

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY
(A Component Unit of the City of Detroit, Michigan)

FINANCIAL STATEMENTS
(With Required Supplementary Information)

June 30, 2018 and 2017



CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

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INDEPENDENT AUDITOR'S REPORT

November 15, 2018

To the Board of Trustees
Charles H. Wright Museum of African American History

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Charles H. Wright Museum of African American History (the "Museum"), a component unit of the City of Detroit, Michigan, as of, and for the years ended, June 30, 2018 and 2017, as well as the related notes to the financial statements, which collectively comprise the Museum's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Museum's 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 opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 Museum'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 Museum'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 opinions.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Opinions

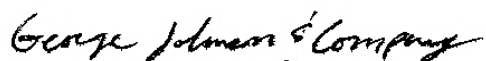
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Museum as of June 30, 2018 and 2017, and the respective changes in financial position thereof for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 13 and budgetary comparison on pages 41 through 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated November 15, 2018, on our consideration of the Museum's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Museum's internal control over financial reporting and compliance.



CERTIFIED PUBLIC ACCOUNTANTS
Detroit, Michigan

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)

June 30, 2018 and 2017

This section of the annual report of the Charles H. Wright Museum of African American History (the “Museum”, “The Wright”, or “The Wright Museum”) presents management’s discussion and analysis of the Museum’s financial performance during the fiscal years that ended on June 30, 2018 and 2017 (“fiscal year 2018” and “fiscal year 2017”, respectively). Please read it in conjunction with the Museum’s financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

The Museum showed some progress toward financial stability, recording a surplus in net position of \$41,194. Revenue for the year ended June 30, 2018 increased \$540,066 from the prior year. Funding from the City of Detroit (the “City”) remained at its historic level of \$1.9 million, and other revenue sources also remained at their historic levels.

Overall, net position increased by approximately two percent, compared to a decrease of approximately two percent a year ago. The Museum’s unrestricted net position decreased by \$347,958 to \$(780,342) as of June 30, 2018. Accounts payable increased by approximately 13 percent. Cash flow remained an ongoing struggle throughout the year to support continuing operations. The Museum has an unused line of credit of \$100,000 available for contingencies. Deferred revenue consists primarily of facility rental and group tour deposits.

Total revenue for the year increased \$540,066, or approximately eight percent. Total expenses, excluding depreciation, increased \$410,260, or approximately six percent, due to an increase in fundraising expenses and search firm expenses associated with recruiting a Senior Vice-President of Development.

The Museum’s endowment fund increased approximately eight percent over the prior year to a total of \$1,360,324. This increase was primarily due to multi-year 2015 Gala gifts of \$50,000 earmarked for the endowment. In addition, approximately \$2.4 million is currently held in trust by the Community Foundation for Southeast Michigan (“CFSEM”), for a total of approximately \$3.8 million. The Museum received \$105,490 in operating support from the CFSEM fund as dividends during fiscal year 2018.

Key funding for the Museum includes the following:

1. The second \$250,000 installment of a \$500,000 grant for operating support of programming from the State of Michigan
2. A one-time \$115,000 grant for evaluation capacity building from the Institute of Museum and Library Services

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

June 30, 2018 and 2017

FINANCIAL HIGHLIGHTS (CONTINUED)

3. The final \$100,000 installment of a three-year grant for operating support of programming from the McGregor Fund
4. \$100,000 for operating support of programming from the DTE Foundation as the second installment of a three-year conditional commitment
5. A renewable \$100,000 grant for internships and programming from JPMorgan Chase
6. A \$157,000 grant for the Museum's storm water project from the Erb Family Foundation
7. The final \$150,000 installment of a multi-year grant for programming, marketing, and fundraising from the Ford Foundation
8. A single-year \$75,000 grant and a \$25,000 grant for general operations from the Kresge Foundation
9. \$84,000 of a three-year grant of \$250,000 for capacity building from the Max & Marjorie Fisher Foundation

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report contains two types of financial statements that the Museum is required to issue by the Governmental Accounting Standards Board ("GASB"). The GASB issues accounting and financial reporting guidelines for governmental agencies and units. This annual report contains the financial statements that the Museum is required to issue. The Museum's financial reports are shown as a "component unit" in the financial statements of the City because the members of the Museum's Board of Trustees are appointed by the City's mayor and the City provides financial support to the Museum. Therefore, the Museum is considered a governmental unit.

The statements of net position and statements of activities (which are presented on pages 14 and 15) are considered government-wide financial statements. The balance sheets and statements of revenue, expenditures, and fund balances for governmental funds (which are presented on pages 16, 17, 19, and 20) are considered fund financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

June 30, 2018 and 2017

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

A further discussion of each type of statement, and the major differences between the two types of statements, follows.

Government-Wide Financial Statements

The government-wide financial statements report information about the Museum as a whole using accounting methods similar to those used by private-sector companies and non-profit organizations. The statements of net position include all of the Museum's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenue and expenses are accounted for in the statements of activities, regardless of when cash is received or paid.

The two government-wide financial statements report the Museum's net position and how they have changed. Net position represents the difference between the Museum's total of assets and deferred outflows of resources and its total of liabilities and deferred inflows of resources, and it represents one way to measure the Museum's financial health, or position. Over time, increases or decreases in the Museum's net position are an indicator of whether its financial health is improving or deteriorating.

Fund Financial Statements

The fund financial statements provide more detailed information about the Museum's funds, not the Museum as a whole. Funds are accounting devices that the Museum uses to keep track of specific sources of funding and spending for particular purposes.

Most of the Museum's activities are included in governmental funds, which focus on how cash, and other financial assets that can be readily converted to cash, flow in and out and show the balances left at the end of the year that are available for spending. As such, the fund financial statements provide a detailed short-term view that shows whether there are more or fewer financial resources that can be spent in the near future to finance the Museum's programs.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

June 30, 2018 and 2017

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Major Differences between Government-Wide Financial Statements and Fund Financial Statements

A major difference between the two types of financial statements is in the accounting for capital assets. In the government-wide financial statements, investments in long-term assets are capitalized and depreciated over the estimated useful lives of the assets. In the fund financial statements, all capital expenditures are expensed in the year such expenditures are incurred.

Another major difference between the two types of financial statements is in the accounting for pledges receivable. In the government-wide financial statements, unconditional pledges receivable are reported as revenue in the period in which the unconditional promises to give are obtained. In the fund financial statements, the recognition of revenue related to unconditional pledges is deferred unless the pledge is collected within 60 days after the end of the fiscal year. The Museum has pledges receivable that are due more than 60 days after year-end of \$40,000 and \$90,000 as of June 30, 2018 and 2017, respectively. These long-term pledges have been recognized as revenue during the years ended June 30, 2018 and 2017 in the government-wide financial statements.

The reconciliation of the differences between the fund financial statements and the government-wide financial statements is provided on pages 18 and 21.

