

**GADSDEN CULTURAL ARTS
FOUNDATION, INC.**

AUDITED FINANCIAL STATEMENTS
December 31, 2022 and 2021

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MDA PROFESSIONAL GROUP, P.C.

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Gadsden Cultural Arts Foundation, Inc.
Gadsden, Alabama

Opinion

We have audited the accompanying financial statements of Gadsden Cultural Arts Foundation, Inc. (a nonprofit organization), which comprise the statements of assets, liabilities, and net assets – modified cash basis as of December 31, 2022 and 2021, the related statements of support, revenues, expenses, and changes in net assets – modified cash basis, and the statements of functional expenses – modified cash basis for the years then 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 assets, liabilities, and net assets of Gadsden Cultural Arts Foundation, Inc. as of December 31, 2022 and 2021, and its support, revenue, expenses, changes in net assets, and functional expenses, for the years then ended in accordance with the modified cash basis of accounting as described in Note 1.

Basis for Opinion

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

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

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 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, 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 Gadsden Cultural Arts Foundation, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Gadsden Cultural Arts Foundation, Inc.'s ability to continue as a going concern for a reasonable period of time.

Gadsden Cultural Arts Foundation, Inc.
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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.

MDA Professional Group, P.C.

Gadsden, Alabama
March 21, 2023

GADSDEN CULTURAL ARTS FOUNDATION, INC.

STATEMENTS OF ASSETS, LIABILITIES, AND NET ASSETS - MODIFIED CASH BASIS

DECEMBER 31, 2022 AND 2021

<u>ASSETS</u>	<u>2022</u>	<u>2021</u>
CURRENT ASSETS		
Cash	\$ 234,681	\$ 311,466
Investments - Cash	192,088	290,062
Investments, at Cost	<u>2,058,460</u>	<u>1,969,195</u>
Total Current Assets	<u>2,485,229</u>	<u>2,570,723</u>
PROPERTY AND EQUIPMENT		
Building and Improvements	3,179,778	3,135,971
Building - Kyle Building	542,713	542,713
Youth Symphony Orchestra Equipment	134,385	125,750
Furniture	106,985	106,491
Office Equipment	101,886	97,734
Children's Museum	92,331	30,633
Automobiles	42,514	26,310
Construction in Progress	<u>23,500</u>	<u>-</u>
	4,224,092	4,065,602
Less Accumulated Depreciation	<u>2,927,278</u>	<u>2,835,093</u>
	<u>1,296,814</u>	<u>1,230,509</u>
TOTAL ASSETS	<u>\$ 3,782,043</u>	<u>\$ 3,801,232</u>

<u>LIABILITIES AND NET ASSETS</u>	<u>2022</u>	<u>2021</u>
CURRENT LIABILITIES		
Payroll Tax Liabilities and Other Withholdings	<u>\$ 9,606</u>	<u>\$ 8,990</u>
Total Current Liabilities	<u>9,606</u>	<u>8,990</u>
NET ASSETS		
Without Donor Restrictions	<u>3,772,437</u>	<u>3,792,242</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 3,782,043</u></u>	<u><u>\$ 3,801,232</u></u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

GADSDEN CULTURAL ARTS FOUNDATION, INC.

STATEMENTS OF SUPPORT, REVENUES, EXPENSES, AND CHANGES
IN NET ASSETS - MODIFIED CASH BASIS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
SUPPORT AND REVENUE		
Grants	\$ 458,896	\$ 690,809
School	373,038	331,530
Youth Symphony Orchestra	196,118	179,069
Imagination Place and Other Activities	183,033	121,478
Pledges, Fundraising, and Legacy	119,951	152,266
Gadsden Symphony Orchestra	52,122	-
Projects	24,070	18,489
Memberships	23,220	21,920
Exhibits	4,000	7,000
Miscellaneous	1,487	834
Gadsden Arts Tickets	-	3,203
	<u>1,435,935</u>	<u>1,526,598</u>
EXPENSES		
Program Services		
School	468,439	394,433
Youth Symphony Orchestra	359,893	321,329
Imagination Place	182,982	111,382
Gadsden Symphony Orchestra	87,454	-
Exhibits	35,589	51,338
Projects	32,511	18,590
Gadsden Arts Tickets	-	3,203
Management and General		
Personnel	164,057	186,149
Operating Expenses	89,147	106,714
Building Expenses	37,614	46,905
Depreciation	55,718	72,549
Fundraising and Legacy	51,514	104,352
	<u>1,564,918</u>	<u>1,416,944</u>
OTHER INCOME (EXPENSES)		
Dividend Income	54,143	49,912
Gain on Investment Securities	50,283	218,974
Interest Income	3,852	3,598
Gain on Disposal of Fixed Assets	900	-
Interest Expense	-	(1,135)
	<u>109,178</u>	<u>271,349</u>
CHANGES IN NET ASSETS	(19,805)	381,003
NET ASSETS, BEGINNING OF YEAR	<u>3,792,242</u>	<u>3,411,239</u>
NET ASSETS, END OF YEAR	<u>\$ 3,772,437</u>	<u>\$ 3,792,242</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

