

# **SYNCHRONICITY** **THEATRE** SMART. GUTSY. BOLD.

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**FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITOR'S REPORT  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

**THE MCGEE CPA GROUP, P.C.**

SYNCHRONICITY PERFORMANCE GROUP, INC.  
D/B/A SYNCHRONICITY THEATRE

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# THE MCGEE CPA GROUP, P.C.

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*Certified Public Accountants*

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## INDEPENDENT AUDITOR'S REPORT

To Management and the Board of Directors of  
Synchronicity Performance Group, Inc.  
d/b/a Synchronicity Theatre  
Atlanta, GA

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of Synchronicity Performance Group, Inc. d/b/a Synchronicity Theatre (a nonprofit organization), which comprise the statement of financial position as of June 30, 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.

### ***Management's Responsibility 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.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Synchronicity Performance Group, Inc. as of June 30, 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.

***Report on Summarized Comparative Information***

We have previously audited the Synchronicity Performance Group, Inc.'s 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 1, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*The McGee CPA Group, P.C.*

The McGee CPA Group, P.C.  
Atlanta, GA

April 10, 2023

**SYNCHRONICITY PERFORMANCE GROUP, INC.**  
**D/B/A SYNCHRONICITY THEATRE**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2022 AND 2021**

	2022	2021
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash	\$ 157,270	\$ 206,458
Cash - restricted	72,740	79,774
Pledges receivable - restricted, current portion—Note C	10,417	10,967
Accounts receivable	5,000	19,758
Other receivable	116,494	54,674
Prepaid expenses	-	11,669
Total current assets	361,921	383,300
<b>PROPERTY AND EQUIPMENT, net—Note D</b>	38,205	47,293
<b>LONG-TERM ASSETS:</b>		
Pledges receivable - restricted, less current portion—Note C	50,000	-
Certificate of deposit - restricted	25,000	25,000
Right-of-use asset—Note B	493,921	-
Total long-term assets	568,921	25,000
<b>OTHER ASSETS:</b>		
Security deposits	1,715	1,715
Total other assets	1,715	1,715
<b>TOTAL</b>	\$ 970,762	\$ 457,308

(Continued)

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

**SYNCHRONICITY PERFORMANCE GROUP, INC.**  
**D/B/A SYNCHRONICITY THEATRE**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2022 AND 2021**

	2022	2021
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued expenses	\$ 8,370	\$ 15,644
Accrued interest	12,228	5,732
Deferred revenue	6,118	1,753
Payroll liabilities	3,358	1,576
Funds held in trust	997	1,536
Current portion of note payable—Note F	1,648	1,814
Current portion of lease liability—Note G	139,441	-
Total current liabilities	172,160	28,055
<b>LONG-TERM LIABILITIES</b>		
Note payable, less current portion—Note F	148,352	148,186
Lease liability, less current portion—Note G	358,562	-
Total long-term liabilities	506,914	148,186
Total liabilities	679,074	176,241
<b>NET ASSETS:</b>		
Without donor restrictions	56,384	117,312
With donor restrictions	235,304	163,755
Total net assets	291,688	281,067
<b>TOTAL</b>	\$ 970,762	\$ 457,308

(Concluded)

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

**SYNCHRONICITY PERFORMANCE GROUP, INC.**  
**D/B/A SYNCHRONICITY THEATRE**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

