

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

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

**June 30, 2023**

**Cathedral Arts Project, Inc.**  
**June 30, 2023**  
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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) (the "Organization"), which comprise the statement of financial position as of June 30, 2023, 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 the Organization as of June 30, 2023, 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 ("U.S. GAAP").

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in Government Auditing Standards ("GAS") issued by the Comptroller General of the United States. 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 the Organization 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.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, 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 the Organization'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 GAAS and GAS 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 GAAS and GAS, 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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 GAAS. 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 GAS

In accordance with GAS, we have also issued our report dated October 18, 2023, 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 GAS in considering the Organization's internal control over financial reporting and compliance.

Very truly yours,

*Patrick & Raines, LLC*

Patrick & Raines, LLC  
Jacksonville, Florida  
October 26, 2023

**CATHEDRAL ARTS PROJECT, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2023**

**Assets**

Current assets:

Cash and cash equivalents	\$ 2,002,214
Investments	6,146
Accounts receivable	222,428
Unconditional promises to give, current	933,500
Prepaid expenses	6,481
Total current assets	3,170,769

Unconditional promises to give, noncurrent	1,456,417
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Fixed assets:

Furniture, fixtures and equipment	226,777
Computers and software	121,667
Website	40,347
Telephone equipment	17,585
Program equipment	31,049
Right of use assets, operating leases	448,730
Leasehold improvements	159,365
Less accumulated depreciation & amortization	(562,008)
Total fixed assets	483,512

Other assets:

Beneficial interest in assets held at Community Foundation	1,122,430
Security deposit on leased office space	11,600
Total other assets	1,134,030

Total assets	\$ 6,244,728
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**Liabilities and Net Assets**

Current liabilities:

Accounts payable and accrued expenses	\$ 35,089
Operating lease payable, current portion	175,043
Deferred revenue	150,000
Total current liabilities	360,132

Long-term liabilities:

Operating lease payable	109,948
Total long-term liabilities	109,948

Total liabilities	470,080
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Net assets:

Net assets without donor restrictions	1,787,705
Net assets with donor restrictions	3,986,943
Total net assets	5,774,648

Total liabilities and net assets	\$ 6,244,728
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The accompanying notes are an integral part of this statement.

**CATHEDRAL ARTS PROJECT, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
<b>REVENUE AND SUPPORT</b>			
Cultural Council of Greater Jacksonville	\$ 401,943	\$ 0	\$ 401,943
State of Florida	150,000	0	150,000
City of Jacksonville	250	0	250
Kids Hope Alliance	142,756	0	142,756
National Endowment for the Arts	50,000	0	50,000
Contributions - corporate and foundations	612,210	0	612,210
Contributions - general public	171,835	0	171,835
Gifts-in-kind, Duval Schools	141,264	0	141,264
Gifts-in-kind, Other	65,623	0	65,623
Special events:			
Golf Tournament	134,589	0	134,589
Spring for the Arts	804,894	0	804,894
Interest income, discount amortization	0	39,386	39,386
Investment income	144,407	0	144,407
Unrealized gain (loss), net of expenses	3,984	(10,152)	(6,168)
Other income	297,242	0	297,242
Net assets released from restrictions	0	0	0
Total revenue and support	<u>3,120,997</u>	<u>29,234</u>	<u>3,150,231</u>
<b>EXPENSES</b>			
Program services			
Education programs	2,258,037	0	2,258,037
Support services			
Management and general	213,521	0	213,521
Fundraising	452,163	0	452,163
Total expenses	<u>2,923,721</u>	<u>0</u>	<u>2,923,721</u>
CHANGE IN NET ASSETS	197,276	29,234	226,510
CUMULATIVE EFFECT ADJUSTMENT, ASC 842	(426)	0	(426)
NET ASSETS, BEGINNING OF YEAR	1,590,855	3,957,709	5,548,564
NET ASSETS, END OF YEAR	<u>\$ 1,787,705</u>	<u>\$ 3,986,943</u>	<u>\$ 5,774,648</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, 2023**

