

CULTURAL COUNCIL OF GREATER JACKSONVILLE, INC.

FINANCIAL REPORT

Year Ended September 30, 2020

DRAFT

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Cultural Council of Greater Jacksonville, Inc.
Jacksonville, FL

Report on the Financial Statements

We have audited the accompanying financial statements of Cultural Council of Greater Jacksonville, Inc. (a Florida not-for-profit corporation), which comprise the statement of financial position as of September 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.

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 from 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 above present fairly, in all material respects, the financial position of Cultural Council of Greater Jacksonville, Inc. as of September 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.

Other Matters

Subsequent Event: COVID-19 Pandemic

As discussed in Note 16 to the consolidated financial statements, management has evaluated the operational and financial effect on the Organization of the COVID-19 pandemic. Our opinion is not modified with respect to that matter.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of Government Agency Contracts, City of Jacksonville Cultural Services Grants and Expenses, Source and Expenditures of City Grant Funds, Source and Expenditures of Downtown Investment Authority pages 16-21 is presented for 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 Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2021, on our consideration of Cultural Council of Greater Jacksonville, Inc.'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 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 Cultural Council of Greater Jacksonville, Inc.'s internal control over financial reporting and compliance.

Adam, Krueger & Associates CPAs, LLC

St. Augustine, FL
January 15, 2021

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CULTURAL COUNCIL OF GREATER JACKSONVILLE, INC.

STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2020

ASSETS

Cash and cash equivalents	\$ 600,118
Accounts receivable, net	7,427
Prepaid expenses	5,937
Property and equipment, net	<u>810</u>
TOTAL ASSETS	<u>\$ 614,292</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 138,888
Refundable advance	78,200
Deferred revenue	<u>128,000</u>
TOTAL LIABILITIES	<u>345,088</u>

NET ASSETS

Without donor restrictions	269,204
With donor restrictions	<u>-</u>
TOTAL NET ASSETS	<u>269,204</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 614,292</u>

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See accompanying notes

CULTURAL COUNCIL OF GREATER JACKSONVILLE, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2020

	Without <u>Donor Restrictions</u>	With <u>Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
Government contracts and revenue			
State of Florida	\$ 234,463	\$ -	\$ 234,463
City of Jacksonville	3,124,041	-	3,124,041
Contributions	108,250	-	108,250
Program service fees	254,902	-	254,902
Interest income	3,791	-	3,791
Total revenue and support	<u>3,725,447</u>	<u>-</u>	<u>3,725,447</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>-</u>	<u>-</u>	<u>-</u>
EXPENSES			
Program services	3,605,076	-	3,605,076
Management and general	102,026	-	102,026
Development	8,935	-	8,935
Total expenses	<u>3,716,037</u>	<u>-</u>	<u>3,716,037</u>
CHANGES IN NET ASSETS	9,410	-	9,410
NET ASSETS, BEGINNING	<u>259,794</u>	<u>-</u>	<u>259,794</u>
NET ASSETS, ENDING	<u>\$ 269,204</u>	<u>\$ -</u>	<u>\$ 269,204</u>

See accompanying notes

CULTURAL COUNCIL OF GREATER JACKSONVILLE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2020

	Program Services					Supporting Services		
	Art in Public Places	Community Service Grant	State of the Arts and Other Programs	CCGJ Other Programs	Total	Management & General	Development	Total
Salaries, wages and taxes	\$ 55,385	\$ 264,930	\$ -	\$ 53,601	\$ 373,916	\$ 65,855	\$ -	\$ 439,771
Personnel benefits	4,649	27,974	-	5,660	38,283	6,992	-	45,275
	60,034	292,904	-	59,261	412,199	72,847	-	485,046
CSG regrant	-	2,590,056	-	-	2,590,056	-	-	2,590,056
Advertising and printing	12	240	14	2,533	2,799	184	-	2,983
Professional fees	94,454	199	332	15,869	110,854	553	-	111,407
Equipment lease and maintenance	-	-	-	-	-	221	-	221
Insurance	-	6,520	-	429	6,949	9,882	-	16,831
Membership and subscriptions	59	1,140	64	12,026	13,289	873	-	14,162
Occupancy	-	24,514	-	-	24,514	3,763	-	28,277
Supplies	62	580	42	93	777	1,477	-	2,254
Travel	-	2,268	614	2,730	5,612	7,537	-	13,149
Utilities	-	6,579	-	-	6,579	1,010	-	7,589
Bank charges and processing fees	-	-	2,097	29	2,126	2,203	-	4,329
Fundraising	-	-	-	-	-	-	8,935	8,935
Art program expenses	-	-	428,908	-	428,908	-	-	428,908
Meetings	12	115	8	18	153	294	-	447
Postage and mailing	21	195	14	31	261	495	-	756
Board expenses	-	-	-	-	-	462	-	462
Total expenses before depreciation	154,654	2,925,310	432,093	93,019	3,605,076	101,801	8,935	3,715,812
Depreciation	-	-	-	-	-	225	-	225
Total expenses	<u>\$ 154,654</u>	<u>\$ 2,925,310</u>	<u>\$ 432,093</u>	<u>\$ 93,019</u>	<u>\$ 3,605,076</u>	<u>\$ 102,026</u>	<u>\$ 8,935</u>	<u>\$ 3,716,037</u>

