

HERITAGE WORKS

FINANCIAL STATEMENTS

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2019

(WITH COMPARATIVE TOTALS FOR 2018)

HERITAGE WORKS
FINANCIAL STATEMENTS
DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

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**GREGORY
TERRELL
& COMPANY**

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Heritage Works

We have audited the accompanying financial statements of Heritage Works (a Michigan non-profit corporation), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, 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 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.

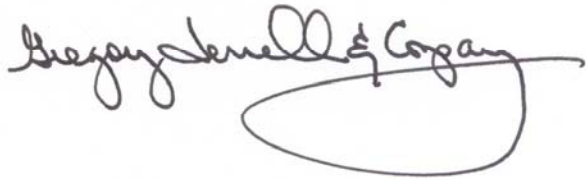
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Heritage Works as of December 31, 2019, 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 Information

We have previously audited Heritage Work's 2018 financial statements, and our report dated June 19, 2019, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Gregory Terrell & Company". The signature is written in a cursive style and is positioned above a large, empty oval shape.

GREGORY TERRELL & COMPANY
Certified Public Accountants
Detroit, Michigan

April 18, 2020

HERITAGE WORKS
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash	\$ 67,908	\$ 182,529
Grants and Contracts Receivable	160,450	175,865
Pledges Receivable	4,640	2,640
Prepaid Expenses and Advances	80	80
Security Deposits	663	663
Total Current Assets	<u>\$ 233,741</u>	<u>\$ 361,777</u>
Property and Equipment (net)	<u>4,492</u>	<u>5,762</u>
Total Assets	<u><u>\$ 238,233</u></u>	<u><u>\$ 367,539</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts Payable	\$ 2,564	\$ 13,186
Accrued Payroll Payable	<u>4,037</u>	<u>2,220</u>
Total Current Liabilities	<u>\$ 6,601</u>	<u>\$ 15,406</u>
NET ASSETS		
Without Donor Restrictions	\$ 20,001	\$ 33,933
With Donor Restrictions	<u>211,631</u>	<u>318,200</u>
Total Net Assets	<u>\$ 231,632</u>	<u>\$ 352,133</u>
Total Liabilities and Net Assets	<u><u>\$ 238,233</u></u>	<u><u>\$ 367,539</u></u>

The accompanying notes are an integral part of this statement.

HERITAGE WORKS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>2019</u> <u>Total</u>	<u>2018</u> <u>Total</u>
PUBLIC SUPPORT AND REVENUE				
Contributions	\$ 21,850	\$ -	\$ 21,850	\$ 11,874
Grants	-	261,000	261,000	274,500
Program Service Fees	8,700	-	8,700	14,507
In-kind Contributions	35,359	-	35,359	20,751
Miscellaneous	4,375	-	4,375	11,822
Net Assets Released from Restrictions -				
Satisfaction of Program Restrictions	<u>367,569</u>	<u>(367,569)</u>	<u>-</u>	<u>-</u>
Total Public Support and Revenue	<u>\$ 437,853</u>	<u>\$ (106,569)</u>	<u>\$ 331,284</u>	<u>\$ 333,454</u>
EXPENSES				
Program Services	\$ 374,321	\$ -	\$ 374,321	\$ 415,379
Management and General	50,045	-	50,045	57,258
Fundraising	<u>27,419</u>	<u>-</u>	<u>27,419</u>	<u>31,915</u>
Total Expenses	<u>\$ 451,785</u>	<u>\$ -</u>	<u>\$ 451,785</u>	<u>\$ 504,552</u>
Change in Net Assets	\$ (13,932)	\$ (106,569)	\$ (120,501)	\$ (171,098)
NET ASSETS , Beginning of Year	<u>33,933</u>	<u>318,200</u>	<u>352,133</u>	<u>523,331</u>
NET ASSETS , End of Year	<u>\$ 20,001</u>	<u>\$ 211,631</u>	<u>\$ 231,632</u>	<u>\$ 352,133</u>

The accompanying notes are an integral part of this statement.

