

CATHEDRAL ARTS PROJECT, INC.
(A Nonprofit Organization)

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

June 30, 2021 and 2020

Cathedral Arts Project, Inc.
June 30, 2021 and 2020
Table of Contents

Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position	4
Statements of Activities	5
Statement of Functional Expenses June 30, 2021	6
Statement of Functional Expenses June 30, 2020	7
Statements of Cash Flows	8
Notes to Financial Statements	9
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 <i>Government</i> <i>Auditing Standards</i>	18
Supplementary Information	
Schedule of the Source and Status of Funds Received From the City of Jacksonville	20



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, 2021, 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.

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, 2021 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 9, 2021, 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 2020 financial statements, and our report dated September 4, 2020 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, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Patrick & Raines, LLC

Patrick & Raines, LLC
Jacksonville, Florida
September 9, 2021

CATHEDRAL ARTS PROJECT, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,110,435	\$ 825,283
Investments	8,492	0
Unconditional promises to give		
Unrestricted	358,360	212,067
Prepaid expenses	381	0
Total current assets	<u>1,477,668</u>	<u>1,037,350</u>
Fixed assets:		
Furniture, fixtures and equipment	150,024	142,152
Computers and software	43,072	33,555
Website	40,347	20,347
Telephone equipment	9,654	9,404
Program equipment	19,187	19,187
Leasehold improvements	153,550	153,550
Less accumulated depreciation	<u>(317,658)</u>	<u>(310,210)</u>
Total fixed assets	<u>98,176</u>	<u>67,985</u>
Other assets:		
Donor Endowment	107,083	76,750
Security deposit on leased office space	<u>11,600</u>	<u>11,600</u>
Total other assets	<u>118,683</u>	<u>88,350</u>
 Total assets	 <u>\$ 1,694,527</u>	 <u>\$ 1,193,685</u>
 Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 14,815	\$ 11,064
Note payable, current portion	<u>0</u>	<u>117,471</u>
Total current liabilities	<u>14,815</u>	<u>128,535</u>
Long-term liabilities:		
Note payable	<u>0</u>	<u>149,629</u>
Total liabilities	<u>14,815</u>	<u>278,164</u>
Net assets:		
Net assets without donor restrictions	1,646,595	883,692
Net assets with donor restrictions	<u>33,117</u>	<u>31,829</u>
Total net assets	<u>1,679,712</u>	<u>915,521</u>
 Total liabilities and net assets	 <u>\$ 1,694,527</u>	 <u>\$ 1,193,685</u>

The accompanying notes are an integral part of this statement.

CATHEDRAL ARTS PROJECT, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021 WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2020

	2021			2020	
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	Total	
REVENUE AND SUPPORT					
Cultural Council of Greater Jacksonville	\$ 233,827	\$ 0	\$ 233,827	\$ 211,975	
State of Florida	51,326	0	51,326	46,430	
City of Jacksonville	708,272	0	708,272	153,958	
National Endowment for the Arts	50,000	0	50,000	50,000	
Contributions - corporate and foundations	809,549	169,300	978,849	1,030,661	
Contributions - general public	424,401	0	424,401	605,602	
Gifts-in-kind	20,255	0	20,255	47,115	
Special events:					
Golf Tournament	110,020	0	110,020	103,255	
Spring for the Arts	0	0	0	71,770	
CAPtivators	0	0	0	8,988	
Program fees	180	0	180	9,482	
Investment income	6,010	0	6,010	6,180	
Paycheck Protection Program forgiveness	267,100	0	267,100	0	
Sublease income	0	0	0	250	
Realized gain on sale of investments	0	0	0	140	
Unrealized gain	33,325	0	33,325	0	
Gain (loss) on disposal of fixed assets	158	0	158	0	
Net assets released from restrictions	168,012	(168,012)	0	0	
Total revenue and support	<u>2,882,435</u>	<u>1,288</u>	<u>2,883,723</u>	<u>2,345,806</u>	
EXPENSES					
Program services					
Education programs	1,528,286	0	1,528,286	1,634,032	
Support services					
Management and general	228,165	0	228,165	193,761	
Fundraising	363,081	0	363,081	332,470	
Total expenses	<u>2,119,532</u>	<u>0</u>	<u>2,119,532</u>	<u>2,160,263</u>	
CHANGE IN NET ASSETS	762,903	1,288	764,191	185,543	
NET ASSETS, BEGINNING OF YEAR	<u>883,692</u>	<u>31,829</u>	<u>915,521</u>	<u>729,978</u>	
NET ASSETS, END OF YEAR	<u>\$ 1,646,595</u>	<u>\$ 33,117</u>	<u>\$ 1,679,712</u>	<u>\$ 915,521</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, 2021

