

**AUTOMOBILE NATIONAL HERITAGE
AREA PARTNERSHIP, INC.
(d/b/a MOTORCITIES NATIONAL
HERITAGE AREA)**

FINANCIAL STATEMENTS

SEPTEMBER 30, 2014
(With Independent Auditor's Report Thereon)

AUTOMOBILE NATIONAL HERITAGE AREA PARTNERSHIP, INC.
(d/b/a MOTORCITIES NATIONAL HERITAGE AREA)

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 Cash Flows	5
Notes to Financial Statements	6
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards	12
Notes to the Schedule of Expenditures of Federal Awards.....	13

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Automobile National Heritage Area Partnership, Inc.
(d/b/a Motorcities National Heritage Area)

Report on the Financial Statements

We have audited the accompanying financial statements of the Automobile National Heritage Area Partnership, Inc. (d/b/a Motorcities National Heritage Area), which comprise the statements of financial position as of September 30, 2014 and 2013, and the related statements of activities and changes in net assets and 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 the Automobile National Heritage Area Partnership, Inc. (d/b/a Motorcities National Heritage Area) as of September 30, 2014 and 2013, and the results of its activities and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2015, on our consideration of the Automobile National Heritage Area Partnership, Inc. (d/b/a Motorcities National Heritage Area) internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Troy, Michigan
January 28, 2015

AUTOMOBILE NATIONAL HERITAGE AREA PARTNERSHIP, INC.
(d/b/a MOTORCITIES NATIONAL HERITAGE AREA)

STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2014 AND 2013

<u>Assets</u>	<u>2014</u>	<u>2013</u>
Current assets:		
Cash	\$ 257,338	\$ 199,697
Grants and accounts receivable (note 2)	464,539	440,000
Prepaid expenses	2,158	50,218
Total current assets	724,035	689,915
Furniture and equipment:		
At cost, less accumulated depreciation of \$3,534 in 2014 and \$5,249 in 2013 (note 3)	944	1,226
Total assets	\$ 724,979	\$ 691,141
 <u>Liabilities and Net Assets</u> 		
Current liabilities:		
Accounts payable	\$ 111,283	\$ 106,633
Other accrued liabilities	12,768	10,561
Stewardship deposits	18,419	18,410
Total current liabilities	142,470	135,604
Net assets: (note 1)		
Unrestricted	582,509	555,537
Total liabilities and net assets	\$ 724,979	\$ 691,141

See accompanying notes to financial statements

AUTOMOBILE NATIONAL HERITAGE AREA PARTNERSHIP, INC.
(d/b/a MOTORCITIES NATIONAL HERITAGE AREA)

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED SEPTEMBER 30, 2014 AND 2013

	2014	2013
Changes in unrestricted net assets:		
Revenue and support:		
Grant from National Parks Service	\$ 491,000	\$ 435,000
Grant from HUD	-	23,312
Contributions	29,533	58,566
In-kind donations (note 1)	656,648	530,424
Wayside Signage Program	112,562	28,703
Investment and other income	11,461	11,029
Total revenue and support	1,301,204	1,087,034
Expenditures: (note 1)		
Program services:		
Tourism	166,273	189,235
Revitalization	608,551	464,512
Interpretation and education	426,293	341,721
Supporting services - management and general	73,115	57,327
Total expenditures	1,274,232	1,052,795
Increase in net assets	26,972	34,239
Net assets - beginning	555,537	521,298
Net assets - ending	\$ 582,509	\$ 555,537

See accompanying notes to financial statements

AUTOMOBILE NATIONAL HERITAGE AREA PARTNERSHIP, INC.
(d/b/a MOTORCITIES NATIONAL HERITAGE AREA)

STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2014 AND 2013

	2014	2013
Cash flows from operating activities:		
Increase in net assets	\$ 26,972	\$ 34,239
Adjustments:		
Depreciation	282	495
Changes in assets and liabilities:		
Increase in grants and other receivables	(24,539)	(212,860)
Decrease (increase) in prepaid expenses	48,060	(37,340)
Increase in accounts payable	4,650	58,792
Increase in other accrued liabilities	2,207	5,144
Increase in stewardship deposits	9	1,766
Total adjustments	30,669	(184,003)
Net cash provided from (used in) operating activities	57,641	(149,764)
Cash flows from investing activities:		
Purchase of equipment	-	(1,413)
Net increase (decrease) in cash	57,641	(151,177)
Cash - beginning	199,697	350,874
Cash - ending	\$ 257,338	\$ 199,697

See accompanying notes to financial statements

AUTOMOBILE NATIONAL HERITAGE AREA PARTNERSHIP, INC.
(d/b/a MOTORCITIES NATIONAL HERITAGE AREA)

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

Note 1 - Nature of Organization and Significant Accounting Policies

Nature of Organization

Automobile National Heritage Area Partnership, Inc. (d/b/a Motorcities National Heritage Area) (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 Automobile National Heritage Area.

