



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

FINANCIAL STATEMENTS

SEPTEMBER 30, 2024
(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)

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, 2024, 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, 2024, 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) 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 29, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2023, is consistent, in all material respects with the audited financial statements from which it has been derived.



Troy, Michigan
January 27, 2025

MOTORCITIES NATIONAL HERITAGE AREA
(A Nonprofit Organization)

STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2024
WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION AS OF
SEPTEMBER 30, 2023

Assets	2024	2023
Cash	\$ 586,123	\$ 311,331
Restricted cash (note 5)	7,686	7,686
Grants receivable (note 2)	-	244,365
Prepaid expenses	5,729	11,666
Total current assets	599,538	575,048
Signs and equipment		
At cost, less accumulated depreciation of \$84,875 in 2024 and \$66,641 in 2023 (note 8)	6,297	24,531
Total assets	\$ 605,835	\$ 599,579
<u>Liabilities and Net Assets</u>		
Liabilities		
Accounts payable	\$ 40,539	\$ 61,240
Deferred revenue	-	4,000
Other accrued liabilities	7,748	17,837
Stewardship deposits (note 5)	7,686	7,686
Total liabilities	55,973	90,763
Net assets		
Without restrictions	437,862	508,816
With restrictions (note 6)	112,000	-
Total net assets	549,862	508,816
Total liabilities and net assets	\$ 605,835	\$ 599,579

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, 2024
WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION FOR THE
YEAR ENDED SEPTEMBER 30, 2023

	Without Donor Restrictions	With Donor Restrictions	2024	2023
Revenue and support				
Grant from National Parks Service	\$ 500,000	\$ -	\$ 500,000	\$ 500,000
Contributions of cash and other financial assets	45,733	112,000	157,733	26,052
Membership income	16,735	-	16,735	19,595
Contributions of non-financial assets	534,588	-	534,588	544,280
Miscellaneous income	151	-	151	15,020
	<u>1,097,207</u>	<u>112,000</u>	<u>1,209,207</u>	<u>1,104,947</u>
Total revenue and support				
Expenditures				
Program services				
Tourism	299,854	-	299,854	301,070
Revitalization	373,178	-	373,178	311,596
Interpretation and education	351,989	-	351,989	374,707
Supporting services - management and general	143,140	-	143,140	146,161
	<u>1,168,161</u>	<u>-</u>	<u>1,168,161</u>	<u>1,133,534</u>
Total expenditures				
Change in net assets	(70,954)	112,000	41,046	(28,587)
Net assets - beginning	<u>508,816</u>	<u>-</u>	<u>508,816</u>	<u>537,403</u>
Net assets - ending	<u>\$ 437,862</u>	<u>\$ 112,000</u>	<u>\$ 549,862</u>	<u>\$ 508,816</u>

See accompanying notes to financial statements

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

**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2024
WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION FOR THE
YEAR ENDED SEPTEMBER 30, 2023**

	Program Services			Total Program Services	Supporting Services	2024	2023
	Heritage Tourism	Revitalization	Interpretation and Education		Management and General		
Salaries and benefits	\$ 18,484	\$ 163,779	\$ 58,950	\$ 241,213	\$ 88,854	\$ 330,067	\$ 332,521
Occupancy expenses							
Building rent	476	4,219	1,518	6,213	2,289	8,502	7,657
Parking	108	954	343	1,405	518	1,923	1,933
Total occupancy expenses	584	5,173	1,861	7,618	2,807	10,425	9,590
Administration expenses							
Professional accounting fees	-	-	-	-	28,315	28,315	27,150
Professional legal fees	-	-	-	-	350	350	1,287
Professional fees	1,403	12,434	4,476	18,313	6,746	25,059	24,787
Postage and supplies	35	307	111	453	166	619	1,855
Telephone and utilities	177	1,568	564	2,309	850	3,159	3,319
Total administration expenses	1,615	14,309	5,151	21,075	36,427	57,502	58,398
Other expenses							
Workplan	23,367	14,197	23,367	60,931	-	60,931	22,757
Program Services	243,556	147,975	243,557	635,088	-	635,088	633,677
Conferences, meetings and travel	858	7,602	2,736	11,196	4,125	15,321	12,175
Insurance, fees and miscellaneous	2,273	20,143	7,250	29,666	10,927	40,593	46,182
Total other expenses	270,054	189,917	276,910	736,881	15,052	751,933	714,791
Total expenses before depreciation expense	290,737	373,178	342,872	1,006,787	143,140	1,149,927	1,115,300
Depreciation expense	9,117	-	9,117	18,234	-	18,234	18,234
Total functional expenses	<u>\$ 299,854</u>	<u>\$ 373,178</u>	<u>\$ 351,989</u>	<u>\$ 1,025,021</u>	<u>\$ 143,140</u>	<u>\$ 1,168,161</u>	<u>\$ 1,133,534</u>

