# SYNCHRONICITY THEATRE

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**FINANCIAL STATEMENTS**
**WITH INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

**THE MCGEE CPA GROUP, P.C.**

SYNCHRONICITY PERFORMANCE GROUP, INC.
D/B/A SYNCHRONICITY THEATRE

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# THE MCGEE CPA GROUP, P.C.

*Certified Public Accountants*

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## INDEPENDENT AUDITOR'S REPORT

To Management and the Board of Directors of
Synchronicity Performance Group, Inc.
d/b/a Synchronicity Theatre
Atlanta, GA

***Report on the Financial Statements***

We have audited the accompanying financial statements of Synchronicity Performance Group, Inc. d/b/a Synchronicity Theatre (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, 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 Synchronicity Performance Group, Inc. as of June 30, 2021, 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.

### *Report on Summarized Comparative Information*

We have previously audited the Synchronicity Performance Group, Inc.'s 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 27, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*The McGee CPA Group, P.C.*

The McGee CPA Group, P.C.
Atlanta, GA

March 1, 2022

**SYNCHRONICITY PERFORMANCE GROUP, INC.**
**D/B/A SYNCHRONICITY THEATRE**
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

| | 2021 | 2020 |
|---|---|---|
| **ASSETS** | | |
| **CURRENT ASSETS:** | | |
| Cash | $ 206,458 | $ 238,447 |
| Cash - restricted | 79,774 | 153,055 |
| Pledges receivable - restricted, current portion | 10,967 | 30,611 |
| Accounts receivable | 19,758 | 39,098 |
| Other receivable | 54,674 | - |
| Prepaid expenses | 11,669 | 6,196 |
| Total current assets | 383,300 | 467,407 |
| **PROPERTY AND EQUIPMENT, net** | 47,293 | 49,165 |
| **LONG-TERM ASSETS:** | | |
| Pledges receivable - restricted, less current portion | - | 10,967 |
| Certificate of deposit - restricted | 25,000 | 30,000 |
| Total long-term assets | 25,000 | 40,967 |
| **OTHER ASSETS:** | | |
| Security deposits | 1,715 | 1,715 |
| Total other assets | 1,715 | 1,715 |
| TOTAL | $ 457,308 | $ 559,254 |

(Continued)

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

**SYNCHRONICITY PERFORMANCE GROUP, INC.**
**D/B/A SYNCHRONICITY THEATRE**
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

| | 2021 | 2020 |
|---|---|---|
| **LIABILITIES AND NET ASSETS** | | |
| **CURRENT LIABILITIES:** | | |
| Accounts payable and accrued expenses | $ 15,644 | $ 20,460 |
| Accrued interest | 5,732 | 312 |
| Deferred revenue | 1,753 | 4,371 |
| Payroll liabilities | 1,576 | 207 |
| Funds held in trust | 1,536 | - |
| Current portion of long-term debt | 1,814 | 15,505 |
| Total current liabilities | 28,055 | 40,855 |
| **LONG-TERM LIABILITIES, less current portion** | 148,186 | 180,872 |
| Total liabilities | 176,241 | 221,727 |
| **NET ASSETS:** | | |
| Without donor restrictions | 117,312 | 64,776 |
| With donor restrictions | 163,755 | 272,751 |
| Total net assets | 281,067 | 337,527 |
| TOTAL | $ 457,308 | $ 559,254 |

(Concluded)