	PROGRAM SERVICES	SUPPORT SERVICES		
	Education Programs	Fundraising	Management and General	Total
Salaries	\$ 856,269	\$ 160,492	\$ 114,201	\$ 1,130,962
Payroll taxes	67,267	12,013	8,627	87,907
Employee benefits	156,051	27,446	14,564	198,061
Total personnel expenses	<u>1,079,587</u>	<u>199,951</u>	<u>137,392</u>	<u>1,416,930</u>
Professional and contract services	165,079	65,936	56,766	287,781
Supplies	54,336	20,157	535	75,028
Occupancy	119,818	15,732	12,872	148,422
Utilities	7,687	1,057	865	9,609
Postage and shipping	1,782	1,869	127	3,778
Printing and publications	3,216	12,401	2,236	17,853
Advertising and promotion	14,692	959	784	16,435
Travel	18,565	2,788	4,166	25,519
Conferences and meetings	6,383	20,059	1,205	27,647
Membership dues	4,230	746	2,714	7,690
Insurance	18,671	2,567	2,100	23,338
Equipment rental and maintenance	4,147	570	467	5,184
Other expense	8,135	15,270	3,466	26,871
Depreciation	<u>21,958</u>	<u>3,019</u>	<u>2,470</u>	<u>27,447</u>
Total expenses	<u>\$ 1,528,286</u>	<u>\$ 363,081</u>	<u>\$ 228,165</u>	<u>\$ 2,119,532</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, 2020

	PROGRAM SERVICES	SUPPORT SERVICES		
	Education Programs	Fundraising	Management and General	Total
Salaries	\$ 921,861	\$ 144,733	\$ 105,517	\$ 1,172,111
Payroll taxes	72,383	10,471	8,079	90,933
Employee benefits	150,044	22,025	7,401	179,470
Total personnel expenses	<u>1,144,288</u>	<u>177,229</u>	<u>120,997</u>	<u>1,442,514</u>
Professional and contract services	168,456	58,829	31,664	258,949
Supplies	82,993	20,883	3,577	107,453
Occupancy	117,641	15,949	13,049	146,639
Utilities	9,467	1,302	1,065	11,834
Postage and shipping	3,015	2,476	318	5,809
Printing and publications	3,966	6,501	1,384	11,851
Advertising and promotion	11,445	1,488	1,487	14,420
Travel	22,273	3,507	4,035	29,815
Conferences and meetings	5,342	13,427	5,618	24,387
Membership dues	2,380	660	2,957	5,997
Insurance	18,723	2,574	2,037	23,334
Equipment rental and maintenance	5,583	768	628	6,979
Other expense	6,125	22,431	1,307	29,863
Depreciation	<u>32,335</u>	<u>4,446</u>	<u>3,638</u>	<u>40,419</u>
Total expenses	<u>\$ 1,634,032</u>	<u>\$ 332,470</u>	<u>\$ 193,761</u>	<u>\$ 2,160,263</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, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 764,191	\$ 185,543
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	27,447	40,419
Contributed stock	(4,978)	0
Forgiveness of PPP loan	(267,100)	0
Changes in operating assets and liabilities:		
Increase in unconditional promises to give	(146,293)	(105,164)
(Increase) decrease in prepaid expenses	(381)	63
Increase in donor endowment fund	(30,332)	(20,000)
Net unrealized gains	(3,514)	0
Increase (decrease) in accounts payable	3,751	(16,542)
Net cash provided by operating activities	<u>342,791</u>	<u>84,319</u>
Cash flows from investing activities:		
Purchase of equipment	(57,639)	(27,240)
Net cash used by investing activities	<u>(57,639)</u>	<u>(27,240)</u>
Cash flows from financing activities:		
Proceeds from long-term debt	<u>0</u>	<u>267,100</u>
Net cash provided by financing activities	<u>0</u>	<u>267,100</u>
Net increase in cash	285,152	324,179
Cash at beginning of year	<u>825,283</u>	<u>501,104</u>
Cash at end of year	<u>\$ 1,110,435</u>	<u>\$ 825,283</u>

The accompanying notes are an integral part of this statement.

