

2022

Financial Statements

STUDIO TENN THEATRE COMPANY

FINANCIAL STATEMENTS

JULY 31, 2022

WITH SUMMARIZED COMPARATIVE TOTALS

AS OF JULY 31, 2021

(With Independent Auditor's Report Thereon)

STUDIO TENN THEATRE COMPANY
FINANCIAL STATEMENTS
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WITH SUMMARIZED COMPARATIVE TOTALS
AS OF JULY 31, 2021

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PATTERSON, HARDEE & BALLENTINE, P.C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Studio Tenn Theatre Company

Opinion

We have audited the accompanying financial statements of Studio Tenn Theatre Company (a nonprofit organization), which comprise the statement of financial position as of July 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Studio Tenn Theatre Company as of July 31, 2022, 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.

Basis for Opinion

We conducted our audit 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 Studio Tenn Theatre Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 Studio Tenn Theatre Company'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 Audit 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 Studio Tenn Theatre Company'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 Studio Tenn Theatre Company'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 audit.

Report on Summarized Comparative Information

We have previously audited Studio Tenn Theatre Company's July 31, 2021, financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 7, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended July 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.



November 30, 2022

STUDIO TENN THEATRE COMPANY
STATEMENT OF FINANCIAL POSITION
AS OF JULY 31, 2022
WITH SUMMARIZED COMPARATIVE TOTALS
AS OF JULY 31, 2021

ASSETS

	<u>2022</u>	<u>2021</u>
Current Assets:		
Cash	\$ 340,704	\$ 834,686
Accounts receivable	28,280	-
Prepaid expenses	40,025	40,660
Inventory	13,717	13,717
Total current assets	<u>422,726</u>	<u>889,063</u>
Property and equipment, net	<u>35,108</u>	<u>27,927</u>
Total assets	<u><u>\$ 457,834</u></u>	<u><u>\$ 916,990</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable and accrued expenses	\$ 9,954	\$ 59,400
Current maturities of notes payable	53,806	90,148
Deferred revenue	62,425	188,161
Due to board members	-	14,992
Line of credit	22,000	95,000
Total current liabilities	<u>148,185</u>	<u>447,701</u>
Long Term Debt		
Notes payable, less current maturities	<u>487,751</u>	<u>608,903</u>
Total liabilities	635,936	1,056,604
Net Assets:		
Without donor restrictions	(178,102)	(139,614)
With donor restrictions	<u>-</u>	<u>-</u>
Total net assets	<u>(178,102)</u>	<u>(139,614)</u>
Total liabilities and net assets	<u><u>\$ 457,834</u></u>	<u><u>\$ 916,990</u></u>

See accompanying notes to the financial statements.

STUDIO TENN THEATRE COMPANY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JULY 31, 2022
WITH SUMMARIZED COMPARATIVE TOTALS
FOR THE YEAR ENDED JULY 31, 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenues:						
Gross special event revenue	\$ 264,588	\$ -	\$ 264,588	\$ 48,787	\$ -	\$ 48,787
Less direct cost of special events	(69,348)	-	(69,348)	(12,671)	-	(12,671)
Net special events revenue	195,240	-	195,240	36,116	-	36,116
Public support						
Contributions	271,135	-	271,135	387,036	-	387,036
Shuttered venue operators grant	270,227	-	270,227	365,195	-	365,195
Other income	436	-	436	10,925	-	10,925
Net assets released from restrictions	-	-	-	-	-	-
Total public support	541,798	-	541,798	763,156	-	763,156
Production income	367,319	-	367,319	24,740	-	24,740
Forgiveness of debt	74,160	-	74,160	76,743	-	76,743
Total support and revenues	1,178,517	-	1,178,517	900,755	-	900,755
Expenses:						
Program services:						
Program services	932,848	-	932,848	279,035	-	279,035
Supporting services:						
Management and general	232,826	-	232,826	212,549	-	212,549
Fundraising	51,331	-	51,331	54,570	-	54,570
Total supporting services	284,157	-	284,157	267,119	-	267,119
Total functional expenses	1,217,005	-	1,217,005	546,154	-	546,154
Change in net assets	(38,488)	-	(38,488)	354,601	-	354,601
Net assets (deficit) - beginning of year	(139,614)	-	(139,614)	(494,215)	-	(494,215)
Net assets (deficit) - end of year	\$ (178,102)	\$ -	\$ (178,102)	\$ (139,614)	\$ -	\$ (139,614)

