

**TALLAHASSEE – LEON COUNTY CULTURAL RESOURCES  
COMMISSION D/B/A COUNCIL ON CULTURE AND ARTS**

**FINANCIAL STATEMENTS**



**For the Years Ended September 30, 2020 and 2019**

**CARROLL and COMPANY  
CERTIFIED PUBLIC ACCOUNTANTS**

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Tallahassee – Leon County Cultural Resources Commission  
d/b/a Council on Culture and Arts  
Tallahassee, Florida

**Report on the Financial Statements**

We have audited the accompanying financial statements of Tallahassee – Leon County Cultural Resources Commission d/b/a Council on Culture and Arts (a non-profit organization) (the Council) which comprise the statements of financial position as of September 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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 audits 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.

To the Board of Directors  
Tallahassee – Leon County Cultural Resources Commission  
d/b/a Council on Culture and Arts  
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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 the Council as of September 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated January 6, 2021, on our consideration of the Council'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 solely 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 the effectiveness of the Council's 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 the Council's internal control over financial reporting and compliance.

*Carroll and Company*

January 6, 2021

**TALLAHASSEE – LEON COUNTY CULTURAL RESOURCES  
COMMISSION D/B/A COUNCIL ON CULTURE AND ARTS  
STATEMENTS OF FINANCIAL POSITION  
September 30, 2020 and 2019**

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***ASSETS***

	<u><b>2020</b></u>	<u><b>2019</b></u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 945,373	\$ 564,775
Accounts receivable	181,862	313,581
Grants receivable	45,256	328,241
Deposits	3,401	3,401
Prepaid expenses	<u>1,943</u>	<u>8,732</u>
TOTAL CURRENT ASSETS	1,177,835	1,218,730
PROPERTY AND EQUIPMENT, net	<u>4,324</u>	<u>-0-</u>
TOTAL ASSETS	<u><b>\$ 1,182,159</b></u>	<u><b>\$ 1,218,730</b></u>

***LIABILITIES AND NET ASSETS***

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 577,248	\$ 199,636
PPP loan	76,960	-0-
Due to beneficiaries under agency transactions	1,997	3,204
Deferred revenue	<u>206,556</u>	<u>696,713</u>
TOTAL CURRENT LIABILITIES	<u>862,761</u>	<u>899,553</u>
<b>NET ASSETS</b>		
Without donor restrictions		
Designated for contingency reserve fund	10,177	10,177
Designated for staff retirement fund	10,173	15,000
Undesignated	<u>299,048</u>	<u>294,000</u>
TOTAL NET ASSETS	<u>319,398</u>	<u>319,177</u>
TOTAL LIABILITIES AND NET ASSETS	<u><b>\$ 1,182,159</b></u>	<u><b>\$ 1,218,730</b></u>

See accompanying notes.

**TALLAHASSEE – LEON COUNTY CULTURAL RESOURCES  
 COMMISSION D/B/A COUNCIL ON CULTURE AND ARTS  
 STATEMENTS OF ACTIVITIES  
 For the Years Ended September 30, 2020 and 2019**

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	<u>2020</u>	<u>2019</u>
REVENUES AND OTHER SUPPORT		
County grants	\$ 1,779,265	\$ 1,209,354
City contract	192,036	192,036
County contract	150,000	150,000
Grants	63,004	59,959
Membership fees	12,029	10,408
Advertising revenue	10,037	10,346
Contributions	6,281	3,899
License plate fees	5,673	6,468
In-kind contributions	5,400	8,625
Other revenue	2,716	4,285
Interest income	<u>1,216</u>	<u>91</u>
TOTAL REVENUES AND OTHER SUPPORT	<u>2,227,657</u>	<u>1,655,471</u>
EXPENSES		
Program services	2,100,084	1,494,152
Support services:		
Management and general	107,194	118,553
Fundraising	<u>20,158</u>	<u>24,963</u>
TOTAL EXPENSES	<u>2,227,436</u>	<u>1,637,668</u>
CHANGE IN NET ASSETS	221	17,803
NET ASSETS, BEGINNING OF YEAR	<u>319,177</u>	<u>301,374</u>
NET ASSETS, END OF YEAR	<u>\$ 319,398</u>	<u>\$ 319,177</u>

*See accompanying notes.*

**TALLAHASSEE – LEON COUNTY CULTURAL RESOURCES  
 COMMISSION D/B/A COUNCIL ON CULTURE AND ARTS  
 STATEMENTS OF FUNCTIONAL EXPENSES  
 For the Years Ended September 30, 2020 and 2019**

