

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

FINANCIAL STATEMENTS

June 30, 2008 and 2007

**George Johnson
& Company**

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

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INDEPENDENT AUDITORS' REPORT

January 8, 2009

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, 2008 and 2007, 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, 2008 and 2007, 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.



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MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)

June 30, 2008 and 2007

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, 2008 and 2007 (“fiscal year 2008” and “fiscal year 2007,” respectively). Please read it in conjunction with the Museum’s financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

During fiscal year 2008, the Museum was able to maintain its six-year track record of operating fund surpluses and continuous improvement in financial position. Key to this year’s success was the execution of a greatly enhanced schedule of exhibitions and program offerings. As a result, earned revenues from admissions and the Museum store increased 33 percent year over year. In addition, expenses were carefully monitored and declined 6.1 percent from the prior year. These strategies helped to offset a 21.5 percent reduction in contributions. Total net assets decreased year over year by \$1.68 million, or 22.9 percent, due primarily to accelerated depreciation of \$1.618 million on the core exhibition, *And Still We Rise* (hereafter referred to as “core”). 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:

- Year over year, net program expenses improved 12.0 percent (\$597,000). Net program expense represents the amount of fundraising required during the year to meet operational needs. General revenue (including contributions) during the same period decreased 23.4 percent, or \$820,000. However, the increase in program revenue and decrease in depreciation related to the core contributed to the improvement in net program expenses as well as the decrease in contributions.
- During the year, cash and investments increased \$106,000, or four percent, over the prior year. Nearly \$825,000 was collected against outstanding receivables and pledges, which was used to fulfill grant-related obligations and to reduce debt. Overall Museum liabilities were reduced \$314,500 (32.8 percent) from the prior year.
- The Museum’s endowment fund increased 9.1 percent over the prior year to a total \$836,000. In addition, approximately \$2.4 million is currently held in trust by the Community Foundation for Southeast Michigan, for a total of approximately \$3.3 million.

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

June 30, 2008 and 2007

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 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. 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.

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

June 30, 2008 and 2007

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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 \$250,000 and \$955,000 as of June 30, 2008 and 2007, respectively. These long-term pledges have been recognized as revenue during the years ended June 30, 2008 and 2007 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)**June 30, 2008 and 2007****FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE**

Table 1 reflects the statements of net assets as of June 30, 2008, 2007, and 2006:

Table 1
Statements of Net Assets
June 30, 2008, 2007, and 2006
(in thousands of dollars)

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Assets:			
Cash and cash equivalents	\$ 1,627.0	\$ 1,607.1	\$ 667.6
Investments	1,144.7	1,058.2	489.4
Accounts receivable	175.6	270.2	116.1
Prepaid expenses	36.7	130.4	-0-
Museum store inventory	162.0	138.8	139.4
Pledges receivable:			
Available within 60 days	80.0	-0-	2,570.0
Available in more than 60 days	250.0	955.0	676.5
Capital assets	2,806.1	4,117.1	6,387.3
Total Assets	<u>6,282.1</u>	<u>8,276.8</u>	<u>11,046.3</u>
Liabilities:			
Accounts payable	546.0	850.8	1,416.9
Accrued payroll and related taxes	98.9	108.7	159.6
Line of credit	-0-	-0-	695.3
Total Liabilities	<u>644.9</u>	<u>959.5</u>	<u>2,271.8</u>
Net Assets:			
Invested in capital assets, net of related debt	2,806.1	4,117.1	6,025.2
Restricted for capital projects	1,330.4	1,596.7	2,203.6
Restricted for endowment	836.6	766.9	253.9
Unrestricted	664.1	836.6	291.8
Total Net Assets	<u>\$ 5,637.2</u>	<u>\$ 7,317.3</u>	<u>\$ 8,774.5</u>

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

June 30, 2008 and 2007

FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE (CONTINUED)

Cash balances significantly improved since 2006 to \$1.6 million due to grant awards received from the Kresge Foundation, the Ford Foundation, and the Knight Foundation. Of the total, approximately \$436,000, or 26.8 percent, is unrestricted cash and approximately \$1,191,000, or 73.2 percent, is restricted for capital projects 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. 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 \$850,000 in pledge payments (100 percent of the expected total for fiscal year 2008). In addition, the Kresge Foundation awarded a three-year pledge of \$240,000 to the Museum, of which \$80,000 was received. The balance of \$160,000 was recorded as a pledge receivable. The Museum has also obtained conditional pledges totaling \$256,000 through December 31, 2009. These contributions are contingent upon annual approval by the funding sources. 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.

