

KULTURECITY
DECEMBER 31, 2022

FINANCIAL STATEMENTS

KULTURECITY

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of KultureCity

Opinion

We have audited the accompanying financial statements of KultureCity (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses and cash flows 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 financial position of KultureCity as of December 31, 2022 and 2021, and changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 KultureCity and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 KultureCity'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, 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 purposes of expressing an opinion on the effectiveness of KultureCity'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 KultureCity'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.

Branum & Company, P.C.

Greenville, Alabama
May 5, 2023

KULTURECITY
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2022 AND 2021

ASSETS		
	<u>2022</u>	<u>2021</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 134,651	\$ 472,129
Accounts receivable	504,846	1,248
Prepaid expenses	34,000	220,127
Total current assets	<u>673,497</u>	<u>693,504</u>
PROPERTY AND EQUIPMENT, AT COST:		
Equipment	<u>27,268</u>	<u>13,184</u>
Totals	27,268	13,184
Less: Accumulated depreciation	<u>9,436</u>	<u>5,818</u>
Total property and equipment	<u>17,832</u>	<u>7,366</u>
Total assets	<u>\$ 691,329</u>	<u>\$ 700,870</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Current maturities on long-term debt	\$ 10,881	\$ 3,922
Accounts payable	42,581	31,057
Accrued payroll taxes and withholdings	9,767	3,725
Deferred revenue	49,780	55,000
PPP loan payable		21,280
Total current liabilities	<u>113,009</u>	<u>114,984</u>
NONCURRENT LIABILITIES:		
Long-term debt, less current maturities	<u>489,119</u>	<u>389,078</u>
Total noncurrent liabilities	<u>489,119</u>	<u>389,078</u>
Total liabilities	<u>602,128</u>	<u>504,062</u>
NET ASSETS:		
Without donor restrictions	89,201	196,808
With donor restrictions	<u>-</u>	<u>-</u>
Total net assets	<u>89,201</u>	<u>196,808</u>
Total liabilities and net assets	<u>\$ 691,329</u>	<u>\$ 700,870</u>

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

KULTURECITY
 STATEMENTS OF ACTIVITIES
 FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
SUPPORT AND REVENUE:		
Donations and pledges	\$ 2,606,000	\$ 1,865,971
Gala event income	1,344,919	620,281
Gain on extinguishment of debt	21,280	36,750
Total support and revenue	3,972,199	2,523,002
EXPENSES:		
Program services	3,101,055	1,986,928
General and administrative	203,529	184,333
Fundraising	775,222	418,066
Total expenses	4,079,806	2,589,327
INCREASE (DECREASE) IN NET ASSETS	(107,607)	(66,325)
NET ASSETS AT BEGINNING OF YEAR	196,808	263,133
NET ASSETS AT END OF YEAR	\$ 89,201	\$ 196,808

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

KULTURECITY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

	PROGRAM SERVICES	GENERAL AND ADMINISTRATIVE	FUND RAISING	TOTAL EXPENSES
Salaries	\$ 230,182	\$ 50,528		\$ 280,710
Payroll taxes	18,787	4,124		22,911
 Total personnel	 248,969	 54,652	 -	 303,621
Advertising and marketing	114,009			114,009
Dues and subscriptions	1,750	3,110		4,860
Insurance expense	47,388			47,388
Charitable contributions	55,534			55,534
Gala expense			\$ 594,830	594,830
Merchant fees	22,832			22,832
Miscellaneous		31,604		31,604
Office supplies and expense		11,188		11,188
Legal and professional		29,228		29,228
Interest expense		5,200		5,200
Rent expense		39,000		39,000
Repairs and maintenance		6,278		6,278
Program expense Kulture	859,879			859,879
Fundraising expense			180,392	180,392
Program Sensory Initiative	1,651,484			1,651,484
Depreciation expense		3,618		3,618
Website expense	99,210	17,508		116,718
Utilities		2,143		2,143
 Total functional expenses	 <u>\$ 3,101,055</u>	 <u>\$ 203,529</u>	 <u>\$ 775,222</u>	 <u>\$ 4,079,806</u>