See accompanying notes

CULTURAL COUNCIL OF GREATER JACKSONVILLE, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED SEPTEMBER 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 9,410
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	225
Net changes in:	
Accounts receivable, net	59,299
Prepaid expenses	11,531
Accounts payable and accrued expenses	133,689
Deferred revenue	<u>(308,007)</u>
Net cash used by operating activities	<u>(93,853)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Net cash provided by investing activities	<u>-</u>
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CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from refundable advance	<u>78,200</u>
Net cash provided by financing activities	<u>78,200</u>

NET CHANGE IN CASH	(15,653)
CASH, BEGINNING	<u>615,771</u>
CASH, ENDING	<u>\$ 600,118</u>

See accompanying notes

CULTURAL COUNCIL OF GREATER JACKSONVILLE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 ORGANIZATION

The Cultural Council of Greater Jacksonville, Inc. (the "Council") was established in 1973 to promote awareness and interest in the arts through programs such as arts education, advocacy and outreach, grants and funding, and other special projects. The Council is supported through city and state grants, memberships, and other grants and contributions.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Council have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

New Accounting Pronouncement

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, Revenue from Contracts with Customers, in the Accounting Standards Codification (ASC). Revenue Recognition for the contract related services requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an Organization expects to be entitled in exchange for those goods and services. The Council has adjusted the presentation of these consolidated statements accordingly.

Classification of Net Assets

The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Organizations" (the "Guide"). (ASC) 958-205 was effective January 1, 2018.

Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Council and changes therein are classified as follows:

- a) Net assets without donor restrictions: Net assets are resources over which the Board of Directors (the "Board") has discretionary control including those unrestricted net assets invested in certificates of deposits, investments and property and equipment.
- b) Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Council or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. After the donor-imposed time or purpose restriction is satisfied, donor restricted net assets are reclassified to donor unrestricted net assets and reported within the statement of activities as net assets released from restrictions.

Cash and Cash Equivalents

Cash and cash equivalents include all cash balances and highly liquid investments with an original maturity of 90 days or less.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. A reserve for doubtful accounts is provided based on the Council's prior experience and assessment of the current status of individual accounts. As of September 30, 2020, the total accounts receivable balance was \$7,427. Additionally, management determined all accounts receivable were fully collectable and therefore, no allowance for uncollectable accounts was required.

CULTURAL COUNCIL OF GREATER JACKSONVILLE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Instruments

All financial instruments are carried at amounts that approximate estimated fair value. Financial Accounting Standards Board ASC 820, *Fair Value Measurement* ("ASC 820"), establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy under ASC 820 are described below:

Level 1

Inputs to the valuation methodology are unadjusted quoted prices in active markets for identical assets or liabilities that the Council can access at the measurement date.

Level 2

Inputs to the valuation methodology are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly such as publicly available information about actual events or transactions, and that reflect the assumptions that market participants would use when pricing the asset or liability.

Level 3

Inputs to the valuation methodology are unobservable for the asset or liability. Unobservable inputs are defined as inputs for which market data are not available and that are developed using the best information available about the assumptions that market participants would use when pricing the asset or liability.

All financial instruments are considered to be Level 1 inputs in the fair value hierarchy.

Property and Equipment

Property and equipment are stated at cost, if purchased. Donations of property and equipment are recorded at their estimated fair market value at the date of donation. Such donations are reported as without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Council reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Council reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Expenditures for renewals or improvements that either materially add value or prolong the useful lives of assets are capitalized. Expenditures that are less than \$1,000 are expensed as incurred.

