
Cornelius Arts and Community Center, Inc. d/b/a Cain Center for the Arts
Table of Contents
June 30, 2021

	Page
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

DRAFT

C. DEWITT FOARD & COMPANY, P.A.

*CERTIFIED PUBLIC ACCOUNTANTS
817 EAST MOREHEAD STREET SUITE 100
CHARLOTTE, NORTH CAROLINA 28202
TELEPHONE: 704-372-1515 WWW.CDFCO.COM*

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, 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.

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, 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.

Report on Summarized Comparative Information

We have previously audited the Center's 2020 financial statements, and our report dated September 4, 2020, 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, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

November 8, 2021

Cornelius Arts and Community Center, Inc. d/b/a Cain Center for the Arts**Statement of Financial Position****June 30, 2021, with prior year comparative totals**

	Year Ended June 30,	
	2021	2020
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents	\$ 230,972	\$ 171,843
Sales tax receivable	890	2,875
Prepaid expense	20,818	2,699
<i>Total Current Assets</i>	252,680	177,417
Property and Equipment	2,248,524	1,870
Long-Term Assets:		
Cash and cash equivalents	9,583,092	6,007,510
Capital campaign pledge receivable (net)	5,846,054	3,547,734
<i>Total Long-Term Assets</i>	15,429,146	9,555,244
TOTAL	\$ 17,930,350	\$ 9,734,531
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable	\$ 8,970	\$ 4,694
Construction payable	426,533	-
Deferred revenue	27,000	-
Refundable advance	-	41,400
<i>Total Current Liabilities</i>	462,503	46,094
Net Assets:		
Without donor restrictions	314,841	372,285
With donor restrictions	17,153,006	9,316,152
<i>Total Net Assets</i>	17,467,847	9,688,437
TOTAL	\$ 17,930,350	\$ 9,734,531

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

Statement of Activities

Year Ended June 30, 2021, with prior year comparative totals

	Year Ended June 30, 2021			Prior Year Comparative Totals
	Without Donor Restrictions	With Donor Restrictions	TOTALS	
<u>SUPPORT AND REVENUE</u>				
Contributions	\$ 18,055	\$ 6,146,317	\$ 6,164,372	\$ 4,274,274
Grants	331,000	-	331,000	323,000
In-kind contributions	-	-	-	134,927
Special events	22,140	-	22,140	12,517
Interest income	69,150	-	69,150	112,386
Net assets released from restriction	750	(750)	-	-
Total Support and Revenue	441,095	6,145,567	6,586,662	4,857,104
<u>EXPENSES</u>				
Program services	19,906	-	19,906	40,210
Management and general	114,717	-	114,717	138,237
Fundraising	363,916	-	363,916	379,878
Total Expenses	498,539	-	498,539	558,325
CHANGE IN NET ASSETS	(57,444)	6,145,567	6,088,123	4,298,779
NET ASSETS, BEGINNING	372,285	9,316,152	9,688,437	6,758,978
TRANSFER - TOWN OF CORNELIUS (NOTE A)	-	1,691,287	1,691,287	(1,369,320)
NET ASSETS, ENDING	\$ 314,841	\$ 17,153,006	\$ 17,467,847	\$ 9,688,437

Cornelius Arts and Community Center, Inc. d/b/a Cain Center for the Arts**Statement of Functional Expenses****Year Ended June 30, 2021, with prior year comparative totals**

	Year Ended June 30, 2020				Prior Year
	Program Services	Management and General	Fundraising	TOTALS	Comparative Totals
EXPENSES					
Personnel	\$ 18,616	\$ 40,153	\$ 176,511	\$ 235,280	\$ 222,695
Professional services	-	37,650	26,125	63,775	188,027
Advertising	-	-	115,529	115,529	74,010
Events	-	-	38,236	38,236	44,021
Office supplies	-	3,125	7,515	10,640	7,069
Travel	-	1,827	-	1,827	6,800
Insurance	-	8,563	-	8,563	3,604
Dues and subscriptions	-	9,661	-	9,661	3,298
Education	1,290	-	-	1,290	3,021
Miscellaneous	-	4,059	-	4,059	2,737
Telecommunication	-	1,419	-	1,419	1,600
Finance charges	-	7,207	-	7,207	1,309
Depreciation	-	1,053	-	1,053	134
TOTAL EXPENSES	\$ 19,906	\$ 114,717	\$ 363,916	\$ 498,539	\$ 558,325

DRAFT

Cornelius Arts and Community Center, Inc. d/b/a Cain Center for the Arts**Statement of Cash Flows****Year Ended June 30, 2021, with prior year comparative totals**

	Year Ended June 30,	
	2021	2020
<u>OPERATING ACTIVITIES</u>		
Change in net assets	\$ 6,088,123	\$ 4,298,779
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation expense	1,053	134
Transfer - Town of Cornelius	1,691,287	(1,369,320)
Contributions restricted for long-term purposes	(6,146,317)	(4,259,200)
Decrease (increase) in operating assets:		
Operating pledges	-	2,950
Sales tax receivable	1,985	(682)
Prepaid expense	(18,119)	(1,551)
Increase in operating liabilities:		
Accounts payable	4,276	1,675
Deferred revenue	27,000	-
Refundable advance	(41,400)	41,400
<i>Cash Flows from Operating Activities</i>	<i>1,607,888</i>	<i>(1,285,815)</i>
<u>INVESTING ACTIVITIES</u>		
Purchase of fixed assets	(556,420)	(2,004)
Transfer - Town of Cornelius property and equipment	(1,691,287)	-
Construction payable	426,533	-
<i>Cash Flows from Investing Activities</i>	<i>(1,821,174)</i>	<i>(2,004)</i>
<u>FINANCING ACTIVITIES</u>		
Increase in capital campaign pledges	(2,298,320)	(2,213,010)
Contributions restricted for long-term purposes	6,146,317	4,259,200
<i>Cash Flows from Financing Activities</i>	<i>3,847,997</i>	<i>2,046,190</i>
<i>NET CHANGE IN CASH AND CASH EQUIVALENTS</i>	<i>3,634,711</i>	<i>758,371</i>
<i>CASH AND CASH EQUIVALENTS, BEGINNING</i>	<i>6,179,353</i>	<i>5,420,982</i>
<i>CASH AND CASH EQUIVALENTS, ENDING</i>	<i>\$ 9,814,064</i>	<i>\$ 6,179,353</i>
<i>Cash and Cash Equivalents per Statement of Financial Position:</i>		
Operating cash	\$ 230,972	\$ 171,843
Cash held for long-term purposes	9,583,092	6,007,510
<i>Total Cash and Cash Equivalents</i>	<i>\$ 9,814,064</i>	<i>\$ 6,179,353</i>

Cornelius Arts and Community Center, Inc. d/b/a Cain Center for the Arts
Notes to Financial Statements
June 30, 2021

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 subject to donor-imposed stipulations. These net assets may be temporary in nature, which are subject to donor-imposed stipulations that may or will be met, either by actions of the Center or the passage of time, and net assets that are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. As of June 30, 2021, the Center had no restricted net assets to be maintained in perpetuity.

Revenue recognition

The Center adopted 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. The implementation of ASU 2014-09 had no impact on the accompanying financial statements.

Cornelius Arts and Community Center, Inc. d/b/a Cain Center for the Arts
Notes to Financial Statements
June 30, 2021

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions of cash and other assets are considered to be available for undesignated use unless specifically restricted by the donor. Amounts received that are restricted for future periods or are restricted by the donor for specific purposes are reported as net assets with donor restrictions. When a donor restriction expires (that is, when a stipulated time restriction ends or the purpose of the 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. Capital campaign contributions for construction will be released once the asset is placed in service.

Other revenues, such as sponsorships, are recorded once the performance obligation is earned. As of June 30, 2021, the sponsorship revenue received is for an event in the fiscal year ending June 30, 2022, and is therefore recorded as deferred revenue for \$27,000.

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 did not receive any donated goods or 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.

Cornelius Arts and Community Center, Inc. d/b/a Cain Center for the Arts
Notes to Financial Statements
June 30, 2021

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

Previously, the Center would transfer the proceeds from its capital campaign to the Town of Cornelius (the "Town") for the construction of a Community Center in Cornelius; however, a new agreement was signed during the year ended June 30, 2021, which the Town agreed to transfer the construction expenditures incurred to the Center. The amount transferred to the Center was \$1,691,287, which was the total that had been previously transferred to the Town. It was recorded as property and equipment in the accompanying Statement of Financial Position.

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 2020 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 \$67,598. Management's assessment of the collectability of receivables is based on a review of individual accounts, historical experience, and current economic conditions. The \$5,798 discount for the present value is computed using an interest rate of 1.02 percent. At June 30, 2021, there were two pledges totaling \$3,743,796, 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, 2021, are summarized as follows:

Pledges receivable		\$	5,919,450
Present value discount	\$	5,798	
Allowance for uncollectible contributions receivable		67,598	73,396
<u>Net pledges receivable</u>		\$	<u>5,846,054</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.

Cornelius Arts and Community Center, Inc. d/b/a Cain Center for the Arts
Notes to Financial Statements
June 30, 2021

The Center has a conditional pledge with the Town for \$4,000,000. The Center recognizes the revenue as construction cost is incurred. As of June 30, 2021, the construction cost incurred was \$2,243,796; therefore, the remaining balance of the conditional pledge is \$1,756,204.

Gross contributions receivable are scheduled to be received as follows:

Year Ended June 30,	
2022	\$ 5,642,364
2023	277,086
TOTAL	\$ 5,919,450

NOTE C – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30,

Construction in process	\$ 2,243,796
Furniture, fixtures and equipment	5,914
Total	2,249,710
Less – accumulated depreciation	1,186
TOTAL	\$ 2,248,524

Commitment

The Center has a signed contract for the construction of the building. At year-end, the contract balance to complete was \$15,670,326.

NOTE D – NET ASSETS WITH DONOR RESTRICTIONS

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

Pledge campaign	\$ 17,060,054
Education	78,119
Programming	14,833
TOTAL	\$ 17,153,006

Purpose restricted net assets consist of cash of \$11,306,952 and net pledges receivable of \$5,846,054.

NOTE E – DEBT

During the year, the Center signed a commitment to close on a construction loan with available proceeds of up to \$7,500,000. Also, the commitment included a \$750,000 line of credit.

Cornelius Arts and Community Center, Inc. d/b/a Cain Center for the Arts
Notes to Financial Statements
June 30, 2021

NOTE F – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Center has \$231,862 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure consisting of cash of \$230,972 and sales tax receivable of \$890. 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 G – 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, 2021, includes \$9,564,064 in excess of insured limits covered by the FDIC.

NOTE H - 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.

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.