

**CATHEDRAL ARTS PROJECT, INC.
(A Nonprofit Organization)**

**INDEPENDENT AUDITORS' REPORTS,
FINANCIAL STATEMENTS, AND
SUPPLEMENTARY INFORMATION**

June 30, 2016 and 2015

Cathedral Arts Project, Inc.
June 30, 2016 and 2015
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PATRICK & ROBINSON



CERTIFIED PUBLIC ACCOUNTANTS

Partners

Mark R. Patrick, CPA
Adam M. Robinson, CPA

Principal

John J. Petherbridge, CPA

www.CPAsite.com

Office@CPAsite.com

Phone: 904-396-5400

Fax: 904-396-9226

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Cathedral Arts Project, Inc.
Jacksonville, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Cathedral Arts Project, Inc. (the "Organization"), a non-profit organization, which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

4029 Atlantic Boulevard, Jacksonville, Florida 32207 · 6000-A Sawgrass Village Circle, Suite 1, Ponte Vedra Beach, Florida 32082

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Patrick & Robinson, LLC*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, an auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2016 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information listed in the table of contents is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects in relation to the financial statements as a whole.

Other Reporting Requirements by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2016, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations,

contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the Organization's 2015 financial statements, and our report dated August 31, 2015 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Patrick & Robinson, LLC
Jacksonville, Florida
September 20, 2016

CATHEDRAL ARTS PROJECT, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

	2016	2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 419,656	\$ 497,759
Unconditional promises to give		
Unrestricted	121,741	38,611
Marketable securities	32,097	113,209
Prepaid expenses	5,827	13,712
Total current assets	579,321	663,291
Fixed assets:		
Furniture, fixtures and equipment	130,737	122,341
Computers and software	34,891	33,528
Website	20,347	20,347
Telephone equipment	9,404	9,404
Program equipment	10,447	10,447
Leasehold improvements	144,629	129,864
Less accumulated depreciation	(140,634)	(88,342)
Total fixed assets	209,821	237,588
Other assets:		
Donor Endowment	56,000	0
Security deposit on leased office space	11,600	11,600
Total other assets	67,600	11,600
Total assets	\$ 856,742	\$ 912,479
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 8,884	\$ 80,119
Deferred revenue	16,212	36,500
Total current liabilities	25,096	116,619
Net assets:		
Unrestricted	828,556	655,419
Temporarily restricted	3,090	140,441
Total net assets	831,646	795,860
Total liabilities and net assets	\$ 856,742	\$ 912,479

The accompanying notes are an integral part of this statement.

CATHEDRAL ARTS PROJECT, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016 WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Unrestricted	Temporarily Restricted	Total	Total
REVENUE AND SUPPORT				
Cultural Council of Greater Jacksonville	\$ 174,561	\$ 0	\$ 174,561	\$ 167,141
State of Florida	57,869	0	57,869	125,297
National Endowment for the Arts	60,000	0	60,000	10,000
Contributions - corporate and foundations	539,425	0	539,425	440,623
Contributions - general public	187,154	0	187,154	170,927
Gifts-in-kind	89,644	0	89,644	249,575
Special events:				
Angels of the Arts	95,945	0	95,945	93,155
Showcase	17,394	0	17,394	12,005
Spring for the Arts	477,768	0	477,768	538,447
CAPtivators	23,175	0	23,175	23,164
Holiday cards	2,172	0	2,172	4,653
Other special events	3,515	0	3,515	8,770
Program fees	73,372	3,090	73,372	195,719
Membership fees	2,230	0	2,230	2,620
Investment income	2,232	0	2,232	3,060
Sublease income	7,227	0	7,227	2,381
Realized gain on sale of investments	0	0	0	19,127
Unrealized gain (loss) on investments	2,632	0	2,632	(4,222)
Net assets released from restrictions	140,441	(140,441)	0	0
Total revenue and support	<u>1,956,756</u>	<u>(137,351)</u>	<u>1,819,405</u>	<u>2,062,441</u>
EXPENSES				
Program services				
Education programs	1,357,962	0	1,357,962	1,533,797
Support services				
Management and general	135,670	0	135,670	129,286
Fundraising	286,897	0	286,897	306,092
Total expenses	<u>1,780,529</u>	<u>0</u>	<u>1,780,529</u>	<u>1,969,175</u>
CHANGE IN NET ASSETS	176,227	(137,351)	35,786	93,266
NET ASSETS, BEGINNING OF YEAR	<u>655,419</u>	<u>140,441</u>	<u>795,860</u>	<u>702,594</u>
NET ASSETS, END OF YEAR	<u>\$ 831,646</u>	<u>\$ 3,090</u>	<u>\$ 831,646</u>	<u>\$ 795,860</u>

The accompanying notes are an integral part of this statement.

