



**MOTORCITIES NATIONAL
HERITAGE AREA
(A Nonprofit Organization)**

FINANCIAL STATEMENTS

SEPTEMBER 30, 2023
(With Independent Auditor's Report Thereon)

**MOTORCITIES NATIONAL HERITAGE AREA
(A Nonprofit Organization)**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
MotorCities National Heritage Area
(A Nonprofit Organization)

Report on the Audit of the Financial Statements

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, 2023, 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, 2023, 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.

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 (A Nonprofit Organization) 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 (A Nonprofit Organization) 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 (A Nonprofit Organization) 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 11, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2022, is consistent, in all material respects with the audited financial statements from which it has been derived.



Troy, Michigan
January 29, 2024

**MOTORCITIES NATIONAL HERITAGE AREA
(A Nonprofit Organization)**

**STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2023
WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION AS OF
SEPTEMBER 30, 2022**

Assets	2023	2022
Cash	\$ 311,331	\$ 285,148
Restricted cash (note 5)	7,686	7,686
Grants receivable (note 2)	244,365	310,327
Prepaid expenses	11,666	3,643
Total current assets	575,048	606,804
Signs and equipment		
At cost, less accumulated depreciation of \$66,641 in 2023 and \$48,407 in 2022 (note 8)	24,531	42,765
Total assets	\$ 599,579	\$ 649,569
Liabilities and Net Assets	2023	2022
Liabilities		
Accounts payable	\$ 61,240	\$ 87,520
Deferred revenue	4,000	-
Other accrued liabilities	17,837	16,960
Stewardship deposits (note 5)	7,686	7,686
Total liabilities	90,763	112,166
Net assets		
Without restrictions	508,816	537,403
Total liabilities and net assets	\$ 599,579	\$ 649,569

See accompanying notes to financial statements

**MOTORCITIES NATIONAL HERITAGE AREA
(A Nonprofit Organization)**

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED SEPTEMBER 30, 2023
WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION FOR THE
YEAR ENDED SEPTEMBER 30, 2022**

	Without Donor Restrictions	With Donor Restrictions	2023	2022
Revenue and support				
Grant from National Parks Service	\$ 500,000	\$ -	\$ 500,000	\$ 500,000
Contributions of cash and other financial assets	26,052	-	26,052	8,660
Membership income	19,595	-	19,595	18,752
Contributions of non-financial assets	544,280	-	544,280	503,747
Miscellaneous income	15,020	-	15,020	15,029
Total revenue and support	1,104,947	-	1,104,947	1,046,188
Expenditures				
Program services				
Tourism	301,070	-	301,070	427,223
Revitalization	311,596	-	311,596	128,372
Interpretation and education	374,707	-	374,707	436,724
Supporting services - management and general	146,161	-	146,161	120,506
Total expenditures	1,133,534	-	1,133,534	1,112,825
Decrease in unrestricted net assets	(28,587)	-	(28,587)	(66,637)
Net assets - beginning	537,403	-	537,403	604,040
Net assets - ending	<u>\$ 508,816</u>	<u>\$ -</u>	<u>\$ 508,816</u>	<u>\$ 537,403</u>

See accompanying notes to financial statements

**MOTORCITIES NATIONAL HERITAGE AREA
(A Nonprofit Organization)**

**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2023
WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION FOR THE
YEAR ENDED SEPTEMBER 30, 2022**

