

KULTURECITY
DECEMBER 31, 2020

FINANCIAL STATEMENTS

KULTURECITY

INDEX

	<u>PAGE</u>
Independent auditors' report	1 - 2
Statement of financial position	3
Statement of activities	4
Statement of functional expenses	5
Statement of cash flows	6
Notes to financial statements	7 - 10



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
KultureCity

We have audited the accompanying financial statements of KultureCity (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, 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 KultureCity as of December 31, 2020, and 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.

Branum & Company, P.C.

Greenville, Alabama
October 5, 2021

KULTURECITY
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2020

ASSETS

CURRENT ASSETS:	
Cash and cash equivalents	\$ 397,185
Accounts receivable	1,574
Total current assets	<u>398,759</u>
PROPERTY AND EQUIPMENT, AT COST:	
Equipment	10,491
Totals	<u>10,491</u>
Less: Accumulated depreciation	3,425
Total property and equipment	<u>7,066</u>
Total assets	<u><u>\$ 405,825</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:	
Current maturities on long term debt	\$ 1,006
Accounts payable	10,881
Accrued payroll taxes and withholdings	2,061
PPP loan payable	36,750
Total current liabilities	<u>50,698</u>
NONCURRENT LIABILITIES:	
Long-term debt, less current maturities	91,994
Total noncurrent liabilities	<u>91,994</u>
Total liabilities	<u>142,692</u>
NET ASSETS:	
Without donor restrictions	263,133
With donor restrictions	-
Total net assets	<u>263,133</u>
Total liabilities and net assets	<u><u>\$ 405,825</u></u>

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

KULTURECITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions
SUPPORT AND REVENUE:	
Donations and pledges	\$ 1,243,269
Grant income	42,000
Total support and revenue	1,285,269
EXPENSES:	
Program services	985,020
General and administrative	127,309
Fundraising	-
Total expenses	1,112,329
INCREASE IN NET ASSETS	172,940
NET ASSETS AT BEGINNING OF YEAR	90,193
NET ASSETS AT END OF YEAR	\$ 263,133

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

KULTURECITY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	PROGRAM SERVICES	GENERAL AND ADMINISTRATIVE	FUND RAISING	TOTAL EXPENSES
Salaries	\$ 56,000	\$ 12,000		\$ 68,000
Payroll taxes	5,508			5,508
Total personnel	<u>61,508</u>	<u>12,000</u>	<u>-</u>	<u>73,508</u>
Advertising and marketing	231,402			231,402
Dues and subscriptions	6,560	11,761		18,321
Insurance expense	9,719			9,719
Contract services	42,829	3,500		46,329
Miscellaneous		1,207		1,207
Office supplies and expense		6,088		6,088
Legal and professional		950		950
Rent expense		21,000		21,000
Repairs and maintenance		64,069		64,069
Program expense Kulture	200,283			200,283
Program expense KC Fit	12,237			12,237
Program Sensory Initiative	420,482			420,482
Depreciation expense		1,684		1,684
Website expense		3,691		3,691
Utilities		1,359		1,359
Total functional expenses	<u>\$ 985,020</u>	<u>\$ 127,309</u>	<u>\$ -</u>	<u>\$1,112,329</u>

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

KULTURECITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020
Increase (Decrease) in Cash and Cash Equivalents

CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES:	
Increase in net assets	\$ 172,940
Adjustments to reconcile change in net assets to cash from operating activities:	
Depreciation	1,684
Increase in accounts receivable	(1,574)
Decrease in accounts payable	(13,798)
Increase in accrued liabilities	<u>2,061</u>
Net cash from operating activities	<u>161,313</u>
CASH FLOWS FROM (USED FOR) INVESTING ACTIVITIES:	
Acquisition of equipment	<u>(4,233)</u>
Net cash used for investing activities	<u>(4,233)</u>
CASH FLOWS FROM (USED FOR) FINANCING ACTIVITIES:	
Proceeds from PPP loan	36,750
Proceeds from long-term debt	<u>93,000</u>
Net cash from financing activities	<u>129,750</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	286,830
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>110,355</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 397,185</u></u>

SUPPLEMENTAL DATA:

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

KULTURECITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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, 2020

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 October 5, 2021, 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, 2020

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:

The Organization has \$398,759 of financial assets available within one year of financial position date to meet cash needs for general operating expenditures, consisting of cash of \$397,185 and accounts receivable of \$1,574.

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, 2020 consists of the following:

<u>DESCRIPTION</u>	
Note Payable – Small Business Administration; secured by equipment, receivables and inventory; interest rate 2.75%; payments of \$398 per month starting July 2021 through June 2051, include interest.	<u>\$ 93,000</u>
	93,000
Less: Current portion	<u>1,006</u>
Totals	<u><u>\$ 91,994</u></u>

Maturities of long-term debt are as follows:

Year ending December 31:

2021	\$ 1,006
2022	2,056
2023	2,117
2024	2,179
2025	2,243
Thereafter	<u>83,399</u>
Totals	<u><u>\$ 93,000</u></u>

Interest expense amounted to \$0 for 2020.

KULTURECITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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NOTES TO FINANCIAL STATEMENTS
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NOTE 7- PPP NOTE PAYABLE:

In May 2020, the Organization applied for and received funds of \$36,750 as part of the U.S. Small Business Administration (SBA) Paycheck Protection Program (PPP). The proceeds from the loan were used to fund payroll and other specific costs outlined in the program for an eight week or twenty-four week period after receipt of the proceeds. The Organization will apply for loan forgiveness as stated in the loan documents, with any unforgiven amounts to be converted to a term loan, payable over 2 years at 1% interest. Management expects the note payable to be fully forgiven during the 2021 calendar year.

NOTE 8 - RISKS AND UNCERTAINTIES:

In March 2020, the United States and global financial markets experienced significant volatility resulting from the uncertainty caused by the world-wide coronavirus pandemic (COVID-19). General economic uncertainties have arisen that may impact future cash flows and changes in net position as a result of the pandemic. The Organization does not expect this matter to negatively impact its overall results. However, the extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on future developments, including the duration and spread of the outbreak and demand for crisis relief services, all of which are highly uncertain and cannot be predicted at this time.

NOTE 9 - SUBSEQUENT EVENTS:

As of December 31, 2020, the Organization has recorded the PPP loan in accordance with ASC 470, Debt. The Organization applied for forgiveness of the PPP loan and the SBA approved the forgiveness application in full on February 9, 2021. The \$36,750 will be recognized as gain on extinguishment in the statement of activities for the year ended December 31, 2021.

The Coronavirus Response and Relief Supplemental Appropriations Act of 2021 ("Appropriations PPP Amendments") is a pandemic relief portion of the much larger Consolidated Appropriations Act of 2021 (the "CAA"), which was signed by the President on December 27, 2020. The Appropriations PPP Amendments, among other things, permit businesses that had previously received a PPP loan to apply for a second PPP loan subject to generally more restrictive eligibility criteria and reducing the maximum amount of proceeds available. On February 5, 2021, the Organization was approved for a second draw PPP loan in the amount of \$21,280 pursuant to the CAA. The Organization believes that the loan will be forgiven.