**CATHEDRAL ARTS PROJECT, INC.
STATEMENTS OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>PROGRAM SERVICES</u>	<u>SUPPORT SERVICES</u>		
	<u>Education Programs</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
Salaries	\$ 712,978	\$ 53,245	\$ 56,554	\$ 822,777
Payroll taxes	53,289	3,970	4,918	62,177
Employee benefits	113,177	10,678	19,246	143,101
Total personnel expenses	<u>879,444</u>	<u>67,893</u>	<u>80,718</u>	<u>1,028,055</u>
Professional and contract services	99,878	59,445	7,958	167,281
Supplies	101,992	44,895	4,890	151,777
Occupancy	141,154	19,409	15,880	176,443
Telephone	4,392	581	709	5,682
Postage and shipping	5,839	1,068	602	7,509
Printing and publications	13,465	12,428	999	26,892
Advertising and promotion	4,750	550	450	5,750
Travel	17,776	587	468	18,831
Conferences and meetings	14,324	48,569	7,964	70,857
Membership dues	1,700	775	6,946	9,421
Insurance	18,204	2,503	2,048	22,755
Equipment rental and maintenance	5,266	724	592	6,582
Other expense	7,944	21,718	740	30,402
Depreciation	<u>41,834</u>	<u>5,752</u>	<u>4,706</u>	<u>52,292</u>
Total expenses	<u>\$ 1,357,962</u>	<u>\$ 286,897</u>	<u>\$ 135,670</u>	<u>\$ 1,780,529</u>

The accompanying notes are an integral part of this statement.

**CATHEDRAL ARTS PROJECT, INC.
STATEMENTS OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>PROGRAM SERVICES</u>	<u>SUPPORT SERVICES</u>		
	<u>Education Programs</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
Salaries	\$ 818,757	\$ 64,330	\$ 51,776	\$ 934,863
Payroll taxes	66,235	4,615	4,615	75,465
Employee benefits	83,979	9,878	14,184	108,041
Total personnel expenses	<u>968,971</u>	<u>78,823</u>	<u>70,575</u>	<u>1,118,369</u>
Professional and contract services	210,092	59,808	17,417	287,317
Supplies	144,816	66,059	959	211,834
Occupancy	100,956	13,881	11,358	126,195
Telephone	4,157	572	468	5,197
Postage and shipping	4,512	575	477	5,564
Printing and publications	23,068	23,626	2,245	48,939
Advertising and promotion	15,849	370	81	16,300
Travel	13,793	712	665	15,170
Conferences and meetings	11,098	44,967	16,724	72,789
Membership dues	1,650	1,105	3,960	6,715
Insurance	12,057	1,658	1,356	15,071
Equipment rental and maintenance	5,187	713	583	6,483
Other expense	2,471	11,144	717	14,332
Depreciation	<u>15,120</u>	<u>2,079</u>	<u>1,701</u>	<u>18,900</u>
Total expenses	<u>\$ 1,533,797</u>	<u>\$ 306,092</u>	<u>\$ 129,286</u>	<u>\$ 1,969,175</u>

The accompanying notes are an integral part of this statement.

CATHEDRAL ARTS PROJECT, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Cash flows from operating activities:		
Change in net assets	\$ 35,786	\$ 93,266
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	52,292	18,900
Changes in operating assets and liabilities:		
Increase in unconditional promises to give	(83,130)	(22,370)
Decrease (increase) in prepaid expenses	7,885	(2,230)
Net decrease (increase) in marketable securities	81,112	(113,210)
Increase in deposits	0	(10,000)
Increase in Donor Endowment Fund	(56,000)	0
Increase (decrease) in accounts payable	(71,235)	10,238
Decrease in deferred revenue	(20,288)	(5,400)
Net cash used by operating activities	(53,578)	(30,806)
Cash flows from investing activities:		
Equipment purchases	(24,525)	(246,015)
Net cash used in investing activities	(24,525)	(246,015)
 Net decrease in cash	(78,103)	(276,821)
 Cash at beginning of year	497,759	774,580
 Cash at end of year	\$ 419,656	\$ 497,759

The accompanying notes are an integral part of this statement.