The notes to the financial statements, which begin on page 22, explain some of the information in the financial statements and provide more detailed data. A comparison of the Museum's general fund revenue and expenditures to its budget is provided on pages 41 and 42.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)**June 30, 2018 and 2017****FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE**

Table 1 reflects a summary of the Museum's assets, liabilities, and net position as of June 30, 2018, 2017, and 2016:

Table 1
Statements of Net Position
June 30, 2018, 2017, and 2016
(in thousands of dollars)

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Assets:			
Cash and cash equivalents	\$ 542.5	\$ 528.2	\$ 598.7
Investments	1,515.5	1,413.6	1,296.8
Accounts receivable	105.0	154.6	18.7
Prepaid expenses	81.3	87.5	69.0
Museum store inventory	50.8	46.7	47.8
Pledges receivable:			
Available in more than 60 days	40.0	90.0	295.0
Capital assets:			
Nondepreciable capital assets	250.3	510.6	202.7
Depreciable capital assets, net	1,143.7	832.9	868.1
Total Assets	<u>3,729.1</u>	<u>3,664.1</u>	<u>3,396.8</u>
Liabilities:			
Accounts payable	712.6	631.0	401.8
Accrued payroll and related taxes	112.4	113.1	94.3
Deferred revenue	28.1	85.2	-0-
Total Liabilities	<u>853.1</u>	<u>829.3</u>	<u>496.1</u>
Net Position:			
Net investment in capital assets	1,394.0	1,343.6	1,070.8
Restricted for endowment	1,360.3	1,260.1	1,165.1
Restricted for designated activities	902.0	663.5	860.9
Unrestricted	(780.3)	(432.4)	(196.1)
Total Net Position	<u>\$ 2,876.0</u>	<u>\$ 2,834.8</u>	<u>\$ 2,900.7</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)**June 30, 2018 and 2017****FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE (CONTINUED)**

Cash and investments increased by \$116,220, or approximately six percent. Investments include Museum-directed endowment funds and the cash surrender value of life insurance policies. All investments are governed by a Board-approved investment policy. Cash restricted for various projects was expended for programming or capital improvements in accordance with grant obligations. Accounts receivable decreased during fiscal year 2018. They are reviewed for collectability and are written off as necessary. For fiscal year 2018, approximately \$6,574 in uncollectible accounts receivable was written off, primarily due to an uncollectible Gala auction item of \$4,500.

Table 2 reflects a condensed summary of the Museum's revenue, expenses, and changes in net position for the years ended June 30, 2018, 2017, and 2016:

Table 2
Statements of Activities
For the Years Ended June 30, 2018, 2017, and 2016
(in thousands of dollars)

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Expenses:			
Exhibits and educational program:			
Salaries, wages, and employee benefits	\$ 3,274.8	\$ 3,187.8	\$ 2,865.1
Contractual and professional services	1,489.6	926.3	1,672.2
Facility operations and maintenance	943.6	1,131.4	1,097.0
Educational programs and exhibits	628.2	584.2	558.4
Depreciation	244.9	222.2	236.1
Other expenses	629.8	726.0	565.2
	<u>7,210.9</u>	<u>6,777.9</u>	<u>6,994.0</u>
Program Revenue:			
Exhibits and educational program:			
Grants	2,507.6	2,466.8	1,986.5
Other program revenue	2,483.2	2,159.8	3,178.2
	<u>4,990.8</u>	<u>4,626.6</u>	<u>5,164.7</u>
Net Program Expense	<u>\$ 2,220.1</u>	<u>\$ 2,151.3</u>	<u>\$ 1,829.3</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

June 30, 2018 and 2017

FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE (CONTINUED)**Table 2****Statements of Activities (continued)****For the Years Ended June 30, 2018, 2017, and 2016***(in thousands of dollars)*

	<u>2018</u>	<u>2017</u>	<u>2016</u>
General Revenue:			
Contributions	\$ 2,218.6	\$ 2,017.5	\$ 2,236.6
Net realized and unrealized gain (loss) on investments	42.7	67.9	(5.2)
Total General Revenue	<u>2,261.3</u>	<u>2,085.4</u>	<u>2,231.4</u>
Net Increase (Decrease) in Net Position	41.2	(65.9)	402.1
Net Position, Beginning of Year	<u>2,834.8</u>	<u>2,900.7</u>	<u>2,498.6</u>
Net Position, End of Year	<u>\$ 2,876.0</u>	<u>\$ 2,834.8</u>	<u>\$ 2,900.7</u>

The Museum received \$1,900,000 in unrestricted operating support from the City during fiscal year 2018, an amount equal to the prior year. The State of Michigan contributed more than \$405,000 in support this year for educational programming and more than \$283,000 in support the prior year. The Museum did not receive any federal funds during fiscal year 2018.

Earned revenue from admissions, the Museum store, facility rental, memberships, and fundraising increased by \$92,646, or approximately seven percent. Facility rental revenue increased by \$105,574, or approximately 20 percent, admissions revenue increased by \$23,479, or approximately seven percent, Museum store revenue decreased by \$12,839, or approximately five percent, and membership revenue decreased by \$23,568, or approximately 16 percent. The Museum's management expects all of these revenue sources to increase in future fiscal years as the result of new strategies being explored. Fundraising revenue increased by \$230,665, or approximately 26 percent. Management expects that the fundraising revenue source will continue to increase as a result of a full-time Senior Vice-President of Development and full-time development staff members.

Expenses increased by \$433,002, or approximately six percent, during fiscal year 2018. This was substantially due to an increase in fundraising expenses and slight increases in salaries, wages, and health care benefits.

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

June 30, 2018 and 2017

FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE (CONTINUED)

All other expenses were essentially level with the previous fiscal year. There were, however, some reductions in costs. Most notably, facility operations and maintenance decreased by approximately 17 percent. Capital repairs made during the year reduced some repairs and maintenance costs, and a new janitorial service also brought savings.

Table 3 summarizes exhibit admissions and Museum store sales for the years ended June 30, 2018 and 2017:

Table 3
Schedules of Exhibit Admissions and Museum Store Sales
For the Years Ended June 30, 2018 and 2017
(in thousands of dollars)

	<u>2018</u>	<u>2017</u>
Exhibit admissions	\$ 372.7	\$ 349.2
Museum store sales (gross)	229.0	241.9

The Wright opens minds and changes lives through the exploration and celebration of African American history and culture by providing learning opportunities, exhibitions, programs, and events based on collections and research that explore the diverse history and culture of African Americans and their African origins. The Museum believes that not only can the answers that society seeks be found throughout this shared experience, but that those answers belong to ALL people. As a result, the Museum continued to present an exciting and educational slate of programs and exhibitions that appealed to a variety of audiences. The Museum partnered with the Detroit Institute of Arts and other local institutions on exhibitions and programs in preparation for a city-wide commemoration of the 1967 Detroit Rebellion. The Wright’s *Say It Loud: Art, History, Rebellion* opened July 23, 2017 as a two-part exhibition. It commemorated rebellions that occurred across the United States during the 1960’s, observed the 50th anniversary of the 1967 Detroit Rebellion, and presented the similarities between the uprisings of the past and the upheavals that have shocked our nation in the 21st Century. The outside part of *Say It Loud* will remain as a permanent exhibit with the addition of the Algiers Motel sign. The 35th annual African World Festival (“AWF”) brought over 150,000 attendees to the grounds of The Wright Museum, with activities for the entire family. Festivities included a headlining performance by four-time Grammy Award nominee Eric Benet, the Detroit Rocks the Runway Fashion Shoe, the Watoto Children’s Village, the Knight Foundation Children’s Book Fair, African drumming and dance, Blues in the Park entertainment, and much, much more. Over 150 vendors participated in the festival, with merchandise made and inspired by African cultures, and the AWF Food Village included African, Caribbean, and African American cuisine.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

June 30, 2018 and 2017

FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE (CONTINUED)

The Wright's summer *Camp Africa: Think BIG* featured five weeks of this free week-long day camp open to children ages 7 through 12 that included creative, dynamic, and fun activities, allowing campers to dream big about their futures. Campers explored the art and science of BIG things such as engineering BIG buildings (The Wright Museum), creating BIG pieces of art (United We Stand), and writing BIG poems (Maya Angelou), among many other inspirational activities.

In continuing the tradition of The Wright's premiere fundraising activity, the seventh annual 2017 Wright Gala "Kaleidoscope of Human Color" was held at the Museum, where more than 420 attendees enjoyed entertainment by Al McKenzie and DJ Yeezy, an exquisite seated dinner by Andiamo, a live auction, and a remix after party. Throughout the evening, guests were surrounded by elaborate details that depicted a kaleidoscopic fantasy; from a sleek, black glass floor entryway to colorful geometric shapes that sparkled in the Museum's iconic dome, the vibrant decor helped illustrate the event's vision and theme: to celebrate the diversity of human culture and color, as well as the richness of our shared history.