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

KULTURECITY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	PROGRAM SERVICES	GENERAL AND ADMINISTRATIVE	FUND RAISING	TOTAL EXPENSES
Salaries	\$ 138,580	\$ 30,420		\$ 169,000
Payroll taxes	11,156	2,449		13,605
Total personnel	<u>149,736</u>	<u>32,869</u>	-	<u>182,605</u>
Advertising and marketing	86,045			86,045
Dues and subscriptions	1,470	2,613		4,083
Insurance expense	24,752			24,752
Charitable contributions	25,700			25,700
Contract services	4,676	407		5,083
Gala expense			\$ 318,273	318,273
Merchant fees	25,517			25,517
Miscellaneous		38,061		38,061
Office supplies and expense		8,478		8,478
Legal and professional		26,500		26,500
Interest expense		4,000		4,000
Rent expense		39,000		39,000
Repairs and maintenance		19,397		19,397
Program expense Kulture	443,830			443,830
Fundraising expense			99,793	99,793
Program Sensory Initiative	1,225,202			1,225,202
Depreciation expense		2,393		2,393
Website expense		7,070		7,070
Utilities		3,545		3,545
Total functional expenses	<u>\$ 1,986,928</u>	<u>\$ 184,333</u>	<u>\$ 418,066</u>	<u>\$ 2,589,327</u>

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

KULTURECITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
Increase (Decrease) in Cash and Cash Equivalents

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ (107,607)	\$ (66,325)
Adjustments to reconcile change in net assets to cash from (used for) operating activities:		
Depreciation	3,618	2,393
Gain on extinguishment of debt	(21,280)	(36,750)
(Increase) decrease in accounts receivable	(503,598)	326
(Increase) decrease in prepaid expenses	186,127	(220,127)
Increase in accounts payable	11,524	20,176
Increase in accrued liabilities	6,042	1,664
Increase (decrease) in deferred income	<u>(5,220)</u>	<u>55,000</u>
Net cash used for operating activities	<u>(430,394)</u>	<u>(243,643)</u>
 CASH FLOWS FROM (USED FOR) INVESTING ACTIVITIES:		
Acquisition of equipment	<u>(14,084)</u>	<u>(2,693)</u>
Net cash used for investing activities	<u>(14,084)</u>	<u>(2,693)</u>
 CASH FLOWS FROM (USED FOR) FINANCING ACTIVITIES:		
Proceeds from PPP loan		21,280
Proceeds from long-term debt	<u>107,000</u>	<u>300,000</u>
Net cash from financing activities	<u>107,000</u>	<u>321,280</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(337,478)	74,944
 CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>472,129</u>	<u>397,185</u>
 CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 134,651</u></u>	<u><u>\$ 472,129</u></u>
 SUPPLEMENTAL DATA:		
Interest paid	\$ 5,200	4,000

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

KULTURECITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization - KultureCity (the Organization) is an Alabama nonprofit organization formed in 2013 and is designed to create a world where individuals with autism and all invisible disabilities, and their families are accepted, included, and treated equally.

Basis of accounting and presentation - These financial statements are presented on the accrual basis of accounting. Net assets, revenue and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified as net assets without donor restrictions and net assets with donor restrictions.

Contributions that are restricted by the donor are reported as increases in net assets without donor-imposed restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified and reported in the Statement of Activities as net assets released from restriction.

Revenue is reported as increases in net assets without donor restrictions. Expenses are reported as decreases in net assets without donor restrictions.

Cash and cash equivalents - For the purposes of cash flows, the Organization considers all cash and liquid investments with a maturity of three months or less to be cash equivalents.

Accounts receivable - Accounts receivable are stated at unpaid balances. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

Contributed merchandise and other in-kind contributions - Contributed merchandise and other in-kind contributions, are reflected as contributions at their estimated fair values when received or when an unconditional promise to give has been received by the Organization.

Contributed services - Donated services are reflected at the estimated fair market value of such services except for individual's volunteer time which does not meet the criteria for recognition as contributed services. However, a substantial number of volunteers have donated significant amounts of their time to the Organization's program services.

KULTURECITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Property and equipment - All property and equipment are recorded at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are recorded as either with donor restrictions or without donor restrictions depending on the existence or nature of any donor restrictions.

Depreciation is computed using straight line method over the estimated useful lives of the assets in service. It is the Organization's policy to capitalize significant additions and improvements. Disbursements for maintenance, repairs and minor renovations are recorded as expenses as incurred.

The estimated useful lives used to compute depreciation are as follows:

Property and equipment	5 - 7 years
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Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Functional allocation of expenses - The cost of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated on a reasonable basis among the programs and supporting services benefited. The expenses that are allocated are compensation and benefits, which are allocated on the basis of estimates of time and effort; occupancy costs, which is allocated on a square footage basis; and supplies and office expenses which are allocated based on usage.

Subsequent events - Subsequent events have been evaluated through May 5, 2023, which is the date the financial statements were available to be issued.

