

Encore Performing Arts Center

Financial Statements

December 31, 2021

Richard J. Boyse, CPA, PC

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Encore Performing Arts Center
79 Oakland Avenue
Pontiac, MI 48342

Opinion

We have audited the accompanying financial statements of Encore Performing Arts Center (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Encore Performing Arts Center as of December 31, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Encore Performing Arts Center and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Encore Performing Arts Center's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Encore Performing Arts Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Encore Performing Arts Center's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Richard J. Boyse, CPA, PC
Rochester, MI
June 29, 2022

**Encore Performing Arts Center
Statement of Financial Position
As of December 31, 2021 and 2020**

Assets

	2021	2020
Current Assets		
PNC Checking	\$ 11,473.21	\$ (7,428.15)
Pledges Receivable	0.00	500.00
Loan Receivable - KBP	<u>0.00</u>	<u>46,000.00</u>
Total Current Assets	<u>11,473.21</u>	<u>39,071.85</u>
Property and Equipment		
Furnishings & Equipment	46,352.91	46,352.91
Less Accumulated Depreciation	<u>(38,332.47)</u>	<u>(34,201.00)</u>
Net Property and Equipment	<u>8,020.44</u>	<u>12,151.91</u>
Total Assets	<u>\$ 19,493.65</u>	<u>\$ 51,223.76</u>

Liabilities and Net Assets

	2021	2020
Current Liabilities		
Accounts Payable	\$ 95,727.84	\$ 2,288.40
Current Portion of Long-term Debt	22,012.66	21,747.71
Note Payable - Strand Events	13,493.93	0.00
Loan Payable - West Construction	0.00	96,841.85
Line of Credit - Opportunity Research Fund	<u>60,000.00</u>	<u>60,000.00</u>
Total Current Liabilities	<u>191,234.43</u>	<u>180,877.96</u>
Long-Term Liabilities		
EIDL Loan Payable	9,000.00	9,000.00
Loan Payable - Business and Support Grants	0.00	30,000.00
Note Payable - Strand Manager	43,319.55	93,319.55
Note Payable - Opp Fund	29,933.61	34,991.67
Less Current Portion	<u>(22,012.66)</u>	<u>(21,747.71)</u>
Total Long-Term Liabilities	<u>60,240.50</u>	<u>145,563.51</u>
Total Liabilities	<u>251,474.93</u>	<u>326,441.47</u>
Net Assets		
Unrestricted Net Assets, Beginning of Year	(275,217.71)	(249,019.54)
Change in Net Assets	<u>43,236.43</u>	<u>(26,198.17)</u>
Total Net Assets	<u>(231,981.28)</u>	<u>(275,217.71)</u>
Total Liabilities and Net Assets	<u>\$ 19,493.65</u>	<u>\$ 51,223.76</u>

**Encore Performing Arts Center
Statement of Activities and Change in Net Assets**

	12 Months Ended December 31, 2021
Revenue	
ST Arts Scholarship Donations	\$ 1,000.00
Individual Contributions	1,825.00
Grants	<u>122,666.75</u>
Total Revenue	125,491.75
 Expenses	
Program Expenses	
Event Promotion & Production	625.00
Depreciation and Amortization	4,131.47
Wages	8,000.00
Payroll Taxes	<u>1,053.08</u>
Total Program Expenses	13,809.55
 General and Administrative Expenses	
Accounting Fees	450.00
Consulting Services	24,959.83
Donated Facilities	120.00
Rent, Parking, Utilities	12,000.00
Advertising	10.00
Bank Charges	10.50
Interest Exp	5,021.38
Printing and Copying	1,048.13
Telephone, Computer, Internet	209.88
Insurance	2,154.00
Tax Penalties and Fees	<u>2,471.68</u>
Total General and Administrative Expenses	48,455.40
 Fundraising Expenses	
Funding/Grant Coordinator	<u>19,990.37</u>
Total Fundraising Expenses	19,990.37
Total Expenses	<u>82,255.32</u>
Excess (Deficit) of Revenues over Expenses	<u>43,236.43</u>
 Other Income	
Change in Net Assets	43,236.43
Net Assets, Beginning of Year	<u>(275,217.71)</u>
Net Assets, End of Year	<u><u>(231,981.28)</u></u>