In 2006, 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, 2008, a balance of approximately \$230,000 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 52.5 percent over the prior year.

Total net assets declined 22.9 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 until the core exhibit is fully depreciated by June 30, 2009. Assets restricted for capital projects declined 16.7 percent over the prior year as requirements related to the Knight Foundation grant were completed and work on the future Black Inventors Gallery commenced. The balance of funds restricted for capital projects is related to future programming and/or exhibit development. Endowment assets increased approximately \$70,000 as the result of individual gifts and investment earnings. Overall, unrestricted net assets decreased approximately \$172,000 from the prior year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)**June 30, 2008 and 2007****FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE (CONTINUED)**

Table 2 reflects the condensed statements of activities for the years ended June 30, 2008, 2007, and 2006:

Table 2
Statements of Activities
For the Years Ended June 30, 2008, 2007, and 2006
(in thousands of dollars)

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Expenses:			
Exhibits and educational program:			
Salaries, wages, and employee benefits	\$ 2,823.9	\$ 3,014.2	\$ 2,935.3
Contractual and professional services	711.9	677.0	765.8
Facility operations and maintenance	1,193.2	1,261.6	1,347.1
Educational programs and exhibits	1,114.8	625.2	587.5
Depreciation	1,618.4	2,469.4	3,953.1
Other expenses	633.0	578.4	619.6
	<u>8,095.2</u>	<u>8,625.8</u>	<u>10,208.4</u>
Program Revenue:			
Exhibits and educational program:			
Grants	2,109.6	2,099.7	1,444.5
Other program revenue	1,622.1	1,565.7	1,866.7
	<u>3,731.7</u>	<u>3,665.4</u>	<u>3,311.2</u>
Net Program Expense	<u>4,363.5</u>	<u>4,960.4</u>	<u>6,897.2</u>
General Revenue:			
Contributions	2,716.3	3,461.1	5,889.2
Other revenue (losses)	(32.9)	42.1	589.4
	<u>2,683.4</u>	<u>3,503.2</u>	<u>6,478.6</u>
Net Increase (Decrease) in Net Assets	(1,680.1)	(1,457.2)	(418.6)
Net Assets, Beginning of Year	<u>7,317.3</u>	<u>8,774.5</u>	<u>9,193.1</u>
Net Assets, End of Year	<u>\$ 5,637.2</u>	<u>\$ 7,317.3</u>	<u>\$ 8,774.5</u>

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

June 30, 2008 and 2007

FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE (CONTINUED)

Unrestricted operating support from the City of Detroit remained consistent with the prior year at \$1.8 million. The increase experienced in fiscal year 2007 resulted from the City restoring the Museum to historical funding levels after a one-time reduction in 2006. In addition, the City contributed \$155,000 in capital funds for building maintenance and repair. In November 2007, the State of Michigan awarded the Museum \$71,300 for support of changing exhibitions and educational programming, compared to \$57,300 awarded the prior year. The Museum received grant funds of \$88,032 in fiscal year 2008 and \$81,197 in fiscal year 2007 from federal sources.

Overall, revenue declined 10.5 percent over the prior year and 34.5 percent since fiscal year 2006. During 2006, the Museum received special one-time gifts associated with the Legacy Campaign. Significant contributions received in 2006 include \$2 million from the Kresge Foundation and \$1 million from the DaimlerChrysler Fund. Key contributions received during fiscal year 2007 include a \$1 million gift from the Ford Foundation and, in 2008, include \$240,000 from the Kresge Foundation and \$150,000 from the City of Detroit for support of the 2007 African World Festival. The contributions category also includes in-kind gifts of approximately \$432,400 received during 2008 and approximately \$187,000 received in 2007.

Table 3 summarizes exhibit admissions and Museum store sales for the years ended June 30, 2008 and 2007:

Table 3
Schedules of Exhibit Admissions and Museum Store Sales
For the Years Ended June 30, 2008 and 2007
(in thousands of dollars)

	<u>2008</u>	<u>2007</u>
Exhibit admissions	\$ 347.8	\$ 292.0
Museum store sales (gross)	201.7	142.6

Admissions and Museum store sales are important components of program revenue. In June 2007, the Museum became the first national touring location for “Race: Are We So Different?”, an exhibition developed by the Minnesota Science Museum and the American Anthropological Association. As a result, Museum admissions and store revenue were positively impacted. Admissions revenue improved 19.1 percent over the prior year. Not included in the above admissions results are approximately \$85,000 that was received during fiscal year 2008 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 10,500 students from the metropolitan Detroit area benefited from these gifts.

