

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

FINANCIAL STATEMENTS

June 30, 2010 and 2009

**George Johnson
& Company**

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

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INDEPENDENT AUDITORS' REPORT

October 15, 2010

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, 2010 and 2009, 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, 2010 and 2009, 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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

June 30, 2010 and 2009

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, 2010 and 2009 ("fiscal year 2010" and "fiscal year 2009," respectively). Please read it in conjunction with the Museum's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

The economic downturn affecting the entire nation continues to impact the Museum. Like many non-profit organizations and cultural institutions, the Museum saw its revenue decline during the past year and took appropriate steps to reduce expenses while maintaining quality public programming and service. Total revenue declined nearly \$500,000 (8.1 percent), and total unrestricted net assets decreased approximately \$339,000 (60.2 percent), during fiscal year 2010, mainly due to reductions in government grants and earned income areas of admissions, the Museum store, and facility rentals. Total expenses, excluding depreciation, were reduced approximately \$686,000 over the prior year through a combination of strategies, including staff reduction and reorganization, mandatory pay reduction for full time staff, and the increased use of internally developed programs and exhibitions.

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

- Total revenue available for operations (net of restrictions) fell approximately \$871,000 year over year.
- In October 2009, the Museum was awarded a three-year grant from the U.S. Department of Education ("DOE") totaling \$603,000. During the year, the Museum received nearly \$70,000 in federal funds from this grant, with the balance to be received as expended over the next two years. Operating support from the City of Detroit (the "City") was reduced \$130,000 due to City budget constraints, but the City did provide \$200,000 during the year for capital repairs (an increase of \$135,000 over fiscal year 2009). State programmatic support was reduced \$31,000 from the prior year and a capital grant of \$500,000 received in fiscal year 2009 was not repeated. The capital grant funds were restricted for building renovation use only and did not offset any of the Museum's operational needs. Overall, grant revenue decreased approximately \$408,000 (13.2 percent) during fiscal year 2010.

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

June 30, 2010 and 2009

FINANCIAL HIGHLIGHTS (CONTINUED)

- Revenue from earned sources of admissions, the Museum store, and facility rentals combined to result in a decrease of approximately \$122,000 year over year. Paid attendance fell by 21 percent, impacting both gate and merchandise sales. The Museum continued to host a full calendar of individual and community group weekend facility rentals; however, midweek corporate functions dropped significantly due to the economy. In addition, membership revenue fell nearly \$54,000 (21.1 percent). In response, the Museum sought to reduce expenses and to identify new sources of revenue and fundraising opportunities.
- The Museum invested approximately \$200,000 in building improvements to repair and upgrade the Farnsworth bridge entrance to the Museum. These funds were received through the City of Detroit.
- During the year, cash and investments increased by approximately \$145,000, or 6.6 percent, over the prior year. Cash restricted for various projects was expended either for programming or capital improvements in accordance with grant obligations. In addition, overall Museum liabilities increased approximately \$95,000 (23.3 percent) from the prior year.
- The Museum's endowment fund increased 7.4 percent over the prior year to a total of approximately \$830,000. In addition, approximately \$2.1 million is currently held in trust by the Community Foundation for Southeast Michigan ("CFSEM"), for a total of approximately \$2.9 million. Contributions to the CFSEM fund, along with improved financial market performance during the year, resulted in an increase of 10.5 percent in market value from the prior year. The Museum received approximately \$119,000 in operating support from the CFSEM fund during 2010.

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.

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

June 30, 2010 and 2009

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

The statements of net assets and statements of activities (which are presented on pages 14 and 15) are considered government-wide financial statements. The balance sheets and statements of revenue, expenditures, and fund balances for governmental funds (which are presented on pages 16, 17, 19, and 20) are considered fund financial statements. 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, 2010 and 2009

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 within 60 days after year-end of \$45,000 and \$80,000 as of June 30, 2010 and 2009, respectively. These long-term pledges have been recognized as revenue during the years ended June 30, 2010 and 2009 in the government-wide financial statements.

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

The notes to the financial statements, which begin on page 22, explain some of the information in the financial statements and provide more detailed data. A comparison of the Museum's operating fund revenue and expenditures to its budget is provided on pages 37 and 38.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)**June 30, 2010 and 2009****FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE**

Table 1 reflects the statements of net assets as of June 30, 2010, 2009, and 2008:

Table 1
Statements of Net Assets
June 30, 2010, 2009, and 2008
(in thousands of dollars)

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Assets:			
Cash and cash equivalents	\$ 667.8	\$ 639.3	\$ 1,627.0
Investments	1,688.0	1,571.1	1,144.7
Accounts receivable	114.8	231.2	175.6
Prepaid expenses	73.0	1.2	36.7
Museum store inventory	129.9	169.9	162.0
Pledges receivable:			
Available within 60 days	45.0	-0-	80.0
Available in more than 60 days	-0-	80.0	250.0
Capital assets:			
Nondepreciable capital assets	133.3	54.8	39.5
Depreciable capital assets, net	1,113.1	1,979.8	2,766.6
Total Assets	<u>3,964.9</u>	<u>4,727.3</u>	<u>6,282.1</u>
Liabilities:			
Accounts payable	414.2	318.2	546.0
Accrued payroll and related taxes	91.2	91.7	98.9
Total Liabilities	<u>505.4</u>	<u>409.9</u>	<u>644.9</u>
Net Assets:			
Invested in capital assets, net of related debt	1,246.4	2,034.6	2,806.1
Restricted for capital projects	819.8	825.3	936.6
Restricted for other activities	338.9	121.5	67.1
Restricted for endowment	830.5	773.0	836.5
Unrestricted	223.9	563.0	990.9
Total Net Assets	<u>\$ 3,459.5</u>	<u>\$ 4,317.4</u>	<u>\$ 5,637.2</u>