	Without donor restrictions	With donor restrictions	Total	2021
<b>SUPPORT AND REVENUES:</b>				
Support:				
Contributions				
Individual	\$ 117,066	\$ 3,660	\$ 120,726	\$ 139,797
Corporate	25,470	20,000	45,470	59,107
Net assets released from restrictions				
Individual	4,800	(4,800)	-	-
Corporate	35,950	(35,950)	-	-
Total support	<u>183,286</u>	<u>(17,090)</u>	<u>166,196</u>	<u>198,904</u>
Program revenues:				
Grants and contracts				
Government	284,618	-	284,618	107,250
Foundations	108,000	180,000	288,000	102,895
Ticket sales & concessions	74,259	-	74,259	16,422
Workshops, camps & after-school programs	29,447	-	29,447	14,487
Net assets released from restrictions				
Foundations	91,361	(91,361)	-	-
Total program revenues	<u>587,685</u>	<u>88,639</u>	<u>676,324</u>	<u>241,054</u>
Fundraising revenues:				
Special events	45,075	-	45,075	65,446
Total fundraising revenues	<u>45,075</u>	<u>-</u>	<u>45,075</u>	<u>65,446</u>
Other revenues:				
Rental income	31,635	-	31,635	10,152
Interest income	133	-	133	864
Employee retention credits	59,349	-	59,349	111,005
Gain on forgiveness of debt	-	-	-	46,377
Total other revenues	<u>91,117</u>	<u>-</u>	<u>91,117</u>	<u>168,398</u>
Total support and revenues	<u>907,163</u>	<u>71,549</u>	<u>978,712</u>	<u>673,802</u>
<b>EXPENSES:</b>				
Program services	747,342	-	747,342	531,732
Management and general	169,317	-	169,317	146,229
Fundraising	51,432	-	51,432	52,301
Total expenses	<u>968,091</u>	<u>-</u>	<u>968,091</u>	<u>730,262</u>
<b>CHANGE IN NET ASSETS</b>	(60,928)	71,549	10,621	(56,460)
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>117,312</u>	<u>163,755</u>	<u>281,067</u>	<u>337,527</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 56,384</u>	<u>\$ 235,304</u>	<u>\$ 291,688</u>	<u>\$ 281,067</u>

(Continued)

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

**SYNCHRONICITY PERFORMANCE GROUP, INC.**  
**D/B/A SYNCHRONICITY THEATRE**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	Without donor restrictions	With donor restrictions	Net Assets
<b>NET ASSETS, JUNE 30, 2020</b>	\$ 117,312	\$ 163,755	\$ 281,067
Change in net assets for the year ended June 30, 2021	(60,928)	71,549	10,621
<b>NET ASSETS, JUNE 30, 2021</b>	<b>\$ 56,384</b>	<b>\$ 235,304</b>	<b>\$ 291,688</b>

(Concluded)

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



**SYNCHRONICITY PERFORMANCE GROUP, INC.**  
**D/B/A SYNCHRONICITY THEATRE**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

	Program Services	Management and General	Fund- raising	Total
<b>June 30, 2022</b>				
Personnel	\$ 525,339	\$ 69,802	\$ 39,429	\$ 634,570
Occupancy	117,980	30,446	3,806	152,232
Other production costs	52,002	-	-	52,002
Office expenses	16,552	40,248	1,371	58,171
Marketing	20,912	1,394	5,577	27,883
Depreciation	6,816	1,818	454	9,088
Professional fees	3,180	11,925	795	15,900
Insurance	4,561	13,684	-	18,245
	<u>\$ 747,342</u>	<u>\$ 169,317</u>	<u>\$ 51,432</u>	<u>\$ 968,091</u>
<b>June 30, 2021</b>				
Personnel	\$ 320,968	\$ 44,543	\$ 39,429	\$ 404,940
Occupancy	111,268	28,714	3,589	143,572
Other production costs	46,293	-	-	46,293
Office expenses	15,923	43,557	1,704	61,184
Marketing	23,009	1,534	6,136	30,679
Depreciation	6,566	1,751	438	8,754
Professional fees	4,020	15,075	1,005	20,100
Insurance	3,685	11,055	-	14,740
	<u>\$ 531,732</u>	<u>\$ 146,229</u>	<u>\$ 52,301</u>	<u>\$ 730,262</u>

