

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, 2015 and 2014**



CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

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## **INDEPENDENT AUDITOR'S REPORT**

November 13, 2015

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, 2015 and 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 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, 2015 and 2014, 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 11 and budgetary comparison on pages 38 through 40 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 13, 2015, 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, 2015 and 2014**

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This section of the annual report of the Charles H. Wright Museum of African American History (the “Museum” or “The Wright”) presents management’s discussion and analysis of the Museum’s financial performance during the fiscal years that ended on June 30, 2015 and 2014 (“fiscal year 2015” and “fiscal year 2014”, respectively). Please read it in conjunction with the Museum’s financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

The Museum continued its progress toward financial stability, recording a small surplus, net of depreciation of \$177,328. Revenue for the year ended June 30, 2015 increased approximately \$290,000 over the prior year. City of Detroit funding returned to its historic level of \$1.9 million, compared to approximately \$990,000 the last couple of years. This increase was totally offset by the one-time \$1 million grant received from the Kellogg Foundation in fiscal year 2014. The increase in revenue was due to increased corporate sponsorships, other foundation grants, individual and corporate donations, and fundraising income. These increases were partially offset by reductions in earned revenue.

Overall, net position decreased by approximately three percent. The Museum’s unrestricted net position swung to a negative balance of approximately \$(477,000) as of June 30, 2015. Cash flow improved, as reflected in the reduction in accounts payable of approximately 26 percent, but remained an ongoing struggle throughout the year to support continuing operations.

Total revenue for the year increased approximately \$290,000, or approximately five percent. Total expenses, excluding depreciation, increased approximately \$716,000, or approximately 13 percent, due to necessary increased staffing levels and escalating operating costs such as health care.

The Museum’s endowment fund increased a little less than one percent over the prior year to a total of approximately \$902,000. In addition, approximately \$2.4 million is currently held in trust by the Community Foundation for Southeast Michigan (“CFSEM”), for a total of approximately \$3.3 million. The Museum received approximately \$114,000 in operating support from the CFSEM fund during fiscal year 2015.

Key funding for the Museum include the following:

1. A \$100,000 grant for operating support of programming from the McGregor Fund.
2. Year two sustainability grants from the Kresge Foundation (\$175,000) and the Ford Foundation (\$170,000).
3. Restored operating support from the City of Detroit.

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

**June 30, 2015 and 2014**

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**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 statements of net position and statements of activities (which are presented on pages 12 and 13) 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 14, 15, 17, and 18) 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. 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.

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

**June 30, 2015 and 2014**

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

**Fund Financial Statements (continued)**

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. The Museum has pledges receivable that are due more than 60 days after year-end of \$-0- and \$450,000 as of June 30, 2015 and 2014, respectively. These long-term pledges have been recognized as revenue during the years ended June 30, 2015 and 2014 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 19.

The notes to the financial statements, which begin on page 20, 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 38 and 39.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)****June 30, 2015 and 2014****FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE**

Table 1 reflects the statements of net position as of June 30, 2015, 2014, and 2013:

