

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

FINANCIAL STATEMENTS



For the Years Ended September 30, 2022 and 2021

**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 Audit of the Financial Statements

Opinion

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, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years ended, and the related notes to the financial statements.

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, 2022 and 2021, 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.

Basis for Opinion

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. 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 the Council and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

To the Board of Directors
Tallahassee – Leon County Cultural Resources Commission
d/b/a Council on Culture and Arts
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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 the Council'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 auditor's 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 and *Government 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. Misstatements 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 and *Government 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 purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, no such opinion is expressed.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2023, 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 12, 2023

**TALLAHASSEE – LEON COUNTY CULTURAL RESOURCES
COMMISSION D/B/A COUNCIL ON CULTURE AND ARTS
STATEMENTS OF FINANCIAL POSITION
September 30, 2022 and 2021**

ASSETS

| | <u>2022</u> | <u>2021</u> |
|-------------------------------------|---------------------|---------------------|
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 1,919,549 | \$ 1,268,831 |
| Grants and contributions receivable | 540,899 | 467,464 |
| Prepaid expenses | 5,310 | 6,161 |
| Deposits | <u>3,401</u> | <u>3,401</u> |
| TOTAL CURRENT ASSETS | 2,469,159 | 1,745,857 |
| PROPERTY AND EQUIPMENT, net | <u>10,544</u> | <u>3,432</u> |
| TOTAL ASSETS | <u>\$ 2,479,703</u> | <u>\$ 1,749,289</u> |

LIABILITIES AND NET ASSETS

| | | |
|--|---------------------|---------------------|
| CURRENT LIABILITIES | | |
| Accounts payable and accrued expenses | \$ 53,788 | \$ 353,064 |
| Paycheck Protection Program loan | -0- | 75,140 |
| Due to beneficiaries under agency transactions | 27,554 | 1,881 |
| Refundable advances | <u>1,717,315</u> | <u>813,408</u> |
| TOTAL CURRENT LIABILITIES | <u>1,798,657</u> | <u>1,243,493</u> |
| NET ASSETS | | |
| Without donor restrictions | | |
| Designated for contingency reserve fund | 10,177 | 10,177 |
| Designated for staff retirement fund | -0- | 4,243 |
| Undesignated | <u>670,869</u> | <u>491,376</u> |
| TOTAL NET ASSETS | <u>681,046</u> | <u>505,796</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 2,479,703</u> | <u>\$ 1,749,289</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, 2022 and 2021**

| | <u>2022</u> | <u>2021</u> |
|-------------------------------------|-------------------|-------------------|
| REVENUES AND OTHER SUPPORT | | |
| County grants | \$ 663,371 | \$ 454,384 |
| Grants and contributions | 247,926 | 241,139 |
| City funding | 192,036 | 192,036 |
| County funding | 150,000 | 150,000 |
| Other revenue | 49,666 | 8,170 |
| Membership fees | 16,474 | 15,503 |
| Advertising revenue | 13,874 | 7,759 |
| In-kind contributions | 9,400 | 13,500 |
| Interest income | <u>739</u> | <u>468</u> |
| TOTAL REVENUES AND OTHER SUPPORT | <u>1,343,486</u> | <u>1,082,959</u> |
| EXPENSES | | |
| Program services | 1,029,675 | 768,619 |
| Management and general | 118,821 | 111,521 |
| Fundraising | <u>19,740</u> | <u>16,421</u> |
| TOTAL EXPENSES | <u>1,168,236</u> | <u>896,561</u> |
| CHANGE IN NET ASSETS | 175,250 | 186,398 |
| NET ASSETS, BEGINNING OF YEAR | <u>505,796</u> | <u>319,398</u> |
| NET ASSETS, END OF YEAR | <u>\$ 681,046</u> | <u>\$ 505,796</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, 2022 and 2021**