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

**SYNCHRONICITY PERFORMANCE GROUP, INC.**
**D/B/A SYNCHRONICITY THEATRE**
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

| | Without donor restrictions | With donor restrictions | Total | 2020 |
|---|---|---|---|---|
| **SUPPORT AND REVENUES:** | | | | |
| Support: | | | | |
| Contributions | | | | |
| Individual | $ 115,229 | $ 24,568 | $ 139,797 | $ 167,852 |
| Corporate | 28,907 | 30,200 | 59,107 | 87,047 |
| Net assets released from restrictions | | | | |
| Individual | 32,480 | (32,480) | - | - |
| Corporate | 11,710 | (11,710) | - | - |
| Total support | 188,326 | 10,578 | 198,904 | 254,899 |
| Program revenues: | | | | |
| Grants and contracts | | | | |
| Government | 107,250 | - | 107,250 | 64,260 |
| Corporate | - | - | - | 1,947 |
| Foundations | 102,895 | - | 102,895 | 290,857 |
| Ticket sales & concessions | 16,422 | - | 16,422 | 111,934 |
| Workshops, camps & after-school programs | 14,487 | - | 14,487 | 43,787 |
| Net assets released from restrictions | | | | |
| Foundations | 119,574 | (119,574) | - | - |
| Total program revenues | 360,628 | (119,574) | 241,054 | 512,785 |
| Fundraising revenues: | | | | |
| Special events | 65,446 | - | 65,446 | 34,752 |
| Total fundraising revenues | 65,446 | - | 65,446 | 34,752 |
| Other revenues: | | | | |
| Rental income | 10,152 | - | 10,152 | 41,931 |
| Interest income | 864 | - | 864 | 813 |
| Book royalties | - | - | - | 26 |
| Employee retention credits | 111,005 | - | 111,005 | - |
| Gain on forgiveness of debt | 46,377 | - | 46,377 | - |
| Total other revenues | 168,398 | - | 168,398 | 42,770 |
| Total support and revenues | 782,798 | (108,996) | 673,802 | 845,206 |
| **EXPENSES:** | | | | |
| Program services | 531,732 | - | 531,732 | 604,437 |
| Management and general | 146,229 | - | 146,229 | 142,038 |
| Fundraising | 52,301 | - | 52,301 | 63,395 |
| Total expenses | 730,262 | - | 730,262 | 809,870 |
| **CHANGE IN NET ASSETS** | 52,536 | (108,996) | (56,460) | 35,336 |
| **NET ASSETS - BEGINNING OF YEAR** | 64,776 | 272,751 | 337,527 | 302,191 |
| **NET ASSETS - END OF YEAR** | $ 117,312 | $ 163,755 | $ 281,067 | $ 337,527 |

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

**SYNCHRONICITY PERFORMANCE GROUP, INC.**
**D/B/A SYNCHRONICITY THEATRE**
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

| | Program Services | Management and General | Fund-raising | Total |
|---|---|---|---|---|
| **June 30, 2021** | | | | |
| Personnel | $ 320,968 | $ 44,543 | $ 39,429 | $ 404,940 |
| Occupancy | 111,268 | 28,714 | 3,589 | 143,572 |
| Other production costs | 46,293 | - | - | 46,293 |
| Office expenses | 15,923 | 43,557 | 1,704 | 61,184 |
| Marketing | 23,009 | 1,534 | 6,136 | 30,679 |
| Depreciation | 6,566 | 1,751 | 438 | 8,754 |
| Professional fees | 4,020 | 15,075 | 1,005 | 20,100 |
| Insurance | 3,685 | 11,055 | - | 14,740 |
| | $ 531,732 | $ 146,229 | $ 52,301 | $ 730,262 |
| **June 30, 2020** | | | | |
| Personnel | $ 379,869 | $ 52,717 | $ 46,664 | $ 479,250 |
| Occupancy | 109,008 | 28,131 | 3,516 | 140,656 |
| Other production costs | 47,880 | - | - | 47,880 |
| Office expenses | 14,156 | 31,299 | 870 | 46,325 |
| Marketing | 41,103 | 2,740 | 10,961 | 54,804 |
| Depreciation | 4,862 | 1,297 | 324 | 6,483 |
| Professional fees | 4,240 | 15,900 | 1,060 | 21,200 |
| Insurance | 3,318 | 9,954 | - | 13,272 |
| | $ 604,437 | $ 142,038 | $ 63,395 | $ 809,870 |

