

OZ ARTS, INC.
FINANCIAL STATEMENTS,
AND
INDEPENDENT AUDITOR'S REPORT
JUNE 30, 2023 AND 2022

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Oz Arts, Inc.
Nashville, Tennessee

OPINION

We have audited the financial statements of Oz Arts, Inc. (the "Organization"), which comprise the statements of financial position as of June 30, 2023 and 2022, 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 referred to above present fairly, in all material respects, the financial position of Oz Arts, Inc. as of June 30, 2023 and 2022, 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. 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 Oz Arts, Inc. 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 Oz Arts, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

AUDITOR'S RESPONSIBILITIES FOR THE AUDITS 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 Oz Arts, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Oz Arts, Inc.'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 audits.

A handwritten signature in black ink that reads "Kraft CPAs PLLC". The script is cursive and fluid, with the letters "K", "P", and "L" being particularly large and stylized.

Nashville, Tennessee
March 29, 2024

OZ ARTS, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 662,771	\$ 1,189,474
Accounts receivable	14,315	1,141
Contributions receivable	9,375	-
Grants receivable	32,982	51,700
In-kind contribution receivable - use of facilities	504,797	-
Employee retention credit receivable	40,000	40,000
Prepaid event expenses	6,503	8,987
Inventory	3,205	4,225
Other current assets	-	3,352
Property and equipment, net	<u>172,905</u>	<u>197,689</u>
 TOTAL ASSETS	 <u>\$ 1,446,853</u>	 <u>\$ 1,496,568</u>
 <u>LIABILITIES AND NET ASSETS</u>		
 `		
Accounts payable	\$ 44,847	\$ 42,777
Accrued payroll	54,524	59,082
Accrued expenses	14,645	10,897
Deferred revenue	<u>31,245</u>	<u>9,016</u>
 TOTAL LIABILITIES	 <u>145,261</u>	 <u>121,772</u>
 NET ASSETS		
Without donor restrictions:		
Invested in property and equipment	172,905	197,689
Undesignated	623,890	1,177,107
With donor restrictions	<u>504,797</u>	<u>-</u>
 TOTAL NET ASSETS	 <u>1,301,592</u>	 <u>1,374,796</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 1,446,853</u>	 <u>\$ 1,496,568</u>

See accompanying notes to financial statements.

OZ ARTS, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Totals	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Season ticket memberships	\$ 29,900	\$ -	\$ 29,900	\$ 22,500	\$ -	\$ 22,500
Single and group ticket sales	186,299	-	186,299	91,390	-	91,390
Public support:						
Grants	751,254	78,225	829,479	1,016,565	103,591	1,120,156
Contributions	349,782	-	349,782	1,103,471	-	1,103,471
Fundraising events	216,024	-	216,024	110,678	-	110,678
Donated goods and services	47,210	-	47,210	199,786	-	199,786
In-kind building lease	60,000	564,797	624,797	-	-	-
Facility rental income	160,939	-	160,939	154,603	-	154,603
Interest income	6,562	-	6,562	24	-	24
Net assets released from restrictions	138,225	(138,225)	-	116,091	(116,091)	-
TOTAL SUPPORT AND REVENUE	1,946,195	504,797	2,450,992	2,815,108	(12,500)	2,802,608
EXPENSES						
Program services	1,408,887	-	1,408,887	1,255,909	-	1,255,909
Supporting services:						
Management and general	647,787	-	647,787	488,357	-	488,357
Fundraising	467,522	-	467,522	346,190	-	346,190
TOTAL EXPENSES	2,524,196	-	2,524,196	2,090,456	-	2,090,456
CHANGE IN NET ASSETS	(578,001)	504,797	(73,204)	724,652	(12,500)	712,152
NET ASSETS - BEGINNING OF YEAR	1,374,796	-	1,374,796	650,144	12,500	662,644
NET ASSETS - END OF YEAR	<u>\$ 796,795</u>	<u>\$ 504,797</u>	<u>\$ 1,301,592</u>	<u>\$ 1,374,796</u>	<u>\$ -</u>	<u>\$ 1,374,796</u>

See accompanying notes to financial statements.

