

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

**FINANCIAL STATEMENTS**

**June 30, 2007 and 2006**

**George Johnson  
& Company**  

---

---

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

**CONTENTS**

---

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)	2
FINANCIAL STATEMENTS:	
Statements of Net Assets	13
Statements of Activities	14
Balance Sheets - Governmental Funds	15
Reconciliations of Governmental Funds Balance Sheets to Statements of Net Assets	17
Statements of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	18
Reconciliations of Governmental Funds Statements of Revenue, Expenditures, and Changes in Fund Balances to Statements of Activities	20
NOTES TO FINANCIAL STATEMENTS	21
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedules of Revenue and Expenditures - Budget and Actual - Operating Fund (Unaudited)	33
Note to Schedules of Revenue and Expenditures - Budget and Actual - Operating Fund (Unaudited)	35

---

# George Johnson & Company

1200 Buhl Building • 535 Griswold Street • Detroit, Michigan 48226-3689  
(313) 965-2655 • Fax (313) 965-4614

## INDEPENDENT AUDITORS' REPORT

December 5, 2007

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

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, 2007 and 2006, which collectively comprise the Museum's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Museum's management. Our responsibility is to express an opinion 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the aforementioned financial statements 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, 2007 and 2006, 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.

The accompanying management's discussion and analysis and schedules of revenue and expenditures - budget and actual (operating fund) are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



CERTIFIED PUBLIC ACCOUNTANTS

An Independent Member of the BDO Seidman LLP Alliance

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

**June 30, 2007 and 2006**

---

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 years that ended on June 30, 2007 and 2006 ("fiscal year 2007" and "fiscal year 2006", respectively). Please read it in conjunction with the Museum's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

Fiscal year 2007 was another good year for the Museum as it improved its overall financial position with reduced debt, increased cash reserves, and significant growth in endowment assets. Despite a swell of support from the community during the final months of fiscal year 2006 in response to the Kresge Foundation challenge grant, throughout the year, the Museum noted reductions in gifts received from its corporate and individual donors. Total net assets decreased year over year by \$1.457 million, or 16.6 percent, due primarily to accelerated depreciation of \$2.278 million on the core exhibition, *And Still We Rise* (hereafter referred to as "core"). Expenses were carefully monitored and, as a result, expenses net of depreciation were relatively flat year over year. Fundraising attention was focused on the Museum's Legacy Campaign, which was in its fifth and final year.

At the direction of the Board, the core exhibit is being depreciated on an accelerated basis. This approach was seen as a more conservative financial presentation, as it would shorten the time period in which grants and contributions for the core would be out of alignment with future depreciation expense.

A summary of financial activity for the year includes the following:

- Program revenue increased approximately \$350,000 over fiscal year 2006 due primarily to the restoration of the City of Detroit (the "City") operating grant to \$1.8 million, offset by decreases in facility rental income and membership revenue.
- Year over year, net program expenses improved 28.1 percent (\$1.937 million). This figure represents the amount of fundraising required during the year to meet operational needs. General revenue (including contributions) during the same period decreased 46 percent, or \$2.975 million. However, the decrease in revenue (grants and contributions) and depreciation related to the core contributed to the improvement in net program expenses as well as the decrease in contributions.

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

**June 30, 2007 and 2006**

---

**FINANCIAL HIGHLIGHTS (CONTINUED)**

- During the year, cash balances improved as the Museum collected over \$2.5 million in receivables. Of this total, \$2.0 million represents payment from the Kresge Foundation for successfully fulfilling the requirements associated with an 18-month challenge grant. These funds were used to eliminate debt incurred during the construction of the Museum's core exhibit. Overall Museum liabilities have been reduced \$2.8 million (75 percent) since 2005.
- The Museum raised \$4.187 million during the year towards the Legacy Campaign. Final results indicate \$43.5 million was raised during the five-year effort in support of General Operations, Endowment, Infrastructure, Audience Development, and Enhancing the Experience.
- The Ford Foundation awarded the Museum a \$1.0 million capacity building grant (payable over two years) and a \$1.0 million endowment grant. The endowment award was transferred to the Community Foundation for Southeast Michigan, where other Museum endowment assets are held in trust. As a result, the Museum successfully fulfilled the terms of the Kellogg Foundation Endowment challenge grant issued in fiscal year 2003. To date, approximately \$2.6 million is currently held by the Community Foundation for Southeast Michigan, and over \$750,000 is held in other endowment investments, for a total \$3.35 million.

**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" of the City of Detroit's financial statements 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 assets and statements 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, 16, 18, and 19) 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, 2007 and 2006**

---

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

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

The statements of net assets include all of the Museum's assets and liabilities. 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 assets and how they have changed. Net assets represent the difference between the Museum's assets and liabilities, and they represent one way to measure the Museum's financial health, or position. Over time, increases or decreases in the Museum's net assets 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. The impact on the Museum is that, in the government-wide financial statements, expenditures for the new core exhibit are shown as capital assets, while, in the fund financial statements, all expenditures pertaining to the new core exhibit have been expensed as 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.

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

June 30, 2007 and 2006

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

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 \$955,000 and over \$675,000 as of June 30, 2007 and 2006, respectively. These long-term pledges have been recognized as revenue during the years ended June 30, 2007 and 2006 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 17 and 20.

The notes to the financial statements, which begin on page 21, explain some of the information in the financial statements and provide more detailed data. A comparison of the Museum's operating fund revenue and expenditures to its budget is provided on pages 33 and 34.

