

Accent Pontiac, Inc.

**Financial Statements
Years Ended August 31, 2022 and 2021**

Accent Pontiac, Inc.

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Accent Pontiac, Inc.

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Independent Auditor's Report

To the Board of Directors of
Accent Pontiac, Inc.

We have audited the accompanying financial statements of Accent Pontiac, Inc. (a non-profit corporation), which comprise the statements of financial position as of August 31, 2022 and 2021, and the related statements of activities and changes in net assets, statements of functional expenses, and statements of cash flows, for the years 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 auditors' 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 Accent Pontiac, Inc., as of August 31, 2022 and 2021, and the 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.

Skillman Group, PLC
Certified Public Accountants

January 12, 2023
Troy, Michigan



Accent Pontiac, Inc.

Statements of Financial Position

<i>August 31,</i>	2022	2021
Assets		
Current Assets		
Cash and cash equivalents	\$ 463,408	\$ 511,947
Grants receivable	27,125	46,562
Prepaid expenses	2,653	1,200
Total Current Assets	493,186	559,709
Fixed Assets - net	12,156	16,064
Investments	566,845	567,752
Total Assets	\$ 1,072,187	\$ 1,143,525
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 6,591	\$ 7,481
Total Liabilities	6,591	7,481
Net Assets		
Without donor restrictions	1,033,096	1,071,125
With donor restrictions	32,500	64,919
Total Net Assets	1,065,596	1,136,044
Total Liabilities and Net Assets	\$ 1,072,187	\$ 1,143,525

See Summary of Significant Accounting Policies and Notes to Financial Statements.

Accent Pontiac, Inc.

Statement of Activities and Changes in Net Assets

<i>Year Ended August 31,</i>	2022			
	Without Donor Restrictions	With Donor Restrictions	Total	%
Revenues				
Contributions	\$ 83,599	\$ -	\$ 83,599	28.3
Grants	133,280	32,500	165,780	56.2
Fundraising	16,714	-	16,714	5.7
In-kind donations	29,496	-	29,496	10.0
Investment loss, Net	(533)	-	(533)	(0.2)
Total Revenues	262,556	32,500	295,056	100.0
Net Assets Released from Restrictions	64,919	(64,919)	-	-
Total Revenue and Net Assets Released from Restrictions	327,475	(32,419)	295,056	100.0
Expenditures				
Program services	258,966	-	258,966	87.8
Management and general	43,395	-	43,395	14.7
Fundraising	63,143	-	63,143	21.5
Total Expenses	365,504	-	365,504	124.0
Change in Net Assets	(38,029)	(32,419)	(70,448)	<u>(24.0)</u>
Net Assets - beginning of year	1,071,125	64,919	1,136,044	
Net Assets - end of year	\$ 1,033,096	\$ 32,500	\$ 1,065,596	

See Summary of Significant Accounting Policies and Notes to Financial Statements.

Accent Pontiac, Inc.

Statement of Activities and Changes in Net Assets

<i>Year Ended August 31,</i>	2021			
	Without Donor Restrictions	With Donor Restrictions	Total	%
Revenues				
Contributions	\$ 139,429	\$ -	\$ 139,429	30.4
Grants	247,664	39,919	287,583	63.0
Fundraising	9,345	-	9,345	2.0
In-kind donations	19,380	-	19,380	4.4
Investment income	511	-	511	0.2
Total Revenues	416,329	39,919	456,248	100.0
Net Assets Released from Restrictions	122,485	(122,485)	-	-
Total Revenue and Net Assets Released from Restrictions	538,814	(82,566)	456,248	100.0
Expenditures				
Program services	252,453	-	252,453	55.3
Management and general	38,093	-	38,093	8.3
Fundraising	68,908	-	68,908	15.1
Total Expenses	359,454	-	359,454	78.7
Change in Net Assets	179,360	(82,566)	96,794	21.3
Net Assets - beginning of year	891,765	147,485	1,039,250	
Net Assets - end of year	\$ 1,071,125	\$ 64,919	\$ 1,136,044	

See Summary of Significant Accounting Policies and Notes to Financial Statements.

Accent Pontiac, Inc.