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

June 30, 2008 and 2007

FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE (CONTINUED)

Museum store sales improved 41.4 percent over the prior year. Of the \$59,000 increase in gross sales, \$40,000 is attributed to a special three-day store event held with nationally renowned artist Annie Lee. In addition, exhibit specific merchandise and increased inventory of logo and branded items were key strategies that resulted in strong year-end results.

Other program revenue also includes revenue from the Museum’s membership program. At the end of fiscal year 2006, the Museum reported its highest level of participation with the membership program, with 24,850 members. This level was achieved as the result of the Legacy Campaign and the Kresge Challenge, along with tremendous community response. Since that time, membership has dropped and, this year, is down 27.9 percent from 2006 and down 19.6 percent from 2007. The Museum has a goal to grow and maintain a membership base of 20,000 members through the implementation of new enrollment and renewal strategies. An Ambassador’s Council, comprised of community volunteers, is an active sales channel for memberships. In addition, the Museum was awarded a two-year grant by the McGregor Fund to help stabilize membership levels. Table 4 outlines membership activity for the past two years.

Table 4
Membership Results
For the Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>	<u>Percentage Change</u>
Membership revenue (<i>in thousands of dollars</i>)	\$ 313.5	\$ 326.8	(4.1%)
Total active members	17,928	22,294	(19.6%)

The 25th African World Festival began with record crowds but was cut short due to heavy rainfall that began the afternoon of the second day. Despite much lower revenue from beverage sales, the event managed to return a small profit. The 2008 Ford Freedom Award was presented to civil rights activist Coretta Scott King (1927-2006). Dr. Dorothy Height, former President of the National Council of Negro Women, was named the 2008 Ford Freedom scholar.

The Museum continues to carefully manage operating expenses. Wages and benefits declined 6.3 percent from the prior year as the organization restructured staff and job responsibilities to better align with new initiatives. Facility costs declined 5.4 percent over the prior year due to savings obtained in renegotiation of insurance coverage. Depreciation on the core exhibit accounts for 20 percent of total expenses. Net of depreciation, expenses increased \$321,000, or 5.2 percent over the prior year.

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

June 30, 2008 and 2007

FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE (CONTINUED)

The strategic focus in fiscal year 2008 was on the enhancement of program offerings, as well as the timely fulfillment of obligations associated with grants received. As a result, expenses associated with education programs (including exhibits) increased by over \$489,000, or 78 percent, from the prior year. 100 percent of the increase in program costs was covered by either grant or sponsored sources during the year. Funds received for multiyear projects are recorded in a temporarily restricted fund until expended in accordance with grant or donor stipulations.

During fiscal year 2008, the Museum hosted an impressive calendar of events designed to grow attendance and support. In addition to the calendar of established programs, the Museum’s Education Department presented several new offerings, including a concert with Sweet Honey in the Rock for Women’s History Month and Sonia Sanchez for National Poetry Month. In collaboration with the Detroit Public Library, a program entitled “Detroit’s Big Read” focused on the life and work of Zora Neale Hurston and her most famous work, *Their Eyes Were Watching God*.

Other key presentations included the following:

Exhibitions	Annual Programs
Race: Are We So Different?	African World Festival
Celebrating Heritage: The Chris Webber Collection	Noel Night
Soul Sanctuary: Images of the African American Worship Experience	Kwanzaa
Celebrating 100 Years of Service: The Alpha Kappa Alpha Story	Martin Luther King Day
Making Prints, Telling Stories: The Artistry of Margaret Burroughs	Black History Month
The Storytellers Hat: African Art from the Teaching Collection of Catherine Blackwell	Black Music Month
Picture Perfect: Zella’s Traveling Scrapbook	Women’s History Month
Textural Rhythms – Constructing the Jazz Tradition: Contemporary African American Quilts	Festival of the Arts
Contemporary Artists	
Detroit Performs	
A Is for Africa	
Stories in Stained Glass	
And Still We Rise	

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

June 30, 2008 and 2007

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. In October 2006, the Museum welcomed a new President and Chief Executive Officer, Ms. Juanita Moore. With this change in leadership, the Museum identified four goals 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, as the Museum works toward these goals, it still faces significant challenges with respect to annual fundraising. Over the past three years, annual requirements for fundraising (or net program expense excluding depreciation) have averaged \$2.7 million. In fiscal year 2008, even after significant operational (non-programmatic) cost reductions, fundraising results were short of the Museum's goal by over \$500,000, primarily due to a continuing decline in corporate and foundation operating support.

