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***Cornelius Arts and Community Center, Inc. d/b/a Cain Center for the Arts***  
**Table of Contents**  
**June 30, 2020**

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	<b>Page</b>
Independent Auditors' Report .....	1
Audited Financial Statements:	
Statement of Financial Position.....	2
Statement of Activities .....	3
Statement of Functional Expenses .....	4
Statement of Cash Flows.....	5
Notes to Financial Statements .....	6-10

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# ***C. DEWITT FOARD & COMPANY, P.A.***

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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., d/b/a Cain Center for the Arts (the "Center" - a nonprofit corporation), which comprise the statement of financial position as of June 30, 2020, 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., d/b/a Cain Center for the Arts as of June 30, 2020 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.

### *Report on Summarized Comparative Information*

We have previously audited the Center's 2019 financial statements, and our report dated October 2, 2019, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

September 4, 2020

***Cornelius Arts and Community Center, Inc. d/b/a Cain Center for the Arts***  
**Statement of Financial Position**  
**June 30, 2020, with prior year comparative totals**

	Year Ended June 30,	
	2020	2019
<b><u>ASSETS</u></b>		
Current Assets:		
Cash and cash equivalents	\$ 171,843	\$ 119,576
Receivables:		
Operating pledges	-	2,950
Sales tax receivable	2,875	2,193
Prepaid expense	2,699	1,148
Total Current Assets	177,417	125,867
Fixed Assets:		
Equipment	2,004	-
Less - accumulated depreciation	(134)	-
Total Fixed Assets	1,870	-
Long-Term Assets:		
Cash and cash equivalents	6,007,510	5,301,406
Capital campaign pledge receivable (net)	3,547,734	1,334,724
Total Long-Term Assets	9,555,244	6,636,130
<b>TOTAL</b>	<b>\$ 9,734,531</b>	<b>\$ 6,761,997</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Liabilities:		
Accounts payable	\$ 4,694	\$ 3,019
Refundable advance	41,400	-
Total Current Liabilities	46,094	3,019
Net Assets:		
Without donor restrictions	372,285	122,848
With donor restrictions	9,316,152	6,636,130
Total Net Assets	9,688,437	6,758,978
<b>TOTAL</b>	<b>\$ 9,734,531</b>	<b>\$ 6,761,997</b>

***Cornelius Arts and Community Center, Inc. d/b/a Cain Center for the Arts***

**Statement of Activities**

**Year Ended June 30, 2020, with prior year comparative totals**

	Year Ended June 30, 2020			Prior Year Comparative Totals
	Without Donor Restrictions	With Donor Restrictions	TOTALS	
<b><u>SUPPORT AND REVENUE</u></b>				
Contributions	\$ 15,074	\$ 4,259,200	\$ 4,274,274	\$ 7,133,867
Grants	323,000	-	323,000	365,000
In-kind contributions	134,927	-	134,927	286,317
Special events (net of \$7,133 direct benefit)	12,517	-	12,517	-
Program	-	-	-	25,440
Interest income	112,386	-	112,386	53,045
Net assets released from restriction	1,579,178	(1,579,178)	-	-
<b><i>Total Support and Revenue</i></b>	<b><i>2,177,082</i></b>	<b><i>2,680,022</i></b>	<b><i>4,857,104</i></b>	<b><i>7,863,669</i></b>
<b><u>EXPENSES</u></b>				
Program services	40,210	-	40,210	87,212
Management and general	138,237	-	138,237	160,180
Fundraising	379,878	-	379,878	552,044
<b><i>Total Expenses</i></b>	<b><i>558,325</i></b>	<b><i>-</i></b>	<b><i>558,325</i></b>	<b><i>799,436</i></b>
<b><i>CHANGE IN NET ASSETS</i></b>	<b><i>1,618,757</i></b>	<b><i>2,680,022</i></b>	<b><i>4,298,779</i></b>	<b><i>7,064,233</i></b>
<b><i>NET ASSETS, BEGINNING</i></b>	<b><i>122,848</i></b>	<b><i>6,636,130</i></b>	<b><i>6,758,978</i></b>	<b><i>16,712</i></b>
<b><i>TRANSFER - TOWN OF CORNELIUS (NOTE A)</i></b>	<b><i>(1,369,320)</i></b>	<b><i>-</i></b>	<b><i>(1,369,320)</i></b>	<b><i>(321,967)</i></b>
<b><i>NET ASSETS, ENDING</i></b>	<b><i>\$ 372,285</i></b>	<b><i>\$ 9,316,152</i></b>	<b><i>\$ 9,688,437</i></b>	<b><i>\$ 6,758,978</i></b>