See accompanying notes to financial statements

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

**STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2024
WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION FOR THE
YEAR ENDED SEPTEMBER 30, 2023**

	2024	2023
Cash flows from operating activities		
Change in net assets	\$ 41,046	\$ (28,587)
Adjustments		
Depreciation	18,234	18,234
Decrease/(increase) in assets		
Grants receivable	244,365	65,962
Prepaid expenses	5,937	(8,023)
Increase/(decrease) in liabilities		
Accounts payable	(20,701)	(26,280)
Deferred revenue	(4,000)	4,000
Other accrued liabilities	(10,089)	877
Total adjustments	233,746	54,770
Net cash provided from operating activities	274,792	26,183
Net increase in cash and restricted cash	274,792	26,183
Cash and restricted cash - beginning	319,017	292,834
Cash and restricted cash - ending	\$ 593,809	\$ 319,017
Schedule of cash and restricted cash		
Cash	\$ 586,123	\$ 311,331
Restricted cash		
Stewardship deposits	7,686	7,686
Total cash and restricted cash shown in the statement of cash flows	\$ 593,809	\$ 319,017

See accompanying notes to financial statements

MOTORCITIES NATIONAL HERITAGE AREA (A Nonprofit Organization)

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2024 AND 2023

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, 2024 AND 2023

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, 2024 and 2023, the fair value of these donated materials and services amounted to \$534,588 and \$544,280, respectively. In 2024, 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%, 23%, 38% and 1%, 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.

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, 2024 and 2023, the Organization had approximately \$169,000 and \$-0- of cash balances in excess of the FDIC limits.

Grants and Other Receivables

Grants are recorded as a receivable when earned. Revenue from conditional grant awards under expense reimbursement programs is recognized in the period during which the conditions are substantially met. In cases where the conditions are substantially met in advance of receiving grant reimbursement, revenue and grants receivable are recorded. No allowance for credit losses has been provided. Management has evaluated the account based on historical experience and review of current status and believes it is collectible.

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, 2024 AND 2023

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 74% 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, 2023, from which the summarized information was derived.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including January 27, 2025, 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, 2024 AND 2023**

Note 2 – Grants Receivable

The Organization’s grants receivable as of September 30, 2024 and 2023, consisted of the following:

	2024	2023
Grants receivable - National Parks Service	\$ -	\$ 244,365

Note 3 – Leases

The Organization has month-to-month agreements with third-parties for the usage of certain equipment and storage, with payments ranging from \$317 to \$383 per month. The Organization has recognized expenses of \$8,502 and \$7,657 for the years ended September 30, 2024 and 2023, respectively, related to these month-to-month agreements.

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 \$-0- and \$244,365 for the years ended September 30, 2024 and 2023, 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, 2024 and 2023 amounted to \$7,686 and \$7,686, respectively.

Note 6 – Net Assets with Donor Restrictions

Net assets with donor restrictions as of September 30, 2024 and 2023 are for the following purposes:

	2024	2023
Subject to expenditure for specified purpose		
Many Voices, One Story	\$ 84,000	\$ -
Open OutDoors for Kids	28,000	-
	\$ 112,000	\$ -

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

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024 AND 2023**

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, comprise the following:

	2024	2023
Total current assets	\$ 599,538	\$ 575,048
Less those unavailable for general expenditure within one year, due to		
Restricted by donor with time or purpose restrictions	(112,000)	-
Less restricted cash	(7,686)	(7,686)
Less prepaid expenses	(5,729)	(11,666)
Total	\$ 474,123	\$ 555,696

Financial assets in the amount of \$474,123 and \$555,696 are available for general expenditure without donor or other restrictions limiting their use for the years ended September 30, 2024 and 2023, respectively. If funds to cover the cost of current liabilities are backed out a net amount of \$425,836 and \$472,619 is available at September 30, 2024 and 2023, respectively. 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:

	2024	2023
Signs and equipment	\$ 91,172	\$ 91,172
Less accumulated depreciation	(84,875)	(66,641)
Undepreciated cost	\$ 6,297	\$ 24,531

Depreciation expense was \$18,234 and \$18,234 for the years ended September 30, 2024 and 2023, respectively.