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

June 30, 2010 and 2009

FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE (CONTINUED)

Cash balances increased by approximately \$28,000 from the prior year to a balance of approximately \$668,000 as of June 30, 2010. Of the total cash balance, approximately \$245,000, or 37 percent, is unrestricted cash and approximately \$423,000, or 63 percent, is restricted for capital and other 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. This year, investment balances increased nearly \$120,000 as the Museum received an additional grant of \$50,000 from the Links (Renaissance Chapter), which has been invested pending the development of a new science and technology based exhibit. Another \$70,000 in investment gain is attributed to market earnings on endowment funds. 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, utilities, and insurance premiums that overlap fiscal years.

Pledges receivable represent unconditional gifts from corporations and foundations. During the year, the Museum collected \$80,000 in pledge payments (100 percent of the expected total for fiscal year 2010). During the year, the Museum recorded new pledges of \$95,000, of which \$50,000 was collected by June 30. The Museum has also obtained conditional pledges totaling approximately \$10,000 through June 30, 2010. 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 capital assets is mainly due to a full year of depreciation (approximately \$1.1 million) on the core exhibit offset by new investment in the renovation of the Farnsworth Bridge (approximately \$200,000) and other miscellaneous purchases of equipment or investment in website development.

During fiscal year 2010, accounts payable balances increased nearly \$100,000 over the prior year as invoices relating to the completion of the Farnsworth Bridge construction project and late June programming expenses were received but not paid until early July. The Museum maintains a \$100,000 line of credit which, as of June 30, 2010, had no activity and a zero balance.

Total net assets declined by approximately \$858,000 (19.9 percent) from the prior year, primarily due to depreciation charges of approximately \$1.1 million on the core exhibit and other assets. Contributions received in prior years during the Legacy Campaign funded these assets. Total net assets, excluding depreciation, actually increased \$248,000 year over year.

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

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

June 30, 2010 and 2009

FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE (CONTINUED)

Table 2 reflects the condensed statements of activities for the years ended June 30, 2010, 2009, and 2008:

Table 2
Statements of Activities
For the Years Ended June 30, 2010, 2009, and 2008
(in thousands of dollars)

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Expenses:			
Exhibits and educational program:			
Salaries, wages, and employee benefits	\$ 2,371.2	\$ 2,729.8	\$ 2,823.9
Contractual and professional services	691.5	841.5	711.9
Facility operations and maintenance	1,107.9	1,149.0	1,193.2
Educational programs and exhibits	574.6	761.2	1,114.8
Depreciation	1,105.6	1,376.9	1,618.4
Other expenses	666.4	616.5	633.0
	<u>6,517.2</u>	<u>7,474.9</u>	<u>8,095.2</u>
Program Revenue:			
Exhibits and educational program:			
Grants	2,686.7	3,094.7	2,109.6
Other program revenue	1,326.9	1,558.7	1,622.1
	<u>4,013.6</u>	<u>4,653.4</u>	<u>3,731.7</u>
Net Program Expense	<u>2,503.6</u>	<u>2,821.5</u>	<u>4,363.5</u>
General Revenue:			
Contributions	1,587.9	1,551.6	2,716.3
Unrealized gain (loss) on investments	57.8	(49.9)	(32.9)
	<u>1,645.7</u>	<u>1,501.7</u>	<u>2,683.4</u>
Net Increase (Decrease) in Net Assets	<u>(857.9)</u>	<u>(1,319.8)</u>	<u>(1,680.1)</u>
Net Assets, Beginning of Year	<u>4,317.4</u>	<u>5,637.2</u>	<u>7,317.3</u>
Net Assets, End of Year	<u>\$ 3,459.5</u>	<u>\$ 4,317.4</u>	<u>\$ 5,637.2</u>

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

June 30, 2010 and 2009

FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE (CONTINUED)

The Museum received \$2.2 million in unrestricted operating support from the City of Detroit during fiscal year 2010. This represents a decrease of \$130,000, or 5.7 percent, from the prior year. However, the City also contributed \$200,000 in capital funds for building maintenance and repairs. This year, the State of Michigan contributed \$35,400 in support of changing exhibitions and educational programming. During the prior year, the State contributed \$66,400 in support, as well as \$500,000 pertaining to a capital grant to fund renovations to the Museum. The Museum received grant funds of \$87,481 in fiscal year 2010 and \$18,286 in fiscal year 2009 from federal sources.

