

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

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

June 30, 2022

Cathedral Arts Project, Inc.
June 30, 2022
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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Cathedral Arts Project, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cathedral Arts Project, Inc. as of June 30, 2022, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 14 to the financial statements, the net assets from the previously issued financial statements were restated.

Responsibilities of Management for the Financial Statements

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

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

Auditors' 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, 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 Cathedral Arts Project, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Cathedral Arts Project, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The Schedule of the Source and Status of Funds Received from the City of Jacksonville 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 12, 2022, 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 solely 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 effectiveness of the Organization's 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.

Patrick & Raines, LLC

Patrick & Raines, LLC
Jacksonville, Florida
September 12, 2022

CATHEDRAL ARTS PROJECT, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2022

Assets

Current assets:

| | |
|---|------------------|
| Cash and cash equivalents | \$ 1,638,979 |
| Investments | 6,539 |
| Accounts receivable | 227,283 |
| Unconditional promises to give, current | 188,500 |
| Prepaid expenses | 465 |
| Total current assets | <u>2,061,766</u> |

| | |
|--|------------------|
| Unconditional promises to give, noncurrent | <u>2,415,531</u> |
|--|------------------|

Fixed assets:

| | |
|-----------------------------------|-------------------|
| Furniture, fixtures and equipment | 199,380 |
| Computers and software | 47,211 |
| Website | 40,347 |
| Telephone equipment | 13,587 |
| Program equipment | 27,927 |
| Leasehold improvements | 159,365 |
| Less accumulated depreciation | <u>(352,614)</u> |
| Total fixed assets | <u>135,203</u> |

Other assets:

| | |
|---|------------------|
| Beneficial interest in assets held by Community Foundation | 1,012,517 |
| Security deposit on leased office space | <u>11,600</u> |
| Total other assets | <u>1,024,117</u> |

| | |
|--------------|---------------------|
| Total assets | <u>\$ 5,636,617</u> |
|--------------|---------------------|

Liabilities and Net Assets

Current liabilities:

| | |
|---------------------------------------|---------------|
| Accounts payable and accrued expenses | \$ 33,053 |
| Deferred revenue | <u>55,000</u> |
| Total current liabilities | <u>88,053</u> |

| | |
|-------------------|---------------|
| Total liabilities | <u>88,053</u> |
|-------------------|---------------|

Net assets:

| | |
|---------------------------------------|------------------|
| Net assets without donor restrictions | 1,590,855 |
| Net assets with donor restrictions | <u>3,957,709</u> |
| Total net assets | <u>5,548,564</u> |

| | |
|----------------------------------|---------------------|
| Total liabilities and net assets | <u>\$ 5,636,617</u> |
|----------------------------------|---------------------|

The accompanying notes are an integral part of this statement.

CATHEDRAL ARTS PROJECT, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

| | Net Assets Without Donor Restrictions | Net Assets With Donor Restrictions | Total |
|---|--|---------------------------------------|---------------------|
| REVENUE AND SUPPORT | | | |
| Cultural Council of Greater Jacksonville | \$ 376,413 | \$ 0 | \$ 376,413 |
| State of Florida | 78,389 | 0 | 78,389 |
| City of Jacksonville | 50,000 | 0 | 50,000 |
| Kids Hope Alliance | 197,269 | 0 | 197,269 |
| National Endowment for the Arts | 50,000 | 0 | 50,000 |
| Contributions - corporate and foundations | 674,112 | 3,611,507 | 4,285,619 |
| Contributions - general public | 211,122 | 210,350 | 421,472 |
| Gifts-in-kind, Duval Schools | 156,960 | 0 | 156,960 |
| Gifts-in-kind, Other | 21,148 | 0 | 21,148 |
| Special events: | | | |
| Golf Tournament | 117,821 | 0 | 117,821 |
| Spring for the Arts | 664,412 | 0 | 664,412 |
| Other income | 1 | 0 | 1 |
| Investment income | 5,514 | 0 | 5,514 |
| Unrealized gain (loss), net of expenses | (1,953) | (91,542) | (93,495) |
| Net assets released from restrictions | 108,480 | (108,480) | 0 |
| Total revenue and support | <u>2,709,688</u> | <u>3,621,835</u> | <u>6,331,523</u> |
| EXPENSES | | | |
| Program services | | | |
| Education programs | 1,952,047 | 0 | 1,952,047 |
| Support services | | | |
| Management and general | 214,534 | 0 | 214,534 |
| Fundraising | 491,764 | 0 | 491,764 |
| Total expenses | <u>2,658,345</u> | <u>0</u> | <u>2,658,345</u> |
| CHANGE IN NET ASSETS | 51,343 | 3,621,835 | 3,673,178 |
| NET ASSETS, BEGINNING OF YEAR | 1,646,595 | 33,117 | 1,679,712 |
| PRIOR PERIOD ADJUSTMENT | <u>(107,083)</u> | <u>302,757</u> | <u>195,674</u> |
| NET ASSETS, END OF YEAR | <u>\$ 1,590,855</u> | <u>\$ 3,957,709</u> | <u>\$ 5,548,564</u> |