***Cornelius Arts and Community Center, Inc. d/b/a Cain Center for the Arts***

**Statement of Functional Expenses**

**Year Ended June 30, 2020, with prior year comparative totals**

	Year Ended June 30, 2020				Prior Year
	Program Services	Management and General	Fundraising	TOTALS	Comparative Totals
<b>EXPENSES</b>					
Personnel	\$ 23,696	\$ 63,188	\$ 135,811	\$ 222,695	\$ 192,230
Professional services	13,493	55,585	118,949	188,027	416,043
Advertising	-	-	74,010	74,010	68,405
Events	-	-	44,021	44,021	61,993
Office supplies	-	2,719	4,350	7,069	7,342
Travel	-	6,800	-	6,800	4,173
Insurance	-	3,604	-	3,604	1,737
Dues and subscriptions	-	3,298	-	3,298	9,646
Education	3,021	-	-	3,021	29,455
Miscellaneous	-	-	2,737	2,737	-
Telecommunication	-	1,600	-	1,600	2,179
Finance charges	-	1,309	-	1,309	6,233
Depreciation	-	134	-	134	-
<b>TOTAL EXPENSES</b>	<b>\$ 40,210</b>	<b>\$ 138,237</b>	<b>\$ 379,878</b>	<b>\$ 558,325</b>	<b>\$ 799,436</b>

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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, 2020, with prior year comparative totals**

	Year Ended June 30,	
	2020	2019
<b><u>OPERATING ACTIVITIES</u></b>		
Change in net assets	\$ 4,298,779	\$ 7,064,233
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation expense	134	-
Transfer - Town of Cornelius	(1,369,320)	(321,967)
Contributions restricted for long-term purposes	(4,259,200)	(7,109,117)
Decrease (increase) in operating assets:		
Operating pledges	2,950	425
Sales tax receivable	(682)	(2,142)
Prepaid expense	(1,551)	(1,148)
Increase in operating liabilities:		
Accounts payable	1,675	8
<b><u>Cash Flows from Operating Activities</u></b>	<b><u>(1,327,215)</u></b>	<b><u>(369,708)</u></b>
<b><u>INVESTING ACTIVITIES</u></b>		
Purchase of fixed assets	(2,004)	-
<b><u>Cash Flows from Investing Activities</u></b>	<b><u>(2,004)</u></b>	<b><u>-</u></b>
<b><u>FINANCING ACTIVITIES</u></b>		
Increase in capital campaign pledges	(2,213,010)	(1,334,724)
Proceeds from refundable advance	41,400	-
Contributions restricted for long-term purposes	4,259,200	7,109,117
<b><u>Cash Flows from Financing Activities</u></b>	<b><u>2,087,590</u></b>	<b><u>5,774,393</u></b>
<b><u>NET CHANGE IN CASH AND CASH EQUIVALENTS</u></b>	<b><u>758,371</u></b>	<b><u>5,404,685</u></b>
<b><u>CASH AND CASH EQUIVALENTS, BEGINNING</u></b>	<b><u>5,420,982</u></b>	<b><u>16,297</u></b>
<b><u>CASH AND CASH EQUIVALENTS, ENDING</u></b>	<b><u>\$ 6,179,353</u></b>	<b><u>\$ 5,420,982</u></b>
<b><u>Cash and Cash Equivalents per Statement of Financial Position:</u></b>		
Operating cash	\$ 171,843	\$ 119,576
Cash held for long-term purposes	6,007,510	5,301,406
<b><u>Total Cash and Cash Equivalents</u></b>	<b><u>\$ 6,179,353</u></b>	<b><u>\$ 5,420,982</u></b>

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***Cornelius Arts and Community Center, Inc. d/b/a Cain Center for the Arts***  
**Notes to Financial Statements**  
**June 30, 2020**

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**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 and those resources invested in fixed assets. From time to time, the Board of Directors may designate certain amounts to be utilized or invested to meet specific objectives 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.