GADSDEN CULTURAL ARTS FOUNDATION, INC.

STATEMENTS OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

Functional Expenses	2022										
	Program Activities						Supporting Activities				
	School	Youth Symphony Orchestra	Imagination Place	Exhibits	Projects	Gadsden Symphony Orchestra	Programs Subtotal	General and Administrative	Fund-Raising	Supporting Subtotal	Total
Payroll and Related Benefits	\$ 222,052	\$ 247,921	\$ 125,551	\$ 922	\$ 5,541	\$ 20,998	\$ 622,985	\$ 164,057	\$ 30,000	\$ 194,057	\$ 817,042
Supplies and Program Services	97,307	52,195	11,441	33,660	20,920	6,786	222,309	-	-	-	222,309
Depreciation	29,163	15,332	14,309	313	1,882	4,075	65,074	55,718	-	55,718	120,792
Contract Labor	55,353	-	-	-	-	46,575	101,928	-	-	-	101,928
Utilities	19,687	10,350	9,660	211	1,270	2,751	43,929	37,614	-	37,614	81,543
Insurance	10,593	5,569	5,198	114	684	1,480	23,638	20,239	-	20,239	43,877
Repairs and Maintenance	6,908	3,632	3,390	74	446	965	15,415	13,199	-	13,199	28,614
Fundraising	-	-	-	-	-	-	-	-	21,514	21,514	21,514
Bank Charges	5,180	2,723	2,542	56	334	724	11,559	9,896	-	9,896	21,455
Investment Fees	4,913	2,583	2,411	53	317	686	10,963	9,386	-	9,386	20,349
Service Contracts	4,182	2,199	2,052	45	270	584	9,332	7,991	-	7,991	17,323
Advertising	3,813	2,476	1,871	41	246	533	8,980	7,285	-	7,285	16,265
Professional Fees	3,138	1,650	1,540	34	202	438	7,002	5,995	-	5,995	12,997
Office Expense	2,692	3,284	1,321	29	174	376	7,876	5,143	-	5,143	13,019
Travel and Training	1,511	895	741	16	98	211	3,472	2,888	-	2,888	6,360
Printing	194	3,918	95	2	13	27	4,249	372	-	372	4,621
Dues and Subscriptions	940	1,170	461	10	61	131	2,773	1,798	-	1,798	4,571
Membership Expenses	-	-	-	-	-	-	-	3,400	-	3,400	3,400
Postage	727	420	357	8	47	102	1,661	1,389	-	1,389	3,050
Small Tools and Equipment	-	2,768	-	-	-	-	2,768	-	-	-	2,768
Miscellaneous	86	808	42	1	6	12	955	166	-	166	1,121
Total Functional Expenses	\$ 468,439	\$ 359,893	\$ 182,982	\$ 35,589	\$ 32,511	\$ 87,454	\$ 1,166,868	\$ 346,536	\$ 51,514	\$ 398,050	\$ 1,564,918