CATHEDRAL ARTS PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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, 2020, 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 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, 2021 AND 2020

1. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

The Organization considers all highly liquid investments with maturities of three months or less when purchased, to be cash equivalents and are measured as Level 1 fair values. Level 1 fair values are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

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 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, 2021 and 2020, all promises to give were considered collectible, therefore no allowance was established.

CATHEDRAL ARTS PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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. 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.

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, 2021 AND 2020

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.

Investments

Investments in marketable securities with readily determinable fair values are reported at their fair values in the statement of financial position and are measured as Level 1 fair values. 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. Level 1 fair values are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

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, 2021 and 2020, the restricted cash amount was \$33,117 and \$31,829, 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.

CATHEDRAL ARTS PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

3. Promises to Give

Unconditional promises to give consist of the following:

	<u>2021</u>	<u>2020</u>
Unrestricted promises:		
From individuals	\$ 137,566	\$ 40,872
From corporations and foundations	<u>220,794</u>	<u>171,195</u>
Total unconditional promises to give	358,360	212,067
Less allowance for uncollectible promises	<u>0</u>	<u>0</u>
Net unconditional promises to give	<u>\$ 358,360</u>	<u>\$ 212,067</u>

4. Net Assets

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

	<u>2021</u>	<u>2020</u>
2021/2022 Contribution	\$ 33,117	\$ 0
Special needs programming	0	24,487
2020/2021 Contribution	<u>0</u>	<u>7,342</u>
	<u>\$ 33,117</u>	<u>\$ 31,829</u>

The Organization has designated, from net assets without donor restrictions of \$1,646,595 and \$883,692, respectively, net assets for the following purposes as of June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Operating reserve	\$ 598,000	\$ 550,000
Total	<u>\$ 598,000</u>	<u>\$ 550,000</u>

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, 2021 and 2020, the Organization's uninsured cash balances totaled \$0 and \$0, respectively. The Organization has a sweep agreement with its 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, 2021 AND 2020

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, 2021 and 2020, the Organization received the following donated materials, services and facilities:

	<u>2021</u>	<u>2020</u>
Revenue and Support:		
Gifts-in-kind, services	\$ 20,045	\$ 47,115
Gifts-in-kind, supplies	210	0
	<u>\$ 20,255</u>	<u>\$ 47,115</u>
Expenses:		
Professional and contract services	\$ 20,045	\$ 47,115
Program supplies	210	0
	<u>\$ 20,255</u>	<u>\$ 47,115</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, 2021 and 2020, the Organization received an estimated 1,664 and 170 volunteer hours, respectively. No amounts related to these volunteer hours have been recognized in the statements of activities since these services do not meet the criteria for recognition as contributed services.

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, 2025 and the copier lease expires on November 30, 2022. Rent expense under the operating lease was \$146,318 and \$144,988 for 2021 for 2020, respectively.

Future minimum lease payments under the operating lease as of June 30, 2021 are:

For the Year Ending June 30,	
<u>2022</u>	\$ 153,013
2023	152,897
2024	155,907
2025	92,686
	<u>\$ 554,504</u>

CATHEDRAL ARTS PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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.

At June 30, 2021, 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 2017, 2018, and 2019. State income tax returns remain open for examination by tax authorities for the years 2017, 2018, and 2019. 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.

CATHEDRAL ARTS PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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 \$598,000 and \$550,000 at June 30, 2021 and 2020, respectively. 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. The Organization had no donor imposed restrictions greater than one year at June 30, 2021 and 2020.