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

Table 1 reflects the statements of net assets as of June 30, 2007, 2006, and 2005:

**Table 1**  
**Statements of Net Assets**  
**June 30, 2007, 2006, and 2005**  
*(in thousands of dollars)*

	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>Assets:</b>			
Cash and cash equivalents	\$ 1,607.1	\$ 667.6	\$ 218.7
Investments	1,058.2	489.4	395.4
Accounts receivable	270.2	116.1	59.8
Prepaid expenses	130.4	-0-	4.8
Museum store inventory	138.8	139.4	125.8
Pledges receivable:			
Available within 60 days	-0-	2,570.0	-0-
Available in more than 60 days	955.0	676.5	2,051.0
Capital assets	4,117.1	6,387.3	10,137.8
<b>Total Assets</b>	<b><u>\$ 8,276.8</u></b>	<b><u>\$ 11,046.3</u></b>	<b><u>\$ 12,993.3</u></b>

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)****June 30, 2007 and 2006****FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE (CONTINUED)****Table 1****Statements of Net Assets (continued)****June 30, 2007, 2006, and 2005***(in thousands of dollars)*

	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>Liabilities:</b>			
Accounts payable	\$ 850.8	\$ 1,416.9	\$ 2,432.0
Accrued payroll and related taxes	108.7	159.6	146.1
Lines of credit	-0-	695.3	1,179.2
Long-term liabilities:			
Due or expected to be paid within one year	-0-	-0-	42.9
<b>Total Liabilities</b>	<b><u>959.5</u></b>	<b><u>2,271.8</u></b>	<b><u>3,800.2</u></b>
<b>Net Assets (Deficit):</b>			
Invested in capital assets, net of related debt	4,117.1	6,025.2	9,137.8
Restricted for capital projects	1,596.7	2,203.6	-0-
Restricted for endowment	766.9	253.9	156.2
Unrestricted	836.6	291.8	(100.9)
<b>Total Net Assets</b>	<b><u>\$ 7,317.3</u></b>	<b><u>\$ 8,774.5</u></b>	<b><u>\$ 9,193.1</u></b>

Cash balances significantly improved since 2005 to \$1.6 million due to grant awards received from the Kresge Foundation, the Ford Foundation, and the Knight Foundation. Of the total, approximately \$512,000, or 31.9 percent, is unrestricted cash and approximately \$1,095,000, or 68.1 percent, is restricted for programs and/or exhibitions, or for other capital improvements scheduled for subsequent fiscal years. Investments include Museum-directed endowment funds, certificates of deposit held for future gallery redesign, the cash surrender value of life insurance policies, and other stock gifts received. Year over year, investment balances more than doubled as the \$500,000 award received from the Kresge Foundation (from the operating component of its challenge grant) was placed into endowment. All investments are governed by a Board-approved investment policy. Accounts receivable balances are reviewed for collectibility and are written off as necessary. Prepaid expenses include exhibition rental fees and insurance premiums that overlap fiscal years.

Pledges receivable represent unconditional gifts from corporations and foundations. During the year, the Museum collected over \$2.57 million in pledge payments (100 percent of the expected total for fiscal year 2007). In addition, the Museum has obtained conditional pledges totaling \$456,000 through December 31, 2009. These contributions are contingent upon annual approval by the funding sources.



**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)****June 30, 2007 and 2006****FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE (CONTINUED)**

These conditional pledges will be recognized as revenue when the conditions are substantially met. The reduction in fixed assets is mainly due to a full year of accelerated depreciation on the core exhibit.

As previously mentioned, cash received from the Kresge Challenge was used to eliminate debt acquired during the construction of the core exhibit, including the balances owed to the general contractor and to pay off the Museum's line of credit. As of June 30, 2007, a balance of approximately \$258,000 due on the core exhibit is still open, pending the resolution of outstanding construction issues. Funds to pay this remaining balance are restricted. Excluding core debt, overall payables are down 25.6 percent year over year.

Total net assets declined 16.6 percent from the prior year primarily due to accelerated depreciation charges on the core exhibit offset by the reduction of related construction debt. This trend is expected to continue, but slowly decline, until the asset is fully depreciated by June 30, 2009. Assets restricted for capital projects were generally flat year over year and include funds related to future programming and/or exhibit development. As discussed above, endowment assets increased approximately \$513,000 with the investment of the Kresge Foundation gift this year. Unrestricted net assets increased approximately \$545,000 from the prior year.

Table 2 reflects the condensed statements of activities for the years ended June 30, 2007, 2006, and 2005:

**Table 2**  
**Statements of Activities**  
**For the Years Ended June 30, 2007, 2006, and 2005**  
*(in thousands of dollars)*

	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>Expenses:</b>			
Exhibits and educational program:			
Salaries, wages, and employee benefits	\$ 3,014.2	\$ 2,935.3	\$ 2,915.1
Contractual and professional services	677.0	765.8	542.8
Facility operations and maintenance	1,261.6	1,347.1	1,329.8
Educational programs and exhibits	625.2	587.5	1,668.1
Depreciation	2,469.4	3,953.1	2,635.5
Other expenses	578.4	619.6	741.3
	<u>578.4</u>	<u>619.6</u>	<u>741.3</u>
<b>Total Program Expenses</b>	<b><u>\$ 8,625.8</u></b>	<b><u>\$ 10,208.4</u></b>	<b><u>\$ 9,832.6</u></b>

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)****June 30, 2007 and 2006****FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE (CONTINUED)****Table 2****Statements of Activities (continued)****For the Years Ended June 30, 2007, 2006, and 2005***(in thousands of dollars)*