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**2020**

	<b><u>Program Services</u></b>	<b><u>Management &amp; General</u></b>	<b><u>Fundraising</u></b>	<b><u>Total</u></b>
County grant payments	\$ 1,722,120	\$ -0-	\$ -0-	\$ 1,722,120
Salaries	233,539	65,391	12,455	311,385
Office space rental	43,425	12,159	2,316	57,900
Professional services	20,535	5,750	1,095	27,380
Marketing and advertising	18,133	5,077	967	24,177
Insurance	17,927	5,020	956	23,903
Payroll taxes	15,418	4,317	822	20,557
Office expenses	10,168	2,847	542	13,557
Public meetings and events	6,895	1,930	368	9,193
Equipment	4,765	1,334	254	6,353
Retirement benefits	3,620	1,014	193	4,827
Travel and hospitality	1,697	475	91	2,263
Depreciation	1,157	324	62	1,543
Finance and bank charges	-0-	1,364	-0-	1,364
Supplies	<u>685</u>	<u>192</u>	<u>37</u>	<u>914</u>
<b>TOTAL EXPENSES</b>	<b><u>\$ 2,100,084</u></b>	<b><u>\$ 107,194</u></b>	<b><u>\$ 20,158</u></b>	<b><u>\$ 2,227,436</u></b>

**TALLAHASSEE – LEON COUNTY CULTURAL RESOURCES  
 COMMISSION D/B/A COUNCIL ON CULTURE AND ARTS  
 STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)  
 For the Years Ended September 30, 2020 and 2019**

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**2019**

	<b><u>Program Services</u></b>	<b><u>Management &amp; General</u></b>	<b><u>Fundraising</u></b>	<b><u>Total</u></b>
County grant payments	\$ 1,095,355	\$ -0-	\$ -0-	\$ 1,095,355
Salaries	237,180	70,011	14,846	322,037
Office space rental	35,352	10,435	2,213	48,000
Marketing and advertising	33,836	9,988	2,118	45,942
Payroll taxes	18,183	5,367	1,138	24,688
Professional services	17,032	5,027	1,066	23,125
Insurance	16,703	4,930	1,046	22,679
Office expenses	12,323	3,638	771	16,732
Depreciation	9,707	2,865	608	13,180
Public meetings and events	7,375	2,177	462	10,014
Equipment	6,078	1,794	380	8,252
Travel and hospitality	2,687	793	168	3,648
Supplies	2,341	691	147	3,179
Finance and bank charges	<u>-0-</u>	<u>837</u>	<u>-0-</u>	<u>837</u>
TOTAL EXPENSES	<u>\$ 1,494,152</u>	<u>\$ 118,553</u>	<u>\$ 24,963</u>	<u>\$ 1,637,668</u>



**TALLAHASSEE – LEON COUNTY CULTURAL RESOURCES  
COMMISSION D/B/A COUNCIL ON CULTURE AND ARTS  
STATEMENTS OF CASH FLOWS  
For the Years Ended September 30, 2020 and 2019**

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	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 221	\$ 17,803
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,543	13,180
(Increase) decrease in:		
Accounts receivable	131,719	(23,413)
Grants receivable	282,985	46,171
Prepaid expenses	6,789	87
Increase (decrease) in:		
Accounts payable and accrued expenses	377,612	(192,804)
Due to beneficiaries under agency transactions	(1,207)	2,090
Deferred revenue	(490,157)	490,578
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>309,505</u>	<u>353,692</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(5,867)</u>	<u>-0-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from PPP loan	<u>76,960</u>	<u>-0-</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	380,598	353,692
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>564,775</u>	<u>211,083</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 945,373</u>	<u>\$ 564,775</u>

*See accompanying notes.*

**TALLAHASSEE – LEON COUNTY CULTURAL RESOURCES  
COMMISSION D/B/A COUNCIL ON CULTURE AND ARTS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2020**

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

***Nature of the Organization***

The Tallahassee – Leon County Cultural Resources Commission was created by the authority of Section 265.32, *Florida Statutes*, the October 18, 1985 inter-local agreement between the Tallahassee City Commission (the City) and the Board of County Commissioners of Leon County (County), and the 1985 Resolution of the Board of County Commissioners of Leon County to serve as the designated local arts agency for the City and the County for all purposes set out in the statutes and the organizational documents as follows:

