

OZ ARTS, INC.

FINANCIAL STATEMENTS,  
SUPPLEMENTARY INFORMATION  
AND  
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2022 AND 2021

OZ ARTS, INC.  
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SUPPLEMENTARY INFORMATION  
AND  
INDEPENDENT AUDITOR’S REPORT

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OZ ARTS, INC.

LIST OF PRINCIPAL OFFICIALS

JUNE 30, 2022

Jerry Johnson - *Chairman*  
Jimmy Wilson III - *Vice-Chair*  
T. Alp Ikizler, MD - *Treasurer*  
Laurie Seabury – *Secretary*  
Meera Ballal, J.D., Med  
Michelle Gaskin Brown  
Daniel Bryant  
Marjean Coddon  
Ann Waller Curtis  
Shervin Eftekhari  
Max Goldberg  
Donald R. Hardin, Jr.  
James Kelley  
Sherri Neal  
Arnita Ozgener  
Aylin Ozgener  
Kevin Roddey  
Adam Sansiveri  
Hope Stringer  
Josephine Vandevender Ward  
Marcus Whitney

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Oz Arts, Inc.  
Nashville, Tennessee

### REPORT ON THE AUDITS OF THE FINANCIAL STATEMENTS

#### OPINION

We have audited the financial statements of Oz Arts, Inc. (the "Organization"), which comprise the statements of financial position as of June 30, 2022 and 2021, 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 present fairly, in all material respects, the financial position of the Oz Arts, Inc. as of June 30, 2022 and 2021, 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audits of the Financial Statements section of our report. We are required to be independent of the Organization 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 the Foundation'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 GAAS and *Government 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 GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization'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 the Organization'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.

## OTHER INFORMATION

Management is responsible for the other information included in the report. The other information comprises the list of principal officials on page i but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2023, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Kraft CPAs PLLC". The signature is written in a cursive, flowing style.

Nashville, Tennessee  
February 1, 2023

OZ ARTS, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 1,189,474	\$ 510,113
Accounts receivable	1,141	-
Contributions receivable	-	3,125
Grants receivable	51,700	59,616
Employee retention credit receivable	40,000	-
Prepaid event expenses	8,987	24,712
Inventory	4,225	4,235
Other current assets	3,352	3,352
Property and equipment, net	<u>197,689</u>	<u>224,372</u>
TOTAL ASSETS	<u>\$ 1,496,568</u>	<u>\$ 829,525</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable	\$ 42,777	\$ 79,472
Accrued payroll	59,082	42,731
Accrued expenses	10,897	17,858
Deferred revenue	<u>9,016</u>	<u>26,820</u>
TOTAL LIABILITIES	<u>121,772</u>	<u>166,881</u>
NET ASSETS		
Without donor restrictions:		
Invested in property and equipment	197,689	224,372
Undesignated	1,177,107	425,772
With donor restrictions	<u>-</u>	<u>12,500</u>
TOTAL NET ASSETS	<u>1,374,796</u>	<u>662,644</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,496,568</u>	<u>\$ 829,525</u>

See accompanying notes to financial statements.

OZ ARTS, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Totals	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE						
Season ticket memberships	\$ 22,500	\$ -	\$ 22,500	\$ 14,151	\$ -	\$ 14,151
Single and group ticket sales	91,390	-	91,390	42,940	-	42,940
Public support:						
Grants	1,016,565	103,591	1,120,156	438,640	66,000	504,640
Contributions	1,103,471	-	1,103,471	968,480	-	968,480
Fundraising events	110,678	-	110,678	50,805	-	50,805
Donated goods and services	199,786	-	199,786	123,335	-	123,335
Facility rental income	154,603	-	154,603	10,443	-	10,443
Interest income	24	-	24	27	-	27
Net assets released from restrictions	116,091	(116,091)	-	93,000	(93,000)	-
TOTAL SUPPORT AND REVENUE	2,815,108	(12,500)	2,802,608	1,741,821	(27,000)	1,714,821
EXPENSES						
Program services	1,255,909	-	1,255,909	732,306	-	732,306
Supporting services:						
Management and general	488,357	-	488,357	454,348	-	454,348
Fundraising	346,190	-	346,190	300,713	-	300,713
TOTAL EXPENSES	2,090,456	-	2,090,456	1,487,367	-	1,487,367
CHANGE IN NET ASSETS	724,652	(12,500)	712,152	254,454	(27,000)	227,454
NET ASSETS - BEGINNING OF YEAR	650,144	12,500	662,644	395,690	39,500	435,190
NET ASSETS - END OF YEAR	\$ 1,374,796	\$ -	\$ 1,374,796	\$ 650,144	\$ 12,500	\$ 662,644

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
<b>TOTAL EXPENSES</b>	<b>\$ 1,255,909</b>	<b>\$ 488,357</b>	<b>\$ 346,190</b>	<b>\$ 834,547</b>	<b>\$ 2,090,456</b>

See accompanying notes to financial statements.