The 20th Annual Ford Freedom Awards were again held at The Wright, with a nameplate installation ceremony and a luncheon. This year's theme was "Black Girl Magic". The celebration honored American administrator, educator, and prominent civil rights icon Dorothy Height. She was considered the "godmother of the civil rights movement" and was so honored by President Barack Obama in his remarks upon her death. She was one of the organizers of the famed 1963 March on Washington. Dr. Height was an active leader of the National Council of Negro Women organization for nearly 50 years. The Ford Freedom Scholar was Jessica O. Matthews, an MBA graduate from Harvard Business School who is listed on more than 10 patents and/or patents pending. Her first invention, SOCKET, is an energy-generating soccer ball that she invented at age 19.

The Museum continued to present exhibitions that were educational, entertaining, and impactful. Exhibitions presented during the year included the following:

- *The Gent'le Side of Detroit*
- *Say It Loud: Art, History, Rebellion*
- *Bent, But Unbroken*
- *Eye on the Money: Black Finance 360°*
- *I Found God in Myself: A Celebration of Dr. Ntozake Shange's for Colored Girls...*
- *Oh You Fancy! Black Hair & Fashion*
- *Collected with Pride: A Glimpse of Detroiters' Art*

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

June 30, 2018 and 2017

FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE (CONTINUED)

Once again, the Museum, in partnership with the Arab American National Museum, took part in the 25th anniversary of the city-wide Concert of Colors, featuring Onyx Ashanti, De'Sean Jones, Underground Resistance/Knomadik, Efe Bes, and many more.

The popular *30 Days to Lose It*, a health and fitness program to address health issues in the community, and *Hustle for History*, a weekly program to provide exercise in a fun manner, continue to garner interest to constituents. Additionally, the Museum continued its partnership with the Association for the Study of African American Life and History to present joint programming and events such as a monthly lecture series on history lessons. Other popular annual programs which were continued include Grandparents Day, Noel Night, Martin Luther King Jr. Day, Juneteenth, the Black Women Rock Concert, and Links to Science, presented by the Renaissance Chapter of The Links, Incorporated.

The award-winning Secret Society of Twisted Storytellers, which presents a curated, live storytelling event featuring real people with true stories that are told live, has become an audience favorite. Hosted by creator and producer Satori Shakoor, it also features twisted musical and dance guests. It is a guaranteed awesome, fun-loving night out at the Museum.

The Liberation Film Series completed its sixth season. With close to 300 participants, the film series will continue to impress with a wide range of films and topics. During this fiscal year, viewers were able to partake in the Weather Underground and the Anti-War Movement, the 226th anniversary of the Haitian Revolution, *Birth of a Nation, Rebellions: From Kidnapping and Enslavement to the Present*, featuring Bruce L. Turner, the great-great-great-grandson of Nat Turner, and the 76th birthday of revolutionary political prisoner George Jackson.

ECONOMIC FACTORS

The Museum remains laser-focused on the following four cornerstone goals:

1. Create a standard and culture of service within the Museum
2. Improve the quantity and quality of educational offerings
3. Seek opportunities for partnership with other local organizations
4. Improve marketing of Museum products and services

Management believes that the Museum has made progress on all of these goals and will continue to do so. It should also be noted that, despite the progress the Museum has made in reducing the previous year's deficit, there is still work to be done to gain solid financial footing.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

June 30, 2018 and 2017

ECONOMIC FACTORS (CONTINUED)

In fiscal year 2019, the Museum will continue to focus on the four goals and expects increases in earned income while performing as cost-effectively as possible. A full fund development team is in place to further the Museum's reach in donor giving.

During the 2019 fiscal year, the Museum plans to launch a series of programs and exhibitions that will further enhance the Museum visitor experience. Plans are in the works to revitalize and remodel the A is For Africa exhibit on the lower level.

New exhibitions scheduled for the upcoming year include the following:

- *Tuskegee Airmen*
- *Monticello: Paradox of Slavery*
- *Aboriginal Totems*
- *Personal to Political: Celebrating the African American Artists of Paulson Fountaine Press*

FINANCIAL CONTACT

This financial report is designed to present its users with a general overview of the Museum's finances and to demonstrate the Museum's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Chief Financial Officer's office of the Charles H. Wright Museum of African American History, 315 East Warren, Detroit, Michigan 48201.

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

STATEMENTS OF NET POSITION

June 30, 2018 and 2017

	Governmental Activities	
	2018	2017
Assets:		
Cash and cash equivalents (Note B)	\$ 542,509	\$ 528,189
Investments (Note B)	1,515,479	1,413,579
Accounts receivable (no allowance considered necessary)	104,994	154,555
Prepaid expenses	81,307	87,512
Museum store inventory (lower of cost or market)	50,764	46,669
Pledges receivable (no allowance considered necessary) (Note D):		
Available in more than 60 days	40,000	90,000
Capital assets (Note E):		
Nondepreciable capital assets	250,252	510,640
Depreciable capital assets, net	1,143,733	832,922
Collections and artifacts (Notes A and C)	—	—
Total Assets	3,729,038	3,664,066
Liabilities:		
Accounts payable	712,590	631,029
Accrued payroll and related taxes	112,373	113,114
Deferred revenue	28,100	85,142
Total Liabilities	853,063	829,285
Net Position:		
Net investment in capital assets	1,393,985	1,343,562
Restricted for endowment	1,360,324	1,260,064
Restricted for designated activities	902,008	663,539
Unrestricted	(780,342)	(432,384)
Total Net Position	\$ 2,875,975	\$ 2,834,781

See notes to financial statements.

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2018 and 2017

	Governmental Activities	
	2018	2017
Expenses:		
Exhibits and educational program:		
Salaries, wages, and employee benefits	\$ 3,274,774	\$ 3,187,768
Contractual and professional services	1,489,570	926,285
Facility operations and maintenance	943,628	1,131,445
Office expenses	299,224	301,003
Cost of goods sold	161,734	154,266
Educational programs and exhibits	628,223	584,220
Purchases of artifacts	315	10,285
Other expenses	168,543	260,479
Depreciation (Note E)	244,923	222,181
	7,210,934	6,777,932
Program Revenue:		
Exhibits and educational program:		
Grants (Notes G and L)	2,507,611	2,466,762
Facility rental and catering	641,613	536,039
Exhibit admissions	372,658	349,179
Museum store	229,016	241,855
Memberships	126,385	149,953
Special events and other revenue	1,113,571	882,906
	4,990,854	4,626,694
Net Program Expense	2,220,080	2,151,238
General Revenue:		
Contributions	2,218,627	2,017,489
Net realized and unrealized gain on investments	42,647	67,879
	2,261,274	2,085,368
Net Increase (Decrease) in Net Position	41,194	(65,870)
Net Position, Beginning of Year	2,834,781	2,900,651
Net Position, End of Year	\$ 2,875,975	\$ 2,834,781

See notes to financial statements.

