

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

FINANCIAL STATEMENTS
(With Required Supplementary Information
and Other Supplementary Information)

June 30, 2013 and 2012



**GEORGE JOHNSON
& COMPANY**

Certified Public Accountants and Consultants

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

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INDEPENDENT AUDITOR'S REPORT

November 8, 2013

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Charles H. Wright Museum of African American History (the "Museum"), a component unit of the City of Detroit, Michigan (the "City"), as of, and for the years ended, June 30, 2013 and 2012, as well as the related notes to the financial statements, which collectively comprise the Museum's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Museum's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Museum's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Museum's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Museum as of June 30, 2013 and 2012, 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.

Uncertainty Regarding City of Detroit, Michigan Bankruptcy Filing

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

Changes in Accounting Principles

As discussed in Note A to the financial statements, during the year ended June 30, 2013, the Museum changed its method of financial reporting. Our opinion is not modified with respect to this matter.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12 and budgetary comparison on pages 39 through 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.


CERTIFIED PUBLIC ACCOUNTANTS
Detroit, Michigan

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)

June 30, 2013 and 2012

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, 2013 and 2012 (“fiscal year 2013” and “fiscal year 2012,” respectively). Please read it in conjunction with the Museum’s financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

The fiscal year ended June 30, 2013 was an extremely challenging year for the Museum. It resulted from continued reduced operating support from the City of Detroit (the “City”). These reductions resulted in significant cash flow problems. The Museum proactively responded by reducing staff salaries by 10 to 15 percent, worked with vendors to spread out payments, and diligently controlled other expenditures. Despite this situation, the Museum continued to offer a robust series of programs and exhibitions, including the opening of our long-term exhibition *Inspiring Minds: African Americans in Science and Technology*.

To address the aforementioned issues long term, the Museum applied for, and was approved for, three-year sustainability grants from the Ford and Kresge Foundations. The purpose of these grants is to create a development department focused on increasing revenue from individuals, corporations, foundations, and other sources. In addition, a Sustainability Committee of the Board of Trustees was created to guide management in the creation of a sustainability plan for the Museum.

Total revenue for the year decreased approximately \$582,800, or 11 percent. This was almost totally due to a reduction of approximately \$508,000 in support from the City. Total expenses, excluding depreciation, increased approximately \$132,200, or 2 percent, due to expenditures associated with the implementation of the *Inspiring Minds: African Americans in Science and Technology* exhibition and the *Underground Railroad* project to be implemented in November 2013. The *Inspiring Minds* expenses incurred this fiscal year were funded by grants received in prior fiscal years, and the *Underground Railroad* expenses incurred this fiscal year will be reimbursed by the United States Department of Education in the next fiscal year. Total expenses associated with these two projects were approximately \$500,000. Excluding those expenses and depreciation, total expenses would be approximately \$5 million, a reduction of 7 percent.

The Museum received no federal government funding during fiscal year 2013, although, as mentioned above, management anticipates reimbursement of expenses associated with the *Underground Railroad* in fiscal year 2014. Operating support from the City was reduced from approximately \$1,500,000 in fiscal year 2012 to approximately \$992,000 in fiscal year 2013. Programmatic support from the State of Michigan (the “State”) was increased from \$6,500 in fiscal year 2012 to \$18,000 in fiscal year 2013.

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

June 30, 2013 and 2012

FINANCIAL HIGHLIGHTS (CONTINUED)

Earned revenue from admissions, the Museum store, facility rental, memberships, and fund raising increased by approximately \$108,600. Facility rental revenue increased approximately \$119,300, or 23 percent, from fiscal year 2012. Revenue from admissions and the Museum store decreased approximately \$33,300, or 7 percent. Membership revenue fell approximately \$5,000, or 3 percent.

During the year, cash and investments decreased by approximately \$611,400 or 31 percent, over the prior year. Cash restricted for various projects was expended either for programming or capital improvements in accordance with grant obligations. In addition, the Museum's overall liabilities increased approximately \$271,500, or 45 percent, from the prior year. The increase is primarily due to a \$100,000 draw on the line of credit and slow payment of some accounts payable.

The Museum's endowment fund increased 5 percent over the prior year to a total of approximately \$935,400. In addition, approximately \$2.3 million is currently held in trust by the Community Foundation for Southeast Michigan ("CFSEM"), for a total of approximately \$3.3 million. The Museum received approximately \$108,000 in operating support from the CFSEM fund during 2013.

