

**MICHIGAN HISTORIC PRESERVATION NETWORK
AND SUBSIDIARIES**

**REPORT ON CONSOLIDATED FINANCIAL
STATEMENTS**

YEAR ENDED DECEMBER 31, 2019

TABLE OF CONTENTS

Page

INDEPENDENT AUDITOR'S REPORT.....	1-2
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Net Assets	5
Consolidated Statement of Functional Expenses	6
Consolidated Statement of Cash Flows	7
Notes to Consolidated Financial Statements.....	8-16
SUPPLEMENTARY INFORMATION.....	17
Consolidating Statement of Financial Position	18
Consolidating Statement of Activities	19

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Michigan Historic Preservation Network
and Subsidiaries

We have audited the accompanying consolidated financial statements of Michigan Historic Preservation Network (a nonprofit organization) and Subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 Michigan Historic Preservation Network and Subsidiaries' as of December 31, 2019 and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter – Report on Consolidating Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information, identified in the table of contents, is presented for the purposes of additional analysis of the consolidated financial statements rather than to present the financial position and changes in net assets of the individual entities, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting or other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Matter – Adjustments to Prior Period Financial Statements

As discussed in Note 12, the Network has restated its 2018 financial statements during the current year to adjust the opening balance of net assets, in accordance with accounting principles generally accepted in the United States of America.

Maney Costeiran PC

November 23, 2020

**MICHIGAN HISTORIC PRESERVATION NETWORK
AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019**

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	\$ 1,562,461
Short-term investments	352,685
Accounts receivable	10,425
Notes receivable - current portion	216,507
Inventory	7,561
Prepaid expenses	9,936
Other current assets	<u>25,351</u>
Total current assets	<u>2,184,926</u>
PROPERTY AND EQUIPMENT	
Equipment and furniture	20,461
Less accumulated depreciation	<u>(16,432)</u>
Total property and equipment	<u>4,029</u>
LONG-TERM ASSETS	
Notes receivable, less current portion	32,096
Investment notes receivable, less current portion	53,238,233
Partnership investments	15,052,537
Equity investment	<u>227,378</u>
Total long-term assets	<u>68,550,244</u>
TOTAL ASSETS	<u><u>\$ 70,739,199</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable	\$ 70,721
Accrued payroll liabilities	2,258
Accrued income tax liability	14,805
Notes payable - current portion	1,251,932
Deferred income	<u>86,412</u>
TOTAL CURRENT LIABILITIES	<u>1,426,128</u>
LONG-TERM LIABILITIES	
Notes payable, less current portion	<u>6,167,387</u>
TOTAL LIABILITIES	<u>7,593,515</u>
NET ASSETS	
Without donor restrictions	
Undesignated	61,390,839
Designated	1,739,845
With donor restrictions	<u>15,000</u>
TOTAL NET ASSETS	<u>63,145,684</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 70,739,199</u></u>

See notes to consolidated financial statements.

**MICHIGAN HISTORIC PRESERVATION NETWORK
AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019**

REVENUES	
Membership	\$ 25,340
Contributions	9,390,108
Grants	201,852
Sponsorships	57,760
Registrations and admissions	50,169
Advertising	4,425
Fees for service	83,152
Merchandise sales	9,258
Rental income	800
Interest income	14,569
Investment return, net	52,416
Gain (loss) on partnership investments	<u>(1,356,760)</u>
Total revenues	<u>8,533,089</u>
EXPENSES	
Payroll, taxes, and employee benefits	306,256
General and administrative	57,295
Facilities	30,895
Marketing and communications	7,281
Professional services	313,434
Training and travel	26,208
Programing	78,204
Depreciation	377
Interest expense	<u>183,705</u>
Total expenses	<u>1,003,655</u>
CHANGE IN NET ASSETS	7,529,434
NET ASSETS, beginning of year	<u>55,616,250</u>
NET ASSETS, end of year	<u><u>\$ 63,145,684</u></u>

See notes to consolidated financial statements.

