

The logo for United Arts of Central Florida features the words "United Arts" in a white, sans-serif font, set against a horizontal brushstroke background that transitions from orange on the left to red on the right. Below this, the words "OF CENTRAL FLORIDA" are written in a smaller, black, all-caps, sans-serif font.

United Arts
OF CENTRAL FLORIDA

**UNITED ARTS OF CENTRAL FLORIDA, INC.
Financial Statements
June 30, 2022 and 2021
With Independent Auditor's Report**

United Arts of Central Florida, Inc.
Table of Contents
June 30, 2022 and 2021

Independent Auditor's Report	1-2
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Statements of Functional Expenses	6
Notes to Financial Statements	7-15
Supplementary Information	
Schedule of Expenditures of Federal Awards	16
Notes to Schedule of Expenditures of Federal Awards	17
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i>	18-19
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance with Uniform Guidance	20-22
Schedule of Findings and Questioned Costs	23-24

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
United Arts of Central Florida, Inc.:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of United Arts of Central Florida, Inc. (the "Organization"), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of United Arts of Central Florida, Inc. as of June 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 ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*Government Auditing Standards*"). 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 Organization 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 opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for 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 GAAS 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 GAAS 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 Organization'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 the Organization'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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards for the year ended June 30, 2022, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2023, on our consideration of the Organization'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 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 Organization's internal control over financial reporting and compliance.

Withum Smith + Brown, PC

January 25, 2023

United Arts of Central Florida, Inc.
Statements of Financial Position
June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Cash and cash equivalents	\$ 4,115,131	\$ 4,058,090
Amounts held for others/restricted cash and cash equivalents	2,375,722	4,276,272
Pledges and grants receivable, net	676,147	540,025
Prepaid expenses and other assets	49,857	87,445
Property and equipment, net of accumulated depreciation of \$105,754 and \$98,936, respectively	18,541	15,291
Board designated endowments	<u>27,362</u>	<u>31,641</u>
 Total assets	 <u>\$ 7,262,760</u>	 <u>\$ 9,008,764</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 1,766,319	\$ 1,735,323
Deferred services revenue	114,904	116,667
Amounts held for others	2,375,722	4,276,272
Designations payable	<u>484,872</u>	<u>358,652</u>
Total liabilities	<u>4,741,817</u>	<u>6,486,914</u>
Net assets		
Without donor restrictions	2,070,553	2,340,498
With donor restrictions	<u>450,390</u>	<u>181,352</u>
Total net assets	<u>2,520,943</u>	<u>2,521,850</u>
 Total liabilities and net assets	 <u>\$ 7,262,760</u>	 <u>\$ 9,008,764</u>

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

United Arts of Central Florida, Inc.
Statements of Activities
Years Ended June 30, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support						
Contributions						
Corporations	\$ 509,736	\$ 304,247	\$ 813,983	\$ 402,863	\$ 312,552	\$ 715,415
Government	3,113,352	545,997	3,659,349	2,860,757	235,107	3,095,864
Foundations	482,497	342,500	824,997	224,537	165,000	389,537
Individuals and workplace giving	189,691	4,051,061	4,240,752	275,511	3,247,695	3,523,206
Grants and other gifts	26,024	803,139	829,163	161,304	790,000	951,304
Total support	4,321,300	6,046,944	10,368,244	3,924,972	4,750,354	8,675,326
Less: Donor designations, net of provision for losses	-	(5,068,805)	(5,068,805)	-	(3,960,354)	(3,960,354)
Net support	4,321,300	978,139	5,299,439	3,924,972	790,000	4,714,972
Other revenue						
Contract and services revenue	838,898	-	838,898	846,435	-	846,435
Sponsorships and events	46,000	-	46,000	22,000	-	22,000
Gifts-in-kind	21,788	-	21,788	49,313	-	49,313
Interest income (loss)	(2,788)	-	(2,788)	8,900	-	8,900
Net assets released from restriction	709,101	(709,101)	-	1,091,708	(1,091,708)	-
Total support and other revenue	1,612,999	(709,101)	903,898	2,018,356	(1,091,708)	926,648
Total revenue	5,934,299	269,038	6,203,337	5,943,328	(301,708)	5,641,620
Support grants and functional expenses						
Support grants to arts organizations	4,589,572	-	4,589,572	4,407,480	-	4,407,480
Functional expenses						
Program	1,053,940	-	1,053,940	924,242	-	924,242
Fundraising	426,272	-	426,272	370,363	-	370,363
Management and general	134,460	-	134,460	117,674	-	117,674
Total functional expenses	1,614,672	-	1,614,672	1,412,279	-	1,412,279
Total support grants and functional expenses	6,204,244	-	6,204,244	5,819,759	-	5,819,759
Change in net assets	(269,945)	269,038	(907)	123,569	(301,708)	(178,139)
Net assets						
Beginning of year	2,340,498	181,352	2,521,850	2,216,929	483,060	2,699,989
End of year	\$ 2,070,553	\$ 450,390	\$ 2,520,943	\$ 2,340,498	\$ 181,352	\$ 2,521,850

