recreation of Southwest Virginia, reaching a global audience on various platforms.
- Partner Led Community Visits: Establishing frequent community visits has strengthened regional partnerships, facilitating familiarization with updated assets and collection of marketing materials. These visits aid in developing regional itineraries, planning journalist visits, and fostering connections within the hospitality and tourism business communities.



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2022-2023 Operations:

The Southwest Virginia Cultural Center’s 2022-2023 fiscal year operational budget is broken down in Figure 1. Please note, the following financials are unaudited, as the official audit will not be completed until December 2023.

**Figure 1: FY23 Financial Performance
July 1, 2022 to June 30, 2023**

	FY 2023 Performance
Income	
Grants	\$910,861
Artisan Sales	\$120,718
Events Revenue/Sponsorships	\$145,627
DHCD - SWVA Cultural Heritage Foundation*	\$657,000
Partnership Support	\$21,434
SWVA · SWVA Marketing	\$29,000
Employee Retention Credit	\$33,968
TOTAL OPERATING INCOME	\$ 1,918,608
Expense	
Grants	\$908,644
Artisan Cost of Goods Sold	\$82,965
Events	\$111,846
Administration	\$306,240
Maintenance, Building & Grounds	\$217,447
Utilities	\$61,969
Technology	\$23,833
Legal, Insurance	\$26,147
SWVA · SWVA Marketing	\$161,481
TOTAL OPERATING EXPENSE	\$1,900,572

** It should be noted that a portion of the Foundation’s \$875,000 appropriation continues to be utilized for payroll and related costs associated with Foundation staff directly employed by DHCD and working on both regional initiatives and the continued development of the Cultural Center; the remainder was allocated to the Foundation and Friends of Southwest Virginia for organizational and facility operations.*



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It is important to highlight that the Foundation's overall mission of serving the entire region and coordinating local, state, and federal resources continues to yield successful outcomes, generating tangible economic results across the region. Please note that the budgets and funds for grant programs and initiatives are beyond the scope of this report.

Efforts to enhance efficiency and improve programming have led to a significant development in the historical partnership with 'Round the Mountain: Southwest Virginia's Artisan Network. In response to 'Round the Mountain's aim of reducing administrative costs and expanding their outreach, a partnership was established, effective July 1, 2018. Under this arrangement, Friends of Southwest Virginia assumed the programs of 'Round the Mountain through a programming contract. Previously, 'Round the Mountain Artisan Network managed the jury selection and membership component of the Cultural Center and received a guaranteed portion of revenue.

The transition to a single organization managing both regional and Cultural Center initiatives has proven beneficial. This unified approach allows for streamlined operations and reduction in overall administrative costs for these initiatives. Key staff members have assumed pivotal roles, providing oversight for all regional cultural heritage initiatives and the Cultural Center's activities. By creating this synergy, it is anticipated there will be increased collaborations and partnerships, resulting in a stronger Southwest Virginia Cultural Center both organizationally and financially.



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FY24 Budget Projections:

The operational budget for the 2023-2024 fiscal year, approved by the Friends of Southwest Virginia Board of Directors and the Southwest Virginia Cultural Heritage Foundation Board of Trustees on June 8, 2023, is shown in Figure 2. The Development Operational Budget is shown in Figure 3.

Figure 2: FY24 Operational Budget

	FY 2024 Annual Budget
Income	
Cultural Center Revenue	\$182,000
Events Revenue/Sponsorships	\$45,000
DHCD - SWVA Cultural Heritage Foundation*	\$650,000
Partnership	\$52,000
SWVA · SWVA Marketing-Revenue	\$30,000
Income from Reserves	\$50,000
TOTAL OPERATING INCOME	\$1,009,000
Expense	
Cultural Center Administration	
People Inc	\$46,000
Maintenance & Grounds	\$147,550
Utilities	\$66,900
Technology	\$23,000
Events	\$69,500
Partnership	\$37,000
Cultural Heritage Programs	\$13,000
Cultural Center Retail	\$188,450
Cultural Ctr Administration	\$26,500
Administration	\$206,800
Southwest VA Marketing	\$184,300
TOTAL OPERATING EXPENSE	\$1,009,000

* It should be noted that a portion of the Foundation's \$875,000 appropriation continues to be utilized for payroll and related costs associated with Foundation staff directly employed by DHCD and working on both regional initiatives and the continued development of the Cultural Center; the remainder was allocated to the Foundation and Friends of Southwest Virginia for organizational and facility operations.



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Figure 3: FY24 Development Operational Budget

	FY 2024 Annual Budget
Development Income	
Development Personnel	\$123,000
Project Oversight/PDC Admin Fees	\$40,000
Grants – Income	
ARC, Power 16	\$1,050,000
Tazewell Trails	\$64,000
RALLY	\$21,000
Breaks Park Assessment	\$18,500
TRRC – Marketing	\$120,000
Power 18 – Travel	\$17,000
Outdoor Rec – BSG	\$400,000
CRVI	\$80,000
TOTAL DEVELOPMENT REVENUE	\$1,933,500
Development Expense	
Development Personnel	\$123,000
Project Oversight/PDC Admin Fee	\$40,000
Grants – Expense	
Power 16 – Construction	\$1,050,000
Tazewell Trails	\$64,000
RALLY	\$21,000
Breaks Park Assessment	\$18,500
TRRC – Marketing	\$120,000
Power 18 – Travel	\$17,000
ARC Outdoor Rec (Lee & Wise Co.)	\$400,000
CRVI	\$80,000
TOTAL DEVELOPMENT EXPENSE	\$1,933,500

*** Note: The consistency between the figures presented in the income and expenses columns can be attributed to the foundation's reliance on pre-acquired grants. All work accounted for in this section are projects that we have received grant funds to cover. The foundation already knows how much each category is going to bring in, and that will be the exact amount of expenses. This approach enables the foundation to accurately project both income and expenses, ultimately contributing to the achievement of a balanced budget.*