

**CULTURAL DEVELOPMENT CORPORATION  
OF THE DISTRICT OF COLUMBIA**

**DBA CulturalDC**

**Financial Statements Together with  
Report of Independent Public Accountants**

**For the Year Ended September 30, 2016**



**SEPTEMBER 30, 2016**

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## REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

The Board of Directors  
Cultural Development Corporation of the District of Columbia

We have audited the accompanying financial statements of Cultural Development Corporation of the District of Columbia (the Organization), which comprise the statement of financial position as of September 30, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of September 30, 2016, 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.

Sterling, VA  
March 7, 2017

Potomac CPAs + Consultants, LLC

**Cultural Development Corporation of the District of Columbia**

**Statement of Financial Position**

	Year ended September 30,	
	2016	2015
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 876,621	\$ 100,869
Cash - Restricted	23,552	22,462
Accounts Receivable	33,471	109,536
Contributions Receivable, net	-	16,750
Grants Receivable	-	2,500
Prepaid Expenses and Other Assets	155,026	137
Property and Equipment, net	2,035,296	3,810,014
<b>Total Assets</b>	<b>\$ 3,123,966</b>	<b>\$ 4,062,268</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts Payable and Accrued Expenses	60,784	72,499
Deferred Rent and Other Liabilities	26,409	24,089
Line of Credit	-	199,964
Note Payable (Current)	38,840	69,301
Loan Payable	-	58,000
Note Payable	1,345,205	2,635,837
<b>Total Liabilities</b>	<b>\$ 1,471,238</b>	<b>\$ 3,059,690</b>
<b>Net Assets</b>		
Unrestricted	1,652,728	816,578
Temporarily Restricted	-	186,000
<b>Total Net Assets</b>	<b>\$ 1,652,728</b>	<b>\$ 1,002,578</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 3,123,966</b>	<b>\$ 4,062,268</b>

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

**Cultural Development Corporation of the District of Columbia**

**Statement of Activities and Changes in Net Assets**

	Year ended September 30,	
	<u>2016</u>	<u>2015</u>
<b>CHANGE IN UNRESTRICTED NET ASSETS</b>		
<b>Revenue and Support</b>		
Grants and Contributions	\$ 346,362	\$ 355,287
Earned Program Revenue:		
Consulting	61,838	85,576
Flashpoint	48,385	108,264
Festival	21,319	28,037
Source	212,175	199,151
Other Program Revenue	58,767	1,553
Total Earned Program Revenue	<u>402,484</u>	<u>422,581</u>
Other Revenue	1,511,536	-
Net Assets Released from Restrictions	<u>(186,000)</u>	-
<b>Total Revenue and Support</b>	<u>2,074,382</u>	<u>777,868</u>
<b>Expenses</b>		
Program Expenses:		
Consulting	83,465	96,414
Artist Housing	2,042	570
Flashpoint	268,995	454,204
Festival	188,177	134,231
Source	318,102	182,713
Communications	57,783	55,767
Other Programs	74,488	-
Total Program Expenses	<u>993,052</u>	<u>923,899</u>
Management and General	341,928	145,375
Fundraising Expenses	275,252	136,267
<b>Total Expenses</b>	<u>1,610,232</u>	<u>1,205,541</u>
<b>Change in Unrestricted Net Assets</b>	<u>464,150</u>	<u>(427,673)</u>
<b>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS</b>		
Contributions	-	19,000
Satisfaction of Restrictions	186,000	-
<b>Change in Temporarily Restricted Net Assets</b>	<u>186,000</u>	<u>19,000</u>
<b>CHANGE IN NET ASSETS</b>		
Changes in Net Assets	650,150	(408,673)
Net Assets, Beginning of Year	1,002,578	1,411,251
<b>Net Assets, End of Year</b>	<u>\$ 1,652,728</u>	<u>\$ 1,002,578</u>

