

AZUKA THEATRE COLLECTIVE
FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

AZUKA THEATRE COLLECTIVE

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Independent Auditors' Report

January 22, 2025

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, 2024 and 2023 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, 2023 and 2022, 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.

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

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

AZUKA THEATRE COLLECTIVE
STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS - MODIFIED CASH BASIS
JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
<u>ASSETS</u>		
Current assets		
Cash	\$ 254	\$ 4,207
Cash restricted, education	16,374	26,900
Total current assets	<u>16,628</u>	<u>31,107</u>
Property and equipment	23,299	23,299
Less accumulated depreciation	22,579	22,099
Net property and equipment	<u>720</u>	<u>1,200</u>
Other assets		
Rental deposit	1,000	1,000
Total other assets	<u>1,000</u>	<u>1,000</u>
Total assets	<u>\$ 18,348</u>	<u>\$ 33,307</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current liabilities		
Credit card payable	\$ 7,475	\$ -
Total current liabilities	<u>7,475</u>	<u>-</u>
Net assets		
Without donor restrictions	(5,501)	6,407
With donor restrictions	16,374	26,900
Total net assets	<u>10,873</u>	<u>33,307</u>
Total liabilities and net assets	<u>\$ 18,348</u>	<u>\$ 33,307</u>

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

AZUKA THEATRE COLLECTIVE
STATEMENT OF SUPPORT AND REVENUE, EXPENSES AND
NET ASSETS - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2024

	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>
Support and revenue			
Contributions	\$ 274,184	\$ 221,184	\$ 53,000
Ticket sales	31,444	31,444	-
Rental income	17,155	17,155	-
Contribution of nonfinancial assets	1,200	1,200	-
Miscellaneous income	5,665	5,665	-
Net assets released from restrictions	-	63,526	(63,526)
	<u>329,648</u>	<u>340,174</u>	<u>(10,526)</u>
Total support and revenue			
Expenses			
Program services expense	246,123	246,123	-
Supporting services expense			
Management and general	79,742	79,742	-
Fundraising	26,217	26,217	-
	<u>352,082</u>	<u>352,082</u>	<u>-</u>
Total expenses			
Change in net assets	(22,434)	(11,908)	(10,526)
Net assets - beginning of year	<u>33,307</u>	<u>6,407</u>	<u>26,900</u>
Net assets, end of year	<u>\$ 10,873</u>	<u>\$ (5,501)</u>	<u>\$ 16,374</u>

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

AZUKA THEATRE COLLECTIVE
STATEMENT OF SUPPORT AND REVENUE, EXPENSES AND
NET ASSETS - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>
Support and revenue			
Contributions	\$ 421,526	\$ 377,526	\$ 44,000
Ticket sales	32,825	32,825	-
Rental income	14,925	14,925	-
Contribution of nonfinancial assets	2,895	2,895	
Miscellaneous income	1,010	1,010	
Net assets released from restrictions	-	17,100	(17,100)
	<u>473,181</u>	<u>446,281</u>	<u>26,900</u>
Total support and revenue			
Expenses			
Program services expense	347,037	347,037	-
Supporting services expense			
Management and general	105,047	105,047	-
Fundraising	40,417	40,417	-
	<u>492,501</u>	<u>492,501</u>	<u>-</u>
Total expenses			
Change in net assets	(19,320)	(46,220)	26,900
Net assets unrestricted, beginning of year	<u>52,627</u>	<u>52,627</u>	<u>-</u>
Net assets unrestricted, end of year	<u>\$ 33,307</u>	<u>\$ 6,407</u>	<u>\$ 26,900</u>

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

AZUKA THEATRE COLLECTIVE
STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2024

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Actors	\$ 12,745			\$ 12,745
Actor benefits	826			826
Artistic associate salary	23,650	13,200	7,150	44,000
Executive director salary	938	3,750	4,687	9,375
Bank service charges		20		20
Box office	2,292			2,292
Communications	886	885	885	2,656
Community engagement director	6,326			6,326
Depreciation expense	-	480		480
Development expense			685	685
Directors fee	7,650			7,650
Director of marketing salary	10,200	13,600	10,200	34,000
Dues and subscriptions	2,814			2,814
General operating expense	3,392	4,259		7,651
House manager	2,340			2,340
Insurance	11,162	631		11,793
Meals and entertainment		128		128
Marketing	14,735			14,735
Office supplies and expense		252		252
Payroll taxes	4,489	3,025	2,244	9,758
Postage and delivery		205		205
Production costs	115,270			115,270
Professional fees	9,732	9,193	366	19,291
Rent		30,114		30,114
Teaching artist	16,676	-		16,676
	<u>\$ 246,123</u>	<u>\$ 79,742</u>	<u>\$ 26,217</u>	<u>\$ 352,082</u>

