

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

FINANCIAL STATEMENTS

SEPTEMBER 30, 2015  
*(With Independent Auditor's Report Thereon)*

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

**TABLE OF CONTENTS**

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	<u>Page</u>
<b>INDEPENDENT AUDITOR'S REPORT</b> .....	1
<b>FINANCIAL STATEMENTS</b>	
Statements of Financial Position .....	3
Statements of Activities and Changes in Net Assets.....	4
Statements of Cash Flows .....	5
Notes to Financial Statements .....	6
<b>SUPPLEMENTARY INFORMATION</b>	
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  
**MotorCities National Heritage Area Partnership, Inc.**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the MotorCities National Heritage Area Partnership, Inc., which comprise the statements of financial position as of September 30, 2015 and 2014, 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 MotorCities National Heritage Area Partnership, Inc. as of September 30, 2015 and 2014, and the changes in its net assets 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 February \_\_, 2016, on our consideration of the MotorCities National Heritage Area Partnership, Inc. 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.

*Doeren Mayhew*

Troy, Michigan  
February 10, 2016

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

**STATEMENTS OF FINANCIAL POSITION  
SEPTEMBER 30, 2015 AND 2014**

<u>Assets</u>	<u>2015</u>	<u>2014</u>
Current assets:		
Cash	\$ 238,459	\$ 257,338
Grants and accounts receivable (note 2)	511,575	464,539
Prepaid expenses	2,194	2,158
Total current assets	752,228	724,035
Furniture and equipment:		
At cost, less accumulated depreciation of \$3,816 in 2015 and \$3,534 in 2014 (note 3)	662	944
Total assets	\$ 752,890	\$ 724,979
<b><u>Liabilities and Net Assets</u></b>		
Current liabilities:		
Accounts payable	\$ 99,325	\$ 111,283
Other accrued liabilities	17,496	12,768
Stewardship deposits	18,428	18,419
Total current liabilities	135,249	142,470
Net assets (note 1):		
Unrestricted	617,641	582,509
Total liabilities and net assets	\$ 752,890	\$ 724,979

See accompanying notes to financial statements

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

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

	<b>2015</b>	<b>2014</b>
Changes in unrestricted net assets:		
Revenue and support:		
Grant from National Parks Service	\$ 506,975	\$ 491,000
Contributions	13,794	29,533
In-kind donations (note 1)	740,249	656,648
Wayside Signage Program	-	112,562
Investment and other income	9	11,461
	1,261,027	1,301,204
Total revenue and support		
Expenditures (note 1):		
Program services:		
Tourism	188,190	166,273
Revitalization	536,095	608,551
Interpretation and education	424,206	426,293
Supporting services - management and general	77,404	73,115
	1,225,895	1,274,232
Total expenditures		
Increase in net assets	35,132	26,972
Net assets - beginning	582,509	555,537
Net assets - ending	\$ 617,641	\$ 582,509

See accompanying notes to financial statements

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

**STATEMENTS OF CASH FLOWS  
YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

	<b>2015</b>	<b>2014</b>
Cash flows from operating activities:		
Increase in net assets	\$ 35,132	\$ 26,972
Adjustments:		
Depreciation	282	282
Changes in assets and liabilities:		
Increase in grants and other receivables	(47,036)	(24,539)
(Increase) decrease in prepaid expenses	(36)	48,060
(Decrease) increase in accounts payable	(11,958)	4,650
Increase in other accrued liabilities	4,728	2,207
Increase in stewardship deposits	9	9
Total adjustments	(54,011)	30,669
Net (decrease) increase in cash	(18,879)	57,641
Cash - beginning	257,338	199,697
Cash - ending	\$ 238,459	\$ 257,338

See accompanying notes to financial statements

# MOTORCITIES NATIONAL HERITAGE AREA PARTNERSHIP, INC.

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2015 AND 2014

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### 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. On February 18, 2015, the Organization legally changed their name from Automobile National Heritage Area Partnership, Inc. to MotorCities National Heritage Area Partnership, Inc. with the State of Michigan.

