

HERITAGE WORKS

FINANCIAL STATEMENTS

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2020

(WITH COMPARATIVE TOTALS FOR 2019)

HERITAGE WORKS
FINANCIAL STATEMENTS
DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

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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, 2020, 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, 2020, 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.

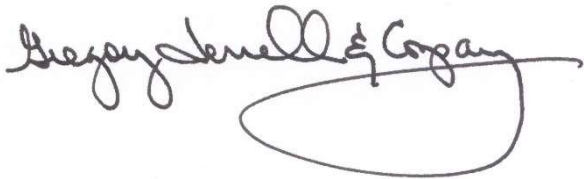
In performing an audit in accordance with generally accepted auditing standards, we:

- 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 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 18, 2020. 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 17, 2021

HERITAGE WORKS
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

ASSETS

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash	\$ 154,469	\$ 67,908
Grants and Contracts Receivable	80,900	160,450
Pledges Receivable	1,552	4,640
Prepaid Expenses and Advances	-	80
Security Deposits	<u>663</u>	<u>663</u>
Total Current Assets	\$ 237,584	\$ 233,741
Property and Equipment (net)	<u>3,372</u>	<u>4,492</u>
Total Assets	<u>\$ 240,956</u>	<u>\$ 238,233</u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts Payable	\$ 50	\$ 2,564
Accrued Payroll Payable	<u>3,024</u>	<u>4,037</u>
Total Current Liabilities	<u>\$ 3,074</u>	<u>\$ 6,601</u>
NET ASSETS		
Without Donor Restrictions	\$ 7,659	\$ 20,001
With Donor Restrictions	<u>230,223</u>	<u>211,631</u>
Total Net Assets	<u>\$ 237,882</u>	<u>\$ 231,632</u>
Total Liabilities and Net Assets	<u>\$ 240,956</u>	<u>\$ 238,233</u>

The accompanying notes are an integral part of this statement

HERITAGE WORKS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>2020</u> <u>Total</u>	<u>2019</u> <u>Total</u>
PUBLIC SUPPORT AND REVENUE				
Contributions	\$ 15,567	\$ -	\$ 15,567	\$ 21,850
Grants	38,203	211,897	250,100	261,000
Program Service Fees	400	-	400	8,700
In-kind Contributions	9,128	-	9,128	35,359
Miscellaneous	4,239	-	4,239	4,375
Net Assets Released from Restrictions -				
Satisfaction of Program Restrictions	<u>193,305</u>	<u>(193,305)</u>	<u>-</u>	<u>-</u>
Total Public Support and Revenue	<u>\$ 260,842</u>	<u>\$ 18,592</u>	<u>\$ 279,434</u>	<u>\$ 331,284</u>
EXPENSES				
Program Services	\$ 225,731	\$ -	\$ 225,731	\$ 374,321
Management and General	30,606	-	30,606	50,045
Fundraising	<u>16,847</u>	<u>-</u>	<u>16,847</u>	<u>27,419</u>
Total Expenses	<u>\$ 273,184</u>	<u>\$ -</u>	<u>\$ 273,184</u>	<u>\$ 451,785</u>
Change in Net Assets	\$ (12,342)	\$ 18,592	\$ 6,250	\$ (120,501)
NET ASSETS, Beginning of Year	<u>20,001</u>	<u>211,631</u>	<u>231,632</u>	<u>352,133</u>
NET ASSETS, End of Year	<u><u>\$ 7,659</u></u>	<u><u>\$ 230,223</u></u>	<u><u>\$ 237,882</u></u>	<u><u>\$ 231,632</u></u>

The accompanying notes are an integral part of this statement.

HERITAGE WORKS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	<u>Program</u> <u>Services</u>	<u>Management</u> <u>and</u> <u>General</u>	<u>Fundraising</u>	<u>2020</u> <u>Total</u>	<u>2019</u> <u>Total</u>
Salaries and Wages	\$ 77,949	\$ 9,171	\$ 4,585	\$ 91,705	\$ 150,957
Fringe Benefits	10,661	1,254	627	12,542	11,579
Payroll Taxes	5,539	652	326	6,517	12,762
Consultants and Professional Fees	81,680	13,441	8,271	103,393	160,039
Payroll Processing Fees	4,434	522	261	5,216	5,812
Office	359	42	21	422	-
Supplies	2,731	321	161	3,213	22,539
Telephone	4,476	527	264	5,266	5,584
Occupancy	14,216	1,673	836	16,725	22,657
Postage and Delivery	336	40	20	395	88
Printing and Copying	1,441	170	86	1,695	2,324
Bank Service Charges	302	36	18	355	892
Advertising	536	63	32	630	1,580
Travel and Meetings	767	90	45	902	48,071
Insurance	689	81	41	811	994
Books and Subscriptions	267	31	16	314	1,008
Membership Dues	-	215	99	314	118
Staff Development	1,495	176	88	1,759	2,398
Bad Debt	7,370	867	434	8,670	-
Miscellaneous	9,405	1,107	553	11,072	1,115
Subtotal	<u>\$ 224,653</u>	<u>\$ 30,479</u>	<u>\$ 16,784</u>	<u>\$ 271,916</u>	<u>\$ 450,517</u>
Depreciation and Amortization	1,078	127	63	1,268	1,268
Total Expenses	<u>\$ 225,731</u>	<u>\$ 30,606</u>	<u>\$ 16,847</u>	<u>\$ 273,184</u>	<u>\$ 451,785</u>

The accompanying notes are an integral part of this statement.