Statement of Functional Expenses

<i>Year Ended August 31,</i>	2022				
	Program Services	Management & General	Fundraising	Total Expenses	Percent of Revenue
Advertising	\$ 9,893	\$ -	\$ 2,400	\$ 12,293	4.2
Food and beverage	13,254	-	1,329	14,583	4.9
Office expenses	-	6,046	-	6,046	2.0
Guest Artist	430	-	700	1,130	0.4
Facility Rental	-	14,400	100	14,500	4.9
Insurance	-	4,976	-	4,976	1.7
Staffing and related	170,695	6,388	48,644	225,727	76.6
Employee benefits	11,456	539	4,582	16,577	5.6
Instrument expenses	17,297	-	-	17,297	5.9
Field Trips	1,008	-	-	1,008	0.3
Outside services	3,833	-	2,038	5,871	2.0
Professional fees	-	6,735	-	6,735	2.3
Mileage	1,645	-	-	1,645	0.6
Postage and Printing	269	-	269	538	0.2
Training and development	7,730	4,311	-	12,041	4.1
Supplies	11,904	-	3,081	14,985	5.1
Summer Program	9,552	-	-	9,552	3.2
Total Expenses	\$ 258,966	\$ 43,395	\$ 63,143	\$ 365,504	124.0

See Summary of Significant Accounting Policies and Notes to Financial Statements.

Accent Pontiac, Inc.

Statement of Functional Expenses

Year Ended August 31,

2021

	Program Services	Management & General	Fundraising	Total Expenses	Percent of Revenue
Advertising	\$ 98	\$ -	\$ 3,965	\$ 4,063	0.9
Food and beverage	6,225	-	822	7,047	1.5
Office expenses	-	7,351	153	7,504	1.6
Guest Artist	100	-	700	800	0.2
Facility Rental	-	7,400	1,596	8,996	2.0
Insurance	-	6,139	-	6,139	1.3
Staffing and related	180,280	6,721	51,090	238,091	52.3
Employee benefits	24,591	1,156	9,833	35,580	7.8
Instrument expenses	12,306	-	-	12,306	2.7
Field Trips	6,742	-	-	6,742	1.5
Outside services	3,375	-	-	3,375	0.7
Professional fees	-	6,500	-	6,500	1.4
Mileage	1,070	-	-	1,070	0.2
Postage and Printing	-	-	749	749	0.2
Training and development	14,260	2,826	-	17,086	3.7
Supplies	2,286	-	-	2,286	0.5
Summer Program	1,120	-	-	1,120	0.2
Total Expenses	\$ 252,453	\$ 38,093	\$ 68,908	\$ 359,454	78.7

See Summary of Significant Accounting Policies and Notes to Financial Statements.

Accent Pontiac, Inc.

Statements of Cash Flows

<i>Year Ended August 31,</i>	2022	2021
Cash Flows From Operating Activities		
Change in net assets	\$ (70,448)	\$ 96,794
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	3,908	3,908
Investment income	533	(511)
Decrease (increase) in assets		
Grants receivable	19,437	61,938
Prepaid expenses	(1,453)	407
Increase (decrease)		
Accounts payable	(890)	(417)
Deferred revenue	-	-
Net Cash Provided by Operating Activities	(48,913)	162,119
Cash Flow from Investment Activities		
Proceeds from sale of investments	301,274	287,170
Purchase of Investments	(300,900)	(286,263)
Net Cash Provided By (Used In) Investing Activities	374	907
Net Increase (Decrease) in Cash and Cash Equivalents	(48,539)	163,026
Cash and Cash Equivalents, beginning of year	511,947	348,921
Cash and Cash Equivalents, end of year	\$ 463,408	\$ 511,947

See Summary of Significant Accounting Policies and Notes to Financial Statements.

Accent Pontiac, Inc.

Summary of Significant Accounting Policies

Nature of Organization

Accent Pontiac (the "Organization") is a Michigan non-profit corporation. The Organization is committed to strengthening Pontiac's youth and community through equitable access to intensive and consistent music making. Accent Pontiac transforms lives through music by serving over 250 students in Pontiac, Michigan with instrumental music at no cost to participants. Accent Pontiac was founded as a ministry of Kirk in the Hills, who provided initial funding for the program.

Financial Statement Presentation

The Organization has adopted AUS 2016-14. Under this adoption, the organization reports information regarding its financial position and activities according to two classes of net assets: those without donor restrictions and those with donor restrictions.

Basis of Accounting

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.

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 the reported amounts of (1) assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements, and (2) revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Concentration of Credit Risk

The Organization maintains cash balances with a local financial institution which is insured up to \$250,000 per group, by the U.S. Federal Deposit Insurance Company ("FDIC"). At various times throughout the years ended August 31, 2022 and 2021 the Organization's balance has exceeded the federally insured limit. The Organization has not experienced any losses in its cash account, and believes it is not exposed to any significant credit risk on cash and cash equivalents. As of August 31, 2022 and 2021 there were uninsured cash balances of \$213,408 and \$261,947, respectively.