Contributions remained relatively flat year to year at \$1.6 million. However, total revenue fell nearly \$500,000, or 8.1 percent, mainly due to reduced support from government sources and declines in earned revenues. Key grants received this year include a three-year grant awarded by the DOE for over \$600,000. These funds are reimbursed to the Museum as expended and, during fiscal year 2010, the Museum received nearly \$70,000 from this source. In addition, the City provided \$200,000 in support for the African World Festival. The contributions category also includes in-kind gifts of approximately \$83,500 received during fiscal year 2010 and approximately \$244,000 received during fiscal year 2009. Much of the decline in in-kind contributions is attributed to reduced marketing support from media partners.

In anticipation of declining revenue, the Museum worked to carefully manage operating expenses. Wages and benefits declined 13.1 percent from the prior year as the Museum continued to reduce and realign staff. All full time personnel were required to accept a 12.5 percent pay reduction beginning in February through the end of the fiscal year. Depreciation on the core exhibit accounts for 17 percent of total expenses. Net of depreciation, expenses decreased nearly \$686,000, or 12.7 percent, from fiscal year 2009. The core exhibit was fully depreciated during fiscal year 2010.

Table 3 summarizes exhibit admissions and Museum store sales for the years ended June 30, 2010 and 2009:

Table 3
Schedules of Exhibit Admissions and Museum Store Sales
For the Years Ended June 30, 2010 and 2009
(in thousands of dollars)

	<u>2010</u>	<u>2009</u>
Exhibit admissions	\$ 307.1	\$ 352.7
Museum store sales (gross)	133.2	171.1

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)**June 30, 2010 and 2009****FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE (CONTINUED)**

Admissions and Museum store sales are important components of program revenue. Attendance to the Museum declined by 16,100 visitors (23 percent) year over year for several reasons: (1) the continuing poor economy in the region and State, (2) the elimination of a state funded (grant) visitation program, and (3) declining museum memberships. In 2009, the Group Sales department spearheaded an effort to assist interested State of Michigan schools in applying for field trip grants offered by the State's Department of Education. The Museum was successful in securing over \$65,000 in one-time-only Cultural Access Grants for admission and transportation of students. Not included in the above admissions results are receipts of approximately \$45,000 during fiscal year 2010 and approximately \$35,000 during fiscal year 2009 relating to visitation subsidies donated by corporations, individuals, and foundations. Visitation subsidies are reported as part of sponsorship contributions. This year, over 4,000 students from the metropolitan Detroit area benefited from these gifts.

Store sales are in-part driven by Museum visitation. Lower attendance during the year, as well as a reduced investment in store inventory, resulted in a decline in store revenue of approximately \$38,000 (22 percent) over the prior year.

Other program revenue also includes revenue from the Museum's membership program. In 2006, the Museum reported its highest level of participation with the membership program, which was achieved as the result of the Legacy Campaign and the Kresge Challenge. Since that time, membership has continued to drop and is down 1,718 members this year compared to 2009. This region's economy has caused individuals and families to make some tough personal budgeting decisions, and high unemployment rates are negatively impacting our membership roster. The Museum is working hard to grow the numbers of memberships and to increase retention levels.

Table 4 outlines membership activity for the past two years.

Table 4
Membership Results
For the Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>	<u>Percentage Change</u>
Membership revenue (<i>in thousands of dollars</i>)	\$ 200.2	\$ 253.8	(21.1%)
Total active members	13,202	14,920	(11.5%)

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

June 30, 2010 and 2009

FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE (CONTINUED)

The 27th African World Festival drew record crowds and featured nationally known performers, including Roberta Flack and the Stylistics. The City of Detroit was the primary sponsor, and its support allowed for additional investment in festival programs and activities. The 2010 Ford Freedom Award was presented to entrepreneur John H. Johnson (1918 - 2005) as the “Ford Freedom Honoree.” Recording artist Usher Raymond IV was named the 2010 “Ford Freedom Scholar.”

Public programs offered during the year were a continuation of the Museum’s strategic focus to increase and enhance presentations that have a meaningful impact on the community. Due to the poor economy, the Museum received fewer sponsorship dollars and worked hard to identify exhibitions related to the Museum’s mission that would draw large audiences while requiring smaller outlays of cash. As a result, expenses associated with education programs (including exhibits) decreased nearly \$187,000, or nearly 25 percent, from the prior year. These savings were achieved by developing exhibitions internally or by identifying and securing programs at less than market rates.

Partnerships and collaborations are an important cornerstone in Museum programming. This year, the Museum worked with many organizations, including Eastern Michigan University, MotorCities National Heritage Area, Inc., and Nice Work Public Media, to develop and create educational materials, websites, and documentaries that will benefit generations of students to come. Funds received for multi-year projects are recorded in a temporarily restricted fund until expended in accordance with grant or donor stipulations.

Other key presentations this year included the following:

<u>Exhibitions</u>	<u>Annual Programs</u>
Women of a New Tribe	Kwanzaa
Legends of the Music: The Photography of Leni Sinclair	African World Festival
Joe Louis: Hometown Hero	Noel Night
Who Am I? My DNA Diary	Martin Luther King Day
Crowning Glories	Black History Month
Contemporary Artists	Black Music Month
Detroit Performs	Women’s History Month
A is for Africa	National Poetry Month
Stories in Stained Glass	
Contemporary Artists	
And Still We Rise	

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

June 30, 2010 and 2009

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. As a result, the Museum has 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. Since 2008, contributions have declined over \$1.1 million. As a result, the Museum has had to continuously reduce its operating expenses. Facility costs are generally fixed and present little opportunity for cost savings. To maintain a balanced budget, reductions were made in the areas of personnel. Staffing is now at the lowest level since the building's opening in 1997. Maintaining a minimal staff has direct impact on the institution's ability to deliver on strategic goals.