OZ ARTS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2023

	Program Services	Supporting Services			Total
		Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 385,855	\$ 178,444	\$ 195,168	\$ 373,612	\$ 759,467
Payroll taxes and benefits	81,448	50,551	41,197	91,748	173,196
Contract labor	81,678	-	5,605	5,605	87,283
Theatre and production costs	514,653	4,164	45,996	50,160	564,813
Professional and contract services	5,699	192,269	9,587	201,856	207,555
Advertising and promotion	-	78,350	-	78,350	78,350
Printing and postage	15,011	6,943	7,927	14,870	29,881
Supplies	17,226	4,734	54,786	59,520	76,746
Rent and occupancy costs	145,636	59,283	68,996	128,279	273,915
Equipment and maintenance	16,587	5,659	7,291	12,950	29,537
Travel	110,345	2,864	8,743	11,607	121,952
Insurance	6,026	2,787	3,048	5,835	11,861
Depreciation	21,585	9,982	10,918	20,900	42,485
Miscellaneous	4,095	42,143	1,105	43,248	47,343
Bank fees	3,043	9,614	7,155	16,769	19,812
TOTAL EXPENSES	<u>\$ 1,408,887</u>	<u>\$ 647,787</u>	<u>\$ 467,522</u>	<u>\$ 1,115,309</u>	<u>\$ 2,524,196</u>

See accompanying notes to financial statements.

OZ ARTS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2022

	Program Services	Supporting Services			Total
		Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 364,082	\$ 167,672	\$ 159,077	\$ 326,749	\$ 690,831
Payroll taxes and benefits	81,434	37,503	35,581	73,084	154,518
Contract labor	87,659	6,575	5,835	12,410	100,069
Theatre and production costs	336,652	3,519	18,094	21,613	358,265
Professional and contract services	5,459	179,024	14,180	193,204	198,663
Advertising and promotion	59,108	1,673	7,518	9,191	68,299
Printing and postage	27,389	389	1,662	2,051	29,440
Supplies	24,767	2,057	18,736	20,793	45,560
Rent and occupancy costs	153,266	55,749	58,521	114,270	267,536
Equipment and maintenance	13,213	4,220	6,399	10,619	23,832
Travel	65,927	573	544	1,117	67,044
Insurance	5,680	2,615	2,481	5,096	10,776
Depreciation	23,463	10,806	10,252	21,058	44,521
Miscellaneous	5,147	9,507	163	9,670	14,817
Interest and bank fees	2,663	6,475	7,147	13,622	16,285
TOTAL EXPENSES	<u>\$ 1,255,909</u>	<u>\$ 488,357</u>	<u>\$ 346,190</u>	<u>\$ 834,547</u>	<u>\$ 2,090,456</u>

See accompanying notes to financial statements.

OZ ARTS, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
OPERATING ACTIVITIES		
Change in net assets	<u>\$ (73,204)</u>	<u>\$ 712,152</u>
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	42,485	44,521
Decrease (increase) in:		
Accounts receivable	(13,174)	(1,141)
Contributions receivable	(9,375)	3,125
Grants receivable	18,718	7,916
In-kind contribution receivable	(504,797)	-
Employee retention credit receivable	-	(40,000)
Prepaid event expenses	2,484	15,725
Inventory	1,020	10
Other current assets	3,352	-
Increase (decrease) in:		
Accounts payable	2,070	(36,695)
Accrued payroll	(4,558)	16,351
Accrued expenses	3,748	(6,961)
Deferred revenue	<u>22,229</u>	<u>(17,804)</u>
TOTAL ADJUSTMENTS	<u>(435,798)</u>	<u>(14,953)</u>
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	<u>(509,002)</u>	<u>697,199</u>
INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(17,701)</u>	<u>(17,838)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(17,701)</u>	<u>(17,838)</u>
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(526,703)	679,361
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,189,474</u>	<u>510,113</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 662,771</u>	<u>\$ 1,189,474</u>

See accompanying notes to financial statements.