The accompanying notes are an integral part of this statement.

CATHEDRAL ARTS PROJECT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

| | PROGRAM SERVICES | SUPPORT SERVICES | | |
|------------------------------------|-----------------------|-------------------|---------------------------|---------------------|
| | Education Programs | Fundraising | Management and General | Total |
| Salaries | \$ 967,816 | \$ 179,450 | \$ 122,013 | \$ 1,269,279 |
| Payroll taxes | 74,795 | 13,267 | 10,654 | 98,716 |
| Employee benefits | 145,595 | 38,493 | 20,822 | 204,910 |
| Total personnel expenses | 1,188,206 | 231,210 | 153,489 | 1,572,905 |
| Professional and contract services | 186,526 | 29,476 | 20,984 | 236,986 |
| Supplies | 73,366 | 52,726 | 858 | 126,950 |
| Occupancy | 288,002 | 16,196 | 13,252 | 317,450 |
| Utilities | 11,551 | 1,588 | 1,299 | 14,438 |
| Postage and shipping | 2,346 | 2,670 | 273 | 5,289 |
| Printing and publications | 5,536 | 6,684 | 639 | 12,859 |
| Advertising and promotion | 30,029 | 4,479 | 1,905 | 36,413 |
| Travel | 28,155 | 4,255 | 3,682 | 36,092 |
| Conferences and meetings | 9,116 | 74,080 | 5,676 | 88,872 |
| Membership dues | 4,765 | 1,086 | 2,571 | 8,422 |
| Insurance | 21,349 | 3,319 | 2,402 | 27,070 |
| Equipment rental and maintenance | 5,297 | 728 | 596 | 6,621 |
| Other expense | 67,684 | 59,126 | 3,520 | 130,330 |
| Depreciation | 30,119 | 4,141 | 3,388 | 37,648 |
| Total expenses | \$ <u>1,952,047</u> | \$ <u>491,764</u> | \$ <u>214,534</u> | \$ <u>2,658,345</u> |

The accompanying notes are an integral part of this statement.

CATHEDRAL ARTS PROJECT, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022

Cash flows from operating activities:

| | |
|--|------------------|
| Change in net assets | \$ 3,673,178 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | |
| Depreciation | 37,648 |
| Unrealized losses | 93,495 |
| Changes in operating assets and liabilities: | |
| (Increase) in unconditional promises to give | (2,408,357) |
| Decrease in accounts receivable | 131,077 |
| (Increase) in prepaid expenses | (84) |
| Distributions from endowment assets | 3,024 |
| Increase in accounts payable | 18,238 |
| Increase in deferred revenue | 55,000 |
| Net cash provided by operating activities | <u>1,603,219</u> |

Cash flows from investing activities:

| | |
|---------------------------------------|------------------|
| Purchase of equipment | (74,675) |
| Net cash used by investing activities | <u>(74,675)</u> |

Cash flows from financing activities:

| | |
|---------------------------------------|---------------------|
| Investment in endowment | (1,000,000) |
| Net cash used by financing activities | <u>(1,000,000)</u> |

Net increase in cash 528,544

Cash at beginning of year 1,110,435

Cash at end of year \$ 1,638,979

Supplemental data:

| | |
|------------------------|-------------|
| Cash paid for interest | \$ <u>0</u> |
| Cash paid for taxes | \$ <u>0</u> |

The accompanying notes are an integral part of this statement.