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 because the members of the Museum's Board of Trustees are appointed by the City's mayor and the City provides financial support to the Museum. Therefore, the Museum is considered a governmental unit.

The statements of net position and statements of activities (which are presented on pages 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 position include all of the Museum's assets, deferred outflows of resources, liabilities, and deferred inflows of resources.

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

June 30, 2013 and 2012

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Government-Wide Financial Statements (continued)

All of the current year's revenue and expenses are accounted for in the statements of activities, regardless of when cash is received or paid.

The two government-wide financial statements report the Museum's net position and how they have changed. Net position represents the difference between the Museum's total of assets and deferred outflows of resources and its total of liabilities and deferred inflows of resources, and it represents one way to measure the Museum's financial health, or position. Over time, increases or decreases in the Museum's net position are an indicator of whether its financial health is improving or deteriorating.

Fund Financial Statements

The fund financial statements provide more detailed information about the Museum's funds, not the Museum as a whole. Funds are accounting devices that the Museum uses to keep track of specific sources of funding and spending for particular purposes. Most of the Museum's activities are included in governmental funds, which focus on how cash, and other financial assets that can be readily converted to cash, flow in and out and show the balances left at the end of the year that are available for spending. As such, the fund financial statements provide a detailed short-term view that shows whether there are more or fewer financial resources that can be spent in the near future to finance the Museum's programs.

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

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

Another major difference between the two types of financial statements is in the accounting for pledges receivable. In the government-wide financial statements, unconditional pledges receivable are reported as revenue in the period in which the unconditional promises to give are obtained. In the fund financial statements, the recognition of revenue related to unconditional pledges is deferred unless the pledge is collected within 60 days after the end of the fiscal year. As of June 30, 2013 and 2012, the Museum has no pledges receivable that are due within 60 days after year-end.

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

June 30, 2013 and 2012

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

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 general fund revenue and expenditures to its budget is provided on pages 39 and 40.

FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE

Table 1 reflects the statements of net position as of June 30, 2013, 2012, and 2011:

Table 1
Statements of Net Position
June 30, 2013, 2012, and 2011
(in thousands of dollars)

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Assets:			
Cash and cash equivalents	\$ 278.6	\$ 781.2	\$ 1,387.8
Investments	1,080.4	1,189.2	1,266.3
Accounts receivable	30.8	56.7	77.6
Prepaid expenses	17.5	481.9	50.2
Museum store inventory	86.7	104.6	156.5
Pledges receivable:			
Available within 60 days	-0-	-0-	80.0
Capital assets:			
Nondepreciable capital assets	161.4	218.6	218.6
Depreciable capital assets, net	1,531.5	1,112.5	911.4
Total Assets	<u>\$ 3,186.9</u>	<u>\$ 3,944.7</u>	<u>\$ 4,148.4</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)**June 30, 2013 and 2012****FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE (CONTINUED)**

Table 1
Statements of Net Position (continued)
June 30, 2013, 2012, and 2011
(in thousands of dollars)

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Liabilities:			
Accounts payable	\$ 663.7	\$ 476.3	\$ 571.5
Accrued payroll and related taxes	100.1	116.0	81.2
Line of credit	100.0	-0-	-0-
	<u>863.8</u>	<u>592.3</u>	<u>652.7</u>
Total Liabilities			
Net Position:			
Invested in capital assets, net of related debt	1,692.9	1,331.1	1,130.0
Restricted for capital projects	200.8	492.5	525.2
Restricted for other activities	6.8	337.5	728.0
Restricted for endowment	935.4	889.9	912.2
Unrestricted	(512.8)	301.4	200.3
	<u>\$ 2,323.1</u>	<u>\$ 3,352.4</u>	<u>\$ 3,495.7</u>
Total Net Position			

Cash balances decreased by approximately \$502,600 from the prior year to a balance of approximately \$278,600 as of June 30, 2013. Investments include Museum-directed endowment funds, the cash surrender value of life insurance policies, and other stock gifts received. All investments are governed by a Board-approved investment policy. Accounts receivable balances are reviewed for collectability and are written off as necessary. For fiscal year 2013, approximately \$54,700 in uncollectible accounts receivable were written off. There were no pledges receivable as of June 30, 2013. Prepaid expenses include insurance premiums and utilities that overlap fiscal years.

During fiscal year 2013, accounts payable balances increased by approximately \$187,400, or 39 percent. The Museum maintains a \$100,000 line of credit which, as of June 30, 2013, had an outstanding balance of \$100,000.

