

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, 2014**



**GEORGE JOHNSON  
& COMPANY**

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Certified Public Accountants and Consultants

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

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## **INDEPENDENT AUDITOR'S REPORT**

October 31, 2014

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 (the "City"), as of, and for the year ended, June 30, 2014, 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 audit. We conducted our audit 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, 2014, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

**Uncertainty Regarding City of Detroit, Michigan Bankruptcy Filing**

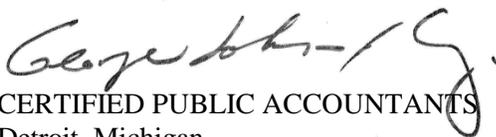
On July 18, 2013, the City filed a petition under Chapter 9 of the United States Bankruptcy Code seeking to adjust the timing and payment of amounts associated with the City's obligations. As discussed in Note A to the financial statements, there is considerable uncertainty associated with this process, and the effects of this process on the Museum are not currently known. Our opinion is not modified with respect to this matter.

**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 12 and budgetary comparison on pages 36 through 38 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 October 31, 2014, 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, 2014**

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This section of the annual report of the Charles H. Wright Museum of African American History (the “Museum”) presents management’s discussion and analysis of the Museum’s financial performance during the fiscal year that ended on June 30, 2014 (“fiscal year 2014”). Please read it in conjunction with the Museum’s financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

The fiscal year ended June 30, 2014 was a tremendous “turn around” year for the Museum. Having recorded a \$1 million deficit the previous year, the Museum continued to look at ways to reduce costs, improve operations, and grow revenue. Paramount in this effort was the grant awarded by the Kellogg Foundation. It, along with the three-year sustainability grants from the Ford and Kresge Foundations, have allowed the Museum to begin building a development department, as well as staff key positions in marketing and education.

Overall, net position improved by 11 percent, and the Museum saw its first six-digit surplus since the fiscal year ended June 30, 2005. Also, the Museum’s unrestricted net position is now positive, with a balance of approximately \$37,900 as of June 30, 2014. Cash flow throughout the year was still an ongoing struggle to support continuing operations.

Total revenue for the year increased approximately \$1,187,900, or 25 percent. This was almost totally due to the Kellogg Foundation grant awarded. Total expenses, excluding depreciation, decreased approximately \$102,200, or 2 percent, due to renegotiation of some expiring operational contracts.

Earned revenue from admissions, the Museum store, facility rental, memberships, and fund raising increased by just under \$80,000. Facility rental revenue decreased approximately \$133,700, or 21 percent, from fiscal year 2013. Revenue from admissions saw a slight increase of approximately \$11,700, while the Museum store sales decreased approximately \$27,500, or 24 percent. Membership revenue fell approximately \$5,000, or 3 percent. Earned income reductions were offset by a 32 percent increase in fund raising from the prior year, or approximately \$234,900.

During the year, cash and investments increased by approximately \$293,700, or 22 percent, over the prior year. Cash restricted for various projects was expended either for programming or capital improvements in accordance with grant obligations. In addition, the Museum’s liabilities increased approximately \$89,200, or 10 percent, from the prior year. The increase is primarily due to slow payment of some accounts payable as a result of cash flow concerns.

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

**June 30, 2014**

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**FINANCIAL HIGHLIGHTS (CONTINUED)**

The Museum's endowment fund decreased 4 percent over the prior year to a total of approximately \$896,000. In addition, approximately \$2.5 million is currently held in trust by the Community Foundation for Southeast Michigan ("CFSEM"), for a total of approximately \$3.4 million. The Museum received approximately \$113,000 in operating support from the CFSEM fund during fiscal year 2014.

Key successes for the Museum include the following:

1. The McGregor Fund invited the Museum to apply for, and awarded, a \$100,000 grant for operating support of programming.
2. The Give a Grand, Make a Million campaign match from the Howard and Judith Sims Charitable Fund netted the Museum over \$28,800.
3. The Kellogg Foundation awarded the Museum a \$1 million grant for operating support of programming.

**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 of Detroit (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 statement of net position and statement of activities (which are presented on pages 13 and 14) 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 15 and 17) are considered fund financial statements. 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.

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

**June 30, 2014**

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**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Government-Wide Financial Statements (continued)**

The statement of net position includes 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 statement 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.

**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.

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

June 30, 2014

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)****Major Differences between Government-Wide Financial Statements and Fund Financial Statements (continued)**

The Museum has pledges receivable that are due more than 60 days after year-end of \$450,000 and \$-0- as of June 30, 2014 and 2013, respectively. These long-term pledges have been recognized as revenue during the years ended June 30, 2014 and 2013 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 16 and 18.

The notes to the financial statements, which begin on page 19, 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 36 and 37.

**FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE**

Table 1 reflects the statements of net position as of June 30, 2014 and 2013:

**Table 1**  
**Statements of Net Position**  
**June 30, 2014 and 2013**  
*(in thousands of dollars)*

|                                 | <u>2014</u>              | <u>2013</u>              |
|---------------------------------|--------------------------|--------------------------|
| <b>Assets:</b>                  |                          |                          |
| Cash and cash equivalents       | \$ 617.0                 | \$ 278.6                 |
| Investments                     | 1,035.7                  | 1,080.4                  |
| Accounts receivable             | 29.9                     | 30.8                     |
| Prepaid expenses                | 19.3                     | 17.5                     |
| Museum store inventory          | 31.6                     | 86.7                     |
| Pledges receivable:             |                          |                          |
| Available in more than 60 days  | 450.0                    | -0-                      |
| Capital assets:                 |                          |                          |
| Nondepreciable capital assets   | 161.4                    | 161.4                    |
| Depreciable capital assets, net | 1,196.5                  | 1,531.5                  |
| <b>Total Assets</b>             | <b><u>\$ 3,541.4</u></b> | <b><u>\$ 3,186.9</u></b> |

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)****June 30, 2014****FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE (CONTINUED)**

**Table 1**  
**Statements of Net Position (continued)**  
**June 30, 2014 and 2013**  
*(in thousands of dollars)*

|                                      | <u>2014</u>       | <u>2013</u>       |
|--------------------------------------|-------------------|-------------------|
| <b>Liabilities:</b>                  |                   |                   |
| Accounts payable                     | \$ 801.5          | \$ 663.7          |
| Accrued payroll and related taxes    | 151.5             | 100.1             |
| Line of credit                       | -0-               | 100.0             |
|                                      | <u>953.0</u>      | <u>863.8</u>      |
| <b>Total Liabilities</b>             | <b>953.0</b>      | <b>863.8</b>      |
| <b>Net Position:</b>                 |                   |                   |
| Net investment in capital assets     | 1,357.8           | 1,692.9           |
| Restricted for endowment             | 896.0             | 935.4             |
| Restricted for designated activities | 296.7             | 165.0             |
| Unrestricted                         | 37.9              | (470.2)           |
|                                      | <u>2,588.4</u>    | <u>2,323.1</u>    |
| <b>Total Net Position</b>            | <b>\$ 2,588.4</b> | <b>\$ 2,323.1</b> |

Cash balances increased by approximately \$338,400 from the prior year to a balance of approximately \$617,000 as of June 30, 2014. Investments include Museum-directed endowment funds, the cash surrender value of life insurance policies, and other stock gifts received. All investments are governed by a Board-approved investment policy. Accounts receivable balances are reviewed for collectability and are written off as necessary. For fiscal year 2014, approximately \$28,900 in uncollectible accounts receivable were written off, primarily composed of 2013 Gala commitments. There is a pledge receivable as of June 30, 2014 for \$450,000. It is the balance due in the next fiscal year from the \$1 million awarded from the Kellogg Foundation. Prepaid expenses include insurance premiums and utilities that overlap fiscal years.

During fiscal year 2014, accounts payable balances increased by approximately \$137,800, or 21 percent. The Museum maintains a \$100,000 line of credit which, as of June 30, 2014, had a zero balance.

Total net position increased by approximately \$265,300 from the prior year.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)****June 30, 2014****FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE (CONTINUED)**

Table 2 reflects the condensed statements of activities for the years ended June 30, 2014 and 2013:

**Table 2**  
**Statements of Activities**  
**For the Years Ended June 30, 2014 and 2013**  
*(in thousands of dollars)*

|  | <u>2014</u>              | <u>2013</u>              |
|--|--------------------------|--------------------------|
| <b>Expenses:</b>                                   |                          |                          |
| Exhibits and educational program:                  |                          |                          |
| Salaries, wages, and employee benefits             | \$ 2,055.2               | \$ 2,068.0               |
| Contractual and professional services              | 1,167.0                  | 1,308.6                  |
| Facility operations and maintenance                | 1,211.9                  | 1,204.9                  |
| Educational programs and exhibits                  | 365.9                    | 278.5                    |
| Depreciation                                       | 337.6                    | 342.1                    |
| Other expenses                                     | 591.4                    | 633.6                    |
|  | <u>5,729.0</u>           | <u>5,835.7</u>           |
| <b>Program Revenue:</b>                            |                          |                          |
| Exhibits and educational program:                  |                          |                          |
| Grants   | 1,049.8                  | 1,061.2                  |
| Other program revenue                              | 2,082.6                  | 2,002.9                  |
|  | <u>3,132.4</u>           | <u>3,064.1</u>           |
| <b>Net Program Revenue (Expense)</b>               | <u>(2,596.6)</u>         | <u>(2,771.6)</u>         |
| <b>General Revenue:</b>                            |                          |                          |
| Contributions                                      | 2,768.8                  | 1,691.3                  |
| Unrealized gain on investments                     | 93.1                     | 51.0                     |
|  | <u>2,861.9</u>           | <u>1,742.3</u>           |
| <b>Net Increase (Decrease)<br/>in Net Position</b> | <b>265.3</b>             | <b>(1,029.3)</b>         |
| Net Position, Beginning of Year                    | <u>2,323.1</u>           | <u>3,352.4</u>           |
| <b>Net Position, End of Year</b>                   | <u><u>\$ 2,588.4</u></u> | <u><u>\$ 2,323.1</u></u> |

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

**June 30, 2014**

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**FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE (CONTINUED)**

The Museum received approximately \$992,400 in unrestricted operating support from the City during fiscal year 2014, an amount equal to the City's support in the prior year. The State of Michigan contributed \$12,000 in support this year for educational programming and \$18,000 in support the prior year. There were no federal funds received by the Museum in fiscal year 2014.