HERITAGE WORKS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	<u>Program</u> <u>Services</u>	<u>Management</u> <u>and</u> <u>General</u>	<u>Fundraising</u>	<u>2019</u> <u>Total</u>	<u>2018</u> <u>Total</u>
Salaries and Wages	\$ 128,313	\$ 15,096	\$ 7,548	\$ 150,957	\$ 128,076
Fringe Benefits	9,842	1,158	579	11,579	9,106
Payroll Taxes	10,848	1,276	638	12,762	11,417
Consultants and Professional Fees	126,316	20,786	12,791	159,894	219,449
Payroll Processing Fees	4,940	581	291	5,812	4,989
Supplies	19,158	2,254	1,127	22,539	13,229
Telephone	4,746	558	280	5,584	5,941
Occupancy	19,258	2,266	1,133	22,657	34,936
Postage and Delivery	75	9	4	88	152
Printing and Copying	1,975	232	117	2,324	2,644
Bank Service Charges	758	89	45	892	455
Advertising	1,343	158	79	1,580	5,050
Travel and Meetings	40,860	4,807	2,404	48,071	54,336
Insurance	845	99	50	994	2,216
Books and Subscriptions	857	101	50	1,008	855
Membership Dues	-	81	37	118	383
Staff Development	2,038	240	120	2,398	638
Bad Debt	-	-	-	-	1,600
Miscellaneous	948	112	56	1,115	7,563
Subtotal	<u>\$ 373,243</u>	<u>\$ 49,918</u>	<u>\$ 27,356</u>	<u>\$ 450,517</u>	<u>\$ 503,035</u>
Depreciation and Amortization	1,078	127	63	1,268	1,517
Total Expenses	<u>\$ 374,321</u>	<u>\$ 50,045</u>	<u>\$ 27,419</u>	<u>\$ 451,785</u>	<u>\$ 504,552</u>

The accompanying notes are an integral part of this statement.

HERITAGE WORKS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2019</u>	<u>2018</u>
Change in Net Assets	\$ (120,501)	\$ (171,098)
Adjustments to Reconcile Change in Net Assets to Cash Provided by (Used for) Operating Activities:		
Depreciation and Amortization	1,268	1,517
Decrease (Increase) in Grants and Contracts Receivable	15,416	188,100
Decrease (Increase) in Pledges Receivable	(1,999)	(1,508)
(Increase) in Prepaid Expenses and Advances	-	(80)
(Decrease) Increase in Security Deposits	-	792
(Decrease) in Accounts Payable	(10,622)	(25)
(Decrease) in Accrued Payroll Payable	1,818	(500)
(Decrease) Increase in Grants Payable	-	(7,657)
Net Cash Provided by (Used for) Operating Activities	<u>\$ (114,620)</u>	<u>\$ 9,541</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	<u>\$ -</u>	<u>\$ (1,768)</u>
Net Cash Used for Investing Activities	<u>\$ -</u>	<u>\$ (1,768)</u>
 Increase (Decrease) in Cash	 <u>\$ (114,620)</u>	 <u>\$ 7,773</u>
 CASH, Beginning of Year	 <u>182,529</u>	 <u>174,757</u>
 CASH, End of Year	 <u><u>\$ 67,908</u></u>	 <u><u>\$ 182,529</u></u>

The accompanying notes are an integral part of this statement.

HERITAGE WORKS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

(1) **ORGANIZATION**

Heritage Works is a Michigan nonprofit corporation, organized exclusively for charitable and educational purposes more specifically to promote youth and community development through cultural art and heritage. The program and supporting services rendered by Heritage Works are described below:

Program Services

Heritage Works major programs are Youth Works and Community Works. Descriptions and specific program activities are:

Youth Works: Heritage Works serves the metro Detroit area by providing activities that use expressive traditions to promote youth development and success. Youth Works includes:

- I. **Heritage In School:** Heritage In School provides beginning and intermediate school and community-based programs for metro Detroit youth throughout the school day. Through dance, music, visual arts, and folklore activities as well as field trips and culminating events, participating youth explore the expressive traditions of different ethnic groups and consider the practices and traditions that shape their own lives as well. The goal of Heritage In School is to promote positive youth development through cultural and academic enrichment, intercultural understanding, and physical recreation.
- II. **Ensemble Training:** The Heritage Works Ensemble is comprised of young artists and young adults, who meet weekly to study and train in cultural and performance traditions of African people and world culture. This group performs ongoing at a variety of community events and annual concerts. The goal of this program is to promote excellence, skill development and skill diversity; develop community storytellers and culture keepers; and expand personal movement, music and performance vocabularies. This program also promotes creative career paths.