	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>Program Revenue:</b>			
Exhibits and educational program:			
Grants	\$ 2,099.7	\$ 1,444.5	\$ 4,718.4
Other program revenue	1,565.7	1,866.7	1,609.2
<b>Total Program Revenue</b>	<u>3,665.4</u>	<u>3,311.2</u>	<u>6,327.6</u>
<b>Net Program Expense</b>	<u>4,960.4</u>	<u>6,897.2</u>	<u>3,505.0</u>
<b>General Revenue:</b>			
Contributions	3,461.1	5,889.2	7,499.4
Other revenue	42.1	589.4	(6.3)
<b>Total General Revenue</b>	<u>3,503.2</u>	<u>6,478.6</u>	<u>7,493.1</u>
<b>Net Increase (Decrease) in Net Assets</b>	<u>(1,457.2)</u>	<u>(418.6)</u>	<u>3,988.1</u>
Net Assets, Beginning of Year	<u>8,774.5</u>	<u>9,193.1</u>	<u>5,205.0</u>
<b>Net Assets, End of Year</b>	<u>\$ 7,317.3</u>	<u>\$ 8,774.5</u>	<u>\$ 9,193.1</u>

The City of Detroit restored its annual operating grant to the Museum to \$1.8 million, an increase of \$800,000 over the prior year. This award is consistent with awards made during the period 2002-2005. The State of Michigan (the "State") initially increased its annual award to the Museum from \$52,509 (2006) to \$89,400 (2007). Midway through the grant period, the Museum (and other grantees of the State) was notified that the award was reduced to \$57,500 due to State budget challenges. The Museum received grant funds of \$81,197 in fiscal year 2007 and \$190,952 in fiscal year 2006 from federal sources.

Overall, revenue declined 26.8 percent year over year as fiscal year 2006 contained special one-time gifts associated with the Legacy Campaign. Significant contributions received in fiscal year 2006 include \$2.0 million from the Kresge Foundation and \$1.0 million from the DaimlerChrysler Fund. Key contributions received during fiscal year 2007 include \$500,000 from the Kresge Foundation and \$1.0 million from the Ford Foundation.

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

**June 30, 2007 and 2006**

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

Table 3 summarizes exhibit admissions and Museum store sales for the years ended June 30, 2007 and 2006:

**Table 3**  
**Schedules of Exhibit Admissions and Museum Store Sales**  
**For the Years Ended June 30, 2007 and 2006**  
*(in thousands of dollars)*

	<u>2007</u>	<u>2006</u>
Exhibit admissions	\$ 292.0	\$ 288.6
Museum store sales (gross)	142.6	125.3

Admissions and Museum store sales are important components of program revenue. Admissions revenue grew slightly by 1.2 percent from fiscal year 2006 to fiscal year 2007. Not included in the above admissions results are approximately \$110,000 that was received during fiscal year 2006 and \$95,000 in fiscal year 2007 relating to visitation subsidies donated by corporations, individuals, and foundations. Visitation subsidies are reported under the category sponsorship contributions. This year, over 11,325 students from the metropolitan Detroit area benefited from these gifts.

Museum store sales improved 13.8 percent year over year. New initiatives, including a Holiday Members sale and a student book fair, helped to grow sales. Exhibit specific merchandise and increased inventory of logo merchandise were key strategies that resulted in strong year-end results.

Other program revenue also includes revenue from the Museum’s membership program. Fiscal year 2006 was bolstered by the Kresge Challenge, which had a goal of 20,000 members. Tremendous community response and support resulted in record level members and related revenue. During fiscal year 2007, membership declined just over 10 percent as the renewal rate did not meet expectations (which has a corresponding impact on associated revenue). The Museum continues to work on maintaining a base of 20,000 members through the implementation of new enrollment and renewal strategies. An Ambassador’s Council, comprised of community volunteers, was formed to support membership goals. Table 4 outlines membership activity for the past two years.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)****June 30, 2007 and 2006****FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE (CONTINUED)****Table 4****Membership Results****For the Years Ended June 30, 2007 and 2006**

	<u>2007</u>	<u>2006</u>	<u>Percentage Change</u>
Membership revenue ( <i>in thousands of dollars</i> )	\$ 326.8	\$ 566.9	(42.4%)
Total active members	22,294	24,850	(10.3%)

The 24th African World Festival was a financial success and contributed nearly \$40,000 towards operations. The 2007 Ford Freedom Award was presented to medical pioneer Dr. Charles B. Purvis (1842-1929). Dr. Ben Carson was named the 2007 Ford Freedom scholar, and former South African President Nelson Mandela was this year's Pioneer Award winner. Unable to attend for health reasons, President Mandela was represented by the South African Ambassador to the United States, Barbara Masekela.

The Museum continues to carefully manage operating expenses. Despite a reduction in overall staff levels, several key positions that were open during part of the prior year were filled during fiscal year 2007, including the Chief Executive Officer position. In addition, health care costs increased an average of 10 percent over the prior year. As a result, wage-related expenses increased 2.6 percent year over year. Depreciation on the core exhibit accounts for 28.6 percent of total expenses. Net of depreciation, expenses were relatively flat year-to-year.

During fiscal year 2007, the Museum hosted an impressive calendar of events designed to grow attendance and support. Most notable was the presentation of the exhibit *Race: Are We So Different?* Developed by the Minnesota Science Museum and the Anthropological Society, the Museum was the first location to host the national traveling exhibit. In addition, the Museum curated and produced two of the five 2007 exhibitions using internal research and artifacts from its own collection at a significant cost savings year over year. The economy negatively impacted corporate sponsorship dollars and, as a result, the Museum made corresponding reductions in programming budgets.

