

AZUKA THEATRE COLLECTIVE
FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

DRAFT

AZUKA THEATRE COLLECTIVE

CONTENTS

	<u>PAGE</u>
<u>INDEPENDENT AUDITORS' REPORT</u>	<u>1-2</u>
STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS - MODIFIED CASH BASIS	3
STATEMENTS OF SUPPORT AND REVENUE, EXPENSES AND NET ASSETS - MODIFIED CASH BASIS	4-5
STATEMENTS OF FUNCTIONAL EXPENSES- MODIFIED CASH BASIS	6-7
STATEMENTS OF CASH FLOW- MODIFIED CASH BASIS	8
NOTES TO FINANCIAL STATEMENTS	9-12

DRAFT

Independent Auditors' Report

September 6, 2022

To the Board of Directors
Azuka Theatre Collective
Philadelphia, Pennsylvania

Opinion

We have audited the accompanying financial statements of Azuka Theatre Collective (a non-profit organization) which comprise the statements of assets, liabilities, and net assets- modified cash basis as of June 30, 2022 and 2021 and the related statements of support and revenue, expenses and net assets- modified cash basis, functional expenses- modified cash basis and cash flows- modified cash basis for the years 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 assets, liabilities, and net assets of Azuka Theatre Collective as of June 30, 2022 and 2021, and its revenues, expenses, and other changes in net assets for the years then ended in accordance with the basis of accounting Azuka Theatre Collective uses for the modified cash basis purposes described in note 1.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Azuka Theatre Collective and to meet our 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 opinion.

Basis of Accounting

We draw attention to Note 1 of the financial statements which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in note 1; this includes determining that the modified cash basis is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

DRAFT

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

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 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards we:

Exercise professional judgement 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 Azuka Theatre Collective'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 judgement, there are condition or events, considered in the aggregate, that raise substantial doubt about Azuka Theatre Collective'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 matters that we identified during the audit,

Robert J. Kratz & Company
Certified Public Accountants
Paoli, PA

DRAFT

AZUKA THEATRE COLLECTIVE
STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS - MODIFIED CASH BASIS
JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
Current assets		
Cash	\$ 49,771	\$ 101,438
Cash restricted, general operations	-	-
Total current assets	<u>49,771</u>	<u>101,438</u>
Property and equipment	23,299	28,298
Less accumulated depreciation	<u>21,299</u>	<u>28,298</u>
Net property and equipment	<u>2,000</u>	<u>-</u>
Other assets		
Rental deposit	<u>1,000</u>	<u>1,000</u>
Total other assets	<u>1,000</u>	<u>1,000</u>
Total assets	<u>\$ 52,771</u>	<u>\$ 102,438</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current liabilities		
Current maturities of long term debt	\$ -	\$ 2,165
Credit card payable	<u>144</u>	<u>67</u>
Total current liabilities	<u>144</u>	<u>2,232</u>
Long-term debt	<u>-</u>	<u>16,210</u>
Total liabilities	<u>144</u>	<u>18,442</u>
Net assets		
Without donor restrictions	52,627	83,996
With donor restrictions	<u>-</u>	<u>-</u>
Total net assets	<u>52,627</u>	<u>83,996</u>
Total liabilities and net assets	<u>\$ 52,771</u>	<u>\$ 102,438</u>

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

DRAFT

AZUKA THEATRE COLLECTIVE
STATEMENT OF SUPPORT AND REVENUE, EXPENSES AND
NET ASSETS - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>
Support and revenue			
Contributions	\$ 320,076	\$ 320,076	\$ -
Ticket sales	36,955	36,955	-
Rental income	11,860	11,860	-
Miscellaneous income	4,840	4,840	-
Net assets released from restrictions	-	-	-
	<u>373,731</u>	<u>373,731</u>	<u>-</u>
Expenses			
Program services expense	294,103	294,103	-
Supporting services expense			
Management and general	71,121	71,121	-
Fundraising	39,876	39,876	-
	<u>405,100</u>	<u>405,100</u>	<u>-</u>
Change in net assets	(31,369)	(31,369)	-
Net assets - beginning of year	<u>83,996</u>	<u>83,996</u>	<u>-</u>
Net assets, end of year	<u>\$ 52,627</u>	<u>\$ 52,627</u>	<u>\$ -</u>

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

DRAFT

AZUKA THEATRE COLLECTIVE
STATEMENT OF SUPPORT AND REVENUE, EXPENSES AND
NET ASSETS - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>
Support and revenue			
Contributions	\$ 180,366	\$ 180,366	\$ -
Ticket sales	-	-	-
Rental income	14,625	14,625	-
Miscellaneous income	1,206	1,206	-
Net assets released from restrictions	-	50,000	(50,000)
	<u>196,197</u>	<u>246,197</u>	<u>(50,000)</u>
Total support and revenue			
Expenses			
Program services expense	67,489	67,489	-
Supporting services expense			
Management and general	94,730	94,730	-
Fundraising	23,717	23,717	-
	<u>185,936</u>	<u>185,936</u>	<u>-</u>
Total expenses			
Change in net assets	10,261	60,261	(50,000)
Net assets unrestricted, beginning of year	<u>73,735</u>	<u>23,735</u>	<u>50,000</u>
Net assets unrestricted, end of year	<u>\$ 83,996</u>	<u>\$ 83,996</u>	<u>\$ -</u>