HERITAGE WORKS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(Continued)

(1) **ORGANIZATION** (cont'd)

Program Services (cont'd)

Community Works: Heritage Works serves the metro Detroit area by providing activities that use cultural arts in innovative ways to address the needs of our communities. Community Works meets the demand for experiences that ignite the spirit, promote a fuller sense of culture, and inspire joy and understanding. Community Works includes:

- I. **Health and Heritage:** Health and Heritage uses culturally-tailored strategies and cross-disciplinary collaboration to address community-wide health issues. Health and Heritage activities include cultural movement and drum, parenting classes, meditative activities (e.g., Yoga, craft), nutrition and coaching in order to promote wellness among Detroit families and youth. The goals are to promote and improve the physical and mental wellness of participants.
- II. **Visiting Artists:** Annually, Heritage Works hosts workshops, special events and presentations that feature tradition bearers (e.g., master drummers, dancers, kora players, quilters and folklorists). Through residencies, single classes, workshop series, and performances with one or multiple artists, these activities provide experiences that promote cultural insight, cross-cultural exchange and understanding and professional development. These events also provide a venue for visiting tradition bearers and master artists to share and create work with local artists.
- III. **Cultural Competency:** Cultural Competency provides training and experiences that promote cultural competence among adults and youth. With an emerging workforce and leadership skills, cultural competency (CC) results in an ability to understand, communicate with, and effectively interact with people across cultures (Cross, 1989). Cultural traditions and arts provide immersive and disarming ways to experience and discuss culture, differences, and associated topics. The goal of this program is to develop the knowledge, skills and strategies central to cultural competency via arts and culture-based activities.

HERITAGE WORKS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(Continued)

(1) **ORGANIZATION** (cont'd)

Supporting Services

Management and General encompass all activities necessary for overall planning, direction and management of Heritage Works. Fundraising expense is a subgroup of a nonprofit's supporting activities expenses. This functional expense classification is used for fundraising activities including fundraising campaigns, mailings for funds from supporters, and other solicitations for contributions.

(2) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Principles of Reporting

The financial statements have been prepared on the accrual basis of accounting and are in conformity with the industry guide for Audits of Not-for-Profit Entities.

Basis of Accounting

The accompanying financial statements were prepared using the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America.

Heritage Works adopted FASB issued ASU 2016-14, Not-for Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return.

Net Assets Presentation

Net assets without donor restrictions are net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of Heritage Works' management and the board of directors.

Net assets with donor restrictions are net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions by Heritage Works or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

HERITAGE WORKS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(Continued)

(2) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

Net Assets Presentation

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Support and Revenue

Heritage Works reports contributions of cash and other assets with donor restrictions if they are subject to stipulations imposed by donors. Contributions of cash and other assets are reported without donor restrictions if they are not subject to stipulations imposed by donors. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, cash and other assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Program Service Fees

Program income consists of income generated from fee for service activities that are recorded as revenue at the time the service is performed by Heritage Works.

Allocation of Expenses

In the Statement of Functional Expenses, directly identifiable expenses are charged to program and supporting services based on specific identification. Indirect expenses have been allocated between various program and supporting services on the basis of periodic expense studies.

Property and Equipment

Property and equipment are stated at cost or fair value at the date the items were donated. Depreciation and amortization of property and equipment is provided over the estimated useful lives of the assets on the straight-line basis. Property and equipment that have a cost of \$1,000 or greater are capitalized.

HERITAGE WORKS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(Continued)

(2) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 reported period. Actual results could differ from those estimates.

Advertising Expense

Advertising costs are expensed as incurred. Advertising expense for the year ended December 31, 2019 was \$1,580.

(3) **TAX-EXEMPT STATUS**

Heritage Works is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

(4) **AVAILABILITY AND LIQUIDITY**

The following represents Heritage Works' financial assets at December 31, 2019:

	<u>2019</u>
Financial Assets at Year End:	
Cash	\$ 67,908
Grants and Contracts Receivable	160,450
Pledges Receivable	<u>4,640</u>
Total Financial Assets	\$ 232,998
Less Amounts not available to be used within one year:	
Net Assets with Donor Restrictions	<u>211,631</u>
Financial Assets available to meet general expenditures over the next twelve months	<u><u>\$ 21,367</u></u>

HERITAGE WORKS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(Continued)

(5) **CONCENTRATION OF CREDIT RISK**

Financial instruments which potentially subject Heritage Works to concentrations of credit risk consist of cash deposits in a checking account.

The carrying amount of cash at December 31, 2019 was \$67,908 the bank balance was \$73,422. The entire bank balance of Heritage Works was insured by the FDIC.

(6) **GRANTS AND CONTRACTS RECEIVABLE**

Grants and contracts receivable at December 31, 2019 consist of the following:

ERB Family Foundation	\$ 10,000
Kresge Foundation	30,000
Local Initiative Support Corp	10,000
Kari Haliburton	1,000
MCACA	2,450
McGregor Fund	16,600
Ryan Bates	5,000
National Endowment for the Arts	20,000
Max M.& Marjorie S. Fisher Foundation	<u>65,400</u>
Total	<u>\$ 160,450</u>

An allowance for uncollectible accounts was not considered necessary at December 31, 2019.