CATHEDRAL ARTS PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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. Contract revenue is recognized when the organization satisfies a performance obligation and expenses are generally recognized when the related liability is incurred.

Basis of Presentation

In accordance with generally accepted accounting principles, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

Advertising

Advertising costs are expensed as incurred.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with maturities of three months or less when purchased, to be cash equivalents. Cash and cash equivalents are level 1 in the fair value hierarchy.

CATHEDRAL ARTS PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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 and related accumulated depreciation are removed from the asset accounts. The difference between net book value and any revenue from the disposal is recorded as income or loss in the period sold.

Contributions and Promises to Give

Contributions received are recorded as net assets with or without donor restrictions, 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 net assets without donor restrictions if the restrictions expire in the fiscal year in which contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the 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 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, 2022, all promises to give were considered collectible, therefore no allowance was established.

Investments

Investments in marketable securities with readily determinable fair values are reported at their fair values in the statement of financial position and are level 1 in the fair value hierarchy. Unrealized gains and losses are included in the change in net assets. Donated investments are recorded at fair value at the date of the donation.

CATHEDRAL ARTS PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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 nonfinancial 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. Management and general expenses include those expenses that are not indirectly identifiable with any other specific function but provide overall support for the Organization. Fundraising expenses include direct expenses associated with fundraising events. Salaries, payroll taxes, benefits, and certain other expenses are allocated based on estimated percentage of time and effort spent on each function.

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, 2022

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.

Fair Value Measurements

Fair value is the exchange price that would be received for an asset when selling the asset, or the price that would be paid to exit a liability in the most advantageous market. The FASB Accounting Standards Codification 820-10 establishes a three level hierarchy of inputs that may be used to measure fair values:

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

Level 2: Inputs other than quoted prices in active markets that are either directly or indirectly observable are used to value the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

2. Cash and Cash Equivalents

The cash balances reflected on the statement 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. As of June 30, 2022, the restricted cash amount was \$341,161.

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.

CATHEDRAL ARTS PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

3. Promises to Give

Unconditional promises to give consist of the following:

| | |
|---|---------------------|
| Within one year | \$ 188,500 |
| In two to five years | <u>2,598,500</u> |
| | 2,787,000 |
| Less discount to present value at 3% | (182,969) |
| Less allowance for uncollectible promises | <u>0</u> |
| Net unconditional promises to give | <u>\$ 2,604,031</u> |

At June 30, 2022, one donor accounted for 80% of total promises to give.

4. Net Assets

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

| | |
|--|---------------------|
| Restricted for specific programs | \$ 250,936 |
| Promises to give that are not restricted by donors, but which are unavailable for expenditure until due | 1,302,101 |
| Promises to give that are restricted to the Community Foundation endowment | 1,392,155 |
| Beneficial interest in assets held by Community Foundation | <u>1,012,517</u> |
| | <u>\$ 3,957,709</u> |

The Organization has designated, from net assets without donor restrictions of \$1,590,855, net assets for the following purposes as of June 30, 2022:

| | |
|-------------------|-------------------|
| Operating reserve | \$ <u>644,000</u> |
| Total | <u>\$ 644,000</u> |

The organization's policy is to have an operating reserve equal to three months of budgeted expenses. As of June 30, 2022 the reserve bank accounts have cash exceeding six months of operating expenses.

CATHEDRAL ARTS PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

5. Concentrations

The Organization maintains its cash in two national banks. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. On June 30, 2022, the Organization's uninsured cash balances totaled \$0. The Organization has a sweep agreement with a financial institution whereby balances in excess of \$250,000 are automatically swept to other institutions to ensure complete FDIC insurance coverage.

During the year ended June 30, 2022, a contribution consisting of cash and a pledge was received from a single donor. This gift, discounted to net present value, is 57% of total revenue for the year. Two thirds of the gift is restricted to the endowment fund.

