

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

FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

(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, 2021, 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.

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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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, 2021 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.

Report on Summarized Comparative Financial Information

We have previously audited MotorCities National Heritage Area Partnership, Inc.'s September 30, 2020 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 2, 2021. In our opinion, the summarized comparative financial information presented herein as of and for the year ended September 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Doeren Mayhew

Troy, Michigan
March 22, 2022

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

**STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2021
WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION AS OF
SEPTEMBER 30, 2020**

<u>Assets</u>	<u>2021</u>	<u>2020</u>
Cash	\$ 562,664	\$ 161,445
Restricted cash (note 5)	7,686	7,686
Grants and accounts receivable (note 2)	-	394,850
Prepaid expenses	9,640	5,375
Escrow and agency funds (note 5)	-	37,780
Total current assets	579,990	607,136
Signs and equipment:		
At cost, less accumulated depreciation of \$30,173 in 2021 and \$11,939 in 2020 (note 7)	60,999	79,233
Total assets	\$ 640,989	\$ 686,369
<u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable	\$ 12,673	\$ 25,149
Other accrued liabilities	16,590	17,240
Stewardship deposits (note 5)	7,686	7,686
Escrow and agency funds (note 5)	-	37,780
Total liabilities	36,949	87,855
Net assets:		
Without restrictions	604,040	598,514
Total liabilities and net assets	\$ 640,989	\$ 686,369

See accompanying notes to financial statements

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

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED SEPTEMBER 30, 2021
WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION FOR THE
YEAR ENDED SEPTEMBER 30, 2020**

	2021	2020
Changes in unrestricted net assets:		
Revenue and support:		
Grant from National Parks Service	\$ 491,000	\$ 491,000
Contributions	8,095	42,058
Membership income	18,821	14,879
In-kind donations	102,155	172,485
Miscellaneous income	8,611	15,002
Total revenue and support	628,682	735,424
Expenditures:		
Program services:		
Tourism	54,698	15,372
Revitalization	141,996	6,525
Interpretation and education	279,259	515,321
Supporting services - management and general	147,203	147,860
Total expenditures	623,156	685,078
Increase in unrestricted net assets	5,526	50,346
Net assets - beginning	598,514	548,168
Net assets - ending	\$ 604,040	\$ 598,514

See accompanying notes to financial statements

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

**STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2021
WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION FOR THE
YEAR ENDED SEPTEMBER 30, 2020**

	Program Services				Supporting Services	2021	2020
	Heritage Tourism	Revitalization	Interpretation and Education	Total Program Services	Management and General		
Salaries and benefits	\$ 29,782	\$ 92,323	\$ 175,710	\$ 297,815	\$ 64,888	\$ 362,703	\$ 357,248
Occupancy expenses:							
Building rent	3,134	9,714	18,488	31,336	6,828	38,164	34,819
Parking	1,478	4,582	8,720	14,780	3,220	18,000	18,335
Total occupancy expenses	4,612	14,296	27,208	46,116	10,048	56,164	53,154
Administration expenses:							
Professional accounting fees	-	-	-	-	23,284	23,284	21,684
Professional legal fees	-	-	-	-	36,589	36,589	39,489
Professional fees	1,781	5,519	10,507	17,807	3,880	21,687	24,575
Postage and supplies	385	1,193	2,270	3,848	838	4,686	6,535
Telephone and utilities	622	1,927	3,668	6,217	1,355	7,572	6,216
Total administration expenses	2,788	8,639	16,445	27,872	65,946	93,818	98,499
Other expenses:							
Workplan	5,498	1,167	15,586	22,251	-	22,251	18,892
Program Services	-	16,579	18,077	34,656	-	34,656	108,512
Conferences, meetings and travel	162	502	956	1,620	353	1,973	4,888
Insurance, fees and miscellaneous	2,739	8,490	16,160	27,389	5,968	33,357	31,946
Total other expenses	8,399	26,738	50,779	85,916	6,321	92,237	164,238
Total expenses before depreciation expense	45,581	141,996	270,142	457,719	147,203	604,922	673,139
Depreciation expense	9,117	-	9,117	18,234	-	18,234	11,939
Total functional expenses	\$ 54,698	\$ 141,996	\$ 279,259	\$ 475,953	\$ 147,203	\$ 623,156	\$ 685,078

See accompanying notes to financial statements

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

**STATEMENTS OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2021
WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION FOR THE
YEAR ENDED SEPTEMBER 30, 2020**

