

HERITAGE WORKS

FINANCIAL STATEMENTS

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2021

(WITH COMPARATIVE TOTALS FOR 2020)

HERITAGE WORKS
FINANCIAL STATEMENTS
DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR 2020)

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**GREGORY
TERRELL
& COMPANY**

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of Heritage Works

Opinion

We have audited the accompanying financial statements of Heritage Works (a nonprofit corporation)(the "Corporation"), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of December 31, 2021, and the changes in 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. 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 the Corporation 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 the Corporation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit 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 generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, 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 the Corporation's 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 the Corporation's 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 the Corporation's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 17, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink, appearing to read "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 9, 2022

HERITAGE WORKS
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR 2020)

ASSETS

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash	\$ 336,840	\$ 154,469
Grants and Contracts Receivable	219,821	80,900
Pledges Receivable	2,104	1,552
Security Deposits	663	663
Property and Equipment (net)	<u>4,026</u>	<u>3,372</u>
 Total Assets	 <u>\$ 563,454</u>	 <u>\$ 240,956</u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts Payable	\$ 1,744	\$ 50
Paycheck Protection Program Loan (PPP)	21,200	-
Accrued Payroll Payable	<u>9,090</u>	<u>3,024</u>
 Total Liabilities	 <u>\$ 32,034</u>	 <u>\$ 3,074</u>
 NET ASSETS		
Without Donor Restrictions	\$ 193,097	\$ 7,659
With Donor Restrictions	<u>338,323</u>	<u>230,223</u>
Total Net Assets	<u>\$ 531,420</u>	<u>\$ 237,882</u>
 Total Liabilities and Net Assets	 <u>\$ 563,454</u>	 <u>\$ 240,956</u>

The accompanying notes are an integral part of this statement

HERITAGE WORKS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR 2020)

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>2021</u> <u>Total</u>	<u>2020</u> <u>Total</u>
PUBLIC SUPPORT AND REVENUE				
Contributions	\$ 27,884	\$ -	\$ 27,884	\$ 15,567
Grants	18,728	541,568	560,296	250,100
Program Service Fees	37,155	-	37,155	400
In-kind Contributions	61,490	-	61,490	9,128
Miscellaneous	6,181	-	6,181	4,239
Net Assets Released from Restrictions -				
Satisfaction of Program Restrictions	<u>433,468</u>	<u>(433,468)</u>	<u>-</u>	<u>-</u>
Total Public Support and Revenue	<u>\$ 584,906</u>	<u>\$ 108,100</u>	<u>\$ 693,006</u>	<u>\$ 279,434</u>
EXPENSES				
Program Services	\$ 331,364	\$ -	\$ 331,364	\$ 225,731
Management and General	44,260	-	44,260	30,606
Fundraising	<u>23,844</u>	<u>-</u>	<u>23,844</u>	<u>16,847</u>
Total Expenses	<u>\$ 399,468</u>	<u>\$ -</u>	<u>\$ 399,468</u>	<u>\$ 273,184</u>
Change in Net Assets	\$ 185,438	\$ 108,100	\$ 293,538	\$ 6,250
NET ASSETS, Beginning of Year	<u>7,659</u>	<u>230,223</u>	<u>237,882</u>	<u>231,632</u>
NET ASSETS, End of Year	<u><u>\$ 193,097</u></u>	<u><u>\$ 338,323</u></u>	<u><u>\$ 531,420</u></u>	<u><u>\$ 237,882</u></u>

The accompanying notes are an integral part of this statement.

HERITAGE WORKS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR 2020)

	<u>Program</u> <u>Services</u>	<u>Management</u> <u>and</u> <u>General</u>	<u>Fundraising</u>	<u>2021</u> <u>Total</u>	<u>2020</u> <u>Total</u>
Salaries and Wages	\$ 91,753	\$ 10,795	\$ 5,397	\$ 107,945	\$ 91,705
Fringe Benefits	15,827	1,862	931	18,620	12,542
Payroll Taxes	7,140	840	420	8,400	6,517
Consultants and Professional Fees	75,464	12,418	7,642	95,524	94,265
Consultants and Professional Fees In-Kind	29,159	4,798	2,953	36,910	9,128
Payroll Processing Fees	5,361	631	315	6,307	5,216
Office	763	90	45	898	422
Supplies	13,145	1,547	672	15,465	3,213
Telephone	2,130	251	125	2,506	5,266
Occupancy	32,080	3,774	1,887	37,741	16,725
Postage and Delivery	121	14	7	142	395
Printing and Copying	320	38	18	376	1,695
Bank Service Charges	300	35	18	353	355
Advertising	2,452	289	144	2,885	630
Travel and Meetings	15,014	1,766	883	17,663	902
Insurance	6,122	720	360	7,202	811
Books and Subscriptions	-	-	-	-	314
Membership Dues	965	492	77	1,534	314
Staff Development	16,200	1,906	953	19,059	1,759
Bad Debt	-	-	-	-	8,670
Software In-Kind	5,508	648	324	6,480	-
Miscellaneous	10,362	1,219	610	12,191	11,072
Subtotal	\$ 330,286	\$ 44,133	\$ 23,781	\$ 398,201	\$ 271,916
Depreciation and Amortization	1,078	127	63	1,268	1,268
Total Expenses	<u>\$ 331,364</u>	<u>\$ 44,260</u>	<u>\$ 23,844</u>	<u>\$ 399,469</u>	<u>\$ 273,184</u>

The accompanying notes are an integral part of this statement.