Much of the decline is the result of a poor national 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 2011, 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 2011 include *Ain't Nothing Like the Real Thing: How the Apollo Theater Shaped American Entertainment* (October 2010), *The Chris Webber Collection* (February 2011), and *The Test: The 332nd Fighting in Combat* (November 2010). Planning continues 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 partnered with Eastern Michigan University to begin work on a three-year grant from the DOE that focuses on the presentation of the story of the Underground Railroad both online and in the core exhibition.

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

June 30, 2010 and 2009

ECONOMIC FACTORS (CONTINUED)

As a part of this project, the team has developed and tested a new academic history game (tentatively called PANDA). With the success of this initiative, the Museum has submitted a second grant proposal to the DOE to expand the project and the partnership to include the historic Second Baptist Church of Detroit, the University of Detroit Mercy, and the University of Michigan.

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, 2010 and 2009

	Governmental Activities	
	2010	2009
Assets:		
Cash and cash equivalents (Note A)	\$ 667,797	\$ 639,340
Investments (Note B)	1,687,958	1,571,114
Accounts receivable (no allowance considered necessary)	114,845	231,214
Prepaid expenses	72,955	1,250
Museum store inventory (lower of cost or market)	129,913	169,860
Pledges receivable (no allowance considered necessary) (Note D):		
Available within 60 days	45,000	-0-
Available in more than 60 days	-0-	80,000
Capital assets (Note E):		
Nondepreciable capital assets	133,344	54,828
Depreciable capital assets, net	1,113,044	1,979,759
Collections and artifacts (Notes A and C)	---	---
	3,964,856	4,727,365
Liabilities:		
Accounts payable	414,216	318,249
Accrued payroll and related taxes	91,143	91,667
	505,359	409,916
Net Assets:		
Invested in capital assets, net of related debt	1,246,388	2,034,587
Restricted for capital projects	819,843	825,327
Restricted for other activities	338,948	121,499
Restricted for endowment	830,475	772,998
Unrestricted	223,843	563,038
	\$ 3,459,497	\$ 4,317,449

See notes to financial statements.

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2010 and 2009

	Governmental Activities	
	2010	2009
Expenses:		
Exhibits and educational program:		
Salaries, wages, and employee benefits	\$ 2,371,229	\$ 2,729,821
Contractual and professional services	691,487	841,523
Facility operations and maintenance	1,107,877	1,148,969
Office expenses	321,482	333,213
Cost of goods sold	172,752	137,992
Educational programs and exhibits:		
In-kind	83,486	244,162
Other	491,160	517,057
Purchases of artifacts	27,466	250
Interest expense	57	697
Other expenses	144,543	144,386
Depreciation (Note E)	1,105,633	1,376,865
Total Program Expenses	6,517,172	7,474,935
Program Revenue:		
Exhibits and educational program:		
Grants (Notes G and L)	2,686,683	3,094,686
Facility rental and catering	432,699	471,121
Exhibit admissions	307,063	352,749
Museum store	133,200	171,135
Memberships	200,236	253,796
Special events and other revenue	253,639	309,913
Total Program Revenue	4,013,520	4,653,400
Net Program Expense	2,503,652	2,821,535
General Revenue:		
Contributions	1,504,378	1,307,485
In-kind contributions	83,486	244,162
Unrealized gain (loss) on investments	57,836	(49,866)
Total General Revenue	1,645,700	1,501,781
Net Increase (Decrease) in Net Assets	(857,952)	(1,319,754)
Net Assets, Beginning of Year	4,317,449	5,637,203
Net Assets, End of Year	\$ 3,459,497	\$ 4,317,449

See notes to financial statements.

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

BALANCE SHEETS - GOVERNMENTAL FUNDS

June 30, 2010

(With Comparative Totals as of June 30, 2009)

	2010				Total All Funds	
	Operating Fund	Capital Projects Fund	Designated Activities Fund	Endowment Fund	2010	2009
ASSETS						
Cash and cash equivalents (Note A)	\$ 244,808	\$ 273,158	\$ 149,831	\$ -0-	\$ 667,797	\$ 639,340
Investments (Note B)	7,553	558,780	291,150	830,475	1,687,958	1,571,114
Accounts receivable (no allowance considered necessary)	114,845				114,845	231,214
Prepaid expenditures	72,955				72,955	1,250
Museum store inventory (lower of cost or market)	129,913				129,913	169,860
Pledges receivable (no allowance considered necessary) (Note D):						
Available within 60 days	25,000	20,000			45,000	-0-
Available in more than 60 days					-0-	80,000
Total Assets	\$ 595,074	\$ 851,938	\$ 440,981	\$ 830,475	\$ 2,718,468	\$ 2,692,778
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 380,621	\$ 32,095	\$ 1,500	\$ -0-	\$ 414,216	\$ 318,249
Accrued payroll and related taxes	91,143				91,143	91,667
Deferred revenue (Note D)					-0-	80,000
Total Liabilities	471,764	32,095	1,500	-0-	505,359	489,916
Fund Balances:						
Reserved for capital projects		819,843			819,843	825,327
Reserved for designated activities			439,481		439,481	393,652
Reserved for endowment				830,475	830,475	772,998
Unreserved	123,310				123,310	210,885
Total Fund Balances	123,310	819,843	439,481	830,475	2,213,109	2,202,862
Total Liabilities and Fund Balances	\$ 595,074	\$ 851,938	\$ 440,981	\$ 830,475	\$ 2,718,468	\$ 2,692,778

See notes to financial statements.