**Table 1**  
**Statements of Net Position**  
**June 30, 2015, 2014, and 2013**  
*(in thousands of dollars)*

	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b>Assets:</b>			
Cash and cash equivalents	\$ 1,141.1	\$ 617.0	\$ 278.6
Investments	1,045.6	1,035.7	1,080.4
Accounts receivable	444.9	29.9	30.8
Prepaid expenses	22.1	19.3	17.5
Museum store inventory	26.3	31.6	86.7
Pledges receivable:			
Available in more than 60 days	-0-	450.0	-0-
Capital assets:			
Nondepreciable capital assets	190.7	161.4	161.4
Depreciable capital assets, net	1,090.7	1,196.5	1,531.5
<b>Total Assets</b>	<b><u>3,961.4</u></b>	<b><u>3,541.4</u></b>	<b><u>3,186.9</u></b>
<b>Liabilities:</b>			
Accounts payable	589.4	801.5	663.7
Accrued payroll and related taxes	173.1	151.5	100.1
Deferred revenue	700.3	-0-	-0-
Line of credit	-0-	-0-	100.0
<b>Total Liabilities</b>	<b><u>1,462.8</u></b>	<b><u>953.0</u></b>	<b><u>863.8</u></b>
<b>Net Position:</b>			
Net investment in capital assets	1,281.4	1,357.8	1,692.9
Restricted for endowment	901.7	896.0	935.4
Restricted for designated activities	792.9	296.7	165.0
Unrestricted	(477.4)	37.9	(470.2)
<b>Total Net Position</b>	<b><u>\$ 2,498.6</u></b>	<b><u>\$ 2,588.4</u></b>	<b><u>\$ 2,323.1</u></b>

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)****June 30, 2015 and 2014****FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE (CONTINUED)**

Cash and investments increased by approximately \$534,000, or approximately 32 percent. Cash restricted for various projects was expended for programming or capital improvements in accordance with grant obligations. Accounts receivable were up substantially due to pledges associated with the fiscal year 2016 gala fundraiser. Pledges receivable were down due to receipt of funds this year from the Kellogg Foundation grant approved in fiscal year 2014.

Table 2 reflects the condensed statements of activities for the years ended June 30, 2015, 2014, and 2013:

**Table 2**  
**Statements of Activities**  
**For the Years Ended June 30, 2015, 2014, and 2013**  
*(in thousands of dollars)*

	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b>Expenses:</b>			
Exhibits and educational program:			
Salaries, wages, and employee benefits	\$ 2,442.0	\$ 2,055.2	\$ 2,068.0
Contractual and professional services	1,449.1	1,167.0	1,308.6
Facility operations and maintenance	1,276.8	1,211.9	1,204.9
Educational programs and exhibits	392.7	365.9	278.5
Depreciation	267.2	337.6	342.1
Other expenses	547.2	591.4	633.6
	<u>6,375.0</u>	<u>5,729.0</u>	<u>5,835.7</u>
<b>Program Revenue:</b>			
Exhibits and educational program:			
Grants	2,026.5	1,049.8	1,061.2
Other program revenue	1,975.4	2,082.6	2,002.9
	<u>4,001.9</u>	<u>3,132.4</u>	<u>3,064.1</u>
<b>Net Program Revenue (Expense)</b>	<u>\$ (2,373.1)</u>	<u>\$ (2,596.6)</u>	<u>\$ (2,771.6)</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)****June 30, 2015 and 2014****FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE (CONTINUED)**

**Table 2**  
**Statements of Activities (continued)**  
**For the Years Ended June 30, 2015, 2014, and 2013**  
*(in thousands of dollars)*

	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b>General Revenue:</b>			
Contributions	\$ 2,284.2	\$ 2,768.8	\$ 1,691.3
Unrealized gain (loss) on investments	(0.9)	93.1	51.0
<b>Total General Revenue</b>	<b><u>2,283.3</u></b>	<b><u>2,861.9</u></b>	<b><u>1,742.3</u></b>
<b>Net Increase (Decrease) in Net Position</b>	<b>(89.8)</b>	<b>265.3</b>	<b>(1,029.3)</b>
Net Position, Beginning of Year	<u>2,588.4</u>	<u>2,323.1</u>	<u>3,352.4</u>
<b>Net Position, End of Year</b>	<b><u>\$ 2,498.6</u></b>	<b><u>\$ 2,588.4</u></b>	<b><u>\$ 2,323.1</u></b>

The Museum received \$1,900,000 in unrestricted operating support from the City during fiscal year 2015, an increase of over \$900,000 from the prior years. The State of Michigan contributed \$37,600 in support this year for educational programming and \$12,000 in support the prior year. There were no federal funds received by the Museum in fiscal year 2015.

