



PROJECT BANDALOO

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

YEAR ENDED DECEMBER 31, 2022

PROJECT BANDALOO

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DECEMBER 31, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
PROJECT BANDALOOOP

Opinion

We have audited the accompanying financial statements of PROJECT BANDALOOOP, which comprise the statement of financial position as of December 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 PROJECT BANDALOOOP as of December 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 PROJECT BANDALOOOP 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 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 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 PROJECT BANDALOOOP 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, including omissions, 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 PROJECT BANDALOO 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 PROJECT BANDALOO 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.



Tryna Accountancy Corporation

Oakland, California

June 30, 2023

PROJECT BANDALOOP

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2022

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--|---|--|----------------------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | \$ 69,109 | \$ 158,578 | \$ 227,687 |
| Accounts and grants receivable | 391,725 | 149,385 | 541,110 |
| Prepaid expenses | <u>30,050</u> | <u>-</u> | <u>30,050</u> |
| TOTAL CURRENT ASSETS | 490,884 | 307,963 | 798,847 |
| Property and equipment, net | - | - | - |
| Operating lease right-of-use assets | 2,886,685 | - | 2,886,685 |
| Deposits | <u>10,000</u> | <u>-</u> | <u>10,000</u> |
| TOTAL ASSETS | \$ <u>3,387,569</u> | \$ <u>307,963</u> | \$ <u>3,695,532</u> |
| LIABILITIES AND NET ASSETS | | | |
| CURRENT LIABILITIES | | | |
| Accounts payable | \$ 44,073 | \$ - | \$ 44,073 |
| Accrued payroll and related expenses | 19,914 | - | 19,914 |
| Deferred revenue | 10,000 | - | 10,000 |
| Operating lease liabilities, current | <u>65,599</u> | <u>-</u> | <u>65,599</u> |
| TOTAL CURRENT LIABILITIES | \$ <u>139,586</u> | \$ <u>-</u> | \$ <u>139,586</u> |
| Operating lease liabilities, non-current | <u>2,908,800</u> | <u>-</u> | <u>2,908,800</u> |
| TOTAL LIABILITIES | <u>3,048,386</u> | <u>-</u> | <u>3,048,386</u> |
| NET ASSETS | | | |
| Without donor restrictions | \$ 339,183 | \$ - | \$ 339,183 |
| With donor restrictions | <u>-</u> | <u>307,963</u> | <u>307,963</u> |
| TOTAL NET ASSETS | <u>339,183</u> | <u>307,963</u> | <u>647,146</u> |
| TOTAL LIABILITIES AND NET ASSETS | \$ <u>3,387,569</u> | \$ <u>307,963</u> | \$ <u>3,695,532</u> |

See independent auditor's report and accompanying notes to financial statements.

PROJECT BANDALOOP
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---------------------------------------|---------------------------------------|------------------------------------|-------------------|
| SUPPORT AND REVENUES | | | |
| Grants and donations | \$ 34,732 | \$ 105,168 | \$ 139,900 |
| Government grants | 397,209 | 220,650 | 617,859 |
| Fees and workshops | 75,369 | - | 75,369 |
| Performance income | 1,373,450 | - | 1,373,450 |
| Rental income | 6,178 | - | 6,178 |
| In-kind donations | 124,335 | - | 124,335 |
| Other | 0 | - | 0 |
| Net assets released from restrictions | <u>392,391</u> | <u>(392,391)</u> | <u>-</u> |
| TOTAL SUPPORT AND REVENUES | <u>2,403,664</u> | <u>(66,573)</u> | <u>2,337,091</u> |
| EXPENSES | | | |
| Program services | 1,593,173 | - | 1,593,173 |
| Management and general | 433,072 | - | 433,072 |
| Fundraising | <u>217,658</u> | <u>-</u> | <u>217,658</u> |
| TOTAL EXPENSES | <u>2,243,903</u> | <u>-</u> | <u>2,243,903</u> |
| CHANGE IN NET ASSETS | 159,761 | (66,573) | 93,188 |
| NET ASSETS AT BEGINNING OF YEAR | <u>179,422</u> | <u>374,536</u> | <u>553,958</u> |
| NET ASSETS AT END OF YEAR | <u>\$ 339,183</u> | <u>\$ 307,963</u> | <u>\$ 647,146</u> |

See independent auditor's report and accompanying notes to financial statements.