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

United Arts of Central Florida, Inc.
Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating activities		
Change in net assets	\$ (907)	\$ (178,139)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	6,818	6,304
(Increase) decrease in board designated endowment	4,279	(5,764)
Gain on forgiveness of note payable	-	(130,413)
Changes in		
Pledges and grants receivable, net	(136,122)	72,306
Prepaid expenses and other assets	37,588	(43,615)
Accounts payable and accrued expenses	30,996	502,389
Deferred services revenue	(1,763)	(1,518)
Amounts held for others	(1,900,550)	267,298
Designations payable	126,220	(113,660)
Net cash provided by (used in) operating activities	<u>(1,833,441)</u>	<u>375,188</u>
Investing activities		
Purchase of property and equipment	<u>(10,068)</u>	<u>(10,040)</u>
Net cash used in investing activities	<u>(10,068)</u>	<u>(10,040)</u>
Net change in cash, cash equivalents and restricted cash and cash equivalents	(1,843,509)	365,148
Cash, cash equivalents and restricted cash and cash equivalents		
Beginning of year	<u>8,334,362</u>	<u>7,969,214</u>
End of year	<u>\$ 6,490,853</u>	<u>\$ 8,334,362</u>

The following table provides a reconciliation of cash and cash equivalents and restricted cash and cash equivalents reported on the statements of financial position that sum to the total of the same amounts in the statements of cash flows.

Cash and cash equivalents	\$ 4,115,131	\$ 4,058,090
Amounts held for others/restricted cash and cash equivalents	<u>2,375,722</u>	<u>4,276,272</u>
	<u>\$ 6,490,853</u>	<u>\$ 8,334,362</u>

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

United Arts of Central Florida, Inc.
Statements of Functional Expenses
Years Ended June 30, 2022 and 2021

	2022			
	<u>Program</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
Salaries, taxes, and benefits	\$ 572,586	\$ 325,781	\$ 88,849	\$ 987,216
Advertising and promotion	115,421	22,104	-	137,525
Consulting and contracted services	84,868	15,664	1,994	102,526
Rents and utilities	58,997	26,733	6,453	92,183
Technology	35,447	9,336	9,320	54,103
Supplies	3,844	2,169	8,210	14,223
Printing and publication	119,367	5,276	381	125,024
Hospitality, meals, and awards	12,085	2,476	15,470	30,031
Depreciation	4,364	1,977	477	6,818
Dues and subscriptions	4,800	2,175	525	7,500
Postage	4,223	2,260	456	6,939
Corporate insurance	5,474	2,481	599	8,554
Telecommunication	6,094	2,407	764	9,265
Travel, conferences, and education	26,370	5,433	962	32,765
	<u>\$ 1,053,940</u>	<u>\$ 426,272</u>	<u>\$ 134,460</u>	<u>\$ 1,614,672</u>
	2021			
	<u>Program</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
Salaries, taxes, and benefits	\$ 522,042	\$ 260,571	\$ 58,839	\$ 841,452
Advertising and promotion	63,555	20,376	-	83,931
Consulting and contracted services	113,440	15,486	37,106	166,032
Rents and utilities	66,571	27,821	3,974	98,366
Technology	34,326	8,271	1,465	44,062
Supplies	9,764	5,186	7,420	22,370
Printing and publication	83,591	20,296	89	103,976
Hospitality, meals, and awards	7	873	6,829	7,709
Depreciation	4,287	1,765	252	6,304
Dues and subscriptions	4,810	2,010	287	7,107
Postage	8,193	2,509	311	11,013
Corporate insurance	7,274	3,040	434	10,748
Telecommunication	5,889	2,159	668	8,716
Travel, conferences, and education	493	-	-	493
	<u>\$ 924,242</u>	<u>\$ 370,363</u>	<u>\$ 117,674</u>	<u>\$ 1,412,279</u>