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

## Cultural Development Corporation of the District of Columbia

### Statement of Cash Flows

	Year ended September 30,	
	<u>2016</u>	<u>2015</u>
<b>Cash Flows from Operating Activities</b>		
<b>Changes in net assets</b>	\$ 650,150	\$ (408,673)
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Depreciation	116,253	122,967
Bad Debt	49,884	-
Effect of changes in non-cash operating assets and liabilities:		
Account Receivables	45,431	47,481
Contributions Receivable	-	(2,200)
Grants Receivable	-	125,000
Prepaid Expenses and Other Assets	(154,889)	(137)
Accounts Payable and Accrued Expenses	(11,715)	26,017
Deferred Rent and Other Liabilities	2,320	3,310
<b>Net Cash from Operating Activities</b>	<u>697,434</u>	<u>(86,235)</u>
 <b>Cash Flows from Investing Activities</b>		
Sale of Property and Equipment	<u>1,658,465</u>	<u>-</u>
<b>Net Cash from Investing Activities</b>	<u>1,658,465</u>	<u>-</u>
 <b>Cash Flows from Financing Activities</b>		
Acquisition/(Discharge) of Line of Credit	(199,964)	-
Payments of Principal on Loans and Notes Payable	<u>(1,379,093)</u>	<u>(41,405)</u>
<b>Net Cash from Financing Activities</b>	<u>(1,579,057)</u>	<u>(41,405)</u>
 Net Change in Cash and Cash Equivalents	776,842	(127,640)
Cash and Cash Equivalents, Beginning of Year	123,331	250,971
Cash and Cash Equivalents, End of Year	<u>\$ 900,173</u>	<u>\$ 123,331</u>
 <b>Supplemental Disclosures of Cash Flow Information</b>		
Cash Paid During the Year for Interest	<u>165,207</u>	<u>136,289</u>

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

# Cultural Development Corporation of the District of Columbia

## Notes to the Financial Statements September 30, 2016

### 1. **BACKGROUND OF THE ORGANIZATION**

Cultural Development Corporation of the District of Columbia (CulturalDC) was incorporated as a nonprofit organization under the laws of the District of Columbia on September 30, 1998. CulturalDC works to increase and sustain the presence of arts and culture and provides places for arts organizations and artists to live, create, exhibit, sell, rehearse, perform and convene. Modeled after a community development corporation, CulturalDC creates opportunities for artists and arts organizations that stimulate economic development and improve the quality of life in the Washington, DC area.

CulturalDC develops places where the arts can flourish and supports artists and arts organizations that bring creativity and innovation to the community. To meet the DC arts community's ongoing needs, CulturalDC: creates and manages arts facilities (including administrative, rehearsal, performance and exhibition space at Flashpoint and Source); provides technical assistance to artists and arts organizations; creates artist housing opportunities; and advocates for the incorporation of sustainable arts components into mixed use development projects.

### 2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### ***Basis of Accounting***

The accompanying financial statements of CulturalDC are presented on the accrual basis of accounting in accordance with *U.S. Generally Accepted Accounting Principles*.

#### ***Use of Estimates***

The preparation of financial statements in conformity with *U.S. Generally Accepted Accounting Principles* requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements. Actual results could differ from those estimates.

#### ***Restricted Cash***

Restricted cash represents security deposits received from tenants. Security deposits are required to be maintained separately and are also included within other liabilities as the deposits are returned to tenants in accordance with lease agreements upon lease termination.

**Cultural Development Corporation of the District of Columbia**

**Notes to the Financial Statements  
September 30, 2016**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Accounts Receivable***

Accounts receivable are recorded at their estimated net realizable value. Provisions for losses on receivables are determined on the basis of loss experience, known and inherent risks and current economic conditions. Accounts receivable are written off when deemed uncollectible. No allowance for doubtful accounts has been recorded as of September 30, 2016, as management believes that all outstanding receivables were fully collectible.

***Contributions and Grants Receivable***

All contributions receivable are recorded at fair value. No allowance for doubtful contributions receivable has been recorded as of September 30, 2016, as there were no outstanding contributions receivable.

Grants receivable are expenses incurred in excess of funds collected. No allowance for doubtful grants has been recorded as of September 30, 2016, as there were no outstanding grants receivable.