PROJECT BANDALOO

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2022

| | Programs | | | Supporting | | Total |
|----------------------------------|---------------------|----------------------|---------------------|------------------------|-------------------|---------------------|
| | Performance | Education and Studio | Total Program | Management and General | Fundraising | |
| Salaries and wages | \$ 538,860 | \$ 198,420 | \$ 737,280 | \$ 123,895 | \$ 110,867 | \$ 972,042 |
| Payroll taxes | - | - | - | 80,281 | - | 80,281 |
| Fringe benefits | - | - | - | 17,759 | - | 17,759 |
| Musicians and artists | 66,860 | - | 66,860 | - | - | 66,860 |
| Travel | 228,292 | - | 228,292 | 8,134 | - | 236,426 |
| Outside services | - | 248 | 248 | 67,461 | 50,260 | 117,969 |
| Production | 138,686 | - | 138,686 | - | - | 138,686 |
| Insurance | - | - | - | 76,167 | - | 76,167 |
| Supplies | - | - | - | 4,784 | - | 4,784 |
| Equipment expenses | - | 20,346 | 20,346 | - | - | 20,346 |
| Occupancy | 82,274 | 60,506 | 142,780 | 28,424 | 15,542 | 186,746 |
| Technical and professional fees | 121,595 | - | 121,595 | - | - | 121,595 |
| Communications | - | - | - | 4,295 | - | 4,295 |
| Promotions and marketing | 127,138 | - | 127,138 | - | 40,989 | 168,127 |
| Staff development | - | - | - | 1,272 | - | 1,272 |
| Postage and mails | - | - | - | 1,405 | - | 1,405 |
| Depreciation | - | 9,948 | 9,948 | - | - | 9,948 |
| Dues and fees | - | - | - | 7,709 | - | 7,709 |
| Bank charge | - | - | - | 1,419 | - | 1,419 |
| Office expenses | - | - | - | 3,717 | - | 3,717 |
| Tax | - | - | - | 194 | - | 194 |
| Loss on disposal of fixed assets | - | - | - | 6,156 | - | 6,156 |
| TOTAL EXPENSES | \$ 1,303,705 | \$ 289,468 | \$ 1,593,173 | \$ 433,072 | \$ 217,658 | \$ 2,243,903 |

See independent auditor's report and accompanying notes to financial statements.

PROJECT BANDALOOB
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES

| | | |
|--|----|-------------|
| Change in net assets | \$ | 93,188 |
| Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities: | | |
| Depreciation expenses | | 9,948 |
| Loss on disposal of fixed assets | | 6,156 |
| (Increase)/decrease in operating assets: | | |
| Accounts and grants receivable | | (184,101) |
| Prepaid expenses | | (19,068) |
| Deposits | | (8,300) |
| Operating lease right-of-use assets | | (2,886,685) |
| Increase/(decrease) in operating liabilities: | | |
| Accounts payable | | (4,896) |
| Accrued payroll and related expenses | | 20,924 |
| Deferred revenue | | (87,000) |
| Operating lease liabilities | | 2,974,399 |
| Net cash provided /(used) by operating activities | | (85,435) |
| | | |
| Cash and cash equivalents, beginning of the year | | |
| Without donor restrictions | | 313,122 |
| With donor restrictions | | - |
| Total and cash equivalents, beginning of the year | | 313,122 |
| | | |
| Cash and cash equivalents, end of the year | | |
| Without donor restrictions | | 69,109 |
| With donor restrictions | | 158,578 |
| Cash and cash equivalents, end of the year | \$ | 227,687 |

See independent auditor's report and accompanying notes to financial statements.