Earned revenue from admissions, the Museum store, facility rental, memberships, and fundraising decreased by approximately \$107,000, or approximately five percent. Facility rental revenue decreased by approximately \$23,000, or approximately four percent, admissions revenue decreased by approximately \$16,000, or approximately five percent, Museum store revenue decreased by approximately \$8,000, or approximately nine percent, and membership revenue decreased by approximately \$7,000, or approximately 4.5 percent. The Museum's management expects all of these revenue sources to increase in future fiscal years as the result of the Museum's investment in marketing discussed below. Fundraising revenue increased by approximately \$53,000, or approximately 5.5 percent. The Museum's management expects that this revenue source will increase significantly in the next fiscal year.

Expenses increased by approximately \$646,000 in fiscal year 2015 over fiscal year 2014. This was almost equally divided by expenses associated with additional permanent staff and associated insurance expenses and contractual staff.

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

**June 30, 2015 and 2014**

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

The additional permanent staff was in the Museum’s program and marketing areas and the contract staff was in fund development and fundraising. These investments allowed the Museum to significantly strengthen its educational programs, marketing efforts, and resultant fundraising. The Museum’s management expects these benefits to increase in the next and future fiscal years. All other expenses were essentially level with the previous fiscal year.

Table 3 summarizes exhibit admissions and Museum store sales for the years ended June 30, 2015 and 2014:

**Table 3**  
**Schedules of Exhibit Admissions and Museum Store Sales**  
**For the Years Ended June 30, 2015 and 2014**  
*(in thousands of dollars)*

	<u>2015</u>	<u>2014</u>
Exhibit admissions	\$ 322.1	\$ 338.1
Museum store sales (gross)	80.5	88.5

The Museum continued to present an exciting and educational slate of programs and exhibitions. The 32nd 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 four years in a row, there was no mistake in connecting AWF with the Museum.

The fifth annual gala fund raiser, The Wright Gala: The Ball, was celebrated by an at-capacity audience at the Museum. Arrivals walked the red carpet into a cocktail reception in the transformed Ford Freedom Rotunda, which featured three pop-up stages with still-life models posing as characters from notable theatrical productions. The theme was taken from then-current exhibit, *A Theatre of Color*. The 2015 Ford Freedom Awards were themed *Technopreneurs: Builders of the Innovation Economy*. They saluted Elijah McCoy, the late engineer and inventor who secured more than 60 patents for innovative products and devices, Laura Weidman Powers, Award scholar and founder of CODE2040, an organization that provides fellowship opportunities in Silicon Valley for African Americans and Latinos in engineering, and Legacy Award winners Mitch Kapor and Freada Kapor Klein, whose efforts have created social impact in underrepresented communities.

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

**June 30, 2015 and 2014**

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

Additionally, in recognition of The Wright's 50th anniversary, the names of five notable local honorees were added to the Ring of Genealogy in the floor of the Museum's Ford Freedom Rotunda. The evening ended with a special concert performance through the GRAMMY Foundation by recording artist and Grammy nominee Ledisi. Also, as part of The Wright's 50th anniversary celebration, there was a free two-day festival of drumming featuring performers from around the world and a concert, *Oh, Freedom*, a musical journey through African American history starring Patti Austin.

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

- *A Theatre of Color: Costume Design for the Black Theatre*
- *Raz Baaba Aaron Ibn Pori Pitts: Portraits of a Revolutionary Artist*
- *The Nataki Talibah Schoolhouse of Detroit: 35 Years of Service*
- *Shadow Matters: The Rhythm of Structure – Afro*
- *Finding Mona Lisa: Urban Students Become Global Scholars*
- *Bombay Sapphire*
- *I, Charles H. Wright: My Story*

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 third season. With close to 300 participants, the film series will continue to impress with a wide range of films and topics.

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

**June 30, 2015 and 2014**

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**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 2016, 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 2016 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.