HERITAGE WORKS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(Continued)

(7) **PLEDGES RECEIVABLE**

Included in pledges receivable are the following unconditional promises to give as of December 31, 2019:

Amounts due in:		
Less than 1 year	\$	4,708
1 year to 5 years		<u>-</u>
	\$	4,708
Less: Unamortized discount at 4%		<u>(68)</u>
Net Pledges Receivable	\$	<u><u>4,640</u></u>

(8) **PROPERTY AND EQUIPMENT**

A summary of property and equipment at December 31, 2019 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Land	\$ 1,924	\$ -	\$ -	\$ 1,924
Computers	3,434	-	-	3,434
Leasehold Improvements	4,596	-	-	4,596
Furniture, Fixtures & Equipment	<u>18,719</u>	<u>-</u>	<u>-</u>	<u>18,719</u>
Subtotal	\$ 28,673	\$ -	\$ -	\$ 28,673
Less: Accumulated Depreciation and Amortization	<u>(22,911)</u>	<u>(1,270)</u>	<u>-</u>	<u>(24,181)</u>
Property and Equipment, Net of Accumulated Depreciation and Amortization	<u>\$ 5,762</u>	<u>\$ (1,270)</u>	<u>\$ -</u>	<u>\$ 4,492</u>

HERITAGE WORKS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(Continued)

(9) **NET ASSETS WITH DONOR RESTRICTIONS**

The following Net Assets With Donor Restrictions are net assets that contain donor-imposed restrictions that expire upon the passage of time or once specific actions are undertaken by Heritage Works:

Ford Motor Company	\$ 60,031
McGregor Fund	16,600
Kresge Foundation Feasibility	30,000
Local Initiative Support Corp	10,000
ERB Foundation	10,000
National Endowment for the Arts	20,000
Max & Majorie Fisher Foundation	65,000
Total	<u>\$ 211,631</u>

(10) **NET ASSETS RELEASED FROM DONOR RESTRICTIONS**

The following Net Assets Without Donor Restrictions are net assets that were released during the year ended December 31, 2019, by incurring expenses satisfying the restricted or time purposes or by occurrence of events specified by grantor:

Community Foundation of Southeastern Michigan	\$ 42,500
MCACA	21,700
Max & Majorie Fisher Foundation	40,000
NEA	40,000
Michigan Humanities	9,000
Knight Foundation	100,000
Ford Motor Company	14,969
McGregor Fund	33,400
McGregor Fund	50,000
Kresge Foundation	15,000
Culture Source	500
Dodge Foundation	500
Total	<u>\$ 367,569</u>

HERITAGE WORKS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(Continued)

(11) **LEASES**

Effective March 26, 2019, Heritage Works signed a lease agreement for office space covering the period April 1, 2019 to March 31, 2020. The lease requires monthly payments of \$595. Effective July 1, 2019, Heritage Works moved to a larger office suite and the monthly lease payments were increased to \$886. Future minimum lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2020	\$ 2,658
Total	<u>\$ 2,658</u>

(12) **COMPARATIVE TOTALS**

The financial statements include certain prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with Heritage Works financial statements for the year ended December 31, 2018.

(13) **SUBSEQUENT EVENTS**

Subsequent events have been evaluated through April 18, 2020, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

(14) **NEW ACCOUNTING PRONOUNCEMENTS**

The FASB issued ASU 2018-02, Leases (topic 842), in February 2018. ASU 2018-02 requires the recognition by lessees of assets and liabilities that arise from all lease transactions, except for leases with a lease term of 12 months or less. The lessee accounting model under ASU 2018-02 retains two types of leases: finance leases and operating leases. However, ASU 2018-02 requires both types of leases to be recognized on the Statement of Financial Position or Balance Sheet. The lessor accounting model under ASU 2018-02 is largely unchanged from the existing accounting for leases by lessors, but some technical changes have been made to conform to the updated revenue recognition guidance as a result of ASU 2014-09. ASU 2018-02 also requires expanded qualitative and quantitative disclosures regarding the amount, timing, and uncertainty of cash flows arising from leases. ASU 2018-02 applies to financial statements for years beginning after December 15, 2019, with earlier implementation permitted. Heritage Works' management will determine the impact on its financial statements as it implements ASU 2018-02.