PROJECT BANDALOO

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ACTIVITIES

PROJECT BANDALOO (the Organization), was incorporated in August 9, 1996 as a California nonprofit corporation that operates in Oakland, California. The Organization's mission is celebrating the human spirit, nature, and communities through dance that uses climbing technology to expand and challenge what is possible. The Organization incubates and produces work for its local audiences and for touring performances presented around the globe. Education and outreach are an intrinsic part of the Organization's mission. The Organization offers regular classes, camps, and intensives for youth and adults at its home studio and in the mountains, and team building programs for executives.

In the United States, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law on March 27, 2020. While the extent and duration of the economic fallout from the COVID-19 pandemic remains unclear, the Organization's future performance might be affected by the pandemic.

NOTE 2 -PROGRAM SERVICES

The Organization conducts two programs: Performance and Education/Studio.

Performance

As innovator in vertical performance, the Organization seamlessly weaves dynamic physicality, intricate choreography and climbing technology to turn the dance floor on its side. Founded by Amelia Rudolph and under the artistic direction of Melecio Estrella, the Organization re-imagines dance, activates public spaces, and inspires wonder and imagination in audiences around the world. The Organization trains dancers and youth at home and on tour, and has performed for millions of people in over 300 cities in Europe, Africa, the Middle East, the Americas, and Asia, and on screens in films and digital media.

Education and studio

As a leader in vertical dance education, the Organization trains, and hires teachers to share the joy of vertical dance with students at home in Oakland and on tour. Under the direction of Rose Huey, the Organization's education department curate youth and adult classes, a professional training group, artist in residency programs, and inspires wonder and imagination.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of Accounting Pronouncements

The Organization adopted Accounting Standards Codification (“ASC”) 842, “Leases” (“ASC 842”) on January 1, 2022, using the modified retrospective transition method and used the effective date as the date of initial application. The Organization elected the “package of practical expedients,” which permits not to reassess under ASC 842 prior conclusions about lease identification, lease classification and initial direct costs. The Organization made a policy election not to separate non-lease components from lease components, therefore, the Organization accounts for lease and non-lease components as a single lease component. The Organization elected the short-term lease recognition exemption for all leases that qualify.

The Organization determines if a contract contains a lease at inception of the arrangement based on whether there is the right to obtain substantially all of the economic benefits from the use of an identified asset and whether the Organization have the right to direct the use of an identified asset in exchange for consideration. Right of use (“ROU”) assets represents the Organization's right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. ROU assets are recognized as the lease liability, adjusted for lease incentives received. Lease liabilities are recognized at the present value of the future lease payments at the lease commencement date. The interest rate used to determine the present value of the future lease payments is risk-free discount rate, which is determined using a period comparable with lease term, because the interest rate implicit in most of the leases is not readily determinable. Lease payments may be fixed or variable; however, only fixed payments or in-substance fixed payments are included in the lease liability calculation. Variable lease payments may include costs such as common area maintenance, utilities, real estate taxes or other costs. Variable lease payments are recognized in operating expenses in the period in which the obligation for those payments is incurred.

Operating leases are included in operating lease ROU assets, operating lease liabilities, current and operating lease liabilities, non-current on the statement of financial position (balance sheet). Finance leases are included in property and equipment, net, accrued and other current liabilities, and other long-term liabilities on the statement of financial position (balance sheet). For operating leases, lease expense is recognized on a straight-line basis in operations over the lease term. For finance leases, lease expense is recognized as depreciation and interest; depreciation on a straight-line basis over the lease term and interest using the effective interest method.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosures at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Organization considers all cash accounts, with an initial maturity of three months or less to be cash equivalents.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Allocation of Expenses

The costs of providing various programs and other activities are summarized on a functional basis in the statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited based on the management estimate. Management and general expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Organization. Salaries and related expenses are allocated based on employees' direct time spent on program or support activities or the best estimate of time spent. Given the collaborative manner in which the Organization delivers its programs, rents are allocated based on staff hours devoted to each program or function. Expenses, other than salaries and related expenses, which are not directly identifiable by program or support services, are allocated based on the management's best estimates as follows:

Salaries and wages, benefits, and payroll taxes are allocated based on activity reports prepared by key personnel.

