

**MOTORCITIES NATIONAL
HERITAGE AREA**

FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

(With Independent Auditor's Report Thereon)

MOTORCITIES NATIONAL HERITAGE AREA

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
MotorCities National Heritage Area

Opinion

We have audited the financial statements of MotorCities National Heritage Area (A Nonprofit Organization), which comprise the statement of financial position as of September 30, 2022, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of MotorCities National Heritage Area (A Nonprofit Organization) as of September 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 MotorCities National Heritage Area (A Nonprofit Organization) 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.

Responsibilities of Management for the Financial Statements (Continued)

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 MotorCities National Heritage Area's (A Nonprofit Organization) ability to continue as a going concern for one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued, when applicable).

Auditor's Responsibilities for the Audits 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 GAAS 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 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 GAAS, 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 MotorCities National Heritage Area'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 MotorCities National Heritage Area'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.

Report on Summarized Comparative Information

We have previously audited MotorCities National Heritage Area's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 22, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2021, is consistent, in all material respects with the audited financial statements from which it has been derived.

Doeren Mayhew

Troy, Michigan
January 11, 2023

MOTORCITIES NATIONAL HERITAGE AREA

STATEMENT OF FINANCIAL POSITION SEPTEMBER 30, 2022 WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION AS OF SEPTEMBER 30, 2021

<u>Assets</u>	<u>2022</u>	<u>2021</u>
Cash	\$ 285,148	\$ 562,664
Restricted cash (note 5)	7,686	7,686
Grants and accounts receivable (note 2)	310,327	-
Prepaid expenses	3,643	9,640
Total current assets	606,804	579,990
Signs and equipment:		
At cost, less accumulated depreciation of \$48,407 in 2022 and \$30,173 in 2021 (note 7)	42,765	60,999
Total assets	<u>\$ 649,569</u>	<u>\$ 640,989</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable	\$ 87,520	\$ 12,673
Other accrued liabilities	16,960	16,590
Stewardship deposits (note 5)	7,686	7,686
Total liabilities	112,166	36,949
Net assets:		
Without restrictions	537,403	604,040
Total liabilities and net assets	<u>\$ 649,569</u>	<u>\$ 640,989</u>

See accompanying notes to financial statements

MOTORCITIES NATIONAL HERITAGE AREA

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS YEAR ENDED SEPTEMBER 30, 2022 WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Without Donor Restrictions	With Donor Restrictions	2022	2021
Revenue and support:				
Grant from National Parks Service	\$ 500,000	\$ -	\$ 500,000	\$ 491,000
Contributions	8,660	-	8,660	8,095
Membership income	18,752	-	18,752	18,821
In-kind donations	503,747	-	503,747	102,155
Miscellaneous income	15,029	-	15,029	8,611
	<u>1,046,188</u>	<u>-</u>	<u>1,046,188</u>	<u>628,682</u>
Expenditures:				
Program services:				
Tourism	427,223	-	427,223	54,698
Revitalization	128,372	-	128,372	141,996
Interpretation and education	436,724	-	436,724	279,259
Supporting services - management and general	120,506	-	120,506	147,203
	<u>1,112,825</u>	<u>-</u>	<u>1,112,825</u>	<u>623,156</u>
	(66,637)	-	(66,637)	5,526
Net assets - beginning	<u>604,040</u>	<u>-</u>	<u>604,040</u>	<u>598,514</u>
Net assets - ending	<u>\$ 537,403</u>	<u>\$ -</u>	<u>\$ 537,403</u>	<u>\$ 604,040</u>