Note 9 – Contributions of Non-Financial Assets

The Organization received 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 \$534,588 and \$544,280 for the years ended September 30, 2024 and 2023, 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.

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

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024 AND 2023**

The expenses, related to the contributions of non-financial assets, are included in the statement of functional expenses for the years ended September 30, 2024 and 2023. Total expenses related to the contributions of non-financial assets are categorized as follows:

	2024	2023
Professional services	\$ 4,640	\$ 5,800
Attorney	-	1,287
Materials & services	529,948	537,193
	\$ 534,588	\$ 544,280

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 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.

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.

Note 10 – Commitments

During the year ended September 30, 2024, the Organization entered into a contract with a third-party to provide various supporting services for the Organizations grants. The contract requires the Organization to pay a minimum of \$40,000 to the third-party through April 30, 2025, when the contract terminates. As of September 30, 2024, the Organization has incurred \$16,000 in costs related to this contract.

Note 11 – Uncertainty

The accompanying financial statements have been prepared assuming that the Organization will continue to receive a substantial amount of its support from federal government sources. Changes in federal government administration could result in delays of funding due to budgetary considerations. While the Organization continues to make efforts to ensure its funding from federal government sources is secured, delays are possible.

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

We have audited the financial statements of MotorCities National Heritage Area (A Nonprofit Organization) (the Organization) as of and for the year ended September 30, 2024, and have issued our report thereon dated January 27, 2025. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated October 29, 2024, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of MotorCities National Heritage Area (A Nonprofit Organization) solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance With All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

You have designated an individual, with suitable skill, knowledge, or experience to oversee the financial statement preparation services and any other non-attest services we provide, evaluate the adequacy and results of the services, and accept responsibility for them.

Significant Risks Identified

Inherent in any audit, we are required to consider management override of controls and improper revenue recognition as a significant risk. These risks are considered pervasive to the overall financial statements and were considered in the design and performance of our audit procedures.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by MotorCities National Heritage Area (A Nonprofit Organization) is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2024. No matters have come to our attention that would require us, under professional standards, to inform you about: (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. The most sensitive estimates made by management related to donated goods and services and the allocation of functional expenses.

Management's estimate of donated goods and services. Donated goods and services are valued at fair value at the time of donation. We evaluated the key factors and assumptions used to develop the fair value of donated goods and services and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Management's estimate of the allocation of functional expense indicates the amount of program and supporting service expenses incurred during the years ended September 30, 2024 and 2023, respectively. We evaluated the key factors and assumptions used to develop the allocation of functional expenses and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting MotorCities National Heritage Area's (A Nonprofit Organization) financial statements relate to revenue recognition and the allocation of functional expenses.

Significant Unusual Transactions

For purposes of this communication, professional standards require us to communicate to you significant unusual transactions identified during our audit. There were no significant unusual transactions identified as a result of our audit procedures.

Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards also require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. There were no such misstatements requiring communication.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The attached schedule summarizes corrected material misstatements that were identified as a result of our audit procedures, were brought to the attention of, and corrected by, management.

Disagreements With Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to MotorCities National Heritage Area's (A Nonprofit Organization) financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Circumstances that Affect the Form and Content of the Auditor's Report

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report. There have been no such circumstances.

Representations Requested from Management

We have requested certain representations from management, which are included in the management representation letter dated January 27, 2025.

Management's Consultations With Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings or Issues

In the normal course of our professional association with MotorCities National Heritage Area (A Nonprofit Organization), we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating conditions affecting the entity, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as MotorCities National Heritage Area's (A Nonprofit Organization) auditors.

This report is intended solely for the information and use of the Board of Directors of MotorCities National Heritage Area (A Nonprofit Organization) and is not intended to be and should not be used by anyone other than these specified parties.

A stylized, cursive signature of "Doeren Mayhew Assurance" in black ink, enclosed within a light gray rectangular border.