OZ ARTS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2021

	Program Services	Supporting Services			Total
		Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 363,573	\$ 160,308	\$ 163,294	\$ 323,602	\$ 687,175
Payroll taxes and benefits	77,099	34,526	35,168	69,694	146,793
Contract labor	17,588	48	195	243	17,831
Theatre and production costs	79,697	156	1,535	1,691	81,388
Professional and contract services	4,996	167,731	14,733	182,464	187,460
Advertising and promotion	13,724	2,730	1,500	4,230	17,954
Printing and postage	3,596	1,525	2,621	4,146	7,742
Supplies	4,565	166	4,848	5,014	9,579
Rent and occupancy costs	118,285	53,745	54,227	107,972	226,257
Equipment and maintenance	18,016	7,312	9,844	17,156	35,172
Travel	3,158	46	82	128	3,286
Insurance	6,089	2,904	2,959	5,863	11,952
Depreciation	18,693	8,916	9,083	17,999	36,692
Miscellaneous	2,990	8,462	542	9,004	11,994
Interest and bank fees	237	5,773	82	5,855	6,092
<b>TOTAL EXPENSES</b>	<b>\$ 732,306</b>	<b>\$ 454,348</b>	<b>\$ 300,713</b>	<b>\$ 755,061</b>	<b>\$ 1,487,367</b>

See accompanying notes to financial statements.

OZ ARTS, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
OPERATING ACTIVITIES		
Change in net assets	<u>\$ 712,152</u>	<u>\$ 227,454</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	44,521	36,692
Forgiveness of Paycheck Protection Program loan	-	(126,120)
(Increase) decrease in:		
Accounts receivable	(1,141)	4,821
Contributions receivable	3,125	57,375
Grants receivable	7,916	(12,885)
Employee retention credit receivable	(40,000)	-
Prepaid event expenses	15,725	(18,463)
Inventory	10	(525)
Other current assets	-	(3,352)
Increase (decrease) in:		
Accounts payable	(36,695)	22,700
Accrued payroll	16,351	(32,369)
Accrued expenses	(6,961)	(299)
Deferred revenue	<u>(17,804)</u>	<u>8,562</u>
TOTAL ADJUSTMENTS	<u>(14,953)</u>	<u>(63,863)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>697,199</u>	<u>163,591</u>
INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(17,838)</u>	<u>(75,467)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(17,838)</u>	<u>(75,467)</u>
FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program loan	<u>-</u>	<u>126,120</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>-</u>	<u>126,120</u>
INCREASE IN CASH AND CASH EQUIVALENTS	679,361	214,244
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>510,113</u>	<u>295,869</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,189,474</u>	<u>\$ 510,113</u>

See accompanying notes to financial statements.

OZ ARTS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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. 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 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, 2021, were temporary in nature and related to a performance that occurred during 2022, when restrictions were met.

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.

OZ ARTS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2022 AND 2021

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 Statement 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 membership tickets, 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 Statement 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, 2022 AND 2021

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 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 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, 2022 or 2021, 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

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, 2022 totaled approximately \$68,000 (approximately \$18,000 for the year ended June 30, 2021).

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.

OZ ARTS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

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, 2022 AND 2021

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.

New Accounting Pronouncement

In September 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the Statement of Activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. This guidance was adopted during the fiscal year and did not have a significant impact on the Organization's financial statements.

Recent Authoritative Accounting Guidance

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("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 statement of activities. 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 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.

OZ ARTS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Authoritative Accounting Guidance (Continued)

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, 2022, provides a number of practical expedients. The Organization expects to adopt the guidance retrospectively at the beginning of the period of adoption, July 1, 2022, through a cumulative-effect adjustment. The Organization is evaluating the impact the adoption of the new will have on the financial statements.

Events Occurring After Reporting Date

The Organization has evaluated events and transactions that occurred between June 30, 2022 and February 1, 2023, 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>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 1,189,474	\$ 510,113
Accounts receivable	1,141	-
Contributions receivable	-	3,125
Grant receivable	51,700	59,616
Employee Retention Credit Receivable	<u>40,000</u>	<u>-</u>
Total financial assets	<u>1,282,315</u>	<u>572,854</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions:		
Restricted for specific purposes	<u>-</u>	<u>12,500</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,282,315</u>	<u>\$ 560,354</u>

OZ ARTS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2022 AND 2021

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
Computers and related equipment	\$ 36,490	\$ 34,391
Furniture and fixtures	280,633	276,284
Leasehold improvements	27,755	16,365
Office equipment	<u>36,822</u>	<u>36,822</u>
	381,700	363,862
Less: accumulated depreciation	<u>(184,011)</u>	<u>(139,490)</u>
	<u>\$ 197,689</u>	<u>\$ 224,372</u>