Furniture and fixtures are depreciated using the straight-line method over their estimated useful lives of 7 years. Computers and equipment are depreciated using the straight-line method over their estimated useful lives of 5 years. Depreciation expense for the year ended September 30, 2020 was \$225.

Compensated Absences

The Council's policy for compensated absences provides that any unused paid time off September 30 of each year is not to be carried into the subsequent year. Therefore, no accrual for compensated absences is required.

CULTURAL COUNCIL OF GREATER JACKSONVILLE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions

In accordance with FASB ASC 958, *Financial Statements of Not-for-Profit Entities*, contributions received are recorded as donor restricted or donor unrestricted support depending on the existence and/or nature of donor restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the 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. Under FASB ASC 958, contributions that are required to be reported as donor restricted support are then reclassified to net assets without donor restrictions upon expiration of time restrictions or satisfaction of donor restrictions.

Contributions, including unconditional promises to give, are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

Unconditional promises to give ("pledges") receivable are recorded when unconditional promises to pay are recorded. Unconditional promises to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Management uses the direct method in writing-off uncollectable promises to give. The Council writes off specific pledges receivable as they become uncollectible. Use of the direct method did not result in a material departure from accounting principles generally accepted in the United States of America.

Donated Goods and Services

The Council records the value of donated goods or services when there is an objective basis available to measure their value. Donated services of a professional or skilled nature are presented at the estimated value of such services. Donated goods, including equipment, are reflected in the accompanying statements at their estimated value at date of receipt.

When contributed real or personal property is promised for several years, either in connection with a lease or a situation similar to a lease then the contribution is recognized at fair value and is recorded as an increase in net assets with donor restrictions. The present value of the lease is reported as an asset that is amortized over the term of the promise.

Additionally, a number of volunteers periodically donate significant amounts of time to the Council. No amounts have been reflected in the statement of activities for these contributed services since the contribution of these services did not create or enhance non-financial assets or require specialized skills, and therefore do not meet the requirements for recognition in the financial statements under accounting principles generally accepted in the United States of America.

Deferred Revenue

Under accounting principles generally accepted in the United States of America, deferred revenue for unearned exchange transactions is recorded only when the Council receives funds prior to earning the revenue and not just when an exchange transaction agreement is entered into.

Income Taxes

Cultural Council of Greater Jacksonville, Inc. is a Florida not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes on related income pursuant to Section 501(a) of the Internal Revenue Code and Chapter 220.13 of the Florida Statutes, respectively.

CULTURAL COUNCIL OF GREATER JACKSONVILLE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting for Income Taxes

The Council has adopted FASB ASC 740-10, *Accounting for Income Taxes*, which clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements. The interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Based on analyses of various federal and state filing positions of the Council, management believes that its income tax filing positions and deductions are well documented and supported.

As of September 30, 2020, the Council had no temporary differences relating to the recognition of income and expenses for financial and tax reporting purposes. Accordingly, no deferred tax assets or liabilities are recorded. Additionally, as of September 30, 2020, the Council had no uncertain tax positions that would qualify for either recognition or disclosure in the financial statements. Therefore, no reserves for uncertain income tax positions have been recorded pursuant to FASB ASC 740-10. In addition, no cumulative effect adjustment related to the adoption of FASB ASC 740-10 was recorded.

There have been no increases or decreases in unrecognized tax benefits for current or prior years since the date of adoption. Furthermore, no interest or penalties have been included since no reserves were recorded and no significant increases or decreases are expected to occur within the next 12 months. When applicable, such interest and penalties will be reported as income tax expense.

Since tax matters are subject to some degree of uncertainty, there can be no assurance that the Council's tax returns will not be challenged by the taxing authorities and that the Council will not be subject to additional tax, penalties, and interest as a result of such challenge. At September 30, 2020, the periods that remain open to examination under federal statute are for the fiscal years ended September 30, 2017 through 2019.