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

BALANCE SHEETS - GOVERNMENTAL FUNDS

June 30, 2009

	<u>Operating Fund</u>	<u>Capital Projects Fund</u>	<u>Designated Activities Fund</u>	<u>Endowment Fund</u>	<u>Total All Funds</u>
ASSETS					
Cash and cash equivalents (Note A)	\$ 213,949	\$ 130,679	\$ 294,712	\$ -0-	\$ 639,340
Investments (Note B)	3,028	694,648	100,440	772,998	1,571,114
Accounts receivable (no allowance considered necessary)	231,214				231,214
Prepaid expenditures	1,250				1,250
Museum store inventory (lower of cost or market)	169,860				169,860
Pledges receivable (no allowance considered necessary) (Note D): Available in more than 60 days	80,000				80,000
Total Assets	<u>\$ 699,301</u>	<u>\$ 825,327</u>	<u>\$ 395,152</u>	<u>\$ 772,998</u>	<u>\$ 2,692,778</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 316,749	\$ -0-	\$ 1,500	\$ -0-	\$ 318,249
Accrued payroll and related taxes	91,667				91,667
Deferred revenue (Note D)	80,000				80,000
Total Liabilities	<u>488,416</u>	<u>-0-</u>	<u>1,500</u>	<u>-0-</u>	<u>489,916</u>
Fund Balances:					
Reserved for capital projects		825,327			825,327
Reserved for designated activities			393,652		393,652
Reserved for endowment				772,998	772,998
Unreserved	210,885				210,885
Total Fund Balances	<u>210,885</u>	<u>825,327</u>	<u>393,652</u>	<u>772,998</u>	<u>2,202,862</u>
Total Liabilities and Fund Balances	<u>\$ 699,301</u>	<u>\$ 825,327</u>	<u>\$ 395,152</u>	<u>\$ 772,998</u>	<u>\$ 2,692,778</u>

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, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Total Fund Balances, Governmental Funds	\$ 2,213,109	\$ 2,202,862
<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>		
	-0-	80,000
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of the following:</p>		
Nondepreciable capital assets	133,344	54,828
Depreciable capital assets:		
Cost	15,014,636	15,982,183
Less: Accumulated depreciation	<u>(13,901,592)</u>	<u>(14,002,424)</u>
Total Net Assets, Governmental Activities	<u>\$ 3,459,497</u>	<u>\$ 4,317,449</u>

See notes to financial statements.

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

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

**For the Year Ended June 30, 2010
(With Comparative Totals for the Year Ended June 30, 2009)**

	2010				Total All Funds	
	Operating Fund	Capital Projects Fund	Designated Activities Fund	Endowment Fund	2010	2009
Revenue:						
Grants (Notes G and L)	\$ 2,490,736	\$ 195,947	\$ -0-	\$ -0-	\$ 2,686,683	\$ 3,094,686
Contributions	1,146,547	50,000	387,831		1,584,378	1,477,485
In-kind contributions	83,486				83,486	244,162
Facility rental and catering	432,699				432,699	471,121
Exhibit admissions	307,063				307,063	352,749
Museum store	133,200				133,200	171,135
Memberships	200,236				200,236	253,796
Special events and other revenue	223,162	4,612	593	25,272	253,639	309,913
Unrealized gain on investments	4,411		93	53,332	57,836	(49,866)
Total Revenue	5,021,540	250,559	388,517	78,604	5,739,220	6,325,181
Expenditures:						
Current:						
Salaries, wages, and employee benefits	2,371,229				2,371,229	2,729,821
Contractual and professional services	691,487				691,487	841,523
Facility operations and maintenance	1,107,877				1,107,877	1,148,969
Office expenses	321,482				321,482	333,213
Cost of goods sold	172,752				172,752	137,992
Educational programs and exhibits:						
In-kind	83,486				83,486	244,162
Other	491,160				491,160	517,057
Purchases of artifacts		27,466			27,466	250
Interest expense	57				57	697
Other current expenditures	123,416			21,127	144,543	144,386
Capital outlay (Note E)		317,434			317,434	605,384
Total Expenditures	5,362,946	344,900	-0-	21,127	5,728,973	6,703,454
Excess (Deficiency) of Revenue over Expenditures	(341,406)	(94,341)	388,517	57,477	10,247	(378,273)
Other Financing Sources (Uses):						
Interfund transfers	253,831	88,857	(342,688)		-0-	-0-
Net Increase (Decrease) in Fund Balances	(87,575)	(5,484)	45,829	57,477	10,247	(378,273)
Fund Balances, Beginning of Year	210,885	825,327	393,652	772,998	2,202,862	2,581,135
Fund Balances, End of Year	\$ 123,310	\$ 819,843	\$ 439,481	\$ 830,475	\$ 2,213,109	\$ 2,202,862

See notes to financial statements.