NOTE 4 - COVID-19 PROGRAMS

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security ("CARES") Act was signed into law. The CARES Act provided an economic relief package to many businesses in the United States as a direct response to the adverse impacts of COVID-19. Section 1102 of the CARES Act established the Paycheck Protection Program ("PPP"), which was implemented by the Small Business Administration, and was intended to provide small business (generally those with 500 or less employees) with funds in amounts up to 2.5 times the business's average monthly payroll expenses to pay for eligible expenses, including payroll, benefits, rent and utilities. The funds were available in the form of a loan. The loan is fully forgivable if at least 60% of the funds are used for payroll costs, and if certain other terms are met. Any unforgiven funds will convert to a note with a 1% interest rate and payable over 24 months.

On January 28, 2021, the Organization received \$126,120 from a PPP loan. 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, 2021, as the forgiveness conditions were substantially met. On December 20, 2021, the Organization received notification the PPP loan had been fully forgiven.

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, 2022, the Organization had not received any ERC funds. The full amount of \$40,000 is recorded as a receivable on the Statement of Financial Position for the year ended June 30, 2022.

OZ ARTS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2022 AND 2021

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. 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 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, 2022:

Year ended June 30,

2023	\$ 120,000
2024	120,000
2025	120,000
2026	120,000
2027	120,000
Thereafter	<u>60,000</u>
	<u>\$ 660,000</u>

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 71% and 79% of total contribution revenue for the years ending June 30, 2022 and 2021, 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 for 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.

SUPPLEMENTARY INFORMATION

OZ ARTS, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

FOR THE YEAR ENDED JUNE 30, 2022

Grant Description	Federal CFDA#	Grant Number	Grant Period	(Accrued) Deferred 7/1/2021	7/1/21 - 6/30/22		(Accrued) Deferred 6/30/2022
					Receipts	Expenditures	
NATIONAL ENDOWMENT FOR THE ARTS							
Direct Program							
Promotion of the Arts Partnership Agreements	45.024	1865895-54-21	01/01/2021 - 12/31/2021	\$ -	\$ 20,000	\$ 20,000	\$ -
Pass-Through State of Tennessee/ Tennessee Arts Commission							
Promotion of the Arts Partnership Agreements	45.025	1886859-61-21	07/01/2021 - 06/30/2022	-	2,400	6,000	(3,600)
Promotion of the Arts Partnership Agreements	45.025	1886859-61-21	07/01/2021 - 06/30/2022	-	2,840	7,100	(4,260)
Total Pass-Through the State of Tennessee/Tennessee Arts Commission				-	5,240	13,100	(7,860)
TOTAL NATIONAL ENDOWMENT FOR THE ARTS				-	25,240	33,100	(7,860)
U.S. DEPARTMENT OF THE TREASURY							
Direct Program							
Coronavirus State and Local Fiscal Recovery Funds	21.017 COVID-19	SLFRP5534	07/01/2021 - 12/31/2024	-	693,865	693,865	-
Total CFDA 21.027				-	693,865	693,865	-
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$ -	\$ 719,105	\$ 726,965	\$ (7,860)
EXPENDITURES OF STATE AWARDS							
Tennessee Art Commission							
Promotion of the Arts Partnership Agreements	N/A	31625-12194	07/01/2021 - 06/30/2022	\$ -	\$ 12,240	\$ 20,400	\$ (8,160)
Tennessee Art Commission							
Arts Program Categorical Grants - Special Opportunities	N/A	31625-14155	07/01/2021 - 06/30/2022	-	-	5,000	-
Tennessee Art Commission							
Coronavirus State and Local Fiscal Recovery Funds	N/A	31625-15236	07/01/2021 - 12/31/2024	-	110,675	110,675	-
Metropolitan Nashville Arts Commission							
TOTAL EXPENDITURES OF STATE AWARDS				\$ -	\$ 122,915	\$ 131,075	\$ (8,160)
					Total Expenditures by CFDA		
					45.024	\$ 20,000	
					45.025	13,100	
					21.017	693,865	
						\$ 726,965	

See Notes to Schedule of Expenditures of Federal and State Awards on page 18.

OZ ARTS, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity, of Oz Arts, Inc. and is presented on the accrual basis of accounting. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and the *Audit Manual* issued by the Comptroller of the Treasury of the State of Tennessee. Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Organization has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3 - SUBRECIPIENTS

The Organization did not pass any federal awards through to subrecipients.

## OTHER REPORTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors  
OZ ARTS, INC.  
Nashville, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, ("Government Auditing Standards"), the financial statements of Oz Arts, Inc. (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements and have issued our report thereon dated February 1, 2023.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

## REPORT ON COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Kraft CPAs PLLC". The signature is written in a cursive, stylized font.

Nashville, Tennessee

February 1, 2023