- Stimulate greater governmental and public awareness and appreciation of the importance of the arts to the people of Tallahassee/Leon County;
- Encourage and facilitate greater and more efficient use of governmental and private resources for the development and support of the arts;
- Encourage and facilitate opportunities for Tallahassee/Leon County residents to participate in artistic activities;
- Promote the development of resident artists, arts institutions, and community organizations sponsoring arts activities and audiences;
- Survey and assess the needs of the arts, artists, arts institutions, and community organizations sponsoring arts activities and people of Tallahassee/Leon County relating to the arts;
- Support and facilitate the preservation and growth of the state’s artistic resources;
- Contract for artistic services, performances, and exhibits;
- Develop a center or complex of physical facilities for the use of the arts;
- Provide financial and/or technical assistance to artists, arts institutions, and audiences; and
- Otherwise serve the citizens of Tallahassee and Leon County in the realm of the arts.

Effective October 1, 2006, the Tallahassee – Leon County Cultural Resources Commission began operating under the fictitious name Council on Culture and Arts (the Council).

**TALLAHASSEE – LEON COUNTY CULTURAL RESOURCES  
COMMISSION D/B/A COUNCIL ON CULTURE AND ARTS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
September 30, 2020**

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Basis of Accounting and Presentation***

In accordance with accounting principles generally accepted in the United States of America, the Council is required to report information regarding its financial position and activities according to the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a contingency reserve fund and a staff retirement fund.

*Net Assets With Donor Restrictions* – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Council had no net assets with donor restrictions as of September 30, 2020 and 2019.

***Cash Equivalents***

For purposes of the statements of cash flows, the Council considers all unrestricted highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

***Promises to Give***

Unconditional promises to give are recognized as assets and as revenues or gains in the period received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

***Accounts Receivable***

Accounts receivable are stated at net realizable value, and accounts deemed uncollectible by management are expensed as bad debts. There is no material difference between the direct write-off method used by the Council and the allowance method required by accounting principles generally accepted in the United States of America.

**TALLAHASSEE – LEON COUNTY CULTURAL RESOURCES  
COMMISSION D/B/A COUNCIL ON CULTURE AND ARTS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
September 30, 2020**

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Grants and Contracts***

Unconditional grants and contracts are recognized as revenue in the period received. Conditional grants and contracts are recognized only when the contract requirements on which they depend are substantially met and the grants and contracts become unconditional. Amounts earned but not received are reported as grants receivable. Amounts received but not earned are reported as deferred revenue.

***Property and Equipment***

The Council capitalizes acquisitions of property and equipment having a useful life of more than one year and a cost of at least \$1,000. Property and equipment are recorded at cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that exceed the threshold established by management and significantly extend the useful life of the asset are capitalized. All property and equipment are depreciated using the straight-line method over the estimated lives of the assets. Expenditures for maintenance and repairs and for equipment with a value of less than \$1,000 are charged to expense as incurred.

***Restricted and Unrestricted Revenues and Other Support***

Support that is restricted by donors is reported as an increase in net assets without donor restrictions if the restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

***Volunteer Services and Donated Property***

During the years ended September 30, 2020 and 2019, the Council received donated services of approximately \$5,400 and \$8,625, respectively, which met the criteria for recognition in accordance with accounting principles generally accepted in the United States of America, and are therefore reflected in the accompanying statements of activities.

***Grants and Awards***

Grants and awards are recorded as program expenses at the time of unconditional approval by the Council. The Council administers the cultural grant programs on behalf of the City and County. Grant administration includes reviewing applications, making awards,

**TALLAHASSEE – LEON COUNTY CULTURAL RESOURCES  
COMMISSION D/B/A COUNCIL ON CULTURE AND ARTS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
September 30, 2020**

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Grants and Awards (Continued)***

monitoring grantee performance and submitting periodic reports of the grant programs to the City and County. Distributions under the County grant program are made by the Council on a basis aligned with the authorized contractual payment schedule in the individual executed agreements. These schedules may vary between two to four payments per fiscal year. The disbursements are reflected in the accompanying financial statements as program expenses.

***Advertising Costs***

The Council incurs marketing and advertising costs to promote special events. These costs are expensed as incurred and totaled \$24,177 and \$45,942 for the years ended September 30, 2020 and 2019, respectively.