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

**SYNCHRONICITY PERFORMANCE GROUP, INC.**  
**D/B/A SYNCHRONICITY THEATRE**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 10,621	\$ (56,460)
Adjustments to reconcile change in net assets		
net cash provided by operating activities:		
Depreciation	9,088	8,754
Non-cash lease expense	4,083	-
Forgiveness of long-term debt	-	(46,377)
(Increase) decrease in operating assets		
Accounts receivable	14,758	19,340
Pledges receivable	(49,450)	30,611
Other receivable	(61,820)	(54,674)
Prepaid expenses	11,669	(5,473)
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	(7,275)	(4,816)
Payroll liabilities	1,782	1,369
Funds held in trust	(539)	1,536
Deferred revenue	4,365	(2,618)
Accrued interest	6,496	5,420
Net cash used in operating activities	(56,222)	(103,388)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Payments for leasehold improvements and equipment	-	(6,882)
Certificate of deposit - restricted release	-	5,000
Net cash used in investing activities	-	(1,882)
<b>NET CHANGE IN CASH</b>	(56,222)	(105,270)
<b>BEGINNING CASH</b>	286,232	391,502
<b>ENDING CASH</b>	\$ 230,010	\$ 286,232
<b>SUPPLEMENTAL DISCLOSURES</b>		
Interest paid	\$ -	\$ 5,420

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

**SYNCHRONICITY PERFORMANCE GROUP, INC.**  
**D/B/A SYNCHRONICITY THEATRE**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021

**NOTE A - NATURE OF ORGANIZATION AND ACTIVITIES**

Formed in 1997, Synchronicity Performance Group, Inc. d/b/a Synchronicity Theatre (the "Organization") was incorporated in the state of Georgia, in 2000, as a not-for-profit theatre, with a focus on work by women and community involvement. A unique force on the Atlanta arts scene, the Organization is a dynamic and vibrant company, producing smart, gutsy and bold theatre, for Atlanta and beyond. The Organization is funded primarily through ticket sales, grants and contributions.

**NOTE B - SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting and Presentation**

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

*Net assets without donor restrictions*: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

*Net assets with donor restrictions*: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities and changes in net assets.

**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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**Fair Value of Financial Instruments**

As of June 30, 2022 and 2021, none of the assets and liabilities were required to be reported at fair value on a recurring basis. The carrying values of cash and cash equivalents, pledges and grants receivable, accounts payable and accrued expenses approximated their fair values due to the short-term nature of these financial instruments. There were no changes in methods or assumptions during the years ending June 30, 2022 and 2021, respectively.

**Cash and Cash Equivalents**

Cash and cash equivalents include demand deposits and savings accounts. For purposes of the statement of cash flows, the Organization's management considers all short-term, interest-bearing deposits with maturities of three months or less to be cash equivalents. Cash equivalents which are utilized within a managed investment portfolio are accounted for as investments. The Organization had no cash equivalents at the end of the years ended June 30, 2022 and 2021, respectively.

**SYNCHRONICITY PERFORMANCE GROUP, INC.**  
**D/B/A SYNCHRONICITY THEATRE**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021

**NOTE B - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Pledges Receivable

Pledges receivable represent unconditional promises to give support over a period of time. Unconditional promises to give are reported as an increase in net assets with or without donor restrictions, depending on the nature of the donor-imposed restriction, if any. The Organization recognizes pledges receivable at estimated net realizable value for pledges due within one year. Pledges receivable that are expected to be collected in future years are recorded at the present value of their net realizable value. No allowance was deemed necessary for pledges receivable as they were deemed fully collectible by management.

Accounts and Pledges Receivable

Accounts receivable are stated at unpaid balances. Accounts are monitored on an ongoing basis and significant effort is made to collect all amounts due to the Organization.

Management estimates an allowance for doubtful accounts receivable based on current economic conditions, historical trends, and current and past experience with their customer base. Management determined that no allowance was necessary at June 30, 2022 and 2021.

Property and Equipment

Purchased furniture, fixtures and equipment are recorded at cost. Donated furniture, fixtures and office equipment are carried at the approximate fair value at the date of the donation. Expenditures for repairs, maintenance, renewals and betterments that materially prolong the useful life of assets, are capitalized. For financial reporting purposes, depreciation is computed using the straight-line method over the assets estimated useful lives, ranging from three to seven years. Leasehold improvements are amortized over the shorter of the life of the asset, or the remaining lease term.