In 2015, the Museum is celebrating 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:

- *Inspiring Beauty: 50 Years of Ebony Fashion Fair*
- *Collecting: The Power of Knowledge*
- *No Boundaries: Aboriginal Australian Contemporary Art*
- *Bombay Sapphire Artisan Series 2015*

**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, 2015 and 2014

	<b>Governmental Activities</b>	
	<b>2015</b>	<b>2014</b>
<b>Assets:</b>		
Cash and cash equivalents (Note B)	\$ 1,141,064	\$ 617,007
Investments (Note B)	1,045,625	1,035,748
Accounts receivable (no allowance considered necessary)	444,874	29,885
Prepaid expenses	22,115	19,305
Museum store inventory (lower of cost or market)	26,320	31,673
Pledges receivable (no allowance considered necessary) (Note D):		
Available in more than 60 days	-0-	450,000
Capital assets (Note E):		
Nondepreciable capital assets	190,690	161,350
Depreciable capital assets, net	1,090,674	1,196,481
Collections and artifacts (Notes A and C)	---	---
<b>Total Assets</b>	<b>3,961,362</b>	<b>3,541,449</b>
<b>Liabilities:</b>		
Accounts payable	589,338	801,531
Accrued payroll and related taxes	173,117	151,507
Deferred revenue	700,325	-0-
<b>Total Liabilities</b>	<b>1,462,780</b>	<b>953,038</b>
<b>Net Position:</b>		
Net investment in capital assets	1,281,364	1,357,831
Restricted for endowment	901,704	895,970
Restricted for designated activities	792,876	296,655
Unrestricted	(477,362)	37,955
<b>Total Net Position</b>	<b>\$ 2,498,582</b>	<b>\$ 2,588,411</b>

See notes to financial statements.

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

**STATEMENTS OF ACTIVITIES**

**For the Years Ended June 30, 2015 and 2014**

	<b><u>Governmental Activities</u></b>	
	<b><u>2015</u></b>	<b><u>2014</u></b>
<b>Expenses:</b>		
Exhibits and educational program:		
Salaries, wages, and employee benefits	\$ 2,441,986	\$ 2,055,181
Contractual and professional services	1,449,080	1,166,989
Facility operations and maintenance	1,276,759	1,211,926
Office expenses	265,298	268,577
Cost of goods sold	93,912	109,622
Educational programs and exhibits	392,708	365,866
Purchases of artifacts	117	-0-
Other expenses	187,934	213,242
Depreciation (Note E)	267,157	337,608
	<b><u>6,374,951</u></b>	<b><u>5,729,011</u></b>
<b>Program Revenue:</b>		
Exhibits and educational program:		
Grants (Notes G and L)	2,026,524	1,049,803
Facility rental and catering	493,196	515,791
Exhibit admissions	322,100	338,095
Museum store	80,542	88,520
Memberships	153,583	160,899
Special events and other revenue	925,919	979,310
	<b><u>4,001,864</u></b>	<b><u>3,132,418</u></b>
<b>Net Program Revenue (Expense)</b>	<b><u>(2,373,087)</u></b>	<b><u>(2,596,593)</u></b>
<b>General Revenue:</b>		
Contributions	2,284,180	2,768,849
Unrealized gain (loss) on investments	(922)	93,062
	<b><u>2,283,258</u></b>	<b><u>2,861,911</u></b>
<b>Net Increase (Decrease) in Net Position</b>	<b><u>(89,829)</u></b>	<b><u>265,318</u></b>
Net Position, Beginning of Year	<u>2,588,411</u>	<u>2,323,093</u>
<b>Net Position, End of Year</b>	<b><u>\$ 2,498,582</u></b>	<b><u>\$ 2,588,411</u></b>

See notes to financial statements.