2022

| | <u>Program Services</u> | <u>Management & General</u> | <u>Fundraising</u> | <u>Total</u> |
|----------------------------|------------------------------------|--|---------------------------|----------------------------|
| County grant payments | \$ 597,959 | \$ -0- | \$ -0- | \$ 597,959 |
| Salaries | 242,579 | 65,975 | 11,091 | 319,645 |
| Office space rental | 36,427 | 9,907 | 1,666 | 48,000 |
| Professional services | 31,884 | 8,672 | 1,458 | 42,014 |
| Marketing and advertising | 27,124 | 7,377 | 1,240 | 35,741 |
| Insurance | 22,135 | 6,020 | 1,012 | 29,167 |
| Payroll taxes | 18,600 | 5,059 | 850 | 24,509 |
| Office expenses | 18,084 | 4,918 | 827 | 23,829 |
| Equipment | 16,131 | 4,387 | 738 | 21,256 |
| Public meetings and events | 8,200 | 2,230 | 375 | 10,805 |
| Retirement benefits | 4,826 | 1,312 | 221 | 6,359 |
| Depreciation | 2,745 | 746 | 126 | 3,617 |
| Travel and hospitality | 1,656 | 450 | 76 | 2,182 |
| Supplies | 1,325 | 362 | 60 | 1,747 |
| Finance and bank charges | <u>-0-</u> | <u>1,406</u> | <u>-0-</u> | <u>1,406</u> |
| TOTAL EXPENSES | <u>\$ 1,029,675</u> | <u>\$ 118,821</u> | <u>\$ 19,740</u> | <u>\$ 1,168,236</u> |

**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, 2022 and 2021**

2021

| | <u>Program Services</u> | <u>Management & General</u> | <u>Fundraising</u> | <u>Total</u> |
|----------------------------|------------------------------------|--|---------------------------|---------------------|
| County grant payments | \$ 403,975 | \$ -0- | \$ -0- | \$ 403,975 |
| Salaries | 219,922 | 66,686 | 9,903 | 296,511 |
| Office space rental | 35,602 | 10,795 | 1,603 | 48,000 |
| Professional services | 24,773 | 7,511 | 1,116 | 33,400 |
| Payroll taxes | 19,206 | 5,824 | 865 | 25,895 |
| Insurance | 15,913 | 4,825 | 717 | 21,455 |
| Office expenses | 15,901 | 4,821 | 716 | 21,438 |
| Marketing and advertising | 14,453 | 4,383 | 651 | 19,487 |
| Equipment | 7,308 | 2,216 | 329 | 9,853 |
| Public meetings and events | 4,673 | 1,417 | 210 | 6,300 |
| Retirement benefits | 4,399 | 1,333 | 198 | 5,930 |
| Depreciation | 1,522 | 461 | 69 | 2,052 |
| Supplies | 972 | 296 | 44 | 1,312 |
| Finance and bank charges | <u>-0-</u> | <u>953</u> | <u>-0-</u> | <u>953</u> |
| TOTAL EXPENSES | <u>\$ 768,619</u> | <u>\$ 111,521</u> | <u>\$ 16,421</u> | <u>\$ 896,561</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, 2022 and 2021**

| | <u>2022</u> | <u>2021</u> |
|--|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 175,250 | \$ 186,398 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 3,617 | 2,052 |
| Forgiveness of Paycheck Protection Program loan | (75,140) | (76,960) |
| (Increase) decrease in: | | |
| Grants and contributions receivable | (73,435) | (240,346) |
| Prepaid expenses | 851 | (4,218) |
| Increase (decrease) in: | | |
| Accounts payable and accrued expenses | (299,276) | (224,184) |
| Due to beneficiaries under agency transactions | 25,673 | (116) |
| Refundable advances | 903,907 | 606,852 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>661,447</u> | <u>249,478</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of property and equipment | <u>(10,729)</u> | <u>(1,160)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from Paycheck Protection Program loan | <u>-0-</u> | <u>75,140</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 650,718 | 323,458 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>1,268,831</u> | <u>945,373</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u>\$ 1,919,549</u> | <u>\$ 1,268,831</u> |

See accompanying notes.

**TALLAHASSEE – LEON COUNTY CULTURAL RESOURCES
COMMISSION D/B/A COUNCIL ON CULTURE AND ARTS
NOTES TO FINANCIAL STATEMENTS
September 30, 2022**

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, 2022**

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, 2022 and 2021.

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.

Grants and Contributions

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

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 is 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.

**TALLAHASSEE – LEON COUNTY CULTURAL RESOURCES
COMMISSION D/B/A COUNCIL ON CULTURE AND ARTS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2022**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and Revenue Recognition

Revenues from contracts with members for memberships are reported at the amount that reflects the consideration to which the Council expects to be entitled to in exchange for providing membership to its members. Membership dues are recognized as performance obligations are satisfied over the membership term, which is on an annual basis, but varies for each member. Membership dues are billed annually and are nonrefundable.