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2021

	Program Activities						Supporting Activities				Total
	School	Youth Symphony Orchestra	Imagination Place	Exhibits	Projects	Gadsden Arts Tickets	Programs Subtotal	General and Administrative	Fund-Raising	Supporting Subtotal	
Functional Expenses											
Payroll and Related Benefits	\$ 54,064	\$ 231,996	\$ 75,691	\$ 1,142	\$ 3,015	\$ -	\$ 365,908	\$ 186,149	\$ 45,250	\$ 231,399	\$ 597,307
Supplies and Program Services	220,691	41,330	11,914	48,826	11,958	-	334,719	-	-	-	334,719
Depreciation	21,070	11,381	7,721	445	1,175	-	41,792	72,549	-	72,549	114,341
Utilities	13,623	7,358	4,992	288	760	-	27,021	46,905	-	46,905	73,926
Fundraising	-	-	-	-	-	-	-	-	59,102	59,102	59,102
Contract Labor	54,783	-	-	-	-	-	54,783	-	-	-	54,783
Insurance	7,915	4,275	2,900	167	441	-	15,698	27,251	-	27,251	42,949
Investment Fees	4,933	2,664	1,807	104	275	-	9,783	16,985	-	16,985	26,768
Bank Charges	3,313	1,790	1,214	70	185	-	6,572	11,408	-	11,408	17,980
Office Expense	2,913	3,229	1,067	61	162	-	7,432	10,029	-	10,029	17,461
Service Contracts	2,680	1,447	982	57	149	-	5,315	9,227	-	9,227	14,542
Repairs and Maintenance	2,630	1,420	964	56	147	-	5,217	9,053	-	9,053	14,270
Advertising	2,268	1,416	831	48	126	-	4,689	7,810	-	7,810	12,499
Professional Fees	2,108	1,138	772	45	118	-	4,181	7,257	-	7,257	11,438
Printing	37	4,087	13	1	2	-	4,140	126	-	126	4,266
Dues and Subscriptions	402	1,526	147	8	22	-	2,105	1,387	-	1,387	3,492
Postage	636	359	233	13	35	-	1,276	2,193	-	2,193	3,469
Gadsden Arts Tickets	-	-	-	-	-	3,203	3,203	-	-	-	3,203
Small Tools and Equipment	-	3,162	-	-	-	-	3,162	-	-	-	3,162
Membership Expenses	-	-	-	-	-	-	-	2,721	-	2,721	2,721
Miscellaneous	115	1,089	42	2	6	-	1,254	398	-	398	1,652
Travel and Training	252	271	92	5	14	-	634	869	-	869	1,503
Telephone	-	1,391	-	-	-	-	1,391	-	-	-	1,391
Total Functional Expenses	\$ 394,433	\$ 321,329	\$ 111,382	\$ 51,338	\$ 18,590	3,203	\$ 900,275	\$ 412,317	\$ 104,352	\$ 516,669	\$ 1,416,944

The accompanying Notes to Financial Statements are an integral part of these financial statements.

GADSDEN CULTURAL ARTS FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF ORGANIZATION

The Foundation promotes cultural, educational, and artistic activities in the Etowah County, Alabama area.

BASIS OF ACCOUNTING

The accompanying financial statements have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting differs from accounting principles generally accepted in the United States of America (U.S. GAAP) in that certain revenues are recognized when received rather than when earned and certain expenses are recognized when paid rather than when the obligation is incurred.

DEPOSITS

The Foundation maintains its cash balances at two financial institutions located in Gadsden, Alabama. The balances are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). At December 31, 2022 and 2021, the Foundation's uninsured cash balances totaled, \$9,055 and \$63,941, respectively.

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost. Donated property and equipment are recorded at estimated fair market value at the date of the donation. Additions and improvements that extend the life of an asset are capitalized. Expenditures for repairs and maintenance are charged against income. Depreciation is computed by the straight-line method based on the estimated useful lives of the individual assets ranging from 1 to 40 years.

FINANCIAL STATEMENT PRESENTATION

The Foundation has adopted FASB ASC 958-205, "Presentation of Financial Statements for Not-for-Profit Entities." Under FASB ASC 958-205, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets: Net Assets with Donor Restrictions and Net Assets without Donor Restrictions.

Net Assets with Donor Restrictions – The part of net assets of a not-for-profit entity that is subject to donor-imposed restrictions. There were no net assets with donor restrictions as of December 31, 2022 and 2021.