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

BALANCE SHEETS — GOVERNMENTAL FUNDS

June 30, 2018

(With Comparative Totals as of June 30, 2017)

	2018				Total All Funds	
	General Fund	Special Revenue Fund	Capital Projects Fund	Permanent Fund	2018	2017
ASSETS						
Cash and cash equivalents (Note B)	\$ (359,499)	\$ 902,008	\$ -0-	\$ -0-	\$ 542,509	\$ 528,189
Investments (Note B)	50,556	104,599		1,360,324	1,515,479	1,413,579
Accounts receivable (no allowance considered necessary)	104,994				104,994	154,555
Prepaid expenditures	81,307				81,307	87,512
Museum store inventory (lower of cost or market)	50,764				50,764	46,669
Pledges receivable (no allowance considered necessary) (Note D): Available in more than 60 days	40,000				40,000	90,000
Total Assets	\$ (31,878)	\$ 1,006,607	\$ -0-	\$ 1,360,324	\$ 2,335,053	\$ 2,320,504
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 712,590	\$ -0-	\$ -0-	\$ -0-	\$ 712,590	\$ 631,029
Accrued payroll and related taxes	112,373				112,373	113,114
Deferred pledges (Note D)	40,000				40,000	90,000
Deferred revenue	28,100				28,100	85,142
Total Liabilities	893,063	-0-	-0-	-0-	893,063	919,285
Fund Balances (Deficits):						
Nonspendable	132,071			1,360,324	1,492,395	1,394,245
Restricted for designated activities		1,006,607			1,006,607	769,862
Unassigned	(1,057,012)				(1,057,012)	(762,888)
Total Fund Balances (Deficits)	(924,941)	1,006,607	-0-	1,360,324	1,441,990	1,401,219
Total Liabilities and Fund Balances	\$ (31,878)	\$ 1,006,607	\$ -0-	\$ 1,360,324	\$ 2,335,053	\$ 2,320,504

See notes to financial statements.

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

BALANCE SHEETS — GOVERNMENTAL FUNDS

June 30, 2017

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Permanent Fund</u>	<u>Total All Funds</u>
ASSETS					
Cash and cash equivalents (Note B)	\$ (140,350)	\$ 663,539	\$ -0-	\$ 5,000	\$ 528,189
Investments (Note B)	52,192	106,323		1,255,064	1,413,579
Accounts receivable (no allowance considered necessary)	154,555				154,555
Prepaid expenditures	87,512				87,512
Museum store inventory (lower of cost or market)	46,669				46,669
Pledges receivable (no allowance considered necessary) (Note D): Available in more than 60 days	90,000				90,000
Total Assets	<u>\$ 290,578</u>	<u>\$ 769,862</u>	<u>\$ -0-</u>	<u>\$ 1,260,064</u>	<u>\$ 2,320,504</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 631,029	\$ -0-	\$ -0-	\$ -0-	\$ 631,029
Accrued payroll and related taxes	113,114				113,114
Deferred pledges (Note D)	90,000				90,000
Deferred revenue	85,142				85,142
Total Liabilities	<u>919,285</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>919,285</u>
Fund Balances (Deficits):					
Nonspendable	134,181			1,260,064	1,394,245
Restricted for designated activities		769,862			769,862
Unassigned	(762,888)				(762,888)
Total Fund Balances	<u>(628,707)</u>	<u>769,862</u>	<u>-0-</u>	<u>1,260,064</u>	<u>1,401,219</u>
Total Liabilities and Fund Balances	<u>\$ 290,578</u>	<u>\$ 769,862</u>	<u>\$ -0-</u>	<u>\$ 1,260,064</u>	<u>\$ 2,320,504</u>

See notes to financial statements.

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEETS TO STATEMENTS OF NET POSITION

June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Total Fund Balances, Governmental Funds	\$ 1,441,990	\$ 1,401,219
<p>Amounts reported for governmental activities in the statements of net position differ from amounts reported in the governmental funds balance sheets due to the following:</p>		
<p>Pledges receivable due in more than 60 days are not due and collectible in the current period and, therefore, are reported in the funds as deferred pledges</p>	40,000	90,000
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of the following:</p>		
Nondepreciable capital assets	250,252	510,640
Depreciable capital assets:		
Cost	17,092,685	16,536,951
Less: Accumulated depreciation	<u>(15,948,952)</u>	<u>(15,704,029)</u>
Total Net Position, Governmental Activities	<u>\$ 2,875,975</u>	<u>\$ 2,834,781</u>

See notes to financial statements.

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

**STATEMENTS OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES —
GOVERNMENTAL FUNDS**

**For the Year Ended June 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)**

	2018				Total All Funds	
	General Fund	Special Revenue Fund	Capital Projects Fund	Permanent Fund	2018	2017
Revenue:						
Grants (Notes G and L)	\$ 2,507,611	\$ -0-	\$ -0-	\$ -0-	\$ 2,507,611	\$ 2,466,762
Contributions	869,595	1,399,032			2,268,627	2,222,489
Facility rental and catering	641,613				641,613	536,039
Exhibit admissions	372,658				372,658	349,179
Museum store	229,016				229,016	241,855
Memberships	126,385				126,385	149,953
Special events and other revenue	1,087,894			25,677	1,113,571	882,906
Net realized and unrealized gain (loss) on investments	7,289	(1,725)		37,083	42,647	67,879
Total Revenue	5,842,061	1,397,307	-0-	62,760	7,302,128	6,917,062
Expenditures:						
Current:						
Salaries, wages, and employee benefits	2,658,946	615,828			3,274,774	3,187,768
Contractual and professional services	1,429,562	60,008			1,489,570	926,285
Facility operations and maintenance	943,628				943,628	1,131,445
Office expenses	299,224				299,224	301,003
Cost of goods sold	161,734				161,734	154,266
Educational programs and exhibits	256,990	371,233			628,223	584,220
Purchases of artifacts	315				315	10,285
Other current expenditures	55,050	113,493			168,543	260,479
Capital outlay (Note E)			295,346		295,346	494,979
Total Expenditures	5,805,449	1,160,562	295,346	-0-	7,261,357	7,050,730
Excess (Deficiency) of Revenue over Expenditures	36,612	236,745	(295,346)	62,760	40,771	(133,668)
Other Financing Sources (Uses):						
Interfund transfers	(332,846)		295,346	37,500	-0-	-0-
Net Increase (Decrease) in Fund Balances	(296,234)	236,745	-0-	100,260	40,771	(133,668)
Fund Balances (Deficits), Beginning of Year	(628,707)	769,862		1,260,064	1,401,219	1,534,887
Fund Balances (Deficits), End of Year	\$ (924,941)	\$ 1,006,607	\$ -0-	\$ 1,360,324	\$ 1,441,990	\$ 1,401,219

See notes to financial statements.

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

**STATEMENTS OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES —
GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2017

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Permanent Fund</u>	<u>Total All Funds</u>
Revenue:					
Grants (Notes G and L)	\$ 2,466,762	\$ -0-	\$ -0-	\$ -0-	\$ 2,466,762
Contributions	1,420,069	777,420		25,000	2,222,489
Facility rental and catering	536,039				536,039
Exhibit admissions	349,179				349,179
Museum store	241,855				241,855
Memberships	149,953				149,953
Special events and other revenue	845,406			37,500	882,906
Net realized and unrealized gain (loss) on investments	22,155	(943)		46,667	67,879
Total Revenue	6,031,418	776,477	-0-	109,167	6,917,062
Expenditures:					
Current:					
Salaries, wages, and employee benefits	2,852,625	335,143			3,187,768
Contractual and professional services	830,587	95,698			926,285
Facility operations and maintenance	1,131,445				1,131,445
Office expenses	282,544	18,459			301,003
Cost of goods sold	154,266				154,266
Educational programs and exhibits	131,427	452,793			584,220
Purchases of artifacts	10,285				10,285
Other current expenditures	172,660	73,603		14,216	260,479
Capital outlay (Note E)			494,979		494,979
Total Expenditures	5,565,839	975,696	494,979	14,216	7,050,730
Excess (Deficiency) of Revenue over Expenditures	465,579	(199,219)	(494,979)	94,951	(133,668)
Other Financing Sources (Uses):					
Interfund transfers	(495,922)	943	494,979		-0-
Net Increase (Decrease) in Fund Balances	(30,343)	(198,276)	-0-	94,951	(133,668)
Fund Balances (Deficits), Beginning of Year	(598,364)	968,138		1,165,113	1,534,887
Fund Balances (Deficits), End of Year	\$ (628,707)	\$ 769,862	\$ -0-	\$ 1,260,064	\$ 1,401,219

See notes to financial statements.

