
Cornelius Arts and Community Center, Inc. d/b/a Cain Center for the Arts
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June 30, 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Cornelius Arts and Community Center, Inc.
d/b/a Cain Center for the Arts
Cornelius, North Carolina

We have audited the accompanying financial statements of Cornelius Arts and Community Center, Inc. (the "Center" - a nonprofit corporation), which comprise the statement of financial position as of June 30, 2019, 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.

Auditor's 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. 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 risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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 in the first paragraph present fairly, in all material respects, the financial position of Cornelius Arts and Community Center, Inc., as of June 30, 2019 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.

October 2, 2019

Cornelius Arts and Community Center, Inc. d/b/a Cain Center for the Arts
Statement of Financial Position
June 30, 2019

ASSETS

Current Assets:

Cash and cash equivalents	\$ 119,576
Receivables:	
Operating pledges	2,950
Sales tax receivable	2,193
Prepaid expense	1,148

Total Current Assets 125,867

Long-Term Assets:

Cash and cash equivalents	5,301,406
Capital campaign pledge receivable (net)	1,334,724

Total Long-Term Assets 6,636,130

TOTAL **\$ 6,761,997**

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable	\$ 3,019
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Total Current Liabilities 3,019

Net Assets:

Without donor restrictions	122,848
With donor restrictions	6,636,130

Total Net Assets 6,758,978

TOTAL **\$ 6,761,997**

Cornelius Arts and Community Center, Inc. d/b/a Cain Center for the Arts
Statement of Activities
Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	TOTALS
<u>SUPPORT AND REVENUE</u>			
Contributions	\$ 19,292	\$ 7,114,575	\$ 7,133,867
Grants	365,000	-	365,000
In-kind contributions	286,317	-	286,317
Program	25,440	-	25,440
Interest income	53,045	-	53,045
Net assets released from restriction	478,445	(478,445)	-
<i>Total Support and Revenue</i>	<i>1,227,539</i>	<i>6,636,130</i>	<i>7,863,669</i>
<u>EXPENSES</u>			
Program services	87,212	-	87,212
Management and general	160,180	-	160,180
Fundraising	552,044	-	552,044
<i>Total Expenses</i>	<i>799,436</i>	<i>-</i>	<i>799,436</i>
<i>CHANGE IN NET ASSETS</i>	<i>428,103</i>	<i>6,636,130</i>	<i>7,064,233</i>
<i>NET ASSETS, BEGINNING</i>	<i>16,712</i>	<i>-</i>	<i>16,712</i>
<i>TRANSFER - TOWN OF CORNELIUS (NOTE A)</i>	<i>(321,967)</i>	<i>-</i>	<i>(321,967)</i>
<i>NET ASSETS, ENDING</i>	<i>\$ 122,848</i>	<i>\$ 6,636,130</i>	<i>\$ 6,758,978</i>

Cornelius Arts and Community Center, Inc. d/b/a Cain Center for the Arts
Statement of Functional Expenses
Year Ended June 30, 2019

	Program Services	Management and General	Fundraising	TOTALS
<u>EXPENSES</u>				
Personnel	\$ 20,454	\$ 54,544	\$ 117,232	\$ 192,230
Dues and subscriptions	-	9,646	-	9,646
Education	29,455	-	-	29,455
Finance charges	-	1,070	5,163	6,233
Travel	-	4,173	-	4,173
Office supplies	-	4,242	3,100	7,342
Insurance	-	1,737	-	1,737
Advertising	6,646	-	61,759	68,405
Telecommunication	-	2,179	-	2,179
Professional services	30,657	82,589	302,797	416,043
Events	-	-	61,993	61,993
<i>TOTAL EXPENSES</i>	<i>\$ 87,212</i>	<i>\$ 160,180</i>	<i>\$ 552,044</i>	<i>\$ 799,436</i>

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Cornelius Arts and Community Center, Inc. d/b/a Cain Center for the Arts
Statement of Cash Flows
Year Ended June 30, 2019

OPERATING ACTIVITIES

Change in net assets	\$ 7,064,233
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Transfer - Town of Cornelius	(321,967)
Contributions restricted for long-term purposes	(7,109,117)
Decrease (increase) in operating assets:	
Operating pledges	425
Sales tax receivable	(2,142)
Prepaid expense	(1,148)
Increase in operating liabilities:	
Accounts payable	8
<i>Cash Flows from Operating Activities</i>	<i>(369,708)</i>

FINANCING ACTIVITIES

Increase in capital campaign pledges	(1,334,724)
Contributions restricted for long-term purposes	7,109,117
<i>Cash Flows from Financing Activities</i>	<i>5,774,393</i>

<i>NET CHANGE IN CASH AND CASH EQUIVALENTS</i>	<i>5,404,685</i>
<i>CASH AND CASH EQUIVALENTS, BEGINNING</i>	<i>16,297</i>
<i>CASH AND CASH EQUIVALENTS, ENDING</i>	<i>\$ 5,420,982</i>

Cornelius Arts and Community Center, Inc. d/b/a Cain Center for the Arts
Notes to Financial Statements
June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of activities

Cornelius Arts and Community Center, Inc. d/b/a Cain Center for the Arts (the “Center”) is a not-for-profit organization, located in Cornelius, North Carolina. The Center was incorporated in July 2016. The Center was created as a result of the town of Cornelius recognizing the need for an arts and cultural venue to revitalize and enrich the community through the arts and all the benefits of arts education. The Center is supported primarily through contributions from individuals, businesses, and foundations as well as a grant from the town of Cornelius.