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 2009, management is pursuing all avenues to close the fundraising gap, including an expanded national effort. New initiatives directed at improving service and product offerings have been launched to grow attendance and other earned revenue. Scheduled exhibit openings for fiscal year 2009 include *Women of a New Tribe* (September 2008), *Tutankhamen: Wonderful Things from the Pharaoh's Tomb* (October 2008), *Let Your Motto Be Resistance* (October 2008), and *Freedoms' Sisters* (April 2009). Initial planning has commenced on a new gallery dedicated to Blacks in Science and Technology. A continued focus on educational programming and partnerships has begun to yield results. For example, the Museum has partnered with the Wayne RESA (a regional educational service agency) to jointly develop curriculum and support resources related to African American history. These products will be made available through the Museum's redesigned website and other outreach programs.

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

June 30, 2008 and 2007

ECONOMIC FACTORS (CONTINUED)

At the end of fiscal year 2007, the Museum announced the successful completion of the five-year \$43 million Legacy Campaign, which raised funds for five areas of need: Operations, Exhibitions and Programming, Marketing, Infrastructure, and Endowment. With the continuing economic challenges in the region, and an even stronger community need for educational resources, the Museum continues to work toward building a relevant, viable organization that has financial stability and positive community impact. While much has been accomplished, there are greater goals for this institution. Going forward, the Board, management, and staff are committed to developing new strategies, expanding revenue sources, and exceeding customer expectations.

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 ASSETS

June 30, 2008 and 2007

	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
Assets:		
Cash and cash equivalents (Note A)	\$ 1,626,983	\$ 1,607,140
Investments (Note B)	1,144,758	1,058,189
Accounts receivable (no allowance considered necessary)	175,602	270,180
Prepaid expenses	36,721	130,406
Museum store inventory (lower of cost or market)	162,013	138,740
Pledges receivable (Note D):		
Available within 60 days	80,000	-0-
Available in more than 60 days	250,000	955,000
Capital assets, net (Note E)	2,806,068	4,117,097
Collections and artifacts (Notes A and C)	---	---
	<u>6,282,145</u>	<u>8,276,752</u>
Liabilities:		
Accounts payable	546,000	850,809
Accrued payroll and related taxes	98,942	108,673
	<u>644,942</u>	<u>959,482</u>
Net Assets:		
Invested in capital assets, net of related debt	2,806,068	4,117,097
Restricted for capital projects	1,330,447	1,596,679
Restricted for endowment	836,560	766,927
Unrestricted	664,128	836,567
	<u>\$ 5,637,203</u>	<u>\$ 7,317,270</u>

See notes to financial statements.

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2008 and 2007

	Governmental Activities	
	2008	2007
Expenses:		
Exhibits and educational program:		
Salaries, wages, and employee benefits	\$ 2,823,949	\$ 3,014,151
Contractual and professional services	711,937	677,004
Facility operations and maintenance	1,193,228	1,261,642
Office expenses	299,496	295,109
Cost of goods sold	169,289	126,640
Educational programs and exhibits:		
In-kind	432,389	186,999
Other	682,438	438,234
Purchases of artifacts	2,500	38,536
Interest expense	-0-	8,485
Other expenses	161,545	109,554
Depreciation (Note E)	1,618,425	2,469,437
Total Program Expenses	8,095,196	8,625,791
Program Revenue:		
Exhibits and educational program:		
Grants (Notes G and K)	2,109,648	2,099,749
Facility rental and catering	423,270	412,018
Exhibit admissions	347,756	291,997
Museum store	201,673	142,621
Memberships	313,477	326,781
Special events and other revenue	335,929	392,247
Total Program Revenue	3,731,753	3,665,413
Net Program Expense	4,363,443	4,960,378
General Revenue:		
Contributions	2,283,912	3,274,106
In-kind contributions	432,389	186,999
Unrealized gain (loss) on investment	(32,925)	42,047
Total General Revenue	2,683,376	3,503,152
Net Increase (Decrease) in Net Assets	(1,680,067)	(1,457,226)
Net Assets, Beginning of Year	7,317,270	8,774,496
Net Assets, End of Year	\$ 5,637,203	\$ 7,317,270

See notes to financial statements.