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

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

For the Year Ended June 30, 2009

	<u>Operating Fund</u>	<u>Capital Projects Fund</u>	<u>Designated Activities Fund</u>	<u>Endowment Fund</u>	<u>Total All Funds</u>
Revenue:					
Grants (Notes G and L)	\$ 2,534,686	\$ 560,000	\$ -0-	\$ -0-	\$ 3,094,686
Contributions	1,209,933		267,552		1,477,485
In-kind contributions	244,162				244,162
Facility rental and catering	471,121				471,121
Exhibit admissions	352,749				352,749
Museum store	171,135				171,135
Memberships	253,796				253,796
Special events and other revenue	276,986	4,432	2,575	25,920	309,913
Unrealized gain (loss) on investments	(8,073)		27,316	(69,109)	(49,866)
Total Revenue	5,506,495	564,432	297,443	(43,189)	6,325,181
Expenditures:					
Current:					
Salaries, wages, and employee benefits	2,729,821				2,729,821
Contractual and professional services	841,523				841,523
Facility operations and maintenance	1,148,969				1,148,969
Office expenses	332,759		454		333,213
Cost of goods sold	137,992				137,992
Educational programs and exhibits:					
In-kind	244,162				244,162
Other	517,057				517,057
Purchases of artifacts		250			250
Interest expense	3		694		697
Other current expenditures	124,013			20,373	144,386
Capital outlay (Note E)		605,384			605,384
Total Expenditures	6,076,299	605,634	1,148	20,373	6,703,454
Excess (Deficiency) of Revenue over Expenditures	(569,804)	(41,202)	296,295	(63,562)	(378,273)
Other Financing Sources (Uses):					
Interfund transfers	280,590	(70,090)	(210,500)		-0-
Net Increase (Decrease) in Fund Balances	(289,214)	(111,292)	85,795	(63,562)	(378,273)
Fund Balances, Beginning of Year	500,099	936,619	307,857	836,560	2,581,135
Fund Balances, End of Year	\$ 210,885	\$ 825,327	\$ 393,652	\$ 772,998	\$ 2,202,862

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, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Net Increase (Decrease) in Fund Balances, Governmental Funds	\$ 10,247	\$ (378,273)
<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, 2009	(80,000)	80,000
June 30, 2008	-0-	(250,000)
<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	317,434	605,384
Less: Depreciation expense	<u>(1,105,633)</u>	<u>(1,376,865)</u>
Net Increase (Decrease) in Net Assets, Governmental Activities	<u><u>\$ (857,952)</u></u>	<u><u>\$ (1,319,754)</u></u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009

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, 2010 and 2009

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.

Designated Activities Fund

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

Endowment Fund

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

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2010 and 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (continued)

Fund Financial Statements

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

Cash Deposits

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

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

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2010 and 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash Deposits (continued)

As of June 30, 2010 and 2009, 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>2010</u>	<u>2009</u>
Carrying amount of deposits:		
Cash and cash equivalents	\$ 667,797	\$ 639,340
Certificates of deposit included in investments	749,397	694,648
	<u>\$ 1,417,194</u>	<u>\$ 1,333,988</u>
Total bank balances	<u>\$ 1,316,828</u>	<u>\$ 1,431,237</u>
Uninsured and uncollateralized bank balances	<u>\$ 326,224</u>	<u>\$ 531,269</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.

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, 2010 and 2009, total contributed volunteer time of 11,457 and 10,996 hours, respectively, was valued at \$230,629 and \$222,669, respectively.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2010 and 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2010 and 2009, donated collections and artifacts totaled \$57,557 and \$23,133, respectively.

Tax-Exempt Status

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

Advertising

The Museum’s advertising costs are expensed as incurred. Advertising expenses totaled \$117,141 and \$449,849 for the years ended June 30, 2010 and 2009, respectively. Of these amounts, \$50,000 and \$177,355 were received as in-kind donations for the years ended June 30, 2010 and 2009, respectively.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2010 and 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Certain reclassifications have been made to the 2009 financial statements to conform to classifications used in 2010.

NOTE B - INVESTMENTS

Investments as of June 30, 2010 and 2009 consist of the following:

	<u>2010</u>	<u>2009</u>
Investments held by the Museum or its agent in the Museum's name:		
Money market funds:		
Unrated:		
UBS Money Market Funds	\$ 28,783	\$ 25,808
Certificates of deposit (included in the cash deposit disclosures)	749,397	694,648
U.S. Treasury notes:		
Maturities between one and five years	267,258	239,855
Maturities between five and 10 years	130,195	105,783
U.S. Treasury bonds:		
Maturities between five and 10 years	-0-	24,413
Maturities greater than 10 years	69,942	77,768
446 shares of common stock from Gannett Company, Inc., received on June 2, 1987 (value at date of donation was \$8,530)	6,003	1,592
Other common stocks	335,847	300,807
Individual investments representing five percent or more of the Museum's investments:		
Cash surrender value of life insurance policy:		
Lincoln National Life Insurance Company	100,533	100,440
	<u>\$ 1,687,958</u>	<u>\$ 1,571,114</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2010 and 2009

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.