See accompanying notes to the financial statements.

STUDIO TENN THEATRE COMPANY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JULY 31, 2022
WITH SUMMARIZED COMPARATIVE TOTALS
FOR THE YEAR ENDED JULY 31, 2021

	<u>Supporting Services</u>				
	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total 2022</u>	<u>Total 2021</u>
Advertising	\$ 49,669	\$ -	\$ 5,313	\$ 54,982	\$ 3,098
Bank fees	4,980	608	6,205	11,793	10,157
Communications	2,479	1,749	-	4,228	3,214
Conferences	6,733	-	-	6,733	10
Contracted Services	170,222	-	5,425	175,647	21,748
Depreciation	-	26,185	-	26,185	52,035
Dues & Subscriptions	250	1,282	10	1,542	1,991
Fringe Benefits	51,475	11,408	3,243	66,126	70,723
Insurance	2,256	10,375	154	12,785	12,673
Interest Expense	-	7,430	-	7,430	16,471
Meals & Entertainment	1,203	435	194	1,832	3,191
Miscellaneous	1,617	13,634	17	15,268	788
Occupancy	34,478	11,344	-	45,822	43,208
Supplies	11,313	863	484	12,660	712
Printing	2,072	534	2,179	4,785	509
Production Expense	214,817	-	-	214,817	24,866
Professional Services	5,500	37,045	-	42,545	27,281
Special Events	-	-	69,348	69,348	12,671
Storage and Equipment Rentals	12,011	1,302	-	13,313	8,327
Technology	1,930	1,208	3,382	6,520	2,245
Wages	359,843	107,424	24,725	491,992	242,907
Total expenses by function	932,848	232,826	120,679	1,286,353	558,825
Less expenses included with revenues on the Statements of Activities:					
Direct costs of special events	-	-	(69,348)	(69,348)	(12,671)
Total expenses included in the expense section on the Statements of Activities	<u>\$ 932,848</u>	<u>\$ 232,826</u>	<u>\$ 51,331</u>	<u>\$ 1,217,005</u>	<u>\$ 546,154</u>

See accompanying notes to financial statements.

STUDIO TENN THEATRE COMPANY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JULY 31, 2022
WITH SUMMARIZED COMPARATIVE TOTALS
FOR THE YEAR ENDED JULY 31, 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ (38,488)	\$ 354,601
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation	26,185	52,035
Forgiveness of debt	(74,160)	(76,000)
Changes in:		
Accounts receivable	(28,280)	-
Prepaid expenses	635	(24,546)
Accounts payable and accrued expenses	(49,446)	(11,853)
Deferred revenue	(125,736)	31,821
	<u>(250,802)</u>	<u>(28,543)</u>
Net cash provided by (used in) operating activities	(289,290)	326,058
Cash Flows from Investing Activities:		
Purchase of property and equipment	(33,366)	-
Net cash used in investing activities	(33,366)	-
Cash Flows from Financing Activities:		
Change in line of credit	(73,000)	-
Change in due to board member	(14,992)	(10,808)
Payments on debt	(83,334)	(83,333)
Proceeds from issuing debt	-	424,160
Net cash provided by (used in) financing activities	(171,326)	330,019
Net change in cash	(493,982)	656,077
Cash - beginning of year	834,686	178,609
Cash - end of year	<u>\$ 340,704</u>	<u>\$ 834,686</u>

SUPPLEMENTAL CASH FLOW INFORMATION:

Interest paid during the year ended July 31, 2022, was \$7,430.