6. Donated Materials, Services and Facilities

The Organization receives donated materials, services and facilities for use in its programs and supporting services. During the year ended June 30, 2022, the Organization received the following donated materials, services and facilities:

| | |
|------------------------------------|-------------------|
| Revenue and Support: | |
| Gifts-in-kind, services | \$ 21,148 |
| Gifts-in-kind, facilities | <u>156,960</u> |
| | <u>\$ 178,108</u> |
| Expenses: | |
| Professional and contract services | \$ 21,148 |
| Occupancy | <u>156,960</u> |
| | <u>\$ 178,108</u> |

Additionally, \$13,428 of in-kind supplies are included in fundraising revenue for the year ended June 30, 2022. In-kind services include legal and marketing services. The Organization also receives a significant amount of donated services from volunteers who assist in fundraising and special projects. For the year ended June 30, 2022, the Organization received an estimated 1,432 volunteer hours. 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.

In-kind facilities consist of rent-free classroom space donated by a local school district.

CATHEDRAL ARTS PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

7. Operating Lease

The Organization leases office space and a copier under operating lease agreements. The lease for office space in the Elks Building expires on January 31, 2025 and the copier lease expires on November 30, 2022. Rent expense under the operating leases was \$153,013 for the year ended June 30 2022.

Future minimum lease payments under the operating lease as of June 30, 2022 are:

| For the Year Ending June 30, | |
|---------------------------------|-------------------|
| 2023 | \$ 172,994 |
| 2024 | 176,607 |
| 2025 | <u>104,940</u> |
| | <u>\$ 454,541</u> |

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 it 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.

At June 30, 2022, 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 2018, 2019, and 2020. The Organization is currently not under any federal or state income tax examination.

CATHEDRAL ARTS PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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. Information about Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use within one year of the balance sheet date because of contractual or donor-imposed restrictions or internal designations. The Organization has an operating reserve that had a balance of \$644,000 at June 30, 2022. This is a governing board-designated reserve with the objective of setting funds aside to be drawn upon in the event of financial distress. The Organization's target for this reserve is determined based on three months' worth of operating expenses.

| | | |
|---|----|------------------|
| Cash and cash equivalents | \$ | 1,638,979 |
| Investments | | 6,539 |
| Accounts receivable | | 227,283 |
| Unconditional promises to give, current | | 188,500 |
| Total financial assets | | 2,061,301 |
| Board designations: | | |
| Operating reserves | | (644,000) |
| Cash restricted by donor to specific uses | | (341,161) |
| Financial assets available to meet cash needs for general expenditures within one year | \$ | <u>1,076,140</u> |

11. Endowment

The Organization has transferred assets to The Community Foundation for Northeast Florida which is holding them as a agency funds for the benefit of the Organization. The Organization has granted the Foundation variance power which gives the Foundation's Board of Trustees the power to modify any condition or restriction on the distribution of the Funds if in their sole judgement such restriction becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the area served by the Foundation. The Funds are subject to the Foundation's investment and spending policies. The Foundation's current policy is a distribution of five percent of the average quarterly value over the previous twelve quarters.

CATHEDRAL ARTS PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

11. Endowment (continued)

| | | |
|----------------------------|----|------------------|
| Balance, beginning of year | \$ | 107,083 |
| Contributions | | 1,000,000 |
| Earnings (losses) | | (86,111) |
| Fees | | (5,430) |
| Releases | | <u>(3,025)</u> |
| Balance, end of year | \$ | <u>1,012,517</u> |

The Organization reports the fair value of the Funds in its Statement of Financial Position, and reports distributions as a reduction in the value of the fund. Realized and unrealized gains or losses are reported in the Statement of Activities. The fair values of the Funds are the organization's share of the Foundation's investment pool.

12. Related Party Transactions

The Organization paid a company owned by a board member \$13,499 for services during the year ended June 30, 2022. The Organization owes the company an additional \$1,350 as of June 30, 2022.

13. Retirement Plan

Eligible employees may participate in the Organization's 403(b) plan. Employees may contribute up to the IRS maximum amount each year through voluntary payroll deductions. No employer matching contributions are made.

14. Prior Period Adjustments

The net assets from June 30, 2021 have been restated to include a \$195,674 pledge from a donor that should have been included in revenue and receivables. The pledge is included in restricted net assets since funds are unavailable for general expenditure until due. Additionally, \$107,083, the June 30, 2021 balance of the Community Foundation endowment was reclassified to restricted net assets.