OZ ARTS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

OZ Arts, Inc. (the “Organization” or “Oz Arts”) was incorporated in 2013 as a Tennessee not-for-profit corporation. OZ Arts’ particular style of programming has transformed the cultural landscape of Nashville using the venue’s dynamic flexibility.

OZ Arts is located in the former C.A.O. Cigar Warehouse owned by Nashville’s Ozgener family. Their generosity provided the seed money that breathed new life into the column-free, 10,000-square-foot space nestled amidst 28 acres of natural and artfully landscaped grounds in west Nashville.

Basis of Presentation

The accompanying financial statements present the financial position and changes in net assets of the Organization on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (“GAAP”).

Resources are classified as net assets without donor restrictions and net assets with donor restrictions, based on the existence or absence of donor-imposed restrictions as follows:

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. There are no donor restrictions that are perpetual in nature. Net assets with donor restrictions at June 30, 2023, relate to the Organization’s building lease, and restrictions will be met with each year of the lease term. At June 30, 2022, the Organization had no assets with donor restrictions.

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.

OZ ARTS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Support and Revenue

Contributions are recognized when cash, securities or other assets, or an unconditional promise to give are received. A contribution is conditional if an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets exists. The presence of both a barrier and a right of return or right of release indicates that a recipient is not entitled to the contribution until it has overcome the barrier(s) in the agreement. Conditional promises to give are not recognized until the barrier(s) in the agreement are overcome.

Grants awarded by state and other sponsors are generally considered nonreciprocal transactions restricted by sponsors for certain purposes. Grant revenue is recognized when the conditions upon which it depends are substantially met, which primarily is when qualifying expenses occur. Payments received in advance of conditions being met are recorded as deferred revenue on the Statements of Financial Position.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Season memberships and single and group ticket sale revenues received prior to the year to which they apply are reported as deferred revenue. Such revenue is recognized and reported in the Statements of Activities in the year the production is performed.

Rental income is recognized when the associated event occurs. Payments received in advance are recorded as deferred revenue.

Fundraising event revenue is generated from sponsorships, ticket sales and sale of auction items at events held during the year. Ticket sales and sale of auction items are recognized when the events occur, which is when the Organization completes its performance obligation. Event sponsorships are recognized when promised and donor-restricted, as necessary.

Donated Services

Donated services are recognized if they create or enhance non-financial assets, or the donated service requires specialized skills, were performed by a donor who possesses such skills, and would have been purchased by the Organization if not donated. Such services are recognized at fair value as support and expense in the period the services are performed.

Other individuals volunteer their time and perform a variety of tasks that assist the Organization with program services and fundraising events. No amounts have been reflected in the financial statements for these donated services since the volunteer's time does not meet the criteria for recognition under GAAP.

OZ ARTS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Cash and cash equivalents consist principally of checking account balances and money market accounts held at financial institutions.

Contributions and Grants Receivable

Unconditional contributions and grants receivable that are expected to be collected within one year are recorded at their net realizable value. Unconditional contributions and grants receivable that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discount on those amounts is computed using a risk-free interest rate applicable to the year in which the promise is received. Amortization of the discount is recognized on the interest method over the term of the gift and is included in contribution revenue. Conditional promises to give are not included as support until such time as the conditions are substantially met.

An allowance for uncollectible contributions is provided based on management's estimate of uncollectible pledges and historical trends. Contributions receivable are written off when deemed to be uncollectible. In management's opinion, no allowance for uncollectible contributions was necessary as of June 30, 2023 or 2022, respectively.

