

HERITAGE WORKS

FINANCIAL STATEMENTS

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2017

(WITH COMPARATIVE TOTALS FOR 2016)

HERITAGE WORKS
FINANCIAL STATEMENTS
DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

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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, 2017, 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.

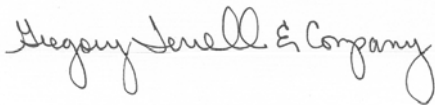
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2017, 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 2016 financial statements, and our report dated March 31, 2017, 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, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.



GREGORY TERRELL & COMPANY

Certified Public Accountants

Detroit, Michigan

December 1, 2018

HERITAGE WORKS
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

ASSETS

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash	\$ 174,756	\$ 50,090
Grants and Contracts Receivable	363,965	98,565
Pledges Receivable	1,132	1,632
Security Deposits	1,455	950
Total Current Assets	\$ 541,308	\$ 151,237
Property and Equipment (net)	5,511	7,394
Total Assets	\$ 546,819	\$ 158,631

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts Payable	\$ 13,211	\$ 11,100
Accrued Payroll Payable	2,720	5,169
Grants Payable	7,657	-
Total Current Liabilities	\$ 23,588	\$ 16,269
NET ASSETS		
Unrestricted	\$ 157,731	\$ 49,862
Temporarily Restricted	365,500	92,500
Total Net Assets	\$ 523,231	\$ 142,362
Total Liabilities and Net Assets	\$ 546,819	\$ 158,631

The accompanying notes are an integral part of this statement.

HERITAGE WORKS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2017 Total</u>	<u>2016 Total</u>
PUBLIC SUPPORT AND REVENUE				
Contributions	\$ 9,174	\$ -	\$ 9,174	\$ 7,850
Grants	354,600	310,500	665,100	344,582
Program Service Fees	1,100	-	1,100	6,340
In-kind Contributions	-	-	-	44,052
Miscellaneous	1,920	-	1,920	13
Net Assets Released from Restrictions -				
Satisfaction of Program Restrictions	<u>37,500</u>	<u>(37,500)</u>	<u>-</u>	<u>-</u>
Total Public Support and Revenue	<u>\$ 404,294</u>	<u>\$ 273,000</u>	<u>\$ 677,294</u>	<u>\$ 402,837</u>
EXPENSES				
Program Services	\$ 244,580	\$ -	\$ 244,580	\$ 310,982
Management and General	33,657	-	33,657	75,617
Fundraising	<u>18,188</u>	<u>-</u>	<u>18,188</u>	<u>23,459</u>
Total Expenses	<u>\$ 296,425</u>	<u>\$ -</u>	<u>\$ 296,425</u>	<u>\$ 410,058</u>
Change in Net Assets	\$ 107,869	\$ 273,000	\$ 380,869	\$ (7,221)
NET ASSETS, Beginning of Year	<u>49,862</u>	<u>92,500</u>	<u>142,362</u>	<u>149,583</u>
NET ASSETS, End of Year	<u>\$ 157,731</u>	<u>\$ 365,500</u>	<u>\$ 523,231</u>	<u>\$ 142,362</u>

The accompanying notes are an integral part of this statement.

HERITAGE WORKS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

	<u>Program</u> <u>Services</u>	Management and <u>General</u>	<u>Fundraising</u>	<u>2017</u> <u>Total</u>	<u>2016</u> <u>Total</u>
Salaries and Wages	\$ 70,997	\$ 8,353	\$ 4,176	\$ 83,526	\$ 94,747
Fringe Benefits	5,525	650	325	6,500	3,302
Payroll Taxes	6,804	801	400	8,005	7,214
Professional Fees	73,968	12,172	7,490	93,631	145,836
Professional Fees - In-kind	-	-	-	-	37,092
Payroll Processing Fees	2,183	257	128	2,568	2,071
Office	1,034	122	61	1,217	914
Supplies	7,683	904	452	9,039	16,397
Telephone	5,236	616	308	6,160	7,527
Occupancy	30,218	3,555	1,778	35,551	23,244
Occupancy - In-kind	-	-	-	-	6,960
Postage and Delivery	43	5	3	50	161
Printing and Copying	975	115	57	1,147	1,431
Bank Service Charges	530	62	31	623	580
Advertising	1,259	148	74	1,481	534
Travel and Meetings	16,607	1,954	977	19,538	21,166
Insurance	6,497	764	382	7,643	1,654
Books and Subscriptions	258	30	15	304	720
Membership Dues	-	1,412	664	2,076	1,610
Staff Development	184	22	11	216	3,772
Bad Debt	9,095	1,070	535	10,700	19,965
Miscellaneous	3,881	457	228	4,566	8,991
Subtotal	<u>\$ 242,977</u>	<u>\$ 33,469</u>	<u>\$ 18,095</u>	<u>\$ 294,541</u>	<u>\$ 405,888</u>
Depreciation and Amortization	1,603	188	93	1,884	4,170
Total Expenses	<u>\$ 244,580</u>	<u>\$ 33,657</u>	<u>\$ 18,188</u>	<u>\$ 296,425</u>	<u>\$ 410,058</u>

The accompanying notes are an integral part of this statement.