	2021	2020
Cash flows from operating activities:		
Increase in unrestricted net assets	\$ 5,526	\$ 50,346
Adjustments:		
Depreciation	18,234	11,939
Changes in assets and liabilities:		
(Increase) decrease in:		
Grants and accounts receivable	394,850	(87,346)
Prepaid expenses	(4,265)	5,653
Escrow and agency funds	37,780	249,416
Increase (decrease) in:		
Accounts payable	(12,476)	(63,513)
Other accrued liabilities	(650)	5,643
Escrow and agency funds	(37,780)	(249,416)
Total adjustments	395,693	(127,624)
Net cash provided from (used in) operating activities	401,219	(77,278)
Cash flows from investing activities:		
Purchase of equipment	-	(91,172)
Net increase (decrease) in cash and restricted cash	401,219	(168,450)
Cash and restricted cash - beginning	169,131	337,581
Cash and restricted cash - ending	\$ 570,350	\$ 169,131

See accompanying notes to financial statements

MOTORCITIES NATIONAL HERITAGE AREA PARTNERSHIP, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2021 AND 2020

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 conserving, interpreting and developing the historical, cultural, natural and recreational resources related to the 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 fulfill 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 statements of activities and changes in net assets.

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

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

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

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.

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, 2021 and 2020, the fair value of these donated materials and services amounted to \$102,155 and \$172,485, respectively. In 2021, the total donated materials and services were allocated to tourism, revitalization, interpretation and education (Program Services), and management and general (Supporting Services) by approximately 9%, 23%, 45% and 23%, respectively. In 2020, the total donated materials and services were allocated to tourism, revitalization, interpretation and education (Program Services), and management and general (Supporting Services) by approximately 2%, 1%, 82% and 15%, 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, 2021 and 2020, the Organization had approximately \$507,712 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, 2021 and 2020, respectively.

MOTORCITIES NATIONAL HERITAGE AREA PARTNERSHIP, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2021 AND 2020

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

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 the 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.

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 Partnership, Inc. 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 fees were deemed to be 100% supporting services and not allocated to programs.

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

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

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

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 93% of the Organization's non-in-kind revenues 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, 2020, from which the summarized information was derived.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including March 22, 2022, which is the date the financial statements were available to be issued.

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

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

Note 2 - Grants and Accounts Receivable

The Organization's grants and accounts receivable as of September 30, 2021 and 2020, consisted of the following:

	<u>2021</u>	<u>2020</u>
Grants receivable - National Parks Service	<u>\$ -</u>	<u>\$ 394,850</u>

Note 3 - 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 \$38,164 and \$34,819 in 2021 and 2020 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, 2021 and 2020 under this agreement.

The Organization has a lease with Leaf Electric for the use of a copier. The lease is on a month-to-month basis. The total copier lease expense for the years ended September 30, 2021 and 2020 amounted to \$3,295 and \$3,019, respectively. The final payments to satisfy this lease occurred in August 2021, and the machine was subsequently returned.

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. Appropriations for fiscal year 2022 are expected to undergo one more Continuing Resolution through March 11, 2022. After that, it is projected by both parties in Congress that budgets will be completely negotiated and passed for the rest of the fiscal year. In those budgets is language for all 30 of the National Heritage Areas which expired on September 30, 2021 to be reauthorized for two years. Additionally, there are program bills in the House and the Senate that are making progress; the House passed its bill last June and the Senate reported its bill out of committee in December, and it essentially just needs to go before the full Senate. These bills are expected to reauthorize the MotorCities National Heritage Area Partnership, Inc. for the next 15 years and are expected to pass in 2022.

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

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

Note 5 - Restricted Cash

The Organization maintains funds for various Stewardship Communities. The Organization holds these funds to be disbursed based on the approved plan from the Stewardship Communities. The amounts as of September 30, 2021 and 2020 held for Stewardship Communities amounted to \$7,686 and \$7,686, 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 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, 2021 and 2020 was \$-0- and \$37,780, respectively. The project was completed in 2021.

Note 6 - 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 \$562,664.

If funds to cover the cost of current liabilities are backed out a net amount of \$533,401 is available at September 31, 2021. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Note 7 - Signs and Equipment

The cost of signs and equipment is summarized as follows:

	<u>2021</u>	<u>2020</u>
Signs and equipment	\$ 91,172	\$ 91,172
Less accumulated depreciation	<u>(30,173)</u>	<u>(11,939)</u>
Undepreciated cost	<u>\$ 60,999</u>	<u>\$ 79,233</u>

Depreciation expense was \$18,234 and \$11,939 for the year ended September 30, 2021 and 2020, respectively.

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