



FY 2023 - 2024 Expenditure and Revenue Report

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

September 1, 2024





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 2024 Appropriation Act Item 103 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 implementing downtown revitalization throughout the region to instill a high quality of life within our 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.

2023-2024 Southwest Virginia Cultural Center Accomplishments

- **Visitor Growth:** Visitation at the Southwest Virginia Cultural Center grew by 12% over FY2023, with visitors coming from neighboring states and as far away as Georgia, Massachusetts, Oklahoma, Florida, Missouri, Wisconsin, Maryland, Ohio, and Osaka, Japan.
- **Bus Tours:** The Southwest Virginia Cultural Center experienced a 34% increase in tour bus visits. The team provided more programming for bus groups, such as offering catered meals and showcasing music and entertainment by Crooked Road artists.
- **Rentals Growth:** The diversity of rentals at the Southwest Virginia Cultural Center continues to increase, including hosting events such as baby showers, beauty pageants, high school reunions, book signings, and corporate board meetings.
- **Special Events:** Our Christmas events and the highly popular Father/Daughter dance were once again sold out. This year, we also introduced a much-needed Mother/Son dance, setting the stage for more community dances in the future.
- **Retail Sales Volume:** Retail sales increased by 15% over the past year. Artisan inventory is also up 22% from FY2023.

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 2023-2024, 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 2023 Annual Report,



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which was issued in January 2024. 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 – 7 (3 planning and 4 construction projects)
- Completed projects in past 18 months – 7
- Number of supported counties and cities through current development initiatives – 24

CURRENT CONSTRUCTION PROJECTS

- Haysi Riverwalk Project
- Big Stone Gap Pump Track & Skate Park
- Big Cherry Lake (Wise County) – Fishing Pier and Boat Launch
- Tazewell Trails Project (Richlands and Town of Tazewell)

CURRENT PLANNING PROJECTS

- Gateways to Southwest Virginia: Outdoor Economy Recreation Plan (LENOWISCO and WEST PIEDMONT Planning District areas)
- Power 23: Southwest Virginia Creative Economy & Tourism Workforce Initiative
- Virginia Tobacco Region Revitalization Commission - Southwest Virginia Creative Economy and Tourism Development Initiative

COMPLETED CONSTRUCTION PROJECTS

- Giles County Destination Center
- High Knob Destination Center



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PLANNING PROJECTS COMPLETED IN 2023-2024

- Southwest Virginia Regional Recreational Authority Business and Strategic Plan
- POWER 18 – Bridge Builders Interstate Collaborative

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 FY2024, 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 FY2024 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 - ARC Area Development Lee and Wise County Outdoor Access.
- Appalachian Regional Commission - POWER 18: Bridge Builders Interstate Collaborative
- Appalachian Regional Commission - Gateways to Southwest Virginia: Outdoor Economy Recreation Plan
- Appalachian Regional Commission – Power 23: Southwest Virginia Creative Economy & Tourism Workforce Initiative
- Virginia Tobacco Region Revitalization Commission - Southwest Virginia Creative Economy and Tourism Development Initiative

2023 – 2024 REGIONAL MARKETING

Throughout FY2024, Friends of Southwest Virginia has strategically invested in robust regional marketing and public relations campaigns, reflecting the momentum and enthusiasm shared with our localities, communities, and business partners. Our efforts have been focused on promoting Southwest Virginia as a world-class tourism destination, emphasizing the region's rich culture through compelling storytelling.

Southwest Virginia National Marketing and Public Relations Campaign

Friends of Southwest Virginia launched a National Marketing Campaign, inspired by the rich storytelling traditions of the Appalachian Mountains, utilizing captivating imagery, sound, and depth to bring the region's stories to life. This campaign, funded by local, state, and federal partners, features videography and photography collected in phases. These assets are added to an open-source tourism database accessible to regional partners, enhancing their social media and marketing efforts.



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Key highlights include:

- Initial Marketing Campaign Video: Showcasing Southwest Virginia's outdoor recreation and cultural heritage, the video highlights notable locations such as Breaks Interstate Park, Birch Knob, the New River, Back of the Dragon, Grayson Highlands, Carter Family Fold, and Nicewonder Vineyard. Shorter videos highlighting these experiences were also produced.

Southwest Virginia Regional Public Relations Campaign Update

Friends of Southwest Virginia partnered with Laurie Rowe Communications to spearhead a two-year national public relations campaign. This campaign emphasizes The Crooked Road's 20th anniversary, outdoor recreation, and heritage arts, successfully securing significant media coverage.

Achievements in FY2024 include:

- Impressions: Generating over 65 billion (66,989,669,646) impressions with an estimated earned media value of \$619,603,077.
- On-the-Ground PR Efforts: Laurie Rowe Communications staff relocated to Southwest Virginia from April to May 2024 to enhance PR efforts and coordinate media visits.
- Media Engagement: Friends has worked with Laurie Rowe Communications to conduct three media tours, housing journalists to cover outdoor recreation and heritage arts in the region.

Other Marketing Initiatives

- **Marketing Access Program**

In collaboration with the Blue Ridge SBDC, Friends of Southwest Virginia supported four local tourism businesses in Grayson County by providing essential marketing resources. Additionally, Friends worked with the Town of Big Stone Gap to oversee their digital marketing efforts for a bluegrass festival.