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

United Arts of Central Florida, Inc.
Notes to Financial Statements
June 30, 2022 and 2021

1. NATURE OF OPERATIONS

United Arts of Central Florida, Inc. (“United Arts” or the “Organization”) is a not-for-profit corporation organized and operated exclusively for cultural and educational purposes in order to further programs in arts, science, and history. Monies raised by United Arts are spent on programs and grants to a wide variety of arts, science, and history organizations throughout Lake, Orange, Osceola, and Seminole counties.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets, support, revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed stipulations. These assets may, however, be subject to Board designated restrictions.

Net assets with donor restrictions: Net assets that are subject to donor-imposed stipulations. These stipulations either require the Organization to maintain the net asset permanently, generally permitting all or part of the income earned on related investments be used for general or specific purposes or be met either by the completion of a stipulated action and/or the passage of time. As of June 30, 2022 and 2021, the Organization does not have any assets that are required to be maintained permanently.

Cash and Cash Equivalents

The Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Pledges and Grants Receivable

Pledges and grants receivable are unconditional promises to give and are recorded when the promises to give are made. Pledges and grants receivable which are expected to be collected in more than one year are stated at the present value of estimated future receipts. The Organization provides an allowance for uncollectible pledges at the time revenues are recorded based on historical write-offs.

Property and Equipment

Property and equipment consist of furniture, office equipment, and software and are recorded at cost, if purchased, and at fair market value on the date received, if donated. Depreciation is computed using the straight-line method over the estimated useful lives of the assets of three to seven years. For the years ended June 30, 2022 and 2021, depreciation expense was \$6,818 and \$6,304, respectively.

Contributions and Designations

Unconditional promises to give, including pledges and grants receivable, are recognized in the period received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Donor designations are included in total contributions but are deducted to arrive at net contributions for presentation purposes on the statements of activities. Contributions received that are designated to a specified organization by the donor are recorded as designations payable. Pledges received that are designated to a specific organization by the donor are recorded as designations receivable and uncollected designations due when the related promise to give is received.

United Arts of Central Florida, Inc.
Notes to Financial Statements
June 30, 2022 and 2021

Donor Restricted Contributions

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or are restricted by the donor for specific purposes are reported as donor restricted support that increases that net asset class. United Arts operates on a forward funding basis; therefore, contributions toward the current annual campaign are time restricted by the Board to fund grants, programs, and operations in the next fiscal year.

When a donor restriction expires, which is when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statements of activities as net assets released from restriction. If a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support to be without donor restrictions.

Due to the timing of revenue recognition in relationship to the release of time and/or purpose restricted net assets, the Organization may experience fluctuations in its total change in net assets. These fluctuations are normal and do not impact general operations.

Deferred Services Revenue

Deferred services revenue represents administrative fees received for grants awarded by Orange County (see Note 4) and restricted program revenue, which have not yet been earned.

Contributed Services and Goods

Contributed services are recognized and recorded at fair market value only to the extent they create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donations. Contributed goods are recognized at fair market value on the date received.

