

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

FINANCIAL STATEMENTS

SEPTEMBER 30, 2017
(With Independent Auditor's Report Thereon)

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

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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, 2017 and 2016, 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. Those standards require that we plan and perform the audits 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, 2017 and 2016, 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.

Doeren Mayhew

Troy, Michigan
February 14, 2018

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

**STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2017 AND 2016**

<u>Assets</u>	<u>2017</u>	<u>2016</u>
Current assets:		
Cash	\$ 451,757	\$ 178,080
Temporarily restricted cash (note 6)	13,578	18,437
Grants and accounts receivable (note 2)	258,107	518,121
Prepaid expenses	10,360	1,121
Escrow and agency funds (note 6)	276,937	-
Total current assets	1,010,739	715,759
Furniture and equipment:		
At cost, less accumulated depreciation of \$4,383 in 2017 and \$4,101 in 2016 (note 3)	95	377
Total assets	\$ 1,010,834	\$ 716,136
 <u>Liabilities and Net Assets</u> 		
Current liabilities:		
Accounts payable	\$ 75,388	\$ 75,857
Other accrued liabilities	5,025	12,924
Stewardship deposits (note 6)	8,661	18,437
Escrow and agency funds (note 6)	276,937	-
Total current liabilities	366,011	107,218
Net assets:		
Unrestricted	639,906	608,918
Temporarily restricted (note 6)	4,917	-
Total net assets	644,823	608,918
Total liabilities and net assets	\$ 1,010,834	\$ 716,136

See accompanying notes to financial statements

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

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

	2017	2016
Changes in unrestricted net assets:		
Revenue and support:		
Grant from National Parks Service	\$ 491,000	\$ 506,000
Contributions	50,133	62,394
In-kind donations	514,821	630,115
Miscellaneous income	9,783	-
Total revenue and support	1,065,737	1,198,509
Expenditures:		
Program services:		
Tourism	30,581	55,779
Revitalization	567,897	956,590
Interpretation and education	350,055	102,767
Supporting services - management and general	86,216	92,096
Total expenditures	1,034,749	1,207,232
Increase (decrease) in unrestricted net assets	30,988	(8,723)
Temporarily restricted revenue:		
Net assets contributed	4,917	-
Increase (decrease) in net assets	35,905	(8,723)
Net assets - beginning	608,918	617,641
Net assets - ending	\$ 644,823	\$ 608,918

See accompanying notes to financial statements

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

**STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

	2017	2016
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 35,905	\$ (8,723)
Adjustments:		
Depreciation	282	285
Changes in assets and liabilities:		
Decrease (increase) in grants and accounts receivable	260,014	(6,546)
(Increase) decrease in prepaid expenses	(9,239)	1,073
Increase in escrow and agency funds	(276,937)	-
Decrease in accounts payable	(469)	(23,468)
Increase in escrow and agency funds	276,937	-
Decrease in other accrued liabilities	(7,899)	(4,572)
(Decrease) increase in stewardship deposits	(9,776)	9
Total adjustments	232,913	(33,219)
Net increase (decrease) in cash	268,818	(41,942)
Cash - beginning	196,517	238,459
Cash - ending	\$ 465,335	\$ 196,517

See accompanying notes to financial statements

MOTORCITIES NATIONAL HERITAGE AREA PARTNERSHIP, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2017 AND 2016

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.

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.

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 2017.

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

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016**

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.

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, 2017 and 2016, the fair value of these donated materials and services amounted to \$514,821 and \$630,115, respectively. In 2017, 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%, 60%, 37%, and 8%, respectively. In 2016, the total donated materials and services were allocated to tourism, revitalization, interpretation and education (Program Services), and management and general (Supporting Services) by approximately 5%, 78%, 9%, and 8%, 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, 2017 and 2016, the Organization had approximately \$504,500 and \$-0-, 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, 2017 and 2016, respectively.

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

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016**

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 \$1,034,749 and \$1,207,232 for the years ended September 30, 2017 and 2016, respectively. Approximately 92% of these costs are attributed to program services and 8% of these costs are attributed to supporting services for the years ended September 30, 2017 and 2016.

The primary functional expense categories for September 30, 2017 are as follows:

	Program Services				Supporting Services	
	Tourism	Revitalization	Interpretation and Education	Total Program Services	Management and General	Total
Salaries and benefits	\$ 6,820	\$ 136,406	\$ 84,117	\$ 227,343	\$ 56,836	\$ 284,179
Occupancy expenses	1,361	27,214	16,782	45,357	11,338	56,695
Administration expenses	1,369	27,395	16,893	45,657	11,412	57,069
Program and other expenses	21,031	376,882	232,263	630,176	6,348	636,524
Depreciation expense	-	-	-	-	282	282
	<u>\$ 30,581</u>	<u>\$ 567,897</u>	<u>\$ 350,055</u>	<u>\$ 948,553</u>	<u>\$ 86,216</u>	<u>\$ 1,034,749</u>

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

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016**

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

Allocation of Functional Expenses (Continued)

The primary functional expense categories for September 30, 2016 are as follows:

	Program Services			Total Program Services	Supporting Services	Total
	Tourism	Revitalization	Interpretation and Education		Management and General	
Salaries and benefits	\$ 12,497	\$ 214,937	\$ 22,493	\$ 249,927	\$ 62,482	\$ 312,409
Occupancy expenses	1,956	33,643	3,521	39,120	9,780	48,900
Administration expenses	2,033	34,952	3,658	40,643	10,161	50,804
Program and other expenses	39,293	673,058	73,095	785,446	9,391	794,837
Depreciation expense	-	-	-	-	282	282
	<u>\$ 55,779</u>	<u>\$ 956,590</u>	<u>\$ 102,767</u>	<u>\$ 1,115,136</u>	<u>\$ 92,096</u>	<u>\$ 1,207,232</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 89% 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 14, 2018, which is the date the financial statements were available to be issued.

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

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016**

Note 2 - Grants and Accounts Receivable

The Organization's grants and accounts receivable as of September 30, 2017 consisted of the following:

Grants receivable - National Parks Service	\$ 258,107
Other	<u>4,600</u>
	<u>\$ 262,707</u>

Note 3 - Furniture and Equipment

The cost of furniture and equipment for the year ended September 30, 2017 is summarized as follows:

Furniture and equipment	\$ 4,478
Less: accumulated depreciation	<u>(4,383)</u>
Net carrying amount	<u>\$ 95</u>

Depreciation expense for the years ended September 30, 2017 and 2016 totaled \$282 and \$285, 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 \$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, 2017 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:

2018	<u>\$ 1,230</u>
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**MOTORCITIES NATIONAL HERITAGE AREA
PARTNERSHIP, INC.**

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016**

Note 5 - 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.

In addition, the Organization may reach their funding cap by September 30, 2020, depending on congressional appropriations. The Organization has begun working with members of Congress to resolve this.

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.

Note 6 - 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, 2017 and 2016 held for Stewardship Communities amounted to \$8,661 and \$18,437, respectively.

The Organization has received donated funds toward the Highway Sign Project. The restricted balance as of September 30, 2017 and 2016 was \$4,917 and \$-0-, 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 highway 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, 2017 and 2016 was \$276,937 and \$-0-, respectively.

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