

**MOTORCITIES NATIONAL HERITAGE
AREA PARTNERSHIP, INC.**

FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

(With Independent Auditor's Report Thereon)

**MOTORCITIES NATIONAL HERITAGE AREA
PARTNERSHIP, INC.**

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets.....	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
MotorCities National Heritage Area Partnership, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of MotorCities National Heritage Area Partnership Inc. (a Nonprofit Organization), which comprise the statements of financial position as of September 30, 2019, and the related statements of activities and changes in net assets 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.

Auditor's Responsibility (Continued)

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 MotorCities National Heritage Area Partnership, Inc. as of September 30, 2019 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2019, MotorCities National Heritage Area Partnership, Inc. adopted Accounting Standards Update (ASU) 2016-14, Not-For-Profit Entities (Topic 958): Presentation of Financial Statements for Not-For-Profit Entities. Our opinion is not modified with respect to that matter.

Report on Summarized Comparative Information

We have previously audited MotorCities National Heritage Area Partnership, Inc.'s September 30, 2018 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 11, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Doeren Mayhew

Troy, Michigan
January 21, 2020

**MOTORCITIES NATIONAL HERITAGE AREA
PARTNERSHIP, INC.**

**STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2019**

WITH SUMMARIZED FINANCIAL INFORMATION AS OF SEPTEMBER 30, 2018

<u>Assets</u>	<u>2019</u>	<u>2018</u>
Cash	\$ 324,978	\$ 381,390
Temporarily restricted cash (note 5)	12,603	12,603
Grants and accounts receivable (note 2)	307,504	295,745
Prepaid expenses	11,028	2,945
Escrow and agency funds (note 5)	287,196	309,029
Total assets	<u>\$ 943,309</u>	<u>\$ 1,001,712</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable	\$ 88,662	\$ 81,138
Other accrued liabilities	11,597	8,535
Stewardship deposits (note 5)	7,686	7,686
Escrow and agency funds (note 5)	287,196	309,029
Total liabilities	395,141	406,388
Net assets:		
Without restrictions	543,251	590,407
With restrictions (note 5)	4,917	4,917
Total net assets	<u>548,168</u>	<u>595,324</u>
Total liabilities and net assets	<u>\$ 943,309</u>	<u>\$ 1,001,712</u>

See accompanying notes to financial statements

**MOTORCITIES NATIONAL HERITAGE AREA
PARTNERSHIP, INC.**

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED SEPTEMBER 30, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR SEPTEMBER 30, 2018**

	2019	2018
Changes in unrestricted net assets:		
Revenue and support:		
Grant from National Parks Service	\$ 491,000	\$ 491,000
Conferences	15,670	-
Contributions	37,116	28,244
In-kind donations	514,207	449,335
Miscellaneous income	16,793	53,326
Total revenue and support	1,074,786	1,021,905
Expenditures:		
Program services:		
Tourism	30,825	119,442
Revitalization	434,011	230,513
Interpretation and education	546,588	617,098
Supporting services - management and general	110,518	104,351
Total expenditures	1,121,942	1,071,404
Decrease in unrestricted net assets	(47,156)	(49,499)
Net assets - beginning	595,324	644,823
Net assets - ending	\$ 548,168	\$ 595,324

See accompanying notes to financial statements

**MOTORCITIES NATIONAL HERITAGE AREA
PARTNERSHIP, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR SEPTEMBER 30, 2018**