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

BALANCE SHEETS - GOVERNMENTAL FUNDS

June 30, 2008 and 2007

	2008		2007			
	Operating Fund	Capital Projects Fund	Total All Funds	Operating Fund	Capital Projects Fund	Total All Funds
ASSETS						
Cash and cash equivalents (Note A)	\$ 435,853	\$ 1,191,130	\$ 1,626,983	\$ 511,792	\$ 1,095,348	\$ 1,607,140
Investments (Note B)	11,456	1,133,302	1,144,758		1,058,189	1,058,189
Accounts receivable (no allowance considered necessary)	175,602		175,602	270,180		270,180
Prepaid expenditures	36,721		36,721	130,406		130,406
Museum store inventory (lower of cost or market)	162,013		162,013	138,740		138,740
Pledges receivable (Note D):						
Available within 60 days	80,000		80,000			-0-
Available in more than 60 days	250,000		250,000	475,500	479,500	955,000
Total Assets	\$ 1,151,645	\$ 2,324,432	\$ 3,476,077	\$ 1,526,618	\$ 2,633,037	\$ 4,159,655

See notes to financial statements.

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

BALANCE SHEETS - GOVERNMENTAL FUNDS (CONTINUED)

June 30, 2008 and 2007

	2008		2007			
	Operating Fund	Capital Projects Fund	Total All Funds	Operating Fund	Capital Projects Fund	Total All Funds
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 305,719	\$ 240,281	\$ 546,000	\$ 581,378	\$ 269,431	\$ 850,809
Accrued payroll and related taxes	95,827	3,115	98,942	108,673		108,673
Deferred revenue (Note D)	250,000		250,000	475,500	479,500	955,000
Total Liabilities	651,546	243,396	894,942	1,165,551	748,931	1,914,482
Fund Balances:						
Reserved for capital projects		1,244,476	1,244,476		1,117,179	1,117,179
Reserved for endowment		836,560	836,560		766,927	766,927
Unreserved	500,099		500,099	361,067		361,067
Total Fund Balances	500,099	2,081,036	2,581,135	361,067	1,884,106	2,245,173
Total Liabilities and Fund Balances	\$ 1,151,645	\$ 2,324,432	\$ 3,476,077	\$ 1,526,618	\$ 2,633,037	\$ 4,159,655

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, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Total Fund Balances, Governmental Funds	\$ 2,581,135	\$ 2,245,173
<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>		
	250,000	955,000
<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>		
<p>Depreciable capital assets:</p>		
Cost	15,431,627	15,124,231
Less: Accumulated depreciation	<u>(12,625,559)</u>	<u>(11,007,134)</u>
Total Net Assets, Governmental Activities	<u>\$ 5,637,203</u>	<u>\$ 7,317,270</u>

See notes to financial statements.

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

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

For the Years Ended June 30, 2008 and 2007

	2008			2007		
	Operating Fund	Capital Projects Fund	Total All Funds	Operating Fund	Capital Projects Fund	Total All Funds
Revenue:						
Grants (Notes G and K)	\$ 1,954,431	\$ 155,217	\$ 2,109,648	\$ 1,936,307	\$ 163,442	\$ 2,099,749
Contributions	2,144,412	844,500	2,988,912	1,003,106	1,992,500	2,995,606
In-kind contributions	432,389		432,389	186,999		186,999
Facility rental and catering	423,270		423,270	412,018		412,018
Exhibit admissions	347,756		347,756	291,997		291,997
Museum store	201,673		201,673	142,621		142,621
Memberships	313,477		313,477	326,781		326,781
Special events and other revenue	293,204	42,725	335,929	320,715	71,532	392,247
Unrealized gain (loss) on investment	10,071	(42,996)	(32,925)	42,047		42,047
Total Revenue	6,120,683	999,446	7,120,129	4,662,591	2,227,474	6,890,065
Expenditures:						
Current:						
Salaries, wages, and employee benefits	2,798,949	25,000	2,823,949	3,014,151		3,014,151
Contractual and professional services	711,937		711,937	617,004	60,000	677,004
Facility operations and maintenance	1,193,228		1,193,228	1,261,642		1,261,642
Office expenses	299,496		299,496	295,109		295,109
Cost of goods sold	169,289		169,289	126,640		126,640
Educational programs and exhibits:						
In-kind	432,389		432,389	186,999		186,999
Other	682,438		682,438	438,234		438,234
Purchases of artifacts		2,500	2,500	38,536		38,536
Interest expense			-0-		8,485	8,485
Other current expenditures	147,068	14,477	161,545	109,534	20	109,554
Capital outlay (Note E)		307,396	307,396		199,230	199,230
Total Expenditures	\$ 6,434,794	\$ 349,373	\$ 6,784,167	\$ 6,087,849	\$ 267,735	\$ 6,355,584