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

AZUKA THEATRE COLLECTIVE
STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Actors	\$ 18,202	\$ -	\$ -	\$ 18,202
Artistic associate salary	32,911	16,413	5,386	54,710
Executive director salary	-	20,150	20,150	40,300
Box office	2,708	-	-	2,708
Communications	614	614	615	1,843
Depreciation expense	-	800	-	800
Development expense	-	-	3,274	3,274
Directors fee	8,000	-	-	8,000
Director of marketing salary	19,500	11,700	7,800	39,000
Dues and subscriptions	2,546	-	-	2,546
General operating expense	-	3,491	-	3,491
Insurance	7,226	620	-	7,846
Marketing	47,901	-	-	47,901
Meals and entertainment	-	32	-	32
Office supplies and expense	-	1,409	-	1,409
Payroll taxes	6,817	3,876	2,674	13,367
Postage and delivery	-	174	-	174
Production costs	191,833	-	-	191,833
Professional fees	8,779	9,636	518	18,933
Rent	-	36,132	-	36,132
	<u>\$ 347,037</u>	<u>\$ 105,047</u>	<u>\$ 40,417</u>	<u>\$ 492,501</u>

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

AZUKA THEATRE COLLECTIVE
STATEMENTS OF CASH FLOWS - MODIFIED CASH BASIS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Change in net assets	\$ (22,434)	\$ (19,320)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation expense	480	800
Increase (decrease) in:		
Credit card payable	<u>7,475</u>	<u>(144)</u>
Net cash flows used by operating activities	<u>(14,479)</u>	<u>(18,664)</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>-</u>	<u>-</u>
Net cash flows used by investing activities	<u>-</u>	<u>-</u>
Net decrease in cash	(14,479)	(18,664)
Cash, beginning of year	<u>31,107</u>	<u>49,771</u>
Cash, end of year	<u>\$ 16,628</u>	<u>\$ 31,107</u>

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

AZUKA THEATRE COLLECTIVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

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 \$14,735 and \$47,901 for the years ended June 30, 2024 and 2023 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, 2024 AND 2023

Note 1 Summary of Significant Accounting Principles (Continued)

Restricted Cash

The Organization maintains restricted cash for program costs. Restricted cash for program costs at June 30, 2024 and 2023 was \$16,374 and \$26,900, respectively.

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>2024</u>	<u>2023</u>
Office equipment	\$ 2,500	\$ 2,500
Production equipment	20,799	20,799
	<u>\$ 23,299</u>	<u>\$ 23,299</u>

Depreciation expense amounted to \$480 and \$800 for the years ended June 30, 2024 and 2023 respectively.

Note 3 Net Assets With Restrictions

Net assets with restrictions consisted of the following

	<u>2024</u>	<u>2023</u>
Education	<u>\$ 16,374</u>	<u>\$ 26,900</u>

Net assets with restrictions are net assets subject to donor-imposed restrictions that can be met either by actions of the Organization or the passage of time. When donor restrictions expire, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with restrictions are reclassified to net assets without restrictions and reported in the statements of activities as net assets released from restrictions

Note 4 Concentrations of Revenue and Support

For the twelve months ended June 30, 2024, the Organization received \$275,384 in support which is 83% of total support and revenues. Of the total support recorded, \$78,000 was from one donor which represents 28% of total support.

AZUKA THEATRE COLLECTIVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

Note 4 Concentrations of Revenue and Support (Continued)

For the twelve months ended June 30, 2023, the Organization received \$424,421 in support which is 90% of total support and revenues. Of the total support recorded, \$251,500 was from three donors which represents 59% of total support.

Note 5 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, 2024 and 2023 was \$ -0-.

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, 2024 and 2023 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, 2024 are as follows:

2025	<u>\$ 16,919</u>
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Rental expense for the years ended June 30, 2024 and 2023 was \$30,114 and \$36,132 respectively.

Rental expense for the years ended June 30, 2024 and 2023 for performance space was \$20,580 and \$29,000 respectively.

In January of 2017 the Organization started leasing office space to an unrelated party. Current rent is \$1,213 per month. The lease is on a month to month basis.

AZUKA THEATRE COLLECTIVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

Note 8 In-Kind Contributions

The Organization recorded as revenue and expense \$1,200 and \$2,895 for professional services contributed for the years ended June 30, 2024 and 2023 respectively.

Note 9 Subsequent Events

Management has evaluated events and transactions through January 22, 2025 which is the date the financial statements were available to be issued. Based upon this evaluation, the Organization has determined that there are no subsequent events that have occurred which require adjustment to or disclosure in the financial statements.

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>2024</u>	<u>2023</u>
Cash	\$ 16,628	\$ 31,107
Less those available for purpose restrictions	<u>-</u>	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 16,628</u>	<u>\$ 31,107</u>