***Functional Allocation of Expenses***

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program and supporting services benefited based on management's assessment of staff time. For the years ended September 30, 2020 and 2019, respectively, total expenses were comprised of ninety-four percent (94%) and ninety-one percent (91%) program service expenses, and five percent (5%) and seven percent (7%) management and general expenses, and one percent (1%) and two percent (2%) fundraising expenses.

***Use of 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. Actual results may differ from those estimates.

***Income Taxes***

The Council is exempt from state and federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509(a). There was no unrelated business income for fiscal years 2020 and 2019. Accordingly, no provision is made for federal income taxes.

**TALLAHASSEE – LEON COUNTY CULTURAL RESOURCES  
COMMISSION D/B/A COUNCIL ON CULTURE AND ARTS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
September 30, 2020**

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**NOTE B – FAIR VALUE MEASUREMENTS**

The Council follows the provisions of the Financial Accounting Standards Board's Accounting Standards Codification Topic 820, *Fair Value Measurements and Disclosures* (ASC 820). ASC 820 establishes a common definition for fair value to be applied to U.S. generally accepted accounting principles requiring use of fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The standard establishes a fair value hierarchy about the assumptions used to measure fair value and clarifies assumptions about risk and the effect of a restriction on the sale or use of an asset. This standard does not require any new fair value measurements, but rather applies to all other accounting pronouncements that require or permit fair value measurements. ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (or exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

*Level 1:* Observable inputs such as quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

*Level 2:* Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly. These include quoted prices of similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities.

*Level 3:* 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 fair value of financial instruments including cash and cash equivalents, accounts receivable, grants receivable, deposits, prepaid expenses, accounts payable and accrued expenses, due to beneficiaries under agency transactions, and deferred revenue approximates carrying value, principally because of the short maturity of those items.

While the Council believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value as of the reporting date.

**TALLAHASSEE – LEON COUNTY CULTURAL RESOURCES  
COMMISSION D/B/A COUNCIL ON CULTURE AND ARTS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
September 30, 2020**

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**NOTE C – PROPERTY AND EQUIPMENT**

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

	Estimated Useful Lives	2020	2019
Website	3 years	\$ 90,312	\$ 90,312
Computer and office equipment	3 – 5 years	16,457	14,836
		106,769	105,148
Less: Accumulated depreciation		(102,445)	(105,148)
<b>PROPERTY AND EQUIPMENT, net</b>		<b>\$ 4,324</b>	<b>\$ -0-</b>

**NOTE D – OPERATING LEASES**

The Council leases office space and equipment under operating leases expiring through 2024. Future minimum payments required under the non-cancelable leases as of September 30, 2020 are as follows:

Year Ending September 30	
2021	\$ 49,601
2022	49,601
2023	1,601
2024	1,068
<b>TOTAL</b>	<b>\$ 101,871</b>

Rent expense for the years ended September 30, 2020 and 2019 totaled \$59,442 and \$49,602, respectively.

**NOTE E – AGENCY TRANSACTIONS**

The Council entered into agreements whereby the Council acts as an agent for and on behalf of a donor. Under the terms of these agreements, the Council agrees to receive assets from the donor(s) and transfer those assets to specified beneficiaries. As of September 30, 2020 and 2019, the Council held \$1,997 and \$3,204, respectively, to be transferred to specified beneficiaries under these agreements. These amounts are included in due to beneficiaries under agency transactions in the accompanying statements of financial position.

**TALLAHASSEE – LEON COUNTY CULTURAL RESOURCES  
COMMISSION D/B/A COUNCIL ON CULTURE AND ARTS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
September 30, 2020**

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**NOTE F – CONCENTRATIONS OF CREDIT RISK**

The Council maintains cash balances at a financial institution. Accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000 per financial institution. The Council's uninsured cash balances as of September 30, 2020 and 2019 totaled \$681,210 and \$357,648, respectively.

A substantial amount of the Council's budget is derived from local government funds. This revenue, including grants paid to local organizations, represents ninety-five percent (95%) and ninety-four percent (94%) of total revenues for the years ended September 30, 2020 and 2019, respectively. The revenue, excluding County grants passed-through to local organizations, represents eighteen percent (18%) and twenty-eight percent (28%) of total revenues for the years ended September 30, 2020 and 2019, respectively. With the exception of special projects, the Council requests these funds on an annual basis and the level of funding is not guaranteed.