**Encore Performing Arts Center
Statement of Functional Expenses**

	Amount	% of Total
Total Expenses	\$ 82,255.32	
Program Expenses		
Event Promotion & Production	625.00	0.76%
Depreciation and Amortization	4,131.47	5.02
Wages	8,000.00	9.73
Payroll Taxes	<u>1,053.08</u>	<u>1.28</u>
Total Program Expenses	<u>13,809.55</u>	<u>16.79%</u>
General and Administrative Expenses		
Accounting Fees	450.00	0.55%
Consulting Services	24,959.83	30.34
Donated Facilities	120.00	0.15
Rent, Parking, Utilities	12,000.00	14.59
Advertising	10.00	0.01
Bank Charges	10.50	0.01
Interest Exp	5,021.38	6.10
Printing and Copying	1,048.13	1.27
Telephone, Computer, Internet	209.88	0.26
Insurance	2,154.00	2.62
Tax Penalties and Fees	<u>2,471.68</u>	<u>3.00</u>
Total General and Administrative Expenses	<u>48,455.40</u>	<u>58.91%</u>
Fundraising Expenses		
Funding/Grant Coordinator	<u>19,990.37</u>	<u>24.30%</u>
Total Fundraising Expenses	<u>19,990.37</u>	<u>24.30%</u>
Total Expenses	<u>\$ 82,255.32</u>	<u>100.00%</u>

See Independent Auditor's Report

Encore Performing Arts Center
Statement of Cash Flows
For the 12 Months Ended December 31, 2021

Cash Flows from Operating Activities	
Change in Net Assets	\$ 43,236.43
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation and Amortization	4,131.47
Losses (Gains) on Sales of Fixed Assets	0.00
Decrease (Increase) in Operating Assets:	
Accounts Receivable	500.00
Other	46,000.00
Increase (Decrease) in Operating Liabilities:	
Accounts Payable	93,439.44
Notes Payable	13,758.88
Other	(96,841.85)
Total Adjustments	<u>60,987.94</u>
Net Cash Provided By (Used In) Operating Activities	<u>104,224.37</u>
Cash Flows from Investing Activities	
Net Cash Provided By (Used In) Investing Activities	<u>0.00</u>
Cash Flows from Financing Activities	
Notes Payable Net Borrowings/Repayments	(85,323.01)
Net Cash Provided By (Used In) Financing Activities	<u>(85,323.01)</u>
Net Increase (Decrease) In Cash and Cash Equivalents	18,901.36
Beginning Cash and Cash Equivalents	<u>(7,428.15)</u>
Ending Cash and Cash Equivalents	<u>\$ 11,473.21</u>

**Encore Performing Arts Center
Notes to Financial Statements
December 31, 2021**

Nature of Activities and Significant Accounting Policies

Nature of Activities

Encore Performing Arts Center ("the Organization") is the nonprofit arm of the 101 year old Strand theatre in Pontiac, Michigan that provides educational arts and cultural programming for all ages and serves a broad and diverse audience. As a vibrant performing arts campus that offers children's theatre, including classes and entirely produced and staged performances; concerts highlighting local and national artists; speakers for important local and regional issues; and the Strand Gallery, offering multiple yearly exhibitions. The nonprofit organization strives to enrich Downtown Pontiac and Oakland County in Michigan.

Financial Statement Presentation

According to Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements of Not-For-Profit Entities, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

The net assets of the Organization are classified accordingly 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.

Contributions

Under SFAS No. 116, Accounting for Contributions Received and Contributions Made, contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions depending on the absence or existence of any donor restrictions.

Contributed Materials and Services

The Organization received certain donated materials that have not met the requirements for recognition in the financial statements and have not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization at its base of operations. The value of the certain donated materials and volunteer services is not disclosed, as no objective basis is available to measure the value of such materials and services.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Property and Equipment

Buildings, equipment, furniture, and transportation equipment are recorded at cost when purchased. Donations of property and equipment are recorded as support at their estimated fair value and are reported as support without restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as support with donor restriction.

The Organization establishes \$2,500 as the threshold amount for minimum capitalization. Any items costing below this amount should be expensed in the Organization's financial statements.

**Encore Performing Arts Center
Notes to Financial Statements
December 31, 2021**

Functional Allocation Expenses

The costs of providing program, general and administrative, and fundraising services have been reported on a functional basis in the statements of activities. Costs have been allocated between program, general and administrative, and fundraising using estimates determined by management. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different results.

Tax Status

The Organization is a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the United States Internal Revenue Code and is classified by the Internal Revenue Service as other than a private foundation. Although the Organization is granted income tax exemption by the Internal Revenue Service, such exemption does not apply to "unrelated business taxable income" (UBTI). For the year ended December 31, 2021, management has determined that the Organization did not have UBTI, accordingly, no income tax provision is reflected in these financial statements.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results may differ from those estimates.

Subsequent Events

In preparing these financial statements, management has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period from December 31, 2021, the most recent statement of financial position presented herein, through June 29, 2022, the date these financial statements were available to be issued. No such significant events or transactions were identified.

Related Party Transactions

Board members and affiliates of board members have provided loans to The Organization in order to maintain cashflow during periods of poor cashflow. These loans have been executed with signed promissory notes and stated interest rates.

Transactions were consummated on terms equivalent to those that prevail in arm's-length transactions.