Advertising and other revenues are recognized when the services have been performed and the products have been transferred.

Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (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 contributions are reported as increases 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.

Unconditional promises to give are recognized as revenue in the period received.

Conditional grants and contributions are recognized as revenue when the conditions on which they depend have been substantially met. Amounts received in excess of revenue recognized under conditional grants and contributions are reflected as refundable advances in the accompanying statements of financial position.

In-Kind Contributions

During the years ended September 30, 2022 and 2021, the Council received donated services of approximately \$9,400 and \$13,500, respectively. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Council. The Council recognizes in-kind contribution revenue and a corresponding expense in an amount approximating the estimated fair value at the time of the donation.

All donated services were utilized by the Council's programs and supporting services. There were no donor-imposed restrictions associated with the donated services.

**TALLAHASSEE – LEON COUNTY CULTURAL RESOURCES
COMMISSION D/B/A COUNCIL ON CULTURE AND ARTS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2022**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants Awarded

Grants awarded 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, monitoring grantee performance and submitting periodic reports of the grant programs to the City and County. Disbursements 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 services expenses.

Advertising Costs

The Council incurs marketing and advertising costs to promote special events. These costs are expensed as incurred and totaled \$35,741 and \$19,487 for the years ended September 30, 2022 and 2021, 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, 2022 and 2021, respectively, total expenses were comprised of eighty-eight percent (88%) and eighty-six percent (86%) program service expenses, and ten percent (10%) and twelve percent (12%) management and general expenses, and two percent (2%) 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.

**TALLAHASSEE – LEON COUNTY CULTURAL RESOURCES
COMMISSION D/B/A COUNCIL ON CULTURE AND ARTS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2022**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2022 and 2021. Accordingly, no provision is made for federal income taxes.

Reclassifications

Certain amounts in the 2021 financial statements have been reclassified to conform to the 2022 presentation.

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.

**TALLAHASSEE – LEON COUNTY CULTURAL RESOURCES
COMMISSION D/B/A COUNCIL ON CULTURE AND ARTS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2022**

NOTE B – FAIR VALUE MEASUREMENTS (Continued)

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, grants and contributions receivable, prepaid expenses, deposits, accounts payable and accrued expenses, due to beneficiaries under agency transactions, and refundable advances 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.

NOTE C – PROPERTY AND EQUIPMENT

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

| | Estimated Useful Lives | 2022 | 2021 |
|------------------------------------|-----------------------------------|------------------|-----------------|
| Website | 3 years | \$ 90,312 | \$ 90,312 |
| Computer and office equipment | 3 – 5 years | 22,201 | 11,473 |
| | | 112,513 | 101,785 |
| Less: Accumulated depreciation | | (101,969) | (98,353) |
| PROPERTY AND EQUIPMENT, net | | \$ 10,544 | \$ 3,432 |

**TALLAHASSEE – LEON COUNTY CULTURAL RESOURCES
 COMMISSION D/B/A COUNCIL ON CULTURE AND ARTS
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 September 30, 2022**

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, 2022 are as follows:

| Year Ending September 30 | |
|-----------------------------|-----------------|
| 2023 | \$ 1,601 |
| 2024 | 1,068 |
| TOTAL | \$ 2,669 |

Rent expense for the years ended September 30, 2022 and 2021 totaled \$49,468 and \$49,601, respectively.

In August 2021, the Council began subleasing the office space under a cancelable agreement expiring in July 2022. Rental income is \$4,000 per month under the sublease. Rental income for the year ended September 30, 2022 and 2021 totaled \$49,525 and \$8,150, respectively. The agreement was not renewed.

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, 2022 and 2021, the Council held \$27,554 and \$1,881, 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.

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, 2022 and 2021 totaled \$1,450,190 and \$770,078, respectively.