HERITAGE WORKS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR 2020)

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2021</u>	<u>2020</u>
Change in Net Assets	\$ 293,538	\$ 6,250
Adjustments to Reconcile Change in Net Assets to Cash Provided by (Used for) Operating Activities:		
Depreciation and Amortization	1,268	1,268
Change in Grants and Contracts Receivable	(138,921)	79,550
Change in Pledges Receivable	(552)	3,088
Change in Prepaid Expenses and Advances	-	80
Change in Accounts Payable	1,694	(2,514)
Change in Accrued Payroll Payable	6,066	(1,013)
Net Cash Provided by (Used for) Operating Activities	<u>\$ 163,093</u>	<u>\$ 86,709</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	<u>\$ (1,922)</u>	<u>\$ (148)</u>
Net Cash Used for Investing Activities	<u>\$ (1,922)</u>	<u>\$ (148)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Paycheck Protection Program Loan (PPP)	<u>\$ 21,200</u>	<u>\$ -</u>
Net Cash Provided by Investing Activities	<u>\$ 21,200</u>	<u>\$ -</u>
 Increase (Decrease) in Cash	 \$ 182,371	 \$ 86,561
 CASH, Beginning of Year	 <u>154,469</u>	 <u>67,908</u>
 CASH, End of Year	 <u><u>\$ 336,840</u></u>	 <u><u>\$ 154,469</u></u>

The accompanying notes are an integral part of this statement.

HERITAGE WORKS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

(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 traditions, arts, and education. The program and supporting services rendered by the Corporation are described below:

Program Services

The Corporation's major programs are Youth Works and Community Works. Descriptions and specific program activities are:

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

- I. **Heritage In School:** Is an arts education and cultural enrichment program for youth in grades Kindergarten through 12th grade. 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 School is to promote positive academic and youth development through cultural exploration and enrichment, arts skills, knowledge development, and intercultural understanding.
- II. **Work Arts:** An outgrowth of our ensemble program, provides work experiences to youth and young adults interested in creative careers. This program provides work experience, network development, skill and tool development and wages. The primary goals are to promote job readiness as well as knowledge, skills and tools central to career success.

Community Works: The Corporation 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:

HERITAGE WORKS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

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

- I. **Visiting Artists and Tradition Bearers (VATB)** engages visiting tradition bearers and master artist with local residents, artists and/or educators. Through residencies, workshops, salons, festival areas, and performances, this programming provides access to experiences that promote cultural insight, cross-cultural exchange, and professional development. These activities also provide a venue for local artists to share and create work with visiting tradition bearers.

- II. **Storyscaping**, a creative engagement and place making initiative, uses arts and culture-based methodologies to engage residents and stakeholders in transforming their communities. This initiative has engaged residents in the development of a community garden, a pocket park at the corner of Rosa Parks and M.L. Junior Boulevard, resident-driven design guidelines, a feasibility study, and a neighborhood cultural amenities plan.

Supporting Services

Management and General encompass all activities necessary for overall planning, direction and management of the Corporation. 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

Effective January 1, 2021, the Corporation adopted Financial Accounting Standards Board ("FASB") Accounting Standards Updated ("ASU") 2016-14 Codification Topic 606, Revenue from Contracts with Customers, as amended, supersedes or replaces nearly all GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or a point in time, and expand disclosures about revenue. Management has assessed the various revenue streams of the Corporation and determined that the new standard did not impact the amount or timing of revenue recognized.

HERITAGE WORKS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021
(Continued)

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

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.

Revenue Recognition

The Corporation recognizes revenue based on the existence or absence of an exchange transaction. The Corporation recognizes revenue from exchange transactions when it satisfies a performance obligation by providing a service to a customer or member or by transferring control over a product to a customer or member.

Revenue from non-exchange transactions consist of the following:

- Contributions of cash and promises to give – gifts received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor-stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as revenue and net assets without donor restriction. Conditional promises are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met.

Revenue that has characteristics of both exchange and non-exchange transactions consist of the following:

- Special event revenue – recognized equal to the cost of direct benefits to donors, and contribution revenue for the difference.

HERITAGE WORKS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021
(Continued)

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

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.

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.

