
Cornelius Arts and Community Center, Inc. d/b/a Cain Center for the Arts
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June 30, 2023

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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

Opinion

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 organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to financial statements.

In our opinion, the financial statements referred to above 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, 2023, 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.

Basis of Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Cornelius Arts and Community Center, Inc. d/b/a Cain Center for the Arts and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Cornelius Arts and Community Center, Inc. d/b/a Cain Center for the Arts's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of Cornelius Arts and Community Center, Inc. d/b/a Cain Center for the Arts's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Cornelius Arts and Community Center, Inc. d/b/a Cain Center for the Arts's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Center's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 1, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

October 6, 2023

Cornelius Arts and Community Center, Inc. d/b/a Cain Center for the Arts**Statement of Financial Position****June 30, 2023, with prior year comparative totals**

	Year Ended June 30,	
	2023	2022
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents	\$ 2,319,885	\$ 534,994
Investments	-	245,898
Receivables:		
Operating pledges	108,044	94,000
Sales tax receivable	96,817	696
Accounts receivable	100	418
Prepaid expense	13,751	166,713
<u>Total Current Assets</u>	<u>2,538,597</u>	<u>1,042,719</u>
Property and Equipment	21,463,247	14,303,401
Long-Term Assets:		
Cash and cash equivalents	293,229	6,654,707
Investments	499,850	476,844
Operating pledges	215,986	-
Capital campaign pledge receivable (net)	149,141	4,168,031
<u>Total Long-Term Assets</u>	<u>1,158,206</u>	<u>11,299,582</u>
<u>TOTAL</u>	<u>\$ 25,160,050</u>	<u>\$ 26,645,702</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable	\$ 23,843	\$ 20,833
Construction payable	-	2,435,752
Deferred revenue	98,629	58,832
<u>Total Current Liabilities</u>	<u>122,472</u>	<u>2,515,417</u>
Net Assets:		
Without donor restrictions		
Undesignated	23,413,943	339,611
Designated	9,750	-
<u>Total Without Donor Restrictions</u>	<u>23,423,693</u>	<u>339,611</u>
With donor restrictions	1,613,885	23,790,674
<u>Total Net Assets</u>	<u>25,037,578</u>	<u>24,130,285</u>
<u>TOTAL</u>	<u>\$ 25,160,050</u>	<u>\$ 26,645,702</u>

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

Statement of Activities

Year Ended June 30, 2023, with prior year comparative totals

	Year Ended June 30, 2023			Prior Year Comparative Totals
	Without Donor Restrictions	With Donor Restrictions	TOTALS	
<u>SUPPORT AND REVENUE</u>				
Contributions	\$ 413,181	\$ 1,383,361	\$ 1,796,542	\$ 6,285,757
Grants	426,000	-	426,000	384,746
Program revenue	727,658	-	727,658	136,907
In-kind contributions	-	-	-	630,500
Special events	30,794	-	30,794	16,635
Other income	2,843	-	2,843	-
Investment income (loss)	50,750	30,388	81,138	(916)
Net assets released from restriction	23,590,538	(23,590,538)	-	-
<i>Total Support and Revenue</i>	<i>25,241,764</i>	<i>(22,176,789)</i>	<i>3,064,975</i>	<i>7,453,629</i>
<u>EXPENSES</u>				
Program services	1,254,512	-	1,254,512	197,413
Management and general	630,243	-	630,243	237,940
Fundraising	272,927	-	272,927	355,838
<i>Total Expenses</i>	<i>2,157,682</i>	<i>-</i>	<i>2,157,682</i>	<i>791,191</i>
<i>CHANGE IN NET ASSETS</i>	<i>23,084,082</i>	<i>(22,176,789)</i>	<i>907,293</i>	<i>6,662,438</i>
<i>NET ASSETS, BEGINNING</i>	<i>339,611</i>	<i>23,790,674</i>	<i>24,130,285</i>	<i>17,467,847</i>
<i>NET ASSETS, ENDING</i>	<i>\$ 23,423,693</i>	<i>\$ 1,613,885</i>	<i>\$ 25,037,578</i>	<i>\$ 24,130,285</i>

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

Statement of Functional Expenses

Year Ended June 30, 2023, with prior year comparative totals

	Year Ended June 30, 2023				Prior Year Comparative Totals
	Program Services	Management and General	Fundraising	TOTALS	
EXPENSES					
Personnel	\$ 226,503	\$ 314,131	\$ 105,694	\$ 646,328	\$ 368,025
Occupancy	95,618	49,480	-	145,098	95,002
Professional services	4,524	109,495	2,481	116,500	84,836
Contract services	347,314	-	-	347,314	35,118
Advertising	108,303	7,500	-	115,803	45,653
Events	39,371	-	127,584	166,955	56,835
Office supplies	5,055	16,113	4,995	26,163	24,815
Travel	4,506	5,058	122	9,686	5,238
Insurance	-	45,803	-	45,803	33,566
Dues and subscriptions	2,978	16,771	11,089	30,838	13,278
Education	27,240	-	-	27,240	8,082
Telecommunication	340	26,894	-	27,234	4,748
Supplies	77,062	-	-	77,062	9,390
Finance charges	9,091	2,927	2,926	14,944	5,422
TOTAL EXPENSES BEFORE					
DEPRECIATION EXPENSE	947,905	594,172	254,891	1,796,968	790,008
Depreciation expense	306,607	36,071	18,036	360,714	1,183
TOTAL EXPENSES	\$ 1,254,512	\$ 630,243	\$ 272,927	\$ 2,157,682	\$ 791,191