Net Assets without Donor Restrictions – The part of net assets of a not-for-profit entity that is not subject to donor-imposed restrictions.

(Continued)

GADSDEN CULTURAL ARTS FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

SUPPORT AND REVENUES

Contributions are recorded as income when received. Gifts of property and equipment are recorded at estimated fair market value. Contributions are considered available for unrestricted use unless specifically restricted by donors or the Board of Directors of the Foundation.

REVENUE RECOGNITION

Revenue is measured based on consideration specified in a contract with a customer, whether verbal or nonverbal. The Foundation recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. The Foundation does not have any significant financing components as payment is received at or shortly after the point of sale or upon completion of the service.

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 and the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services. General and administrative expenses are allocated to each program based on the percentage of total revenue that each program generates.

INCOME TAXES

There is no provision for income taxes for charitable purpose income since the Foundation is a not-for-profit institution exempt from both federal and state income taxes. The Foundation has received an exemption letter from the Internal Revenue Service granting it tax-exempt status under Internal Revenue Code Section 501(c)(3).

ASC 740-10 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. The standard also provides guidance on derecognition, classification, treatment of interest and penalties, and disclosure of such positions. The Foundation follows ASC 740-10 in accounting for any uncertain tax positions. Management believes that any potential liability resulting from taxing authorities imposing additional taxes or penalties would have no material effect on the Foundation's financial statements.

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GADSDEN CULTURAL ARTS FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

USE OF ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

SUBSEQUENT EVENTS

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through March 21, 2023, which is the date the financial statements were available to be issued.

NOTE 2 – CASH AND INVESTMENTS

Investments are shown on the statements of assets, liabilities, and net assets – modified cash basis at cost. The market value at December 31, 2022 and 2021 was \$2,417,397 and \$3,199,438, respectively.

	<u>December 31, 2022</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Cash and Money Funds	\$ 192,088	\$ 192,088	\$ -
Equities	<u>2,058,460</u>	<u>2,225,309</u>	<u>166,849</u>
	<u>\$ 2,250,548</u>	<u>\$ 2,417,397</u>	<u>\$ 166,849</u>

	<u>December 31, 2021</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Cash and Money Funds	\$ 290,062	\$ 290,062	\$ -
Equities	<u>1,969,195</u>	<u>2,909,376</u>	<u>940,181</u>
	<u>\$ 2,259,257</u>	<u>\$ 3,199,438</u>	<u>\$ 940,181</u>

(Continued)

GADSDEN CULTURAL ARTS FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

NOTE 2 – CASH AND INVESTMENTS (Continued)

The following schedule summarizes the investment return and its classification in the statements of support, revenues, expenses, and change in net assets – modified cash basis for the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Interest Income	\$ 3,852	\$ 3,598
Dividend Income	54,143	49,912
Gain on Investment Securities	<u>50,283</u>	<u>218,974</u>
	<u>\$ 108,278</u>	<u>\$ 272,484</u>

NOTE 3 – LONG-TERM DEBT

Note payable to the Exchange Bank of Alabama, payable in monthly installments of \$5,039 including interest at a fixed rate of 5.00% through October 2021. This note was paid in full during October 2021.

On January 26, 2021, the Foundation obtained a note payable with the Exchange Bank of Alabama under the Paycheck Protection Program Round 2 (PPP2), which was established as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The loan of \$162,310 was fully forgiven on July 26, 2021.

NOTE 4 – RETIREMENT PLAN

The Foundation established a retirement plan effective as of January 1, 2011. Employees who are age 21 and over and have completed one year of service and working a minimum of 1,000 hours or more per year are allowed to contribute to the plan. The Foundation made contributions of \$33,029 and \$46,534 to the plan during the years ended December 31, 2022 and 2021.

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GADSDEN CULTURAL ARTS FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

NOTE 5 – LIQUIDITY AND AVAILABILITY OF RESOURCES

The Foundation's financial assets available within one year of the balance sheet dates for general expenditures are as follows:

	<u>2022</u>	<u>2021</u>
Cash	\$ 234,681	311,466
Investments - Cash	<u>192,088</u>	<u>290,062</u>
Total	<u>\$ 426,769</u>	<u>601,528</u>