Property and Equipment

Property and equipment are recorded at cost. Donated assets are capitalized at fair market value in the period received. The Organization generally capitalizes property and equipment over \$500 with a useful life in excess of one year. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis as follows:

Computers and related equipment	5 years
Furniture and fixtures	7 years
Leasehold improvements	15 years
Office equipment	5 - 7 years

Leases

The Organization was required to adopt ASC Topic 842, *Leases*, for its year ending June 30, 2023. The Organization does not have any material lease commitments, other than contributions in-kind addressed in Note 5, and therefore, no right-to-use asset or related liability is recorded in the financial statements.

Advertising and Promotion

The Organization's advertising and promotion costs are primarily expensed as incurred. Advertising and promotion expense for the year ended June 30, 2023 totaled approximately \$78,000 (approximately \$68,000 for the year ended June 30, 2022).

OZ ARTS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Organization qualifies as a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, income taxes are not provided.

Management performs an evaluation of all income tax positions taken or expected to be taken in the course of preparing the Organization's income tax returns to determine whether the income tax positions meet a "more likely than not" standard of being sustained under examination by the applicable taxing authorities. Management has performed its evaluation of all income tax positions taken on all open income tax returns and has determined that there were no positions taken that do not meet the "more likely than not" standard. Accordingly, there are no provisions for income taxes, penalties or interest receivable or payable relating to uncertain income tax positions in the accompanying financial statements.

The Organization files U.S. federal Form 990 for organizations exempt from income tax.

Program and Supporting Services

The following program and supporting services are included in the accompanying financial statements:

Program Services - OZ Arts presents the work of leading artists from around the world, offering an intimate context for performing and visual art programs that challenge and inspire a diverse range of curious audiences.

OZ Arts also serves as a catalyst for local creativity by supporting Nashville-based artists in unexpected, cross-disciplinary collaborations. Presented alongside some of the most acclaimed artists in the world, several local artists are offered a "blank slate" onto which they can create and develop original work, highlighting the incredible talent within our own city.

Management and General - relates to the overall direction of the Organization. These expenses are not identifiable with a particular program or event, or with fundraising, but are indispensable to the conduct of those activities and are essential to the Organization. Specific activities include organization oversight, business management, recordkeeping, budgeting, financing and other administrative activities.

Fundraising - includes costs of activities directed toward appeals for financial support, including special events. Other activities include the creation and distribution of fundraising materials.

OZ ARTS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allocation of Functional Expenses

Expenses that can be directly attributed to a particular function are charged to that function. Certain costs have been allocated among more than one program or activity based on objectively evaluated financial and nonfinancial data or reasonable subjective methods determined by management. Costs that are allocated across functional categories include salaries and related costs, printing and postage, supplies, rent and occupancy costs, equipment and maintenance, depreciation and miscellaneous expenses. These costs are allocated based on estimates of time and effort.

Use of Estimates in the Preparation of Financial Statements

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

Events Occurring After Reporting Date

The Organization has evaluated events and transactions that occurred between June 30, 2023 and March 29, 2024, the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NOTE 2 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the Statement of Financial Position date, comprise the following as of June 30:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 662,771	\$ 1,189,474
Accounts receivable	14,315	1,141
Contributions receivable	9,375	-
Grant receivable	32,982	51,700
Employee retention credit receivable	<u>40,000</u>	<u>40,000</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 759,443</u>	<u>\$ 1,282,315</u>

OZ ARTS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2023 AND 2022

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	<u>2023</u>	<u>2022</u>
Computers and related equipment	\$ 44,884	\$ 36,490
Furniture and fixtures	289,940	280,633
Leasehold improvements	27,755	27,755
Office equipment	<u>36,822</u>	<u>36,822</u>
	399,401	381,700
Less: accumulated depreciation	<u>(226,496)</u>	<u>(184,011)</u>
	<u>\$ 172,905</u>	<u>\$ 197,689</u>