During the year ended June 30, 2022, specialized goods and/or services in the form of discounted and/or free advertising, space rental, hospitality, and supplies was received and recognized in the statement of activities as gifts-in-kind support of \$21,788, and the statement of functional expenses as advertising and promotion of \$2,524, hospitality, meals and awards of \$288, magazine printing of \$3,207, technology of \$169, and travel of \$15,600. During the year ended June 30, 2021, specialized goods and/or services in the form of discounted and/or free advertising, space rental, hospitality, and supplies was received and recognized in the statement of activities as gifts-in-kind support of \$49,313, and the statement of functional expenses as advertising and promotion of \$6,529, consulting, and contracted services of \$40,278, hospitality, meals, and awards of \$2,391 and technology of \$115.

Functional Expenses

Salaries and related benefits are allocated among functional categories based upon the estimated proportion of employee time spent for each function. A portion of general and administrative costs that benefit multiple functional areas have been allocated across program and supporting services based on estimated time spent by employees involved with those areas. All other expenses, including advertising, consulting, rent, and hospitality costs are either directly allocated or distributed based upon management's estimate of the relative functional activity.

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 the reported amounts of 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.

United Arts of Central Florida, Inc.
Notes to Financial Statements
June 30, 2022 and 2021

Income Taxes

The Organization is exempt from federal income tax under provisions of Section 501(c)(3) of the Internal Revenue Code ("IRC"), and from state income taxes under similar provisions of the Florida Income Tax Code.

Accounting principles generally accepted in the United States of America prescribe requirements for the recognition of income taxes in financial statements, and the amounts recognized are affected by income tax positions taken by the Organization in its tax returns. The Organization's status as an exempt organization is defined as an income tax position under these requirements. While management believes it has complied with the Internal Revenue Code, the sustainability of some income tax positions taken by the Organization in its tax returns may be uncertain. There are minimum thresholds of likelihood that uncertain tax positions are required to meet before being recognized in the financial statements. Management does not believe that the Organization has any material uncertain tax positions at June 30, 2022 or 2021.

Concentration of Credit Risk

The Organization's financial instruments that are exposed to concentrations of credit risk consist of cash and cash equivalents, which include checking and money market accounts placed with federally insured financial institutions. Such accounts may, at times, exceed federally insured limits. The Organization has not experienced any losses on such accounts.

In addition, the Organization receives substantial support from individuals, businesses, and governmental entities in the Central Florida area. The financial strength of the Organization is therefore contingent upon the economy of Central Florida. During the years ended June 30, 2022 and 2021, one entity accounted for approximately 48% and 58%, respectively of total revenue.

Advertising Expense

Advertising costs are expensed as incurred. The Organization actively advertises its brand and runs collaborative marketing campaigns on behalf of the arts, science, and history organizations it supports. Advertising is designed to raise awareness for the region's arts and cultural organizations and the diverse variety of events available. Marketing is done regionally to attract residents as well as throughout the state, nationally and internationally to attract tourists to experience arts and culture while they are in the area. The Organization solicits funding specifically to support these marketing efforts. For each of the years ended June 30, 2022 and 2021, the Organization was awarded grants totaling \$91,535 and \$100,000, respectively. Advertising expenses for the years ended June 30, 2022 and 2021, totaled \$137,526 and \$83,931, respectively.

Subsequent Events

The Organization has evaluated events and transactions through January 25, 2023, which is the date the financial statements were available to be issued. Based upon this evaluation, the Organization has determined that no subsequent events have occurred that require adjustment to or disclosure in the financial statements.

Accounting Pronouncement Adopted in Current Year

Contributed Nonfinancial Assets

In September 2020, the FASB issued Accounting Standards Update ("ASU") 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958). The ASU is intended to improve transparency in the report of contributed nonfinancial assets, also known as in-kind gifts, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statements of activities, apart from nonfinancial assets as a separate line item in the statements of activities, along with expanded disclosure requirements. The Organization retrospectively adopted the new guidance as of July 1, 2021 with minimal changes to related accounting policies and disclosures.