**NOTE G – LINE OF CREDIT**

The Council maintains a \$50,000 line of credit with a financial institution, which is payable on demand and bears interest at a variable rate based on the prime rate (5.25% and 7.00% as of September 30, 2020 and 2019, respectively). The line of credit matures in February 2022 and, subject to certain conditions, may be renewed. There was no outstanding balance on the line of credit as of September 30, 2020 and 2019.

The carrying value of the line of credit approximates fair value because this financial instrument bears interest at a rate that approximates current market rates for notes with similar maturities and credit quality.

**NOTE H – PPP LOAN**

On May 8, 2020, the Council received loan proceeds in the amount of \$76,960 under the Paycheck Protection Program (PPP). Established as part of the Coronavirus Aid, Relief and Economic Security (CARES) Act, the PPP provides for loans to qualifying businesses and not-for-profit organizations in amounts up to 2.5 times the entity's average monthly payroll expenses. PPP loans and accrued interest are forgivable after a "covered period" (eight or twenty-four weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries during the covered period. Any unforgiven portion of a PPP loan is payable over two or five years at an interest rate of 1%, with a deferral of payments for 10 months after the end of the covered period. The Council had used PPP loan proceeds for purposes consistent with the PPP and applied for forgiveness in October 2020, within a month of the end of the covered period.

The Council has recorded a note payable of \$76,960, which is reflected in the accompanying statements of financial position as of September 30, 2020.



**TALLAHASSEE – LEON COUNTY CULTURAL RESOURCES  
COMMISSION D/B/A COUNCIL ON CULTURE AND ARTS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
September 30, 2020**

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**NOTE H – PPP LOAN (Continued)**

The carrying value of the PPP loan approximates fair value due to the short-term nature of this financial instrument.

On December 9, 2020, the Council was granted forgiveness in the amount of \$71,960 by the Small Business Administration (SBA). The Council will be required to re-pay the remaining \$5,000 balance plus interest at 1% per year in monthly principal and interest payments from March 2021 through May 2022. The terms of the loan provide for customary events of default, including payment defaults, breach of representation of warranties, and insolvency events. The PPP loan may be accelerated upon the occurrence of a default event.

Gain on loan forgiveness in the amount of \$71,960 will be recorded in the fiscal year ending September 30, 2021, the period in which the Council was released legally from the loan obligation.

**NOTE I – LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenses, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position, comprise the following:

	<b><u>2020</u></b>	<b><u>2019</u></b>
Cash and cash equivalents	\$ 945,373	\$ 564,775
Accounts receivable	181,862	313,581
Grants receivable	<u>45,256</u>	<u>328,241</u>
Total financial assets	1,172,491	1,206,597
Board designations:		
Contingency reserve fund	(10,177)	(10,177)
Staff retirement fund	<u>(10,173)</u>	<u>(15,000)</u>
Total financial assets available to meet cash needs for general expenses within one year	<u>\$ 1,152,141</u>	<u>\$ 1,181,420</u>

The Council has two board designations, which are not available for general expenditures due to self-imposed limitations. Those are a board-designated contingency reserve fund and a staff retirement fund. The contingency reserve fund is set aside by the board to support unanticipated liquidity needs, whereas, the staff retirement fund is designated to cover retirement benefits.

The Council also maintains a \$50,000 line of credit to meet its short-term cash needs as they arise.

**TALLAHASSEE – LEON COUNTY CULTURAL RESOURCES  
COMMISSION D/B/A COUNCIL ON CULTURE AND ARTS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
September 30, 2020**

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**NOTE I – LIQUIDITY AND AVAILABILITY (Continued)**

The Council monitors cash availability on a regular basis prior to preparing its accounts payable disbursements.

**NOTE J – RETIREMENT PLAN**

In October 2019, the Organization established a SIMPLE-IRA plan (the Plan) for employees who meet certain eligibility requirements. Employer contributions equal two percent (2%) of the eligible employees' compensation. For the years ended September 30, 2020 and 2019, employer contributions totaled \$4,827 and \$-0-, respectively.

**NOTE K – UNCERTAIN TAX POSITIONS**

Management is not aware of any activities that would jeopardize the Council's tax-exempt status, and believes it has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements as of and for the years ended September 30, 2020 and 2019.

The Council is subject to routine audits by taxing jurisdictions; however, there are currently no audits in progress for any tax periods. The Council believes it is no longer subject to income tax examinations for fiscal years ending prior to September 30, 2017.

**NOTE L – SUBSEQUENT EVENTS**

The Council has evaluated subsequent events through January 6, 2020, the date which the financial statements were available to be issued.