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 \$1.241 million of collections and artifacts since its inception. These items have been recorded as expenditures in the accompanying financial statements.

NOTE D - PLEDGES RECEIVABLE

Included in pledges receivable are unconditional promises to give of \$45,000 and \$80,000 as of June 30, 2010 and 2009 that are due in less than one year from the statement of net assets date.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2010 and 2009

NOTE D - PLEDGES RECEIVABLE (CONTINUED)

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.

NOTE E - CAPITAL ASSETS

Nondepreciable capital asset activity for the years ended June 30, 2010 and 2009 is as follows:

	<u>Construction in Progress</u>
Balance, July 1, 2008	\$ 39,490
Acquisitions	<u>15,338</u>
Balance, June 30, 2009	54,828
Acquisitions	<u>78,516</u>
Balance, June 30, 2010	<u>\$ 133,344</u>

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2010 and 2009

NOTE E - CAPITAL ASSETS (CONTINUED)

Depreciable capital asset activity for the years ended June 30, 2010 and 2009 is as follows:

	<u>Building Improvements</u>	<u>Exhibits</u>	<u>Furniture and Equipment</u>	<u>Total</u>
Cost:				
Balance, July 1, 2008	\$ 1,084,506	\$ 12,699,940	\$ 1,607,691	\$ 15,392,137
Acquisitions	419,379		170,667	590,046
Balance, June 30, 2009	1,503,885	12,699,940	1,778,358	15,982,183
Acquisitions	132,854		106,064	238,918
Less: Disposals	(119,315)	(659,068)	(428,082)	(1,206,465)
Balance, June 30, 2010	\$ 1,517,424	\$ 12,040,872	\$ 1,456,340	\$ 15,014,636
Accumulated Depreciation:				
Balance, July 1, 2008	\$ 602,146	\$ 10,624,584	\$ 1,398,829	\$ 12,625,559
Depreciation expense	73,839	1,205,575	97,451	1,376,865
Balance, June 30, 2009	675,985	11,830,159	1,496,280	14,002,424
Depreciation expense	105,454	869,782	130,397	1,105,633
Less: Disposals	(119,314)	(659,069)	(428,082)	(1,206,465)
Balance, June 30, 2010	\$ 662,125	\$ 12,040,872	\$ 1,198,595	\$ 13,901,592
Net Depreciable Capital Assets:				
Balance, June 30, 2009	\$ 827,900	\$ 869,781	\$ 282,078	\$ 1,979,759
Balance, June 30, 2010	\$ 855,299	\$ -0-	\$ 257,745	\$ 1,113,044

Certain reclassifications have been made to the above 2009 schedule to conform to classifications used in 2010.

NOTE F - LINES OF CREDIT

As of June 30, 2010, the Museum had a line of credit arrangement with a bank for \$100,000, requiring interest at 1.5 percent over the prime rate per annum. The prime rate as of June 30, 2010 was 3.25 percent. The line of credit is secured by substantially all assets of the Museum and expires on September 1, 2011. As of June 30, 2010, there was no outstanding balance on this line of credit.

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2010 and 2009

NOTE F - LINES OF CREDIT (CONTINUED)

As of June 30, 2009, the Museum had a line of credit arrangement with a bank for \$150,000, with interest at 1.5 percent over the prime rate per annum. The Museum was required to maintain an average collected balance of \$50,000, which was monitored on a quarterly basis by the bank. The Museum received a waiver for noncompliance with this requirement for the first month of the loan from the bank on October 16, 2009. This line of credit expired on December 31, 2009.

Activity under the lines of credit for the years ended June 30, 2010 and 2009 is as follows:

	<u>2010</u>	<u>2009</u>
Balance, beginning of year	\$ -0-	\$ -0-
Additions	-0-	100,000
Less: Repayments	-0-	(100,000)
	<u>-0-</u>	<u>(100,000)</u>
Balance, End of Year	<u>\$ -0-</u>	<u>\$ -0-</u>

NOTE G - CONTRACT WITH THE CITY OF DETROIT

The Museum entered into its most recent contract with the City of Detroit on October 19, 1999, under which the City is to provide the Museum with operating funds. This contract was for 10 years, with an automatic 10-year renewal unless a notice to terminate is requested by either party. Neither party provided any notice to terminate the contract as of October 19, 2009. The contract was extended effective November 1, 2009 and expires on October 31, 2019.

Under the terms of the contract, all personal property acquired before and/or during the life of the contract becomes the property of the City. Funding under the contract totaled \$2.37 million and \$2.45 million for the years ended June 30, 2010 and 2009, respectively. The amount of funding for future years under the contract will be negotiated annually.

NOTE H - PERMANENT CHARITABLE ENDOWMENT FUND

The Museum established the Museum of African American History Endowment Fund (the "Endowment Fund") as a component fund of the Community Foundation for Southeast Michigan (the "Foundation"). The Endowment Fund is an asset of the Foundation. The Foundation transfers earnings on the Endowment Fund to the Museum periodically in the form of grants so long as the Museum continues to meet its tax-exempt purpose. Grants paid to the Museum from the Foundation for the years ended June 30, 2010 and 2009 totaled \$116,672 and \$94,873, respectively.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2010 and 2009

NOTE H - 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, 2010 and 2009 is \$2,042,625 and \$1,891,684, respectively.