See accompanying notes to financial statements

MOTORCITIES NATIONAL HERITAGE AREA

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED SEPTEMBER 30, 2022 WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Program Services				Supporting Services	2022	2021
	Heritage Tourism	Revitalization	Interpretation and Education	Total Program Services	Management and General		
Salaries and benefits	\$ 129,124	\$ 39,954	\$ 129,160	\$ 298,238	\$ 64,980	\$ 363,218	\$ 362,703
Occupancy expenses:							
Building rent	14,568	4,508	14,572	33,648	7,332	40,980	38,164
Parking	4,639	1,436	4,640	10,715	2,335	13,050	18,000
Total occupancy expenses	19,207	5,944	19,212	44,363	9,667	54,030	56,164
Administration expenses:							
Professional accounting fees	-	-	-	-	26,282	26,282	23,284
Professional legal fees	-	-	-	-	4,233	4,233	36,589
Professional fees	7,687	2,379	7,689	17,755	3,868	21,623	21,687
Postage and supplies	1,443	447	1,444	3,334	726	4,060	4,686
Telephone and utilities	2,414	747	2,415	5,576	1,215	6,791	7,572
Total administration expenses	11,544	3,573	11,548	26,665	36,324	62,989	93,818
Other expenses:							
Workplan	5,250	1,049	14,700	20,999	-	20,999	22,251
Program Services	234,033	71,990	234,033	540,056	-	540,056	34,656
Conferences, meetings and travel	2,128	658	2,129	4,915	1,071	5,986	1,973
Insurance, fees and miscellaneous	16,820	5,204	16,825	38,849	8,464	47,313	33,357
Total other expenses	258,231	78,901	267,687	604,819	9,535	614,354	92,237
Total expenses before depreciation expense	418,106	128,372	427,607	974,085	120,506	1,094,591	604,922
Depreciation expense	9,117	-	9,117	18,234	-	18,234	18,234
Total functional expenses	<u>\$ 427,223</u>	<u>\$ 128,372</u>	<u>\$ 436,724</u>	<u>\$ 992,319</u>	<u>\$ 120,506</u>	<u>\$ 1,112,825</u>	<u>\$ 623,156</u>

See accompanying notes to financial statements

MOTORCITIES NATIONAL HERITAGE AREA

STATEMENT OF CASH FLOWS YEAR ENDED SEPTEMBER 30, 2022 WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
(Decrease) increase in unrestricted net assets	\$ (66,637)	\$ 5,526
Adjustments:		
Depreciation	18,234	18,234
Changes in assets and liabilities:		
(Increase)/decrease in:		
Grants and accounts receivable	(310,327)	394,850
Prepaid expenses	5,997	(4,265)
Escrow and agency funds	-	37,780
Increase/(decrease) in:		
Accounts payable	74,847	(12,476)
Other accrued liabilities	370	(650)
Escrow and agency funds	-	(37,780)
Total adjustments	<u>(210,879)</u>	<u>395,693</u>
Net cash (used in) provided from operating activities	<u>(277,516)</u>	<u>401,219</u>
Net (decrease) increase in cash and restricted cash	(277,516)	401,219
Cash and restricted cash - beginning	<u>570,350</u>	<u>169,131</u>
Cash and restricted cash - ending	<u>\$ 292,834</u>	<u>\$ 570,350</u>

See accompanying notes to financial statements

MOTORCITIES NATIONAL HERITAGE AREA

STATEMENT OF CASH FLOWS YEAR ENDED SEPTEMBER 30, 2022 WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>2022</u>	<u>2021</u>
Schedule of Cash and Restricted Cash:		
Cash	\$ 285,148	\$ 562,664
Restricted cash:		
Stewardship deposits	<u>7,686</u>	<u>7,686</u>
Total cash and restricted cash shown in the statement of cash flows	<u>\$ 292,834</u>	<u>\$ 570,350</u>

See accompanying notes to financial statements

MOTORCITIES NATIONAL HERITAGE AREA

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2022 AND 2021

Note 1 - Nature of Organization and Significant Accounting Policies

Nature of Organization

MotorCities National Heritage Area (the “Organization”) is a Michigan non-profit corporation dedicated to preserving, interpreting, and promoting Michigan’s automotive and labor heritage in a way that is diverse, equitable and inclusive. The Partnership is the authorized management and coordinating entity for the Heritage Area. The Partnership, in cooperation with the State of Michigan, other local and governmental entities, the private and non-profit sectors and local communities in Michigan, empowers communities in Michigan to conserve their automotive heritage while strengthening future economic opportunities; and conserving, interpreting and developing the historical, cultural, natural and recreational resources related to the MotorCities National Heritage Area.

Basis of Accounting

The Organization records revenues and support and expenses using the accrual basis of accounting in accordance with generally accepted accounting principles applied to non-profit organizations.

Net Asset Classification

In accordance with generally accepted accounting principles, the Organization’s net assets are categorized and reported as follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions represent expendable funds available for operations, which are not otherwise limited by donor restriction. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors (the Board).