Cornelius Arts and Community Center, Inc. d/b/a Cain Center for the Arts**Statement of Cash Flows****Year Ended June 30, 2023, with prior year comparative totals**

	Year Ended June 30,	
	2023	2022
<u>OPERATING ACTIVITIES</u>		
Change in net assets	\$ 907,293	\$ 6,662,438
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation expense	360,714	1,183
Contributions restricted for capital campaign	(1,033,908)	(5,379,803)
Contributions restricted for endowment	-	(497,500)
Donated land	-	(630,000)
Unrealized loss on investments	42,672	34,503
Decrease (increase) in operating assets:		
Operating pledges	(230,030)	(94,000)
Sales tax receivable	(96,121)	194
Accounts receivable	318	(418)
Prepaid expense	152,962	(145,895)
Increase in operating liabilities:		
Accounts payable	3,010	11,863
Deferred revenue	39,797	31,832
<u>Cash Flows from Operating Activities</u>	<u>146,707</u>	<u>(5,603)</u>
<u>INVESTING ACTIVITIES</u>		
Purchase of fixed assets	(7,520,560)	(11,426,060)
Purchase of investments	(73,830)	(758,283)
Sale of investments	254,050	1,038
Construction payable	(2,435,752)	2,009,219
<u>Cash Flows from Investing Activities</u>	<u>(9,776,092)</u>	<u>(10,174,086)</u>
<u>FINANCING ACTIVITIES</u>		
Increase (decrease) in capital campaign pledges	4,018,890	1,678,023
Contributions restricted for capital campaign	1,033,908	5,379,803
Contributions restricted for endowment	-	497,500
<u>Cash Flows from Financing Activities</u>	<u>5,052,798</u>	<u>7,555,326</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(4,576,587)	(2,624,363)
CASH AND CASH EQUIVALENTS, BEGINNING	7,189,701	9,814,064
CASH AND CASH EQUIVALENTS, ENDING	\$ 2,613,114	\$ 7,189,701
<u>Cash and Cash Equivalents per Statement of Financial Position:</u>		
Operating cash	\$ 2,319,885	\$ 534,994
Cash held for long-term purposes	293,229	6,654,707
<u>Total Cash and Cash Equivalents</u>	\$ 2,613,114	\$ 7,189,701

Cornelius Arts and Community Center, Inc. d/b/a Cain Center for the Arts
Notes to Financial Statements
June 30, 2023

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. The Center also collects program revenue related to classes and shows.

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. The Center designated \$9,750 for maintenance reserves as of June 30, 2023.

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.

Revenue recognition

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 was released during the year ended June 30, 2023 due to the asset being placed in service.

Cornelius Arts and Community Center, Inc. d/b/a Cain Center for the Arts
Notes to Financial Statements
June 30, 2023

Other revenues, such as classes, facility rentals and performances, are recorded once the performance obligation is earned. As of June 30, 2023, the Center received funds for classes and performances that will be held during the fiscal year ending June 30, 2024, and is therefore recorded as deferred revenue for \$98,629. See below for the various performance obligations for each type of revenue:

- Performance obligations related to various classes held by the Center are satisfied at a point in time. The Center records revenue for class revenue once the class has been completed.
- Performance obligations related to renting event space at the Center facilities are satisfied at a point in time. The Center records rental income upon the conclusion of the event.
- Performance obligations related to performances held by the Center are satisfied at a point in time. The Center records revenue for performances at the time of the program.
- Performance obligations related to all other various sources of program revenue are recorded at a point in time once the sale is completed.

Cash and cash equivalents

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

Investments

The Center has included in these financial statements the fair value of investments and related income earned on those investments.

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.

Cornelius Arts and Community Center, Inc. d/b/a Cain Center for the Arts
Notes to Financial Statements
June 30, 2023

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.

New accounting pronouncement

The Center adopted ASU 2016-02, *Leases* (Topic 842) during the year. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases are classified as either financing or operating, with classifications affecting the pattern of expense recognition in the statement of activities. The Center determined that its leases in place during the year were immaterial to present under the new standard.

Prior-year comparative totals

The financial statements include certain prior-year summarized information in total, but not by net asset class or functional expense category. Such information does not include sufficient detail to constitute a presentation in conformity with US GAAP. Accordingly, such information should be read in conjunction with the Center's 2022 financial statements, from which the summarized information was derived.

NOTE B – INVESTMENTS

Investments

Investments consist of mutual funds of \$499,850 as of June 30, 2023.

Cornelius Arts and Community Center, Inc. d/b/a Cain Center for the Arts
Notes to Financial Statements
June 30, 2023

Fair value measurements

Current accounting standards require fair value to be determined based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. It establishes a three-level valuation hierarchy based upon observable and unobservable inputs, as follows:

- Level 1 - Fair value is based on quoted prices in active markets for identical assets or liabilities.
- Level 2 - Fair value is based on observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 - Fair value is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Center's investments are classified as Level 1 assets.

Investment risk

Investments held in financial institutions are insured up to \$500,000 by the Securities Investor Protection Corporation (SIPC); however, this insurance does not cover the loss of value of the underlying assets. As disclosed above, the Center maintains a variety of investments which are subject to fluctuations in market values and expose the Center to a certain degree of investment risk.

NOTE C – PLEDGES RECEIVABLE

Operating pledges

Unconditional promises to give for operations are presented net of an estimated allowance for doubtful accounts of \$4,474. Management's assessment of the collectability of receivables is based on a review of individual accounts, historical experience, and current economic conditions. The \$7,640 discount for the present value is computed using an interest rate of 3.56 percent. The pledge balance for operating pledges as of year-end was \$336,144.

Capital campaign

Unconditional promises to give for the capital campaign are presented with no allowance for doubtful accounts or present value discount due to the balance of \$149,141 is expected to be collected during the year ended June 30, 2024.

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, 2023

Pledges receivable are scheduled to be received as follows:

Year Ended June 30,

	Operating	Capital
2024	\$ 108,044	\$ 149,141
2025	129,100	-
2026	79,000	-
2027	10,000	-
2028	10,000	-
Total gross pledges receivable	336,144	149,141
Allowance for doubtful accounts	(4,474)	-
Present value discount	(7,640)	-
TOTAL PLEDGES RECEIVABLE, NET	\$ 324,030	\$ 149,141

NOTE D – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2023:

Land	\$ 630,000
Building	19,878,736
Furniture, fixtures and equipment	1,317,594
Total	21,826,330
Less – accumulated depreciation	363,083
TOTAL	\$ 21,463,247

NOTE E – DEBT

During the prior 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. The Center has not borrowed any funds as of the date of this report.

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Notes to Financial Statements
June 30, 2023

NOTE F – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at year-end are as follows:

Purpose restricted:		
Capital campaign	\$	522,748
Education		91,394
Programming		33,652
<u>Total Purpose Restricted</u>		<u>647,794</u>
Time restricted		468,591
Perpetuity – Endowment (corpus)		497,500
TOTAL	\$	1,613,885

Net assets with donor restrictions consist of cash of \$640,864, pledges receivable of \$473,171, and investments of \$499,850.

NOTE G – ENDOWMENT FUNDS

The Organization’s endowed funds are held with Morgan Stanley. These funds are overseen and managed in accordance with the Uniform Prudent Management of Institution Funds Act (“UPMIFA”). The funds held at Morgan Stanley are managed by the Center’s Investment Committee, who has adopted a formal investment and spending policy for the endowed assets that attempt to provide a predictable stream of funding to support the Center’s mission while also maintaining the purchasing power of those endowment assets over the long-term. It is the responsibility of the Investment Committee, in consultation with its endowment managers, to periodically review the spending policy against actual returns in order to make necessary adjustments. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes global equities, domestic equity, emerging markets, fixed income, real estate, and other alternative investments. Actual returns in any given year will vary. The Center’s spending policy is based on the endowment’s three-year historical rolling average rate of total return, not to exceed four percent. The three-year historical rolling average will commence during the fiscal year ending June 30, 2024.

Endowment Activity

The Endowment’s activity for the year ended June 30, 2023, is as follows:

Beginning Endowment Balance	\$	476,844
Endowed contributions		-
Investment income		30,388
<u>Appropriation of endowment assets for expenditure</u>		<u>-</u>
ENDING ENDOWMENT BALANCE	\$	507,232

Cornelius Arts and Community Center, Inc. d/b/a Cain Center for the Arts
Notes to Financial Statements
June 30, 2023

NOTE H – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Center has \$2,524,846 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure consisting of cash of \$2,319,885 and current non-capital receivables of \$204,961. Of the financial assets available, \$347,635 are subject to donor or other contractual restrictions which make them unavailable for general expenditure within one year of the balance sheet date. 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 I – 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 are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). The Center holds cash in excess of the insured limits covered by the FDIC; however, the Center believes it is not exposed to any significant credit risk related to these accounts.

NOTE J – 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.