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENTS OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES TO STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Net Increase (Decrease) in Fund Balances, Governmental Funds	\$ 40,771	\$ (133,668)
<p>Amounts reported for governmental activities in the statements of activities differ from amounts reported in the governmental funds statements of revenue, expenditures, and changes in fund balances due to the following:</p>		
<p>Pledges due in more than 60 days are not available for current use and, therefore, are reported in the funds as deferred pledges. However, in the statements of activities, pledges are reported as revenue in the period the unconditional promises to give are obtained from the donors. During the years presented, these amounts are as follows:</p>		
<p>Pledges receivable that are available in more than 60 days as of:</p>		
June 30, 2018	40,000	-0-
June 30, 2017	(90,000)	90,000
June 30, 2016	-0-	(295,000)
<p>Capital outlays are reported as expenditures in governmental funds. However, in the statements of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. During the years presented, these amounts are as follows:</p>		
Capital outlay	295,346	494,979
Less: Depreciation expense	<u>(244,923)</u>	<u>(222,181)</u>
Net Increase (Decrease) in Net Position, Governmental Activities	<u>\$ 41,194</u>	<u>\$ (65,870)</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE A — NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities and Purpose

The Charles H. Wright Museum of African American History (the “Museum”), located in Detroit, Michigan, provides research, compilation, presentation, publication, and dissemination of knowledge relating to the history, growth, development, heritage, and culture of people of African descent and the human struggle for freedom. Additionally, the Museum provides a means of collecting and restoring artifacts and other source material to be used in research on the history of the people of African descent.

For financial reporting purposes, the Museum is a component unit of the City of Detroit, Michigan (the “City”) because the members of the Museum’s Board of Trustees are appointed by the City’s mayor and the City provides financial support to the Museum. There are no fiduciary funds or component units included in the accompanying financial statements.

Basis of Presentation

The financial statements of the Museum consist of government-wide financial statements, which include the statements of net position and statements of activities, and fund financial statements, which include the balance sheets and statements of revenue, expenditures, and fund balances for governmental funds.

Government-Wide Financial Statements

The government-wide financial statements report information about all of the Museum’s assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenue, and expenses. Deferred outflows of resources represent the consumption of net assets by the Museum that is applicable to a future reporting period, while deferred inflows of resources represent the acquisition of net assets by the Museum that is applicable to a future reporting period, and net position is the residual of all other elements presented in the statements of net position.

Fund Financial Statements

For purposes of the fund financial statements, the accounts of the Museum are organized on the basis of governmental funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenue, and expenditures.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018 and 2017

NOTE A — NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (continued)

Fund Financial Statements (continued)

The various funds are summarized by type in the fund financial statements. The following funds, all of which are considered major funds, are used by the Museum:

General Fund

The general fund is the general operating fund of the Museum. It is used to account for all financial resources other than those required to be accounted for in another fund.

Special Revenue Fund

The special revenue fund is used to account for donor-funded programs (including exhibitions) that overlap fiscal years.

Capital Projects Fund

The capital projects fund is used to account for financial resources restricted to use for acquisition and construction of major capital facilities.

Permanent Fund

The permanent fund is used to account for the long-term investment of funds permanently restricted by donor stipulation or by action of the Board of Trustees.

The Museum's fund balances are classified as follows, based on the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable

These fund balances consist of amounts that are not in a spendable form (such as inventory or prepaid expenditures) or that are required to be maintained intact.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018 and 2017

NOTE A — NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (continued)

Fund Financial Statements (continued)

Restricted

These fund balances consist of amounts that are constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed

These fund balances consist of amounts that are constrained to specific purposes by the Museum itself, using its highest level of decision-making authority, which is the Board of Trustees. To be reported as committed, such amounts cannot be used for any other purpose unless the Board of Trustees takes action to remove or change the constraint. The Board of Trustees establishes (and modifies or rescinds) fund balance commitments by passage of a resolution, typically through adoption and amendment of the budget.

Assigned

These fund balances consist of amounts that the Museum intends to use for a specific purpose. Such intent can be expressed by the governing body, which is the Board of Trustees, or by an official or body to which the Board of Trustees delegates the authority, such as the Finance Committee. Assigned fund balances are typically established through adoption or amendment of the budget.

Unassigned

These fund balances consist of amounts that are available for any purpose. Only the general fund has a positive unassigned fund balance.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018 and 2017

NOTE A — NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

Government-Wide Financial Statements

The government-wide financial statements are prepared on the accrual basis of accounting using the economic resources measurement focus. Accordingly, revenue is recorded when earned and expenses are recorded when incurred. Grants provided to support program activities and revenue directly associated with services provided or use of the facility are classified as program revenue. Contributions, investment income, and other support not directly associated with services provided or use of the facility are classified as general revenue.

Fund Financial Statements

The fund financial statements are prepared on the modified accrual basis of accounting using the flow of current financial resources as a measurement focus. Under the modified accrual basis of accounting, revenue is recorded when susceptible to accrual, which is when it is both measurable and available. "Available" means collectible within the current period or soon enough thereafter (within 60 days) to be used to pay liabilities of the current period. Expenditures, other than interest on long-term debt, are recorded when the liability is incurred, if measurable. In applying the susceptible-to-accrual concept to intergovernmental revenue, the legal and contractual requirements of the numerous individual programs are used as guidance. Monies virtually unrestricted as to purpose of expenditure and revocable only for failure to comply with prescribed compliance requirements are reflected as revenue at the time of receipt, or earlier if the susceptible-to-accrual criteria are met.

Expenditures that are incurred for purposes for which both restricted and unrestricted fund balances are available are applied first to available restricted fund balances, then to unrestricted fund balances. Expenditures that are incurred for purposes for which committed, assigned, and unassigned fund balances are available are applied first to available committed fund balances, then to available assigned fund balances, and finally to unassigned fund balances.

City of Detroit Donated Facilities

The Museum has an arrangement with the City under which the City provides the Museum with facilities at no charge. This arrangement has not been reflected in the financial statements since the arrangement is not susceptible to objective measurement or valuation.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018 and 2017

NOTE A — NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributed Services

A substantial number of volunteers have made significant contributions of their time to develop the Museum's programs, principally in membership development. No amounts have been reflected in these financial statements for volunteer services contributed; however, for the years ended June 30, 2018 and 2017, total contributed volunteer time of 12,221 and 11,040 hours, respectively, was valued at \$292,204 and \$261,317, respectively.

Compensated Absences

Vacation time is accrued as earned. Employees are allowed to carry over a maximum of 80 hours. Any hours not used within a year of being carried over are forfeited.

Investments

The Museum's investments, except for the life insurance policy, are stated at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price).

The Museum's investments are valued as follows:

- Common stocks are stated at quoted market prices.
- Money market funds and registered investment companies are valued at quoted market prices, which represent the net asset values thereof on the last business day of the fiscal year.
- The life insurance policy is measured at its cash surrender value.

Purchases and sales of securities are recorded on a trade-date basis. Gains and losses on sales of securities are based on average costs. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation and depreciation include gains and losses on investments bought and sold, as well as held, during the year.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018 and 2017

NOTE A — NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

The Museum uses fair value measurements in the preparation of its financial statements, which utilize various inputs, including those that can be readily observable, corroborated, or are generally unobservable. The Museum utilizes market-based data and valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Additionally, the Museum applies assumptions that market participants would use in pricing an asset or liability, including assumptions about risk.

The measurement of fair value includes a hierarchy based on the quality of inputs used to measure fair value. Financial assets and liabilities are categorized into this three-level fair value hierarchy based on the inputs to the valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable inputs.