Total revenue received increased by approximately \$1,187,900, or 25 percent. Grant revenue slightly decreased by approximately \$11,000. This was offset by an increase in contributions of approximately \$1,077,500, consisting of an increase of approximately \$112,300 in individual donations, a decrease of approximately \$214,300 in corporate donations, and an increase of approximately \$1,179,500 in foundation donations. The increase in individual donations was a direct result of the Museum's Give a Grand Make a Million campaign. Key grants received during the fiscal year include a grant totaling \$100,000 awarded by the McGregor Fund, \$20,000 awarded by Yazaki North America, \$25,000 received from the Erb Family Foundation, \$100,000 from the DTE Energy Foundation, and \$1 million from the Kellogg Foundation. In-kind donations of approximately \$900 are included in the contributions category, down from approximately \$2,400 the prior year.

As the Museum continued to carefully manage operating expenses, wages and benefits declined by approximately \$12,800 from the prior year. Although some vital new positions were filled as a result of sustainability grants, other positions remain vacant and will be filled in the next fiscal year. Net of depreciation, expenses decreased approximately \$102,200, or 2 percent, from fiscal year 2013.

Admissions and Museum store sales are important components of program revenue. Attendance to the Museum increased by only 942 visitors, which is reflective of the small increase in admission revenue of approximately \$11,700. Additionally, Museum store sales declined by approximately \$27,500, or 24 percent, from the prior year. The store was without a store manager until almost the last quarter.

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

**June 30, 2014**

**FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE (CONTINUED)**

Table 3 summarizes exhibit admissions and Museum store sales for the years ended June 30, 2014 and 2013:

**Table 3**  
**Schedules of Exhibit Admissions and Museum Store Sales**  
**For the Years Ended June 30, 2014 and 2013**  
*(in thousands of dollars)*

|                            | <u>2014</u> | <u>2013</u> |
|----------------------------|-------------|-------------|
| Exhibit admissions         | \$ 338.1    | \$ 326.4    |
| Museum store sales (gross) | 88.5        | 116.0       |

The Museum continued to present an exciting and educational slate of programs and exhibitions. The 31st annual African World Festival (“AWF”) was once again held at the Museum. Attendees were treated to a three-day celebration of African culture and entertainment with a variety of educational activities, an African marketplace, and an international food court. Having moved to the grounds of the Museum for three years in a row, there was no mistake in connecting AWF with the Museum.

The fourth annual gala fund raiser, having taken its theme from the *Bandits & Heroes, Poets & Saints: Popular Art of the Northeast of Brazil* exhibition, transported attendees to the Amazon rainforest and Rio Carnival while helping to raise operating funds for the Museum. The 2014 Ford Freedom Awards were themed *The Power of Perseverance*. They saluted former South African President Nelson Mandela for his anti-apartheid stance, scholar and civil rights activist Myrlie Evers-Williams, and Lt. Col. Alexander Jefferson, a U.S. Air Force retiree who served with the Tuskegee Airmen. The evening ended with a special tribute performance by The Temptations Review featuring Dennis Edwards. Additionally, *Tapestry: A Spiritual Odyssey*, a concert featuring Louis Farrakhan on violin, was a success. The Museum also launched *The Struggle Against Slavery*, a digital history website that features extensive information about the Underground Railroad, including online courses, an interactive map and timeline, interviews with historians, educational resources, and much more.

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

- *Bandits & Heroes, Poets & Saints: Popular Art of the Northeast of Brazil*
- *Ingrid Saunders Jones: 31 Years of Distinguished Service...And Counting*

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

**June 30, 2014**

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**FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE (CONTINUED)**

- *Inspiration through Art: Works by Darold Gholston & Henry T. Heading*
- *Delta Sigma Theta Sorority, Inc.: Celebrating a Century of Scholarship, Sisterhood, and Service*
- *Changing America: The Emancipation Proclamation, 1863 and the March on Washington, 1963*
- *Point of View-African American Masters from the Elliot and Kimberly Perry Collection*
- *Bombay Sapphire*

Once again, the Museum served as the venue for opening night of the city-wide Concert of Colors.

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, both 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. Other popular annual programs which were continued include Grandparents Day, Noel Night, Martin Luther King Jr. Day, Juneteenth, and the Black Women Rock Concert.

*The Liberation Film Series* completed its second season, entitled "Injustice & Resistance". With close to 300 participants, the film series will continue to impress with a wide range of films and topics.

**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.

In fiscal year 2015, the Museum will continue to focus on the four goals and expects increases in earned income while performing as cost-effectively as possible. During the 2015 fiscal year, the Museum plans to launch a series of programs and exhibitions that will further enhance the Museum visitor experience, as well as to add development staff to increase giving. The Museum has available a series of online videos celebrating African American participation in the Civil War, as well as an Underground Railroad website and kiosks.

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

**June 30, 2014**

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**ECONOMIC FACTORS (CONTINUED)**

In 2015, the Museum will celebrate its 50th anniversary with expanded programming, such as with Old Freedom, a 150-voice choir with narration, and additional inductees to the Ring of Genealogy, to name a few.