CATHEDRAL ARTS PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

1. Summary of Significant Accounting Policies

Business Activity

Cathedral Arts Project, Inc. is a not-for-profit corporation located in Jacksonville, Florida, that seeks to both provide and increase access to quality arts education to children and youth who might not otherwise be exposed to such. This is accomplished through advocacy, partnership building and afterschool, school day and summer programs in dance, media arts, music, theater and visual arts for children and youth throughout Duval County. Priority for direct services is given to those who attend lower-income schools and/or participate in programs at community centers that serve lower-income families. The Organization's support comes primarily from contributions from corporations, private foundations and individuals.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus. The financial statements of the Organization have been prepared on the accrual basis of accounting. The revenues are recognized when they become measurable and available and expenses are generally recognized when the related liability is incurred.

Basis of Presentation

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

In accordance with generally accepted accounting principles, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. At June 30, 2016 and 2015, the Organization had no permanently restricted net assets.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with maturities of three months or less when purchased, to be cash equivalents.

CATHEDRAL ARTS PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

1. Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment is recorded at cost, if purchased, or if donated, at the estimated fair value at the date of donation. The cost is depreciated over the estimated useful lives of the related assets. The Organization's current policy is to capitalize all assets acquired in excess of \$250 and having an estimated useful life of greater than one year. Depreciation is computed using the straight-line method. The useful lives used for depreciation range from five to ten years.

When depreciable assets are retired or otherwise disposed of the cost is removed from the asset accounts and the related accumulated depreciation accounts, with the net difference subtracted from any revenue from the disposal recorded as income or loss in the period sold.

Contributions and Promises to Give

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are received subject to certain donor stipulations are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Organization uses the allowance method to determine uncollectible promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made. At June 30, 2016 and 2015, all promises to give were considered collectible, therefore no allowance was established.

CATHEDRAL ARTS PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

1. Summary of Significant Accounting Policies (continued)

Donated Services and In-Kind Contributions

Many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific programs, various committee assignments, and fundraising services throughout the year. Contributed services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are performed by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or additions to property and equipment. Noncash donations are recorded as in-kind contributions at their estimated fair value at the date of donation.

Functional Allocation of Expenses

The Organization allocates its expenses on a functional basis among its various programs and activities. Expenses that can be identified with a specific program are allocated directly according to their natural expenditure classification. Other expenses that are common to several activities are allocated based on various relationships.

Grant and Contract Revenue and Support

The Organization received funding from government agencies. Any of the funding sources may, at its discretion, request reimbursement for expenses or return of funds, or both, as a result of non-compliance by the Organization with the terms of the grants or contracts.

Income Taxes

The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code, as a not-for-profit corporation. The tax reform act of 1969 imposed a corporate income tax on the "unrelated business income" of an otherwise tax-exempt organization. No provision has been made for income taxes in the accompanying financial statements, since the Organization has no unrelated business income.

**CATHEDRAL ARTS PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

1. Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Management periodically evaluates estimates used in the preparation of the financial statements for continued reasonableness. Appropriate adjustments, if any, to the estimates used are made prospectively based upon such periodic evaluation. It is reasonably possible that changes may occur in the near term that would affect management's estimates with respect to the accrued expenses.

2. Cash and Cash Equivalents

The cash balances reflected on the statements of financial position include amounts that are subject to donor-imposed restrictions that will be met either by actions of the Organization or the passage of time. For the years ended June 30, 2016 and 2015, the restricted cash amount was \$3,090 and \$135,441, respectively.

The Organization is required to maintain a separate demand bank account for funds received from the Cultural Services Grant from the Cultural Council of Greater Jacksonville, Inc.