The various levels of the fair value hierarchy are described as follows:

- Level 1 — Financial assets and liabilities whose values are based on unadjusted quoted market prices for identical assets and liabilities in an active market that the Museum has the ability to access
- Level 2 — Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable for substantially the full term of the asset or liability
- Level 3 — Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement

The use of observable market data, when available, is required in making fair value measurements. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018 and 2017

NOTE A — NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets are recorded at historical cost. The Museum capitalizes all expenditures for long-term and permanent exhibits, furniture, and equipment in excess of \$2,500 and for building improvements in excess of \$5,000. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range from five to 10 years. The depreciation for long-term and permanent exhibits is computed using the declining balance over the useful life of five years. Expenditures for maintenance and repairs are charged to expense. Renewals or betterments which extend the life or increase the value of the properties are capitalized and depreciated over the remaining useful lives of the related assets.

Collections and Artifacts

The Museum does not capitalize donated collections and artifacts or recognize them as revenue. Such donations need not be recognized if they are added to collections that: (a) are held for public exhibition, education, or research in furtherance of public service rather than financial gain, (b) are protected, kept unencumbered, cared for, and preserved, and (c) are subject to a policy that requires the proceeds from sales of collection items to be used to acquire other items for collections. For the years ended June 30, 2018 and 2017, donated collections and artifacts totaled \$34,998 and \$24,998, respectively.

Tax-Exempt Status

The Museum is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and is not classified as a private foundation by the Internal Revenue Service.

Advertising

The Museum's advertising costs are expensed as incurred. Advertising expenses totaled \$50,764 and \$96,322 for the years ended June 30, 2018 and 2017, respectively.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018 and 2017

NOTE B — CASH DEPOSITS AND INVESTMENTS

Cash Deposits

State of Michigan (the “State”) statutes require that certificates of deposit, savings accounts, deposit accounts, and depository receipts be made with banks doing business and having a place of business in the State that are also members of a federal or national insurance corporation.

Custodial credit risk is the risk that, in event of a bank failure, the Museum’s deposits may not be returned to the Museum. The Museum’s policy is to hold checking accounts, savings accounts, and certificates of deposit with insured banks or savings institutions, with a maximum deposit in each separate institution not to exceed the current Federal Deposit Insurance Corporation insurable limit.

As of June 30, 2018 and 2017, the Museum’s carrying amounts of deposits and bank balances, and the bank balances that are not covered by federal depository insurance, are as follows:

	<u>2018</u>	<u>2017</u>
Carrying amount of deposits	<u>\$ 542,509</u>	<u>\$ 528,189</u>
Total bank balances	<u>\$ 632,901</u>	<u>\$ 650,485</u>
Uninsured and uncollateralized bank balances	<u>\$ 208,256</u>	<u>\$ 327,911</u>

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018 and 2017

NOTE B — CASH DEPOSITS AND INVESTMENTS (CONTINUED)

Investments

The Museum's fair value hierarchy for those assets measured on a recurring basis as of June 30, 2018 and 2017 is summarized as follows:

	<u>Fair Value Measurements</u>			<u>Total</u>
	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	
2018				
Assets:				
Investments at fair value:				
Money market funds	\$ 48,730	\$ -0-	\$ -0-	\$ 48,730
Registered investment companies	1,313,108			1,313,108
Common stocks	49,042			49,042
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Investments at Fair Value	<u>\$ 1,410,880</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>1,410,880</u>
Investments at cash surrender value:				
Life insurance policy				104,599
				<u> </u>
				<u>\$ 1,515,479</u>
2017				
Assets:				
Investments at fair value:				
Money market funds	\$ 35,314	\$ -0-	\$ -0-	\$ 35,314
Registered investment companies	1,221,325			1,221,325
Common stocks	50,617			50,617
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Investments at Fair Value	<u>\$ 1,307,256</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>1,307,256</u>
Investments at cash surrender value:				
Life insurance policy				106,323
				<u> </u>
				<u>\$ 1,413,579</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018 and 2017

NOTE B — CASH DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (continued)

Credit risk is the risk that the Museum will not recover its investments due to the inability of the counterparty to fulfill its obligations. State statutes authorize the Museum to invest in obligations and certain repurchase agreements of the U.S. Treasury and related governmental agencies, commercial paper rated prime at the time of purchase and maturing not more than 270 days from the date of purchase, bankers acceptances and certificates of deposit issued or created by any state or national bank insured with the applicable federal agency, investment pools authorized by the Surplus Funds Investment Act, and registered investment companies composed entirely of the above investments.

The Museum's investment policy does not further limit its investment options. The Museum's investment policy does not limit its investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Museum will not be able to recover the value of its investments that are in the possession of an outside party. The Museum has a limit on the amount that may be invested in any one investment.

Individual investments, other than registered investment companies, that represent five percent or more of the Museum's total investments either as of June 30, 2018 or as of June 30, 2017, or investments for which credit risk or interest rate risk disclosures are required, are as follows:

	<u>2018</u>	<u>2017</u>
Investments held by the Museum or its agent in the Museum's name:		
Money market funds:		
AAAm rating from Standard & Poor's:		
Federated Government Obligations Fund,		
Premier Class	\$ 47,151	\$ 33,697
Unrated	1,449	1,617
Registered investment companies:		
Bond funds:		
AAA rating from Standard & Poor's:		
Weighted average maturity of 8.21 years and 7.98 years for 2018 and 2017, respectively	109,084	50,375

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018 and 2017

NOTE B — CASH DEPOSITS AND INVESTMENTS (CONTINUED)**Investments (continued)**

	<u>2018</u>	<u>2017</u>
Investments held by the Museum or its agent in the Museum's name (continued):		
Registered investment companies (continued):		
Bond funds (continued):		
AAA rating from Standard & Poor's (continued):		
Weighted average maturity of 7.19 years and 6.44 years for 2018 and 2017, respectively	\$ 34,171	\$ 31,494
Weighted average maturity of 8.32 years and 8.33 years for 2018 and 2017, respectively	13,736	12,260
Weighted average maturity of 4.79 years and 4.81 years for 2018 and 2017, respectively	13,680	12,357
Weighted average maturity of 1.97 years for 2017	-0-	52,806
A rating from Standard & Poor's, weighted average maturity of 1.99 years for 2017	-0-	82,142
BBB rating from Standard & Poor's:		
Weighted average maturity of 1.99 years for 2018	94,935	-0-
Weighted average maturity of 4.78 years for 2017	-0-	50,499
Unrated:		
Weighted average maturity of 10.90 years for 2018	47,272	-0-
Weighted average maturity of 9.30 years and 9.20 years for 2018 and 2017, respectively	20,680	12,503
Weighted average maturity of 7.47 years and 8.36 years for 2018 and 2017, respectively	20,659	12,453
Weighted average maturity of 1.03 years for 2017	-0-	200,000
Life insurance policy:		
Lincoln National Life Insurance Company	104,599	106,323

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018 and 2017

NOTE C — COLLECTIONS AND ARTIFACTS

The Museum has collections and artifacts that were donated to the Museum by various parties. These items are on display and are used by researchers, historians, and others who are interested in studying the history of the people of African descent. The Museum employs a curator to ensure that the collections and artifacts are protected and preserved. It is the policy of the Museum, in accordance with standards established by the American Association of Museums' Board of Ethics that proceeds from the sale of any such items are to be used to purchase additional such items.

The Museum has purchased approximately \$1.749 million of collections and artifacts since its inception. These items have been recorded as expenditures in the accompanying financial statements.

NOTE D — PLEDGES RECEIVABLE

Included in pledges receivable are the following unconditional promises to give as of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Available in more than 60 days	<u>\$ 40,000</u>	<u>\$ 90,000</u>

For purposes of the fund financial statements, pledges receivable are recorded on the modified accrual basis of accounting. Therefore, the governmental funds balance sheets present a deferred pledges balance for the net amount of any pledges receivable that are not susceptible to accrual (both measurable and available within 60 days). Such pledges will be recorded in the fund financial statements as revenue in future years as payments are received.

For purposes of the government-wide financial statements, pledges receivable are recorded on the accrual basis of accounting. Therefore, the statements of activities present revenue for the net amount of any pledges receivable in the period the unconditional promises to give are obtained.