(3) **TAX-EXEMPT STATUS**

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

HERITAGE WORKS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021
(Continued)

(4) **AVAILABILITY AND LIQUIDITY**

The following represents the Corporation's financial assets at December 31, 2021:

Financial Assets at Year End:

Cash	\$ 336,840
Grants and Contracts Receivable	219,821
Pledges Receivable	<u>2,104</u>
Total Financial Assets	\$ 558,765

Less Amounts not available to be used
within one year:

Net Assets with Donor Restrictions	<u>338,323</u>
Financial Assets available to meet general expenditures over the next twelve months	<u>\$ 220,442</u>

(5) **CONCENTRATION OF CREDIT RISK**

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

The carrying amount of cash at December 31, 2021 was \$336,090 and the bank balance was \$330,397 of which \$80,397 was not insured by the FDIC.

(6) **PLEDGES RECEIVABLE**

Pedges receivable of \$2,104 represent unconditional promises to give as of December 31, 2021.

HERITAGE WORKS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

(7) **GRANT AND CONTRACTS RECEIVABLE**

Grants and contracts receivable at December 31, 2021 consist of the following:

City of Detroit Block Grant (CDBG)	\$ 72,121
Children's Foundation	5,100
Burton Zipser and Sandra Zipser Foundation	25,000
McGregor Fund	100,000
Connect Detroit	8,700
Downtown Detroit Partnership	400
Charles H Wright MAAH	7,750
National Black Child Development Institute	<u>750</u>
Total	<u>\$ 219,821</u>

An allowance for uncollectible accounts was not considered necessary at December 31, 2021.

(8) **PROPERTY AND EQUIPMENT**

A summary of property and equipment at December 31, 2021 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Land	\$ 1,924	\$ -	\$ -	\$ 1,924
Computers	3,522	1,922	-	5,444
Leasehold Improvements	4,596	-	-	4,596
Furniture, Fixtures & Equipment	<u>18,777</u>	<u>-</u>	<u>-</u>	<u>18,777</u>
Subtotal	\$ 28,819	\$ 1,922	\$ -	\$ 30,741
Less: Accumulated Depreciation and Amortization	<u>(25,447)</u>	<u>(1,268)</u>	<u>-</u>	<u>(26,715)</u>
Property and Equipment, Net of Accumulated Depreciation and Amortization	<u>\$ 3,372</u>	<u>\$ 654</u>	<u>\$ -</u>	<u>\$ 4,026</u>

HERITAGE WORKS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

(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:

McGregor Fund	\$ 200,000
Kresge Foundation	58,323
Community Foundation for Southeast Michigan	55,000
Burton Ziper and Sandra Ziper Foundation	<u>25,000</u>
	<u>\$ 338,323</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, 2021, by incurring expenses satisfying the restricted or time purposes or by occurrence of events specified by grantor:

McGregor Fund	\$ 16,600
The Children's Foundation	5,798
City of Detroit	72,121
Connect Detroit	1,950
Kresge Foundation	60,177
Ford Motor	57,692
Fisher Foundation	51,386
Arts Midwest	48,951
Pearls of Service	200
Detroit Economic Growth Association	10,000
Art Space	6,000
LISC	45,000
National Endowment for the Arts	39,593
MCACA	<u>18,000</u>
	<u>\$ 433,468</u>

HERITAGE WORKS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

(11) **LEASES**

The Corporation signed a lease agreement for office space covering the period April 1, 2021 to March 31, 2022. The lease requires monthly payments of \$945. Future minimum lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2022	\$ 2,835
Total	<u><u>\$ 2,835</u></u>

(12) **RETIREMENT 401K SAVINGS PLAN**

The Corporation participates in a 401K Profit Sharing Retirement Savings Plan. Any employee meeting the age requirements and completed one year of service is eligible to participate in the plan. The Corporation may contribute a discretionary matching amount on behalf of each participant. During the year ended December 31, 2021, the Corporation made a 401K matching contribution of \$2,994.

(13) **PAYCHECK PROTECTION PROGRAM LOAN**

On January 26, 2021, the Corporation received a \$21,200 Paycheck Protection Program loan from Comerica Bank at 1% interest to be paid over 5 years. The loan is subject to partial or full forgiveness, the terms of which are dictated by the Small Business Act (SBA).

(14) **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 the Corporation's financial statements for the year ended December 31, 2021.

(15) **SUBSEQUENT EVENTS**

Subsequent events have been evaluated through April 9, 2022, 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, 2021

(16) **COVID-19 PANDEMIC**

The COVID-19 Pandemic whose effects first became known in January 2020 is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. The extent of the impact of COVID-19 on the Corporation operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the Corporation's customers, employees, and vendors all of which at present cannot be determined. Accordingly, the extent to which COVID-19 may impact the Corporation's financial position and changes in net assets and cash flow is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic