

OZ ARTS, INC.  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT  
JUNE 30, 2020

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AND  
INDEPENDENT AUDITOR'S REPORT

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Oz Arts, Inc.  
Nashville, Tennessee

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of OZ Arts, Inc. (the "Organization") which comprise the statement of financial position as of June 30, 2020, 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 of 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 of 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 OZ Arts, Inc. as of June 30, 2020, 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.

*Knight CPAs PLLC*

Nashville, Tennessee  
January 8, 2021

OZ ARTS, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2020

ASSETS

|                             |                   |
|-----------------------------|-------------------|
| Cash and cash equivalents   | \$ 295,869        |
| Accounts receivable         | 4,821             |
| Contributions receivable    | 60,500            |
| Grant receivable            | 46,731            |
| Prepaid event expenses      | 6,249             |
| Inventory                   | 3,710             |
| Property and equipment, net | <u>185,597</u>    |
| TOTAL ASSETS                | <u>\$ 603,477</u> |

LIABILITIES AND NET ASSETS

|                                    |                   |
|------------------------------------|-------------------|
| LIABILITIES                        |                   |
| Accounts payable                   | \$ 56,772         |
| Accrued payroll                    | 93,257            |
| Deferred revenue                   | <u>18,258</u>     |
| TOTAL LIABILITIES                  | <u>168,287</u>    |
| NET ASSETS                         |                   |
| Without donor restrictions:        |                   |
| Invested in property and equipment | 185,597           |
| Undesignated                       | 210,093           |
| With donor restrictions            | <u>39,500</u>     |
| TOTAL NET ASSETS                   | <u>435,190</u>    |
| TOTAL LIABILITIES AND NET ASSETS   | <u>\$ 603,477</u> |

See accompanying notes to financial statements.

OZ ARTS, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2020

|                                       | <u>Without Donor<br/>Restrictions</u> | <u>With Donor<br/>Restrictions</u> | <u>Totals</u>     |
|---------------------------------------|---------------------------------------|------------------------------------|-------------------|
| SUPPORT AND REVENUE                   |                                       |                                    |                   |
| Season ticket memberships             | \$ 16,602                             | \$ -                               | \$ 16,602         |
| Single and group ticket sales         | 167,200                               | -                                  | 167,200           |
| Public support:                       |                                       |                                    |                   |
| Grants                                | 251,278                               | -                                  | 251,278           |
| Contributions                         | 1,360,768                             | 52,000                             | 1,412,768         |
| Fundraising events                    | 126,030                               | -                                  | 126,030           |
| Donated goods and services            | 138,473                               | -                                  | 138,473           |
| Facility rental income                | 180,520                               | -                                  | 180,520           |
| Interest income                       | 1,247                                 | -                                  | 1,247             |
| Insurance proceeds - damaged property | 56,483                                | -                                  | 56,483            |
| Net assets released from restrictions | <u>12,500</u>                         | <u>(12,500)</u>                    | <u>-</u>          |
| TOTAL SUPPORT AND REVENUE             | <u>2,311,101</u>                      | <u>39,500</u>                      | <u>2,350,601</u>  |
| EXPENSES                              |                                       |                                    |                   |
| Program services                      | 1,333,522                             | -                                  | 1,333,522         |
| Supporting services:                  |                                       |                                    |                   |
| Management and general                | 604,945                               | -                                  | 604,945           |
| Fundraising                           | <u>428,574</u>                        | <u>-</u>                           | <u>428,574</u>    |
| TOTAL EXPENSES                        | <u>2,367,041</u>                      | <u>-</u>                           | <u>2,367,041</u>  |
| CHANGE IN NET ASSETS                  | (55,940)                              | 39,500                             | (16,440)          |
| NET ASSETS - BEGINNING OF YEAR        | <u>451,630</u>                        | <u>-</u>                           | <u>451,630</u>    |
| NET ASSETS - END OF YEAR              | <u>\$ 395,690</u>                     | <u>\$ 39,500</u>                   | <u>\$ 435,190</u> |

See accompanying notes to financial statements.

OZ ARTS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2020

|                                    | Program<br>Services | Supporting Services          |                   |                                 | Total               |
|------------------------------------|---------------------|------------------------------|-------------------|---------------------------------|---------------------|
|                                    |                     | Management<br>and<br>General | Fundraising       | Total<br>Supporting<br>Services |                     |
| Salaries                           | \$ 308,663          | \$ 150,352                   | \$ 169,765        | \$ 320,117                      | \$ 628,780          |
| Payroll taxes and benefits         | 95,892              | 31,074                       | 731               | 31,805                          | 127,697             |
| Contract labor                     | 105,662             | -                            | -                 | -                               | 105,662             |
| Theatre and production costs       | 471,356             | -                            | -                 | -                               | 471,356             |
| Professional and contract services | 179,420             | 170,354                      | -                 | 170,354                         | 349,774             |
| Advertising and promotion          | 82,774              | -                            | -                 | -                               | 82,774              |
| Printing and postage               | 37,993              | -                            | -                 | -                               | 37,993              |
| Supplies                           | 34,894              | 15,545                       | 27,625            | 43,170                          | 78,064              |
| Rent and occupancy costs           | 211,411             | 38,520                       | 6,865             | 45,385                          | 256,796             |
| Equipment and maintenance          | -                   | 36,510                       | -                 | 36,510                          | 36,510              |
| Travel                             | 81,824              | 44,527                       | -                 | 44,527                          | 126,351             |
| Insurance                          | -                   | 8,286                        | -                 | 8,286                           | 8,286               |
| Depreciation                       | 16,654              | 13,627                       | -                 | 13,627                          | 30,281              |
| Miscellaneous                      | 2,504               | 10,038                       | -                 | 10,038                          | 12,542              |
| Interest and bank fees             | -                   | 14,175                       | -                 | 14,175                          | 14,175              |
| TOTAL EXPENSES                     | <u>\$ 1,333,522</u> | <u>\$ 604,945</u>            | <u>\$ 428,574</u> | <u>\$ 1,033,519</u>             | <u>\$ 2,367,041</u> |

See accompanying notes to financial statements.

OZ ARTS, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2020

OPERATING ACTIVITIES

|   |             |
|---|-------------|
| Change in net assets  | \$ (16,440) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |             |
| Depreciation  | 30,281      |
| (Increase) decrease in:   |             |
| Accounts receivable   | 138,825     |
| Contributions receivable  | (60,500)    |
| Grant receivable  | (46,731)    |
| Due from related parties  | 13,066      |
| Prepaid event expenses  | 7,360       |
| Inventory   | (3,710)     |
| Increase (decrease) in:   |             |
| Accounts payable  | (2,094)     |
| Accrued payroll   | 63,477      |
| Deferred revenue  | (39,120)    |
| Due to TAO  | (43,211)    |
| TOTAL ADJUSTMENTS   | 57,643      |
| NET CASH PROVIDED BY OPERATING ACTIVITIES   | 41,203      |
| INVESTING ACTIVITIES  |             |
| Purchase of property and equipment  | (128,419)   |
| Proceeds from disposal of property and equipment  | 838         |
| NET CASH USED IN INVESTING ACTIVITIES   | (127,581)   |
| DECREASE IN CASH  | (86,378)    |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR   | 382,247     |
| CASH AND CASH EQUIVALENTS - END OF YEAR   | \$ 295,869  |

See accompanying notes to financial statements.



OZ ARTS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

OZ Arts, Inc. (the “Organization”) was incorporated in 2013 as a Tennessee not-for-profit corporation. As the newest 501(c)(3) contemporary arts institution in the midsouth region, 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 financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”), 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 Statement of Activities.

Support and Revenue

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

OZ ARTS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Support and Revenue (Continued)

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.

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 Statement of Activities in the year the production is performed.

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.

Cash and Cash Equivalents

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

Accounts Receivable

Accounts receivable consist of balances due to the Organization for various purposes. No allowance for uncollectible amounts is provided based on management's estimate as of June 30, 2020.

Contributions Receivable

Unconditional contributions receivable that are expected to be collected within one year are recorded at their net realizable value. Unconditional contributions 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 included in contribution revenue. Conditional promises to give are not included as support until such time as the conditions are substantially met.

OZ ARTS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions Receivable (Continued)

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. There is no allowance for uncollectible contributions as of June 30, 2020 based on management's estimate.

Contributions receivable were all due within one year as of June 30, 2020.

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 |

Advertising and Promotion

The Organization's advertising and promotion costs are primarily expensed as incurred. Advertising and promotion expense for the period ended June 30, 2020 totaled approximately \$83,000.

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.

OZ ARTS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

OZ ARTS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements

On January 1, 2019, Organization adopted Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers (Topic 606)* and all subsequent amendments to the ASU (collectively, “ASC 606”), which supersedes most existing revenue recognition guidance and outlines a single comprehensive standard for revenue recognition across all industries. ASC 606 requires revenue to be recognized in an amount that reflects the considerations to which the entity expects to be entitled in an exchange of goods or services. Organization adopted ASC 606 using the modified retrospective method applied to all contracts not completed as of July 1, 2019. Organization performed an analysis of revenue streams and transactions to determine in-scope applicability. The revenue streams considered in-scope for purposes of ASC 606 include most revenues associated with performance revenue and fundraising events (sponsorships, ticket sales and sales of items). Organization recognizes revenues that fall within the scope of ASC 606 as it satisfies its obligation to the customer. The adoption of ASC 606 did not result in a material change to the accounting for any of the in-scope revenue streams; as such, the Organization did not record a cumulative effect adjustment.

On July 1, 2019, Organization adopted ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*, as amended, as management believes the standard improves the usefulness and understandability of Organization’s financial reporting. This guidance is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions and improved guidance to better distinguish between conditional and unconditional contributions. Analysis of various provisions of this standard resulted in no significant changes in the way 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.

OZ ARTS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Authoritative Accounting Guidance

In February 2016, the Financial Accounting Standards Board (“FASB”) issued ASU 2016-02, Leases (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. In July 2018, the FASB issued ASU 2018-10, Codification Improvements to Topic 842, Leases, which makes narrow scope improvements to the standard for specific issues. In July 2018, the FASB also issued ASU 2018-11, Leases (Topic 842): Targeted Improvements, which provides an optional transition method allowing the standard to be applied at the adoption date. In December 2018, the FASB issued ASU 2018-20, Narrow-Scope Improvements for Lessors. This ASU provides an election for lessors to exclude sales and related taxes from consideration in the contract, requires lessors to exclude from revenue and expense lessor costs paid directly to a third party by lessees, and clarifies lessors’ accounting for variable payments related to both lease and nonlease components. In March 2019, the FASB issued ASU 2019-01, Leases (Topic 842) Codification Improvements, which exempts entities from having to provide the interim disclosures required by Accounting Standards Codification (“ASC”) 250-10-50-3 in the fiscal year in which an organization adopts the new leases standard.

A modified retrospective transition approach is required. An entity may adopt the guidance either (1) retrospectively to each prior reporting period presented in the financial statements with a cumulative-effect adjustment recognized at the beginning of the earliest comparative period presented or (2) retrospectively at the beginning of the period of adoption through a cumulative-effect adjustment. The new standard, which will be effective for the Organization July 1, 2021, provides a number of practical expedients.

The Organization is currently evaluating the impact of the pending adoption of the new standard on its financial statements.

Events Occurring After Reporting Date

The Organization has evaluated events and transactions that occurred between June 30, 2020 and January 8, 2021, the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

OZ ARTS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2020

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, 2020:

|   |                          |
|---|--------------------------|
| Cash  | \$ 295,869               |
| Accounts receivable   | 4,821                    |
| Contributions receivable  | 60,500                   |
| Grant receivable  | <u>46,731</u>            |
| Total financial assets  | <u>407,921</u>           |
| Less amounts not available to be used within one year:                              |                          |
| Net assets with donor restrictions:   |                          |
| Restricted for specific purposes  | <u>39,500</u>            |
| Financial assets available to meet general expenditures over the next twelve months | <u><u>\$ 368,421</u></u> |

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30, 2020:

|                                 |                          |
|---------------------------------|--------------------------|
| Computers and related equipment | \$ 31,823                |
| Furniture and fixtures          | 209,744                  |
| Leasehold improvements          | 16,365                   |
| Office equipment                | <u>30,463</u>            |
|                                 | 288,395                  |
| Less: accumulated depreciation  | <u>(102,798)</u>         |
|                                 | <u><u>\$ 185,597</u></u> |

OZ ARTS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2020

NOTE 4 - PAYROLL PROTECTION PROGRAM LOAN

On April 19, 2020, the Organization was the recipient of a \$99,300 loan under the Paycheck Protection Program ("PPP"). The PPP, established as a part of the Coronavirus Aid, Relief and Economic Security ("CARES") Act, provides for loans to small businesses to pay up to 24 weeks of payroll costs and benefits, interest on mortgages, rent and utilities. The funds are available in the form of a loan which is fully forgivable if at least 60% of the funds are used for payroll costs and other conditions are met. Any unforgiven funds will convert to a note with a 1.0% interest rate and payable over 24 months. It is management's intention to treat the loan proceeds as a conditional grant and recognize the forgiveness of the note as the conditions are substantially met. Based on management's preliminary estimation of the forgiveness calculation, the full amount of the loan has been recognized and included as grant revenue as of June 30, 2020, as the forgiveness conditions were substantially met.

NOTE 5 - LEASES

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 lease calls for monthly rental payments of \$10,000 per month through December 2022. The lease has extension options for two additional five-year periods. 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 Statement of Functional Expenses. Lease payments have been forgiven by the lessor on a monthly basis. As a result, in-kind revenue and rent expense of \$120,000 was recognized in the Statement of Activities related to this lease.

Lease payments due under the terms of the lease are as follows as of June 30, 2020:

Year ended June 30,

|      |                   |
|------|-------------------|
| 2021 | \$ 120,000        |
| 2022 | <u>60,000</u>     |
|      | <u>\$ 180,000</u> |



OZ ARTS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2020

NOTE 6 - CONCENTRATIONS

The Organization received significant operational and cash flow support from in the form of contributions from the Ozgener family amounting to approximately 67% of total contribution revenue for the year ending June 30, 2020. 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 for the family to continue contributing necessary operating funds. The family intends to continue this support.

At June 30, 2020, approximately 80% of contributions receivable were from four corporate donors.

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.

NOTE 7 - RISKS AND UNCERTAINTIES

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus included restrictions on travel, quarantines in certain areas and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries including the geographical area in which the Organization operates. The Organization has experienced loss of revenues for live, in person performances. While it is unknown how long these conditions will last and what the complete financial effect will be to the Organization, the Organization's leadership team continues to evaluate the evolving situation.

In March 2020, the Nashville area was struck by a tornado causing widespread damage across parts of the city. The facility where the Organization operates suffered significant damage as a result of the tornado. As disclosed in Note 5, the building is owned by a separate entity, TAO. Certain insurance proceeds totaling \$56,483 unrelated to the damage to the building were received by the Organization and were recorded as insurance proceeds income.