	PROGRAM SERVICES	SUPPORT SERVICES		Total
	Education Programs	Fundraising	Management and General	
Salaries	\$ 1,109,144	\$ 166,371	\$ 110,914	\$ 1,386,429
Payroll taxes	85,536	11,952	8,727	106,215
Employee benefits	167,644	24,614	19,809	212,067
Total personnel expenses	<u>1,362,324</u>	<u>202,937</u>	<u>139,450</u>	<u>1,704,711</u>
Professional and contract services	343,204	82,045	15,530	440,779
Supplies	79,134	62,451	856	142,441
Lease expense	165,034	9,068	7,254	181,356
Utilities	11,233	1,474	1,206	13,913
Postage and shipping	166	1,421	1,128	2,715
Printing and publications	20,579	751	7,917	29,247
Advertising and promotion	23,947	1,556	621	26,124
Travel	53,849	3,988	4,464	62,301
Conferences and meetings	93,790	22,510	8,754	125,054
Membership dues	3,699	477	527	4,703
Insurance	20,458	2,813	2,302	25,573
Equipment rental and maintenance	2,352	323	265	2,940
Other expense	44,854	55,755	19,488	120,097
Depreciation	33,414	4,594	3,759	41,767
Total expenses	<u>\$ 2,258,037</u>	<u>\$ 452,163</u>	<u>\$ 213,521</u>	<u>\$ 2,923,721</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, 2023**

**Cash flows from operating activities:**

Change in net assets	\$	226,510
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense		41,767
Amortization expense		167,627
Operating lease payments		(170,332)
Unrealized gains		(113,898)
Changes in operating assets and liabilities:		214,114
Change in unconditional promises to give		
Change in accounts receivable		4,855
Change in prepaid expenses		(6,016)
Change in short term investments		393
Distributions from endowment assets		10,152
Change in accounts payable		2,036
Change in deferred revenue		95,000
Net cash provided by operating activities		<u>472,208</u>

**Cash flows from investing activities:**

Net purchases of property & equipment		<u>(108,973)</u>
Net cash used by investing activities		<u>(108,973)</u>

Net change in cash 363,235

**Cash at beginning of year** 1,638,979

**Cash at end of year** \$ 2,002,214

**Supplemental data:**

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

**Noncash investing/financing activities**

Lease liabilities obtained from right of use assets \$ 448,730

The accompanying notes are an integral part of this statement.

**CATHEDRAL ARTS PROJECT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**Note 1 – Organization & Description of Business**

The Organization 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.

**Note 2 – Summary of Significant Accounting Policies**

Recently Adopted Accounting Policy: Operating Leases

The Organization has adopted FASB ASU 2016-02, *Leases*, effective July 1, 2022, in accordance with the FASB requirements for nonpublic companies to adopt in fiscal years beginning after December 15, 2021. The adoption of this standard is expected to more properly reflect the economic reality of the leases in effect during the fiscal year ended June 30, 2023, and future reporting periods. Management has evaluated and applied the following definitions, as enumerated in FASB ASC Topic 842;

*Contract:* An agreement between two or more parties that creates enforceable rights and obligations.

*Lease:* A contract, or part of a contract, that conveys the right to control the use of identified property, plant, or equipment (an identified asset) for a period of time in exchange for consideration.

*Underlying Asset:* An asset that is the subject of a **lease** for which a right to use that asset has been conveyed to a **lessee**. The underlying asset could be a physically distinct portion of a single asset.

*Right-of-Use Asset:* An asset that represents a lessee's right to use an **underlying asset** for the **lease term**.

Management has further determined that the significant leases constitute *operating leases* as they do not meet any of the following criteria, as outlined in FASB ASC 842-10-65-1;

1. The lease transfers ownership of the underlying asset to the lessee by the end of the lease term.

**CATHEDRAL ARTS PROJECT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**Note 2 – Summary of Significant Accounting Policies (continued)**

Recently Adopted Accounting Policy: Operating Leases (continued)

2. The lease grants the lessee an option to purchase the underlying asset that the lessee is reasonably certain to exercise.
3. The lease term is for the major part of the remaining economic life of the underlying asset. However, if the commencement date falls at or near the end of the economic life of the underlying asset, this criterion shall not be used for purposes of classifying the lease.
4. The present value of the sum of the **lease payments** and any residual value guaranteed by the lessee that is not already reflected in the lease payments in accordance with FASB ASC 842-10-30-5(f) equals or exceeds substantially all of the fair value of the underlying asset.
5. The underlying asset is of such a specialized nature that it is expected to have no alternative use to the lessor at the end of the lease term.