Accent Pontiac, Inc.

Summary of Significant Accounting Policies

Concentration of Credit Risk (continued)

The Organization maintains mutual fund balances at a brokerage firm. These funds are not FDIC or SIPC (Securities Investor Protection Corporation) insured. The organization has not experienced any losses in its mutual fund account, and believes it is not exposed to any significant risk on mutual fund balances. As of August 31, 2022 and 2021 there were uninsured balances of \$566,845 and \$567,752 respectively.

Grants Receivable

The Organization's grants receivable represent amounts promised by donors for certain specific expenses and event costs of the organization. No allowance has been deemed necessary.

Fixed Assets

The organization records equipment at cost. Contributed assets are recorded as revenue and capitalized at fair value at the date of the gift. Depreciation of the assets is recorded using the straight line method over the estimated useful lives of the assets ranging from three to five years.

Investments

Investments are presented in the financial statements at fair value in accordance with accounting principles generally accepted in the United States of America. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment funds, it is at least reasonably possible that change in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported.

Net Assets

Net assets of the Organization are classified as those with donor restrictions and those without donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor or by law. Net assets with donor restrictions are contributions with time or purpose donor imposed restrictions.

Revenue Recognition

All revenues are available for unrestricted use unless specifically restricted by the donor. All amounts received that are donor restricted for future periods or for specific purposes are reported as restricted. Net assets are released for use when the donor stipulated time restriction ends or the purpose restriction is accomplished by the Organization. Revenues with donor imposed time or purpose restrictions that are met in the same period as the contribution received are reported as unrestricted support.

Summary of Significant Accounting Policies

Contributed Services

Contributed services are recorded in the financial statements to the extent that those services create or enhance a nonfinancial asset or meet the following criteria: a) the service requires specialized skills, b) the service is provided by individuals who possess those skills, and c) the services would typically need to be purchased if not contributed. For the years ended August 31, 2022 and 2021 the Organization recorded contributed services of \$560 and \$165 respectively, which meet the requirements of generally accepted accounting principles in the United States of America to be included in the accompanying financial statements.

Volunteer Services

Many individuals volunteer their time and perform a variety of tasks that assist the Organization in running its programs. While these services are most important and noteworthy, no value has been recorded for the years ended August 31, 2022 and 2021.

Income Taxes

The Organization is exempt from taxes under Section 501(c)(3) of the U.S. Internal Revenue Code. Accordingly, no provision for income taxes have been recorded in the financial statements. Annually, the Organization files a form 990 - Return of Organization Exempt from Income Tax.

The Organization's continued status as an exempt organization is considered to be a "tax position" in that the Organization must adhere to various requirements to remain tax exempt. Management has analyzed the Organization's material tax positions as of August 31, 2022 and has determined that no material uncertain tax positions exist that require recognition or disclosure in the accompanying financial statements. Tax returns are open for examination by the Internal Revenue Service for three years after filing. Thus, the tax returns for years ending August 31, 2020, 2021 and 2022 remain open.

Advertising

The Organization follows the policy of charging the costs of advertising to expense as incurred. Advertising expenses were \$12,293 and \$4,063 for the years ending August 31, 2022 and 2021 respectively.

Summary of Significant Accounting Policies

Risks and Uncertainties

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 a pandemic. The organization provides many of its services to the school district of Pontiac Michigan, which was closed to in person learning for portions of 2020. The school district reopened in 2021 for in person learning which allowed the organization to bring back their programs for students. At this point, uncertainty related to the extent to which variant cases may continue to rise and fall in Michigan and the ability to continue in person learning, may effect financial conditions or results of operations.

Newly Adopted Accounting Pronouncement

In June 2018, the Financial Accounting Standards Board (FASB) issued ASU No. 2018-08 - *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance applies to all entities that receive or make contributions. This ASU includes specific criteria to consider when determining whether a contract or agreement should be accounted for as a contribution or an exchange transaction. ASU No. 2018-08 also provides a framework to determine whether a contribution is conditional or unconditional, which may impact the timing of revenue recognition. Under the new guidance, if a transaction is considered an exchange transaction, it is accounted for under the applicable revenue recognition standards. Management has determined that under this guidance, the Organization has no conditional contributions or exchange transactions. The Organization has adopted this standard prospectively for contributions received in the fiscal year ending August 31, 2021. The portion of ASU 2018-08 related to contributions made was implemented for the fiscal year ending August 31, 2021 and resulted in no changes to the way the related expenses are recorded.