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

NOTE I - LEASES

The Museum leases various office equipment under operating lease agreements that expire through 2014. Future minimum payments due under these leases are as follows:

For the Years Ending June 30:	
2011	\$ 33,065
2012	25,866
2013	8,280
2014	<u>4,140</u>
Total Minimum Lease Payments	<u>\$ 71,351</u>

Total rental expense under these lease agreements for the years ended June 30, 2010 and 2009 was \$40,306 and \$46,380, respectively.

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2010 and 2009

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

The following are reconciliations of the unreserved fund balance and the fund balance reserved for designated activities on the fund financial statements to unrestricted net assets and net assets restricted for other activities on the government-wide financial statements as of June 30, 2010 and 2009:

	2010		2009	
	Unreserved Fund Balance/ Unrestricted Net Assets	Fund Balance Reserved for Designated Activities/ Net Assets Restricted for Other Activities	Unreserved Fund Balance/ Unrestricted Net Assets	Fund Balance Reserved for Designated Activities/ Net Assets Restricted for Other Activities
Fund balances, governmental funds	\$ 123,310	\$ 439,481	\$ 210,885	\$ 393,652
Fund balances designated by the Board of Trustees for specific activities which are not restricted by donors	100,533	(100,533)	272,153	(272,153)
Pledges receivable due in more than 60 days that are reported as deferred revenue (see page 18)	-0-	-0-	80,000	-0-
Net Assets, Governmental Activities	\$ 223,843	\$ 338,948	\$ 563,038	\$ 121,499

NOTE K - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and State of Michigan (the "State") law for the 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)**June 30, 2010 and 2009****NOTE K - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)**

During the year ended June 30, 2010, the Museum incurred expenditures in excess of the amounts budgeted as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Salaries, wages, and employee benefits	\$ 2,359,323	\$ 2,371,229	\$ (11,906)
Contractual and professional services	676,019	691,487	(15,468)
Facility operations and maintenance	1,104,257	1,107,877	(3,620)
Office expenses	296,257	321,482	(25,225)
Cost of goods sold	143,083	172,752	(29,669)
Educational programs and exhibits:			
Other	458,800	491,160	(32,360)

In addition, the Museum did not budget in-kind contributions or expenditures during the year ended June 30, 2010. Total in-kind contributions, as well as total in-kind expenditures, were \$83,486 for the year ended June 30, 2010. These transactions did not involve any cash.

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

NOTE L - CAPITAL EXPANSION BOND ISSUES

On November 8, 2001, the general electorate approved a Capital Expansion Bond Issue for \$20 million, of which \$4 million was designated to the Museum. In May 2003, the general electorate approved another Capital Expansion Bond Issue for \$6 million. These funds are to be used primarily for capital purchases, including exhibit construction, equipment, and other major building maintenance expenses. As of June 30, 2010, approximately \$1.62 million in bonds remain available for the Museum's use. The dollars will be authorized by the City over time. The Museum received approximately \$200,000 from this authorization during the year ended June 30, 2010. 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, 2010 and 2009

NOTE M - RISK MANAGEMENT

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

NOTE N - NEW ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board has issued SGAS No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." SGAS No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a governmental entity is bound to observe constraints imposed upon the use of the resources reported in governmental funds. In addition, SGAS No. 54 clarifies the definitions of various types of funds and provides guidance for classifying and disclosing budget stabilization amounts. SGAS No. 54 applies to the Museum's financial statements for the year ending June 30, 2011. The Museum has not determined the impact, if any, on its financial statements of implementing SGAS No. 54.

NOTE O - HEALTH CARE REFORM LEGISLATION

In March 2010, the Patient Protection and Affordable Care Act, along with the Health Care and Education Reconciliation Act, was enacted into law. This legislation includes the following provisions that are effective January 1, 2014:

- Employers with an average of at least 50 full-time employees will be subject to financial penalties for full-time employees who have purchased health insurance through a state insurance exchange because the employer has not offered health care coverage, has offered minimum essential coverage that is unaffordable, or has offered minimum essential coverage consisting of a plan under which the plan's share of the total allowed cost of benefits is less than 60 percent.
- Employers offering minimum essential coverage through an eligible employer-sponsored plan and paying a portion of that coverage will be subject to providing certain qualified employees with a voucher whose value can be applied to the purchase of a health plan through the Insurance Exchange.

The Museum's management has not determined the impact, if any, on its future operations as a result of this legislation.

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, 2010 and 2009

	2010			2009				
	Original Budget	Final Budget	Actual	Positive (Negative) Variance with Final Budget	Original Budget	Final Budget	Actual	Positive (Negative) Variance with Final Budget
Excess (Deficiency) of Revenue over Expenditures	\$ -0-	\$ (57,640)	\$ (341,406)	\$ (283,766)	\$ (121,457)	\$ (517,105)	\$ (569,804)	\$ (52,699)
Other Financing Sources: Interfund transfers			253,831	253,831			280,590	280,590
Net Increase (Decrease) in Fund Balance	\$ -0-	\$ (57,640)	\$ (87,575)	\$ (29,935)	\$ (121,457)	\$ (517,105)	\$ (289,214)	\$ 227,891

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, 2010 and 2009

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.