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

**June 30, 2007 and 2006**

---

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

Key presentations included the following:

<b>Exhibitions</b>	<b>Annual Programs</b>
Peace Stools	African World Festival
Lasting Foundations: The Art of Architecture in Africa	Noel Night
Absolutely Masterful: Great Artists in Detroit Collections	Kwanzaa
Unmasked: Stereotypes in American Material Culture	Martin Luther King Day
Celebrating Heritage: The Chris Webber Collection	Black History Month
Race: Are We So Different?	Black Music Month
Contemporary Artists	Women's History Month
Detroit Performs	Festival of the Arts
A is for Africa	Juneteenth
Stories in Stained Glass	
And Still We Rise	

**ECONOMIC FACTORS**

The Board of Trustees and the Museum's management team have worked diligently to improve the financial position of the Museum and enhance its systems of internal control. During 2005, the Board approved a three-year strategic plan to ensure the long-term viability of the institution. In October 2006, the Museum welcomed a new President and Chief Executive Officer, Ms. Juanita Moore. She brings a broad background and a wealth of experience with over 30 years in the Museum industry. With this change in leadership, the Museum identified four goals utilizing the previous three-year strategic plan as a platform for proving the Museum's economic and social worth. The goals are as follows:

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 to increase visibility of exhibitions and educational programs.

However, the Museum still faces significant challenges with respect to annual fundraising. Over the past three years, annual requirements for fundraising (or, net program expense) have averaged \$5.0 million. In fiscal year 2007, fundraising results were short of the Museum's goal by \$1.5 million due to a continuing decline in corporate and foundation operating support.

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

**June 30, 2007 and 2006**

---

**ECONOMIC FACTORS (CONTINUED)**

Much of the decline is the result of a poor state and local economy; however, an escalating trend is for gifts to be restricted for program or capital purposes. The Museum must continue to find new sources of unrestricted funds and grow revenue generated by operating sources such as admissions, store sales, and facility rentals.

For fiscal year 2008, management is pursuing all avenues to close the fundraising gap, including an expanded national effort. New initiatives directed at improving customer service and product offerings have been launched to grow attendance and other earned revenue. Scheduled exhibit openings for fiscal year 2008 include *Soul Sanctuary: Images of the African American Worship Experience* (October 2007) and *The Storytellers Hat: African Art and Artifacts from the Collection of Catherine Blackwell* (January 2008). A renewed focus on educational programming and partnerships has begun to yield results. For example, the Museum has partnered with the Detroit Public Library for *Detroit's Big Read*, an initiative funded by the National Endowment of the Arts in partnership with the Institute of Museum and Library Services (September 2007).

As the Legacy Campaign concludes, the Museum plans to continue its efforts to build an Endowment Fund. Endowment income will help ensure the Museum's success by increasing financial stability and better insulating the Museum from short-term economic forces. During fiscal year 2007, a \$1 million gift from the Ford Foundation was received by the Museum in support of our endowment goals.

**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 Director of Finance'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 ASSETS**

**June 30, 2007 and 2006**

	<b>Governmental Activities</b>	
	<b>2007</b>	<b>2006</b>
<b>Assets:</b>		
Cash and cash equivalents (Note A)	\$ 1,607,140	\$ 667,594
Investments (Note B)	1,058,189	489,449
Accounts receivable (net of allowance for doubtful accounts of \$-0- and \$70,542 in 2007 and 2006, respectively)	270,180	116,054
Prepaid expenses	130,406	-0-
Museum store inventory (lower of cost or market)	138,740	139,434
Pledges receivable (Note D):		
Available within 60 days	-0-	2,570,000
Available in more than 60 days	955,000	676,500
Capital assets, net (Note E)	4,117,097	6,387,304
Collections and artifacts (Notes A and C)	---	---
<b>Total Assets</b>	<b>8,276,752</b>	<b>11,046,335</b>
<b>Liabilities:</b>		
Accounts payable	850,809	1,416,906
Accrued payroll and related taxes	108,673	159,619
Line of credit (Note F)	-0-	695,314
<b>Total Liabilities</b>	<b>959,482</b>	<b>2,271,839</b>
<b>Net Assets:</b>		
Invested in capital assets, net of related debt	4,117,097	6,025,204
Restricted for capital projects	1,596,679	2,203,577
Restricted for endowment	766,927	253,875
Unrestricted	836,567	291,840
<b>Total Net Assets</b>	<b>\$ 7,317,270</b>	<b>\$ 8,774,496</b>

See notes to financial statements.

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

**STATEMENTS OF ACTIVITIES**

**For the Years Ended June 30, 2007 and 2006**

	<b>Governmental Activities</b>	
	<b>2007</b>	<b>2006</b>
<b>Expenses:</b>		
Exhibits and educational program:		
Salaries, wages, and employee benefits	\$ 3,014,151	\$ 2,935,256
Contractual and professional services	677,004	765,845
Facility operations and maintenance	1,261,642	1,347,122
Office expenses	295,109	257,796
Cost of goods sold	126,640	140,385
Educational programs and exhibits	625,233	587,503
Purchases of artifacts	38,536	13,337
Interest expense	8,485	95,277
Other expenses	109,554	112,737
Depreciation (Note E)	2,469,437	3,953,142
	<b>8,625,791</b>	<b>10,208,400</b>
<b>Program Revenue:</b>		
Exhibits and educational program:		
Grants (Notes G and K)	2,099,749	1,444,503
Facility rental and catering	412,018	486,108
Exhibit admissions	291,997	288,565
Museum store	142,621	125,250
Memberships	326,781	566,899
Special events and other revenue	392,247	399,927
	<b>3,665,413</b>	<b>3,311,252</b>
	<b>4,960,378</b>	<b>6,897,148</b>
<b>General Revenue:</b>		
Contributions	3,461,105	5,889,189
Proceeds from insurance settlement	-0-	600,000
Unrealized gain (loss) on investment	42,047	(10,620)
	<b>3,503,152</b>	<b>6,478,569</b>
	<b>(1,457,226)</b>	<b>(418,579)</b>
Net Assets, Beginning of Year	8,774,496	9,193,075
	<b>\$ 7,317,270</b>	<b>\$ 8,774,496</b>

See notes to financial statements.



CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

BALANCE SHEETS - GOVERNMENTAL FUNDS

June 30, 2007 and 2006

	2007		2006			
	Operating Fund	Capital Projects Fund	Total All Funds	Operating Fund	Capital Projects Fund	Total All Funds
<b>ASSETS</b>						
Cash and cash equivalents (Note A)	\$ 511,792	\$ 1,095,348	\$ 1,607,140	\$ 499,164	\$ 168,430	\$ 667,594
Investments (Note B)		1,058,189	1,058,189	31,997	457,452	489,449
Accounts receivable (net of allowance for doubtful accounts of \$-0- and \$70,542 in 2007 and 2006, respectively)	270,180		270,180	116,054		116,054
Interfund receivable (payable)			-0-	140,782	(140,782)	-0-
Prepaid expenditures	130,406		130,406			-0-
Museum store inventory (lower of cost or market)	138,740		138,740	139,434		139,434
Pledges receivable (Note D):						
Available within 60 days			-0-	70,000	2,500,000	2,570,000
Available in more than 60 days	475,500	479,500	955,000	36,500	640,000	676,500
<b>Total Assets</b>	<b>\$ 1,526,618</b>	<b>\$ 2,633,037</b>	<b>\$ 4,159,655</b>	<b>\$ 1,033,931</b>	<b>\$ 3,625,100</b>	<b>\$ 4,659,031</b>

See notes to financial statements.

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

BALANCE SHEETS - GOVERNMENTAL FUNDS (CONTINUED)

June 30, 2007 and 2006

	2007		2006			
	Operating Fund	Capital Projects Fund	Total All Funds	Operating Fund	Capital Projects Fund	Total All Funds
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 581,378	\$ 269,431	\$ 850,809	\$ 500,998	\$ 915,908	\$ 1,416,906
Accrued payroll and related taxes	108,673		108,673	159,619		159,619
Deferred revenue (Note D)	475,500	479,500	955,000	36,500	640,000	676,500
Line of credit (Note F)			-0-	333,214	362,100	695,314
<b>Total Liabilities</b>	<b>1,165,551</b>	<b>748,931</b>	<b>1,914,482</b>	<b>1,030,331</b>	<b>1,918,008</b>	<b>2,948,339</b>
<b>Fund Balances:</b>						
Reserved for capital projects		1,117,179	1,117,179		1,453,217	1,453,217
Reserved for endowment		766,927	766,927		253,875	253,875
Unreserved	361,067		361,067	3,600		3,600
<b>Total Fund Balances</b>	<b>361,067</b>	<b>1,884,106</b>	<b>2,245,173</b>	<b>3,600</b>	<b>1,707,092</b>	<b>1,710,692</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,526,618</b>	<b>\$ 2,633,037</b>	<b>\$ 4,159,655</b>	<b>\$ 1,033,931</b>	<b>\$ 3,625,100</b>	<b>\$ 4,659,031</b>

See notes to financial statements.

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

**RECONCILIATIONS OF GOVERNMENTAL FUNDS BALANCE SHEETS TO STATEMENTS OF NET ASSETS**

**June 30, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
Total Fund Balances, Governmental Funds	\$ 2,245,173	\$ 1,710,692
<p>Amounts reported for governmental activities in the statements of net assets 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 revenue.</p>		
	955,000	676,500
<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>		
<p>Depreciable capital assets:</p>		
Cost	15,124,231	14,925,001
Less: Accumulated depreciation	<u>(11,007,134)</u>	<u>(8,537,697)</u>
<b>Total Net Assets, Governmental Activities</b>	<b><u>\$ 7,317,270</u></b>	<b><u>\$ 8,774,496</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 Years Ended June 30, 2007 and 2006

	2007		2006			
	Operating Fund	Capital Projects Fund	Total All Funds	Operating Fund	Capital Projects Fund	Total All Funds
<b>Revenue:</b>						
Grants (Notes G and K)	\$ 1,936,307	\$ 163,442	\$ 2,099,749	\$ 1,244,503	\$ 200,000	\$ 1,444,503
Contributions	1,190,105	1,992,500	3,182,605	3,550,654	3,713,035	7,263,689
Facility rental and catering	412,018		412,018	486,108		486,108
Exhibit admissions	291,997		291,997	288,565		288,565
Museum store	142,621		142,621	125,250		125,250
Memberships	326,781		326,781	566,899		566,899
Special events and other revenue	320,715	71,532	392,247	373,189	26,738	399,927
Unrealized gain (loss) on investment	42,047		42,047	(10,620)		(10,620)
<b>Total Revenue</b>	<b>4,662,591</b>	<b>2,227,474</b>	<b>6,890,065</b>	<b>6,624,548</b>	<b>3,939,773</b>	<b>10,564,321</b>
<b>Expenditures:</b>						
Current:						
Salaries, wages, and employee benefits	3,014,151		3,014,151	2,935,256		2,935,256
Contractual and professional services	617,004	60,000	677,004	644,845	121,000	765,845
Facility operations and maintenance	1,261,642		1,261,642	1,347,122		1,347,122
Office expenses	295,109		295,109	257,796		257,796
Cost of goods sold	126,640		126,640	140,385		140,385
Educational programs and exhibits	625,233		625,233	581,740	5,763	587,503
Purchases of artifacts	38,536		38,536	13,337		13,337
Interest expense		8,485	8,485	2,854	92,423	95,277
Other current expenditures	109,534	20	109,554	112,737		112,737
Capital outlay (Note E)	199,230		199,230	119,874	82,791	202,665
<b>Total Expenditures</b>	<b>\$ 6,287,079</b>	<b>\$ 68,505</b>	<b>\$ 6,355,584</b>	<b>\$ 6,155,946</b>	<b>\$ 301,977</b>	<b>\$ 6,457,923</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 (CONTINUED)**