Total net position decreased by approximately \$1,029,300 from the prior year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)**June 30, 2013 and 2012****FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE (CONTINUED)**

Table 2 reflects the condensed statements of activities for the years ended June 30, 2013, 2012, and 2011:

Table 2
Statements of Activities
For the Years Ended June 30, 2013, 2012, and 2011
(in thousands of dollars)

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Expenses:			
Exhibits and educational program:			
Salaries, wages, and employee benefits	\$ 2,068.0	\$ 2,109.9	\$ 2,020.2
Contractual and professional services	1,308.6	946.6	589.7
Facility operations and maintenance	1,204.9	1,153.1	1,140.1
Educational programs and exhibits	278.5	499.9	562.5
Depreciation	342.1	171.1	226.2
Other expenses	633.6	651.9	513.5
	<u>5,835.7</u>	<u>5,532.5</u>	<u>5,052.2</u>
Program Revenue:			
Exhibits and educational program:			
Grants	1,061.2	2,550.0	2,072.2
Other program revenue	2,002.9	1,894.3	1,229.9
	<u>3,064.1</u>	<u>4,444.3</u>	<u>3,302.1</u>
	<u>2,771.6</u>	<u>1,088.2</u>	<u>1,750.1</u>
General Revenue:			
Contributions	1,691.3	970.9	1,706.0
Unrealized gain (loss) on investments	51.0	(26.0)	80.3
	<u>1,742.3</u>	<u>944.9</u>	<u>1,786.3</u>
	<u>(1,029.3)</u>	<u>(143.3)</u>	<u>36.2</u>
Net Position, Beginning of Year	<u>3,352.4</u>	<u>3,495.7</u>	<u>3,459.5</u>
	<u>\$ 2,323.1</u>	<u>\$ 3,352.4</u>	<u>\$ 3,495.7</u>

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

June 30, 2013 and 2012

FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE (CONTINUED)

The Museum received approximately \$992,400 in unrestricted operating support from the City during fiscal year 2013, a decrease of approximately \$507,600, or 34 percent, from the prior year. The State contributed \$18,000 in support this year for educational programming and \$6,500 in support the prior year. There were no federal funds received by the Museum in fiscal year 2013.

Total revenue received decreased by approximately \$582,800, or 11 percent. Grant revenue decreased by approximately \$1,490,000 as a result of the approximately \$500,000 reduced support from the City, approximately \$555,000 from capital project support, and approximately \$377,000 in reimbursement funds from the *Underground Railroad* project. This was partially offset by an increase in contributions of approximately \$720,400, of which approximately \$100,000 was from individual donations, approximately \$157,000 from corporate donations, and approximately \$400,000 from foundations. The increase in individual donations was a direct result of the Museum's Give a Grand Make a Million campaign. Key grants received during the fiscal year include a grant totaling \$10,000 awarded by the Hudson-Webber Foundation, \$20,000 awarded by Yazaki North America, \$25,000 received from the Erb Family Foundation, \$20,000 from the MASCO Foundation, and \$100,000 from the DTE Energy Foundation. In-kind donations of approximately \$2,400 are included in the contributions category, down from approximately \$29,000 the prior year.

As the Museum worked to carefully manage operating expenses, wages and benefits declined 2 percent from the prior year due to the reduction of staff salaries. Net of depreciation, expenses increased approximately \$132,200, or 2 percent, from fiscal year 2012. As stated earlier, this increase is primarily due to contractual agreements relative to the *Inspiring Minds* exhibition.

Admissions and Museum store sales are important components of program revenue. Attendance to the Museum increased by over 5,000 visitors. However, due to the mix of attendees, admission revenue was slightly down by approximately \$1,500. Museum store sales declined by approximately \$31,800, or 21 percent, from the prior year and, as a result, staff changes were implemented.

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

June 30, 2013 and 2012

FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE (CONTINUED)

Table 3 summarizes exhibit admissions and Museum store sales for the years ended June 30, 2013 and 2012:

Table 3
Schedules of Exhibit Admissions and Museum Store Sales
For the Years Ended June 30, 2013 and 2012
(in thousands of dollars)

	<u>2013</u>	<u>2012</u>
Exhibit admissions	\$ 326.4	\$ 327.9
Museum store sales (gross)	116.0	147.8

Despite the challenges presented by the economy and the reduced City support, the Museum continued to present an exciting and educational slate of programs and exhibitions. The 30th annual African World Festival (“AWF”) moved home to the Museum that birthed it: the Charles H. Wright Museum of African American History! Attendees experience a proud new tradition – the color, vibrancy, and cultural pride of AWF, all on the Museum’s very own doorstep. There was no mistake in connecting the African World Festival with the Museum.