**SYNCHRONICITY PERFORMANCE GROUP, INC.**
**D/B/A SYNCHRONICITY THEATRE**
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

| | 2021 | 2020 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | |
| Change in net assets | $ (56,460) | $ 35,336 |
| Adjustments to reconcile change in net assets net cash provided by operating activities: | | |
| Depreciation | 8,754 | 6,483 |
| (Increase) decrease in operating assets | | |
| Accounts receivable | 19,340 | (20,547) |
| Pledges receivable | 30,611 | 70,718 |
| Other receivable | (54,674) | - |
| Prepaid expenses | (5,473) | 5,365 |
| Increase (decrease) in operating liabilities | | |
| Accounts payable and accrued expenses | (4,816) | (22,050) |
| Payroll liabilities | 1,369 | 39 |
| Funds held in trust | 1,536 | - |
| Deferred revenue | (2,618) | (5,316) |
| Accrued interest | 5,420 | 312 |
| Net cash provided by (used in) operating activities | (57,011) | 70,340 |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | |
| Payments for leasehold improvements and equipment | (6,882) | (18,565) |
| Certificate of deposit - restricted release | 5,000 | 5,000 |
| Net cash used in investing activities | (1,882) | (13,565) |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | |
| Proceeds from (forgiveness of) long-term debt | (46,377) | 196,377 |
| Net cash provided by (used in) financing activities | (46,377) | 196,377 |
| **NET CHANGE IN CASH** | (105,270) | 253,152 |
| **BEGINNING CASH** | 391,502 | 138,350 |
| **ENDING CASH** | $ 286,232 | $ 391,502 |
| SUPPLEMENTAL DISLOSURES | | |
| Interest paid | $ - | $ 2,520 |

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

## NOTE A - NATURE OF ORGANIZATION AND ACTIVITIES

Formed in 1997, Synchronicity Performance Group, Inc. d/b/a Synchronicity Theatre (the "Organization") was incorporated in the state of Georgia, in 2000, as a not-for-profit theatre, with a focus on work by women and community involvement. A unique force on the Atlanta arts scene, the Organization is a dynamic and vibrant company, producing smart, gutsy and bold theatre, for Atlanta and beyond. The Organization is funded primarily through ticket sales, grants and contributions.

## NOTE B - SIGNIFICANT ACCOUNTING POLICIES

### Basis of Accounting and Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, which require the Organization to report 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 the Organization. These net assets may be used at the discretion of the Organization's 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 the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities and changes in net assets.

### 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

### Fair Value of Financial Instruments

As of June 30, 2021 and 2020, none of the assets and liabilities were required to be reported at fair value on a recurring basis. The carrying values of cash and cash equivalents, pledges and grants receivable, accounts payable and accrued expenses approximated their fair values due to the short-term nature of these financial instruments. There were no changes in methods or assumptions during the years ending June 30, 2021 and 2020, respectively.

### Cash and Cash Equivalents

Cash and cash equivalents include demand deposits and savings accounts. For purposes of the statement of cash flows, the Organization's management considers all short-term, interest-bearing deposits with maturities of three months or less to be cash equivalents. Cash equivalents which are utilized within a managed investment portfolio are accounted for as investments. The Organization had no cash equivalents at the end of the years ended June 30, 2021 and 2020, respectively.

## NOTE B - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Pledges Receivable

Pledges receivable represent unconditional promises to give support over a period of time. Unconditional promises to give are reported as an increase in net assets with or without donor restrictions, depending on the nature of the donor-imposed restriction, if any. The Organization recognizes pledges receivable at estimated net realizable value for pledges due within one year. Pledges receivable that are expected to be collected in future years are recorded at the present value of their net realizable value. No allowance was deemed necessary for pledges receivable as they were deemed fully collectible by management.

### Accounts and Pledges Receivable

Accounts receivable are stated at unpaid balances. Accounts are monitored on an ongoing basis and significant effort is made to collect all amounts due to the Organization.

Management estimates an allowance for doubtful accounts receivable based on current economic conditions, historical trends, and current and past experience with their customer base. Management determined that no allowance was necessary at June 30, 2021 and 2020.

