

FINANCIAL STATEMENTS AND INDEPENDENT ACCOUNTANTS'

REVIEW REPORT

AKROPOLIS QUINTET, INC.

JUNE 30, 2022 AND 2021

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## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Board of Directors  
Akropolis Quintet, Inc.  
Northville, MI

We have reviewed the accompanying financial statements of Akropolis Quintet, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 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. A review includes primarily applying analytical procedures to management's financial data and making inquiries of entity management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### 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.

### Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Akropolis Quintet, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

### Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

*Davison & Associates*

Troy, Michigan  
December 21, 2022

The Scarab Club

STATEMENTS OF FINANCIAL POSITION

June 30,

ASSETS (note C)

	<u>2022</u>	<u>2021</u>
<b>CURRENT ASSETS</b>		
Cash (note A2)	\$ 276,361	\$ 267,892
Accounts receivable (note A5)	7,584	23,708
Employee retention credit receivable (note A5)	-	40,569
Inventory (note A6)	<u>4,943</u>	<u>5,020</u>
Total current assets	288,888	337,189
 <b>PROPERTY AND EQUIPMENT - AT COST (note A7)</b>		
Equipment	13,613	4,838
Furniture and fixtures	46,485	46,485
Piano	15,000	15,000
Building improvements	421,606	421,606
Building	<u>100,000</u>	<u>100,000</u>
	596,704	587,929
Less accumulated depreciation	<u>352,755</u>	<u>337,529</u>
	243,949	250,400
 Land	<u>6,000</u>	<u>6,000</u>
	<u>249,949</u>	<u>256,400</u>
 <b>TOTAL ASSETS</b>	 <u><u>\$ 538,837</u></u>	 <u><u>\$ 593,589</u></u>

The accompanying notes are an integral part of these statements.

## LIABILITIES

	2022	2021
<b>LIABILITIES</b>		
Current portion of notes payable (note C)	\$ -	\$ 11,775
SBA PPP loan payable (note D)	-	34,375
Accounts payable	15,039	8,671
Accrued liabilities	14,871	10,892
Security deposits	1,350	1,350
Customer deposits	47,596	55,616
Total current liabilities	78,856	122,679
<b>NET ASSETS (note A8)</b>		
Without donor restrictions	456,606	442,372
With donor restrictions (note B)	3,375	28,538
Total net assets	459,981	470,910
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 538,837	\$ 593,589

The accompanying notes are an integral part of these statements.

The Scarab Club  
STATEMENT OF ACTIVITIES  
Year ended June 30, 2022

	Without donor restrictions	With donor restrictions	Total
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>			
Direct public support	\$ 10,458	\$ -	\$ 10,458
Sales	21,147	-	21,147
Club rentals	189,126	-	189,126
Grants	40,192	3,375	43,567
Membership dues	63,871	-	63,871
Special events - net	22,403	-	22,403
Gain on extinguishment of debt (note D)	34,375	-	34,375
Interest income	11	-	11
	381,583	3,375	384,958
Net assets released from restrictions	28,538	(28,538)	-
Total revenues and gains	410,121	(25,163)	384,958
<b>EXPENDITURES</b>			
Program services	366,334	-	366,334
Management and general	19,719	-	19,719
Fundraising	9,834	-	9,834
	395,887	-	395,887
CHANGE IN NET ASSETS	14,234	(25,163)	(10,929)
<b>NET ASSETS</b>			
Beginning of year	442,372	28,538	470,910
<b>NET ASSETS</b>			
End of year	\$ 456,606	\$ 3,375	\$ 459,981

The accompanying notes are an integral part of these statements.

The Scarab Club  
STATEMENT OF ACTIVITIES  
Year ended June 30, 2021

	Without donor restrictions	With donor restrictions	Total
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>			
Direct public support	\$ 43,870	\$ -	\$ 43,870
Sales	16,692	-	16,692
Club rentals	46,870	-	46,870
Grants	40,612	17,094	57,706
Membership dues	63,856	-	63,856
Program income	200	-	200
In-kind donations	4,875	-	4,875
Special events - net	27,570	-	27,570
Gain on extinguishment of debt (note D)	33,750	-	33,750
Interest income	11	-	11
	278,306	17,094	295,400
Net assets released from restrictions	22,709	(22,709)	-
Total revenues and gains	301,015	(5,615)	295,400
<b>EXPENDITURES</b>			
Program services	251,935	-	251,935
Management and general	13,120	-	13,120
Fundraising	6,851	-	6,851
	271,906	-	271,906
CHANGE IN NET ASSETS	29,109	(5,615)	23,494
<b>NET ASSETS</b>			
Beginning of year	413,263	34,153	447,416
<b>NET ASSETS</b>			
End of year	\$ 442,372	\$ 28,538	\$ 470,910

The accompanying notes are an integral part of these statements.