Occupancy, depreciation and amortization, supplies and office expenses, insurance, and other expenses that cannot be directly identified are allocated on the basis of employee headcount for each program and supporting activity.

Management and general expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Organization.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years..

Net Assets

Financial statement presentation follows the requirement of the Financial Accounting Standard Board. The Organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board can designate, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment. There was no board-designated endowment as of December 31, 2022.

Net Assets with Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. There were no net assets restricted in perpetuity as of December 31, 2022.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value of Financial Instruments

The following methods and assumptions were used by the Organization in establishing the fair value of its financial statements: the carrying amounts of cash, grant and accounts receivables, prepaid expenses, deposits and accounts payable, accrued expenses, and other current liabilities approximate fair value because of the short maturity of these instruments. The carrying amounts of long-term receivables and payables approximate fair value as these receivables and payables earn or are charged interest based on the prevailing rates.

Fair Value Measurements

The Organization adopted the provisions for fair value measurements contained in the Accounting Standards Codification ASC 820, Fair Value Measurements and Disclosures. This standard applies to financial instruments and defines fair value as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price).” The standard establishes a consistent framework for measuring fair value and expands disclosure requirements about fair value measurements. ASC 820, among other things, requires maximizing the use of observable inputs and to minimize the use of unobservable inputs when measuring fair value.

ASC 820 discusses valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flow), and the cost approach (cost to replace the service capacity of an asset or replacement cost). The statement utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The following is a brief description of those three levels:

Level 1 – Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2 – Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3 – Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect our estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flows models and similar techniques.

Contributions In-Kind

Donated goods are recorded at their estimated fair market value on the day of donation. Contributed services, which require a specialized skill and which the Organization would have paid for if not donated, are recorded at their market value at the time the services are rendered. Donated services that do not meet the criteria for recognition, but which are, nonetheless, central to the Organization’s operations are not reflected in the financial statements.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

All acquisitions of property and equipment in excess of \$5,000 and all expenditures for repairs, maintenance, or improvements that significantly prolong the useful lives of the assets are capitalized. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Property and equipment are depreciated using the straight-line method over estimated useful lives of three to five years.

The Organization did not have any property and equipment as of December 31, 2022.

Revenue Recognition

The Organization recognizes revenue on the accrual basis of accounting. Meeting registrations, fee for service, and other earned income are recognized as revenue in the period in which the related services are provided and revenue is earned. Cost reimbursable awards are recognized as revenue in the period in which the service is provided. Contributions and donations are recognized as revenue in the period when they are unconditionally promised.

Revenue is recognized over time when any of the following conditions are met: the customer receives and consumes the benefits provided by the Organization's performance as the Organization performs; the Organization's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or the work does not create an asset with an alternative use to the Organization and the entity has a right to payment for performance completed to date.

Revenue is recognized over time for cost reimbursement contracts as eligible expenses are incurred if other conditions of the contract are satisfied. Revenue from agreements that include milestones and milestone payments are recognized over time as milestones are reached. Revenue from agreements based on hourly rates are recognized over time as time is expended if the Organization expects it will have an enforceable right to payment for such amounts. Revenue is recognized based on estimated progress towards complete satisfaction of the performance obligation if the Organization can reasonably measure such progress. If the Organization's efforts are expended evenly throughout the performance period, the Organization may recognize revenue on a straight-line basis over such a period.

Revenue is recognized at a point in time when goods or services are provided to customers and the Organization is not required to provide additional goods or services or if the above criteria are not met. Revenue from the sales of goods or merchandise are recognized at the point in time when the goods or merchandise are provided to the customer.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (continued)

The Organization tracks contract assets representing earned amounts that are not yet receivable separately from accounts receivable, if any. As a practical expedient the Organization disregards the effects of potential financing components if the period between payment and performance is one year or less.

Contributions and Contributions Receivable

Contributions are recognized as revenue when received or unconditionally promised. Contributions received are recorded as support with donor restrictions and without donor restrictions, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a donor restriction expires, 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.

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. The Organization did not have any conditional pledges as of December 31, 2022.