**MICHIGAN HISTORIC PRESERVATION NETWORK
AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF NET ASSETS
YEAR ENDED DECEMBER 31, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
NET ASSETS, January 1, 2019, as restated	\$ 55,601,250	\$ 15,000	\$ 55,616,250
Change in net assets	<u>7,529,434</u>	<u>-</u>	<u>7,529,434</u>
NET ASSETS, December 31, 2019	<u>\$ 63,130,684</u>	<u>\$ 15,000</u>	<u>\$ 63,145,684</u>

See notes to consolidated financial statements.

**MICHIGAN HISTORIC PRESERVATION NETWORK
AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019**

	Programs							Total	Support Services	Fundraising	Total
	Educational Programs	Field Services	Revolving Fund	Easements	Tax Credit Projects	Membership	Public Policy				
Payroll, taxes, and employee benefits	\$ 62,075	\$ 111,462	\$ 16,314	\$ 19,461	\$ 4,513	\$ 10,722	\$ 28,219	\$ 252,766	\$ 44,071	\$ 9,419	\$ 306,256
General and administrative	9,517	5,259	535	5,210	30,334	2,192	1,178	54,225	1,998	1,072	57,295
Facilities	5,570	12,845	1,458	1,754	404	963	2,531	25,525	4,524	846	30,895
Marketing and communications	2,310	4,356	-	-	-	-	175	6,841	440	-	7,281
Professional services	-	-	-	-	-	-	-	-	-	-	-
Financial	-	-	-	-	-	-	-	-	18,190	-	18,190
Legal	294	-	500	72,214	-	-	-	73,008	234	-	73,242
Government relations	-	-	-	-	-	-	26,000	26,000	-	-	26,000
Public relations	-	-	8,000	-	-	-	-	8,000	-	-	8,000
Program coordination	-	74,005	-	-	3,261	-	-	77,266	-	-	77,266
Other	3,688	1,259	113	3,236	100,127	75	196	108,694	1,976	66	110,736
Training and travel	7,116	11,372	133	886	-	-	1,364	20,871	4,933	404	26,208
Programing	42,084	8,813	-	153	-	1,422	1,651	54,123	7,060	17,021	78,204
Depreciation	-	-	-	-	-	-	-	-	377	-	377
Interest expense	-	-	-	-	183,705	-	-	183,705	-	-	183,705
	<u>\$ 132,654</u>	<u>\$ 229,371</u>	<u>\$ 27,053</u>	<u>\$ 102,914</u>	<u>\$ 322,344</u>	<u>\$ 15,374</u>	<u>\$ 61,314</u>	<u>\$ 891,024</u>	<u>\$ 83,803</u>	<u>\$ 28,828</u>	<u>\$ 1,003,655</u>

See notes to consolidated financial statements.

**MICHIGAN HISTORIC PRESERVATION NETWORK
AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019**

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	
Cash flows from operating activities	
Change in net assets	<u>\$ 7,529,434</u>
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities	
Disposal of partnership investments	1,554,181
Investment in partnership investments	(1,124,259)
Depreciation	377
Investment return, net	14,569
Loss on investments in partnership and equity interests	(139,739)
Accounts receivable	(10,425)
Inventory	(254)
Prepaid expenses	(9,936)
Other current assets	(25,351)
Accounts payable	70,721
Accrued liabilities	16,512
Deferred income	<u>(61,754)</u>
Total adjustments	<u>284,642</u>
Net cash provided by operating activities	<u>7,814,076</u>
 Cash flows from investing activities	
Borrowings on notes receivable	(7,786,424)
Repayment on notes receivable	46,111
Purchase of investments, net of sales	(51,370)
Purchase of equipment and furniture	<u>(2,275)</u>
Net cash used by investing activities	<u>(7,793,958)</u>
 Cash flows from financing activities	
Proceeds from long term debt	(8,793,298)
Repayment of long term debt	<u>8,732,360</u>
Net cash used by financing activities	<u>(60,938)</u>
 NET DECREASE IN CASH AND CASH EQUIVALENTS	(40,820)
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,603,281</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 1,562,461</u>

See notes to consolidated financial statements.

**MICHIGAN HISTORIC PRESERVATION NETWORK
AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting - The Network's consolidated financial statements have been prepared on the accrual basis of accounting. Additionally, the Partnerships owned by MHPN Preservation Investments 1, LLC are accounted for under the equity method of accounting.