HERITAGE WORKS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2020</u>	<u>2019</u>
Change in Net Assets	\$ 6,250	\$ (120,501)
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	79,550	15,416
Change in Pledges Receivable	3,088	(1,999)
Change in Prepaid Expenses and Advances	80	-
Change in Accounts Payable	(2,514)	(10,622)
Change in Accrued Payroll Payable	(1,013)	1,818
Net Cash Provided by (Used for) Operating Activities	<u>\$ 86,709</u>	<u>\$ (114,620)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	<u>\$ (148)</u>	<u>\$ -</u>
Net Cash Used for Investing Activities	<u>\$ (148)</u>	<u>\$ -</u>
 Increase (Decrease) in Cash	 \$ 86,561	 \$ (114,620)
 CASH, Beginning of Year	 <u>67,908</u>	 <u>182,529</u>
 CASH, End of Year	 <u>\$ 154,469</u>	 <u>\$ 67,908</u>

The accompanying notes are an integral part of this statement.

HERITAGE WORKS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

(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 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, 2020

(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

The Corporation adopted FASB issued ASU 2018-08, Not-for Profit Entities (Topic 958) – *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The update was issued to clarify and improve the scope and accounting for contributions received and contributions made, to assist organizations in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and determining whether a contribution is conditional.

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
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020
(Continued)

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

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 Corporation. These net assets may be used at the discretion of the Corporation's 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 the Corporation 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.

Support and Revenue

The Corporation 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. The Corporation recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promise, that is, those with a measurable performance or other barrier and a right of return are not recognized until the conditions on which they depend have been met

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 the Corporation.

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.

HERITAGE WORKS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020
(Continued)

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

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.

(4) **AVAILABILITY AND LIQUIDITY**

The following represents the Corporation's financial assets at December 31, 2020:

Financial Assets at Year End:

Cash	\$ 154,469
Grants and Contracts Receivable	80,900
Pledges Receivable	<u>1,552</u>
Total Financial Assets	\$ 236,921
Less Amounts not available to be used within one year:	
Net Assets with Donor Restrictions	<u>230,223</u>
Financial Assets available to meet general expenditures over the next twelve months	<u>\$ 6,698</u>

HERITAGE WORKS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020
(Continued)

(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, 2020 was \$154,219 and the bank balance was \$154,219. The entire bank balance of the Corporation was insured by the FDIC.

(6) **GRANTS AND CONTRACTS RECEIVABLE**

Grants and contracts receivable at December 31, 2020 consist of the following:

The Dodge Foundation	\$ 500
The Childrens Foundation	3,600
The Fred A. & Barbara M. Erb Foundation	10,000
The Kresge Foundation	15,000
Michigan Council for Arts and Cultural Affairs	2,700
The McGregor Fund	16,600
The National Endowment for the Arts - Arts Project	7,500
The National Endowment for the Arts - Cares	<u>25,000</u>
	<u>\$ 80,900</u>

Bad debt expense was \$8,670 for the year ended December 31, 2020. An allowance for uncollectible accounts was not considered necessary at December 31, 2020.

(7) **PLEDGES RECEIVABLE**

Pledges receivable of \$1,552 represent unconditional promises to give as of December 31, 2020.

HERITAGE WORKS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

(8) **PROPERTY AND EQUIPMENT**

A summary of property and equipment at December 31, 2020 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Adjustments and Retirements</u>	<u>Ending Balance</u>
Land	\$ 1,924	\$ -	\$ -	\$ 1,924
Computers	3,434	88	-	3,522
Leasehold Improvements	4,596	-	-	4,596
Furniture, Fixtures & Equipment	<u>18,719</u>	<u>58</u>	-	<u>18,777</u>
Subtotal	\$ 28,673	\$ 146	\$ -	\$ 28,819
Less: Accumulated Depreciation and Amortization	<u>(24,181)</u>	<u>(1,268)</u>	<u>2</u>	<u>(25,447)</u>
Property and Equipment, Net of Accumulated Depreciation and Amortization	<u>\$ 4,492</u>	<u>\$ (1,122)</u>	<u>\$ 2</u>	<u>\$ 3,372</u>

(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:

The Ford Motor Corporation	\$ 57,692
McGregor Fund	16,600
Kresge Foundation	3,500
Local Initiatives Support Corporation	10,000
The National Endowment For The Arts	39,596
Max & Majorie Fisher Foundation	51,386
The Arts Midwest- Resilience Fund	48,951
Pearls of Service	200
Children Foundation	2,198
Connect Detroit	100
	<u>\$ 230,223</u>

HERITAGE WORKS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

(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, 2020, by incurring expenses satisfying the restricted or time purposes or by occurrence of events specified by grantor:

The Ford Foundation	\$ 2,338
Kresge Foundation	57,051
Fred and Barbara Erb Foundation	16,151
The National Endowment for the Arts	39,455
Max and Majorie Fisher Foundation	18,613
The Arts Midwest Resilience Fund	1,048
Michigan Council For Arts and Cultural Affairs	21,831
DTE Foundation	8,411
Paycheck Protection Program	23,805
Pearls of Service	100
Childrens Foundation	1,402
Connect Detroit	3,100
	<u>\$ 193,305</u>

(11) **LEASES**

On April 1, 2020, the Corporation signed a lease agreement for office space covering the period April 1, 2020 to March 31,2021. The lease requires monthly payments of \$933. Future minimum lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2021	<u>\$ 2,799</u>
Total	<u><u>\$ 2,799</u></u>

HERITAGE WORKS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

(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 the Corporation's financial statements for the year ended December 31, 2019.

(13) **SUBSEQUENT EVENTS**

Subsequent events have been evaluated through April 17, 2021, 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.

On January 26, 2021, the Corporation obtained a Paycheck Protection Program loan (PPP) through Comerica Bank for \$21,200 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.

On April 10, 2021 the Corporation entered into a new lease agreement with the Green Garage, LLC for rental space. The lease is effective April 1, 2021 to March 31, 2022. Rental payments are \$945 a month.

(14) **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