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, 2008 and 2007

	2008		2007			
	Operating Fund	Capital Projects Fund	Total All Funds	Operating Fund	Capital Projects Fund	Total All Funds
Excess (Deficiency) of Revenue over Expenditures	\$ (314,111)	\$ 650,073	\$ 335,962	\$ (1,425,258)	\$ 1,959,739	\$ 534,481
Other Financing Sources (Uses):						
Interfund transfers	453,143	(453,143)	-0-	1,782,725	(1,782,725)	-0-
Net Increase in Fund Balances	139,032	196,930	335,962	357,467	177,014	534,481
Fund Balances, Beginning of Year	361,067	1,884,106	2,245,173	3,600	1,707,092	1,710,692
Fund Balances, End of Year	\$ 500,099	\$ 2,081,036	\$ 2,581,135	\$ 361,067	\$ 1,884,106	\$ 2,245,173

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, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Net Increase in Fund Balances, Governmental Funds	\$ 335,962	\$ 534,481
<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, 2008	250,000	-0-
June 30, 2007	(955,000)	955,000
June 30, 2006	-0-	(676,500)
<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	307,396	199,230
Less: Depreciation expense	<u>(1,618,425)</u>	<u>(2,469,437)</u>
Net Increase (Decrease) in Net Assets, Governmental Activities	<u>\$ (1,680,067)</u>	<u>\$ (1,457,226)</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008 and 2007

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, 2008 and 2007

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, 2008 and 2007

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, 2008 and 2007, 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>2008</u>	<u>2007</u>
Carrying amount of deposits	\$ 1,850,600	\$ 1,824,356
Total bank balances	<u>\$ 2,020,918</u>	<u>\$ 1,678,204</u>
Uninsured and uncollateralized bank balances	<u>\$ 1,520,918</u>	<u>\$ 1,178,204</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, 2008 and 2007

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, 2008 and 2007, total contributed volunteer time of 6,503 and 7,226 hours, respectively, was valued at \$126,932 and \$138,630, 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 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

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, 2008 and 2007, donated collections and artifacts totaled \$65,570 and \$38,536, 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, 2008 and 2007****NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Advertising**

The Museum's advertising costs are expensed as incurred. Advertising expenses totaled \$563,012 and \$223,018 for the years ended June 30, 2008 and 2007, respectively. Of these amounts, \$360,277 and \$159,934 were received as in-kind donations for the years ended June 30, 2008 and 2007, respectively.

Reclassifications

Certain reclassifications have been made to the 2007 financial statements to conform to classifications used in 2008.

NOTE B - INVESTMENTS

Investments as of June 30, 2008 and 2007 consist of the following:

	<u>2008</u>	<u>2007</u>
Investments held by the Museum or its agent in the Museum's name:		
Money market funds:		
Unrated:		
UBS Money Market Funds	\$ 93,549	\$ 28,648
Certificates of deposit (included in the cash deposit disclosures)	223,617	217,216
U.S. Treasury notes:		
Maturities between one and five years	214,978	216,709
Maturities between five and 10 years	109,856	73,919
U.S. Treasury bonds:		
Maturities between five and 10 years	51,696	23,586
Maturities greater than 10 years	96,350	79,532
446 shares of common stock from Gannett Company, Inc., received on June 2, 1987 (value at date of donation was \$8,530)	9,665	24,508
Other common stocks	271,923	344,534
Cash surrender value of life insurance policy	73,124	49,537
	<u>\$ 1,144,758</u>	<u>\$ 1,058,189</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008 and 2007