Principles of consolidation - The accompanying consolidated financial statements include the accounts of Michigan Historic Preservation Network and its wholly owned subsidiaries MHPN Preservation Investments 1, LLC and MHPN Incentive Ventures, Inc. All material intercompany accounts and transactions have been eliminated.

Cash and cash equivalents - Short-term (i.e., maturities of three months or less) highly liquid investments that are readily convertible to known amounts of cash and present insignificant risk of change in value are considered cash and cash equivalents.

Investments - Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at cost in the statement of assets, liabilities, and net assets. Net investment return or loss is included in the statement of activities and consists of interest and dividend income, realized and unrealized gains and losses, less investment expenses.

Accounts Receivable - Accounts receivable represent consideration from third-parties, of which the Network has an unconditional right to receive. Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Currently, no allowance for doubtful accounts is considered necessary. Changes to the valuation allowance have not been material to the financial statements. Beginning and ending balances for accounts receivable is reported as follows for the year ended December 31, 2019:

Accounts receivable, beginning of year	\$ -
Accounts receivable, end of year	\$ 10,425

Inventory - Inventory is valued at cost using the first-in/first-out (FIFO) method and consists of MHPN logo merchandise, books and expendable supplies.

Property and equipment - The Network capitalizes property and equipment over \$1,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Property and equipment are depreciated using the straight line method over estimated useful lives ranging from 3 to 35 years

**MICHIGAN HISTORIC PRESERVATION NETWORK
AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Revenue - The Network records deferred revenue when cash payments are received or due in advance of the Network's performance, including amounts which are refundable. Beginning and ending balances for deferred revenue is reported as follows for the year ended December 31, 2019:

Deferred revenue, beginning of year	\$	<u>148,166</u>
Deferred revenue, end of year	\$	<u>86,412</u>

Net assets - Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor or grantor restrictions. Designated net assets are as follows for the year ended December 31, 2019:

Operating endowment fund	\$	60,710
Conference scholarships fund		15,906
Easement legal defense fund		545,468
Living Trades program		18,754
Revolving fund		189,420
Revolving loan fund (assets for pre-development and intervention loan programs)		<u>909,587</u>
Total designated net assets	\$	<u>1,739,845</u>

Net assets with donor restrictions - Net assets subject to donor (or grantor) imposed restrictions. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources are maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, or when the stipulated purpose has been accomplished. At December 31, 2019, the Network had \$15,000 of donor restricted net assets to be maintained in perpetuity for an endowment fund.

Contribution Revenue

Contributions of cash and other assets 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.

**MICHIGAN HISTORIC PRESERVATION NETWORK
AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contribution Revenue (continued)

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Contributions of land, buildings, equipment, and other long-lived assets are reported as revenue and net assets without donor restrictions unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as revenue and net assets with donor restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of net assets with donor restrictions as net assets without donor restrictions are reported when the long-lived assets are placed in service.

Unconditional contributions expected to be collected within one year are reported at their net realizable value. Unconditional contributions expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Conditional contributions depend on the occurrence of a specified future and uncertain event to bind the donor and are recognized as assets and revenue when the conditions are substantially met, and the gift becomes unconditional.

Contributed goods and services - The Network generally pays for services requiring specific expertise. Contributed services recorded in 2019 totaled \$57,685. Many individuals also volunteer their time and perform a variety of tasks that assist the Network and its mission, but these services do not meet the criteria for recognition as contributed services. Contributed goods recorded in 2019 totaled \$23,100. Contributed goods and services are recorded at the estimated fair value determined by management.

Functional allocation of expenses - The costs of providing program and other activities have been reported in the statement of activities. The statement of functional expenses present the natural classification of expenses that are allocated to program or supporting functions of the Network. Allocated expenses primarily consist of payroll and related, consulting, contract labor, staff expenses, office expenses, rent, and various other expenses classifications necessary to support the day-to-day operations of the Network. Employee driven expenses are allocated based on salary and wages analysis. All other allocated expenses utilize management's estimated use of resources.