NOTE 4 - COVID-19 PROGRAMS

In response to the COVID-19 pandemic, the Paycheck Protection Program (“PPP”) was established under the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) and administered by the Small Business Administration (“SBA”). Organizations who met the eligibility requirements set forth by the PPP could qualify for PPP loans. If the loan proceeds were fully utilized to pay qualified expenses, the full principal amount of the PPP loan, along with any accrued interest, would qualify for loan forgiveness, subject to potential reduction based on the level of full-time employees maintained by the Organization. Additionally, the Consolidated Appropriations Act of 2021, which was enacted on December 27, 2020, revised the original PPP to include additional funds for loans and the ability for eligible organizations to receive a second draw from the PPP (known as “PPP2”). The terms and conditions under PPP2 are substantially the same as the PPP and could allow for full loan forgiveness if the funds are utilized to pay for qualified expenses, while maintaining employment and compensation levels as required under the original PPP.

In January 2022, the Organization received a second PPP loan in the principal amount of \$126,120 from the SBA. Based on management’s preliminary estimation of the forgiveness calculation, the full amount of the loan was recognized and included as grant revenue as of June 30, 2022, as the forgiveness conditions were substantially met. On December 20, 2022, the Organization received notification the PPP loan had been fully forgiven.

OZ ARTS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2023 AND 2022

NOTE 4 - COVID-19 PROGRAMS (CONTINUED)

The CARES Act also provided the Employee Retention Credit (“ERC”) program to encourage employers to retain and continue to pay employees during the pandemic. The ERC program was modified, expanded and extended by the 2021 Consolidated Appropriations Act (“CAA”) and subsequently extended again by the American Rescue Plan (“ARP”) Act. If certain criteria are met under the program, employers are eligible to claim the ERC which is a refundable tax credit against certain employment taxes equal to 50% of the qualified wages. The Organization filed revised Form 941 returns in order to claim the ERC in the amount of \$40,000. The Organization is accounting for the ERC as a government grant and has therefore, recognized the ERC as income on the Statement of Activities for the year ended June 30, 2022. As of June 30, 2023 and 2022, the Organization had not received any ERC funds. The full amount of \$40,000 is recorded as a receivable on the Statements of Financial Position for the years ending June 30, 2023 and 2022, respectively.

NOTE 5 - IN-KIND CONTRIBUTIONS

In January 2018, the Organization entered into a lease for its facility from an organization owned by various members of the Ozgener family, TAO. The initial lease called for monthly rental payments of \$10,000 per month through December 2022 with the option to extend for two additional five year periods. In December 2022, the Organization exercised the first extension option, extending the initial lease through December 2027. The Organization is responsible for building-related costs, such as insurance, maintenance and other costs which are included in rent and occupancy costs on the Statements of Functional Expenses.

The fair value of the lease agreement is \$540,000 based on the five-year gross term. Lease payments have historically been forgiven by the lessor on a monthly basis; therefore, the lease is not considered in scope for ASC 842. In connection with the December 2022 lease extension, the lessor has forgiven the lease payments over the full term of the lease. As a result, the Organization discounted the value of the five-year lease renewal and recorded a contribution with donor restrictions at June 30, 2023 of approximately \$565,000. As a result, in-kind revenue of approximately \$625,000 and rent expense of \$120,000, are recognized in the Statement of Activities related to this lease at June 30, 2023.

The Organization also received donated goods and services related to contributed silent auction items that were monetized at a special event with a value of \$47,210.

OZ ARTS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2023 AND 2022

NOTE 6 - CONCENTRATIONS

The Organization received significant operational and cash flow support in the form of contributions from the Ozgener family amounting to approximately 43% and 71% of total contribution revenue for the years ending June 30, 2023 and 2022, respectively. These contributions represent critical support for the Organization as it diligently works to expand its base of revenue and support from the general public. The ability of the Organization to continue is dependent on the willingness and ability of the family to continue contributing necessary operating funds. The family intends to continue this support.

The Organization maintains cash accounts at reputable financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to statutory limits. The Organization's cash balances may, at times, exceed statutory limits. The Organization has not experienced any losses in such accounts and management considers this to be a normal business risk.