New exhibitions scheduled for the upcoming year include the following:

- *Theatre of Color: Costume Design for the Black Theatre*
- *The Nataki Talibah Schoolhouse of Detroit: 35 Years of Service*
- *Inspiring Beauty: 50 Years of Ebony Fashion Fair*
- *Raz Baaba Aaron Ibn Pori Pitts: Portraits of A Revolutionary Artist*

**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

**STATEMENT OF NET POSITION**

**June 30, 2014**

|  | <b><u>Governmental<br/>Activities</u></b> |
|--|---|
| <b>Assets:</b>   |   |
| Cash and cash equivalents (Note B)                               | \$ 617,007                                |
| Investments (Note B)   | 1,035,748                                 |
| Accounts receivable (no allowance considered necessary)          | 29,885                                    |
| Prepaid expenses   | 19,305                                    |
| Museum store inventory (lower of cost or market)                 | 31,673                                    |
| Pledges receivable (no allowance considered necessary) (Note D): |   |
| Available in more than 60 days                                   | 450,000                                   |
| Capital assets (Note E):   |   |
| Nondepreciable capital assets                                    | 161,350                                   |
| Depreciable capital assets, net                                  | 1,196,481                                 |
| Collections and artifacts (Notes A and C)                        | ---                                       |
|  | <hr/>                                     |
| <b>Total Assets</b>  | <b><u>3,541,449</u></b>                   |
| <b>Liabilities:</b>  |   |
| Accounts payable   | 801,531                                   |
| Accrued payroll and related taxes                                | 151,507                                   |
|  | <hr/>                                     |
| <b>Total Liabilities</b>   | <b><u>953,038</u></b>                     |
| <b>Net Position:</b>   |   |
| Net investment in capital assets                                 | 1,357,831                                 |
| Restricted for endowment   | 895,970                                   |
| Restricted for designated activities                             | 296,655                                   |
| Unrestricted   | 37,955                                    |
|  | <hr/>                                     |
| <b>Total Net Position</b>  | <b><u>\$ 2,588,411</u></b>                |

See notes to financial statements.

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

**STATEMENT OF ACTIVITIES**

**For the Year Ended June 30, 2014**

|  | <b>Governmental<br/>Activities</b> |
|--|------------------------------------|
| <b>Expenses:</b>                       |                                    |
| Exhibits and educational program:      |                                    |
| Salaries, wages, and employee benefits | \$ 2,055,181                       |
| Contractual and professional services  | 1,166,989                          |
| Facility operations and maintenance    | 1,211,926                          |
| Office expenses                        | 268,577                            |
| Cost of goods sold                     | 109,622                            |
| Educational programs and exhibits      | 365,866                            |
| Other expenses                         | 213,242                            |
| Depreciation (Note E)                  | 337,608                            |
|  | <hr/>                              |
| <b>Total Program Expenses</b>          | <b>5,729,011</b>                   |
|  | <hr/>                              |
| <b>Program Revenue:</b>                |                                    |
| Exhibits and educational program:      |                                    |
| Grants (Notes G and L)                 | 1,049,803                          |
| Facility rental and catering           | 515,791                            |
| Exhibit admissions                     | 338,095                            |
| Museum store                           | 88,520                             |
| Memberships                            | 160,899                            |
| Special events and other revenue       | 979,310                            |
|  | <hr/>                              |
| <b>Total Program Revenue</b>           | <b>3,132,418</b>                   |
|  | <hr/>                              |
| <b>Net Program Revenue (Expense)</b>   | <b>(2,596,593)</b>                 |
|  | <hr/>                              |
| <b>General Revenue:</b>                |                                    |
| Contributions                          | 2,768,849                          |
| Unrealized gain on investments         | 93,062                             |
|  | <hr/>                              |
| <b>Total General Revenue</b>           | <b>2,861,911</b>                   |
|  | <hr/>                              |
| <b>Net Increase in Net Position</b>    | <b>265,318</b>                     |
|  | <hr/>                              |
| Net Position, Beginning of Year        | 2,323,093                          |
|  | <hr/>                              |
| <b>Net Position, End of Year</b>       | <b>\$ 2,588,411</b>                |
|  | <hr/> <hr/>                        |

See notes to financial statements.