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 1,110,435	\$ 825,283
Investments	8,492	0
Unconditional promises to give	<u>358,360</u>	<u>212,067</u>
Total financial assets	1,477,287	1,037,350
Board designations:		
Operating reserves	(598,000)	(550,000)
Cash restricted by donor to specific uses	<u>(33,117)</u>	<u>(31,829)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u><u>846,170</u></u>	\$ <u><u>455,521</u></u>

11. Note Payable

A note payable to Ameris Bank for a SBA Paycheck Protection Program was issued April 28, 2020, in the amount of \$267,100. The loan was payable in monthly principal and interest payments of \$15,032 at an interest rate of 1% beginning on November 28, 2020 and maturing on April 28, 2022. The loan was forgiven during the year ended June 30, 2021 and is recognized in Revenue and Support on the Statement of Activities.

12. Endowment

The Organization has transferred assets to The Community Foundation for Northeast Florida which is holding them as an agency fund 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 Fund is subject to the Foundation's investment and spending policies.

CATHEDRAL ARTS PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

12. Endowment (continued)

The Organization reports the fair value of the Fund in its Statement of Financial Position, and reports distributions received as income. Changes in the value of the Fund are reported as gains or losses in the Statement of Activities.

13. Related Party Transactions

The Organization paid a company owned by a board member \$43,900 for services during the year ended June 30, 2021. No amounts are due to or from the company at June 30, 2021.

14. Subsequent Events

The Organization has evaluated subsequent events through September 9, 2021, 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. As a result, there have been mandates from federal, state and local authorities resulting in an overall decline in economic activity. The ultimate impact of COVID-19 on the financial performance of the Organization is not 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, 2021, 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 9, 2021.

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, 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 & Raines, LLC

Patrick & Raines, LLC
Jacksonville, Florida
September 9, 2021

**CATHEDRAL ARTS PROJECT, INC.
SCHEDULE OF SOURCE AND STATUS OF FUNDS
RECEIVED FROM THE CITY OF JACKSONVILLE
FOR THE YEAR ENDED JUNE 30, 2021**

Receipt of City Funds

	Cultural Services Grant Grant FY 20-21	Cultural Services Grant Grant FY 19-20
Amount of Award	\$ 240,412	\$ 212,871
Funds received 7/1/20 - 6/30/21	(180,309)	(53,518)
Funds received 7/1/19 - 6/30/20	0	(159,353)
Amount remaining to be disbursed	<u>\$ 60,103</u>	<u>\$ 0</u>

Expenditures of City Funds

City of Jacksonville - Cultural Services Grant

Contract Period: 10/1/20 - 9/30/21

Amount of Award: \$240,412

Item	Budget	Actual 10/1/2020 6/30/2021	Total Actual 6/30/2021	Remaining Balance 6/30/2021
Administrative salaries	\$ 166,500	\$ 124,353	\$ 124,353	\$ 42,147
Administrative Payroll Taxes, Benefits	18,112	18,112	18,112	0
Contracted Fees, Services	4,800	4,800	4,800	0
Space rental	46,000	31,319	31,319	14,681
Marketing	5,000	1,725	1,725	3,275
Total	<u>\$ 240,412</u>	<u>\$ 180,309</u>	<u>\$ 180,309</u>	<u>\$ 60,103</u>

City of Jacksonville - Cultural Services Grant

Contract Period: 10/1/19 - 9/30/20

Amount of Award: \$212,871

Item	Budget	Actual 10/1/2019 6/30/2020	Actual 7/1/2020 to 9/30/2020	Remaining Balance 6/30/2021
Administrative salaries	\$ 83,236	\$ 83,236	\$ 0	\$ 0
Administrative Payroll Taxes, Benefits	19,390	9,695	9,695	0
Artistic, Program PR Taxes, Benefits	18,337	9,437	8,900	0
Contracted Fees, Services	17,375	16,775	600	0
Space rental	34,714	34,714	0	0
Marketing	29,397	0	29,397	0
Program Costs	4,901	2,906	1,995	0
Travel	3,715	2,005	1,710	0
Remaining Operating	1,806	585	1,221	0
Total	<u>\$ 212,871</u>	<u>\$ 159,353</u>	<u>\$ 53,518</u>	<u>\$ 0</u>

See independent auditors' report.