NOTE 2 - CASH:

The Organization maintains its cash in bank deposit accounts, which at times may exceed federally insured limits. The Organization has not experienced any losses on such accounts. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

KULTURECITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 and 2021

NOTE 3 - INCOME TAXES:

The Organization is a nonprofit corporation that is exempt from income taxes under Internal Revenue Code Section 501(c)(3) as a tax-exempt organization and classified as other than a private foundation.

NOTE 4 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date comprise the following:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 134,651	\$ 472,129
Accounts receivable	504,846	1,248
Prepaid expenses	<u>34,000</u>	<u>220,127</u>
	<u>\$ 673,497</u>	<u>\$ 693,504</u>

NOTE 5 - SUPPORT AND REVENUE:

Numerous volunteers have donated significant amount of time to the Organization's fundraising campaigns and program services; however, these donated services are not reflected in the financial statements since these services do not meet the criteria for recognition as contributed services.

NOTE 6 - LONG-TERM DEBT:

Long-term debt at December 31, 2022 and 2021 consists of the following:

<u>DESCRIPTION</u>	<u>2022</u>	<u>2021</u>
Note Payable - Small Business Administration; secured by equipment, receivables and inventory; interest rate 2.75%; payments of \$2,196 per month through June 2050, include interest.	<u>\$ 500,000</u>	<u>\$ 393,000</u>
	500,000	393,000
Less: Current portion	<u>10,881</u>	<u>3,922</u>
Totals	<u>\$ 489,119</u>	<u>\$ 389,078</u>

KULTURECITY
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2022 and 2021

NOTE 6 - LONG-TERM DEBT: (continued)

Maturities of long-term debt are as follows:

Year ending December 31:

2023		\$	10,881
2024			11,184
2025			11,495
2026			11,816
2027			12,145
Thereafter			442,479
Totals			\$ 500,000

Interest expense amounted to \$5,200 and \$4,000 for 2022 and 2021, respectively.

NOTE 7- PPP NOTE PAYABLE:

On May 1, 2020, the Organization successfully secured a \$36,750 Small Business Association loan under the Payroll Protection Program to secure payroll expenses for otherwise furloughed employees impacted by government imposed shelter in place orders. Per the terms of the loan, the full amount will be forgiven as long as loan proceeds are used to cover payroll costs and other specified non-payroll costs. As of December 31, 2020, the Organization recorded the outstanding loan as a current liability. In the event the Organization is required to repay the loan, all payments are deferred for 6 months with accrued interest over this period. Amounts outstanding under the loan will bear a fixed interest rate of 1.0% per annum with a maturity date of two years from commencement date.

As of December 21, 2021, the Organization has recorded the loan in accordance with ASC 470, Debt. The Organization applied for forgiveness of the PPP loan and the SBA approved the forgiveness application in the amount of \$36,750 on February 9, 2021. Based on the forgiveness requirements met, \$36,750 has been recognized as gain on extinguishment in the statement of activities for the year ended December 31, 2021.

In February 2021, the Organization successfully secured a second Small Business Association loan under the Payroll Protection Program to secure payroll expenses for otherwise furloughed employees impacted by government imposed shelter in place orders. The amount of the second PPP loan is \$21,280. Per the terms of the loan, the full amount will be forgiven as long as loan proceeds are used to cover payroll costs and other specified non-payroll costs.

As of December 31, 2022, the Organization has recorded the second loan in accordance with ASC 470, Debt. The Organization applied for forgiveness of the PPP loan and the SBA approved the forgiveness application in the amount of \$21,280 on

KULTURECITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 and 2021

NOTE 7- PPP NOTE PAYABLE: (continued)

June 14, 2021. Based on the forgiveness requirements met, \$21,080 has been recognized as gain on extinguishment in the statement of activities for the year ended December 31, 2022.

NOTE 8 - LEASES:

The Organization leases office space for \$3,000 per month under a one-year lease that expires in July 2023. This is an operating lease and lease expense for this facility was \$39,000 for both 2022 and 2021.

The Organization recognizes and measures its leases in accordance with FASB ASC 842 Leases. The Organization is a lessee in a noncancelable operating lease for office space. The Organization determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed. The Organization recognizes a lease liability and a right of use (ROU) asset at the commencement date of the lease. The lease liability is initially and subsequently recognized based on the present value of its future lease payments. The discount rate is the implicit rate if it is readily determinable or otherwise the Organization uses its incremental borrowing rate. The ROU asset is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments).

The Organization has elected, for all underlying classes of assets, to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement, and do not include an option to purchase the underlying asset that the Organization is reasonably certain to exercise. The Organization recognizes lease cost associated with short-term leases on a straight-line basis over the lease term.

There were no operating lease ROU assets or operating lease liabilities at December 31, 2022 or 2021.