**TALLAHASSEE – LEON COUNTY CULTURAL RESOURCES
COMMISSION D/B/A COUNCIL ON CULTURE AND ARTS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2022**

NOTE F – CONCENTRATIONS OF CREDIT RISK (Continued)

A substantial amount of the Council’s budget is derived from local government funds. This revenue, including grants paid to local organizations, represents seventy-six percent (76%) and eighty percent (80%) of total revenues for the years ended September 30, 2022 and 2021, respectively. The revenue, excluding County grants passed-through to local organizations, represents thirty-two percent (32%) and forty-four percent (44%) of total revenues for the years ended September 30, 2022 and 2021, 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 plus 2% (9% and 5.25% as of September 30, 2022 and 2021). The line of credit matures in February 2025 and, subject to certain conditions, may be renewed. There was no outstanding balance on the line of credit as of September 30, 2022 and 2021.

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 – PAYCHECK PROTECTION PROGRAM LOAN

On January 28, 2021, the Council received second-round loan proceeds in the amount of \$75,140 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 was granted forgiveness on November 23, 2021 for the total amount of \$75,140.

The Council has recognized grant revenue of \$75,140 in fiscal year 2022 as a result of the forgiveness of the second-round PPP loan.

**TALLAHASSEE – LEON COUNTY CULTURAL RESOURCES
COMMISSION D/B/A COUNCIL ON CULTURE AND ARTS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2022**

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:

| | <u>2022</u> | <u>2021</u> |
|---|-------------------------|-------------------------|
| Cash and cash equivalents | \$ 1,919,549 | \$ 1,268,831 |
| Grants and contributions receivable | <u>540,899</u> | <u>467,464</u> |
| Total financial assets | 2,460,448 | 1,736,295 |
| Board designations: | | |
| Contingency reserve fund | (10,177) | (10,177) |
| Staff retirement fund | <u>-0-</u> | <u>(4,243)</u> |
| Total financial assets available to meet cash needs for general expenses within one year | <u>\$ 2,450,271</u> | <u>\$ 1,721,875</u> |

The Council has board designated funds which are not available for general expenditures due to self-imposed limitations. 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.

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, 2022 and 2021, employer contributions totaled \$6,359 and \$5,930, respectively.

**TALLAHASSEE – LEON COUNTY CULTURAL RESOURCES
COMMISSION D/B/A COUNCIL ON CULTURE AND ARTS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2022**

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, 2022 and 2021.

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, 2019.

NOTE L – SUBSEQUENT EVENTS

The Council has evaluated subsequent events through January 12, 2023, the date which the financial statements were available to be issued.

As a result of the COVID-19 pandemic, the arts, culture & heritage industry was the first to close and last to reopen. The industry was greatly impacted by massive cancellations, unemployment, reduced tourism and economic uncertainty. Though reopening is still happening, and in-person audiences have not yet returned to pre-pandemic levels, recovery started to gain momentum in fiscal year 2022. The return to live programming, in-person events, touring and other recovery indicators will likely continue into fiscal year 2023.

Management is constantly monitoring the situation and adjusting its services as needed. Due to resource efficiency considerations, the Council released its long-time physical location and employees have been moved to work in a hybrid system, both remotely and in a local co-working space. No adjustments have been made to these financial statements during these precarious times, though the financial uncertainties have resulted in a smaller pool of funding available for this fiscal year’s grant cycle. Other financial impacts could continue to occur, though such impacts are unknown at this time. Overall, the Council continues to evaluate how to serve the community more efficiently, protect the health and wellness of its employees and wisely use its resources for the greatest community impact.

NOTE M – CHANGE IN ACCOUNTING PRINCIPLE

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which is intended to improve transparency by requiring organizations to provide additional disclosures about contributions of nonfinancial assets. The Council implemented ASU 2020-07 during the year ended September 30, 2022.

**TALLAHASSEE – LEON COUNTY CULTURAL RESOURCES
COMMISSION D/B/A COUNCIL ON CULTURE AND ARTS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2022**

NOTE M – CHANGE IN ACCOUNTING PRINCIPLE (Continued)

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 applies to entities that enter into contracts with customers to transfer goods or services, except for contracts that are within the scope of other standards. The Council implemented ASU 2017-14 during the year ended September 30, 2021.

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. The Council implemented ASU 2017-14 during the year ended September 30, 2021.

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. The ASU will be effective for fiscal years beginning after December 15, 2021. The Council is currently evaluating the impact of the adoption of ASU 2016-02 on its financial statements.

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

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FOUNDER (RETIRED)

**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, 2022, 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 12, 2023.

Report on 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) as a basis for designing 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

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

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 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.

Report on 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 financial statements. 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 Council’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Carroll and Company

January 12, 2023