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

**BALANCE SHEETS - GOVERNMENTAL FUNDS**

June 30, 2015

(With Comparative Totals as of June 30, 2014)

	2015				Total All Funds	
	General Fund	Special Revenue Fund	Capital Projects Fund	Permanent Fund	2015	2014
<b>ASSETS</b>						
Cash and cash equivalents (Note B)	\$ 348,190	\$ 792,874	\$ -0-	\$ -0-	\$ 1,141,064	\$ 617,007
Investments (Note B)	36,412	107,509		901,704	1,045,625	1,035,748
Accounts receivable (no allowance considered necessary)	444,874				444,874	29,885
Prepaid expenditures	22,115				22,115	19,305
Museum store inventory (lower of cost or market)	26,320				26,320	31,673
Pledges receivable (no allowance considered necessary) (Note D): Available in more than 60 days					-0-	450,000
<b>Total Assets</b>	<b>\$ 877,911</b>	<b>\$ 900,383</b>	<b>\$ -0-</b>	<b>\$ 901,704</b>	<b>\$ 2,679,998</b>	<b>\$ 2,183,618</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 589,338	\$ -0-	\$ -0-	\$ -0-	\$ 589,338	\$ 801,531
Accrued payroll and related taxes	173,117				173,117	151,507
Deferred pledges (Note D)					-0-	450,000
Deferred revenue	700,325				700,325	-0-
<b>Total Liabilities</b>	<b>1,462,780</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>1,462,780</b>	<b>1,403,038</b>
<b>Fund Balances (Deficits):</b>						
Nonspendable	48,435			901,704	950,139	946,948
Restricted for designated activities		900,383			900,383	403,874
Unassigned	(633,304)				(633,304)	(570,242)
<b>Total Fund Balances (Deficits)</b>	<b>(584,869)</b>	<b>900,383</b>	<b>-0-</b>	<b>901,704</b>	<b>1,217,218</b>	<b>780,580</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 877,911</b>	<b>\$ 900,383</b>	<b>\$ -0-</b>	<b>\$ 901,704</b>	<b>\$ 2,679,998</b>	<b>\$ 2,183,618</b>

See notes to financial statements.

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

**BALANCE SHEETS - GOVERNMENTAL FUNDS**

June 30, 2014

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Permanent Fund</u>	<u>Total All Funds</u>
<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):					
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 pledges (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</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 STATEMENTS OF NET POSITION**

**June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Total Fund Balances, Governmental Funds	\$ 1,217,218	\$ 780,580
<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>		
	-0-	450,000
<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	190,690	161,350
Depreciable capital assets:		
Cost	16,336,375	16,175,025
Less: Accumulated depreciation	<u>(15,245,701)</u>	<u>(14,978,544)</u>
<b>Total Net Position, Governmental Activities</b>	<b><u>\$ 2,498,582</u></b>	<b><u>\$ 2,588,411</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, 2015  
(With Comparative Totals for the Year Ended June 30, 2014)