Leases

The Organization leases office space and equipment. The Organization determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, other current liabilities, and operating lease liabilities the statements of financial position. Finance leases are included in property and equipment, other current liabilities, and other long-term liabilities on the statements of financial position.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the leases do not provide an implicit rate, the Organization uses [its incremental borrowing rate or a risk-free rate] based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Contributions and Donor Imposed Restrictions

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for specific purposes are reported as contributions with donor restrictions that increases that net asset class. When donor restrictions expire, that is, when a time restriction ends and/or a purpose restriction is fulfilled, 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 restriction.

**SYNCHRONICITY PERFORMANCE GROUP, INC.**  
**D/B/A SYNCHRONICITY THEATRE**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021

**NOTE B - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Contributions and Donor Imposed Restrictions (Continued)

Contributed services are recognized and recorded at fair market value only to the extent they create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donations. Contributed goods are recognized at fair market value on the date

There were no contributed goods or services recorded during the years ended June 30, 2022 and 2021.

Employee Retention Credits

The CARES Act provided an employee retention credit (“CARES Employee Retention credit”), which is a refundable tax credit against certain employment taxes of up to \$5,000 per employee for eligible employers. The tax credit is equal to 50% of qualified wages paid to employees during a quarter, capped at \$10,000 of qualified wages per employee through December 31, 2020. Additional relief provisions were passed by the United States government, which extend and slightly expand the qualified wage caps on these credits through December 31, 2021. Based on these additional provisions, the tax credit is now equal to 70% of qualified wages paid to employees during a quarter, and the limit on qualified wages per employee has been increased to \$10,000 of qualified wages per quarter.

The Organization qualified for the tax credit under the CARES Act and expects to continue to receive additional tax credits under the additional relief provisions for qualified wages through December 31, 2021. During the fiscal year ended June 30, 2021 and the Organization recorded \$111,005 related to the CARES Employee Retention credit in “Other Revenues” on the Organization's Statement of Activities and Changes in Net Assets. As of June 30, 2021, the Organization has a \$53,644 receivable balance from the United States government related to the CARES Act, which is recorded in "Other Receivables" on the Organization's Statement of Financial Position.

Advertising Expense

The Organization uses advertising to promote its programs and services to the area it serves. The costs of advertising are expensed as incurred. For the years ended June 30, 2022 and 2021, advertising costs were \$23,561 and \$30,679, respectively.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Allocation formulas, used to allocate expenses to administration, resource development and programs, are derived from cost of labor based upon personnel assignments and upon the space and resources assigned to the personnel involved in an activity. In addition, there are analyses of time expended for certain activities. Allocation formulas are re-evaluated annually, or as material changes warrant.

Tax Exempt Status

The Organization is exempt from federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code, as amended, and classified by the Internal Revenue Service as other than a private foundation. Income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. For the years ended June 30, 2022 and 2021, the Organization did not have any unrelated business income, and accordingly, no unrelated business income tax, respectively. The Organization believes that it has appropriate support for any tax positions taken, and as such does not have any uncertain tax positions that are material to the financial statements.

**SYNCHRONICITY PERFORMANCE GROUP, INC.**  
**D/B/A SYNCHRONICITY THEATRE**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021

**NOTE B - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)**

Reclassification of Amounts

Certain amounts previously reported have been reclassified to conform to the current year financial statement presentation. These reclassifications had no effect on the reported results of operations.

Subsequent Events

Subsequent events have been evaluated through April 10, 2023, which is the date the financial statements were available to be issued. Subsequent events occurring after April 10, 2023 have not been evaluated by management.

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued guidance (Accounting Standards Codification [ASC] 842, *Leases*) to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted the standard effective July 1, 2021 and recognized and measured leases existing at, or entered into after, July 1, 2021 (the beginning of the period of adoption) through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended June 30, 2021 are made under prior lease guidance in FASB ASC 840.

The Organization elected the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, the Organization recognized on July 1, 2021 [beginning of the earliest comparative period presented or beginning of the year of adoption] a lease liability at the carrying amount of the capital lease obligations on June 30, 2021, of \$498,003 and a right-of-use asset at the carrying amount of the capital lease asset of \$493,921. The Organization also recognized on July 1, 2021 [beginning of the earliest comparative period presented or beginning of the year of adoption] a lease liability of \$608,435, which represents the present value of the remaining operating lease payments of \$637,188, discounted using our incremental borrowing rate of 1.52%, and a right-of-use asset of \$608,435.