In evaluating the criteria above, management has determined that the following contracts contain leases, which are appropriately classified as an operating leases. See descriptions below.

The Organization leases office space from Elks Building Partners, LP under an operating lease agreement (“Elks Lease”). The lease agreement expires on January 31, 2025. Absent an event of default under the Lease, the Organization has the right to renew the lease for one 5 year term, subject to a 3% escalation in rent from the previous term. All notices, approvals and demands permitted or required to be given under the lease must be in writing and deemed duly served. Neither the option to terminate nor the option to renew are included in the value of the right of use asset or operating lease payable associated with this agreement. Rent payments under this lease were approximately \$171,475 during the year ended June 30, 2023.

In November 2022, the Company entered into a 60-month lease agreement with Saxon Business Systems (“Saxon Lease”) for office Equipment. The lease commenced in November 2022 and is expected to terminate in November 2027. The lease agreement provides for automatic 12-month renewal periods in the absence of a written notice 90 – 150 days in advance of the expiration date of the initial term or 30 days in advance of the expiration date of a renewal term.

**CATHEDRAL ARTS PROJECT, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

**Note 2 – Summary of Significant Accounting Policies (continued)**

Recently Adopted Accounting Policy: Operating Leases (continued)

In October 2021, the Organization entered into a 48-month lease agreement with Pitney Bowes (“Pitney Bowes Lease”) for office equipment. The lease is expected to terminate in October 2025. As the total lease payments are \$1,872.00 for the duration of the term, management has elected to account for this under the short cut method, given that forgoing the recording of the operating lease payable will not materially impact the financial statements.

Under FASB ASC 842-20-50-9, management has elected not to separate lease and non-lease components in substantially all classes of underlying assets. Under FASB ASU 2021-09, management has elected to discount the cash flows at the risk-free rates for instruments of comparable maturity at the time of commencement. The discount rates and the remaining lease terms have been summarized below.

<b>Agreement</b>	<b>Commencement Date</b>	<b>Discount Rate</b>	<b>Remaining Lease Term</b>
Elks Lease	11/1/2014	2.864%	19 mths
Saxon Lease	11/8/2022	2.884%	29 mths
Pitney Bowes Lease	10/29/2021	-	27 mths
<b>Weighted Average Discount Rate</b>			2.874%
<b>Weighted Average Remaining Lease Term</b>			25 mths

Management adopted FASB ASU 2016-02 via a cumulative effect adjustment, including the recognition of an operating leases payable in amounts totaling \$448,730 and the associated right-of-use assets for that same total amount as of the earlier of the lease commencement date or July 1, 2022. The adjustment also captured the effect of \$181,356 of lease expense and accumulated amortization of the right-of-use asset of \$167,627 as of June 30, 2023. These items resulted in a decrease in unrestricted net assets of \$426 as of June 30, 2023, and a decrease in income from operations of \$3,462 for the year then ended.

Management deemed the cumulative effect adjustment, rather than retrospective application as the preferable method of adoption, given the lack of incremental decision-making usefulness that would be derived from the latter method.

**CATHEDRAL ARTS PROJECT, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

**Note 2 – Summary of Significant Accounting Policies (continued)**

Recently Adopted Accounting Policy: Operating Leases (continued)

Operating lease payments for the years ended June 30, 2023 totaled \$170,332. Future minimum lease payments under the operating lease as of June 30, 2023, are:

2024	\$	181,407
2025		109,740
2026		<u>1,922</u>
	\$	<u><u>293,069</u></u>

See the Organization’s reconciliation of discounted and undiscounted cash flows from the operating lease payable below.

	Elks Lease	Saxon Lease	Pitney Bowes Lease	Total
Operating leases payable, current portion	\$ 170,948	\$ 4,095	\$ -	\$ 175,043
Operating leases payable, long-term	<u>103,942</u>	<u>6,006</u>	<u>-</u>	<u>109,948</u>
Total operating leases payable (discounted)	247,890	10,101	-	284,991
Discount rate (applied monthly)	<u>2.864%</u>	<u>2.884%</u>	<u>-</u>	
Total operating leases payable (undiscounted)	<u>\$ 281,547</u>	<u>\$ 10,469</u>	<u>\$ 1,053</u>	<u>\$ 293,069</u>

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 U.S. GAAP, 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.