United Arts of Central Florida, Inc.
Notes to Financial Statements
June 30, 2022 and 2021

Accounting Pronouncement Issued, But Not Yet Adopted

Leases

In February 2016, the FASB issued ASU 2016-02 *Leases* (Topic 842), which requires the recognition of a “right to use” asset and a lease liability, initially measured at the present value of the lease payments on the statement of financial position for all of the Organization’s lease obligations. The effective date upon issuance for the Organization is for the year beginning July 1, 2022. The Organization is currently evaluating the effect that this pronouncement will have on its financial statements and related disclosures.

3. DEFERRED SERVICES REVENUE

United Arts provides grants administration services for Orange County, Florida (see Note 4). Service fees are set at 8% of the first \$2,000,000 in grants awarded and 5% thereafter up to total administrative fees of \$192,224 and \$210,000 for the years ended June 30, 2022 and 2021, respectively. Administrative fee revenue is earned ratably over the term of the grant of 18 - 21 months as the services are provided, the benefits of which are realized simultaneously by Orange County over the term of the grant and is recorded as contract and services revenue in the statements of activities. Total administrative fees earned during the years ended June 30, 2022 and 2021, were \$230,398 and \$297,377, respectively. For the years ended June 30, 2022 and 2021, administrative fees earned includes \$28,299 and \$85,859, respectively, of fees earned related to administration of the COVID-19 related funding (see Note 4). As of June 30, 2022 and 2021, deferred service fee revenue was \$114,904 and \$116,667, respectively.

4. AMOUNTS HELD FOR OTHERS

Orange County

The Organization holds funds on behalf of Orange County for arts and cultural grants to be funded by the tourist development tax at the discretion of Orange County. Funds are held in a separate, interest-bearing account and interest earned is remitted back to Orange County twice per year.

During the years ended June 30, 2022 and 2021, the Organization received \$3,458,924 and \$3,832,169, respectively, in funding for grants awarded for Cultural Tourism and/or Cultural Facilities and/or Blockbuster grants and disbursed \$4,227,878 and \$4,256,953, respectively, in funding for those grants. For both of the years ended June 30, 2022 and 2021, \$7,500, is being held by the Organization for grant awards that had been forfeited by the grantees.

Since the Organization acts as an intermediary or agent for these funds on behalf of Orange County, these grants and related interest are not considered revenues of the Organization.

Orange County COVID-19 Reopening Grant Program

On October 26, 2020, the Organization entered into a subrecipient agreement with Orange County Government for the administration of two grant programs to distribute Orange County federal CARES relief funds to nonprofit Orange County arts and cultural agencies. Funding facilitated the reopening of Orange County arts and cultural venues by supporting the implementation of COVID-19 safety measures. The two funded programs are: “Grant 1: Community Arts PPE and Facility COVID-19 Public Health Grant”, which provided for the purchase of personal protection equipment (“PPE”) and COVID-19-related facility improvements, and “Grant 2: Community Arts Outdoor Facility COVID-19 Public Health Grant”, which provided for the purchase/rental of chairs, fencing/barricades, and tents to create safe outdoor spaces in Orange County for program delivery. The Organization received \$3,000,000 in funding under this agreement and as of June 30, 2021, had distributed \$2,267,818, with \$697,108 payable to subgrantees for total awards of \$3,000,000. At June 30, 2022, all funds had been disbursed. As of June 30, 2021, the Organization had received \$85,859 in administrative fee revenue to manage these grants for Orange County.

United Arts of Central Florida, Inc.
Notes to Financial Statements
June 30, 2022 and 2021

During the year ended June 30, 2022, the Organization received a second COVID recovery grant as a subrecipient of Orange County Government under the American Rescue Plan Act in an amount not to exceed \$1,000,000. During the year ended June 30, 2022, \$960,070 was distributed to subrecipients.