The standard had a material impact on the Organization's statements of financial position, but did not have an impact on the statements of financial activities and changes in net assets, nor statements of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases, while the accounting for finance leases remained substantially unchanged.

See Note G for further explanation and details.

**SYNCHRONICITY PERFORMANCE GROUP, INC.**  
**D/B/A SYNCHRONICITY THEATRE**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021

**NOTE C - PLEDGES RECEIVABLE**

Pledges receivable consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
Pledges receivable	\$ 60,417	\$ 10,967
Amounts due in:		
Less than one year	\$ 10,417	\$ 10,417
One to five years	50,000	550
	<u>\$ 60,417</u>	<u>\$ 10,967</u>

**NOTE D - PROPERTY AND EQUIPMENT, NET**

Property and equipment at June 30, was comprised of the following:

	<u>2022</u>	<u>2021</u>
Furniture and equipment	\$ 15,554	\$ 15,554
Leasehold improvements	160,555	160,555
Less accumulated depreciation	(137,904)	(128,816)
Property and equipment, net	<u>\$ 38,205</u>	<u>\$ 47,293</u>

Depreciation of property and equipment was \$9,088 and \$8,754 during the years ended June 30, 2022 and 2021, respectively.

**NOTE E - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

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

	<u>2022</u>	<u>2021</u>
Financial assets at year-end	\$ 932,556	\$ 398,345
Less those unavailable for general expenditures within one year, due to:		
Requirement to maintain cash reserves	70,000	60,000
Certificate of deposit	25,000	25,000
Pledges receivable due after one year	50,000	-
Donor-restricted to payment of capital campaign	48,317	161,733
Donor restricted to payment of general operation expenditures	-	10,000
Donor-restricted to payment of new space build-out/rent increase	40,438	45,468
	<u>(233,755)</u>	<u>(302,201)</u>
Available line of credit (\$0 in use)	<u>50,000</u>	<u>50,000</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 748,801</u>	<u>\$ 146,144</u>

**SYNCHRONICITY PERFORMANCE GROUP, INC.**  
**D/B/A SYNCHRONICITY THEATRE**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021

**NOTE E - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (CONTINUED)**

The Organization's working capital and cash flows have seasonal variations during the year attributable to the annual cash receipts for ticket sales and a concentration of contributions received near the fiscal and calendar year ends. To manage liquidity, the Organization maintains a line of credit of \$50,000 with a bank this is drawn upon as needed to manage cash flow and is then paid down when there is excess cash in the operating account.

**NOTE F - LONG TERM DEBT**

During the year ending June 30, 2020, the Organization borrowed \$150,000 through COVID-19 programs that were sponsored by the United States and administered by the Small Business Administration (the "SBA"). The most notable programs were the Payroll Protection Program (or "PPP") and the Economic Injury Disaster Loan program (or "EIDL"). The details are as follows:

<u>EIDL Loan</u>	<u>2022</u>	<u>2021</u>
The Organization received a \$150,000 EIDL Loan from the SBA, designed to provide economic relief to businesses that experienced loss of revenue, due to the coronavirus (COVID-19). The note bears interest at a rate equal to 3.75%, with monthly payments of principal and interest of \$641 payable through the maturity date on September 19, 2050. Payments are deferred for one year; however, interest still accrues. Accrued interest was \$5,950 and \$5,878 for the years ending June 30, 2022 and 2021, respectively.	150,000	150,000
	150,000	150,000
Less current portion	(1,648)	(1,814)
	<u>\$ 148,352</u>	<u>\$ 148,186</u>

**NOTE G - LEASE LIABILITY**

The Organization leases its theater and rehearsal space annex accounted for as operating leases with escalating lease payments provisions. At July 1, 2021, the Organization recognized the lease liability and the right-of-use asset of \$608,435.

The present value of the lease payments and right-of-use asset are amortized on a straight line basis over the lease term.