Contributions receivables are stated at unpaid balances, less an allowance for doubtful accounts. The Organization uses the allowance method to determine uncollectible receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. The Organization charges off uncollectible contributions receivable when management determines amounts are not collectable. No allowance was recorded as of December 31, 2022 because all amounts are expected to be collected in full.

Income Taxes

The Organization is a not-for-profit organization that is exempt from federal income tax on income under Section 501(c)(3) of the Internal Revenue Code and from state franchise tax under California Revenue and Taxation Code Section 23701(d). However, income from activities not directly related to its tax-exempt purpose is subject to taxation as unrelated business income. There was no tax on unrelated business income for year ended December 31, 2022.

FASB ASC 740-10 requires an organization to determine whether it is more likely than not that a tax position will be sustained upon examination on the technical merits of the position, assuming the taxing authority has full knowledge of all information. If the tax position does not meet the more likely than not recognition threshold, the benefit of that position is not recognized in the financial statements. The Organization has no assets or liabilities related to uncertain tax positions. The Organization is subject to routine audits by taxing jurisdictions; there are currently no audits for any tax periods in progress.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (continued)*Advertising and Marketing Expenses*

Advertising and marketing costs are expensed as occur.

Deposits

Deposits consist of security deposit amounts held with a leasing company and are recorded at the time the lease agreement was signed.

Prepaid Expenses

Prepaid expenses are amortized over the period of future benefit.

Deferred Revenue

Deferred revenue represent unearned portion of the fee-for-service grants received prior to when the related services are provided.

NOTE 4 - CONCENTRATION OF RISKS

FASB ASC 825 requires disclosure of significant concentrations of credit risk arising from all financial instruments. Concentrations of credit risk financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of temporary cash investments. At times, a portion of these cash investments may not be insured by Federal Deposit Insurance Corporation. The potential concentration of credit risk pertaining to temporary cash investments will vary throughout the year depending upon the level of cash deposits versus amounts insured. The Organization is maintaining all deposits in high quality financial institutions.

As of December 31, 2022, the Organization had uninsured amount of \$9,725 by FDIC.

NOTE 5 - PROPERTY AND EQUIPMENT

As of December 31, 2022, the Organization disposed all fixed assets consisting of leasehold improvements \$9,529 and furniture equipment \$69,609 with total accumulated depreciation \$72,982. The loss due to the disposal is \$6,156

For the years ended, December 31, 2022, the Organization recorded \$9,948 in depreciation expense.

NOTE 6 – SPECIAL EVENTS

During the year ended December 31, 2022, the Organization did not hold any fundraising events.

NOTE 7 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

| | |
|--|-------------------|
| Cash and cash equivalents | \$ 227,686 |
| Accounts and grants receivable | 541,110 |
| Less those unavailable for general expenditures within one year due to donor restrictions: | <u>(307,963)</u> |
| Financial assets available to meet cash needs for general expenditure within one year | <u>\$ 460,833</u> |

\$460,833 of financial assets are available to cover the Organization's liquidity needs. The Organization has a goal to maintain sufficient financial assets on hands to meet the total of next fiscal year's projected management/general and fundraising expenses, which are expected to be approximately \$650,730 (based on the total supporting expenses for the year ended December 31, 2022). Therefore, the Organization accumulated enough liquid assets to sustain its liquidity needs within next 12 months.

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of contributions and grants designated for specific purposes or time. The composition of net assets with donor restrictions for the year ended December 31, 2022 are as follows:

| Purpose | 12/31/2021 | Additions | Releases | 12/31/2022 |
|------------------------|-------------------|-------------------|-------------------|-------------------|
| Arts promotions | \$ 118,500 | \$ 53,000 | \$ 96,500 | \$ 75,000 |
| Programs for community | 33,053 | 40,000 | - | 73,053 |
| Performance for Chile | - | 15,018 | 2,058 | 12,960 |
| Time restricted | 222,983 | 207,150 | 283,183 | 146,950 |
| Covid relief | - | 10,650 | 10,650 | - |
| Total | <u>\$ 374,536</u> | <u>\$ 325,818</u> | <u>\$ 392,391</u> | <u>\$ 307,963</u> |

NOTE 9 - RETIREMENT PLAN

The Organization provides up to a 3% match in a Simple IRA to pension fund at Calvert Investments to eligible full-time employees who have been working for more than 90 days for the Organization. Regular full-time employees begin to accrue the benefit at time of hire.