Interest paid during the year ended July 31, 2021, was \$16,471.

See accompanying notes to the financial statements.

STUDIO TENN THEATRE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2022
WITH SUMMARIZED COMPARATIVE TOTALS
AS OF JULY 31, 2021

NOTE 1 - Summary of Significant Accounting Policies

Nature of Activities

The terms "we", "us", "our", or "Organization" are used throughout these notes to the financial statements to identify the Studio Tenn Theatre Company, a Tennessee nonprofit organization. We were incorporated in 2009 to use a rich combination of talent from Nashville and Broadway to bring classic works of drama and musical theatre to life in Middle Tennessee; and to provide innovative educational programs designed to entertain, educate, and inspire the rising artists of our unique community.

Programs

The Organization's programs consist primarily of ticket performances. Proceeds from ticket sales relating to performance to be held in future years are shown as deferred revenue until the event has occurred. The costs related to these performances are expenses when the event occurs.

Basis of Presentation

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

Accordingly, our net assets and changes therein are classified and reported 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. Restrictions fulfilled in the same accounting period in which the contributions are received are reported in the Statement of Activities as unrestricted.

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.

Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, we consider all unrestricted cash and investment instruments purchased with a maturity of three months or less to be cash equivalents. At July 31, 2022, and 2021, we had no cash equivalents.

Receivables

Receivables consist of amounts for ticket sales not yet received. At July 31, 2022, no allowance was considered necessary for uncollectible receivables based upon our analysis of past collection expenses with clients.

Prepaid Expenses

Prepaid expenses consist of insurance and royalties and rented or bought set pieces pertaining to the following theatre season that are paid for in advance and charged to operating expense in the following fiscal year.

Supplies Inventory

Supplies inventory are raw materials to make props and costumes, in addition to other small supplies used in productions and rehearsals. Supplies inventory value is based on an estimate by management which is included in the Statement of Financial Position as of July 31, 2022, and 2021.

STUDIO TENN THEATRE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2022
WITH SUMMARIZED COMPARATIVE TOTALS
AS OF JULY 31, 2021

NOTE 1 - Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are recorded at cost at the date of purchase or estimated fair value at the date of gift to us. Our policy is to capitalize purchases with a cost of \$500 or more and an estimated useful life greater than one year. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets, ranging from three to five years for costumes, sets, and other equipment.

Depreciation expense recorded for the years ended July 31, 2022, and 2021, were \$26,185, and \$52,035, respectively.

Revenue and Revenue Recognition

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Donor-restricted support is reported as an increase in net assets with donor restrictions; however, contributions received with donor restrictions that are met in the year of receipt are recorded as revenues without donor restrictions. When a restriction expires or is met in a subsequent year, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the Statement of Activities and changes in net assets. Contributions to be received in future periods are discounted at an appropriate discount rate. Amortization of discounts on multi-year pledges is recorded as additional contribution revenue as either with or without donor restrictions based on any donor-imposed restrictions, if any, on the related contributions.

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the Statement of Financial Position. All cost-reimbursable grants have been received at July 31, 2022.

The Organization recognizes revenue from program services when the performance obligations, detailed in the contracts with the customers, are fulfilled. Our service contracts consist of ticket, merchandise, and concession sales. Revenue from ticket sales is recognized at the time of admission. Revenue from concessions and merchandise sales is recognized at the time of the sale.

We report any gifts of equipment or materials as unrestricted support unless explicit donor restrictions specify how the assets must be used. Expirations of donor restrictions are recognized when the donated or acquired long-lived assets are placed in service.

Deferred Revenue

Ticket sales made prior to the fiscal year to which they apply are reported as deferred revenue on the Statements of Financial Position. Such revenue is recognized and reported on the Statement of Activities in the year the productions are performed.