The Scarab Club

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2022

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUND- RAISING	TOTAL
Salaries and wages	\$ 161,320	\$ 10,753	\$ 7,170	\$ 179,243
Payroll taxes	10,764	718	478	11,960
Contractual and professional fees	66,831	-	-	66,831
Occupancy	16,958	541	541	18,040
Telephone and internet	3,860	123	123	4,106
Supplies	5,273	-	-	5,273
Printing and postage	3,668	39	154	3,861
Dues and subscriptions	2,600	-	-	2,600
Service fees	-	6,177	-	6,177
Advertising	1,141	-	-	1,141
Insurance	17,881	571	571	19,023
Licenses	4,094	-	-	4,094
Program activities and materials	46,894	-	-	46,894
Interest expense	1,125	36	36	1,197
Repairs and maintenance	6,146	196	196	6,538
Property taxes	3,367	108	108	3,583
Travel	100	-	-	100
Depreciation	14,312	457	457	15,226
	<u>366,334</u>	<u>19,719</u>	<u>9,834</u>	<u>395,887</u>
Total functional expenses	<u>\$ 366,334</u>	<u>\$ 19,719</u>	<u>\$ 9,834</u>	<u>\$ 395,887</u>

The accompanying notes are an integral part of these statements.



The Scarab Club

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2021

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUND RAISING	TOTAL
Salaries and wages	\$ 94,939	\$ 6,329	\$ 4,220	\$ 105,488
Payroll taxes	10,630	709	472	11,811
Contractual and professional fees	39,235	-	-	39,235
Occupancy	14,887	475	475	15,837
Telephone and Internet	5,104	163	163	5,430
Supplies	5,049	-	-	5,049
Printing and postage	3,069	32	130	3,231
Dues and subscriptions	2,656	-	-	2,656
Service fees	-	4,021	-	4,021
Advertising	2,656	-	-	2,656
Insurance	17,434	556	556	18,546
Licenses	1,643	-	-	1,643
Program activities and materials	28,476	-	-	28,476
Interest expense	865	28	28	921
Repairs and maintenance	7,562	241	241	8,044
Miscellaneous	3	-	-	3
Bad debt	11	-	-	11
Property taxes	2,503	80	80	2,663
Depreciation	15,213	486	486	16,185
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total functional expenses	<u>\$ 251,935</u>	<u>\$ 13,120</u>	<u>\$ 6,851</u>	<u>\$ 271,906</u>

The accompanying notes are an integral part of these statements.

The Scarab Club

STATEMENTS OF CASH FLOWS

Years ended June 30,

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Cash received from customers and donors	\$ 399,245	\$ 226,975
Cash paid to suppliers and employees	(369,040)	(251,024)
Interest received	11	11
Interest paid	<u>(1,197)</u>	<u>(921)</u>
Net cash provided by (used in) operating activities	29,019	(24,959)
Cash flows from investing activities		
Purchase of property and equipment	<u>(8,775)</u>	<u>-</u>
Net cash used in investing activities	(8,775)	-
Cash flows from financing activities		
Net payments to bank	(11,775)	(12,051)
Proceeds from SBA PPP Loan	<u>-</u>	<u>34,375</u>
Net cash provided by (used in) financing activities	<u>(11,775)</u>	<u>22,324</u>
Net increase (decrease) in cash	8,469	(2,635)
Cash at beginning of year	<u>267,892</u>	<u>270,527</u>
Cash at end of year	<u>\$ 276,361</u>	<u>\$ 267,892</u>
Noncash operating transactions		
Gain on extinguishment of debt	\$ 34,375	\$ 33,750

The accompanying notes are an integral part of these statements.