NOTE 2 - NATURE OF THE ORGANIZATION, RISKS AND UNCERTAINTIES

Michigan Historic Preservation Network and Subsidiaries (the Network), a non-profit organization, is a statewide organization dedicated to recognizing and preserving Michigan's rich cultural and architectural heritage. It does this through conferences, workshops, outreach and advocacy, preservation easements, tax credit partnerships, newsletters, and public policy work.

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**MICHIGAN HISTORIC PRESERVATION NETWORK
AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 2 - NATURE OF THE ORGANIZATION, RISKS AND UNCERTAINTIES (continued)

The Network is required to disclose significant concentrations of credit risk regardless of the degree of such risk. Financial instruments, which potentially subject the Network to concentrations of credit risk consist principally of cash and notes receivable. The Network's cash is deposited with FDIC insured financial institutions. Although such cash balances may exceed the federally insured limits at certain times during the year they are, in the opinion of management, subject to minimal risk.

The Network evaluates events and transactions that occur after year end for potential recognition or disclosure in the consolidated financial statements. These subsequent events have been considered through November 23, 2020, which is the date the financial statements were available for issuance.

NOTE 3 - LIQUIDITY AND AVAILABILITY

The Network regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Network considers all expenditures related to its ongoing program service activities as well as the conduct of services undertaken to support those activities to be general expenditures.

The following reflects the Network's financial assets as of December 31, 2019, which are deemed available for general expenditures within one year of the date of the statement of financial position. Amounts not available include board designations set aside for partnership investments.

Cash and cash equivalents	\$ 1,562,461
Short-term investments	352,685
Accounts receivable	10,425
Notes receivable- current	<u>216,507</u>
Total financial assets	<u>2,142,078</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 2,142,078</u></u>

While the Network's governing board has designated a portion of its non-restricted resources as noted above, these funds remain available and may be spent at the discretion of the board.

NOTE 4 - TAX STATUS

The Network is exempt from federal income taxes under the provision of Section 501(c)(3) of the Internal Revenue Code. Contributions to Michigan Historic Preservation Network are tax deductible within the limitations prescribed by the Internal Revenue Code.

In the preparation of tax returns, tax positions are taken based on interpretation of federal, state, and local income tax laws. Management periodically reviews and evaluates the status of uncertain tax positions and makes estimates of amounts, including interest and penalties, ultimately due or owed. No amounts have been identified, or recorded, as uncertain tax positions. Federal, state, and local tax returns generally remain open for examination by the various taxing authorities for a period of three to four years.

**MICHIGAN HISTORIC PRESERVATION NETWORK
AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 5 - SHORT-TERM INVESTMENTS

The cost of short-term investments totaled \$376,883 at December 31, 2019. The following schedule summarizes investment returns and their classification in the statement of activities for the year ended December 31, 2019. Short-term investments consist of mutual funds held at Edward Jones and Merrill Lynch.

	Without Donor Restrictions	With Donor Restrictions	Total
Interest/dividend income	\$ 14,916	\$ -	\$ 14,916
Net unrealized gains	37,500	-	37,500
Total investment return, net	<u>\$ 52,416</u>	<u>\$ -</u>	<u>\$ 52,416</u>

NOTE 6 - HISTORIC PARTNERSHIP AND CORPORATION INVESTMENTS

The Network is a 100% owner of MHPN Preservation Investments 1, LLC. This LLC is a non-controlling limited liability partner with outside independent investors in historic rehabilitation projects within Michigan. The Network acts as a nonprofit partner within the project in order to fill a financial gap within the rehabilitation project. As of December 31, 2019, the value of these investments based on the reported K-1 partnership account was as follows:

Park Place City Center LDHA, LLC	\$ 1,821,188
Woodward SA-PK, LLC	1,008,513
Eyde Knapp Manager LLC	7,559,049
KWA I Residential LLC	2,132,565
The Original & Only Thompson Block, LLC	<u>1,124,259</u>
Total	<u>\$ 13,645,574</u>

The Network is a 100% owner of MHPN Incentive Ventures, Inc. The Network acts as a nonprofit partner within the project in order to fill a financial gap within the rehabilitation project. As of December 31, 2019, the value of these investments based on the reported K-1 partnership account was as follows:

Broderick Tower Note Investors LLC	<u>\$ 1,406,963</u>
------------------------------------	---------------------

The Network has not recorded a valuation allowance against the partnership investment value or determined the fair market value. The Network does not anticipate deriving significant cash value for their non-controlling limited partnership interests and in some instances will execute disposition documents in exchange for certain historic preservation covenants.