Net Assets With Donor Restrictions

Net assets with donor restrictions carry donor-imposed restrictions on the expenditure of the contributed assets. Net assets with donor restrictions may expire with the passage of time, as a result of actions taken by the Organization that fulfills donors’ restrictions. When net assets with donor restrictions are released from restrictions, they are transferred to net assets without donor restrictions and shown as net assets released from restrictions in the statement of activities and changes in net assets.

MOTORCITIES NATIONAL HERITAGE AREA

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2022 AND 2021

Note 1 - Nature of Organization and Significant Accounting Policies (Continued)

Revenues and Cost Recognition

The Organization recognizes all revenues derived from grants, membership fees, unconditional promises to give and fundraising events in the period of the grant, promise to give or fundraising activity occurs. Costs related to these revenues are recorded as incurred.

In-kind Donations, Donated Materials and Services

The Organization derives benefits from the use of donated materials, professional services and other services from volunteers from time-to-time. During the fiscal years ended September 30, 2022 and 2021, the fair value of these donated materials and services amounted to \$503,747 and \$102,155, respectively. In 2022, the total donated materials and services were allocated to tourism, revitalization, interpretation and education (Program Services), and management and general (Supporting Services) by approximately 38%, 12%, 39% and 11%, respectively. In 2021, the total donated materials and services were allocated to tourism, revitalization, interpretation and education (Program Services), and management and general (Supporting Services) by approximately 9%, 23%, 45% and 23%, respectively.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Cash

At times, the cash balances held at financial institutions were in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limits. Total cash balances are insured by the FDIC up to \$250,000 per bank. At September 30, 2022 and 2021, the Organization had approximately \$0- and \$507,712, respectively, in excess of the FDIC limits.

Grants and Other Receivables

The Organization receives grants on an annual basis from various local, state, federal and other funding sources. Certain grants are funded on a reimbursement basis which can lead to a grant receivable amount at the Organization's year end. Grants and other receivables that are deemed uncollectible are written-off in the period that determination is made. No allowance for doubtful accounts is considered necessary at September 30, 2022 and 2021, respectively.

MOTORCITIES NATIONAL HERITAGE AREA

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2022 AND 2021

Note 1 - Nature of Organization and Significant Accounting Policies (Continued)

Allocation of Functional Expenses

The financial statements report certain categories of expenses that are attributable to the three programs and supporting services of the Organization. Those expenses include salaries and benefits, occupancy expenses, administrative expenses and other expenses. The salaries and benefits, and certain administrative expenses, with the exception of professional fees, are allocated based on employee timesheets as well as the time spent directly on each. In order to meet the goals of conserving, interpreting and developing the historical, cultural and natural resources of the MotorCities National Heritage Area, grants and project costs are deployed in the following areas:

Revitalization

To develop partnerships that support the preservation and revitalization of our auto heritage sites, neighborhoods, and communities, fostering pride and economic development around these resources.

Interpretation and Education

To create passion for and awareness of the connections between the automobile, the workers and the history of the industry in this region through educational partnerships and interpretive presentation.

Heritage Tourism

To package and promote the auto and labor heritage experiences presented across this region via the identification and development of partnerships that expand the heritage story.

The direct and material costs of the three programs are listed under program service fees. The Organization used timesheet distributions as the significant factor, as MotorCities National Heritage Area is a labor-intensive Organization and the fact that wages are the primary direct expenditure. Other expenses are directly allocated based on the service to which it applies. In addition, professional fees were deemed to be 100% supporting services and not allocated to programs.

MOTORCITIES NATIONAL HERITAGE AREA

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2022 AND 2021

Note 1 - Nature of Organization and Significant Accounting Policies (Continued)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Current Vulnerability

Due to certain concentrations, approximately 95% of the Organization's non-in-kind revenues were provided through their federal contracts.

Comparative Financial Information

The accompanying financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with our audited financial statements for the year ended September 30, 2021, from which the summarized information was derived.

Accounting Standards Adopted in 2022

In 2022, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958). ASU No. 2020-07 and all subsequently issued clarifying ASUs do not replace existing recognition and measurement guidance in U.S. GAAP. The ASU improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets.

As part of the adoption of the ASU, the Organization must present nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. Additionally, the Organization must disclose in-kind contributions in the notes to the financial statements by type. See Note 8 for the breakdown of contribution of nonfinancial assets. There were no material changes as a result of adoption.