Amounts held for Orange County, including interest, consist of the following as of June 30:

	<u>2022</u>	<u>2021</u>
Cultural Facilities Grants	\$ 7,894	\$ 331,400
Cultural Tourism Grants	1,380,125	1,682,562
Blockbuster Fund	979,360	1,022,423
Forfeited Grants	7,500	7,500
Arts & Cultural Affairs	-	33
CARES Act Funding	<u>671</u>	<u>732,182</u>
Funds held for Orange County	2,375,550	3,776,100
Interest held for Orange County	<u>172</u>	<u>172</u>
Amounts held for Orange County	<u>\$ 2,375,722</u>	<u>\$ 3,776,272</u>

Collaborative Campaign

The Organization runs an annual Collaborative Campaign for community arts, science, and history groups in Central Florida. The campaign runs primarily from February through April. During the year ended June 30, 2022, the Organization raised approximately \$5,475,000, of which approximately \$4,840,000 was designated for thirty-one partner groups.

Dr. P. Phillips Foundation

On May 28, 2019, the Organization entered into an agreement with the Dr. P. Phillips Foundation to facilitate the building of a pavilion to be located at the City of Orlando Regional Park on Princeton Street in Orlando, Florida. Funding would be paid to the Organization, who would distribute the funds to the City of Orlando for construction costs of the pavilion. The total cost of the project is \$1,500,000. As of June 30, 2021, the Organization has received \$1,500,000 from the Dr. P. Phillips Foundation for this project and disbursed \$1,000,000 to the City of Orlando. As of June 30, 2022, the full amount has been paid.

Since the Organization acts as an intermediary or agent for these funds on behalf of the Dr. P. Phillips Foundation, these grants are not considered revenues of the Organization.

National Endowment for the Arts

On January 5, 2022, the Organization was granted an award under American Rescue Plan Act in an amount of \$500,000 to support subgranting to the nonprofit arts sector in response to and recovery from the COVID-19 pandemic. Funds from this grant may be requested from the grantor either thirty days prior to an anticipated disbursement or on a reimbursement basis. Payments to subrecipients will take place beginning in the fiscal year ending June 30, 2023.

United Arts of Central Florida, Inc.
Notes to Financial Statements
June 30, 2022 and 2021

5. PLEDGES AND GRANTS RECEIVABLE

Pledges and grants receivable consist of the following as of June 30:

	<u>2022</u>	<u>2021</u>
Due within one year	\$ 681,010	\$ 544,888
Less: Allowance for doubtful accounts	<u>(4,863)</u>	<u>(4,863)</u>
	<u>\$ 676,147</u>	<u>\$ 540,025</u>

6. NOTE PAYABLE

On April 14, 2020, the Organization obtained an unsecured promissory note (the "PPP Loan") for \$130,413 through the Paycheck Protection Program ("PPP") established under the CARES Act and administered by the U.S. Small Business Administration ("SBA"). The PPP Loan is guaranteed by the SBA. The PPP Loan may be forgiven, in whole or in part, if the Organization was eligible for the PPP Loan at the time of application, used the loan proceeds for eligible expenses within a defined period, and otherwise satisfied PPP requirements. The loan has a two-year term and bears interest at a rate of 1% per annum.

On January 16, 2021, the Organization was informed that its application for forgiveness of \$130,413 of the PPP Loan was approved. Accordingly, the Organization has included the forgiveness of debt with grants and other gifts on the accompanying statements of activities for the year ended June 30, 2021.

7. NET ASSETS

Net assets without donor restrictions consist of the following as of June 30:

	<u>2022</u>	<u>2021</u>
Available for operations	\$ 1,196,364	\$ 1,462,030
Board designated funds restricted for future years	846,827	846,827
Board designated endowment investments	<u>27,362</u>	<u>31,641</u>
	<u>\$ 2,070,553</u>	<u>\$ 2,340,498</u>

Net assets with donor restrictions consist of the following as of June 30:

	<u>2022</u>	<u>2021</u>
Purpose restricted – events website	\$ 67,872	\$ 67,872
Time and purpose restricted – grants	346,285	77,247
Purpose restricted - Orange County Venue Subsidy Grant	<u>36,233</u>	<u>36,233</u>
	<u>\$ 450,390</u>	<u>\$ 181,352</u>

Net assets with donor restrictions during the years ended June 30, 2022 and 2021 of \$709,101 and \$1,091,708 respectively, were released from donor restrictions to support grants and operations.