Total unearned revenue, beginning of year	\$ 188,161
Revenue recognized during the year ended July 31, 2022	(188,161)
Unearned revenue	<u>62,425</u>
Total unearned revenue, end of year	<u>\$ 62,425</u>

STUDIO TENN THEATRE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2022
WITH SUMMARIZED COMPARATIVE TOTALS
AS OF JULY 31, 2021

NOTE 1 - Summary of Significant Accounting Policies (continued)

Donated Goods, Facilities, and Services

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

Members of the Board of Directors have provided substantial assistance to us by donation of time and services. The value of this contribution is not reflected in the financial statements since it is not susceptible to objective measurement or valuation.

Production Expenses

Production assets, including props and costumes, are included on the Statement of Financial Position if we believe they can be repurposed for future productions. The net book value of these assets is included in property, plant, and equipment, net on the Statement of Financial Position. We may lease our old costumes and props to other organizations as well as use them for future performances. Revenue from rental activities is recognized in the period it is earned on the Statement of Activities. When we no longer have space to store them, the props or costumes are disposed of or sold in a yard sale and revenue from such sales is recognized at that time on the Statement of Activities.

Income Tax Status

We are a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and classified as an organization that is not a private foundation as defined in Section 509(a) of the Internal Revenue Code. Therefore, no provision for federal income taxes is included in the accompanying financial statements. We do not believe there are any uncertain tax positions.

Fair Value of Financial Instruments

The fair values of current assets and current liabilities approximate the carrying amounts due to the short maturities of these instruments and they are all Level 1 in the fair value hierarchy. The fair value of the line of credit and notes payable approximate the carrying amounts and are estimated based on the current rates offered to us.

Functional Allocation of Expenses

The costs of providing program services and supporting services have been summarized on a functional basis in the Statement of Activities. Operating costs other than personnel and occupancy costs are allocated based on an invoice-by-invoice basis. Personnel costs are allocated based on the time spent in each area the employee works. Occupancy costs, such as leases and utilities are allocated based on square footage used for each functional classification.

Joint Costs

As stated in the Financial Accounting Standards Board's Accounting Standards Codification Topic 958 ("ASC 958"), Not for Profit Entities, costs included in conducting joint activities that are not identifiable with a particular component of the activity are allocated between fundraising and supporting services.

Advertising

The Organization uses advertising to promote its programs. Advertising costs are expensed as incurred. For the years ended July 31, 2022, and 2021, advertising expenses was \$54,982 and \$ 3,098, respectively.

STUDIO TENN THEATRE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2022
WITH SUMMARIZED COMPARATIVE TOTALS
AS OF JULY 31, 2021

NOTE 1 - Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions affecting certain reported amounts and disclosures. Actual results could differ from those estimates.

Prior Year Summarized Financial Information

While comparative information is not required under United States generally accepted accounting principles ("US GAAP"), we believe this information is useful and have included certain summarized financial information from our 2021 financial statements. Such summarized information is not intended to be a complete presentation in conformity with US GAAP. Accordingly, such information should be read in conjunction with our financial statements as of and for the year ended July 31, 2021, from which it was derived.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

NOTE 2 - Availability and Liquidity

Financial assets available for general expenditure within one year of the Statement of Financial Position consist of the following for the year ended July 31, 2022:

Cash	\$ 340,704
Accounts Receivable	<u>28,280</u>
	<u>368,984</u>

The Organization's activities are primarily funded by performance ticket sales and a concentration of contributions received throughout the fiscal year. To manage liquidity the Organization also maintains a line of credit of \$100,000 with a bank this is drawn upon as needed during the year to manage cash flow with the intent that it is repaid in full by the end of the fiscal year.