**CATHEDRAL ARTS PROJECT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**Note 2 – Summary of Significant Accounting Policies (continued)**

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.

Property and Equipment

Fixed assets are 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 3 to 10 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. As of June 30, 2023, all promises to give were considered collectible, therefore no allowance was established.

**CATHEDRAL ARTS PROJECT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**Note 2 – Summary of Significant Accounting Policies (continued)**

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.

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.

**CATHEDRAL ARTS PROJECT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**Note 2 – Summary of Significant Accounting Policies (continued)**

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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.



**CATHEDRAL ARTS PROJECT, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

**Note 2 – Summary of Significant Accounting Policies (continued)**

Fair Value Measurements (continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2023.

Description	Level 1	Level 2	Level 3	Total
Cash & cash equivalents	\$ 2,002,214	0	0	\$ 2,002,214
Investment in stocks	6,146	0	0	6,146
Beneficial interest in assets held at Community Foundation	<u>1,122,430</u>	<u>0</u>	<u>0</u>	<u>1,122,430</u>
Total assets, at fair value	<u>\$ 3,130,790</u>	<u>0</u>	<u>0</u>	<u>\$ 3,130,790</u>

**Note 3 – Cash & 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, 2023, the restricted cash amount was \$246,945.

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.

**Note 4 – Promises to Give**

Unconditional promises to give consist of the following:

Within one year	\$ 933,500
In two to five years	<u>1,600,000</u>
	2,533,500
Less discount to present value at 3%	(143,583)
Less allowance for uncollectible promises	<u>0</u>
Net unconditional promises to give	<u>\$ 2,389,917</u>

As of June 30, 2023, one donor accounted for 89% of total promises to give.

**CATHEDRAL ARTS PROJECT, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

**Note 5 – Net Assets**

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

Restricted for specific programs	\$	246,945
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due		1,291,113
Promises to give that are restricted to the Community Foundation endowment		1,326,455
Beneficial interest in assets held by Community Foundation		<u>1,122,430</u>
	\$	<u><u>3,986,943</u></u>

The Organization has designated, from net assets without donor restrictions of \$1,786,507, net assets for the following purposes as of June 30, 2023:

Operating reserve	\$	<u>837,000</u>
Total	\$	<u><u>837,000</u></u>

The organization's policy is to have an operating reserve equal to three months of budgeted expenses. As of June 30, 2023 the reserve bank accounts have cash exceeding six months of operating expenses.

**Note 6 – 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, 2023, 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.

**CATHEDRAL ARTS PROJECT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**Note 7 – 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, 2023, the Organization received the following donated materials, services and facilities:

Revenue and Support:	
Gifts-in-kind, services	\$ 65,623
Gifts-in-kind, facilities	<u>141,264</u>
	<u>\$ 206,887</u>
Expenses:	
Professional and contract services	\$ 65,623
Lease expense	<u>141,264</u>
	<u>\$ 206,887</u>

Additionally, \$2,000 of in-kind supplies are included in fundraising revenue for the year ended June 30, 2023. 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, 2023, the Organization received an estimated 260 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.

**Note 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

**CATHEDRAL ARTS PROJECT, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

**Note 8 – Income Taxes (continued)**

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.

As of June 30, 2023, 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 2019, 2020, and 2021. The Organization is currently not under any federal or state income tax examination.

**Note 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.

**Note 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 \$837,000 as of June 30, 2023. 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	\$ 2,002,214
Investments	6,146
Accounts receivable	222,428
Unconditional promises to give, current	<u>933,500</u>
Total financial assets	3,164,288
Board designations:	
Operating reserves	(837,000)
Cash restricted by donor to specific uses	<u>(246,945)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 2,080,343</u></u>

**CATHEDRAL ARTS PROJECT, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

**Note 11 – Endowment**

The Organization has transferred assets to The Community Foundation for Northeast Florida which is holding them as an 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.

Balance, beginning of year	\$	1,012,517
Contributions		0
Earnings (losses)		120,065
Fees		(10,152)
Releases		0
Balance, end of year	\$	1,122,430

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.