For the year ended December 31, 2022 the Organization contributed \$10,050 for the employees' match.

NOTE 10 – OPERATING LEASE

The Organization is a party to the agreement signed on May 01, 2022, with Prescott Properties LLC, to rent two properties located at 1601 and 1603 18th Street in Oakland, CA. The term of the lease is 10 years with two extensions of 5 years each. The lease cost is \$7,722 per month till December 31, 2022, and \$13,547 starting January 01, 2023, with the annual increase of 3%.

The security deposit on the lease is \$10,000. The landlord provided in-kind rent during the year December 31, 2022 with the estimated fair value of \$26,000.

The lease agreements listed above do not contain any residual value guarantees or restrictive covenants.

As of December 31, 2022 right of assets and lease liabilities consist of:

| | | |
|--|----|------------------|
| Operating lease right-of-use assets | \$ | <u>2,886,685</u> |
| Operating lease liability, current | | 65,599 |
| Operating lease liabilities, non-current | | <u>2,908,800</u> |
| Total operating lease liabilities | \$ | <u>2,974,399</u> |

As of December 31, 2022, the maturity of lease liabilities is as follows:

For the year ended December 31,

| | | |
|-----------------------------------|----|------------------|
| 2023 | \$ | 162,564 |
| 2024 | | 167,441 |
| 2025 | | 172,464 |
| 2026 | | 177,638 |
| 2027 | | 182,967 |
| Thereafter | | <u>3,315,043</u> |
| Total undiscounted lease payments | | 4,178,118 |
| Less amount representing interest | | <u>1,203,719</u> |
| Total lease liabilities | \$ | <u>2,974,399</u> |

As of December 31, 2022, the total lease expense including in-kind was \$186,746.

NOTE 11 – CONTINGENCIES

Conditions contained within the various contracts awarded to the Organization are subject to the funding agencies' criteria and regulations under which expenditures may be charged against and are subject to audit under such regulations and criteria. Occasionally, such audits may determine that certain costs incurred against the grants may not comply with the established criteria governing them. In such cases, the Organization could be held responsible for repayments to the funding agency or be subject to reductions of future funding. Management does not anticipate any material questioned costs for the contracts and grants administered during the period.

NOTE 12 – DONATED SERVICES AND OTHER IN-KIND CONTRIBUTIONS

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

During the year ended December 31, 2022, the Organization received a significant amount of donated services from unpaid volunteers who assist in various services that do not satisfy the criteria for recognition under *FASB ASC 958-605-25-16*.

The management estimated that about 50 volunteers provided 800 hours of volunteer services such as ushering audience, cleaning studio floor and supporting performers with quick changes back stage during the year ended December 31, 2022.

Donated professional services and rent for the year ended December 31, 2022 were as follows:

| | | |
|----------------|----|-----------------------|
| Legal services | \$ | 45,000 |
| Rent | | <u>79,335</u> |
| Total | \$ | <u><u>124,335</u></u> |

NOTE 13 – EMPLOYEE RETENTION CREDIT

The Employee Retention Credit (ERC) is a tax credit offered by the United States Government to qualified employers. It was introduced as a component of the Coronavirus Aid, Relief, and Economic Security (CARES) Act in March 2020. The purpose of this credit is to incentivize employers to retain their employees during the economic challenges brought about by the COVID-19 pandemic.

As of December 31, 2022, the Organization met the eligibility criteria and applied for a total of \$283,425 in ERC. Subsequently, the Organization recorded this amount as a government grant.

NOTE 14 – SUBSEQUENT EVENTS

Management of the Organization has reviewed the results of operations for the period of time from its year end, December 31, 2022 through June 30, 2023 the date the financial statements were available to be issued, and have determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.

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