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

DRAFT

AZUKA THEATRE COLLECTIVE
STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Actors	\$ 13,388	\$ -	\$ -	\$ 13,388
Artistic associate salary	15,369	-	15,369	30,738
Executive director salary	11,367	11,367	11,366	34,100
Box office	2,500	-	-	2,500
Communications	676	676	675	2,027
Depreciation expense	-	500	-	500
Development expense	-	-	4,160	4,160
Directors fee	3,550	-	-	3,550
Director of marketing salary	16,500	11,550	4,950	33,000
Dues and subscriptions	2,201	-	-	2,201
General operating expense	-	4,711	-	4,711
Insurance	6,880	-	-	6,880
Marketing	35,315	-	-	35,315
Meals and entertainment	-	1,465	-	1,465
Office supplies and expense	-	714	-	714
Payroll taxes	5,613	1,939	2,654	10,206
Postage and delivery	-	294	-	294
Production costs	179,258	-	-	179,258
Professional fees	1,486	6,938	702	9,126
Rent		30,967	-	30,967
	<u>\$ 294,103</u>	<u>\$ 71,121</u>	<u>\$ 39,876</u>	<u>\$ 405,100</u>

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

DRAFT

AZUKA THEATRE COLLECTIVE
STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Actors	\$ 3,475	\$ -	\$ -	\$ 3,475
Administrative salary	1,800	5,400	-	7,200
Artistic associate salary	1,649	-	1,050	2,699
Artistic director salary	11,900	11,900	11,900	35,700
Box office	2,500	-	-	2,500
Communications	843	843	843	2,529
Depreciation expense	64	-	-	64
Development expense	-	-	2,633	2,633
Directors fee	250	-	-	250
Director of marketing salary	21,420	8,925	5,355	35,700
Dues and subscriptions	1,139	-	-	1,139
General operating expense	-	4,960	-	4,960
Insurance	8,530	-	-	8,530
Marketing	1,654	-	-	1,654
Meals and entertainment	-	63	-	63
Office supplies and expense	-	171	-	171
Payroll taxes	3,940	2,412	1,689	8,041
Postage and delivery	-	49	-	49
Production costs	7,750	-	-	7,750
Professional fees	575	29,492	247	30,314
Rent	-	30,515	-	30,515
	<u>\$ 67,489</u>	<u>\$ 94,730</u>	<u>\$ 23,717</u>	<u>\$ 185,936</u>

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

DRAFT

AZUKA THEATRE COLLECTIVE
STATEMENTS OF CASH FLOWS - MODIFIED CASH BASIS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ (31,369)	\$ 10,261
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation expense	500	64
Loan forgiveness	(18,375)	(20,000)
Increase (decrease) in:		
Credit card payable	<u>77</u>	<u>(2)</u>
Net cash flows used by operating activities	<u>(49,167)</u>	<u>(9,677)</u>
 Cash flows from investing activities:		
Purchase of property and equipment	<u>(2,500)</u>	<u> </u>
Net cash flows used by investing activities	<u>(2,500)</u>	<u> </u>
 Cash flows from financing activities:		
Proceeds from long term debt	<u> </u>	<u>18,375</u>
Net cash flows provided by financing activities	<u> </u>	<u>18,375</u>
Net increase (decrease) in cash	(51,667)	8,698
Cash, beginning of year	<u>101,438</u>	<u>92,740</u>
Cash, end of year	<u>\$ 49,771</u>	<u>\$ 101,438</u>

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

DRAFT

AZUKA THEATRE COLLECTIVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

Note 1 Summary of Significant Accounting Principles

Organizational Purpose

The Azuka Theatre Collective (“the Organization”) is a Pennsylvania nonprofit corporation chartered in 1999. Its purpose is to promote the arts in the Philadelphia area by producing theatrical works.

Basis of Accounting

The Organization’s policy is to prepare its financial statements on the modified cash basis of accounting; consequently, certain support, revenue and the related assets are recognized when received rather than when earned and certain expenses are recognized when paid rather than when the obligation is incurred.

Net Assets

Net assets are classified based on the existence or absence of donor-imposed restrictions. Net assets are classified as without donor restrictions or with donor restrictions. Support that is restricted by the donor will be included in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized.

Property and Equipment

Property and equipment are recorded at cost. The cost of additions and improvements are capitalized; while maintenance and repairs are charged to expense when paid. Upon retirement or other disposition of property and equipment, the cost and related depreciation is removed from the accounts and the resulting gain or loss is included in earnings.

Depreciation

Depreciation is computed using the straight-line method based upon the following useful lives:

Office furniture and equipment	5 years
Furniture and equipment	5 years

Advertising Costs

The Organization’s policy is to expense advertising costs as the costs are incurred. Advertising costs amounted to \$35,315 and \$1,654 for the years ended June 30, 2022 and 2021 respectively.