United Arts of Central Florida, Inc.
Notes to Financial Statements
June 30, 2022 and 2021

In October 2019, the Organization was awarded \$500,000 in funding from Orange County to create a venue subsidy grant program to make the rental of performance space throughout Orange County more affordable. Orange County renewed this investment with an additional \$500,000 for both years ended June 30, 2022 and 2021. Due to COVID-19 venue closures, forfeited grant funds were either regranted through the next Venue Subsidy Grant program cycle or used to support venue subsidies at the Dr. Phillips Frontyard Festival. During the years ended June 30, 2022 and 2021, awards totaling \$515,984 and 277,689 were awarded to 30 and 19 agencies, respectively. At June 30, 2022 and 2021, unspent funds for this program totaled \$36,233.

8. COMMITMENTS AND CONTINGENCIES

The Organization leases office space and office equipment under operating leases, which expire on various dates from 2022 through 2025. Future minimum lease payments due under operating leases having an initial or remaining non-cancelable term of more than one year on June 30, 2022, are approximated as follows:

2023	\$ 107,015
2024	88,305
2025	64,418
2026	31,139
	<u>\$ 290,877</u>

Rent expense is recorded on a straight-line basis over the life of the lease. Total rent expense for the years ended June 30, 2022 and 2021, was approximately \$81,000 and \$84,000, respectively, and is included in rent and utilities in the statements of functional expenses. As of June 30, 2022 and 2021, deferred rent expense was \$4,658 and \$2,393, respectively.

9. EMPLOYEE BENEFIT PLAN

The Organization provides its employees with defined contribution plans under the provisions of Section 403(b) and 401(k) of the Internal Revenue Code. All employees are eligible to participate immediately upon hire. After one year of employment, participating employees have their contribution matched 100% up to 5% of eligible compensation and are 100% vested immediately. The Organization contributed \$17,361 and \$25,810 to the plans during the years ended June 30, 2022 and 2021, respectively.

10. BOARD DESIGNATED ENDOWMENTS

The Organization maintains two board designated endowment funds with the Central Florida Foundation ("CFF"). Each fund was seeded with \$10,000, which was taken from board-designated assets that had been set aside for this purpose. The Community Foundation oversees the funds' management and makes an annual distribution of available funds. The Board of Directors have established that these funds should be taken, and during fiscal years 2022 and 2021 the Board elected to take a distribution of \$521 and \$489, respectively, from the United Arts Endowment Fund, and \$518 and \$492, respectively, from the United Arts of Central Florida Arts and Education Endowment Fund, to support the Organization's programming.

United Arts of Central Florida, Inc.
Notes to Financial Statements
June 30, 2022 and 2021

The two endowment funds are as follows as of June 30:

	<u>2022</u>	<u>2021</u>
United Arts of Central Florida Endowment Fund	\$ 13,719	\$ 15,865
United Arts of Central Florida Arts and Education Endowment Fund	<u>13,643</u>	<u>15,776</u>
	<u>\$ 27,362</u>	<u>\$ 31,641</u>

In accordance with accounting standards on the reporting of endowment funds, these funds are classified as unrestricted net assets on the statements of financial position.