For the Years Ended June 30, 2007 and 2006

	2007		2006			
	Operating Fund	Capital Projects Fund	Total All Funds	Operating Fund	Capital Projects Fund	Total All Funds
Excess (Deficiency) of Revenue over Expenditures	\$ (1,624,488)	\$ 2,158,969	\$ 534,481	\$ 468,602	\$ 3,637,796	\$ 4,106,398
<b>Other Financing Sources (Uses):</b>						
Proceeds from insurance settlement			-0-	600,000		600,000
Interfund transfers	1,981,955	(1,981,955)	-0-	(340,000)	340,000	-0-
<b>Net Increase in Fund Balances</b>	<b>357,467</b>	<b>177,014</b>	<b>534,481</b>	<b>728,602</b>	<b>3,977,796</b>	<b>4,706,398</b>
Fund Balances (Deficits), Beginning of Year	3,600	1,707,092	1,710,692	(725,002)	(2,270,704)	(2,995,706)
<b>Fund Balances, End of Year</b>	<b>\$ 361,067</b>	<b>\$ 1,884,106</b>	<b>\$ 2,245,173</b>	<b>\$ 3,600</b>	<b>\$ 1,707,092</b>	<b>\$ 1,710,692</b>

See notes to financial statements.

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

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

**For the Years Ended June 30, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
Net Increase in Fund Balances, Governmental Funds	\$ 534,481	\$ 4,706,398
<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 revenue. However, in the statements of activities, pledges are reported as revenue in the period the unconditional promises to give are obtained from the donors. During the years presented, these amounts are as follows:</p>		
<p>Pledges receivable that are available in more than 60 days as of:</p>		
June 30, 2007	955,000	-0-
June 30, 2006	(676,500)	676,500
June 30, 2005	-0-	(2,051,000)
<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	199,230	202,665
Less: Depreciation expense	<u>(2,469,437)</u>	<u>(3,953,142)</u>
<b>Net Increase (Decrease) in Net Assets, Governmental Activities</b>	<b><u><u>\$ (1,457,226)</u></u></b>	<b><u><u>\$ (418,579)</u></u></b>

See notes to financial statements.

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007 and 2006**

---

**NOTE A - 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 assets 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, liabilities, net assets, revenue, and expenses, similar to the financial statements of non-governmental enterprises.

**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.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2007 and 2006

---

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation (continued)**

**Fund Financial Statements (continued)**

The following funds are used by the Museum:

**Operating Fund**

The operating 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.

**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.

**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.



**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2007 and 2006**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Accounting (continued)**

**Fund Financial Statements (continued)**

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.

**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 does not have a deposit policy for custodial credit risk.

As of June 30, 2007 and 2006, the Museum's carrying amount of deposits and bank balances (including certificates of deposit reported as investments), and the bank balances that are not covered by federal depository insurance, are as follows:

	<u>2007</u>	<u>2006</u>
Carrying amount of deposits	\$ 1,824,356	\$ 871,171
Total bank balances	<u>\$ 1,678,204</u>	<u>\$ 868,353</u>
Uninsured and uncollateralized bank balances	<u>\$ 1,178,204</u>	<u>\$ 463,393</u>

**Investments**

Investments are recorded at fair value, based on quoted market prices.

**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, 2007 and 2006**

---

**NOTE A - 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, 2007 and 2006, total contributed volunteer time of 7,226 and 8,411 hours, respectively, was valued at \$138,630 and \$147,619, 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 building improvements, long-term and permanent exhibits, furniture, and equipment in excess of \$2,500. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range from five to 10 years. Expenditures for maintenance and repairs are charged to expense. Renewals or betterment 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**

In accordance with the provisions of Statement of Governmental Accounting Standards ("SGAS") No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments," the Museum does not capitalize donated collections and artifacts or recognize them as revenue. SGAS No. 34 provides that 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, 2007 and 2006, donated collections and artifacts totaled \$38,536 and \$13,337, 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.

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2007 and 2006**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Advertising**

The Museum's advertising costs are expensed as incurred. Advertising expenses totaled \$223,018 and \$234,951 for the years ended June 30, 2007 and 2006, respectively. Of these amounts, \$159,934 and \$183,213 were received as in-kind donations for the years ended June 30, 2007 and 2006, respectively.

**NOTE B - INVESTMENTS**

Investments as of June 30, 2007 and 2006 consist of the following:

	<u>2007</u>	<u>2006</u>
<b>Investments held by the Museum or its agent in the Museum's name:</b>		
Money market funds:		
Unrated:		
UBS Money Market Funds	\$ 28,648	\$ 253,875
Certificates of deposit (included in the cash deposit disclosures)	217,216	203,577
U.S. Treasury notes:		
Maturities between one and five years	216,709	-0-
Maturities between five and 10 years	73,919	-0-
U.S. Treasury bonds:		
Maturities between five and 10 years	23,586	-0-
Maturities greater than 10 years	79,532	-0-
446 shares of common stock from Gannett Company, Inc., received on June 2, 1987 (value at date of donation was \$8,530)	24,508	24,914
Other common stocks	344,534	-0-
Cash surrender value of life insurance policy	49,537	7,083
	<u><u>\$ 1,058,189</u></u>	<u><u>\$ 489,449</u></u>

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2007 and 2006**

---

**NOTE B - INVESTMENTS (CONTINUED)**

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 mutual funds 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. Investments that represent five percent or more of the Museum's total investments are identified in the above schedule.