The Scarab Club

STATEMENTS OF CASH FLOWS - CONTINUED

Years ended June 30,

	<u>2022</u>	<u>2021</u>
Reconciliation of change in net assets to net cash provided by (used in) operating activities		
Change in net assets	\$ (10,929)	\$ 23,494
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	15,226	16,185
Gain on extinguishment of debt	(34,375)	(33,750)
Change in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	16,124	(1,892)
Employee retention credit receivable	40,569	(40,569)
Inventory	77	(293)
Increase (decrease) in liabilities:		
Accounts payable	6,368	(2,415)
Accrued liabilities	3,979	1,609
Customer deposits	(8,020)	12,672
	<u>39,948</u>	<u>(48,453)</u>
Net cash provided by (used in) operating activities	<u>\$ 29,019</u>	<u>\$ (24,959)</u>

The accompanying notes are an integral part of these statements.

Akropolis Quintet, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE A – SUMMARY OF ACCOUNTING POLICIES

A summary of the Organization’s significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

1. Nature of Activities

Akropolis Quintet, Inc. is a 501(c)(3) nonprofit Organization created by and governing the contemporary music ensemble, the Akropolis Reed Quintet. Their mission is to create a more vibrant society with greater accessibility to contemporary music through our quintet’s artistic excellence utilized in performances, educational workshops, and community engagement. The Organization delivers 120 concerts and educational events each year and has premiered over 130 works. The ensemble has won numerous national chamber music prizes and its nonprofit leadership, who are also ensemble members, have been recognized as jurors of major prizes and for their leadership, such as through the Michigan Council for Arts and Cultural Affairs' Rising Leaders program. The ensemble was founded in 2009 at the University of Michigan and the nonprofit was created in November 2015.

2. Cash and Cash Equivalents

Cash and cash equivalents include all cash balances and highly liquid investments with maturity of one year or less. The Organization places its temporary cash investments with high-credit quality financial institutions and believes no significant concentration of credit risk exists with respect to these cash investments.

3. Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Akropolis Quintet, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

NOTE A – SUMMARY OF ACCOUNTING POLICIES - CONTINUED

4. Accounting Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

5. Contributions Receivable

Contributions receivable are contributions that have been committed to the Organization. Based on management's evaluation of collectability, no allowance for doubtful contributions receivable was recorded for the years ended June 30, 2022 and 2021.

6. Inventory

Inventories are stated at cost determined by the first-in, first-out method. Inventories consist primarily of CDs, mugs, and T-shirts.

7. Classification of Net Assets

Net assets of the Organization are classified as net assets without donor restrictions or with donor restrictions, depending on the presence and characteristics of donor-imposed restrictions limiting the Organization's ability to use or dispose of contributed assets or the economic benefits embodied in those assets. Donor-imposed restrictions that expire with the passage of time or that can be removed by meeting certain requirements result in donor restricted net assets. Earnings, gains, and losses on restricted net assets are classified as without donor restrictions, unless specifically restricted by the donor or by applicable state law.

Akropolis Quintet, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

NOTE A – SUMMARY OF ACCOUNTING POLICIES – CONTINUED

8. Functional Allocation of Expenses

Functional expenses are allocated among the programs and support services based on specific identification of costs to programs, as well as, various time and use analysis and estimates, made by the Organization's management.

9. Income Taxes

The Organization is a not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes; therefore, no provision for income taxes has been included in these statements.

10. Revenue Recognition

Contributions and Grants -

Contributions (including grants) of cash and other assets, including unconditional promises to give, are reported as revenue when received or in the case of unconditional promises, when made. Contributions without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions that are met in the same period as the gift are both reported as support without donor restrictions. Other restricted gifts are reported as net assets with donor restrictions.

Contributed Goods and Services -

A substantial number of non-professional volunteers donate their time for the Organization's programs. No values of donated services are reflected in the accompanying financial statements because these services have not created or enhanced a non-financial asset, nor are they specialized skills provided by entities or persons possessing those skills that would be purchased if they were not donated. During the years ended June 30, 2022 and 2021, volunteers donated 210 hours and 320 hours to the Organization, respectively.