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

**BALANCE SHEETS - GOVERNMENTAL FUNDS**

June 30, 2014

|  | General<br>Fund   | Special<br>Revenue<br>Fund | Capital<br>Projects<br>Fund | Permanent<br>Fund | Total<br>All Funds  |
|--|-------------------|----------------------------|-----------------------------|-------------------|---------------------|
| <b>ASSETS</b>  |                   |                            |                             |                   |                     |
| Cash and cash equivalents (Note B)   | \$ 320,351        | \$ 296,656                 | \$ -0-                      | \$ -0-            | \$ 617,007          |
| Investments (Note B)   | 32,560            | 107,218                    |                             | 895,970           | 1,035,748           |
| Accounts receivable (no allowance considered necessary)  | 29,885            |                            |                             |                   | 29,885              |
| Prepaid expenditures   | 19,305            |                            |                             |                   | 19,305              |
| Museum store inventory (lower of cost or market)   | 31,673            |                            |                             |                   | 31,673              |
| Pledges receivable (no allowance considered necessary) (Note D):<br>Available in more than 60 days | 450,000           |                            |                             |                   | 450,000             |
| <b>Total Assets</b>  | <b>\$ 883,774</b> | <b>\$ 403,874</b>          | <b>\$ -0-</b>               | <b>\$ 895,970</b> | <b>\$ 2,183,618</b> |
| <b>LIABILITIES AND FUND BALANCES</b>   |                   |                            |                             |                   |                     |
| <b>Liabilities:</b>  |                   |                            |                             |                   |                     |
| Accounts payable   | \$ 801,531        | \$ -0-                     | \$ -0-                      | \$ -0-            | \$ 801,531          |
| Accrued payroll and related taxes  | 151,507           |                            |                             |                   | 151,507             |
| Deferred revenue (Note D)  | 450,000           |                            |                             |                   | 450,000             |
| <b>Total Liabilities</b>   | <b>1,403,038</b>  | <b>-0-</b>                 | <b>-0-</b>                  | <b>-0-</b>        | <b>1,403,038</b>    |
| <b>Fund Balances (Deficits):</b>   |                   |                            |                             |                   |                     |
| Nonspendable   | 50,978            |                            |                             | 895,970           | 946,948             |
| Restricted for designated activities   |                   | 403,874                    |                             |                   | 403,874             |
| Unassigned   | (570,242)         |                            |                             |                   | (570,242)           |
| <b>Total Fund Balances (Deficits)</b>  | <b>(519,264)</b>  | <b>403,874</b>             | <b>-0-</b>                  | <b>895,970</b>    | <b>780,580</b>      |
| <b>Total Liabilities and Fund Balances</b>   | <b>\$ 883,774</b> | <b>\$ 403,874</b>          | <b>\$ -0-</b>               | <b>\$ 895,970</b> | <b>\$ 2,183,618</b> |

See notes to financial statements.

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEETS TO STATEMENT OF NET POSITION**

**June 30, 2014**

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|   |            |
|---|------------|
| Total Fund Balances, Governmental Funds | \$ 780,580 |
|---|------------|

Amounts reported for governmental activities in the statement of net position differ from amounts reported in the governmental funds balance sheets due to the following:

|   |         |
|---|---------|
| 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 revenue | 450,000 |
|---|---------|

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of the following:

|                                |                     |
|--------------------------------|---------------------|
| Nondepreciable capital assets  | 161,350             |
| Depreciable capital assets:    |                     |
| Cost                           | 16,175,025          |
| Less: Accumulated depreciation | <u>(14,978,544)</u> |

|  |                                   |
|--|-----------------------------------|
| <b>Total Net Position,<br/>Governmental Activities</b> | <b><u><u>\$ 2,588,411</u></u></b> |
|--|-----------------------------------|

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, 2014

|   | <b>General<br/>Fund</b> | <b>Special<br/>Revenue<br/>Fund</b> | <b>Capital<br/>Projects<br/>Fund</b> | <b>Permanent<br/>Fund</b> | <b>Total<br/>All Funds</b> |
|---|-------------------------|-------------------------------------|--------------------------------------|---------------------------|----------------------------|
| <b>Revenue:</b>   |                         |                                     |                                      |                           |                            |
| Grants (Notes G and L)                                      | \$ 1,049,803            | \$ -0-                              | \$ -0-                               | \$ -0-                    | \$ 1,049,803               |
| Contributions   | 1,958,303               | 360,546                             |                                      |                           | 2,318,849                  |
| Facility rental and catering                                | 515,791                 |                                     |                                      |                           | 515,791                    |
| Exhibit admissions  | 338,095                 |                                     |                                      |                           | 338,095                    |
| Museum store  | 88,520                  |                                     |                                      |                           | 88,520                     |
| Memberships   | 160,899                 |                                     |                                      |                           | 160,899                    |
| Special events and other revenue                            | 959,480                 |                                     |                                      | 19,830                    | 979,310                    |
| Unrealized gain on investments                              | 5,916                   | 657                                 |                                      | 86,489                    | 93,062                     |
| <b>Total Revenue</b>  | <b>5,076,807</b>        | <b>361,203</b>                      | <b>-0-</b>                           | <b>106,319</b>            | <b>5,544,329</b>           |
| <b>Expenditures:</b>  |                         |                                     |                                      |                           |                            |
| Current:  |                         |                                     |                                      |                           |                            |
| Salaries, wages, and employee benefits                      | 1,912,191               | 142,990                             |                                      |                           | 2,055,181                  |
| Contractual and professional services                       | 1,165,401               | 1,588                               |                                      |                           | 1,166,989                  |
| Facility operations and maintenance                         | 1,194,420               | 17,506                              |                                      |                           | 1,211,926                  |
| Office expenses   | 258,746                 | 9,831                               |                                      |                           | 268,577                    |
| Cost of goods sold  | 109,622                 |                                     |                                      |                           | 109,622                    |
| Educational programs and exhibits                           | 350,791                 | 15,075                              |                                      |                           | 365,866                    |
| Other current expenditures                                  | 160,686                 | 41,851                              |                                      | 10,705                    | 213,242                    |
| Capital outlay (Note E)                                     |                         |                                     | 2,545                                |                           | 2,545                      |
| <b>Total Expenditures</b>                                   | <b>5,151,857</b>        | <b>228,841</b>                      | <b>2,545</b>                         | <b>10,705</b>             | <b>5,393,948</b>           |
| <b>Excess (Deficiency) of Revenue<br/>over Expenditures</b> | <b>(75,050)</b>         | <b>132,362</b>                      | <b>(2,545)</b>                       | <b>95,614</b>             | <b>150,381</b>             |
| <b>Other Financing Sources (Uses):</b>                      |                         |                                     |                                      |                           |                            |
| Interfund transfers   | 132,455                 |                                     | 2,545                                | (135,000)                 | -0-                        |
| <b>Net Increase (Decrease)<br/>in Fund Balances</b>         | <b>57,405</b>           | <b>132,362</b>                      | <b>-0-</b>                           | <b>(39,386)</b>           | <b>150,381</b>             |
| Fund Balances (Deficits), Beginning of Year                 | (576,669)               | 271,512                             |                                      | 935,356                   | 630,199                    |
| <b>Fund Balances (Deficits),<br/>End of Year</b>            | <b>\$ (519,264)</b>     | <b>\$ 403,874</b>                   | <b>\$ -0-</b>                        | <b>\$ 895,970</b>         | <b>\$ 780,580</b>          |