NOTE 3 - Property and Equipment

Property and equipment consisted of the following as of July 31,

	<u>2022</u>	<u>2021</u>
Costumes and sets	\$ 355,359	\$ 326,119
Furniture and equipment	27,926	23,800
Sound equipment	<u>4,379</u>	<u>4,379</u>
	387,664	354,298
Less: accumulated depreciation	<u>(352,556)</u>	<u>(326,371)</u>
	<u>\$ 35,108</u>	<u>\$ 27,927</u>

STUDIO TENN THEATRE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
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AS OF JULY 31, 2021

NOTE 4 - Accounts Payable and accrued expenses

Expenses were accrued for the following at July 31,

	<u>2022</u>	<u>2021</u>
Accounts payable	\$ 5,061	\$ 7,441
Gift certificates	-	10,520
Accrual payroll	1,984	25,712
Payroll liabilities	2,909	15,727
	<u>\$ 9,954</u>	<u>\$ 59,400</u>

NOTE 5 - Line of Credit

We have a \$100,000 operating line of credit with a bank at July 31, 2022, and 2021. The line is evidenced by a promissory note which bears interest, payable monthly, on the amount borrowed at a variable interest rate based on the bank's prime rate plus 4%. The interest rate at July 31, 2022 and 2021, was 4%. The line of credit matures in November 2023 and is secured by substantially all assets of the Organization. As of July 31, 2022 and 2021, there was an outstanding balance of \$22,000 and \$95,000, respectively, on the line of credit.

NOTE 6 - Notes Payable

As of July 31, 2022, installment notes payable are as follows:

Note payable to Renasant Bank with a maturity of December 20, 2022. Quarterly payments of \$20,833 are required based on 11 quarters amortization with interest at 4.25%. \$ 41,557

U.S. Small Business Administration Economic Injury Disaster Loan due to the COVID-19 pandemic. Monthly payments of \$2,211 are required based on 348 months amortization with interest at 2.75%, beginning 24 months from the date of the Note, June 23, 2020.

	<u>500,000</u>
	541,557
Less: current maturities	<u>(53,806)</u>
	<u>\$ 487,751</u>

On April 22, 2021, our First Draw PPP loan was fully forgiven, and the balance of the loan was recognized as forgiveness of debt on the Statement of Activities at year end. The amount of this loan was \$74,160, with monthly payments of \$1,559, including an interest rate of 1.00%, beginning March 2022, until maturity in March 2025. We intend to apply for forgiveness of this loan, as allowable by the U.S. Small Business Administration.

The following is a schedule of future maturities:

Year Ending July 31,	
2023	\$ 53,806
2024	12,587
2025	13,593
2026	13,300
Thereafter	448,271
	<u>\$ 541,557</u>

STUDIO TENN THEATRE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 7 - Lease Agreements

We lease our office under an operating lease requiring monthly rental payments under a month-to-month lease agreement. We also lease certain office equipment. Total rental expense on July 31, 2022 and 2021, under all agreements, totaled \$38,628 and \$38,628, respectively, and is included in occupancy on the statement of Functional Expenses.

NOTE 8 - Concentrations and Contingencies

As of the year ended July 31, 2022, and 2021, 70% and 87%, respectively, of our total payables were due to three vendors.

NOTE 9 - Related Party Transactions

As of July 31, 2022, we have paid off all loans to our Board of Directors, this amount was \$ 14,992 as of July 31, 2021.

NOTE 10 - New Pronouncements

In February 2016, the FASB amended the Leases topic of Accounting Standards Codification to require all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance leases or operating leases. This distinction will be relevant for the pattern of expense recognition in the statement of operations and retained earnings. The amendments will be effective for us for the year beginning after December 15, 2021. We are currently evaluating the impact of adopting this guidance on the financial statements.

NOTE 11 - Subsequent Events

We have evaluated events subsequent to the year ending July 31, 2022, As of November 30, 2022, the date that the financial statements were available to be issued, we are not aware of any material subsequent events, which would require recognition or disclosure in the accompanying financial statements for the year ended July 31, 2022.