Classification of Net Assets

The Organization’s net assets are categorized and reported as follows:

Unrestricted Net Assets - This portion of the Organization’s net assets is available for general obligations and is not subject to any donor imposed restrictions. Revenues earned from unrestricted contributions, investment income available for general operations and all operating expenses are reported in this category.

Temporarily Restricted Net Assets - This portion of the Organization’s net assets is limited to uses specified by donor-imposed restrictions. When donor restrictions expire, or the nature and purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Organization did not hold any temporarily restricted net assets during 2014.

Permanently Restricted Net Assets - This portion of the Organization’s net assets is limited by donor-imposed restrictions which require that the gift be maintained in perpetuity. The Organization did not receive or hold any permanently restricted net assets during 2014.

AUTOMOBILE NATIONAL HERITAGE AREA PARTNERSHIP, INC.
(d/b/a MOTORCITIES NATIONAL HERITAGE AREA)

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

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

Revenues and Cost Recognition

The financial statements of the Organization have been prepared on the accrual basis in accordance with generally accepted accounting principles as applied to non-profit organizations. 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.

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, 2014 and 2013, the fair value of these donated materials and services amounted to \$656,648 and \$530,424, respectively. In 2014, the total donated materials and services were allocated to tourism, revitalization, interpretation and education, and management and general by approximately 11%, 40%, 29% and 20%, respectively. In 2013, the total donated materials and services were allocated to tourism, revitalization, interpretation and education, and management and general by approximately 15%, 38%, 27%, and 20% for each service.

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. Cash balances are insured by the FDIC up to \$250,000 per bank. At September 30, 2014 and 2013, the Organization had \$7,533 and \$-0- of cash balances on deposit that exceeded the balance insured by the FDIC.

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. The Organization also receives grants in which full annual funding amounts are received in advance of the Organization's fiscal year in which such grants may be expended. Grants and other receivables that are deemed uncollectible are written-off in the period that determination is made.

AUTOMOBILE NATIONAL HERITAGE AREA PARTNERSHIP, INC.
(d/b/a MOTORCITIES NATIONAL HERITAGE AREA)

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

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

Furniture and Equipment

Furniture and equipment are stated at cost, or if donated, at fair market value at the date of the donation. Depreciation is computed using the straight-line method over the estimated useful life of the asset. Expenditures for maintenance and repairs are charged to expense when incurred.

Allocation of Functional Expenses

Direct and indirect costs have been allocated between program and general and administrative based on estimates from management. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Total functional expenses amounted to \$1,274,232 and \$1,052,795 for the years ended September 30, 2014 and 2013, respectively. Approximately 94% of these costs are attributed to program services and 6% of these costs are attributed to supporting services for the year ended September 30, 2014. Approximately 95% of these costs are attributed to program services and 5% of these costs are attributed to supporting services for the year ended September 30, 2013.

The primary functional expense categories for September 30, 2014 are as follows:

	Program Services			Total Program Services	Supporting Services	Total
	Tourism	Revitalization	Interpretation and Education		Management and General	
Salaries and benefits	\$ 26,562	\$ 94,867	\$ 68,304	\$ 189,733	\$ 47,433	\$ 237,166
Occupancy expenses	5,486	19,592	14,106	39,184	9,796	48,980
Administration expenses	7,368	20,358	12,989	40,715	10,179	50,894
Program and other expenses	126,857	473,734	330,894	931,485	5,425	936,910
Depreciation expense	-	-	-	-	282	282
	<u>\$ 166,273</u>	<u>\$ 608,551</u>	<u>\$ 426,293</u>	<u>\$ 1,201,117</u>	<u>\$ 73,115</u>	<u>\$ 1,274,232</u>

AUTOMOBILE NATIONAL HERITAGE AREA PARTNERSHIP, INC.
(d/b/a MOTORCITIES NATIONAL HERITAGE AREA)

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

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

Allocation of Functional Expenses (Continued)