***Property and Equipment***

As of September 30, 2016, property and equipment over \$1,000 are recorded at cost or fair market value if donated. Depreciation is recorded using the straight-line method over the estimated life of the assets.

Depreciation is calculated based on the following useful lives:

	<b><u>Useful Lives</u></b>
Building	39 years
Capital improvements - Flashpoint	10 years
Capital improvements - Source	39 years
Furniture and equipment	5-10 years
Computer equipment	5 years

***Deferred Revenue***

Deferred revenue represents security deposit and prepaid rent payments received from tenants. CulturalDC recognizes revenue from rent in the period the service is provided. Payments received in advance for rent are recorded as deferred revenue. The direct costs incurred related to those events are deferred until the revenue is earned.



**Cultural Development Corporation of the District of Columbia**

**Notes to the Financial Statements  
September 30, 2016**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Net Assets***

Unrestricted net assets are assets and contributions that are not restricted by donors or for which restrictions have expired.

Temporarily restricted net assets are those whose use by CulturalDC has been limited by donors primarily for a specific time period or purpose. When a donor restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets. If a donor restriction is met in the same reporting period in which the contribution is received, the contribution (to the extent that the restrictions have been met) is reported as unrestricted net assets.

Permanently restricted net assets are those that are restricted by donors to be maintained by CulturalDC in perpetuity. There are no permanently restricted net assets as of September 30, 2016.

***Restricted and Unrestricted Support and Revenue***

Contributions received are recorded as unrestricted, temporarily, or permanently restricted support, depending on the existence and/or nature of any donor imposed restrictions. Donor-restricted support is reported as an increase in temporarily restricted net assets, depending on the nature of the restriction.

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when some stipulated time restriction ends or purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities and changes in net assets as net assets released from restrictions.

Revenues that are temporarily restricted of which the restriction(s) have been satisfied in the same year are reflected in the financial statements as unrestricted revenues.

***Other Revenue***

In July 2016, the Organization sold its property located at 916 G Street, NW, Washington, DC 20001 for gross proceeds of \$3,170,000. Of the gross proceeds, \$1,283,503 was used to reduce the principal balance of the organization's note with Eagle Bank of which \$2,673,503 was outstanding as of the sale date. The net gain to the organization after the sale was \$1,511,536.

***Donated Goods and Services***

CulturalDC records the value of donated goods and services requiring specialized skills when there is an objective basis to measure their value. Such items are reflected in the accompanying statements of activities and changes in net assets as contributions and expenses at their estimated fair market values. Services donated to CulturalDC for the years ended September 30, 2016, were valued at \$9,002.

## Cultural Development Corporation of the District of Columbia

### Notes to the Financial Statements

September 30, 2016

#### 2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

##### *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 changes in net assets. Accordingly, certain costs have been allocated between the program services and supporting services that benefit from those costs. Management and general expenses include those expenses that are not directly identified with any other specific function, but provide for the overall support and direction of CulturalDC.

##### *Advertising Costs*

Advertising costs are charged to operations when incurred. Total advertising expense is \$3,890 for the year ended September 30, 2016.

##### *Income Taxes*

CulturalDC is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is recognized as such by the Internal Revenue Service. CulturalDC has also obtained tax-exempt status in the District of Columbia and accordingly, no provision for District of Columbia income taxes has been provided.

##### *Subsequent Events*

CulturalDC evaluated the accompanying financial statements for subsequent events and transactions through March 7, 2017, the date these financial statements were available for issue and have determined that, other than the event mentioned below, no material subsequent events have occurred that would affect the information presented in the accompanying financial statements or require additional disclosure.

#### 3. **CONTRIBUTIONS RECEIVABLE**

The organization did not have any contributions receivable as at the year ended September 30, 2016.

#### 4. **GRANTS RECEIVABLE**

The organization did not have any grants receivable as at the year ended September 30, 2016.

#### 5. **COMMITMENT AND CONTINGENCY**

CulturalDC has a line of credit secured by the business assets of the organization. The maximum borrowing available under the line of credit was \$200,000 as of September 30, 2016. Amounts drawn against the line of credit bear interest of 5.5%. There was no balance outstanding as of September 30, 2016. The line of credit must remain at a zero balance for 30 consecutive calendar days prior to the date of maturity, which is 12 months from the date of closing.