The Organization's changes in the board-designated endowments for the years ended June 30, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Board-designated endowment net assets, beginning of year	<u>\$ 31,641</u>	<u>\$ 25,877</u>
Net investment gain (loss)	(2,790)	7,129
Distributions	(1,353)	(1,269)
Investments fees	<u>(136)</u>	<u>(96)</u>
Change in board-designated endowment net assets	<u>(4,279)</u>	<u>5,764</u>
Board-designated endowment net assets, end of year	<u>\$ 27,362</u>	<u>\$ 31,641</u>

The Board of Directors of the Organization has interpreted the Florida Uniform Prudent Management of Institutional Funds Act ("FUPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets without donor restrictions: (a) the original value of the gift donated to the Board endowment, (b) the original value of subsequent gifts to the Board endowment, and (c) accumulations to the Board endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with FUPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate Board endowment funds:

- The duration and preservation of the fund;
- The purposes of the Organization and the endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the Organization;
- The investment policies of the Organization.

United Arts of Central Florida, Inc.
Notes to Financial Statements
June 30, 2022 and 2021

11. FINANCIAL ASSETS AND LIQUIDITY RESOURCES

The Organization's financial assets available within one year of the financial position date for general expenditures are as follows:

	<u>2022</u>	<u>2021</u>
Financial assets, at year end		
Cash and cash equivalents	\$ 4,115,131	\$ 4,058,090
Pledges and grants receivable, net,		
less donor designated pledges receivable	<u>190,226</u>	<u>182,995</u>
Total financial assets, at year end	4,305,357	4,241,085
Less: Amounts unavailable for general expenditures within one year due to		
Net assets with donor restrictions	(450,390)	(181,352)
Board designated funds internally restricted	(846,827)	(846,827)
Minimum operating lease payments	<u>(107,015)</u>	<u>(64,054)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,901,125</u>	<u>\$ 3,148,852</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets according to their nearness of conversion to cash and liabilities according to the nearness of their maturity and resulting use of cash.



SUPPLEMENTARY INFORMATION

United Arts of Central Florida, Inc.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

<u>Programs</u>	<u>Assistance Listing Number</u>	<u>Contract/Grant Number</u>	<u>Grant Expenditures</u>	<u>Passed Through Subrecipients</u>
<u>U.S. Department of Treasury</u>				
Passed through Orange County (Florida)				
Coronavirus Local Fiscal Recovery Fund	21.027	Y22-2402	\$ 960,070	\$ 960,070
Total expenditures of federal awards			<u>\$ 960,070</u>	<u>\$ 960,070</u>

See Independent Auditor's Report.
See Accompanying Notes to Schedule of Expenditures of Federal Awards.

United Arts of Central Florida, Inc.
Notes to Schedule of Expenditures of Federal Awards
June 30, 2022

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Organization under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operation of the Center, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. INDIRECT COST RATE

The Organization has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
United Arts of Central Florida, Inc.:

We have audited, 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 ("*Government Auditing Standards*"), the financial statements of United Arts of Central Florida, Inc. (the "Organization"), which comprise the statement of financial position as of June 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 25, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting ("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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization'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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Withum Smith & Brown, PC

January 25, 2023

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
United Arts of Central Florida, Inc.:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited United Arts of Central Florida, Inc.'s (the "Organization") compliance with the types of compliance requirements identified as subject to audit in the Office of Management and Budget ("OMB") *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2022. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*Government Auditing Standards*"); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. 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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Withum Smith + Brown, PC

January 25, 2023

United Arts of Central Florida, Inc.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued on whether the financial statements were prepared with GAAP	Unmodified	
Internal control over financial reporting		
Material weakness(es) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Significant deficiencies identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Federal Awards Programs

Internal control over major programs		
Material weakness(es) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Significant deficiencies identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None reported
Type of auditor’s report issued on compliance for major federal programs	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Identification of major program:

Assistance Listing Number
21.027

Name of Federal Program or Cluster
Coronavirus Local Fiscal Recovery Fund

Dollar threshold used to distinguish between Type A and Type B programs	\$750,000	
Auditee qualified as low-risk auditee	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

**United Arts of Central Florida, Inc.
Schedule of Findings and Questioned Costs
June 30, 2022 and 2021**

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION IV – SUMMARY OF PRIOR YEAR FINDINGS

No matters were reported.