MOTORCITIES NATIONAL HERITAGE AREA

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2022 AND 2021

Note 1 - Nature of Organization and Significant Accounting Policies (Continued)

Recent Accounting Pronouncement (ASU No. 2016-02; Topic 842) Leases

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)," (ASU 2016-02), to increase the transparency and comparability of lease recognition and disclosure. ASU 2016-02 requires lessees to recognize lease contracts with a term greater than one year on the balance sheet, while recognizing expenses on the income statement in a manner similar to current guidance. ASU 2016-02 is effective for the Organization on October 1, 2022 and shall be applied to all open leases as of the adoption date. The impact from the adoption of this accounting standard is immaterial to the Organization as of September 30, 2022.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including January 11, 2023, which is the date the financial statements were available to be issued.

Note 2 - Grants and Accounts Receivable

The Organization's grants and accounts receivable as of September 30, 2022 and 2021, consisted of the following:

	<u>2022</u>	<u>2021</u>
Grants receivable - National Parks Service	\$ 310,327	\$ -

Note 3 - Lease Commitments

The Organization is responsible for the operating expenses on a month-to-month basis, which amounts to approximately \$1,700 to \$1,900 per month. The Organization has recognized \$40,980 and \$38,164 in 2022 and 2021 for the use of the facilities, including operating expenses and \$13,050 and \$18,000 for parking as in-kind donation revenues and expenses during the year ended September 30, 2022 and 2021 under this agreement.

The Organization made the final payment on this lease in September 2022 and as of the year ended September 30, 2022, the Organization has terminated this lease commitment. The Organization now utilizes a virtual hot-desk requiring monthly payments of \$375 on a month by month basis.

MOTORCITIES NATIONAL HERITAGE AREA

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2022 AND 2021

Note 4 - Grant From National Park Service

The Organization receives a substantial amount of its support from federal government sources. A significant reduction in the level of this support, if it were to occur, could have a material effect on certain programs of the organization. During December 2022, the Senate and House of Representatives passed a bill that reauthorizes MotorCities National Heritage Area to receive funding for the next 15 years. This bill also bundled all of the National Heritage Area's nationwide, making it easier for the funding to be managed. Grants and accounts receivable shown on the statement of financial position in the amount of \$310,327 and \$-0- for the years ended September 30, 2022 and 2020, respectively, is support from federal government sources.

Note 5 - Restricted Cash

The Organization maintains funds for various Stewardship Communities. The Organization holds these funds to be disbursed based on the approved plan from the Stewardship Communities. The amounts as of September 30, 2022 and 2021 held for Stewardship Communities amounted to \$7,686 and \$7,686, respectively.

Note 6 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, is \$595,475.

If funds to cover the cost of current liabilities are backed out a net amount of \$490,995 is available at September 30, 2022. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Note 7 - Signs and Equipment

The cost of signs and equipment is summarized as follows:

	<u>2022</u>	<u>2021</u>
Signs and equipment	\$ 91,172	\$ 91,172
Less accumulated depreciation	<u>(48,407)</u>	<u>(30,173)</u>
Undepreciated cost	<u>\$ 42,765</u>	<u>\$ 60,999</u>

Depreciation expense was \$18,234 and \$18,234 for the years ended September 30, 2022 and 2021, respectively.

MOTORCITIES NATIONAL HERITAGE AREA

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2022 AND 2021

Note 8 - In-Kind Contributions and Expenses

The Organization received software, rent, parking, advertising, legal services, and materials and services as in-kind contributions. The Organization records in-kind contributions and expenses related to these contributions. The total value of the in-kind contributions received that met the criteria for being recorded in the financial statements amounted to \$503,747 and \$102,155 for the years ended September 30, 2022 and 2021, respectively, which has been recorded in the accompanying statement of activities and changes in net assets. These in-kind contributions are not a cash in-flow or out-flow.

The in-kind expenses, related to the in-kind contributions, are included in the statement of functional expenses for the years ended September 30, 2022 and 2021. Total in-kind expenses are categorized as follows:

	<u>2022</u>	<u>2021</u>
Software	\$ 5,000	\$ -
Rent	18,092	18,092
Parking	13,050	18,000
Advertising	5,220	-
Attorney	4,233	39,627
Materials & Services	<u>458,152</u>	<u>26,436</u>
	<u>\$ 503,747</u>	<u>\$ 102,155</u>

*** * * End of Notes * * ***