### Property and Equipment

Purchased furniture, fixtures and equipment are recorded at cost. Donated furniture, fixtures and office equipment are carried at the approximate fair value at the date of the donation. Expenditures for repairs, maintenance, renewals and betterments that materially prolong the useful life of assets, are capitalized. For financial reporting purposes, depreciation is computed using the straight-line method over the assets estimated useful lives, ranging from three to seven years. Leasehold improvements are amortized over the shorter of the life of the asset, or the remaining lease term.

### Contributions and Donor Imposed Restrictions

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for specific purposes are reported as contributions with donor restrictions that increases that net asset class. When donor restrictions expire, that is, when a time restriction ends and/or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction.

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

There were no contributed goods or services recorded during the years ended June 30, 2021 and 2020.

### Employee Retention Credits

The CARES Act provided an employee retention credit ("CARES Employee Retention credit"), which is a refundable tax credit against certain employment taxes of up to $5,000 per employee for eligible employers. The tax credit is equal to 50% of qualified wages paid to employees during a quarter, capped at $10,000 of qualified wages per employee through December 31, 2020. Additional relief provisions were passed by the United States government, which extend and slightly expand the qualified wage caps on these credits through December 31, 2021. Based on these additional provisions, the tax credit is now equal to 70% of qualified wages paid to employees during a quarter, and the limit on qualified wages per employee has been increased to $10,000 of qualified wages per quarter.

## NOTE B - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Employee Retention Credits (continued)

The Organization qualified for the tax credit under the CARES Act and expects to continue to receive additional tax credits under the additional relief provisions for qualified wages through December 31, 2021. During the fiscal year ended June 30, 2021 and the Organization recorded $111,005 related to the CARES Employee Retention credit in “Other Revenues” on the Organization's Statement of Activities and Changes in Net Assets. As of June 30, 2021, the Organization has a $53,644 receivable balance from the United States government related to the CARES Act, which is recorded in "Other Receivables" on the Organization's Statement of Financial Position.

### Advertising Expense

The Organization uses advertising to promote its programs and services to the area it serves. The costs of advertising are expensed as incurred. For the years ended June 30, 2021 and 2020, advertising costs were $30,679 and $54,804, respectively.

### Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Allocation formulas, used to allocate expenses to administration, resource development and programs, are derived from cost of labor based upon personnel assignments and upon the space and resources assigned to the personnel involved in an activity. In addition, there are analyses of time expended for certain activities. Allocation formulas are re-evaluated annually, or as material changes warrant.

### Tax Exempt Status

The Organization is exempt from federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code, as amended, and classified by the Internal Revenue Service as other than a private foundation. Income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. For the years ended June 30, 2021 and 2020, the Organization did not have any unrelated business income, and accordingly, no unrelated business income tax, respectively. The Organization believes that it has appropriate support for any tax positions taken, and as such does not have any uncertain tax positions that are material to the financial statements.

### Reclassification of Amounts

Certain amounts previously reported have been reclassified to conform to the current year financial statement presentation. These reclassifications had no effect on the reported results of operations.

### Subsequent Events

Subsequent events have been evaluated through March 1, 2022, which is the date the financial statements were available to be issued. Subsequent events occurring after March 1, 2022 have not been evaluated by management.

## NOTE C - PLEDGES RECEIVABLE

Pledges receivable consist of the following at June 30:

| | 2021 | 2020 |
|---|---|---|
| Pledges receivable | $ 10,967 | $ 41,578 |
| Amounts due in: | | |
| Less than one year | $ 10,967 | $ 30,611 |
| One to five years | - | 10,967 |
| | $ 10,967 | $ 41,578 |

## NOTE D - PROPERTY AND EQUIPMENT, NET

Property and equipment at June 30, was comprised of the following:

| | 2021 | 2020 |
|---|---|---|
| Furniture and equipment | $ 15,554 | $ 12,833 |
| Leasehold improvements | 160,555 | 156,394 |
| Less accumulated depreciation | (128,816) | (120,062) |
| Property and equipment, net | $ 47,293 | $ 49,165 |

Depreciation of property and equipment was $8,754 and $6,483 during the years ended June 30, 2021 and 2020, respectively.