The primary functional expense categories for September 30, 2013 are as follows:

	Program Services			Total Program Services	Supporting Services	Total
	Tourism	Revitalization	Interpretation and Education		Management and General	
Salaries and benefits	\$ 18,088	\$ 44,745	\$ 32,368	\$ 95,201	\$ 23,800	\$ 119,001
Occupancy expenses	7,182	17,767	12,852	37,801	9,450	47,251
Administration expenses	14,362	35,525	25,698	75,585	18,896	94,481
Program and other expenses	149,603	366,475	270,803	786,881	4,686	791,567
Depreciation expense	-	-	-	-	495	495
	<u>\$ 189,235</u>	<u>\$ 464,512</u>	<u>\$ 341,721</u>	<u>\$ 995,468</u>	<u>\$ 57,327</u>	<u>\$ 1,052,795</u>

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 85% of the Organization's non-in-kind revenues were provided through federal contracts.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including January 28, 2015, which is the date the financial statements were available to be issued. Subsequent to fiscal year end, the Organization plans to file with the State of Michigan to legally change their name to Motorcities National Heritage Area, Inc.

AUTOMOBILE NATIONAL HERITAGE AREA PARTNERSHIP, INC.
(d/b/a MOTORCITIES NATIONAL HERITAGE AREA)

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

Note 2 - Grants and Accounts Receivable

The Organization's grants and accounts receivable as of September 30, 2014 consisted of the following:

Grants receivable - National Parks Service	\$ 364,069
Grants receivable - Wayside	95,636
Other	<u>4,834</u>
	<u>\$ 464,539</u>

Note 3 - Furniture and Equipment

The cost of furniture and equipment for the year ended September 30, 2014 is summarized as follows:

Furniture and equipment	\$ 4,478
Less: accumulated depreciation	<u>(3,534)</u>
Net carrying amount	<u>\$ 944</u>

Depreciation expense for the years ended September 30, 2014 and 2013 totaled \$282 and \$495, respectively.

Note 4 - 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 \$15,568 for the use of the facilities, including operating expenses and \$13,200 for parking as in-kind donation revenues and expenses during the year ended September 30, 2014 under this agreement.

**AUTOMOBILE NATIONAL HERITAGE AREA PARTNERSHIP, INC.
(d/b/a MOTORCITIES NATIONAL HERITAGE AREA)**

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013**

Note 5 - Service Provider Agreements

The Organization had an agreement with a consulting company to obtain the services of the managing director of Automobile National Heritage Area Partnership, Inc. (d/b/a Motorcities National Heritage Area). The agreement was effective through April 2013. This agreement stipulated that the Organization was to pay a fee of \$2,710, on the fifteenth and twenty eighth calendar days of each month. Consulting expense under this agreement for the years ended September 30, 2014 and 2013 totaled approximately \$-0- and \$42,000, respectively.

Note 6 - Contingency

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.

The Organization receives a substantial amount of its support from federal and state 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.

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

AUTOMOBILE NATIONAL HERITAGE AREA PARTNERSHIP, INC.
(d/b/a MOTORCITIES NATIONAL HERITAGE AREA)

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

<u>Federal Agency/Pass-through Agency Program Title</u>	<u>Federal CFDA Number</u>	<u>Award Amount</u>	<u>Federal Expenditures</u>
<u>U.S. Department of the Interior National Parks Service:</u>			
Automobile National Heritage Area General Management Plan	15.AAT	\$ 491,000	\$ 491,000
<u>U.S. Department of Transportation, passed through to the Michigan Department of Transportation, passed through to the Michigan Housing State Development Authority:</u>			
Motorcities Wayside Exhibits	20.205	<u>112,562</u>	<u>112,562</u>
Total Federal Financial Assistance		<u><u>\$ 603,562</u></u>	<u><u>\$ 603,562</u></u>

See accompanying notes to Schedule of Expenditures of Federal Awards

**AUTOMOBILE NATIONAL HERITAGE AREA PARTNERSHIP, INC.
(d/b/a MOTORCITIES NATIONAL HERITAGE AREA)**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2014 AND 2013**

Note A - Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards includes the Federal Grant activity of Automobile National Heritage Area Partnership, Inc. (d/b/a Motorcities National Heritage Area) and is presented on the same basis of accounting as the basic financial statements. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note B - Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting.

Note C - Major Programs

Major programs are identified in the Summary of Auditor's Results section of the Schedule of Findings and Questioned Costs.

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