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 STATEMENT OF  
ACTIVITIES**

**For the Year Ended June 30, 2014**

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|   |            |
|---|------------|
| Net Increase in Fund Balances, Governmental Funds | \$ 150,381 |
|---|------------|

Amounts reported for governmental activities in the statement of activities differ from amounts reported in the governmental funds statements of revenue, expenditures, and changes in fund balances due to the following:

Pledges due in more than 60 days are not available for current use and, therefore, are reported in the funds as deferred revenue. However, in the statement of activities, pledges are reported as revenue in the period the unconditional promises to give are obtained from the donors. During the year presented, these amounts are as follows:

Pledges receivable that are available in more than 60 days as of:  
June 30, 2014

450,000

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. During the year presented, these amounts are as follows:

Capital outlay  
Less: Depreciation expense

2,545  
(337,608)

**Net Increase in Net Position,  
Governmental Activities**

**\$ 265,318**

See notes to financial statements.

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2014**

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**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.

On July 18, 2013, the City filed a petition under Chapter 9 of the United States Bankruptcy Code seeking to adjust the timing and payment of amounts associated with the City’s obligations. A trial in federal bankruptcy court to consider the City’s eligibility for bankruptcy commenced on October 23, 2013. There is considerable uncertainty associated with this process, and the effects of this process on the City are not currently known. Although the Museum is a component unit of the City, the Museum is a separate legal entity, and the funds held by separate legal entities are not expected to be subject to the bankruptcy process. As such, the Museum’s management anticipates that the Museum will be able to continue operations, although the future impact on the Museum is not currently known.

**Basis of Presentation**

The financial statements of the Museum consist of government-wide financial statements, which include the statement of net position and statement 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.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2014

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

**Basis of Presentation (continued)**

**Government-Wide Financial Statements (continued)**

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 statement 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. The various funds are summarized by type in the fund financial statements. The following 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.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2014

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

**Basis of Presentation (continued)**

**Fund Financial Statements (continued)**

Certain reclassifications have been made to the fund balances as of July 1, 2013 to conform to classifications used as of, and during the year ended, June 30, 2014.

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.

**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.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2014

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

**Basis of Presentation (continued)**

**Fund Financial Statements (continued)**

**Unassigned**

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

**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.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2014

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

**Basis of Accounting (continued)**

**Fund Financial Statements (continued)**

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.

**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 year ended June 30, 2014, total contributed volunteer time of 10,969 hours was valued at \$242,744.

**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.

**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.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2014**

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

**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 year ended June 30, 2014, donated collections and artifacts totaled \$28,899.

**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 \$74,028 for the year ended June 30, 2014.

**NOTE B - CASH DEPOSITS AND INVESTMENTS**

**Cash Deposits**

State of Michigan 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 of Michigan 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.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2014**

**NOTE B - CASH DEPOSITS AND INVESTMENTS (CONTINUED)**

**Cash Deposits (continued)**

As of June 30, 2014, the Museum's carrying amount of deposits and bank balances, and the bank balances that are not covered by federal depository insurance, are as follows:

|  |                   |
|--|-------------------|
| Carrying amount of deposits                  | <u>\$ 617,007</u> |
| Total bank balances                          | <u>\$ 660,442</u> |
| Uninsured and uncollateralized bank balances | <u>\$ 405,582</u> |

**Investments**

Investments are recorded at fair value, based on quoted market prices. As of June 30, 2014, the Museum's investments are classified as follows:

**Investments held by the Museum or its agent in the Museum's name:**

Money market funds:

Unrated:

|                               |            |
|-------------------------------|------------|
| U.S. Trust Money Market Funds | \$ 133,079 |
|-------------------------------|------------|

Corporate bonds:

|   |       |
|---|-------|
| A- rating from Standard & Poor's, weighted average maturity of 23 years   | 5,324 |
| BBB- rating from Standard & Poor's, weighted average maturity of 47 years | 5,214 |

Registered investment companies:

Bond funds:

|   |         |
|---|---------|
| AA rating from Standard & Poor's, weighted average maturity of 1.91 years | 38,052  |
| A rating from Standard & Poor's, weighted average maturity of 2.51 years  | 40,173  |
| A rating from Standard & Poor's, weighted average maturity of 4.79 years  | 179,610 |
| A rating from Standard & Poor's, weighted average maturity of 2.00 years  | 80,317  |