The future lease payments under this lease agreement are as follows:

For the years ending June 30,	<u>Theater</u>	<u>Rehearsal Space</u>	<u>Total</u>
2023	\$ 102,784	\$ 36,657	\$ 139,441
2024	105,347	33,795	139,142
2025	107,978	-	107,978
2026	110,677	-	110,677
2027	27,839	-	27,839
Total lease payments	454,625	70,452	525,077
Present value discount rate at 1.52%	(24,489)	(2,585)	(27,074)
Lease liability	<u>\$ 430,136</u>	<u>\$ 67,867</u>	<u>\$ 498,003</u>

See Note B under "Recent Accounting Pronouncements" for further explanation and details.



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**NOTE G - LEASE LIABILITY (CONTINUED)**

Rent expense was \$144,951 and \$137,071 during the years ended June 30, 2022 and 2021, respectively.

The theater lease required a \$50,000 security deposit in the form of a demand letter of credit. The Organization has pledged a \$50,000 certificate of deposit to secure the demand letter of credit which was issued by a regional bank. The letter of credit reduces each October 1st by \$5,000, resulting in a letter of credit of \$25,000 for the final year.

The funds held in trust were set aside to cover the irrevocable letter of credit. These funds totaled \$25,000 as of June 30, 2022 and 2021, respectively.

**NOTE H - NET ASSETS**

Net assets without donor restrictions

At June 30, 2022 and 2021, all net assets without donor restrictions are undesignated as to their use.

Net assets with donor restrictions

As described within Note B, net assets with donor restrictions are comprised of contributions received subject to donor-imposed restrictions. As of June 30, 2022 and 2021, restricted net assets are comprised of the following donor imposed purpose restricted contributions:

	2022	2021
Cash reserves	\$ 70,000	\$ 70,000
Transition/capital campaign	114,207	53,317
General operations	18,680	-
Build-out of new space/rent increase	32,417	40,438
	\$ 235,304	\$ 163,755

During the years ended June 30, 2022 and 2021, net assets of \$291,230 and \$163,764, respectively, were released from donor restrictions.

**NOTE I - COMMITMENTS AND CONTINGENCIES**

The Organization is subject to legal actions arising in the ordinary course of business. In management's opinion, the Organization has adequate legal defense and insurance coverage with respect to such actions and their final outcome would not materially affect the Organization's operations or financial position. There were no existing or pending legal matters as of June 30, 2022.

**NOTE J - CONCENTRATIONS**

Cash

Cash consist primarily of demand deposits with two financial institutions. The balances in the Organization's bank accounts, as reflected in the bank's records, are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per financial institution. At June 30, 2022, cash balances did exceed the FDIC limit; however, management believes that the FDIC backing and the quality of the financial institution with which these amounts are deposited minimizes any potential risk of material loss.

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**NOTE J - CONCENTRATIONS (CONTINUED)**

**Grants and Contracts**

The Organization's primary source of revenue is derived from grants. During the years ended June 30, 2022 and 2021, the Organization received 19% and 32%, respectively, of its total revenue from over ten local and national grant sources each year and no one source comprises more than 21% of the organizations' budget. Because of the Organization's dependence on these granting agencies, any circumstances, which could affect the grantors' ability to honor grant agreements, could negatively impact the Organization and its ability to carry out its programs.

**NOTE K - UNCERTAINTIES**

In March 2020, the World Health Organization ("WHO") declared the coronavirus (COVID 19), a global pandemic and public health emergency. The WHO has recommended containment and mitigation measures worldwide and domestically, self-isolation and shelter-in-place requirements have been or are being put in place.

At this point, the Organization cannot reasonably estimate the length or severity of this pandemic, or the extent to which this disruption may impact the Organization's financial statements and future results of operations. The Organization will continue to monitor and evaluate the nature and extent of the impact on our ongoing activities and the potential effect on future contributions or funding and expenses, financial condition and liquidity.

**NOTE L - SUBSEQUENT EVENTS**

Management evaluated all events or transactions that occurred after June 30, 2022 through April 10, 2023, the date the Organization's financial statements were available to be issued.