

**CMCArts, INC.**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**  
*(With Comparative Totals for 2021)*



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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
CMCArts, Inc.  
St. Croix, U.S. Virgin Islands

### Report on the Audit of the Financial Statements

We have audited the accompanying financial statements of CMCArts, Inc. (CMCArts), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year 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 financial position of the CMCArts as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### 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 the CMCArts 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.

### 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 CMCArts' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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## **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 the CMCArts' 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 CMCArts' 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.

## **Report on Summarized Comparative Information**

We have previously audited CMCArts' 2021 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated May 24, 2023. In our opinion, the summarized comparative information presented herein, as of and for the year ended December 31, 2021, is consistent in all material respects with the audited financial statements from which it was derived.

*Bert Smith & Co.*

June 18, 2024  
Washington, D.C

**CMCArts, Inc.**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2022**  
*(With Comparative Totals for 2021)*

	<b>2022</b>	<b>2021</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 240,123	\$ 344,143
Prepaid Expenses	10,957	1,106
<b>Total Current Assets</b>	<b>251,080</b>	<b>345,249</b>
<b>Noncurrent Assets</b>		
Property and Equipment, net	87,105	39,669
<b>Total Noncurrent Assets</b>	<b>87,105</b>	<b>39,669</b>
<b>Total Assets</b>	<b>338,185</b>	<b>384,918</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts Payable	1,259	34,110
Note Payable	2,009	-
<b>Total Current Liabilities</b>	<b>3,268</b>	<b>34,110</b>
<b>Noncurrent Liabilities</b>		
Note Payable	97,991	100,000
<b>Total Noncurrent Liabilities</b>	<b>97,991</b>	<b>100,000</b>
<b>Total Liabilities</b>	<b>101,259</b>	<b>134,110</b>
<b>Net Assets</b>		
With Donor Restrictions	10,000	-
Without Donor Restrictions	226,926	250,808
<b>Total Net Assets</b>	<b>236,926</b>	<b>250,808</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 338,185</b>	<b>\$ 384,918</b>

*The accompanying notes are an integral part of these financial statements.*

**CMCArts, Inc.**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**  
*(With Comparative Totals for 2021)*

	<u>Without Donor Restriction</u>	<u>With Donor Restrictions</u>	<u>2022</u>	<u>2021</u>
<b>Revenues and Support</b>				
Contributions	\$ 377,761	10,000	\$387,761	\$ 293,382
Membership Dues	27,216	-	27,216	22,848
Program Revenue	126,747	-	126,747	93,016
Net Merchandise Sales	10,588	-	10,588	7,961
COVID Relief	-	-	-	28,600
Rental Income	25,952	-	25,952	38,783
Interest Income	1,428	-	1,428	1,340
<b>Total Revenues and Support</b>	<u>569,692</u>	<u>10,000</u>	<u>579,692</u>	<u>485,930</u>
<b>Expenses</b>				
Program	561,264	-	561,264	390,027
General and Administration	32,310	-	32,310	16,879
<b>Total Expenses</b>	<u>593,574</u>	<u>-</u>	<u>593,574</u>	<u>406,906</u>
<b>Change in Net Assets</b>	(23,882)	10,000	(13,882)	79,024
<b>Net Assets, Beginning of Year</b>	<u>250,808</u>	<u>-</u>	<u>250,808</u>	<u>171,784</u>
<b>Net Assets, End of Year</b>	<u>\$ 226,926</u>	<u>\$ 10,000</u>	<u>\$236,926</u>	<u>\$ 250,808</u>

*The accompanying notes are an integral part of these financial statements.*

**CMCArts, Inc.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**  
*(With Comparative Totals for 2021)*

	<b>Program Services</b>	<b>General Administration</b>	<b>2022</b>	<b>2021</b>
Salaries and Wages	\$ 175,052	\$ -	\$ 175,052	\$ 73,881
Benefits	35,426	-	35,426	25,320
Payroll Taxes	14,175	-	14,175	6,959
Professional Fees	-	7,783	7,783	10,829
Marketing and Promotion	10,548	-	10,548	5,351
Apartment Fees	5,912	-	5,912	4,751
Event and Classes	172,017	-	172,017	141,423
Gift Shop	20,703	-	20,703	13,212
Office Expense	-	12,979	12,979	5,783
Rent	72,000	-	72,000	72,000
Repairs and Maintenance	15,002	-	15,002	16,281
Utilities	12,397	-	12,397	13,094
Insurance	-	4,352	4,352	2,551
Depreciation Expense	-	6,089	6,089	5,271
Exhibitions: Framing	10,616	-	10,616	4,076
Other	17,416	1,107	18,523	6,124
Total Expenses	<u>\$ 561,264</u>	<u>\$ 32,310</u>	<u>\$ 593,574</u>	<u>\$ 406,906</u>