Donated Services

The value of contributed services has been recognized in these financial statements. Donated services that create or enhance non-financial assets or require specialized skills and would typically need to be purchased if not provided by donation are recognized at their fair value. Donated services that do not meet the above criteria are not recognized in these financial statements.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

AZUKA THEATRE COLLECTIVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

Note 1 Summary of Significant Accounting Principles (Continued)

Cash

The Organization maintains restricted cash for general operations. Restricted cash for general operations at June 30, 2022 and 2021 was \$ -0- .

Functional Expenses

The Organization allocates its expenses on a functional basis. Expenses that can be identified with program are recorded directly according to their natural expense classification. Other expenses that are common to several functions are allocated by various methods.

Note 2 Property and Equipment

Property and equipment used in computing depreciation is summarized as follows:

	<u>2022</u>	<u>2021</u>
Office equipment	\$ 2,500	\$ 1,500
Production equipment	20,799	26,798
	<u>\$ 23,299</u>	<u>\$ 28,298</u>

Depreciation expense amounted to \$500 and \$64 for the years ended June 30, 2022 and 2021 respectively.

Note 3 Concentrations of Revenue and Support

For the twelve months ended June 30, 2022, the Organization received \$320,076 in support which is 86% of total support and revenues. Of the total support recorded, \$145,000 was from two donors which represents 45% of total support.

For the twelve months ended June 30, 2021, the Organization received \$180,366 in support which is 92% of total support and revenues. Of the total support recorded, \$85,000 was from two donors which represents 47% of total support.

Note 4 Concentration of Credit Risk

The Organization maintains cash balances in one financial institution, which are insured by the Federal Deposit Insurance Corporation up to \$250,000. At times the Company may exceed these limits. The Company's uninsured cash balances at June 30, 2022 and 2021 was \$ -0- . .

AZUKA THEATRE COLLECTIVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

Note 5 Long Term Debt

Long-term debt consisted of the following as of June 30, 2021 and 2020:

	<u>2022</u>	<u>2021</u>
Note payable, Bank, principal and interest payable of \$375 monthly to maturity in February, 2025.	\$ -	\$ 18,375
Less current portion	<u>-</u>	<u>2,165</u>
	<u>\$ -</u>	<u>\$ 16,210</u>

The above loan was obtained from TD Bank pursuant to the Paycheck Protection Program under the CARES Act. The loan was dated March 1, 2021 and payable monthly starting on January 1, 2022 at a rate of 1%. The note can be prepaid at any time prior to maturity with no penalties. Funds may be used only for payroll costs, health insurance, rent and utilities. The organization met the conditions of the loan and on October 21, 2021 was notified that the loan was forgiven. This loan was taken into income and included in the financial statements as a contribution.

Note 6 Income Taxes

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is not subject to federal income tax.

Income unrelated to the Organization's exempt purpose is subject to Federal income taxes. The receipt of income from advertising sales is subject to taxation as unrelated business income. For the years ended June 30, 2022 and 2021 the Organization paid \$ -0- in income taxes.

The Organization's form 990, Return of Organization Exempt from Income Tax, is subject to examination by the Internal Revenue Service, generally, for three years after they are filed.

Note 7 Leases

The Organization leases office space under an operating lease. Future minimum lease payments under leases that have remaining lease terms in excess of one year at June 30, 2022 are as follows:

2023	\$ 32,374
2024	33,345
2025	<u>16,919</u>
Total	<u>\$ 82,638</u>

DRAFT

AZUKA THEATRE COLLECTIVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

Note 7 Leases (Continued)

Rental expense for the years ended June 30, 2022 and 2021 was \$30,967 and \$30,515 respectively.

Rental expense for the years ended June 30, 2022 and 2021 for performance space was \$28,050 and \$ - 0- respectively.

In January of 2017 the Organization started leasing office space to an unrelated party. Current rent is \$1,125 per month. The lease is on a month to month basis.

Note 8 In-Kind Contributions

The Organization recorded as revenue and expense \$2,125 and \$2,735 for professional services contributed for the years ended June 30, 2022 and 2021 respectively.

Note 9 Subsequent Events

Management has evaluated events and transactions through September 6, 2022 which is the date the financial statements were available to be issued. This includes events related to COVID-19 pandemic. Management has scheduled a full season of 3 productions and believes the pandemic will have a minor impact on ticket revenue and donations which cannot be reasonably estimated at this time.

Note 10 Liquidity and Reserves

The Organization monitors its liquidity so that it is able to meet its operating needs and other contractual commitments while maximizing the investment of its excess operating cash. The Organization has the following financial assets that could readily be made available within one year of the statement of assets, liabilities and net assets- modified cash basis to fund expenses without limitations:

	<u>2022</u>	<u>2021</u>
Cash	\$ 49,771	\$ 101,438
Less those available for purpose restrictions	<u>-</u>	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 49,771</u>	<u>\$ 101,438</u>