The second annual gala fund raiser celebrating literacy – *For the Love of Literacy Gala – La Bibliotheque* – attracted over 400 supporters and provided operating revenue to partially offset the reduction from the City. The 2013 Ford Freedom Awards (“FFA”) were also successful. They honored Civil Rights icons and “Quiet Heroes” Ms. Johnnie R. Carr, the Ford Freedom Award Honoree, Viola Liuzzo, FFA Humanitarian, and Congressman John Lewis, the FFA Scholar, and featured a concert by Grammy-nominated R&B singer-songwriter Eric Benet.

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

- *Visions of our 44th President*
- *Witness: The Art of Jerry Pinkney*
- *The Chris Webber Collection: Exceptional People During Extraordinary Times 1755-Present*
- *Pathways to Freedom in the Americas: Shared Experiences between Michigan and Mexico*
- *Great American Artists – Part II: The Branches and Part III: The Seeds*
- *Delta Sigma Theta Sorority, Inc.: Celebrating a Century of Scholarship, Sisterhood, and Service*
- *A Very Present Force: Celebrating a Century of the Detroit Branch NAACP*

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

June 30, 2013 and 2012

FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE (CONTINUED)

Additionally, the Museum opened its long-term exhibition, *Inspiring Minds: African Americans in Science and Technology*.

The Museum again served as a venue for the city-wide Concert of Colors, hosted NBC News' Education Nation, which featured student and teacher town halls, and presented Complex Movements' Beware of the Dandelions, a 30 minute multi-media performance about transformation and social justice movements as complex systems.

The Museum continued the popular *30 Days to Lose It*, a health and fitness program to address health issues in the community, and *Hustle for History*, a weekly program to provide exercise in a fun manner. The Museum also continued the Financial Literacy Project, a long-term partnership with the Plymouth Educational Center to empower a core group of urban high school students who will, in turn, inspire and instruct other young people around financial literacy. Additionally, the Museum continued its partnership with the Association for the Study of African American Life and History to present joint programming and events. Other popular annual programs which were continued include Grandparents Day, Noel Night, Martin Luther King Jr. Day, Juneteenth, and the Black Women Rock Concert.

ECONOMIC FACTORS

The Museum remains laser-focused on the following four cornerstone goals:

1. Create a standard and culture of service within the Museum
2. Improve the quantity and quality of educational offerings
3. Seek opportunities for partnership with other local organizations
4. Improve marketing of Museum products and services

Management believes that the Museum has made progress on all of these goals and will continue to do so.

In fiscal year 2014, the Museum will continue to focus on the four goals and expects continued increases in earned income while performing as cost-effectively as possible. During the 2014 fiscal year, the Museum plans to launch a series of programs and exhibitions that will further enhance the Museum visitor experience. The Museum has available the Children's Discovery Room, an area focused on literacy for pre-kindergarten through third grade students, a series of online videos celebrating African American participation in the Civil War, and an Underground Railroad website and kiosks.

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

June 30, 2013 and 2012

ECONOMIC FACTORS (CONTINUED)

New exhibitions scheduled for the upcoming year include the following:

- *Bandits, Heroes, Poets and Saints*
- *Point of View: African American Masters from the Elliot and Kimberly Perry Collection*
- *Inspiring Beauty: 50 Years of Ebony Fashion Fair*
- *Ingrid Saunders-Jones*

FINANCIAL CONTACT

This financial report is designed to present its users with a general overview of the Museum's finances and to demonstrate the Museum's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Chief Financial Officer's office of the Charles H. Wright Museum of African American History, 315 East Warren, Detroit, Michigan 48201.