#### 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 2015.

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 2015.



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

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015 AND 2014**

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**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, 2015 and 2014, the fair value of these donated materials and services amounted to \$740,249 and \$656,648, respectively. In 2015, the total donated materials and services were allocated to tourism, revitalization, interpretation and education, and management and general by approximately 13%, 38%, 29%, and 20%, 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% 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, 2015 and 2014, the Organization had \$-0- and \$7,533 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. No allowance for doubtful accounts is considered necessary at September 30, 2015 and 2014, respectively.

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

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015 AND 2014**

**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, unless that expense improves a pre-existing unit of property and is deemed significant by management, in which case the amount would be capitalized and depreciated using the straight-line method over the estimated useful life of the improvement.

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 \$1,225,895 and \$1,274,232 for the years ended September 30, 2015 and 2014, respectively. Approximately 94% of these costs are attributed to program services and 6% of these costs are attributed to supporting services for the years ended September 30, 2015 and 2014.

The primary functional expense categories for September 30, 2015 are as follows:

	Program Services			Total Program Services	Supporting Services	Total
	Tourism	Revitalization	Interpretation and Education		Management and General	
Salaries and benefits	\$ 33,270	\$ 94,777	\$ 74,996	\$ 203,043	\$ 50,761	\$ 253,804
Occupancy expenses	6,425	18,303	14,483	39,211	9,803	49,014
Administration expenses	6,195	17,645	13,962	37,802	9,451	47,253
Program and other expenses	142,300	405,370	320,765	868,435	7,107	875,542
Depreciation expense	-	-	-	-	282	282
	<u>\$ 188,190</u>	<u>\$ 536,095</u>	<u>\$ 424,206</u>	<u>\$ 1,148,491</u>	<u>\$ 77,404</u>	<u>\$ 1,225,895</u>

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

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015 AND 2014**

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

Allocation of Functional Expenses (Continued)

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>

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 97% 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 February 10, 2016, which is the date the financial statements were available to be issued.

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

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015 AND 2014**

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**Note 2 - Grants and Accounts Receivable**

The Organization's grants and accounts receivable as of September 30, 2015 consisted of the following:

Grants receivable - National Parks Service	\$ 506,975
Other	<u>4,600</u>
	<u>\$ 511,575</u>

**Note 3 - Furniture and Equipment**

The cost of furniture and equipment for the year ended September 30, 2015 is summarized as follows:

Furniture and equipment	\$ 4,478
Less: accumulated depreciation	<u>(3,816)</u>
Net carrying amount	<u>\$ 662</u>

Depreciation expense for the years ended September 30, 2015 and 2014 totaled \$282.

**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, 2015 under this agreement.

The Organization entered into a three year lease with General Electric for the use of a copier in April of 2015. The monthly payment due for the lease is \$205. Below is a breakdown of the required future minimum lease payments by year:

2016	\$ 2,460
2017	2,460
2018	<u>1,230</u>
Total	<u>\$ 6,150</u>

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

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015 AND 2014**

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**Note 5 - 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 \* \* \***

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Federal Agency/Pass-through Agency Program Title	Federal CFDA Number	Award Amount	Federal Expenditures
<b><u>U.S. Department of the Interior National Parks Service:</u></b>			
MotorCities National Heritage Area General Management Plan	15.939	\$ 516,000	\$ 506,975
Total Federal Expenditures		<u>\$ 516,000</u>	<u>\$ 506,975</u>

See accompanying notes to Schedule of Expenditures of Federal Awards

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

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
SEPTEMBER 30, 2015 AND 2014**

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**Note A - Significant Accounting Policies**

The accompanying Schedule of Expenditures of Federal Awards includes the Federal Grant activity of MotorCities National Heritage Area Partnership, Inc. 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.