Functional Expense Allocation

The costs of providing program and supporting services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program services of the Council and supporting services benefited. Such allocations are determined by management on an equitable basis. The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries, wages and taxes	Time and effort
Personnel benefits	Time and effort
Advertising and printing	Estimated usage
Professional fees	Time and effort
Insurance	Estimated usage
Membership and subscriptions	Estimated usage
Occupancy	Square footage
Supplies	Estimated usage
Travel	Estimated usage
Utilities	Square footage
Bank charges and processing fees	Estimated usage
Meetings	Estimated usage
Postage and mailing	Estimated usage
Board expenses	Estimated usage
Depreciation	Square footage

CULTURAL COUNCIL OF GREATER JACKSONVILLE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising Costs

The Council does not capitalize advertising costs, but rather expenses advertising production costs as they are incurred, and advertising communication costs the first time the advertising takes place. The amount charged to expense was \$2,983 during the fiscal year ended September 30, 2020 and is included in advertising and printing on the statement of functional expenses.

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 certain reported amounts and disclosures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, actual results could differ from those estimated. The nature of those estimates, however, is such that variances from actual results are held to be immaterial.

Reclassifications

Certain accounts in the prior-year financial statements may have been reclassified to conform with the presentation in the current year financial statements. These recategorized expenses did not affect reported financial position, results of operations, or cash flows.

NOTE 3 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following as of September 30, 2020:

Cash	\$ 600,118
Total	<u>\$ 600,118</u>

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of September 30, 2020:

Furniture and fixtures	\$ 25,403
Computer and equipment	<u>22,170</u>
Total property and equipment	47,573
Less, accumulated depreciation	<u>(46,763)</u>
Property and equipment, net	<u>\$ 810</u>

NOTE 5 DEFERRED REVENUE

The Council's deferred revenue consisted of the following as of September 30, 2020:

Water Street	\$ 128,000
Total	<u>\$ 128,000</u>

NOTE 6 CULTURAL SERVICES GRANT PROGRAM

The Council was designated as the regrant organization for cultural arts by the City of Jacksonville in 1989. During the year ended September 30, 2020, the Council entered into a Miscellaneous Appropriations Agreement with the City of Jacksonville related to the Cultural Services Grant Program. Under the terms of this agreement, the City of Jacksonville appropriated \$2,993,580 for the benefit of qualified cultural organizations.

CULTURAL COUNCIL OF GREATER JACKSONVILLE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 7 NET ASSETS WITHOUT DONOR RESTRICTIONS

As of September 30, 2020, The Council's net assets without donor restrictions subject to spending policy and appropriation totaled \$347,404.

NOTE 8 OPERATING LEASES

The Council leases office space from the City of Jacksonville. The Council extended its lease with the City of Jacksonville effective November 6, 2012, commencing on October 1, 2012 through September 30, 2022. The Council has an option to extend the terms to September 30, 2027. Rental expense under long-term obligations totaled \$28,277 during the year ended September 30, 2020. Future amounts due under the lease commitments at September 30, 2020 are as follows:

2021	29,134
2022	<u>30,010</u>
Total	<u>\$ 59,144</u>

NOTE 9 CONCENTRATIONS OF CREDIT RISK

The Council maintains its cash balances with high quality financial institutions in the Jacksonville, Florida area. Accounts at these institutions currently are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. At times, such balances may be in excess of FDIC insurance limits. At September 30, 2020, the Council's uninsured cash balances totaled approximately \$74,409.

NOTE 10 OTHER CONCENTRATIONS OF RISK

The Council received approximately 88% of its support through Federal, State and local government funding during the year ended September 30, 2020. Consequently, changes in government funding levels in future periods have the potential to significantly impact the consolidated financial position and operations of the Council.

NOTE 11 DEFINED CONTRIBUTION PENSION PLAN

The Council established a defined contribution pension plan (the "Plan"). The Plan is a "tax deferred annuity," or 403(b) plan, as defined by the Internal Revenue Code. The Plan covers full-time employees who agree to make contributions to the Plan. The Council is obligated to match 100% of employee contributions up to 2% of their annual compensation. The Council contributed \$2,230 to the Plan during the year ending September 30, 2020.

NOTE 12 INVESTMENT IN JACKSONVILLE COMMUNITY FOUNDATION

The Council entered into an agreement with the Community Foundation to establish and maintain a permanent endowment. This endowment is managed and controlled by the Community Foundation. All contributions received by the Community Foundation directly from grantors are irrevocable.