*Revenue recognition*

The Center expects to adopt the requirements of the Financial Accounting Standards Board’s Accounting Standards Update No. 2014-09, “*Revenue from Contracts with Customers*” (ASU 2014-09), for the year ending June 30, 2021. The core principle of this standard is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Management believes that the impact of this standard will not be material to the Center’s financial statements.

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***Cornelius Arts and Community Center, Inc. d/b/a Cain Center for the Arts***  
**Notes to Financial Statements**  
**June 30, 2020**

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*Presentation*

Revenues are reported as increases in net assets without donor restrictions unless the 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.

*Fixed assets*

Fixed assets with a value of \$1,000 or more are recorded at cost if purchased or fair value if donated. Depreciation expense is recorded using the straight-line method of depreciation over the estimated useful life of the assets, which is assumed to be five years for the equipment.

*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 \$134,927 of contributed services, which were primarily consulting services and legal services.

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.



***Cornelius Arts and Community Center, Inc. d/b/a Cain Center for the Arts***  
**Notes to Financial Statements**  
**June 30, 2020**

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Transfer of assets

The Center is transferring the proceeds from its capital campaign to the Town of Cornelius for the construction of a Community Center in Cornelius. During the year ended June 30, 2020 the Center transferred \$1,369,320 to the Town of Cornelius.

Prior-year comparative totals

The financial statements include certain prior-year summarized information, which is presented for comparative purposes only. Accordingly, such information should be read in conjunction with the Center's 2019 financial statements, from which the summarized information was derived.

**NOTE B – PLEDGES RECEIVABLE**

Capital campaign

Unconditional promises to give for the capital campaign are presented net of an estimated allowance for doubtful accounts of \$110,228. Management's assessment of the collectability of receivables is based on a review of individual accounts, historical experience, and current economic conditions. The \$13,293 discount for present value is computed using an interest rate of 0.43 percent. At June 30, 2020, there were two pledges totaling \$2,300,000 which represented 63% of the gross pledges outstanding, which represents a substantial concentration of risk. Amortization of the present value discount is included in contribution revenue.

Pledges receivable at June 30, 2020, are summarized as follows:

Pledges receivable		\$	3,671,255
Present value discount	\$	13,293	
Allowance for uncollectible contributions receivable		110,228	123,521
<u>Net pledges receivable</u>			<u>3,547,734</u>

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,		
2021	\$	2,253,085
2022		1,191,170
2023		177,000
2024		50,000
<u>TOTAL</u>	\$	<u>3,671,255</u>

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***Cornelius Arts and Community Center, Inc. d/b/a Cain Center for the Arts***  
**Notes to Financial Statements**  
**June 30, 2020**

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**NOTE C – NET ASSETS WITH DONOR RESTRICTIONS**

Temporarily restricted

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

Pledge campaign	\$ 9,280,601
Education	23,718
Programming	11,833
<hr/>	
TOTAL	\$ 9,316,152

Temporarily restricted net assets consist of cash \$5,768,418 and net pledges receivable of \$3,547,734.

**NOTE D – REFUNDABLE ADVANCE**

The Center obtained a refundable advance for \$41,400 as part of the Payroll Protection Program (PPP) to, mitigate the effects of the COVID-19 pandemic. The advance is eligible to be forgiven if utilized for allowable expenses as defined by PPP guidelines. Management expects this advance will be forgiven in full in the subsequent year.

**NOTE E – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The Center has \$174,718 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure consisting of cash of \$171,843 and sales tax receivable of \$2,875. 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, 2020, includes \$5,929,353 in excess of insured limits covered by the FDIC.

**NOTE G - UNCERTAINTIES**

The COVID-19 pandemic has resulted in major changes in the local economy. At this point, the full impact of this pandemic on the Center is unknown, but management believes that it could negatively impact its support and revenue for the foreseeable future.

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***Cornelius Arts and Community Center, Inc. d/b/a Cain Center for the Arts***  
**Notes to Financial Statements**  
**June 30, 2020**

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**NOTE H – RELATED PARTY TRANSACTIONS**

The Center paid a board member’s marketing and design company \$24,507 during the fiscal year.

**NOTE I – 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.

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