- **SWVA Tourism Awards**

Friends of Southwest Virginia hosted the second annual Southwest Virginia Tourism Awards. This event celebrated the outstanding contributions of our tourism partners in the region, with 38 awards presented across various categories encompassing tourism marketing, visitor services, special events, and tourism leadership.



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- **Stories from Southwest Virginia Podcast**

Returning for its third season, the "Stories from Southwest Virginia" podcast featured eight episodes exploring themes such as music, outdoor recreation, the arts, and cultural heritage. The podcast featured interviews from leaders of The Crooked Road, the City of Norton, the Birthplace of Country Music, artisans, Breaks Interstate Park, Mountain Lake Lodge, and the Blue Ridge Institute & Museum.

- **Southwest Virginia Artisan Storytelling Campaign**

Friends of Southwest Virginia launched an artisan marketing campaign that highlighted the growth of the 'Round the Mountain Artisan Network. This campaign featured curated artisan videos distributed across various digital platforms to capture and promote the region's craft heritage, complemented by traditional advertising and public relations initiatives.

Through these initiatives, Friends of Southwest Virginia continues to elevate the region's profile, attracting visitors and enhancing the local economy.



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FY2023-2024 Operations:

The Southwest Virginia Cultural Center's 2023-2024 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 2024.

Figure 1: FY2023 Financial Performance

July 1, 2023 to June 30, 2024

	<u>FY2024 Performance</u>
Income	
Grants	\$1,090,146
Artisan Sales	\$131,842
Events Revenue/Sponsorships	\$142,047
DHCD - SWVA Cultural Heritage Foundation*	\$641,540
Partnership Support	\$69,129
SWVA · SWVA Marketing	\$45,000
TOTAL OPERATING INCOME	\$ 2,119,705
Expense	
Grants	\$1,078,561
Artisan Cost of Goods Sold	\$83,484
Events	\$54,181
Administration and Programming	\$378,373
Maintenance, Building & Grounds	\$132,447
Utilities	\$71,412
Technology	\$23,439
Legal, Insurance	\$8,546
SWVA · SWVA Marketing	\$233,191
TOTAL OPERATING EXPENSE	\$2,064,634

* 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.

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.



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Efforts to enhance efficiency and improve programming have led to a significant development in our historical partnership with 'Round the Mountain: Southwest Virginia's Artisan Network. In response to their 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 us to streamline operations and reduce 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, we anticipate increased collaborations and partnerships, resulting in a stronger Southwest Virginia Cultural Center both organizationally and financially.



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FY2025 Budget Projections:

The operational budget for the 2024-2025 fiscal year, approved by the Friends of Southwest Virginia Board of Directors and the Southwest Virginia Cultural Heritage Foundation Board of Trustees on June 13, 2024, is shown in Figure 2. The Development Operational Budget is shown in Figure 3.

Figure 2: FY2025 Operational Budget

	FY2024 Annual Budget
Income	
Cultural Center Revenue	\$219,000
Events Revenue/Sponsorships	\$40,000
DHCD - SWVA Cultural Heritage Foundation*	\$625,000
Partnership	\$72,000
SWVA - SWVA Marketing-Revenue	\$30,000
Income from Reserves	\$50,000
TOTAL OPERATING INCOME	\$1,015,000
Expense	
Cultural Center Administration	
People Inc	\$50,000
Maintenance & Grounds	\$102,550
Utilities	\$69,400
Technology	\$23,000
Events	\$40,000
Partnership	\$50,400
Cultural Heritage Programs	\$15,000
Cultural Center Retail	\$209,850
Cultural Ctr Administration	\$27,500
Administration	\$216,300
Southwest VA Marketing	\$211,000
TOTAL OPERATING EXPENSE	\$1,015,000

* 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: FY2025 Development Operational Budget

FY2025 Annual Budget

Development Income

Development Personnel	\$193,500
Grants - Income	
ARC, Power 16	\$75,000
Tazewell Trails	\$54,000
RALLY	\$5,000
TRRC - Marketing	\$23,000
ARC Outdoor Rec – (Lee & Wise Co.)	\$458,000
ARC POWER 23	\$300,000
ARISE (Position and Planning)	\$135,000
ARC Area Development – Gateways of SWVA	\$252,500
TRRC – Gateways Lenowisco Region	\$55,000
TRRC – Gateways West Piedmont Region	\$70,000
Big Cherry Lake	\$150,000
CRVI	\$45,000
TRRC SW - Spring 24	\$85,000
TOTAL DEVELOPMENT REVENUE	\$1,901,000

Development Expense

Development Personnel	\$193,500
Grants - Expense	
ARC, Power 16	\$75,000
Tazewell Trails	\$54,000
RALLY	\$5,000
TRRC - Marketing	\$23,000
ARC Outdoor Rec – (Lee & Wise Co)	\$458,000
ARC POWER 23	\$300,000
ARISE (Position and Planning)	\$135,000
ARC Area Development – Gateways of SWVA	\$252,500
TRRC – Gateways Lenowisco Region	\$55,000
TRRC – Gateways West Piedmont Region	\$70,000
Big Cherry Lake	\$150,000
CRVI (Release from Reserves)	\$45,000
TRRC SW - Spring 24	\$85,000
TOTAL DEVELOPMENT REVENUE	\$1,901,000