	Program Services			Total Program Services	Supporting Services	2023	2022
	Heritage Tourism	Revitalization	Interpretation and Education		Management and General		
Salaries and benefits	\$ 8,600	\$ 170,431	\$ 62,544	\$ 241,575	\$ 90,946	\$ 332,521	\$ 363,218
Occupancy expenses							
Building rent	198	3,925	1,440	5,563	2,094	7,657	40,980
Parking	50	991	363	1,404	529	1,933	13,050
Total occupancy expenses	248	4,916	1,803	6,967	2,623	9,590	54,030
Administration expenses							
Professional accounting fees	-	-	-	-	27,150	27,150	26,282
Professional legal fees	-	-	-	-	1,287	1,287	4,233
Professional fees	641	12,704	4,663	18,008	6,779	24,787	21,623
Postage and supplies	48	951	349	1,348	507	1,855	4,060
Telephone and utilities	86	1,701	624	2,411	908	3,319	6,791
Total administration expenses	775	15,356	5,636	21,767	36,631	58,398	62,989
Other expenses							
Workplan	9,735	3,154	9,868	22,757	-	22,757	20,999
Program Services	271,086	87,828	274,763	633,677	-	633,677	540,056
Conferences, meetings and travel	315	6,240	2,290	8,845	3,330	12,175	5,986
Insurance, fees and miscellaneous	1,194	23,671	8,686	33,551	12,631	46,182	47,313
Total other expenses	282,330	120,893	295,607	698,830	15,961	714,791	614,354
Total expenses before depreciation expense	291,953	311,596	365,590	969,139	146,161	1,115,300	1,094,591
Depreciation expense	9,117	-	9,117	18,234	-	18,234	18,234
Total functional expenses	<u>\$ 301,070</u>	<u>\$ 311,596</u>	<u>\$ 374,707</u>	<u>\$ 987,373</u>	<u>\$ 146,161</u>	<u>\$ 1,133,534</u>	<u>\$ 1,112,825</u>

See accompanying notes to financial statements

**MOTORCITIES NATIONAL HERITAGE AREA
(A Nonprofit Organization)**

**STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2023
WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION FOR THE
YEAR ENDED SEPTEMBER 30, 2022**

	2023	2022
Cash flows from operating activities		
Decrease in unrestricted net assets	\$ (28,587)	\$ (66,637)
Adjustments		
Depreciation	18,234	18,234
Decrease/(increase) in assets		
Grants receivable	65,962	(310,327)
Prepaid expenses	(8,023)	5,997
Increase/(decrease) in liabilities		
Accounts payable	(26,280)	74,847
Deferred revenue	4,000	-
Other accrued liabilities	877	370
Total adjustments	54,770	(210,879)
Net cash provided from (used in) operating activities	26,183	(277,516)
Net increase (decrease) in cash and restricted cash	26,183	(277,516)
Cash and restricted cash - beginning	292,834	570,350
Cash and restricted cash - ending	\$ 319,017	\$ 292,834

See accompanying notes to financial statements

**MOTORCITIES NATIONAL HERITAGE AREA
(A Nonprofit Organization)**

**STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2023
WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION FOR THE
YEAR ENDED SEPTEMBER 30, 2022**

	<u>2023</u>	<u>2022</u>
Schedule of Cash and Restricted Cash		
Cash	\$ 311,331	\$ 285,148
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>\$ 319,017</u>	<u>\$ 292,834</u>

See accompanying notes to financial statements

MOTORCITIES NATIONAL HERITAGE AREA (A Nonprofit Organization)

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2023 AND 2022

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 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.

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.

MOTORCITIES NATIONAL HERITAGE AREA (A Nonprofit Organization)

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2023 AND 2022

Contributions of Non-Financial Assets

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, 2023 and 2022, the fair value of these donated materials and services amounted to \$544,280 and \$503,747, respectively. In 2023, the total donated materials and services were allocated to tourism, revitalization, interpretation and education (Program Services), and management and general (Supporting Services) by approximately 42%, 14%, 43% and 1%, 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.

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, 2023 and 2022, the Organization did not have any cash 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, 2023 and 2022, respectively.

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 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.

MOTORCITIES NATIONAL HERITAGE AREA (A Nonprofit Organization)

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2023 AND 2022

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 accounting fees were deemed to be 100% supporting services and not allocated to programs.

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 92% of the Organization's revenues, excluding contributions of non-financial assets, 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, 2022, from which the summarized information was derived.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including January 29, 2024, which is the date the financial statements were available to be issued.