15. Subsequent Events

The Organization has evaluated subsequent events through September 12, 2022, the date which the financial statements were available to be issued. No subsequent events were noted that required disclosure in the financial statements.

In early 2020, an outbreak of the novel strain of coronavirus (COVID-19) emerged globally. The potential economic impact of future COVID-19 variants cannot be reasonably estimated at this time.



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, 2022, 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 12, 2022.

Report on 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") as a basis for designing 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. 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, 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.

Report on 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 & Raines, LLC
Jacksonville, Florida
September 12, 2022

CATHEDRAL ARTS PROJECT, INC.
SCHEDULE OF SOURCE AND STATUS OF FUNDS
RECEIVED FROM THE CITY OF JACKSONVILLE
FOR THE YEAR ENDED JUNE 30, 2022

| | Cultural Services Grant FY 2020/21 | Cultural Services Grant FY 2021/22 |
|----------------------------------|--|--|
| Receipt of City Funds | | |
| Amount of Award | \$ 240,412 | \$ 324,707 |
| Amount Received 7/1/20 - 6/30/21 | 180,309 | 0 |
| Amount Received 7/1/21 - 6/30/22 | 60,103 | 243,530 |
| Amount Received 7/1/22 - 6/30/23 | 0 | 81,177 |
| Amount Remaining to be Disbursed | \$ 0 | \$ 0 |

Expenditure of City Funds

City FY 2020/21 CSGP

| | Approved Budget | Actual Expenditures 10/1/20 - 6/30/21 | Actual Expenditures 7/1/21 - 9/30/21 | Total Expenditures | Remaining Balance 06/30/22 |
|------------------------------|-----------------|--|---|--------------------|-------------------------------|
| Salaries | \$ 166,500 | \$ 124,353 | \$ 42,147 | \$ 166,500 | \$ 0 |
| Payroll Taxes & Benefits | 18,112 | 18,112 | 0 | 18,112 | 0 |
| Contracted Fees | 0 | 0 | 0 | 0 | 0 |
| Telephone | 0 | 0 | 0 | 0 | 0 |
| Postage | 0 | 0 | 0 | 0 | 0 |
| Rent | 4,800 | 4,800 | 0 | 4,800 | 0 |
| Office Supply | 46,000 | 31,319 | 14,681 | 46,000 | 0 |
| Utilities | 0 | 0 | 0 | 0 | 0 |
| Insurance | 0 | 0 | 0 | 0 | 0 |
| Other (describe) - Marketing | 5,000 | 1,725 | 3,275 | 5,000 | 0 |
| Other (describe) | 0 | 0 | 0 | 0 | 0 |
| Total | \$ 240,412 | \$ 180,309 | \$ 60,103 | \$ 240,412 | \$ 0 |

City FY 2021/22 CSGP

| | Approved Budget | Actual Expenditures 10/1/21 - 6/30/22 | Remaining Balance 06/30/22 |
|--------------------------|-----------------|--|-------------------------------|
| Salaries | \$ 246,000 | \$ 169,500 | \$ 76,500 |
| Payroll Taxes & Benefits | 18,707 | 14,030 | 4,677 |
| Contracted Fees | 0 | 0 | 0 |
| Telephone | 0 | 0 | 0 |
| Postage | 0 | 0 | 0 |
| Rent | 60,000 | 60,000 | 0 |
| Office Supply | 0 | 0 | 0 |
| Utilities | 0 | 0 | 0 |
| Insurance | 0 | 0 | 0 |
| Other (describe) | 0 | 0 | 0 |
| Other (describe) | 0 | 0 | 0 |
| Total | \$ 324,707 | \$ 243,530 | \$ 81,177 |

| | Approved Budget | Actual Expenditures 10/1/21 - 6/30/22 | Remaining Balance |
|-------------------------------|-----------------|--|-------------------|
| City FY 2021/22 Capital | | | |
| Repairs, Equipment, Materials | \$ 16,799 | \$ 0 | \$ 16,799 |

See independent auditors' report.