	Program Services				Supporting Services	2019	2018
	Tourism	Revitalization	Interpretation and Education	Total Program Services	Management and General		
Salaries and benefits	\$ 9,033	\$ 129,472	\$ 162,593	\$ 301,098	\$ 44,317	\$ 345,415	\$ 318,724
Occupancy expenses:							
Building rent	998	14,305	17,964	33,267	4,896	38,163	38,164
Parking	484	6,944	8,722	16,150	2,377	18,527	18,108
Total occupancy expenses	1,482	21,249	26,686	49,417	7,273	56,690	56,272
Administration expenses:							
Professional fees	-	-	-	-	26,459	26,459	118
Temporary staffing	356	5,108	6,415	11,879	1,748	13,627	91,946
Postage and supplies	157	2,253	2,830	5,240	771	6,011	4,458
Telephone and utilities	221	3,166	3,976	7,363	1,084	8,447	8,592
Total administration expenses	734	10,527	13,221	24,482	30,062	54,544	105,114
Other expenses:							
Workplan	14,702	3,252	34,770	52,724	-	52,724	72,023
Grants and projects	4,202	259,888	297,234	561,324	-	561,324	478,005
Conferences, meetings and travel	20	284	356	660	25,669	26,329	11,117
Miscellaneous	652	9,339	11,728	21,719	3,197	24,916	30,055
Total other expenses	19,576	272,763	344,088	636,427	28,866	665,293	591,200
Total expenses before depreciation expense	30,825	434,011	546,588	1,011,424	110,518	1,121,942	1,071,310
Depreciation expense	-	-	-	-	-	-	94
Total functional expenses	<u>\$ 30,825</u>	<u>\$ 434,011</u>	<u>\$ 546,588</u>	<u>\$ 1,011,424</u>	<u>\$ 110,518</u>	<u>\$ 1,121,942</u>	<u>\$ 1,071,404</u>

See accompanying notes to financial statements

**MOTORCITIES NATIONAL HERITAGE AREA
PARTNERSHIP, INC.**

**STATEMENTS OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR SEPTEMBER 30, 2018**

	2019	2018
Cash flows from operating activities:		
Decrease in net assets	\$ (47,156)	\$ (49,499)
Adjustments:		
Depreciation	-	94
Changes in assets and liabilities:		
Increase in grants and accounts receivable	(11,759)	(37,637)
(Increase) decrease in prepaid expenses	(8,083)	7,415
Decrease (increase) in escrow and agency funds	21,833	(32,092)
Increase in accounts payable	7,524	5,750
Decrease in stewardship deposits	-	(975)
Increase in other accrued liabilities	3,062	3,510
(Decrease) increase in escrow and agency funds	(21,833)	32,092
Total adjustments	(9,256)	(21,843)
Net decrease in cash	(56,412)	(71,342)
Cash - beginning	393,993	465,335
Cash - ending	\$ 337,581	\$ 393,993

See accompanying notes to financial statements

MOTORCITIES NATIONAL HERITAGE AREA PARTNERSHIP, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2019 AND 2018

Note 1 - Nature of Organization and Significant Accounting Policies

Nature of Organization

MotorCities National Heritage Area Partnership, Inc. (the “Organization”) is a Michigan non-profit corporation dedicated to preserving, interpreting, and promoting Michigan’s automotive and labor heritage. 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 conserve, interpret and develop 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 statements of activities and changes in net assets.

**MOTORCITIES NATIONAL HERITAGE AREA
PARTNERSHIP, INC.**

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

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

Revenues and Cost Recognition

The Organization recognizes all revenues derived from grants, 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, 2019 and 2018, the fair value of these donated materials and services amounted to \$514,207 and \$449,335, respectively. In 2019, the total donated materials and services were allocated to tourism, revitalization, interpretation and education (Program Services), and management and general (Supporting Services) by approximately 3%, 37%, 47% and 13%, respectively. In 2018, the total donated materials and services were allocated to tourism, revitalization, interpretation and education (Program Services), and management and general (Supporting Services) by approximately 11%, 22%, 57% and 10%, 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, 2019 and 2018, the Organization had approximately \$356,300 and \$467,400, 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, 2019 and 2018, respectively.

MOTORCITIES NATIONAL HERITAGE AREA PARTNERSHIP, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2019 AND 2018

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, with total supporting services deemed to be approximately 13%. 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
PARTNERSHIP, INC.**

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

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 88% of the Organization's non-in-kind revenues were provided through their federal contracts.