**MOTORCITIES NATIONAL HERITAGE AREA
(A Nonprofit Organization)**

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

Note 2 – Grants Receivable

The Organization’s grants receivable as of September 30, 2023 and 2022, consisted of the following:

	<u>2023</u>	<u>2022</u>
Grants receivable - National Parks Service	<u>\$ 244,365</u>	<u>\$ 310,327</u>

Note 3 – Lease Commitments

The Organization has month-to-month agreements with third-parties for the usage of certain equipment and storage, with payments ranging from \$227 to \$375 per month. The Organization has recognized expenses of \$7,657 and \$40,980 for the years ended September 30, 2023 and 2022, respectively, related to these month-to-month agreements. The Organization has recognized \$-0- and \$13,050 for parking as contributions of non-financial assets and the related expenses during the years ended September 30, 2023 and 2022, respectively.

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 \$244,365 and \$310,327 for the years ended September 30, 2023 and 2022, respectively, is support from federal government sources.

Note 5 – Restricted Cash

The Organization maintained funds for various Stewardship Communities. The Organization held these funds to be disbursed based on the approved plan from the Stewardship Communities. During the year ended September 30, 2023, the Stewardship Communities dissolved, and these funds are now restricted for use by the Organization’s board. The amounts restricted as of September 30, 2023 and 2022 amounted to \$7,686 and \$7,686, respectively.

**MOTORCITIES NATIONAL HERITAGE AREA
(A Nonprofit Organization)**

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

Note 6 – Contract Balances

The following table summarizes our ending and beginning balances for contract liabilities associated with our contracts with customers:

	September 30, 2023	September 30, 2022
Deferred revenue	\$ 4,000	\$ -

The contract balances relate to deferred revenue for which the Organization has future performance obligations to the customer. Deferred revenue represents contributions received in advance for events set to occur during future periods. The associated revenue will be recognized at the point in time the events take place. The Organization does not have any contract assets as defined in ASC 606.

Note 7 – 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 \$555,696.

If funds to cover the cost of current liabilities are backed out a net amount of \$472,619 is available at September 30, 2023. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Note 8 – Signs and Equipment

The cost of signs and equipment is summarized as follows:

	2023	2022
Signs and equipment	\$ 91,172	\$ 91,172
Less accumulated depreciation	(66,641)	(48,407)
Undepreciated cost	<u>\$ 24,531</u>	<u>\$ 42,765</u>

Depreciation expense was \$18,234 and \$18,234 for the years ended September 30, 2023 and 2022, respectively.

**MOTORCITIES NATIONAL HERITAGE AREA
(A Nonprofit Organization)**

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

Note 9 – Contributions of Non-Financial Assets

The Organization received software, rent, parking, professional services, legal services, and materials and services as contributions of non-financial assets. The Organization records contributions of non-financial assets and expenses related to these contributions of non-financial assets. The total value of the contributions of non-financial assets received that met the criteria for being recorded in the financial statements amounted to \$544,280 and \$503,747 for the years ended September 30, 2023 and 2022, respectively, which has been recorded in the accompanying statement of activities and changes in net assets. These contributions of non-financial assets are not a cash in-flow or out-flow.

The expenses, related to the contributions of non-financial assets, are included in the statement of functional expenses for the years ended September 30, 2023 and 2022. Total expenses related to the contributions of non-financial assets are categorized as follows:

	2023	2022
Software	\$ -	\$ 5,000
Rent	-	18,092
Parking	-	13,050
Professional Services	5,800	5,220
Attorney	1,287	4,233
Materials & Services	537,193	458,152
	\$ 544,280	\$ 503,747

Contributed professional services comprise of services donated to the Organization for the writing of articles. These are valued and are reported at the estimated fair value in the financial statements based on current market rates for similar services. The professional services were used for the benefit of the Organization’s Story of the Week program.

Contributed materials & services comprise of building restoration services, historic site revitalization, educational exhibitions, lectures, tours, volunteer time and planning donated to the Organization. These are valued and are reported at the estimated fair value in the financial statements based on the current market rates for similar services. The materials & services were used to benefit the Organization’s grant and mini-grant programs.

Contributed attorney services comprise of work performed by the Organization’s attorney at no cost. These are valued and are reported at the estimated fair value in the financial statements based on current market rates for similar services. The attorney services were used to benefit the Organization’s management.