Troy, Michigan
January 27, 2025

Client: **Motorcities National Heritage Area**
 Engagement: **Motorcities National Heritage Area**
 Period Ending: **9/30/2024**
 Workpaper: **Adjusting Journal Entries Report**

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 3			
To post PBC entry to adjust deferred revenue to \$-0- for the NPF Many Voices, One Story and NPF OOK grants.			
220500	Deferred Revenue	112,000.00	
41-4934	Workplan Projects/Events:Many Voices,		112,000.00
Total		112,000.00	112,000.00

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

In planning and performing our audit of the financial statements of Motorcities National Heritage Area (A Nonprofit Organization) as of and for the year ended September 30, 2024, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

We consider the following deficiency to be material weaknesses:

- The Organization erroneously recorded grants it was awarded as deferred revenue, however these grants should have been recognized as revenue as there were no barriers for recognition in the current year, resulting in a material misstatement of deferred revenue, revenue, and net assets without restriction.

A significant deficiency is a deficiency or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

This communication is intended solely for the information and use of management, the Board of Directors, and others within the Organization and is not intended to be, and should not be, used by anyone other than these specified parties.

A stylized, handwritten signature in black ink that reads "Doeren Mayhew Assurance".

Troy, Michigan
January 27, 2025



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

**COMMENTS AND RECOMMENDATIONS
MEMORANDUM**

SEPTEMBER 30, 2024

January 27, 2025

Board of Directors and Management
Motorcities National Heritage Area
2937 E. Grand Boulevard
Detroit, Michigan 48202

Members of the Board and Management:

We have recently completed an audit of the financial statements of Motorcities National Heritage Area (A Nonprofit Organization) for the year ended September 30, 2024. Our audit was made primarily for the purpose of expressing our opinion on the financial statements and, accordingly, did not encompass a detailed review of systems, procedures and internal controls. However, during our audit, we observed certain accounting areas where we believe improvements can be effected, and we offer the enclosed comments and recommendations memorandum for your review.

The accompanying memorandum is not based upon a complete survey of all phases of operating and executive controls. We appreciate that the ultimate objective of the Board of Directors and management is to achieve maximum control at a minimum cost. We believe that consideration of the recommendations enumerated in this memorandum are compatible with that objective.

We believe that the implementation of these recommendations will provide Motorcities National Heritage Area (A Nonprofit Organization) with a stronger system of internal accounting control while also making its operations more efficient. We will be pleased to discuss the details of these recommendations with you and assist in any way possible with their implementation. This report is intended solely for the information and use of the Board of Directors, management, and others within the Organization, and is not intended to be and should not be used by anyone other than these specified parties.



DOEREN MAYHEW ASSURANCE

CURRENT YEAR COMMENTS AND RECOMMENDATIONS

I. Review of Journal Entries

During our audit, we noted that the Organization does have a process in place for reviewing and approving journal entries posted to the general ledger, however no physical signoff or electronic communication exists to verify that the review process takes place.

Recommendation:

We recommend the Organization modify the review and approval process to include a physical signoff or electronic approval of journal entries once they are reviewed and approved.

Management Response:

An email acknowledging final approval of journal entries will be exchanged between the staff and the bookkeeper upon review.

II. Accounting for Grants

During our audit, we noted the Organization erroneously recorded grants it was awarded as deferred revenue, however these grants should have been recognized as revenue as there were no barriers for recognition in the current year. We noted that after discussing this finding with management, management properly corrected the misstatement.

Recommendation:

We recommend that the Organization implement policies and procedures related to the review of grant agreements it is awarded to ensure the proper accounting for these grants is applied.

Management Response:

This was a misinterpretation of prior guidance regarding grants involving subgrantees. We will adjust our policies to reflect the different procedures for conditional versus unconditional grants.

PRIOR YEAR RECOMMENDATIONS

I. Check Copies

During our audit procedures, we noted that though the Organization does maintain copies of checks deposited, deposit slips, and bank statements, only the front of these checks are saved by the Organization. Per review of the Organization's process for depositing checks, each check received is to be stamped with a restrictive endorsement before depositing. Since the Organization only maintains the front of checks, we were unable to obtain and verify that checks are being stamped with the restrictive endorsement prior to being deposited.

Recommendation:

We recommend the Organization maintain copies of both the front and back of checks going forward.

Current Status:

No issues noted in the current year.