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2014**

**NOTE B - CASH DEPOSITS AND INVESTMENTS (CONTINUED)**

**Investments (continued)**

**Investments held by the Museum or its agent in the Museum's name (continued):**

|   |    |                            |
|---|----|----------------------------|
| Registered investment companies (continued):  |    |                            |
| Equity funds  | \$ | 391,327                    |
| Other funds   |    | 55,433                     |
| Individual investments representing five percent or more of the Museum's investments: |    |                            |
| Cash surrender value of life insurance policy:  |    |                            |
| Lincoln National Life Insurance Company   |    | <u>107,219</u>             |
|   |    | <b><u>\$ 1,035,748</u></b> |

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 of Michigan 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.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2014**

**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 \$1.545 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 is the following unconditional promise to give as of June 30, 2014, which was collected in October 2014:

|                                |                          |
|--------------------------------|--------------------------|
| Available in more than 60 days | <u><u>\$ 450,000</u></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 revenue 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 statement of activities presents revenue for the net amount of any pledges receivable in the period the unconditional promises to give are obtained.

**NOTE E - CAPITAL ASSETS**

Nondepreciable capital asset activity for the year ended June 30, 2014 is as follows:

|                               |  |
|-------------------------------|--|
|                               | <b><u>Construction<br/>in Progress</u></b> |
| Balance, July 1, 2013         | <u>\$ 161,350</u>                          |
| <b>Balance, June 30, 2014</b> | <b><u><u>\$ 161,350</u></u></b>            |

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2014**

**NOTE E - CAPITAL ASSETS (CONTINUED)**

Depreciable capital asset activity for the year ended June 30, 2014 is as follows:

|                                  | <u>Building<br/>Improvements</u> | <u>Exhibits</u>             | <u>Furniture and<br/>Equipment</u> | <u>Total</u>                |
|----------------------------------|----------------------------------|-----------------------------|------------------------------------|-----------------------------|
| <b>Cost:</b>                     |                                  |                             |                                    |                             |
| Balance, July 1, 2013            | \$ 1,555,724                     | \$ 13,093,195               | \$ 1,523,561                       | \$ 16,172,480               |
| Acquisitions                     |                                  |                             | 2,545                              | 2,545                       |
| <b>Balance, June 30, 2014</b>    | <b><u>\$ 1,555,724</u></b>       | <b><u>\$ 13,093,195</u></b> | <b><u>\$ 1,526,106</u></b>         | <b><u>\$ 16,175,025</u></b> |
| <b>Accumulated Depreciation:</b> |                                  |                             |                                    |                             |
| Balance, July 1, 2013            | \$ 1,023,806                     | \$ 12,223,580               | \$ 1,393,550                       | \$ 14,640,936               |
| Depreciation expense             | 113,357                          | 195,002                     | 29,249                             | 337,608                     |
| <b>Balance, June 30, 2014</b>    | <b><u>\$ 1,137,163</u></b>       | <b><u>\$ 12,418,582</u></b> | <b><u>\$ 1,422,799</u></b>         | <b><u>\$ 14,978,544</u></b> |
| Net Depreciable Capital Assets   | <u>\$ 418,561</u>                | <u>\$ 674,613</u>           | <u>\$ 103,307</u>                  | <u>\$ 1,196,481</u>         |

**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.

Activity under the line of credit for the year ended June 30, 2014 is as follows:

|                             |                      |
|-----------------------------|----------------------|
| Balance, beginning of year  | \$ 100,000           |
| Less: Repayments            | <u>(100,000)</u>     |
| <b>Balance, End of Year</b> | <b><u>\$ -0-</u></b> |

**NOTE G - CONTRACT WITH THE CITY OF DETROIT**

The Museum entered into its most recent contract with the City of Detroit 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 \$992,399 for the year ended June 30, 2014. The amount of funding for future years under the contract will be negotiated annually.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2014**

**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 year ended June 30, 2014 totaled \$112,790.

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, 2014 is \$2,534,991.

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.

**NOTE I - LEASES**

The Museum leases various types of office equipment under operating lease agreements that expire through 2018. Future minimum payments due under these leases are as follows:

|                                      |                         |
|--------------------------------------|-------------------------|
| <b>For the Years Ending June 30:</b> |                         |
| 2015                                 | \$ 23,650               |
| 2016                                 | 23,650                  |
| 2017                                 | 19,240                  |
| 2018                                 | <u>4,896</u>            |
| <b>Total Minimum Lease Payments</b>  | <b><u>\$ 71,436</u></b> |

Total rental expense under these lease agreements for the year ended June 30, 2014 was \$25,122.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2014**

**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.

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, 2014:

|  | <b>General<br/>Fund Balance/<br/>Unrestricted<br/>Net Position</b> | <b>Special<br/>Revenue<br/>Fund Balance/<br/>Net Position<br/>Restricted for<br/>Designated<br/>Activities</b> |
|--|--|--|
| Fund balances (deficits), governmental funds:  |  |  |
| Nonspendable   | \$ 50,978  | \$ -0-   |
| Restricted for designated activities   | -0-  | 403,874  |
| Unassigned   | <u>(570,242)</u>   | <u>-0-</u>   |
|  | (519,264)  | 403,874  |
| Fund balances designated by the Board of Trustees for specific activities which are not restricted by donors | 107,219  | (107,219)  |
| Pledges receivable due in more than 60 days that are reported as deferred revenue (see page 16)              | <u>450,000</u>   | <u>-0-</u>   |
| <b>Net Position, Governmental Activities</b>   | <b><u>\$ 37,955</u></b>  | <b><u>\$ 296,655</u></b>   |

**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 of Michigan (the "State") law for the general fund. All annual appropriations lapse at the end of the fiscal year.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2014**

**NOTE K - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)**

Expenditures in excess of amounts budgeted are a violation of State law. State law permits governmental entities to amend their budgets during the year.