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

STATEMENTS OF NET POSITION

June 30, 2013 and 2012

	Governmental Activities	
	2013	2012
Assets:		
Cash and cash equivalents (Note B)	\$ 278,558	\$ 781,214
Investments (Note B)	1,080,396	1,189,189
Accounts receivable (no allowance considered necessary)	30,830	56,738
Prepaid expenses	17,496	481,947
Museum store inventory (lower of cost or market)	86,680	104,572
Capital assets (Note E):		
Nondepreciable capital assets	161,350	218,629
Depreciable capital assets, net	1,531,544	1,112,461
Collections and artifacts (Notes A and C)	---	---
Total Assets	3,186,854	3,944,750
Liabilities:		
Accounts payable	663,655	476,337
Accrued payroll and related taxes	100,106	115,990
Line of credit (Note F)	100,000	-0-
Total Liabilities	863,761	592,327
Net Position:		
Invested in capital assets, net of related debt	1,692,894	1,331,090
Restricted for capital projects	200,845	492,539
Restricted for other activities	6,785	337,533
Restricted for endowment	935,356	889,897
Unrestricted	(512,787)	301,364
Total Net Position	\$ 2,323,093	\$ 3,352,423

See notes to financial statements.

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2013 and 2012

	Governmental Activities	
	2013	2012
Expenses:		
Exhibits and educational program:		
Salaries, wages, and employee benefits	\$ 2,067,971	\$ 2,109,938
Contractual and professional services	1,308,613	946,558
Facility operations and maintenance	1,204,868	1,153,078
Office expenses	288,362	297,298
Cost of goods sold	144,339	160,410
Educational programs and exhibits	278,536	499,949
Purchases of artifacts	361	-0-
Other expenses	200,547	194,131
Depreciation (Note E)	342,096	171,089
	5,835,693	5,532,451
Program Revenue:		
Exhibits and educational program:		
Grants (Notes G and L)	1,061,199	2,549,997
Facility rental and catering	649,488	530,190
Exhibit admissions	326,385	327,935
Museum store	116,028	147,782
Memberships	165,896	170,894
Special events and other revenue	745,098	717,504
	3,064,094	4,444,302
Net Program Expense	2,771,599	1,088,149
General Revenue:		
Contributions	1,688,869	941,878
In-kind contributions	2,429	28,981
Unrealized gain (loss) on investments	50,971	(25,990)
	1,742,269	944,869
Net Increase (Decrease) in Net Position	(1,029,330)	(143,280)
Net Position, Beginning of Year	3,352,423	3,495,703
Net Position, End of Year	\$ 2,323,093	\$ 3,352,423

See notes to financial statements.

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

BALANCE SHEETS - GOVERNMENTAL FUNDS

June 30, 2013

(With Comparative Totals as of June 30, 2012)

	2013				Total All Funds	
	General Fund	Capital Projects Fund	Special Revenue Fund	Permanent Fund	2013	2012
ASSETS						
Cash and cash equivalents (Note B)	\$ 49,241	\$ 115,971	\$ 113,346	\$ -0-	\$ 278,558	\$ 781,214
Investments (Note B)	38,479	106,561		935,356	1,080,396	1,189,189
Accounts receivable (no allowance considered necessary)	30,830				30,830	56,738
Prepaid expenditures	17,496				17,496	481,947
Museum store inventory (lower of cost or market)	86,680				86,680	104,572
Total Assets	\$ 222,726	\$ 222,532	\$ 113,346	\$ 935,356	\$ 1,493,960	\$ 2,613,660
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 641,968	\$ 21,687	\$ -0-	\$ -0-	\$ 663,655	\$ 476,337
Accrued payroll and related taxes	100,106				100,106	115,990
Line of credit (Note F)	100,000				100,000	-0-
Total Liabilities	842,074	21,687	-0-	-0-	863,761	592,327
Fund Balances (Deficits):						
Nonspendable	104,176			935,356	1,039,532	1,476,416
Restricted for capital projects		200,845			200,845	492,539
Restricted for designated activities			113,346		113,346	443,034
Unassigned	(723,524)				(723,524)	(390,656)
Total Fund Balances (Deficits)	(619,348)	200,845	113,346	935,356	630,199	2,021,333
Total Liabilities and Fund Balances	\$ 222,726	\$ 222,532	\$ 113,346	\$ 935,356	\$ 1,493,960	\$ 2,613,660

See notes to financial statements.