Akropolis Quintet, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

NOTE A – SUMMARY OF ACCOUNTING POLICIES – CONTINUED

10. Revenue Recognition – CONTINUED

Exchange Transactions -

Revenue from exchange transactions is recorded when: (i) a contract has been identified, (ii) the performance obligation(s) in the contract have been identified, (iii) the transaction price has been determined, (iv) the transaction price has been allocated to each performance obligation in the contract, and (v) the company has satisfied the applicable performance obligation. Expenses directly related to such transactions are recorded as incurred and presented within expenses.

In addition to receiving public support through donations and grants, the Organization recognizes revenue from exchange transactions - musical performances, musical instruction, and sales of recorded music and related items. Cash is typically received from the customer in advance or at the time service is provided or the item is exchanged. Revenue from these activities is recognized when the service is provided or when the item sold is transferred to the customer.

11. Adoption of Accounting Pronouncements

In June 2018, the 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 clarifies the definitions of reciprocal and non-reciprocal transactions and modifies the criteria used to evaluate conditional vs. unconditional contributions. In addition, the new guidance defines that a conditional contribution exists when the agreement contains both a right of return of the contributed asset and a barrier that must be overcome. The guidance is effective for the Organization for years beginning after December 15, 2019. The Organization adopted this guidance on July 1, 2020. The adoption of this guidance has no impact on how the Organization accounts for its grant-making activities.

Akropolis Quintet, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

NOTE B – SBA PPP LOAN

Loans totaling \$59,065 arose under the U.S. Small Business Administration’s Paycheck Protection Program, pursuant to Sections 1102 and 1106 of the Coronavirus Aid, Relief and Economic Security (CARES) Act. Under Sections 1106 of the CARES Act, some or the full amount of the loans can be forgiven for payroll cost, interest, rent and utilities incurred. The notes had been recorded under ASC 470 as a debt obligation. However, the full amount of these loans were forgiven and are recorded as a gain on extinguishment of the debt in the year ended June 30, 2022.

NOTE C – 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 donor imposed restrictions that do not lapse within one year of the financial position date.

The following computes financial assets available to meet cash needs for general expenditure within one year:

Financial assets at year-end	\$ 106,019
Less those unavailable for general expenditures within one year, due to:	
Restrictions on usage for	
Together We Sound program	<u>(20,000)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 86,019</u>

To meet cash demands, the Organization obtains funds through service programs and grants to support general expenditures.



Akropolis Quintet, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

NOTE D – REFUNDABLE TAX CREDITS – EMPLOYEE RETENTION CREDIT

For the year ended June 30, 2022, Akropolis Quintet, Inc. received \$27,213 of refundable tax credits in accordance with the Employee Retention Credit (ERC) program, authorized by the Coronavirus Aid, Relief, and Economic Security (CARES) Act, as amended by subsequent legislative changes.

In accordance with the ERC program, the Organization is eligible for an ERC if, due to the COVID-19 pandemic, there has been a significant decline in gross receipts in the current year as compared with 2019 gross receipts, or a full or partial shutdown based on a government order. The ERC is computed based on a percentage of qualified wages (including qualified health insurance expenses) incurred during the year, with a maximum annual credit per employee.

For year ended June 30, 2022, the Organization's policy is to account for the ERC as a grant using guidance analogous to a conditional contribution found in ASC Subtopic 958-605, Not-for-profit Entities- Revenue Recognition. In accordance with ASC Subtopic 958-605, the Organization has presented \$27,213 as grant income in the statement of activities when the conditions required for the ERC were substantially met.

NOTE E – COMMITMENTS AND CONTINGENCIES

The COVID-19 pandemic has had and will continue to impact Akropolis Quintet, Inc.'s business, financial condition, and operations. The full extent of the impact of COVID-19 is still uncertain. Akropolis Quintet, Inc. implemented cost reduction and cash conservation initiatives in order to reduce the impact of the pandemic on the Organization's financial condition. As the pandemic continues, the extent of impact on the Organization will depend on future developments, all of which are uncertain and cannot be predicted. As a result, it is not currently possible to ascertain the overall impact of COVID-19 on the Organization. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Akropolis Quintet, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

NOTE F – SUBSEQUENT EVENTS

In preparing the financial statements, management has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to June 30, 2022, the most recent statement of financial position presented herein, through December 21, 2022, the date the financial statements were issued. No such significant events or transactions were identified.