Accent Pontiac, Inc.

Notes to Financial Statements

1. Restricted Cash There was no donor restricted cash for the years ended August 31, 2022 and 2021.

2. Fair Value Measurements Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, provides the framework for measuring fair value. This framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 Fair Value Measurements

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Mutual Funds

Valued using the Net Asset Value (NAV) of shares held by the Fund at year-end. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. The NAV is quoted in an active market.

Level 2 Fair Value Measurements

Inputs for the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Accent Pontiac, Inc.

Notes to Financial Statements

2. Fair Value Measurements (continued)

Level 2 Fair Value Measurements - (continued)

Certificate of Deposits

Valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer.

Level 3 Fair Value Measurements

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. NAIC's assessment of the significant particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

Realized and unrealized gains and losses from these assets are reported on the Consolidated Statements of Activities as they occur. There have been no changes in methodologies used for years ending August 31, 2022 and August 31, 2021.

Accent Pontiac, Inc.

Notes to Financial Statements

3. Investments

The Organization maintains an investment account with funds valued at \$566,845 and \$567,752 for years ending August 31, 2022 and 2021, respectively. The statement below segregates assets for these year ends into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the measurement date.

Description	8/31/2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual Funds	566,845	566,845	-	-
	\$ 566,845	\$ 566,845	\$ -	\$ -

Description	8/31/2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual Funds	567,752	567,752	-	-
	\$ 567,752	\$ 567,752	\$ -	\$ -

4. Availability of Financial Assets

The following reflects the organization's financial assets as of August 31, 2022 and 2021, to meet general expenditures in one year.

	2022	2021
Cash	\$ 463,408	\$ 511,947
Grants	27,125	46,562
Investments	566,845	567,752
Total Financial Assets	1,057,378	1,126,261
Less: Contractual or Donor Imposed Restrictions	(32,500)	(64,919)
Total Financial Assets Available To Meet General Expenditures In One Year	\$ 1,024,878	\$ 1,061,342

Accent Pontiac, Inc.

Notes to Financial Statements

5. Grants Receivable Grants receivable of \$27,125 and \$46,562 for years ending August 31, 2022 and 2021 represent monies pledged through grants, that have not been received as of the year end.

6. Contributed Services Contributed services of \$560 and \$165 were recorded during the years end August 31, 2022 and 2021 as part of the in-kind donations. This represents the fair value cost of a program template for policies and procedures put together specifically for use by Accent Pontiac.

7. Net Assets with Donor Restrictions Donor restricted net assets of \$32,500 and \$64,919 as of August 31, 2022 and 2021 represent the following:

Donors	2022	2021
Paul M. Angell Foundation	\$ -	\$ 25,000
United Way	30,000	25,000
Pontiac Funder's Collaborative	-	9,325
Community Foundation of SE Michigan	-	5,594
Arts Midwest	2,500	-
Total Net Assets with Donor Restrictions	\$ 32,500	\$ 64,919

8. Lease Commitments On September 1, 2021, the Organization entered into a lease for office space. The lease is for 2 years beginning September 1, 2021 and calls for monthly payments of \$1,200. The first year of the lease is considered month to month and allows for either party to terminate the lease with a 60 day notice. Estimated future minimum rental payments under the lease agreement at August 31, 2022 is as follows:

<i>Year Ended August 31,</i>	<i>Amount</i>
2023	\$ 14,400

Accent Pontiac, Inc.

Notes to Financial Statements

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- 9. In-Kind Donations** In-kind donations totaling \$29,496 and \$19,380 at August 31, 2022 and 2021 represent the fair value of donated items, including instruments, professional fees, rent, and food and beverage items. A corresponding expense has been recorded for these items during the year in the schedule of functional expenses.
- 10. Functional Expenses** The financial statements report certain categories of expenses that are attributable to both program and supporting functions. These expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include staffing and related employee expenses. These expenses are allocated on the basis of estimates of time and effort utilized in those functions.
- 11. Subsequent Events** The Organization evaluated events and transactions that occurred between August 31, 2022 and January 6, 2023, which is the date that the financial statements were available to be issued, for possible recognition or disclosure to the financial statements.