Recent Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Not-For-Profit Entities (Topic 958): Presentation of Financial Statements for Not-For-Profit Entities. ASU 2016-14 improves the net asset classification requirements and disclosure requirements regarding liquidity, financial performance and cash flows. ASU 2016-14 requires retroactive application and is effective for fiscal years beginning after December 15, 2017. The Organization adopted ASU 2016-14 for the year ended September 30, 2019.

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, 2018, from which the summarized information was derived.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including January 21, 2020, which is the date the financial statements were available to be issued.

**MOTORCITIES NATIONAL HERITAGE AREA
PARTNERSHIP, INC.**

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

Note 2 - Grants and Accounts Receivable

The Organization's grants and accounts receivable as of September 30, 2019 consisted of the following:

Grants receivable - National Parks Service	<u>\$ 307,504</u>
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Note 3 - Lease Commitments

The Organization is responsible for the operating expenses on a month-to-month basis, which amounts to approximately \$1,700 per month. The Organization has recognized \$18,092 for the use of the facilities, including operating expenses and \$18,000 for parking as in-kind donation revenues and expenses during the year ended September 30, 2019 under this agreement.

The Organization entered into a three year lease with Leaf Electric for the use of a copier in May of 2018. The monthly payment due for the lease is approximately \$205. Below is a breakdown of the required future minimum lease payments by year:

2020	\$ 2,463
2021	<u>1,437</u>
Total	<u>\$ 3,900</u>

The total lease expense for the years ended September 30, 2019 and 2018 amounted to approximately \$3,000 and \$4,300, respectively.

Note 4 - Related Party

The Organization has a cooperative agreement with the National Parks Service that provides substantially all of its federal funding. This agreement has been extended through September 30, 2021; however, the amount of funding is to be determined on an annual basis by Congressional Appropriations committees.

The Organization had their funding cap lifted by language contained in the Public Lands Bill of 2019, later renamed the John D. Dingell Conservation, Management and Recreation Act. In this bill the funding cap was lifted from \$10 million to \$12 million.

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. If a National Heritage Area Program Bill is passed in this Congress, which is a goal that is within reach, it will eliminate caps and reauthorize Motorcities National Heritage Area for 20 years.

**MOTORCITIES NATIONAL HERITAGE AREA
PARTNERSHIP, INC.**

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

Note 5 - Restricted Cash

The Organization maintains funds for various Stewardship Communities. These funds are held by the Organization until authorization is received from the Chief Steward of each community to release the funds. The amounts as of September 30, 2019 and 2018 held for Stewardship Communities amounted to \$7,686 and \$7,686, respectively.

The Organization has received donated funds toward the Highway Sign Project. The restricted balance as of September 30, 2019 and 2018 was \$4,917 and \$4,917, respectively.

The Organization also acts as a fiscal agent for a coalition of other non-profit organizations (the Coalition) relating to the Fort Street Bridge Interpretive Park project. The Organization maintains these custodial funds for payment to the Coalition to purchase items related to the park project. These amounts are held in escrow, with a corresponding liability recorded until the date that such funds are released by the Organization for their intended purpose. The balance at September 30, 2019 and 2018 was \$287,196 and \$309,029, 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, comprise the following:

Cash	\$ 324,978
Grants and accounts receivable	307,504
Prepaid expenses	11,028
Less those unavailable for general expenditure within one year, due to:	
Net assets with restrictions	<u>(4,917)</u>
Total	<u>\$ 638,593</u>

The Organization has \$638,593 of financial assets available within a year of the statement of financial position date to meet cash needs for general expenditures. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

**MOTORCITIES NATIONAL HERITAGE AREA
PARTNERSHIP, INC.**

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

Note 7 - Subsequent Events

Subsequent to September 30, 2019, the Organization came under contract with the Michigan Department of Transportation to begin installing up to 35 signs at \$6,855 each, over a 15 year period. These signs will identify the boundaries as travelers enter the heritage area as well as designate areas along Michigan freeways that are within the MotorCities National Heritage Area. The installation of the first 15 signs began in November 2019 and is expected to be completed by June 2020. As of January 21, 2020, 9 of the 15 signs have been installed at a total cost of \$61,695. These signs will be depreciated over a 10 year life.

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