**MICHIGAN HISTORIC PRESERVATION NETWORK
AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 7 - EQUITY INVESTMENT 313 GRAND RIVER LLC

The Network has entered into an equity arrangement with additional investors to rehabilitate and occupy the premises of 313 E Cesar E Chavez Ave, Lansing, MI as corporate offices for the Network with additional space available for commercial rental. The balance of \$227,378 represents the Network's investment to obtain and maintain the property in 2019.

NOTE 8 - NOTES RECEIVABLE

The notes receivable consists of loans to various projects.

The pre-development notes provide financial support to projects to rehabilitate historic buildings in Michigan. The notes accrue interest at a rate of 5% per annum and require quarterly interest-only payments until their due dates. Casa Del Ray, Thompson Block, Water Street, Hackett Auto Museum, and Pablo's Mexican Restaurant are due in 2020. Cheboygan Carnegie is due in 2021.

The intervention loan program provides financial support to projects for repairs to historic buildings. The intervention loan receivable with Calhoun County Land Bank, with an interest rate of 3% per annum, requires quarterly interest and principal payments. The final payment is due in 2023.

The notes receivable are summarized as follows at December 31, 2019:

Pre-development note receivable - Casa Del Ray project	\$ 39,110
Pre-development note receivable - Thompson Block project	50,000
Pre-development note receivable - Water Street project	50,000
Pre-development note receivable - Hackett Auto Museum	27,397
Pre-development note receivable - Pablo's Mexican Restaurant	50,000
Pre-development note receivable - Cheboygan Carnegie	21,363
Intervention loans receivable - Calhoun County Land Bank	<u>10,733</u>
Total notes receivable	<u><u>\$ 248,603</u></u>

The Network also has the following outstanding commitments from various historic preservation investment projects as of December 31, 2019:

1145 Griswold	\$ 6,309,964
1212 Griswold	8,219,241
1249 Griswold - note 1	8,202,842
1249 Griswold - note 2	900,000
Elliott Building	475,830
Kerr Block	1,530,827
David Whitney Building	21,856,726
Wesener	892,803
Merchants National Bank (Alabama)	<u>4,850,000</u>
Total investment notes receivable	<u><u>\$ 53,238,233</u></u>

**MICHIGAN HISTORIC PRESERVATION NETWORK
AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 9 - NOTES PAYABLE

The Network has the following notes payable as of December 31, 2019:

Note payable - Iberia Bank has a stated interest rate of 4% per annum. Interest-only payments are due monthly until April 2021 at which time the entire principal balance and any unpaid interest are due. The note is collateralized by a \$4,000,000 cash account held with Iberia Bank and funded by the project, Heritage-MNB Apartments, LLC. \$ 4,850,000

Note payable - Michigan Community Capital has a stated interest rate of 9% per annum. Interest-only payments are due monthly until June 2020 at which time the entire principal balance and any unpaid interest are due. This note is held in support of the project, The Original and Only Thompson Block, LLC. Subsequent to year-end, this loan was paid in full. 1,251,932

Note payable - Bank of America has a stated interest rate of 7.89% per annum. This note requires monthly payments of principal and interest of \$1,910 starting in 2020. Beginning in 2021, monthly payments increase to \$7,924. The balance of this note will continue to increase until 2029 at which time monthly payments increase to \$9,763. A final balloon payment of all outstanding principal and interest is due in 2044. This note is held in support of the project, Broderick Tower Investment Group, LLC. 1,317,387

7,419,319

Less current portion (1,251,932)

Total long-term notes payable \$ 6,167,387

Annual principal requirements under the notes are approximately as follows:

Year Ending December 31,	
2020	\$ 1,251,932
2021	4,850,000
2022	-
2023	-
2024	-
Thereafter	<u>1,317,387</u>
	<u><u>\$ 7,419,319</u></u>

**MICHIGAN HISTORIC PRESERVATION NETWORK
AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 10 - OPERATING LEASE

The Network rents office space under an operating lease agreement with 313 Grand River LLC, a related party. The Network entered into a 60 month lease on April 1, 2018. Additionally, through June 2019, the Network received an in-kind rent contribution of office space and parking space in Detroit under a month to month arrangement with the Farbman Group. Rental expense of \$20,954 was incurred for the year ended December 31, 2019.