**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 \$1,133,000 of collections and artifacts since its inception. These items have been recorded as expenditures in the accompanying financial statements.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2007 and 2006**

**NOTE D - PLEDGES RECEIVABLE**

Included in pledges receivable are the following unconditional promises to give as of June 30, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Amounts due in:		
Less than one year	\$ 770,000	\$ 2,570,000
One to five years	<u>220,000</u>	<u>740,000</u>
	990,000	3,310,000
Less: Unamortized discount (at three percent)	<u>(35,000)</u>	<u>(63,500)</u>
	<u><b>\$ 955,000</b></u>	<u><b>\$ 3,246,500</b></u>

Changes in the pledges receivable balance during the year ended include pledges paid off early, interest recognized for the year, and changes in pledge due dates.

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 pledges receivable that are not susceptible to accrual (both measurable and available within 60 days). These pledges will be recorded in the fund financial statements as revenue in future years as payments are received.

For purposes of the government-wide financial statements, pledges receivable are recorded on the accrual basis of accounting. Therefore, the statements of activities present revenue for the net amount of 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, 2007 and 2006

**NOTE E - CAPITAL ASSETS**

Capital asset activity for the years ended June 30, 2007 and 2006 is as follows:

	<u>Building Improvements</u>	<u>Exhibit Design and Construction</u>	<u>Furniture and Equipment</u>	<u>Total</u>
<b>Cost:</b>				
Balance, July 1, 2005	\$ 653,862	\$ 12,635,444	\$ 1,433,030	\$ 14,722,336
Acquisitions	81,640	82,791	38,234	202,665
<b>Balance, June 30, 2006</b>	<b>735,502</b>	<b>12,718,235</b>	<b>1,471,264</b>	<b>14,925,001</b>
Acquisitions	80,354		118,876	199,230
<b>Balance, June 30, 2007</b>	<b>\$ 815,856</b>	<b>\$ 12,718,235</b>	<b>\$ 1,590,140</b>	<b>\$ 15,124,231</b>
<b>Accumulated Depreciation:</b>				
Balance, July 1, 2005	\$ 382,092	\$ 3,110,168	\$ 1,092,295	\$ 4,584,555
Depreciation expense	66,283	3,803,731	83,128	3,953,142
<b>Balance, June 30, 2006</b>	<b>448,375</b>	<b>6,913,899</b>	<b>1,175,423</b>	<b>8,537,697</b>
Depreciation expense	81,972	2,278,494	108,971	2,469,437
<b>Balance, June 30, 2007</b>	<b>\$ 530,347</b>	<b>\$ 9,192,393</b>	<b>\$ 1,284,394</b>	<b>\$ 11,007,134</b>
<b>Net Capital Assets:</b>				
Balance, June 30, 2006	\$ 287,127	\$ 5,804,336	\$ 295,841	\$ 6,387,304
Balance, June 30, 2007	\$ 285,509	\$ 3,525,842	\$ 305,746	\$ 4,117,097

**NOTE F - LINE OF CREDIT**

As of June 30, 2007 and 2006, the Museum has a line of credit arrangement with Detroit Commerce Bank for \$1,210,000, requiring interest at 1.5 percent over the prime rate per annum (8.25 percent as of June 30, 2007).

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2007 and 2006**

**NOTE F - LINE OF CREDIT (CONTINUED)**

Activity under this and a previous line of credit for the years ended June 30, 2007 and 2006 is as follows:

	<u>2007</u>	<u>2006</u>
Balance, beginning of year	\$ 695,314	\$ 1,179,218
Additions	225,000	596,710
Less: Repayments	<u>(920,314)</u>	<u>(1,080,614)</u>
<b>Balance, End of Year</b>	<b><u>\$ -0-</u></b>	<b><u>\$ 695,314</u></b>

**NOTE G - CITY OF DETROIT CONTRACT**

The Museum entered into its most recent contract with the City on October 19, 1999, under which the City is to provide the Museum with operating funds. This contract is for 10 years, with an automatic 10-year renewal unless a notice to terminate is requested by either party. 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 \$1,800,000 and \$1,000,000 for the years ended June 30, 2007 and 2006, respectively. The amount of funding for future years under the contract will be negotiated annually.

**NOTE H - CONDITIONAL PROMISES TO RECEIVE**

The Museum has obtained conditional promises to receive from private contributors totaling \$456,000 through December 1, 2008. These contributions are contingent upon annual approval by the funding sources. These conditional promises to receive will be recognized as the conditions are substantially met.

**NOTE I - 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, 2007 and 2006 totaled \$56,465 and \$53,920, respectively.

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2007 and 2006**

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

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, 2007 and 2006 is \$2,608,544 and \$1,195,642, respectively.

**NOTE J - LEASES**

The Museum leases various office equipment under operating lease agreements that expire through 2010. Future minimum payments due under these leases are as follows:

<b><u>For the Years Ending June 30</u></b>	<b><u>Amount</u></b>
2007	\$ 50,231
2008	50,231
2009	32,210
2010	21,210
2011	7,283
	<b><u><u>\$ 161,165</u></u></b>

Total rental expense under these lease agreements for the years ended June 30, 2007 and 2006 was \$51,612 and \$43,631, respectively.