**Cultural Development Corporation of the District of Columbia**

**Notes to the Financial Statements  
September 30, 2016**

**6. PROPERTY AND EQUIPMENT**

Property and Equipment as of September 30, 2016, consist of:

	<b><u>2016</u></b>
Building	908,805
Capital Improvements	1,718,099
Furniture and Equipment	329,250
Computer Equipment	<u>114,422</u>
<b>Total</b>	3,070,576
Less: Accumulated Depreciation	<u>1,035,280</u>
<b>Property and Equipment, Net</b>	<b><u><u>2,035,296</u></u></b>

**7. DEBT**

**Note Payable**

Note payable represents a real estate loan provided by EagleBank at the rate of 4.50% maturing in 2018. Principal and interest are payable in monthly installments of \$8,360.59 with a final payment of \$1,325,966 due on June 28, 2018. As of September 30, note payable balance was as follows:

	<b><u>2016</u></b>
Note Payable	1,384,045
Less: current portion	<u>38,840</u>
Balance, net of current portion	<b><u><u>1,345,205</u></u></b>

Future minimum principal payments are as follows at September 30:

2017	38,840
2018	<u>1,345,205</u>
Total	<b><u><u>1,384,045</u></u></b>

**8. TEMPORARILY RESTRICTED NET ASSETS**

The organization did not have any temporarily restricted net assets as at the year ended September 30, 2016.

**9. RELATED PARTY TRANSACTIONS**

A board member of the Organization is an owner of a firm that provides bookkeeping and accounting services to the Organization. During the year ended September 30, 2016, the Organization was billed \$32,872 for services rendered and received \$3,772 in donated services as valued by the firm.

SUPPLEMENTAL INFORMATION

**Cultural Development Corporation of the District of Columbia**

**Statement of Functional Expenses**

	Year ended September 30, 2016				Year ended September 30, 2015			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salary Expense	\$ 289,180	\$ 55,247	\$ 122,489	\$ 466,916	\$ 365,830	\$ 80,574	\$ 75,525	\$ 521,929
Professional Services Fees	144,818	30,607	57,800	233,225	105,226	23,176	21,724	150,126
Occupancy and Operating Expense	165,489	30,465	24,457	220,411	101,406	22,335	20,935	144,676
Travel and Conference Expense	3,291	3,330	6,630	13,251	5,188	1,143	1,071	7,402
Depreciation	111,027	5,226	-	116,253	122,967	-	-	122,967
Insurance	11,450	7,067	8,503	27,020	11,971	2,637	2,472	17,080
Dues and Subscriptions	944	2,065	1,366	4,375	3,681	811	760	5,252
Professional Development	-	1,337	-	1,337	100	22	21	143
Supplies	19,081	1,516	1,237	21,834	12,112	2,667	2,500	17,279
Postage and Shipping	3,828	330	766	4,924	1,422	313	294	2,029
Printing and Publications	10,052	203	3,717	13,972	6,102	1,344	1,260	8,706
Equipment Rental	10,730	-	143	10,873	8,777	1,933	1,812	12,522
Bank Service Charges	3,240	3,169	1,325	7,734	4,580	1,009	946	6,535
Interest	159,259	3,509	2,439	165,207	136,289	-	-	136,289
Property Taxes	-	-	-	-	83	-	-	83
Advertising	3,865	-	25	3,890	4,518	-	-	4,518
Bad Debt Expense	39,808	75	10,000	49,883	-	-	-	-
Miscellaneous Expenses	16,990	197,782	34,355	249,127	33,647	7,411	6,947	48,005
<b>Total</b>	<b>\$ 993,052</b>	<b>\$ 341,928</b>	<b>\$ 275,252</b>	<b>\$ 1,610,232</b>	<b>\$ 923,899</b>	<b>\$ 145,375</b>	<b>\$ 136,267</b>	<b>\$ 1,205,541</b>

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