	2015				Total All Funds	
	General Fund	Special Revenue Fund	Capital Projects Fund	Permanent Fund	2015	2014
<b>Revenue:</b>						
Grants (Notes G and L)	\$ 2,026,524	\$ -0-	\$ -0-	\$ -0-	\$ 2,026,524	\$ 1,049,803
Contributions	1,914,765	819,415			2,734,180	2,318,849
Facility rental and catering	493,196				493,196	515,791
Exhibit admissions	322,100				322,100	338,095
Museum store	80,542				80,542	88,520
Memberships	153,583				153,583	160,899
Special events and other revenue	907,874			18,045	925,919	979,310
Unrealized gain (loss) on investments	3,475	290		(4,687)	(922)	93,062
<b>Total Revenue</b>	<b>5,902,059</b>	<b>819,705</b>	<b>-0-</b>	<b>13,358</b>	<b>6,735,122</b>	<b>5,544,329</b>
<b>Expenditures:</b>						
Current:						
Salaries, wages, and employee benefits	2,231,633	210,353			2,441,986	2,055,181
Contractual and professional services	1,448,380	700			1,449,080	1,166,989
Facility operations and maintenance	1,261,297	15,462			1,276,759	1,211,926
Office expenses	262,680	2,618			265,298	268,577
Cost of goods sold	93,912				93,912	109,622
Educational programs and exhibits	388,203	4,505			392,708	365,866
Purchases of artifacts	42	75			117	-0-
Other current expenditures	88,117	89,193		10,624	187,934	213,242
Capital outlay (Note E)			190,690		190,690	2,545
<b>Total Expenditures</b>	<b>5,774,264</b>	<b>322,906</b>	<b>190,690</b>	<b>10,624</b>	<b>6,298,484</b>	<b>5,393,948</b>
<b>Excess (Deficiency) of Revenue over Expenditures</b>	<b>127,795</b>	<b>496,799</b>	<b>(190,690)</b>	<b>2,734</b>	<b>436,638</b>	<b>150,381</b>
<b>Other Financing Sources (Uses):</b>						
Interfund transfers	(193,400)	(290)	190,690	3,000	-0-	-0-
<b>Net Increase (Decrease) in Fund Balances</b>	<b>(65,605)</b>	<b>496,509</b>	<b>-0-</b>	<b>5,734</b>	<b>436,638</b>	<b>150,381</b>
Fund Balances (Deficits), Beginning of Year	(519,264)	403,874		895,970	780,580	630,199
<b>Fund Balances (Deficits), End of Year</b>	<b>\$ (584,869)</b>	<b>\$ 900,383</b>	<b>\$ -0-</b>	<b>\$ 901,704</b>	<b>\$ 1,217,218</b>	<b>\$ 780,580</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

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Permanent Fund</u>	<u>Total All Funds</u>
<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><u>5,076,807</u></b>	<b><u>361,203</u></b>	<b><u>-0-</u></b>	<b><u>106,319</u></b>	<b><u>5,544,329</u></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><u>5,151,857</u></b>	<b><u>228,841</u></b>	<b><u>2,545</u></b>	<b><u>10,705</u></b>	<b><u>5,393,948</u></b>
<b>Excess (Deficiency) of Revenue over Expenditures</b>	<b><u>(75,050)</u></b>	<b><u>132,362</u></b>	<b><u>(2,545)</u></b>	<b><u>95,614</u></b>	<b><u>150,381</u></b>
<b>Other Financing Sources (Uses):</b>					
Interfund transfers	132,455		2,545	(135,000)	-0-
<b>Net Increase (Decrease) in Fund Balances</b>	<b><u>57,405</u></b>	<b><u>132,362</u></b>	<b><u>-0-</u></b>	<b><u>(39,386)</u></b>	<b><u>150,381</u></b>
Fund Balances (Deficits), Beginning of Year	(576,669)	271,512		935,356	630,199
<b>Fund Balances (Deficits), End of Year</b>	<b><u>\$ (519,264)</u></b>	<b><u>\$ 403,874</u></b>	<b><u>\$ -0-</u></b>	<b><u>\$ 895,970</u></b>	<b><u>\$ 780,580</u></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 STATEMENTS OF ACTIVITIES**

**For the Years Ended June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Net Increase in Fund Balances, Governmental Funds	\$ 436,638	\$ 150,381
<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>		
Pledges receivable that are available in more than 60 days as of:		
June 30, 2014	(450,000)	450,000
<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	190,690	2,545
Less: Depreciation expense	<u>(267,157)</u>	<u>(337,608)</u>
<b>Net Increase (Decrease) in Net Position, Governmental Activities</b>	<b><u>\$ (89,829)</u></b>	<b><u>\$ 265,318</u></b>

See notes to financial statements.

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015 and 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.

**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, 2015 and 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)**

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.

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, 2015 and 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)**

**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, 2015 and 2014**

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**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, 2015 and 2014**

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**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, 2015 and 2014, total contributed volunteer time of 10,139 and 10,969 hours, respectively, was valued at \$232,791 and \$242,744, 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.