**NOTE K - CAPITAL EXPANSION BOND ISSUES**

On November 8, 2001, the general electorate approved a Capital Expansion Bond Issue for \$20 million, of which \$4,000,000 was designated to the Museum. The Museum received approximately \$2.3 million from this designation during the year ended June 30, 2004. Because no schedule of payments has been established and the payments are at the discretion of the City, revenue will be recognized when received.

In May 2003, the general electorate approved another Capital Expansion Bond Issue for \$6 million. The dollars will be authorized over time to the Museum. For the year ended June 30, 2003, the entire amount was authorized for the Museum exhibit project. The Museum received approximately \$200,000 from this authorization during the year ended June 30, 2006. 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, 2007 and 2006**

---

**NOTE L - 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 M - LEGACY CAMPAIGN**

Since 2003, the Museum has been raising funds through the Legacy Campaign for the construction of the new core exhibit and for the day-to-day and continued operation of the Museum. Since the inception of the Legacy Campaign, approximately \$43 million has been raised, with any future collections used to reduce the fund deficit caused by the construction of the core exhibit.

**REQUIRED SUPPLEMENTARY INFORMATION**

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

**SCHEDULES OF REVENUE AND EXPENDITURES - BUDGET AND ACTUAL - OPERATING FUND (UNAUDITED)**

**For the Years Ended June 30, 2007 and 2006**

	2007				2006			
	Original Budget	Final Budget	Actual	Positive (Negative) Variance with Final Budget	Original Budget	Final Budget	Actual	Positive (Negative) Variance with Final Budget
<b>Revenue:</b>								
Grants	\$ 1,824,700	\$ 1,824,700	\$ 1,936,307	\$ 111,607	\$ 1,524,000	\$ 1,524,000	\$ 1,244,503	\$ (279,497)
Contributions	2,623,800	2,623,800	1,190,105	(1,433,695)	3,889,300	3,889,300	3,550,654	(338,646)
Facility rental and catering	495,227	495,227	412,018	(83,209)	478,692	478,692	486,108	7,416
Exhibit admissions	299,000	299,000	291,997	(7,003)	439,825	439,825	288,565	(151,260)
Museum store	157,620	157,620	142,621	(14,999)	233,050	233,050	125,250	(107,800)
Memberships	486,000	486,000	326,781	(159,219)	502,500	502,500	566,899	64,399
Special events and other revenue	386,409	386,409	320,715	(65,694)	467,947	467,947	373,189	(94,758)
Unrealized gain (loss) on investment			42,047	42,047			(10,620)	(10,620)
<b>Total Revenue</b>	<b>6,272,756</b>	<b>6,272,756</b>	<b>4,662,591</b>	<b>(1,610,165)</b>	<b>7,535,314</b>	<b>7,535,314</b>	<b>6,624,548</b>	<b>(910,766)</b>
<b>Expenditures:</b>								
Current:								
Salaries, wages, and employee benefits	3,237,038	3,237,038	3,014,151	222,887	2,877,317	2,877,317	2,935,256	(57,939)
Contractual and professional services	458,756	458,756	617,004	(158,248)	573,684	573,684	644,845	(71,161)
Facility operations and maintenance	1,380,927	1,380,927	1,261,642	119,285	1,211,896	1,211,896	1,347,122	(135,226)
Office expenses	394,024	394,024	295,109	98,915	381,983	381,983	257,796	124,187
Cost of goods sold	101,399	101,399	126,640	(25,241)	157,425	157,425	140,385	17,040
Educational programs and exhibits	398,337	398,337	625,233	(226,896)	271,950	271,950	581,740	(309,790)
Purchases of artifacts			38,536	(38,536)			13,337	(13,337)
Interest expense			-0-	-0-			2,854	68,943
Other current expenditures	120,560	120,560	109,534	11,026	374,703	374,703	112,737	261,966
Capital outlay			199,230	(199,230)	288,000	288,000	119,874	168,126
<b>Total Expenditures</b>	<b>6,091,041</b>	<b>6,091,041</b>	<b>6,287,079</b>	<b>(196,038)</b>	<b>6,208,755</b>	<b>6,208,755</b>	<b>6,155,946</b>	<b>\$ 52,809</b>

See note to schedules of revenue and expenditures - budget and actual (operating fund).

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

**SCHEDULES OF REVENUE AND EXPENDITURES - BUDGET AND ACTUAL - OPERATING FUND (UNAUDITED) (CONTINUED)**

**For the Years Ended June 30, 2007 and 2006**

	2007			2006		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
				Positive (Negative) Variance with Final Budget		Positive (Negative) Variance with Final Budget
Excess (Deficiency) of Revenue over Expenditures	\$ 181,715	\$ 181,715	\$ (1,624,488)	\$ (1,806,203)	\$ 1,326,559	\$ 468,602
Other Financing Sources (Uses):						
Proceeds from insurance settlement						600,000
Interfund transfers			1,981,955	1,981,955		(340,000)
Net Increase (Decrease) in Fund Balance	\$ 181,715	\$ 181,715	\$ 357,467	\$ 175,752	\$ 1,326,559	\$ 728,602
						\$ (597,957)

See note to schedules of revenue and expenditures - budget and actual (operating fund).

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

**NOTE TO SCHEDULES OF REVENUE AND EXPENDITURES -  
BUDGET AND ACTUAL - OPERATING FUND (UNAUDITED)**

**For the Years Ended June 30, 2007 and 2006**

---

**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 operating fund. The budget is presented on the modified accrual basis of accounting.

Budgeted amounts are as presented to the Museum's Finance Committee and approved by the Museum's Board of Trustees. The annual budget is not amended; however, 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 Board of Trustees for review as a part of its operating oversight. Appropriations are authorized by the Museum's management. Unexpended appropriations lapse at the end of the fiscal year.