## NOTE E - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date:

| | 2021 | 2020 |
|---|---|---|
| Financial assets at year-end | $ 398,345 | $ 503,894 |
| Less those unavailable for general expenditures within one year, due to: | | |
| Requirement to maintain cash reserves | 70,000 | 60,000 |
| Certificate of deposit | 25,000 | 30,000 |
| Pledges receivable due after one year | - | 10,967 |
| Donor-restricted to payment of capital campaign | 48,317 | 161,733 |
| Donor restricted to payment of general operation expenditures | - | 10,000 |
| Donor-restricted to payment of new space build-out/rent increase | 40,438 | 45,468 |
| | (183,755) | (318,168) |
| Available line of credit ($0 in use) | 50,000 | 50,000 |
| Financial assets available to meet cash needs for general expenditure within one year | $ 264,590 | $ 235,726 |

## NOTE E - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (CONTINUED)

The Organization's working capital and cash flows have seasonal variations during the year attributable to the annual cash receipts for ticket sales and a concentration of contributions received near the fiscal and calendar year ends. To manage liquidity, the Organization maintains a line of credit of $50,000 with a bank this is drawn upon as needed to manage cash flow and is then paid down when there is excess cash in the operating account.

## NOTE F - LONG TERM DEBT

During the year ending June 30, 2020, the Organization borrowed $196,377 through COVID-19 programs that were sponsored by the United States and administered by the Small Business Administration (the "SBA"). The most notable programs were the Payroll Protection Program (or "PPP") and the Economic Injury Disaster Loan program (or "EIDL"). The details are as follows:

Payroll Protection Program

On April 25, 2020, the Organization was granted a loan from Cadence Bank in the aggregate amount of $46,377, pursuant to the Paycheck Protection Program under Division A, Title I of the CARES Act, which was enacted March 27, 2020.

The Loan, which was in the form of a Note dated April 25, 2020 issued by the Borrower, matures on April 25, 2022 and bears interest at a rate of 1% per annum, payable $1,952 monthly, commencing on November 2, 2020. The Note may be prepaid by the Borrower at any time prior to maturity with no prepayment penalties. Funds from the Loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred before February 15, 2020. The Organization intends to use the entire Loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of the Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. Accrued interest totals $78 for the year ending June 30, 2020.

On January 26, 2021, the Organization received notification that the loan was amount was forgiven in full, including accrued interest. The Organization recorded $46,377 related to the forgiveness of debt in “Other Revenues” on the Organization's Statement of Activities and Changes in Net Assets.

EIDL Loan

The Organization received a $150,000 EIDL Loan from the SBA, designed to provide economic relief to businesses that experienced loss of revenue, due to the coronavirus (COVID-19). The note bears interest at a rate equal to 3.75%, with monthly payments of principal and interest of $641 payable through the maturity date on September 19, 2050. Payments are deferred for one year; however, interest still accrues. Accrued interest was $5,878 and $234 for the years ending June 30, 2021 and 2020, respectively.

| | 2021 | 2020 |
|---|---|---|
| Payroll Protection Program | $ - | $ 46,377 |
| EIDL Loan | 150,000 | 150,000 |
| | 150,000 | 196,377 |
| Less current portion | (1,814) | (15,505) |
| | $ 148,186 | $ 180,872 |

## NOTE G - NET ASSETS

Net assets without donor restrictions

At June 30, 2021 and 2020, all net assets without donor restrictions are undesignated as to their use.