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 million 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, 2008 and 2007

NOTE D - PLEDGES RECEIVABLE

Included in pledges receivable are the following unconditional promises to give as of June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Amounts due in:		
Less than one year	\$ 250,000	\$ 770,000
One to five years	<u>80,000</u>	<u>220,000</u>
	330,000	990,000
Less: Unamortized discount (at three percent)	<u>-0-</u>	<u>(35,000)</u>
	<u>\$ 330,000</u>	<u>\$ 955,000</u>

Changes in the pledges receivable balance during the years 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, 2008 and 2007

NOTE E - CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2008 and 2007 is as follows:

	<u>Building Improvements</u>	<u>Exhibit Design and Construction</u>	<u>Furniture and Equipment</u>	<u>Total</u>
Cost:				
Balance, July 1, 2006	\$ 735,502	\$ 12,718,235	\$ 1,471,264	\$ 14,925,001
Acquisitions	80,354		118,876	199,230
Balance, June 30, 2007	815,856	12,718,235	1,590,140	15,124,231
Acquisitions	188,665	39,490	79,241	307,396
Balance, June 30, 2008	\$ 1,004,521	\$ 12,757,725	\$ 1,669,381	\$ 15,431,627
Accumulated Depreciation:				
Balance, July 1, 2006	\$ 448,375	\$ 6,913,899	\$ 1,175,423	\$ 8,537,697
Depreciation expense	81,972	2,278,494	108,971	2,469,437
Balance, June 30, 2007	530,347	9,192,393	1,284,394	11,007,134
Depreciation expense	71,799	1,426,174	120,452	1,618,425
Balance, June 30, 2008	\$ 602,146	\$ 10,618,567	\$ 1,404,846	\$ 12,625,559
Net Capital Assets:				
Balance, June 30, 2007	\$ 285,509	\$ 3,525,842	\$ 305,746	\$ 4,117,097
Balance, June 30, 2008	\$ 402,375	\$ 2,139,158	\$ 264,535	\$ 2,806,068

NOTE F - LINE OF CREDIT

As of June 30, 2008 and 2007, 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. The prime rate as of June 30, 2008 and June 30, 2007 was 5.00 percent and 8.25 percent, respectively. This line of credit expires on September 30, 2008.

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008 and 2007

NOTE F - LINE OF CREDIT (CONTINUED)

Activity under the line of credit for the years ended June 30, 2008 and 2007 is as follows:

	<u>2008</u>	<u>2007</u>
Balance, beginning of year	\$ -0-	\$ 695,314
Additions	-0-	225,000
Less: Repayments	-0-	(920,314)
Balance, End of Year	<u>\$ -0-</u>	<u>\$ -0-</u>

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 per year for the years ended June 30, 2008 and 2007. 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 \$256,665 through June 30, 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, 2008 and 2007 totaled \$93,188 and \$56,465, 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, 2008 and 2007 is \$2,426,360 and \$2,608,544, respectively.

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008 and 2007

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:

For the Years Ending June 30:	
2009	\$ 50,231
2010	32,210
2011	21,210
2012	<u>7,283</u>
Total Minimum Lease Payments	<u><u>\$ 110,934</u></u>

Total rental expense under these lease agreements for the years ended June 30, 2008 and 2007 was \$59,110 and \$51,612, respectively.

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 (“State”) law for the operating 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.

During the year ended June 30, 2008, the Museum incurred expenditures in excess of the amounts budgeted as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Contractual and professional services	\$ 702,667	\$ 711,937	\$ (9,270)
Facility operations and maintenance	1,165,261	1,193,228	(27,967)
Office expenses	281,142	299,496	(18,354)
Cost of goods sold	152,067	169,289	(17,222)
Educational programs and exhibits:			
In-kind	-0-	432,389	(432,389)
Other	646,700	682,438	(35,738)

Revenue was sufficient to cover the excess expenditures.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008 and 2007

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. As of June 30, 2008, approximately \$1.821 million in bonds remain available for the Museum's use. The dollars will be authorized by the City over time. The Museum received approximately \$155,000 from this authorization during the year ended June 30, 2008. Because no schedule of payments has been established and the payments are at the discretion of the City, revenue will be recognized when received.

NOTE M - RISK MANAGEMENT

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

REQUIRED SUPPLEMENTARY INFORMATION

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

For the Years Ended June 30, 2008 and 2007

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.

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.