During the year ended June 30, 2014, 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 | \$ 827,451    | \$ 1,165,401  | \$ (337,950)    |
| Facility operations and maintenance   | 1,140,140     | 1,194,420     | (54,280)        |
| Cost of goods sold                    | 97,800        | 109,622       | (11,822)        |
| Educational programs and exhibits     | 313,915       | 350,791       | (36,876)        |
| Other current expenditures            | 95,400        | 160,686       | (65,286)        |

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.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2014**

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**NOTE L - CAPITAL EXPANSION BOND ISSUES (CONTINUED)**

As of June 30, 2014, approximately \$405,000 in bonds remains available for the Museum's use. The dollars will be authorized by the City over time. The Museum did not receive any money from this authorization during the year ended June 30, 2014. Because no schedule of payments has been established and the payments are at the discretion of the City, revenue will be recognized when received.

**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.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS**

October 31, 2014

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

We have audited, 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, the financial statements of the governmental activities and each major fund of the Charles H. Wright Museum of African American History (the "Museum") as of, and for the year ended, June 30, 2014, and the related notes to the financial statements, which comprise the Museum's basic financial statements, and have issued our report thereon dated October 31, 2014.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Museum's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Museum's internal control. Accordingly, we do not express an opinion on the effectiveness of the Museum's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Museum's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS (CONTINUED)**

**Internal Control over Financial Reporting (continued)**

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Museum’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Museum’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Museum’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
CERTIFIED PUBLIC ACCOUNTANTS  
Detroit, Michigan

**REQUIRED SUPPLEMENTARY INFORMATION**

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

**SCHEDULE OF REVENUE AND EXPENDITURES - BUDGET AND ACTUAL - GENERAL FUND (UNAUDITED)**

For the Year Ended June 30, 2014

|  | Original<br>Budget | Final<br>Budget  | Actual           | Positive<br>(Negative)<br>Variance with<br>Final Budget |
|--|--------------------|------------------|------------------|---|
| <b>Revenue:</b>                        |                    |                  |                  |   |
| Grants                                 | \$ 1,656,403       | \$ 1,656,403     | \$ 1,049,803     | \$ (606,600)  |
| Contributions                          | 989,995            | 989,995          | 1,958,303        | 968,308   |
| Facility rental and catering           | 575,200            | 575,200          | 515,791          | (59,409)  |
| Exhibit admissions                     | 344,988            | 344,988          | 338,095          | (6,893)   |
| Museum store                           | 140,000            | 140,000          | 88,520           | (51,480)  |
| Memberships                            | 185,000            | 185,000          | 160,899          | (24,101)  |
| Special events and other revenue       | 895,600            | 895,600          | 959,480          | 63,880  |
| Unrealized gain on investments         |                    |                  | 5,916            | 5,916   |
| <b>Total Revenue</b>                   | <b>4,787,186</b>   | <b>4,787,186</b> | <b>5,076,807</b> | <b>289,621</b>  |
| <b>Expenditures:</b>                   |                    |                  |                  |   |
| Current:                               |                    |                  |                  |   |
| Salaries, wages, and employee benefits | 2,032,209          | 2,032,209        | 1,912,191        | 120,018   |
| Contractual and professional services  | 827,451            | 827,451          | 1,165,401        | (337,950)   |
| Facility operations and maintenance    | 1,140,140          | 1,140,140        | 1,194,420        | (54,280)  |
| Office expenses                        | 261,994            | 261,994          | 258,746          | 3,248   |
| Cost of goods sold                     | 97,800             | 97,800           | 109,622          | (11,822)  |
| Educational programs and exhibits      | 313,915            | 313,915          | 350,791          | (36,876)  |
| Other current expenditures             | 95,400             | 95,400           | 160,686          | (65,286)  |
| <b>Total Expenditures</b>              | <b>4,768,909</b>   | <b>4,768,909</b> | <b>5,151,857</b> | <b>(382,948)</b>  |

See note to schedule of revenue and expenditures - budget and actual (general fund).

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

**SCHEDULE OF REVENUE AND EXPENDITURES - BUDGET AND ACTUAL - GENERAL FUND (UNAUDITED) (CONTINUED)**

For the Year Ended June 30, 2014

|   | Original<br>Budget | Final<br>Budget  | Actual           | Positive<br>(Negative)<br>Variance with<br>Final Budget |
|---|--------------------|------------------|------------------|---|
| <b>Excess (Deficiency) of Revenue<br/>over Expenditures</b> | \$ 18,277          | \$ 18,277        | \$ (75,050)      | \$ (93,327)   |
| <b>Other Financing Sources:</b>                             |                    |                  |                  |   |
| Interfund transfers   |                    |                  | 132,455          | 132,455   |
| <b>Net Increase in Fund Balance</b>                         | <b>\$ 18,277</b>   | <b>\$ 18,277</b> | <b>\$ 57,405</b> | <b>\$ 39,128</b>  |

See note to schedule of revenue and expenditures - budget and actual (general fund).

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

**For the Year Ended June 30, 2014**

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**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.