3. Promises to Give

Unconditional promises to give consist of the following:

	<u>2016</u>	<u>2015</u>
Unrestricted promises:		
From individuals	\$ 27,591	\$ 15,309
From corporations and foundations	<u>94,150</u>	<u>23,302</u>
Total unconditional promises to give	121,741	38,611
Less allowance for uncollectible promises	<u>0</u>	<u>0</u>
Net unconditional promises to give	<u>\$ 121,741</u>	<u>\$ 38,611</u>

CATHEDRAL ARTS PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

4. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>2016</u>	<u>2015</u>
Summer Program	\$ 3,090	\$ 116,655
Other Programs	0	23,786

5. Concentration of Credit Risk

The Organization maintains its cash in a financial institution in a national bank. The balance is insured by the Federal Deposit Insurance Corporation up to \$250,000. On June 30, 2016 and 2015, the Organization's uninsured cash balances totaled \$120,399 and \$31,859, respectively.

6. Donated Materials, Services and Facilities

The Organization receives donated materials, services and facilities for use in its programs and supporting services. During the years ended June 30, 2016 and 2015, the Organization received the following donated materials, services and facilities:

	<u>2016</u>	<u>2015</u>
Revenue and Support:		
Gifts-in-kind, services	\$ 42,285	\$ 228,755
Gifts-in-kind, supplies	47,359	20,820
	<u>\$ 89,644</u>	<u>\$ 249,575</u>
Expenses:		
Professional and contract services	\$ 42,285	\$ 228,755
Program supplies	8,913	410
Fundraising supplies	38,446	20,410
	<u>\$ 89,644</u>	<u>\$ 249,575</u>

The Organization also receives a significant amount of donated services from volunteers who assist in fundraising and special projects. For the years ended June 30, 2016 and 2015, the Organization received an estimated 1,021 and 1,125 volunteer hours, respectively. No amounts related to these volunteer hours have been recognized in the statement of activities since these services do not meet the criteria for recognition as contributed services.

**CATHEDRAL ARTS PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

7. Operating Lease

The Organization leases office space, storage space and a copier under an operating lease agreement. The lease for office space in the Elks Building expires on January 31, 2020 and the copier lease expires on June 30, 2018. Rent expense under the operating lease was \$176,443 and \$119,093 for 2016 for 2015, respectively.

Future minimum lease payments under the operating lease as of June 30, 2016 are:

For the Year Ending June 30,	
2017	\$ 142,051
2018	144,582
2019	147,239
2020	87,532
Thereafter	0
	\$ 521,404

8. Income Taxes

The Organization adopted ASC 740-10 *Income Taxes*, (formerly Financial Accounting Standards interpretation No. 48, *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109*). ASC 740-10 is intended to substantially reduce tax benefits (e.g., deductions, credits) from uncertainty in accounting for income tax positions. It prescribes under a two-step approach (i.e., recognition under the more-likely-than-not threshold and measurement under the cumulative probability) attributes for a tax position taken or expected to be taken in the tax return. ASC 740-10 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

For federal tax purposes, the Organization has chosen to be treated as a Corporation operating as a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code. Section 501(c)(3) allows an Organization to operate with a status that makes them exempt from federal income tax as a charitable organization. Accordingly, no provision for federal or state income tax was reflected in the accompanying financial statements.

CATHEDRAL ARTS PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

8. Income Taxes (continued)

At June 30, 2016, the Organization had no liability for unrecognized income tax and does not anticipate any increase in the liability for unrecognized tax during the next twelve months. The Organization believes that its income tax position would be sustained upon examination and does not anticipate any adjustments that would result in a material change to its financial position or results of operations. Federal income tax returns remain open for examination by U.S. tax authorities for the years 2012, 2013, and 2014. State income tax returns remain open for examination by tax authorities for the years 2012, 2013, and 2014. The Organization is currently not under any federal or state income tax examination.

9. Compensated Absences

Compensated absences for sick pay and personal time do not accumulate and carry over to the next year. If the personal leave accrued is not used by the end of the year, it is forfeited. Accordingly, no provision for such liability is necessary.

10. Sublease

The Organization had a sublease agreement at the Salisbury Professional Center with a Sub-Lessee for suite 105 that began March 15, 2015 and expired May 31, 2016. The base rent billed is \$500 per month. The Sub-Lessee assumed the remaining lease obligation from the Organization on May 31, 2016.