Future operating lease commitments, excluding in-kind rent contribution, for the next five years are as follows:

Year Ending December 31,	Commitment
2020	\$ 20,898
2021	21,315
2022	21,744
2023	5,463
2024	-

NOTE 11 - CONSERVATION EASEMENTS

The Network periodically receives or purchases conservation easements which limit the allowable uses of the related property to preservation uses consistent with the Network's mission. Contributed conservation easements received are recorded as property contributions based on the estimated value given up by the property owner by restricting the use of the property with an easement. Conservation easements purchased bear no future benefit to the Network and are therefore included as part of property and easement transactions expense in the year they are acquired. In connection with the transfer or sale of property, the Network may retain a conservation easement on the property. Because these easements bear no possible future financial benefit to the Network, they are not recorded on the Network's statement of financial position. No easements were purchased during 2019.

NOTE 12 - PRIOR PERIOD ADJUSTMENTS

The following prior period adjustments were made to the opening net assets balance for the year ended December 31, 2019:

Net assets, January 1, 2019, as previously reported	\$ 71,669,766
Reclassify donor restricted grants to deferred revenue	(148,166)
Remove partnership investment	(13,387,534)
Adjust note receivable balances	(1,296,136)
Record payroll liabilities	373
Adjust cash to actual balance	(1,049)
Record long term note payable	(1,221,004)
Net assets, January 1, 2019, as restated	<u>\$ 55,616,250</u>

**MICHIGAN HISTORIC PRESERVATION NETWORK
AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 13 - SUBSEQUENT EVENT

The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our customers, employees and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition and results of operations is uncertain.

NOTE 14- NEW ACCOUNTING STANDARDS

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which it and all subsequent amendments to the ASU No. 2014-09, replaced most existing revenue recognition guidance in U.S. GAAP. The Network adopted the provisions of this guidance on January 1, 2019 using the retrospective approach. The Network has performed an assessment of its revenue contracts as well as worked with industry participants on matters of interpretation and application and has not identified any material changes to the timing or amount of its revenue recognition under ASU 2014-09. The Network's accounting policies did not change materially as a result of applying the principles of revenue recognition from ASU 2014-09 and are largely consistent with existing guidance and current practices applied by the Organization.

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU provides guidance to distinguish recognition practices of contribution activity related to the adoption of ASU 2014-09. The Network adopted the provisions of this guidance in conjunction with ASU 2014-09. There was no impact to revenue recognized for the year ended December 31, 2019 as a result of implementing ASU 2018-08.