**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, 2015 and 2014, donated collections and artifacts totaled \$82,871 and \$28,899, 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.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2015 and 2014**

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

**Advertising**

The Museum’s advertising costs are expensed as incurred. Advertising expenses totaled \$75,540 and \$74,028 for the years ended June 30, 2015 and 2014, respectively.

**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.

As of June 30, 2015 and 2014, 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>2015</u>	<u>2014</u>
Carrying amount of deposits	\$ 1,141,064	\$ 617,007
Total bank balances	<u>\$ 1,039,084</u>	<u>\$ 660,442</u>
Uninsured and uncollateralized bank balances	<u>\$ 593,761</u>	<u>\$ 405,582</u>

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)****June 30, 2015 and 2014****NOTE B - CASH DEPOSITS AND INVESTMENTS (CONTINUED)****Investments**

Investments are recorded at fair value, based on quoted market prices. As of June 30, 2015 and 2014, the Museum's investments are classified as follows:

	<u>2015</u>	<u>2014</u>
<b>Investments held by the Museum or its agent in the Museum's name:</b>		
Money market funds:		
Unrated:		
Bank of America Money Market Savings Account	\$ 133,423	\$ 133,079
Corporate bonds:		
A- rating from Standard & Poor's, weighted average maturity of 22 years and 23 years for 2015 and 2014, respectively	5,252	5,324
BBB- rating from Standard & Poor's, weighted average maturity of 46 years and 47 years for 2015 and 2014, respectively	5,146	5,214
Registered investment companies:		
Bond funds:		
AAA and AA rating from Standard & Poor's for 2015 and 2014, respectively, weighted average maturity of 1.91 years for 2015 and 2014	18,245	38,052
AAA rating from Standard & Poor's, weighted average maturity of 0.52 years for 2015	40,000	-0-
A rating from Standard & Poor's, weighted average maturity of 2.36 years and 2.51 years for 2015 and 2014, respectively	36,853	40,173
A rating from Standard & Poor's, weighted average maturity of 2.08 years and 2.00 years for 2015 and 2014, respectively	80,051	80,317
BBB rating from Standard & Poor's, weighted average maturity of 4.78 years and 4.79 years for 2015 and 2014, respectively	177,442	179,610

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2015 and 2014**

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

**Investments (continued)**

	<u>2015</u>	<u>2014</u>
<b>Investments held by the Museum or its agent in the Museum's name (continued):</b>		
Registered investment companies (continued):		
Equity funds	\$ 388,634	\$ 391,327
Other funds	53,072	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>107,507</u>	<u>107,219</u>
	<u><b>\$ 1,045,625</b></u>	<u><b>\$ 1,035,748</b></u>

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, 2015 and 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 \$1.628 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, 2015 and 2014, which were collected in the following year:

	<u>2015</u>	<u>2014</u>
Available in more than 60 days	<u>\$ -0-</u>	<u>\$ 450,000</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 presents 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, 2015 and 2014**

**NOTE E - CAPITAL ASSETS**

Nondepreciable capital asset activity for the years ended June 30, 2015 and 2014 is as follows:

	<b><u>Construction in Progress</u></b>
Balance, July 1, 2013	\$ 161,350
<b>Balance, June 30, 2014</b>	<b>161,350</b>
Acquisitions	190,690
Less: Transfers to exhibits	<u>(161,350)</u>
<b>Balance, June 30, 2015</b>	<b><u>\$ 190,690</u></b>

Depreciable capital asset activity for the years ended June 30, 2015 and 2014 is as follows:

	<b><u>Building Improvements</u></b>	<b><u>Exhibits</u></b>	<b><u>Furniture and Equipment</u></b>	<b><u>Total</u></b>
<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>1,555,724</b>	<b>13,093,195</b>	<b>1,526,106</b>	<b>16,175,025</b>
Transfers from construction in progress		161,350		161,350
<b>Balance, June 30, 2015</b>	<b><u>\$ 1,555,724</u></b>	<b><u>\$ 13,254,545</u></b>	<b><u>\$ 1,526,106</u></b>	<b><u>\$ 16,336,375</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>1,137,163</b>	<b>12,418,582</b>	<b>1,422,799</b>	<b>14,978,544</b>
Depreciation expense	110,787	150,167	6,203	267,157
<b>Balance, June 30, 2015</b>	<b><u>\$ 1,247,950</u></b>	<b><u>\$ 12,568,749</u></b>	<b><u>\$ 1,429,002</u></b>	<b><u>\$ 15,245,701</u></b>
<b>Net Depreciable Capital Assets:</b>				
Balance, June 30, 2014	\$ 418,561	\$ 674,613	\$ 103,307	\$ 1,196,481
Balance, June 30, 2015	<u>\$ 307,774</u>	<u>\$ 685,796</u>	<u>\$ 97,104</u>	<u>\$ 1,090,674</u>

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2015 and 2014**

**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 years ended June 30, 2015 and 2014 is as follows:

	<u>2015</u>	<u>2014</u>
Balance, beginning of year	\$ -0-	\$ 100,000
Less: Repayments	<u>-0-</u>	<u>(100,000)</u>
<b>Balance, End of Year</b>	<b><u>\$ -0-</u></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 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 and \$992,399 for the years ended June 30, 2015 and 2014, respectively. 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, 2015 and 2014 totaled \$114,026 and \$112,790, 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, 2015 and 2014 is \$2,396,403 and \$2,534,991, respectively.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2015 and 2014**

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**NOTE H - PERMANENT CHARITABLE ENDOWMENT FUND (CONTINUED)**

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>	
2016	\$ 23,650
2017	19,240
2018	<u>4,896</u>
<b>Total Minimum Lease Payments</b>	<b><u>\$ 47,786</u></b>

Total rental expense under these lease agreements for the years ended June 30, 2015 and 2014 was \$23,650 and \$25,122, 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, 2015 and 2014**

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

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, 2015 and 2014:

	<u>2015</u>		<u>2014</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	\$ 48,435	\$ -0-	\$ 50,978	\$ -0-
Restricted for designated activities	-0-	900,383	-0-	403,874
Unassigned	(633,304)	-0-	(570,242)	-0-
	(584,869)	900,383	(519,264)	403,874
Fund balances designated by the Board of Trustees for specific activities which are not restricted by donors	107,507	(107,507)	107,219	(107,219)
Pledges receivable due in more than 60 days that are reported as deferred (see page 16)	-0-	-0-	450,000	-0-
<b>Net Position, Governmental Activities</b>	<b><u>\$ (477,362)</u></b>	<b><u>\$ 792,876</u></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.

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

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)****June 30, 2015 and 2014****NOTE K - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)**

During the year ended June 30, 2015, the Museum incurred expenditures in excess of the amounts budgeted as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Office expenses	\$ 147,432	\$ 262,680	\$ (115,248)
Cost of goods sold	88,139	93,912	(5,773)
Purchases of artifacts	-0-	42	(42)
Other current expenditures	39,712	88,117	(48,405)

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, 2015, 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, 2015. 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, 2015 and 2014**

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**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**

In February 2015, the Governmental Accounting Standards Board issued Statement of Governmental Accounting Standards ("SGAS") No. 72, *Fair Value Measurement and Application*. SGAS No. 72 defines "fair value," establishes a framework for measuring fair value, and expands disclosures about fair value measurements. SGAS No. 72 applies to the Museum's financial statements for the year ending June 30, 2016. The Museum has not determined the impact, if any, on its financial statements of implementing SGAS No. 72.

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

November 13, 2015

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, 2015, and the related notes to the financial statements, which comprise the Museum’s basic financial statements, and have issued our report thereon dated November 13, 2015.

**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**





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

**For the Years Ended June 30, 2015 and 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.