11. Subsequent Events

The Organization has evaluated subsequent events through September 20, 2016, the date which the financial statements were available to be issued. No subsequent events were noted that required disclosure in the financial statements.

PATRICK & ROBINSON



CERTIFIED PUBLIC ACCOUNTANTS

Partners

Mark R. Patrick, CPA
Adam M. Robinson, CPA

Principal

John J. Petherbridge, CPA

www.CPAsite.com

Office@CPAsite.com

Phone: 904-396-5400

Fax: 904-396-9226

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Cathedral Arts Project, Inc.
Jacksonville, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Cathedral Arts Project, Inc. (the "Organization"), a nonprofit organization, which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 20, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the organization's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency,

4029 Atlantic Boulevard, Jacksonville, Florida 32207 · 6000-A Sawgrass Village Circle, Suite 1, Ponte Vedra Beach, Florida 32082

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or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Patrick & Robinson, LLC
Jacksonville, Florida
September 20, 2016

**CATHEDRAL ARTS PROJECT, INC.
SCHEDULE OF SOURCE AND STATUS OF FUNDS
RECEIVED FROM THE CITY OF JACKSONVILLE
FOR THE YEAR ENDED JUNE 30, 2016**

Receipt of City Funds

	<u>Cultural Services Grant Grant FY 14-15</u>	<u>Cultural Services Grant Grant FY 15-16</u>
Amount of Award	\$ 173,755	\$ 174,829
Funds received 7/1/14 - 6/30/15	(130,316)	
Funds received 7/1/15 - 6/30/16	(43,439)	(131,122)
Amount remaining to be disbursed	<u>0</u>	<u>43,707</u>

Amount of Award
Funds received 7/1/14 - 6/30/15
Funds received 7/1/15 - 6/30/16
Amount remaining to be disbursed

Expenditures of City Funds

City of Jacksonville - Cultural Services Grant

Contract Period: 10/1/14 - 9/30/15

Amount of Award: \$173,755

	<u>Budget</u>	<u>Actual 10/1/2014 6/30/2015</u>	<u>Actual 7/1/2015 9/30/2015</u>	<u>Remaining Balance 6/30/2016</u>
Administrative salaries	\$ 83,000	\$ 62,250	\$ 20,750	\$ 0
Administrative payroll taxes, benefits	4,300	3,225	1,075	0
Artistic, program salaries	61,955	46,466	15,489	0
Artistic, program payroll taxes, benefits	5,000	3,750	1,250	0
Contract fees, services	2,000	1,500	500	0
Space rental	12,755	9,566	3,189	0
Office supplies	45	34	11	0
Marketing	4,700	3,525	1,175	0
Total	<u>\$ 173,755</u>	<u>\$ 130,316</u>	<u>\$ 43,439</u>	<u>\$ 0</u>

Administrative salaries
Administrative payroll taxes, benefits
Artistic, program salaries
Artistic, program payroll taxes, benefits
Contract fees, services
Space rental
Office supplies
Marketing
Total

City of Jacksonville - Cultural Services Grant

Contract Period: 10/1/15 - 9/30/16

Amount of Award: \$174,829

	<u>Budget</u>	<u>Actual 10/1/2015 6/30/2016</u>	<u>Total Actual 6/30/2016</u>	<u>Remaining Balance 6/30/2016</u>
Administrative salaries	\$ 84,000	\$ 63,000	\$ 63,000	\$ 21,000
Administrative payroll taxes, benefits	4,300	3,225	3,225	1,075
Artistic, program salaries	62,029	46,522	46,522	15,507
Artistic, program payroll taxes, benefits	5,000	3,750	3,750	1,250
Contract fees, services	3,545	2,659	2,659	886
Space rental	12,755	9,566	9,566	3,189
Office supplies	1,000	750	750	250
Marketing	2,200	1,650	1,650	550
Total	<u>\$ 174,829</u>	<u>\$ 131,122</u>	<u>\$ 131,122</u>	<u>\$ 43,707</u>

Administrative salaries
Administrative payroll taxes, benefits
Artistic, program salaries
Artistic, program payroll taxes, benefits
Contract fees, services
Space rental
Office supplies
Marketing
Total

See independent auditors' report.