SUPPLEMENTARY INFORMATION

MICHIGAN HISTORIC PRESERVATION NETWORK AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019

	Michigan Historic Preservation Network	MHPN Preservation Investments 1, LLC	MHPN Incentive Ventures, Inc.	Eliminations	Total
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 669,708	\$ 869,060	\$ 23,693	\$ -	\$ 1,562,461
Short-term investments	352,685	-	-	-	352,685
Accounts receivable	8,231	2,194	-	-	10,425
Related party receivable	-	194,000	405	(194,405)	-
Notes receivable - current portion	-	216,507	-	-	216,507
Inventory	7,561	-	-	-	7,561
Prepaid expenses	9,936	-	-	-	9,936
Other current assets	-	25,351	-	-	25,351
Total current assets	<u>1,048,121</u>	<u>1,307,112</u>	<u>24,098</u>	<u>(194,405)</u>	<u>2,184,926</u>
PROPERTY AND EQUIPMENT					
Equipment and furniture	20,461	-	-	-	20,461
Less accumulated depreciation	<u>(16,432)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(16,432)</u>
Total property and equipment	<u>4,029</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,029</u>
LONG-TERM ASSETS					
Notes receivable, less current portion	-	32,096	-	-	32,096
Investment notes receivable, less current portion	-	53,238,233	-	-	53,238,233
Partnership investments	-	14,715,661	1,406,963	(1,070,087)	15,052,537
Equity investments	-	275,378	-	(48,000)	227,378
Total long-term assets	<u>-</u>	<u>68,261,368</u>	<u>1,406,963</u>	<u>(1,118,087)</u>	<u>68,550,244</u>
TOTAL ASSETS	<u>\$ 1,052,150</u>	<u>\$ 69,568,480</u>	<u>\$ 1,431,061</u>	<u>\$ (1,312,492)</u>	<u>\$ 70,739,199</u>
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable	\$ 7,814	\$ 62,879	\$ 28	\$ -	\$ 70,721
Related party payable	194,000	405	-	(194,405)	-
Accrued payroll liabilities	2,258	-	-	-	2,258
Accrued income tax liability	-	-	14,805	-	14,805
Notes payable - current portion	-	1,251,932	-	-	1,251,932
Deferred income	86,412	-	-	-	86,412
TOTAL CURRENT LIABILITIES	<u>290,484</u>	<u>1,315,216</u>	<u>14,833</u>	<u>(194,405)</u>	<u>1,426,128</u>
LONG-TERM LIABILITIES					
Notes payable, less current portion	-	4,850,000	1,317,387	-	6,167,387
TOTAL LIABILITIES	<u>290,484</u>	<u>6,165,216</u>	<u>1,332,220</u>	<u>(194,405)</u>	<u>7,593,515</u>
NET ASSETS					
Without donor restrictions					
Undesignated	105,828	62,304,257	98,841	(1,118,087)	61,390,839
Designated	640,838	1,099,007	-	-	1,739,845
With donor restrictions	15,000	-	-	-	15,000
TOTAL NET ASSETS	<u>761,666</u>	<u>63,403,264</u>	<u>98,841</u>	<u>(1,118,087)</u>	<u>63,145,684</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,052,150</u>	<u>\$ 69,568,480</u>	<u>\$ 1,431,061</u>	<u>\$ (1,312,492)</u>	<u>\$ 70,739,199</u>

MICHIGAN HISTORIC PRESERVATION NETWORK AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019

	Michigan Historic Preservation Network	MHPN Preservation Investments 1, LLC	MHPN Incentive Ventures, Inc.	Eliminations	Total
REVENUES					
Membership	\$ 25,340	\$ -	\$ -	\$ -	\$ 25,340
Contributions	118,787	9,271,321	-	-	9,390,108
Grants	201,852	-	-	-	201,852
Sponsorships	57,760	-	-	-	57,760
Registrations and admissions	50,169	-	-	-	50,169
Advertising	4,425	-	-	-	4,425
Fees for service	67,162	15,990	-	-	83,152
Merchandise sales	9,258	-	-	-	9,258
Rental income	800	-	-	-	800
Interest income	247	14,322	-	-	14,569
Investment return, net	52,416	-	-	-	52,416
Gain (loss) on partnership investments	-	(1,464,147)	107,387	-	(1,356,760)
Total revenues	588,216	7,837,486	107,387	-	8,533,089
EXPENSES					
Payroll, taxes, and employee benefits	306,256	-	-	-	306,256
General and administrative	26,784	15,652	14,859	-	57,295
Facilities	30,895	-	-	-	30,895
Marketing and communications	7,281	-	-	-	7,281
Professional services	193,395	118,439	1,600	-	313,434
Training and travel	26,208	-	-	-	26,208
Programing	78,204	-	-	-	78,204
Depreciation	377	-	-	-	377
Interest expense	-	87,322	96,383	-	183,705
Total expenses	669,400	221,413	112,842	-	1,003,655
CHANGE IN NET ASSETS	(81,184)	7,616,073	(5,455)	-	7,529,434
NET ASSETS, beginning of year, as restated	842,850	55,787,191	104,296	(1,118,087)	55,616,250
NET ASSETS, end of year	\$ 761,666	\$ 63,403,264	\$ 98,841	\$ (1,118,087)	\$ 63,145,684