HERITAGE WORKS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2017</u>	<u>2016</u>
Change in Net Assets	\$ 380,869	\$ (7,221)
Adjustments to Reconcile Change in Net Assets to Cash Provided by (Used for) Operating Activities:		
Depreciation and Amortization	1,884	4,170
Decrease (Increase) in Grants and Contracts Receivable	(265,400)	(84,975)
Decrease (Increase) in Pledges Receivable	500	8,712
Decrease (Increase) in Prepaid Expenses and Advances	-	6,287
(Increase) in Security Deposits	(505)	(50)
(Decrease) Increase in Accounts Payable	2,111	9,059
Increase in Accrued Payroll Payable	(2,449)	3,464
Increase in Grants Payable	<u>7,657</u>	<u>-</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ 124,667</u>	<u>\$ (60,554)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	<u>\$ -</u>	<u>\$ (3,940)</u>
Net Cash Used for Investing Activities	<u>\$ -</u>	<u>\$ (3,940)</u>
 Increase (Decrease) in Cash	 \$ 124,667	 \$ (64,494)
 CASH, Beginning of Year	 <u>50,090</u>	 <u>114,584</u>
CASH, End of Year	<u>\$ 174,756</u>	<u>\$ 50,090</u>

The accompanying notes are an integral part of this statement.

HERITAGE WORKS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

(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, 2017
(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, 2017
(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.

Recognition of Contributions

Contributions received with no conditions are recorded as unrestricted, temporarily restricted, or permanently restricted revenue at the time the promise to give is obtained, depending on the existence and/or nature of any donor restrictions. Conditional pledges are not recorded as revenue until the conditions are substantially met, at which time the contributions become unconditional.

Support and Revenue

Heritage Works reports contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose 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.

HERITAGE WORKS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)

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

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. 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, salaries and related expenses are allocated to program services, and supporting services on the basis of the actual time devoted to those activities. Other expenses have been charged directly or allocated using various bases as determined by management.

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.

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, 2017 was \$600.

HERITAGE WORKS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)

(3) **TAX-EXEMPT STATUS**

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

(4) **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, 2017 was \$174,756 the bank balance was \$179,939. The entire bank balance of Heritage Works was insured by the FDIC.

(5) **GRANTS AND CONTRACTS RECEIVABLE**

Grants and contracts receivable at December 31, 2017 consist of the following:

Community Foundation for SE MI	\$ 85,000
Dance USA	22,000
Dresner Foundation	42,500
ERB Family Foundation	20,000
Kresge Foundation	20,000
MCACA	21,000
McGregor	50,000
The Max M. & Marjorie S. Fisher Foundation	<u>103,465</u>
Total Grants, and Contracts Receivable	<u>\$ 363,965</u>

An allowance for uncollectible accounts was not considered necessary at December 31, 2017.

HERITAGE WORKS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)

(6) **PLEDGES RECEIVABLE**

Included in pledges receivable are the following unconditional promises to give as of December 31, 2017:

Amounts due in:		
Less than 1 year	\$	-
1 year to 5 years		<u>1,200</u>
	\$	1,200
Less: Unamortized discount at 5.7%		<u>(68)</u>
Net Pledges Receivable	\$	<u>1,132</u>

(7) **PROPERTY AND EQUIPMENT**

A summary of property and equipment at December 31, 2017 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Land	\$ 1,924	\$ -	\$ -	\$ 1,924
Computers	12,958	-	-	12,958
Instruments	6,226	-	-	6,226
Automobile	1,200	-	-	1,200
Leasehold Improvements	<u>4,596</u>	<u>-</u>	<u>-</u>	<u>4,596</u>
Subtotal	\$ 26,904	\$ -	\$ -	\$ 26,904
Less: Accum Depreciation and Amortization	<u>(19,510)</u>	<u>(1,883)</u>	<u>-</u>	<u>(21,393)</u>
Property and Equipment, Net of Accum Depreciation and Amortization	<u>\$ 7,394</u>	<u>\$ (1,883)</u>	<u>\$ -</u>	<u>\$ 5,511</u>

HERITAGE WORKS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)

(8) **TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets contain donor-imposed restrictions that expire upon the passage of time or once specific actions are undertaken by Heritage Works:

Community Foundation	\$ 85,000
Dresner Foundation	42,500
Engaging Dance Audiences/Dance USA	22,000
ERB Foundation	20,000
Kresge Foundation	20,000
MCACA	21,000
Max & Majorie Fisher Foundation	105,000
McGregor Fund	<u>50,000</u>
Total Temporarily Restricted Net Assets	<u>\$ 365,500</u>

(9) **NET ASSETS RELEASED FROM GRANTOR RESTRICTIONS**

The following net assets were released from grantor restrictions during the year ended December 31, 2017, by incurring expenses satisfying the restricted or time purposes or by occurrence of events specified by grantor:

DTE Energy	\$2,500
Kresge Foundation	20,000
MI Humanities Council	<u>15,000</u>
Total Net Assets Released from Restrictions	<u>\$ 37,500</u>

HERITAGE WORKS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)

(10) **LEASES**

Heritage Works had a lease agreement for office space with CDS Properties Limited Partnership. The lease term was for two years, starting on August 1, 2016, ending on July 31, 2017. For the property located at 1927 Rosa Parks Boulevard, Detroit, Michigan. The lease required monthly payments of \$1,100.

Heritage Works has a lease agreement with the Green Garage Community for office space located at 4444 2nd Avenue Detroit, Michigan, covering the period September 25, 2017 to March 31, 2018. The lease requires monthly payments of \$573.

Effective October 1, 2017, Heritage Works signed a lease agreement with Pony Ride for second floor office space at 1401 Vermont Street. Detroit, Michigan for \$150 a month for three (3) months with the option to extend the lease. Heritage Works extended its lease in December 2017 for eighteen (18) months. The lease requires monthly payments of \$150 a month. Future lease payments for the next two (2) years are as follows:

<u>Year</u>	<u>Amount</u>
2018	\$ 1,800
2019	750
Total	<u>\$ 2,550</u>

(11) **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, 2016.

(12) **SUBSEQUENT EVENTS**

Subsequent events have been evaluated through December 1, 2018, 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.

HERITAGE WORKS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)

(13) NEW ACCOUNTING PRONOUNCEMENTS

The FASB issued ASU 2014-09, Revenue from Contracts with Customers, in May 2014. The objectives of this ASU are to improve upon revenue recognition requirements by providing a single comprehensive model to determine the measurement of revenue and timing of recognition. The core principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. This ASU also requires expanded qualitative and quantitative disclosures regarding the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. ASU 2014-09 applies to financials for years ending after December 15, 2017 and is to be applied retrospectively. Early adoption is not permitted. Heritage Works' management will determine the impact on its financial statements as it implements ASU 2014-09.

The FASB issued ASU 2017-02, Leases (topic 842), in February 2017. ASU 2017-02 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 2017-02 retains two types of leases: finance leases and operating leases. However, ASU 2017-02 requires both types of leases to be recognized on the Statement of Financial Position or Balance Sheet. The lessor accounting model under ASU 2017-02 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 2017-02 also requires expanded qualitative and quantitative disclosures regarding the amount, timing, and uncertainty of cash flows arising from leases. ASU 2017-02 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 2017-02.

HERITAGE WORKS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)

(13) **NEW ACCOUNTING PRONOUNCEMENTS** (cont'd)

The FASB issued ASU 2017-14, Presentation of Financial Statements of Not-for-Profit Entities, in August 2017. ASU 2017-14 modifies the requirements related to financial statement presentation for non-profit organizations. The major provisions of ASU 2017-14 are as follows:

- a. Information about net assets and changes in net assets will be reported for two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.
- b. Reporting of expenses by both function and nature in one location will be required for all non-profit organizations.
- c. Either the direct method or the indirect method for presenting operating cash flows may continue to be used, but the requirement for those entities using the direct method to prepare reconciliation with the indirect method will be eliminated.
- d. Quantitative information that communicates the availability of the organization's financial assets as of the statement of financial position date to meet cash needs for general expenditures within one year will be required to be presented on the face of the financial statements or in the notes to the financial statements.
- e. Qualitative information on how the organization manages its liquid available resources and liquidity risks will be required to be disclosed in the notes to the financial statements.
- f. Reporting of the "underwater" amounts of donor-restricted endowment funds in net assets with donor restrictions and enhanced disclosures about "underwater" endowments will be required.
- g. Other enhanced disclosures regarding board designations and appropriations, the nature of net assets with donor restrictions, and functional expense allocation methods will also be required.

ASU 2017-14 applies to financial statements for years beginning after December 15, 2017, with earlier implementation permitted, and is to be applied retrospectively, with certain disclosure exceptions in the year of implementation. Heritage Works' management will determine the impact on its financial statements as it implements ASU 2017-14.