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018 and 2017

NOTE E — CAPITAL ASSETS

Nondepreciable capital asset activity for the years ended June 30, 2018 and 2017 is as follows:

	<u>Construction in Progress</u>
Balance, July 1, 2016	\$ 202,690
Acquisitions	<u>307,950</u>
Balance, June 30, 2017	510,640
Acquisitions	220,440
Less: Transfers to depreciable capital assets	<u>(480,828)</u>
Balance, June 30, 2018	<u>\$ 250,252</u>

Depreciable capital asset activity for the years ended June 30, 2018 and 2017 is as follows:

	<u>Building Improvements</u>	<u>Exhibits</u>	<u>Furniture and Equipment</u>	<u>Total</u>
Cost:				
Balance, July 1, 2016	\$ 1,558,709	\$ 13,254,545	\$ 1,536,668	\$ 16,349,922
Acquisitions	<u>39,258</u>	<u>135,080</u>	<u>12,691</u>	<u>187,029</u>
Balance, June 30, 2017	1,597,967	13,389,625	1,549,359	16,536,951
Acquisitions		68,435	6,471	74,906
Transfers from construction in progress	<u>263,964</u>	<u>90,655</u>	<u>126,209</u>	<u>480,828</u>
Balance, June 30, 2018	<u>\$ 1,861,931</u>	<u>\$ 13,548,715</u>	<u>\$ 1,682,039</u>	<u>\$ 17,092,685</u>
Accumulated Depreciation:				
Balance, July 1, 2016	\$ 1,353,730	\$ 12,694,854	\$ 1,433,264	\$ 15,481,848
Depreciation expense	<u>93,376</u>	<u>124,570</u>	<u>4,235</u>	<u>222,181</u>
Balance, June 30, 2017	1,447,106	12,819,424	1,437,499	15,704,029
Depreciation expense	<u>111,237</u>	<u>102,796</u>	<u>30,890</u>	<u>244,923</u>
Balance, June 30, 2018	<u>\$ 1,558,343</u>	<u>\$ 12,922,220</u>	<u>\$ 1,468,389</u>	<u>\$ 15,948,952</u>
Net Depreciable Capital Assets:				
Balance, June 30, 2017	\$ 150,861	\$ 570,201	\$ 111,860	\$ 832,922
Balance, June 30, 2018	<u>\$ 303,588</u>	<u>\$ 626,495</u>	<u>\$ 213,650</u>	<u>\$ 1,143,733</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018 and 2017

NOTE F — LINE OF CREDIT

The Museum has a line of credit arrangement with a bank for \$100,000, requiring interest at 1.5 percent over the prime rate per annum. The line of credit is secured by substantially all assets of the Museum. No outstanding balance was due on this line of credit as of June 30, 2018 or 2017.

NOTE G — CONTRACT WITH THE CITY OF DETROIT

The Museum entered into its most recent contract with the City effective November 1, 1999, under which the City is to provide the Museum with operating funds. This contract was for 10 years, with an automatic 10-year renewal unless a notice to terminate is requested by either party. The contract was extended effective November 1, 2009 and expires on October 31, 2019. Under the terms of the contract, all personal property acquired before and/or during the life of the contract becomes the property of the City. Funding under the contract totaled \$1,900,000 per year for the years ended June 30, 2018 and 2017. The amount of funding for future years under the contract will be negotiated annually.

NOTE H — PERMANENT CHARITABLE ENDOWMENT FUND

The Museum established the Museum of African American History Endowment Fund (the “Endowment Fund”) as a component fund of the Community Foundation for Southeast Michigan (the “Foundation”). The Endowment Fund is an asset of the Foundation. The Foundation transfers earnings on the Endowment Fund to the Museum periodically in the form of grants so long as the Museum continues to meet its tax-exempt purpose. Grants paid to the Museum from the Foundation for the years ended June 30, 2018 and 2017 totaled \$105,490 and \$109,768, respectively.

Since the Endowment Fund has been funded entirely by contributions from outside donors, these funds are not recorded on the financial statements of the Museum. The fair value of the Endowment Fund as of June 30, 2018 and 2017 is \$2,441,544 and \$2,396,105, respectively.

The Museum’s policy is to spend assets from the Endowment Fund as they are distributed by the Foundation. The Foundation invests the assets of the Endowment Fund as part of a pooled endowment with similar funds held on behalf of other tax-exempt organizations. The assets of the Foundation’s pooled endowment are invested in a manner intended to maximize investment returns over a diversified portfolio in order to achieve a moderate level of investment risk.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018 and 2017

NOTE I — LEASES

The Museum leases various types of office equipment under operating lease agreements that expire through 2021. Future minimum payments due under these leases are as follows:

For the Years Ending June 30:	
2019	\$ 15,469
2020	15,469
2021	<u>15,469</u>
Total Minimum Lease Payments	<u>\$ 46,407</u>

Total rental expense under these lease agreements for the years ended June 30, 2018 and 2017 was \$20,365 and \$28,557, respectively.

NOTE J — RECONCILIATIONS OF GOVERNMENTAL FUND BALANCES TO GOVERNMENT-WIDE NET POSITION

On the fund financial statements, the special revenue fund balance includes amounts that have been temporarily restricted for use in specific activities, as well as unrestricted funds that have been designated by the Board of Trustees for specific activities. For purposes of the government-wide financial statements, unrestricted funds that have been designated by the Board of Trustees are included in unrestricted net position rather than net position restricted for designated activities.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018 and 2017

NOTE J — RECONCILIATIONS OF GOVERNMENTAL FUND BALANCES TO GOVERNMENT-WIDE NET POSITION (CONTINUED)

The following table displays reconciliations of the general and special revenue fund balances on the fund financial statements to unrestricted net position and net position restricted for designated activities on the government-wide financial statements as of June 30, 2018 and 2017:

	<u>2018</u>		<u>2017</u>	
	<u>General Fund Balance/ Unrestricted Net Position</u>	<u>Special Revenue Fund Balance/ Net Position Restricted for Designated Activities</u>	<u>General Fund Balance/ Unrestricted Net Position</u>	<u>Special Revenue Fund Balance/ Net Position Restricted for Designated Activities</u>
Fund balances (deficits), governmental funds:				
Nonspendable	\$ 132,071	\$ -0-	\$ 134,181	\$ -0-
Restricted for designated activities	-0-	1,006,607	-0-	769,862
Unassigned	<u>(1,057,012)</u>	<u>-0-</u>	<u>(762,888)</u>	<u>-0-</u>
	(924,941)	1,006,607	(628,707)	769,862
Fund balances designated by the Board of Trustees for specific activities which are not restricted by donors	104,599	(104,599)	106,323	(106,323)
Pledges receivable due in more than 60 days that are reported as deferred (see page 16)	<u>40,000</u>	<u>-0-</u>	<u>90,000</u>	<u>-0-</u>
Net Position, Governmental Activities	<u>\$ (780,342)</u>	<u>\$ 902,008</u>	<u>\$ (432,384)</u>	<u>\$ 663,539</u>

NOTE K — STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and State law for the general fund. All annual appropriations lapse at the end of the fiscal year.

Under the State's Uniform Budgeting and Accounting Act, actual expenditures for any budgeted expenditure category are not to exceed the amounts budgeted for that category. The Uniform Budgeting and Accounting Act permits governmental entities to amend their budgets during the year, and requires amended budgets to be approved by the governing body prior to expending funds in excess of the amount budgeted for that category.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018 and 2017

NOTE K — STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

During the year ended June 30, 2018, the Museum incurred expenditures in excess of the amounts budgeted as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Contractual and professional services	\$ 273,070	\$ 1,429,562	\$ (1,156,492)
Office expenses	69,193	299,224	(230,031)
Cost of goods sold	161,050	161,734	(684)

The original budgeted amounts are as presented to the Museum’s Finance Committee and approved by the Museum’s Board of Trustees. On a quarterly basis, management prepares forecasts of revenue and expenditures to reflect changes to the schedule of programs and exhibitions, as well as trends in earnings and contributions. These forecasts are the basis of pro forma financial reports and are presented regularly to the Finance Committee for review as a part of its operating oversight. Proposed modifications to the budget are approved by the full Board of Trustees. Line item appropriations are authorized by the Museum’s management. Unexpended appropriations lapse at the end of the fiscal year.