Distributions the Community Foundation makes from the endowment fund to the Council are limited each year to a distributable amount determined pursuant to the Community Foundation's Spending Policy, as set and amended from time to time by the Community Foundation's Board of Trustees. The Spending Policy is designed to protect the economic value of the principal of the endowment, help the principal grow over time, give the Council the benefit of a reasonably stable, consistent and predictable flow of funds, and smooth the effect of market volatility in earnings on the investment of endowment fund assets over a period of years.

All amounts relating to these funds are excluded from the accompanying financial statements. At September 30, 2020, the balance in the fund was \$44,167, which includes current year net investment earnings of approximately \$653 and current year fees to the Endowment Fund, totaling approximately \$277. No distributions were taken from the Endowment Fund during the year ended September 30, 2020.

CULTURAL COUNCIL OF GREATER JACKSONVILLE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 13 LIQUIDITY OF SHORT-TERM ASSETS

The Council is substantially supported by unrestricted and restricted funding. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Council must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Council's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The following reflects the Council's financial assets as of September 30, 2020, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the financial position date:

Financial Assets		
Cash and cash equivalents	\$	600,118
Accounts receivable, net of allowance		<u>7,427</u>
Financial assets, at year end		<u>607,545</u>
Less, those unavailable for general expenditures within one year, due to:		
Contractual or donor imposed restrictions:		<u>(128,000)</u>
Total restrictions of assets		<u>(128,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$	<u><u>479,545</u></u>

NOTE 14 PRIOR PERIOD ADJUSTMENT

During the year ended September 30, 2020, management's analysis of FASB ASC Topic 606 revealed it has contracts in place that require presentation as unearned revenue to presented as a liability (deferred revenue) instead of net assets with donor restrictions. The following financial statement line items as of the year ended September 30, 2019 would have been affected by this transaction.

	As Previously Stated	As Adjusted	Effect of Adjustment
Deferred revenue	-	436,007	436,007
Net assets with donor restrictions	436,007	-	(436,007)

NOTE 15 REFUNDABLE ADVANCE

In April 2020, the Council applied for, was approved, and was funded \$78,200 for a loan under the Paycheck Protection Program (PPP) pursuant to the Coronavirus Aid, Relief and Economic Security (CARES) Act that was signed into law on March 27, 2020. As a U.S. small business, the Council has qualified for the PPP, which allows businesses and nonprofits with fewer than 500 employees to obtain loans of up to \$10 million to incent companies to maintain their workers as they manage the business disruptions caused by the COVID-19 pandemic. Some or all of the loan may be forgiven if at least 60 percent of the loan proceeds are used by the Council to cover payroll costs, including the salaries and benefits and other allowable costs of the Council, which is estimated to cover the loan amount, if the Council maintains its employment and compensation within certain parameters during the forgiveness period, as determined by management (up to twenty-four weeks), following the loan origination date and complies with other relevant conditions. Should the loan ultimately not be forgiven by the Small Business Administration (SBA), the loan will be paid off in a timely manner by the Council ensuring that the property is not negatively impacted in any way. As of the date of this report, management believes the Council has satisfied the requirements of the loan and expects the loan to be forgiven in full. However, as provided under ASC 470, management will continue to report the advance as a liability on the statement of financial position until the debt is extinguished formally by the SBA, at which point it will be reclassified to revenue. Borrowers are not required to impute a market rate of interest to government-guaranteed obligations, such as PPP loans, under the guidance in ASC 835-30, *Imputation of Interest*.

CULTURAL COUNCIL OF GREATER JACKSONVILLE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 16 SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 15, 2021, the date the financial statements were available to be issued, for events identified as necessary to be disclosed to keep these financial statements from being misleading or that provide additional evidence about conditions that existed at September 30, 2020, including estimates inherent in the process of preparing these financial statements. Management has identified the following subsequent events:

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Council's future financial condition, liquidity, and future results of operations. The Council plans to continue operating the business during the COVID-19 outbreak. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Council is not able to estimate the effects of the COVID-19 outbreak on its current or future results of operations, financial condition, or liquidity. The financial statements do not reflect any adjustments as a result of the subsequent increase in economic uncertainty.