*The accompanying notes are an integral part of these financial statements.*

**CMCArts, Inc.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**  
*(With Comparative Totals for 2021)*

	<b>2022</b>	<b>2021</b>
<b>Cash Flows from Operating Activities</b>		
Change in Net Assets	\$ (13,881)	79,024
<i>Adjustments to Reconcile Change in Net Assets to Net Cash (Used in) Provided by Operating Activities</i>		
Depreciation Expense	6,089	5,271
<i>(Increase) Decrease in Assets</i>		
Prepaid Expenses	(9,851)	(1,106)
<i>(Decrease) Increase in Liabilities</i>		
Accounts Payable	(32,851)	24,906
Security Deposit	-	(48)
<b>Net Cash (Used in) Provided by Operating Activities</b>	<b>(50,495)</b>	<b>108,047</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of Property and Equipment	(53,525)	(15,252)
<b>Net Cash Used in Investing Activities</b>	<b>(53,525)</b>	<b>(15,252)</b>
<b>Net (Decrease) Increase in Cash</b>	(104,020)	92,795
<b>Cash, Beginning of Year</b>	344,143	251,348
<b>Cash, End of Year</b>	<b>\$ 240,123</b>	<b>\$ 344,143</b>
<b>Supplemental Disclosure</b>		
Interest Expense Paid	<b>\$ 718</b>	<b>\$ -</b>

*The accompanying notes are an integral part of these financial statements.*



**CMCArts, Inc.**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

**NOTE 1      NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

- **Nature of Operations:** CMCArts, Inc. (CMCArts) is an art space dedicated to preserving, promoting, and exhibiting the arts of the Caribbean community. CMCArts offers creative learning experiences that foster an understanding of the rich cultural and artistic traditions of the Caribbean through interactive environments that encourage positive forms of expression for all ages. Its previous name was the Caribbean Museum Center for the Arts, Inc.

CMCArts was conceived by Candia Atwater in 1994 as a means of addressing the increase in violence afflicting the youth of the capital St. Croix. Atwater saw the need to have a special place for children, as well as the larger island community, to create and appreciate art in all its forms. To address that need, she initiated a multi-faceted arts program that focused on our island's youth. As part of annual offerings, CMCArts organizes the "Island Art & Soul," which showcases Caribbean artists and their work. Since 2003, CMCArts programs and exhibitions have been housed in a historic building on Strand Street in Frederiksted.

The organization receives funding from contributions, merchandise sales, membership dues, rental income, and events and classes.

- **Basis of Accounting:** CMCArts prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.
- **Revenue Recognition:** CMCArts recognizes revenue when earned. Membership dues rental income, and classes are recorded as revenue in the period the transactions are related to. Funds received advance are recorded as deferred revenue. Merchandise sales are recorded as revenue when sold. Contributions are recorded when pledged or received.
- **Net Asset Classification:** CMCArts financial statements follow accounting standards for financial statements of not-for-profit organizations. Under these standards, CMCArts' reports information regarding its financial position and activities according to the following net asset classifications:
  - ... **Net assets without donor restrictions:** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of CMCArts. These net assets may be used at the discretion of the CMCArts' management and the board of directors.
  - ... **Net assets with donor restrictions:** Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of CMCArts or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Revenues are reported as with or without donor restrictions depending on the existence and/or nature of any donor restrictions. All donor-restricted contributions are reported as an increase in with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities and changes in net assets. If a donor restriction expires in the same reporting period, CMC Arts reports the contributions without donor restrictions.

- Income Taxes:** CMC Arts is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code; and therefore, no provision has been made for federal income taxes in the financial statements. Financial Accounting Standards Board (FASB), Accounting Standards Codification 740, *Income Taxes* (ASC 740) requires that a tax position be recognized or derecognized based on a “more-likely-than-not” threshold. This applies to positions taken or expected to be taken in a tax return. As of December 31, 2022, management has assessed its various tax positions, and it believes there are no liabilities for uncertain tax positions
- Property and Equipment:** CMC Arts capitalizes property and equipment that has a unit cost over \$500. Depreciation expense is recorded using the straight-line method over the assets estimated useful lives. Leasehold improvements and financed right to use equipment are depreciated and amortized, respectively over the lease term.