As a result of the COVID-19 outbreak, economic uncertainties have arisen which are likely to negatively impact revenues. Management is carefully monitoring the situation and evaluating its options during this time. The Council's physical location has been temporarily closed, and all employees work remotely as they can. Future potential impacts may include continued disruptions or restrictions on employees' ability to work and impairment of the ability to obtain contributions and facility rentals. No adjustments have been made to these financial statements as a result of this uncertainty. Other financial impacts could occur, though such impacts are unknown at this time.

**NOTE M – CHANGE IN ACCOUNTING PRINCIPLE**

In January 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, which updates certain aspects of recognition, measurement, presentation and disclosure of financial

**TALLAHASSEE – LEON COUNTY CULTURAL RESOURCES  
COMMISSION D/B/A COUNCIL ON CULTURE AND ARTS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
September 30, 2020**

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**NOTE M – CHANGE IN ACCOUNTING PRINCIPLE (Continued)**

instruments. The Council implemented ASU 2016-01 during the year ended September 30, 2020, and has adjusted the presentation in these financial statements accordingly.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which sets out to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The Council implemented ASU 2018-08 during the year ended September 30, 2020. The implementation of this standard had no effect on the Council's recognition of contribution revenues.

In August 2016, the FASB, issued ASU 2016-15, *Statement of Cash Flows (Topic 230), Classification of Certain Cash Receipts and Cash Payments*, which is intended to reduce the diversity in practice in how certain transactions are classified in the statement of cash flows. In addition, in November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230), Restricted Cash*, which provides additional guidance related to transfers between cash and restricted cash and how entities present the cash receipts and cash payments that directly affect the restricted cash accounts in the statement of cash flows. The Council implemented ASU 2016-15 and ASU 2016-18 during the year ended September 30, 2020. The implementation of these standards had no effect on the Council's presentation of cash and cash equivalents in these financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Council implemented ASU 2016-14 during the year ended September 30, 2019, and adjusted the presentation of the financial statements accordingly.

**NOTE N – RECENT ACCOUNTING PRONOUNCEMENTS**

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on principle of whether or not the lease is effectively a financed purchase by the lessee. In June 2020, the FASB extended the effective implementation date of the ASU to fiscal years beginning after December 15, 2020. The Council is currently evaluating the impact of the adoption of ASU

**TALLAHASSEE – LEON COUNTY CULTURAL RESOURCES  
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
September 30, 2020**

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**NOTE N – RECENT ACCOUNTING PRONOUNCEMENTS (Continued)**

ASU 2016-02 on its financial statements.

In November 2017, the FASB issued ASU 2017-14, *Income Statement – Reporting Comprehensive Income (Topic 220), Revenue Recognition (Topic 605), and Revenue from Contracts with Customers (Topic 606)*, which sets out to clarify the principles of recognizing revenue and to develop a common revenue standard. This ASU amends ASU 2014-09 and ASU 2015-14, which are not yet effective. The new standard will apply to entities that enter into contracts with customers to transfer goods or services, except for contracts that are within the scope of other standards. In June 2020, the FASB extended the effective implementation date of the ASU to fiscal years beginning after December 15, 2019. The Council is currently evaluating the impact of the adoption of ASU 2017-14 on its financial statements.

In August 2018, the FASB issued ASU 2018-13, *Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. The update modifies the disclosure requirements for fair value measurements. ASU 2018-13 will be effective for the Council for fiscal years beginning after December 15, 2019. The Council is currently evaluating the impact of the adoption of ASU 2018-13 on its financial statements.

**REPORT REQUIRED UNDER  
*GOVERNMENT AUDITING STANDARDS***

**CARROLL and COMPANY**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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FOUNDER

**INDEPENDENT AUDITOR’S 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  
Tallahassee – Leon County Cultural Resources Commission  
d/b/a Council on Culture and Arts  
Tallahassee, Florida

We have audited, in accordance with the 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, the financial statements of Tallahassee – Leon County Cultural Resources Commission d/b/a Council on Culture and Arts (a non-profit organization) (the Council), 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, and have issued our report thereon dated January 6, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Council’s internal control over financial reporting (internal control) to determine the audit 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 Council’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Council’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.

To the Board of Directors  
Tallahassee – Leon County Cultural Resources Commission  
d/b/a Council on Culture and Arts  
Page Two

Our consideration of internal control 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 Council’s financial statements are free from 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.

*Carroll and Company*

January 6, 2021