NOTE L — CAPITAL EXPANSION BOND ISSUES

On November 8, 2001, the general electorate approved a Capital Expansion Bond Issue for \$20 million, of which \$4 million was designated to the Museum. In May 2003, the general electorate approved another Capital Expansion Bond Issue for \$6 million. These funds are to be used primarily for capital purchases, including exhibit construction, equipment, and other major building maintenance expenses. During May 2011, the general electorate approved another \$34 million for capital improvements from the general obligation bond sale during December 2010, of which approximately \$297,000 was designated for the Museum.

As of June 30, 2018, approximately \$172,000 in bonds remains available for the Museum’s use. The dollars will be authorized by the City over time. The Museum received approximately \$202,000 from this authorization during the year ended June 30, 2018. Because no schedule of payments has been established and the payments are at the discretion of the City, revenue will be recognized when received.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018 and 2017

NOTE M — RISK MANAGEMENT

Given the normal activities of the Museum and the relatively low rate of claims and lawsuits experienced in the Museum's past history, the risk involved in Museum operations is minimal and, in management's opinion, is sufficiently covered by its insurance policies.

NOTE N — NEW ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board ("GASB") issued Statement of Governmental Accounting Standards ("SGAS") No. 87, *Leases*, in June 2017. SGAS No. 87 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 SGAS No. 87 will result in all leases with a lease term of more than 12 months being accounted for in substantially the same manner as the existing accounting for capital leases. SGAS No. 87 also requires expanded qualitative and quantitative disclosures regarding the amount, timing, and uncertainty of cash flows arising from leases. SGAS No. 87 applies to the Museum's financial statements for the year ending June 30, 2021, with earlier implementation permitted. The Museum's management has not determined the impact on its financial statements as a result of implementing SGAS No. 87.

The GASB issued SGAS No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, in March 2018. Under SGAS No. 88, in addition to existing disclosure requirements related to debt, disclosures will be required regarding the amount of unused lines of credit and assets pledged as collateral for debt. Also, the disclosure requirements for certain terms in debt agreements will be expanded, and debt disclosures regarding direct borrowings and direct placements of debt will be required to be reported separately from debt disclosures regarding other debt. SGAS No. 88 applies to the Museum's financial statements for the year ending June 30, 2019, with earlier implementation permitted. The Museum's management has not determined the impact on its financial statements as a result of implementing SGAS No. 88.

REQUIRED SUPPLEMENTARY INFORMATION

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

SCHEDULES OF REVENUE AND EXPENDITURES — BUDGET AND ACTUAL — GENERAL FUND (UNAUDITED)

For the Years Ended June 30, 2018 and 2017

	2018				2017			
	Original Budget	Final Budget	Actual	Positive (Negative) Variance with Final Budget	Original Budget	Final Budget	Actual	Positive (Negative) Variance with Final Budget
Revenue:								
Grants	\$ 2,860,000	\$ 2,860,000	\$ 2,507,611	\$ (352,389)	\$ 2,628,000	\$ 2,920,547	\$ 2,466,762	\$ (453,785)
Contributions	1,740,271	1,740,271	869,595	(870,676)	1,515,500	1,061,087	1,420,069	358,982
Facility rental and catering	623,190	623,190	641,613	18,423	390,000	560,000	536,039	(23,961)
Exhibit admissions	500,000	500,000	372,658	(127,342)	325,000	385,000	349,179	(35,821)
Museum store	250,000	250,000	229,016	(20,984)	132,000	230,000	241,855	11,855
Memberships	200,000	200,000	126,385	(73,615)	135,000	124,210	149,953	25,743
Special events and other revenue	281,000	281,000	1,087,894	806,894	848,950	1,007,107	845,406	(161,701)
Net realized and unrealized gain on investments	12,500	12,500	7,289	(5,211)			22,155	22,155
Total Revenue	6,466,961	6,466,961	5,842,061	(624,900)	5,974,450	6,287,951	6,031,418	(256,533)
Expenditures:								
Current:								
Salaries, wages, and employee benefits	3,627,906	3,627,906	2,658,946	968,960	3,031,034	3,172,548	2,852,625	319,923
Contractual and professional services	273,070	273,070	1,429,562	(1,156,492)	943,607	981,178	830,587	150,591
Facility operations and maintenance	1,445,650	1,445,650	943,628	502,022	1,070,550	1,138,553	1,131,445	7,108
Office expenses	69,193	69,193	299,224	(230,031)	78,370	78,370	282,544	(204,174)
Cost of goods sold	161,050	161,050	161,734	(684)	86,500	86,500	154,266	(67,766)
Educational programs and exhibits	1,458,345	1,458,345	256,990	1,201,355	790,215	790,215	131,427	658,788
Purchases of artifacts	3,000	3,000	315	2,685			10,285	(10,285)
Other current expenditures	278,677	278,677	55,050	223,627	33,297	28,784	172,660	(143,876)
Total Expenditures	\$ 7,316,891	\$ 7,316,891	\$ 5,805,449	\$ 1,511,442	\$ 6,033,573	\$ 6,276,148	\$ 5,565,839	\$ 710,309

See note to schedules of revenue and expenditures — budget and actual (general fund).

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

SCHEDULES OF REVENUE AND EXPENDITURES — BUDGET AND ACTUAL — GENERAL FUND (UNAUDITED) (CONTINUED)

For the Years Ended June 30, 2018 and 2017

	2018				2017			
	Original Budget	Final Budget	Actual	Positive (Negative) Variance with Final Budget	Original Budget	Final Budget	Actual	Positive (Negative) Variance with Final Budget
Excess (Deficiency) of Revenue over Expenditures	\$ (849,930)	\$ (849,930)	\$ 36,612	\$ 886,542	\$ (59,123)	\$ 11,803	\$ 465,579	\$ 453,776
Other Financing Sources (Uses):								
Interfund transfers			(332,846)	(332,846)			(495,922)	(495,922)
Net Increase (Decrease) in Fund Balance	<u>\$ (849,930)</u>	<u>\$ (849,930)</u>	<u>\$ (296,234)</u>	<u>\$ 553,696</u>	<u>\$ (59,123)</u>	<u>\$ 11,803</u>	<u>\$ (30,343)</u>	<u>\$ (42,146)</u>

See note to schedules of revenue and expenditures — budget and actual (general fund).

**NOTE TO SCHEDULE OF REVENUE AND EXPENDITURES —
BUDGET AND ACTUAL — GENERAL FUND (UNAUDITED)**

For the Years Ended June 30, 2018 and 2017

NOTE A — BUDGETS AND BUDGETARY ACCOUNTING

The Charles H. Wright Museum of African American History (the “Museum”) establishes a budget that is reflected in the financial statements for the general fund. The budget is presented on the modified accrual basis of accounting.

The original budgeted amounts are as presented to the Museum’s Finance Committee and approved by the Museum’s Board of Trustees. On a quarterly basis, management prepares forecasts of revenue and expenditures to reflect changes to the schedule of programs and exhibitions, as well as trends in earnings and contributions. These forecasts are the basis of pro forma financial reports and are presented regularly to the Finance Committee for review as a part of its operating oversight. Proposed modifications to the budget are approved by the full Board of Trustees. Line item appropriations are authorized by the Museum’s management. Unexpended appropriations lapse at the end of the fiscal year.