Basis of presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets can be both undesignated and designated in nature. Undesignated net assets without donor restrictions are those currently available for use in the day-to-day operation of the Center.

Net assets with donor restrictions – Net assets with donor restrictions consist of temporarily restricted net assets and permanently restricted net assets. Temporarily restricted net assets are subject to donor-imposed stipulations that may or will be met, either by actions of the Center or the passage of time. When a restriction expires is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Permanently restricted net assets are subject to donor imposed stipulations that they be maintained permanently by the Center. At year-end, the Center had no permanently restricted net assets.

Presentation

Revenues are reported as increases in nets assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are recorded as decreases in net assets without donor restrictions. Unconditional promises to give are recorded when the promise is made. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Cash and cash equivalents

Cash consists of cash on hand, cash in banks, and money market funds.

Cornelius Arts and Community Center, Inc. d/b/a Cain Center for the Arts
Notes to Financial Statements
June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Use of estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of support, revenues and expenses during the reporting period. Actual results could differ from those estimates.

Donated services and goods

Donated services are reported as contributions when the services (a) create or enhance nonfinancial assets or (b) would be purchased if they had not been provided by contribution, require specialized skills, and are provided by individuals possessing those skills. Donated equipment or materials, if significant, are included in support at fair value. During the year, the Center recorded \$282,249 of contributed services, which were primarily consulting services, and \$4,068 of donated goods.

In addition, many individuals volunteer their time and perform a variety of tasks that assist the Center with specific assistance programs and various assignments. No amounts have been reflected in the financial statements for these contributions, as they do not meet the criteria for recognition described above.

Functional allocation of expenses

Expenses that are inherently program, management and general, or fundraising, are charged directly to those functions. Personnel expenses are allocated based on management's estimates of time spent. Professional services are allocated based on the type of service incurred. All other expenses are allocated based on an analysis of the various expenses that comprise those costs.

Income tax status

The Center is a nonprofit organization and is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code with respect to its exempt function income. The Center is not a private organization as defined by Section 509(a) of the Internal Revenue Code.

Transfer of assets

The Center is transferring the proceeds from their capital campaign to the Town of Cornelius for the construction of a Community Center in Cornelius. During the year-ended June 30, 2019 the Center transferred \$321,967 to the town of Cornelius.

Cornelius Arts and Community Center, Inc. d/b/a Cain Center for the Arts
Notes to Financial Statements
June 30, 2019

NOTE B – PLEDGES RECEIVABLE

Operating pledges

Unconditional promises to give for operations are presented with no allowance for doubtful accounts. Management’s assessment of the collectability of receivables is based on a review of individual accounts, historical experience, and current economic conditions. The balance of the operating pledges are expected to be collected during the year ending June 30, 2020.

Capital campaign

Unconditional promises to give for the capital campaign are presented net of an estimated allowance for doubtful accounts of \$42,000. Management’s assessment of the collectability of receivables is based on a review of individual accounts, historical experience, and current economic conditions. The \$23,883 discount for present value is computed using an interest rate of 2.38 percent. At June 30, 2019, there were three pledges totaling \$900,000 which represented 64% of the gross pledges received, which represents a substantial concentration of risk. Amortization of discounts is included in the contribution revenue.

Contributions receivable at June 30, 2019, are summarized as follows:

Contributions receivable		\$	1,400,607
Present value discount	\$	23,883	
Allowance for uncollectible contributions receivable		42,000	65,883
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Net contributions receivable			1,334,724
Contributions receivable – current			795,586
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Contributions receivable – long term		\$	605,021
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All unconditional promises to give for the capital campaign are classified as long-term since the funds will be used for long-term purposes.

Gross contributions receivable are scheduled to be received as follows:

Year Ended June 30,			
2020		\$	795,586
2021			280,061
2022			214,960
2023			110,000
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TOTAL		\$	1,400,607
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Cornelius Arts and Community Center, Inc. d/b/a Cain Center for the Arts
Notes to Financial Statements
June 30, 2019

NOTE C – NET ASSETS WITH DONOR RESTRICTIONS

Temporarily restricted

Temporarily restricted net assets at year-end are as follows:

Pledge campaign	\$ 6,630,672
Education	5,458
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TOTAL	\$ 6,636,130

Temporarily restricted net assets consist of cash \$5,301,406 and net pledges receivable of \$1,334,724.

NOTE D – NON-RECURRING GIFT

During the year the Center received a one-time gift of \$5,000,000 that represented 63% of total revenue.

NOTE E – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Center has \$124,719 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure consisting of cash of \$119,576 and current pledge receivables and sales tax receivable of \$5,143. The Center has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management the Center invests cash in excess of daily requirements in short-term investments, primarily money market funds.

NOTE F – CONCENTRATIONS OF RISK

Geographic area

The Center operates in a small geographic area and, accordingly, is sensitive to changes in the local economy.

Cash in excess of insured limits

Cash held in bank accounts and bank certificates of deposit are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). The total cash held by the Center at June 30, 2019, includes \$5,174,502 in excess of insured limits covered by the FDIC.

NOTE G – SUBSEQUENT EVENTS

The Center has evaluated subsequent events from the date of the statement of financial position through the date of the audit report, which is the date the financial statements were available to be issued. During this period, no material recognizable subsequent events were identified.