**Note 12 – Related Party Transactions**

The Organization paid a company owned by a board member \$20,025 for services during the year ended June 30, 2023. The Organization has no balance due to the company as of June 30, 2023.

**Note 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.

**Note 14 – Subsequent Events**

The Organization has evaluated subsequent events through October 26, 2023, the date which the financial statements were available to be issued. No subsequent events were noted that required disclosure in the financial statements.



**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 auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards* ("GAS"), 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, 2023, 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 October 26, 2023.

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 GAS.

### 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 GAS in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Patrick & Raines, LLC*

Patrick & Raines, LLC  
Jacksonville, Florida  
October 26, 2023

**CATHEDRAL ARTS PROJECT, INC.**  
**SCHEDULE OF THE SOURCE AND STATUS OF FUNDS**  
**RECEIVED FROM THE CITY OF JACKSONVILLE**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	<b>Cultural Services Grant FY 21/22</b>	<b>Cultural Services Grant FY 22/23</b>
<b>Receipt of City Funds</b>		
Amount of award(s)	\$ 341,506	\$ 405,289
Amount received 7/1/21 - 6/30/22	243,530	0
Amount received 7/1/22 - 6/30/23	81,177	303,967
Amount received 7/1/21 - 6/30/22	16,799	0
Amount received 7/1/22 - 6/30/23	0	0
Amount remaining to be disbursed	\$ 0	\$ 101,322

**Expenditure of City Funds**

**City FY 21/22 CSGP**

	<b>Approved Budget</b>	<b>Actual Expenditures 10/1/21 - 6/30/22</b>	<b>Actual Expenditures 7/1/22 - 9/30/22</b>	<b>Total Expenditures</b>	<b>Remaining Balance</b>
Salaries	\$ 246,000	\$ 169,500	\$ 76,500	\$ 246,000	\$ 0
Payroll taxes & benefits	18,707	14,030	4,677	18,707	0
Contracted fees	0	0	0	0	0
Telephone	0	0	0	0	0
Rent	60,000	60,000	0	60,000	0
Postage	0	0	0	0	0
Office supply	0	0	0	0	0
Utilities	0	0	0	0	0
Insurance	0	0	0	0	0
Other (describe)	0	0	0	0	0
Total	\$ 324,707	\$ 243,530	\$ 81,177	\$ 324,707	\$ 0

**Expenditure of City Funds**

**City FY 21/22 Capital Grant**

	<b>Approved Budget</b>	<b>Actual Expenditures 10/1/21 - 6/30/22</b>	<b>Actual Expenditures 7/1/22 - 9/30/22</b>	<b>Total Expenditures</b>	<b>Remaining Balance</b>
Design, engineering, architectural fees	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Equipment	0	0	0	0	0
Building supplies, materials	0	0	0	0	0
Labor and installation	16,799	0	16,799	16,799	0
Delivery	0	0	0	0	0
Other capital expenses (describe)	0	0	0	0	0
Total	\$ 16,799	\$ 0	\$ 16,799	\$ 16,799	\$ 0

**City FY 22/23 CSGP**

	<b>Approved Budget</b>	<b>Actual Expenditures 10/1/22 - 6/30/23</b>	<b>Remaining Balance</b>
Salaries	\$ 307,210	\$ 230,408	\$ 76,803
Payroll taxes & benefits	37,287	27,965	9,322
Contracted fees	0	0	0
Telephone	0	0	0
Rent	60,792	45,265	15,527
Postage	0	0	0
Office supply	0	0	0
Utilities	0	0	0
Insurance	0	0	0
Other (describe) - printing of checks	0	329	(329)
Total	\$ 405,289	\$ 303,967	\$ 101,322

**City FY 22/23 Capital Grant**

	<b>Approved Budget</b>	<b>Actual Expenditures 10/1/22 - 6/30/23</b>	<b>Remaining Balance</b>
Design, engineering, architectural fees	\$ 0	\$ 0	\$ 0
Equipment	0	0	0
Building supplies, materials	0	0	0
Labor and installation	0	0	0
Delivery	0	0	0
Other capital expenses (describe)	0	0	0
Total	\$ 0	\$ 0	\$ 0

See independent auditors' report.