Maintenance and repairs are expensed when incurred. Upon the retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the respective accounts, and the resulting gain or loss, if any, is included in revenue or expenses in the accompanying statement of activities and changes in net assets. The estimated useful lives are as follows:

Furniture and Equipment	5-7 years
Leasehold Improvements	15 years

- 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 of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reporting amount of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.
- Functional Allocation of Expenses:** The cost of providing CMC Arts’ various programs and supporting services has been summarized on a functional basis in the statement of activities and change in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefit. The expenses are allocated based on direct charges and the estimated percentage of time employees spent between the program and general and administrative functions.

- **Comparative Information:** The financial statements include certain prior year summarized comparative information. The summarized 2021 fiscal year amounts do not include sufficient detail to constitute a presentation in accordance with generally accepted accounting principles in the United States of America. Accordingly, such information should be read in conjunction with the CMC Art’s financial statements for the year ended December 31, 2021, from which the summarized information was derived
- **Pronouncements Adopted.** The Financial Accounting Standards Board (FASB) issued Topic 842, “Lease,” which requires the recognition of lease assets and lease liabilities by lessees for all leases, including operating leases, with a term greater than 12 months. Under the pronouncement, lessees with an operating lease will be required to recognize (a) a right-of-use asset and a lease liability, initially measured at the present value of the lease payments in the statement of financial position and (b) single lease cost, calculated so that the cost of the lease is allocated over the lease term on a generally straight-line basis.

**NOTE 2 AVAILABILITY AND LIQUIDITY**

**Financial Assets, at year-end**

Cash	\$ 240,123
Total Financial Assets	<u>\$ 240,123</u>

**Less amounts not available to be used for general expenditures within one year:**

Donor Restrictions	(10,000)
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**Financial assets available to meet cash needs for general expenditures within one year**

<u>\$ 230,123</u>
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CMCArts prepares an annual budget to ensure it meets the organization’s cash needs.

**NOTE 3      PROPERTY AND EQUIPMENT**

CMCArts' property and equipment consist of the following:

Furniture and Equipment	\$ 29,370
Leasehold Improvements	<u>79,152</u>
Total Property and Equipment	108,522
Less Accumulated Depreciation	<u>(21,417)</u>
Property and Equipment, net	<u>\$ 87,105</u>

Depreciation expense for 2022 was \$6,089.

**NOTE 4      NOTES PAYABLE**

On September 2, 2020, CMCArts received a promissory note from the U.S. Small Business Administration (SBA) in the amount of \$100,000. The proceeds were used for working capital to alleviate economic injury caused by the COVID pandemic. The loan has a 2.75% interest rate and is due in September 2050. The loan is secured by all the organization's tangible and intangible property. The first payment on the loan was not due until two years after the note issuance. However, CMCArts requested an extension. The first payment is due in March 2023. Interest paid on the loan for 2022 was \$718. The future principal payments on the loan are as follows:

2023	\$ 2,009
2024	2,472
2025	2,541
2026	2,612
2027	2,685
Thereafter	<u>87,681</u>
	<u>\$100,000</u>

**NOTE 5      OPERATING LEASE**

CMCArts signed a 30-year occupancy lease that expires in September 2047. The annual rent is \$72,000 with no escalation. As part the of the lease agreement, the landlord agreed to donate to the organization the same amount of the lease payments received annually. The contributions from the landlord are shown as a contribution in the statement of activities and changes in net assets. The ASU 842 lease standard is applicable to leases that involve the right to use an asset in an exchange for consideration. Since there was no actual consideration given for the lease, a right-to-use asset and liability was not recorded for the operating lease.

**NOTE 6      NET ASSETS WITH DONOR RESTRICTIONS**

As of December 31, 2022, the With Donor restriction represents funds received for Artists in Residence program.

**NOTE 7            CONTINGENCIES**

CMCArts' management asserts that there have been no material claims, suits or complaints filed or pending against the organization. In the opinion of management, any potential liability from all other claims and other matters which are omitted or unasserted are without merit and will not have a material adverse effect upon the financial position or results of net assets of CMCArts if they were to be disposed of unfavorably.

**NOTE 8            SUBSEQUENT EVENTS**

CMCArts has evaluated subsequent events through June 18, 2024, which is the date the financial statements were available to be issued. This review and evaluation revealed no additional material events that would require disclosure or have an effect on the financial statements.