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ABARE, KRESGE & ASSOCIATES CPAS, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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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 of
Cultural Council of Greater Jacksonville, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audit contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Cultural Council of Greater Jacksonville, Inc. (the "Organization"), which comprise the statement of financial position as of September 30, 2020, and the related statement 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 January 15, 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 to determine the auditing 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. 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity'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 over financial reporting 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 of 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 *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Abare, Kresge & Associates CPAs, LLC

St. Augustine, Florida
January 15, 2021

SUPPLEMENTAL INFORMATION

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CULTURAL COUNCIL OF GREATER JACKSONVILLE, INC.
 Schedule of Governmental Agency Contracts and Grants
 For the year ended September 30, 2020

City of Jacksonville

<u>Program Title</u>	<u>Grant Period</u>	<u>Grant Number</u>	<u>Contract</u>
Cultural Service Grant	10/1/2019 - 12/31/2020	7731-46	\$ 2,993,580
Cultural Service Grant	10/1/2019 - 9/30/2020	7731-47	\$ 55,385
City Cares Grant	6/10/2020 - 10/30/2020	n/a	\$ 81,000

Florida Department of State Division of Cultural Affairs

<u>Program Title</u>	<u>Grant Period</u>	<u>Grant Number</u>	<u>Contract</u>
Local Arts Agency	7/1/2019 - 6/30/2020	20.C.PS.500.573	\$ 43,253
Local Arts Agency	7/1/2020 - 6/30/2021	21.C.PS.500.738	\$ 46,054

Downtown Investment Authority (DIA)

<u>Program Title</u>	<u>Grant Period</u>	<u>Grant Number</u>	<u>Contract</u>
Phase One	Various	7731-37	\$ 180,750
Phase Two	Various	7731-38	\$ 139,625
Water Street Public Garage	Various	N/A	\$ 355,288

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CULTURAL COUNCIL OF GREATER JACKSONVILLE, INC
Schedule of City of Jacksonville Cultural Services Grants and Expenses
For the year ended September 30, 2020

Cultural Services Grant Program Awarded	\$ 2,993,580
Refund of current year's re-grants	<u>(5,924)</u>
Available funds for grants	<u>2,987,656</u>
Regrants:	
All Beaches Experimental Theatre	14,725
Avant Arts Inc.	2,500
Beaches Fine Arts Series, Inc.	32,836
Beaches Museum	54,089
Cathedral Arts Project, Inc.	212,871
Civic Orchestra of Jacksonville Inc.	3,713
DeEtte Holden Cummer Museum Foundation	281,416
Don't Miss A Beat, Inc.	23,815
Florida Theatre Performing Art Center	306,297
Friday Musicale, Inc.	38,761
Hope at Hand, Inc.	20,582
Jacksonville Arts & Music School	2,500
Jacksonville Dance Theatre	4,953
Jacksonville Historical Society	38,197
Jacksonville Symphony Association	275,796
Mandarin Museum & Historical Society, Inc.	9,097
Museum of Contemporary Art Jacksonville	272,986
Players By The Sea	63,290
Ritz Chamber Music Society, Inc.	24,160
Riverside Avondale Preservation	2,500
Springfield Preservation and Revitalization	32,868
Stage Aurora Theatrical Co. Inc.	2,500
The 5 & Dime, Inc.	2,500
The Art Center Cooperative, Inc.	6,289
The Florida Ballet	55,222
The Jacksonville Children's Chorus, Inc.	137,751
The Museum of Science&History Jacksonville	275,796
The Performers Academy, Inc.	7,813
The San Marco Chamber of Music Society Inc.	2,500
Theatre Jacksonville, Inc.	96,707
Theatreworks, Inc.	9,230
WJCT, Inc.	<u>275,796</u>
Total re-grants	2,590,056
Grant administration and community programs	<u>379,133</u>
Total expenses	<u>2,969,189</u>
Excess of revenues over expenses	<u>\$ 18,467</u>

CULTURAL COUNCIL OF GREATER JACKSONVILLE, INC
 Schedule of Source and Expenditures of City Grant Funds
 Per Ordinance Code Chapter 11.205(e)
 For the year ended September 30, 2020

Cultural Service Grant
 Contact Period: 10/01/2019 - 09/30/20

Receipt of city funds

Amount of award	\$ 2,993,580
Received in current year	<u>(2,825,208)</u>
Remaining to be distributed	<u>\$ 168,372</u>