Net assets with donor restrictions

As described within Note B, net assets with donor restrictions are comprised of contributions received subject to donor-imposed restrictions. As of June 30, 2021 and 2020, restricted net assets are comprised of the following donor imposed purpose restricted contributions:

| | 2021 | 2020 |
|---|---|---|
| Cash reserves | $ 70,000 | $ 60,000 |
| Transition/capital campaign | 53,317 | 157,283 |
| General operations | - | 10,000 |
| Build-out of new space/rent increase | 40,438 | 45,468 |
| | $ 163,755 | $ 272,751 |

During the years ended June 30, 2021 and 2020, net assets of $163,764 and $143,543, respectively, were released from donor restrictions.

## NOTE H - REVENUE FROM CONTRACTS WITH CUSTOMERS

The Organization has adopted Accounting Standards Update (ASU) No. 2021-02 - *Revenue from Contracts with Customers (Topic 606)*, as amended as management believes the standard improves the usefulness and understandability of the Organization's financial reporting.

Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

## NOTE I - DESCRIPTION OF LEASING ARRANGEMENTS

For the period December 2018 through May 2019, the Organization ran its administrative operations from a temporary location, while in the process of locating and building out a new space. There was no rent charged for the temporary space. Additionally, the fair market value for its usage is not included in the financial statements.

On June 1, 2019, the Organization began a sixty month lease to rent new administrative space at $3,000 per month, with no annual rent escalation; the lease expires in July 2024.

On December 5, 2016, the Organization entered into a sixty month agreement to rent its theatre at a monthly base rate of $7,831, and an annual rent escalation of 2.5%; the lease expires in September 2021. This lease required a $50,000 security deposit in the form of a demand letter of credit. The Organization has pledged a $50,000 certificate of deposit to secure the demand letter of credit which was issued by a regional bank. The letter of credit reduces each October 1st by $5,000, resulting in a letter of credit of $25,000 for the final year.

## NOTE I - DESCRIPTION OF LEASING ARRANGEMENTS (CONTINUED)

Future minimum lease payments required under the operating leases are as follows:

| Year Ending June 30, | |
|---|---|
| 2022 | $ 139,106 |
| 2023 | 141,684 |
| 2024 | 144,326 |
| 2025 | 147,034 |
| 2026 | 149,793 |
| Thereafter | - |
| | $ 721,943 |

Rent expense was $137,071 and $133,268 during the years ended June 30, 2021 and 2020, respectively.

## NOTE J - COMMITMENTS AND CONTINGENCIES

The Organization is subject to legal actions arising in the ordinary course of business. In management's opinion, the Organization has adequate legal defense and insurance coverage with respect to such actions and their final outcome would not materially affect the Organization's operations or financial position. There were no existing or pending legal matters as of June 30, 2021.

## NOTE K - CONCENTRATIONS

### Cash

Cash consist primarily of demand deposits with two financial institutions. The balances in the Organization's bank accounts, as reflected in the bank's records, are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per financial institution. At June 30, 2021, cash balances did exceed the FDIC limit; however, management believes that the FDIC backing and the quality of the financial institution with which these amounts are deposited minimizes any potential risk of material loss.

### Grants and Contracts

The Organization’s primary source of revenue is derived from grants. During the years ended June 30, 2021 and 2020, the Organization received 32% and 42%, respectively, of its total revenue from over ten local and national grant sources each year and no one source comprises more than 10% of the organizations’ budget. Because of the Organization’s dependence on these granting agencies, any circumstances, which could affect the grantors’ ability to honor grant agreements, could negatively impact the Organization and its ability to carry out its programs.

## NOTE L - UNCERTAINTIES

In March 2020, the World Health Organization (“WHO”) declared the coronavirus (COVID 19), a global pandemic and public health emergency. The WHO has recommended containment and mitigation measures worldwide and domestically, self-isolation and shelter-in-place requirements have been or are being put in place.

At this point, the Organization cannot reasonably estimate the length or severity of this pandemic, or the extent to which this disruption may impact the Organization’s financial statements and future results of operations. The Organization will continue to monitor and evaluate the nature and extent of the impact on our ongoing activities and the potential effect on future contributions or funding and expenses, financial condition and liquidity.