Expenditures of city funds

	<u>Budgeted</u>	<u>Actual</u>	<u>Remaining</u>
Full-time salaries	\$ 231,798	\$ 230,185	\$ 1,613
Employee benefits	41,357	32,608	8,749
Rent	20,800	-	20,800
Printing and postage	1,905	136	1,769
General liability insurance	1,340	1,281	59
Director and Officers insurance	2,470	-	2,470
Office supplies	159	159	-
Equipment under \$1,000	30	30	-
Other website/IT support	5,438	3,520	1,918
Cultural Service Grants	2,589,447	2,522,773	66,674
Project Grant	25,000	-	25,000
Software	10,000	3,549	6,451
Staff training	2,000	-	2,000
Professional Fees & Service	56,835	30,966	25,869
Special Project/ Other	4,999	-	4,999
Maintenance and Repair	1	1	-
Background Screening	1	-	1
Total	<u>\$ 2,993,580</u>	<u>\$ 2,825,208</u>	<u>\$ 168,372</u>

CULTURAL COUNCIL OF GREATER JACKSONVILLE, INC
 Schedule of Source and Expenditures of City Grant Funds
 Per Ordinance Code Chapter 118.205(e)
 For the year ended September 30, 2020

Arts in Public Places
 Contract Period: 10/01/2019 - 09/30/2020

<u>Receipt of city funds</u>	
Amount of award	\$ 55,385
Received in current year	<u>(55,385)</u>
Remaining to be distributed	<u>\$ -</u>

<u>Expenditures of city funds</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Remaining</u>
Full-time salaries	<u>\$ 55,385</u>	<u>\$ 55,385</u>	<u>\$ -</u>

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CULTURAL COUNCIL OF GREATER JACKSONVILLE, INC
Schedule of Source and Expenditures of Downtown Investment Authority
Urban Art Façade and Streetscape Program Grant
Since inception to September 30, 2020

<u>Receipt of city funds</u>	<u>Budgeted</u>	<u>Received</u>	<u>Remaining</u>
Phase One	\$ 180,750	\$ 180,750	\$ -
Phase Two	139,625	139,625	-
Total	<u>\$ 320,375</u>	<u>\$ 320,375</u>	<u>\$ -</u>

<u>Expenditures of city funds</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Remaining</u>
Phase One			
Skyway Columns	\$ 48,000	\$ 48,000	\$ -
Traffic Cabinets	8,437	8,437	-
Bike Racks	20,156	20,156	-
Street Furnishings	7,031	7,031	-
Outdoor Sculpture	51,938	51,938	-
Administration	36,150	36,150	-
Maintenance*	9,038	9,038	-
Total	<u>\$ 180,750</u>	<u>\$ 180,750</u>	<u>\$ -</u>

Phase Two			
Traffic Cabinets	\$ 2,250	\$ 4,000	\$ (1,750)
Bike Racks	5,719	8,050	(2,331)
Street Furnishings	7,500	8,500	(1,000)
Duval Walls	39,375	-	39,375
Outdoor Sculpture	49,875	40,000	9,875
Administration	27,925	15,382	12,543
Maintenance*	6,981	2,800	4,181
Total	<u>\$ 139,625</u>	<u>\$ 78,732</u>	<u>\$ 60,893</u>

CULTURAL COUNCIL OF GREATER JACKSONVILLE, INC
 Schedule of Source and Expenditures of Downtown Investment Authority
 Water Street Garage Public Art Project
 Since inception to September 30, 2019

<u>Receipt of city funds</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Remaining</u>
	\$ 355,288	\$ 355,288	\$ -
<u>Expenditures of city funds</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Remaining</u>
Contract Budget			
Public art	\$ 301,995	\$ 201,367	\$ 100,628
Administration	35,529	8,157	27,372
	<u>337,524</u>	<u>209,524</u>	<u>128,000</u>
Art Trust Fund			
Maintenance*	17,764	17,764	-
	<u>17,764</u>	<u>17,764</u>	<u>-</u>
Total Contract	\$ 355,288	\$ 227,288	\$ 128,000

*Notes on DIA Grant Schedules

The Council's DIA contracts on pages 20 and 21 include a maintenance component (5% of the contract) for future repairs. Concerning the Urban Art Facade and Streetscape program Grant (see page 20), the Council receives the maintenance component directly from the DIA and disburses it to the City of Jacksonville. Concerning the Water Street Garage Public Art Project (see page 21), the DIA send the maintenance component directly to the City of Jacksonville.

The maintenance funds for both grants are not part of the Council's assets. The maintenance funds are reserved, retained, and controlled by the City of Jacksonville.