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

BALANCE SHEETS - GOVERNMENTAL FUNDS

June 30, 2012

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Special Revenue Fund</u>	<u>Permanent Fund</u>	<u>Total All Funds</u>
ASSETS					
Cash and cash equivalents (Note B)	\$ 111,349	\$ 344,492	\$ 325,373	\$ -0-	\$ 781,214
Investments (Note B)	24,196	157,435	117,661	889,897	1,189,189
Accounts receivable (no allowance considered necessary)	56,738				56,738
Prepaid expenditures	481,947				481,947
Museum store inventory (lower of cost or market)	104,572				104,572
Total Assets	<u>\$ 778,802</u>	<u>\$ 501,927</u>	<u>\$ 443,034</u>	<u>\$ 889,897</u>	<u>\$ 2,613,660</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 466,949	\$ 9,388	\$ -0-	\$ -0-	\$ 476,337
Accrued payroll and related taxes	115,990				115,990
Total Liabilities	<u>582,939</u>	<u>9,388</u>	<u>-0-</u>	<u>-0-</u>	<u>592,327</u>
Fund Balances (Deficits):					
Nonspendable	586,519			889,897	1,476,416
Restricted for capital projects		492,539			492,539
Restricted for designated activities			443,034		443,034
Unassigned	(390,656)				(390,656)
Total Fund Balances	<u>195,863</u>	<u>492,539</u>	<u>443,034</u>	<u>889,897</u>	<u>2,021,333</u>
Total Liabilities and Fund Balances	<u>\$ 778,802</u>	<u>\$ 501,927</u>	<u>\$ 443,034</u>	<u>\$ 889,897</u>	<u>\$ 2,613,660</u>

See notes to financial statements.

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

RECONCILIATIONS OF GOVERNMENTAL FUNDS BALANCE SHEETS TO STATEMENTS OF NET POSITION

June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Total Fund Balances, Governmental Funds	\$ 630,199	\$ 2,021,333
<p>Amounts reported for governmental activities in the statements of net position differ from amounts reported in the governmental funds balance sheets due to the following:</p>		
<p>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	161,350	218,629
Depreciable capital assets:		
Cost	16,172,480	15,411,301
Less: Accumulated depreciation	<u>(14,640,936)</u>	<u>(14,298,840)</u>
Total Net Position, Governmental Activities	<u><u>\$ 2,323,093</u></u>	<u><u>\$ 3,352,423</u></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, 2013
(With Comparative Totals for the Year Ended June 30, 2012)

	2013				Total All Funds	
	General Fund	Capital Projects Fund	Special Revenue Fund	Permanent Fund	2013	2012
Revenue:						
Grants (Notes G and L)	\$ 1,037,399	\$ 23,800	\$ -0-	\$ -0-	\$ 1,061,199	\$ 2,549,997
Contributions	1,138,219		550,650		1,688,869	941,878
In-kind contributions	2,429				2,429	28,981
Facility rental and catering	649,488				649,488	530,190
Exhibit admissions	326,385				326,385	327,935
Museum store	116,028				116,028	147,782
Memberships	165,896				165,896	170,894
Special events and other revenue	723,738	9	809	20,542	745,098	717,504
Unrealized gain (loss) on investments	14,242	1,061		35,668	50,971	(25,990)
Total Revenue	4,173,824	24,870	551,459	56,210	4,806,363	5,389,171
Expenditures:						
Current:						
Salaries, wages, and employee benefits	2,067,971				2,067,971	2,109,938
Contractual and professional services	1,308,613				1,308,613	946,558
Facility operations and maintenance	1,204,868				1,204,868	1,153,078
Office expenses	287,573	789			288,362	297,298
Cost of goods sold	144,339				144,339	160,410
Educational programs and exhibits	278,536				278,536	499,949
Purchases of artifacts	361				361	-0-
Other current expenditures	189,896			10,651	200,547	194,131
Capital outlay (Note E)		703,900			703,900	372,141
Total Expenditures	5,482,157	704,689	-0-	10,651	6,197,497	5,733,503
Excess (Deficiency) of Revenue over Expenditures	(1,308,333)	(679,819)	551,459	45,559	(1,391,134)	(344,332)
Other Financing Sources (Uses):						
Interfund transfers	493,122	388,125	(881,147)	(100)	-0-	-0-
Net Increase (Decrease) in Fund Balances	(815,211)	(291,694)	(329,688)	45,459	(1,391,134)	(344,332)
Fund Balances, Beginning of Year	195,863	492,539	443,034	889,897	2,021,333	2,365,665
Fund Balances (Deficits), End of Year	\$ (619,348)	\$ 200,845	\$ 113,346	\$ 935,356	\$ 630,199	\$ 2,021,333

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, 2012

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Special Revenue Fund</u>	<u>Permanent Fund</u>	<u>Total All Funds</u>
Revenue:					
Grants (Notes G and L)	\$ 1,969,775	\$ 580,222	\$ -0-	\$ -0-	\$ 2,549,997
Contributions	546,855		395,023		941,878
In-kind contributions	28,981				28,981
Facility rental and catering	530,190				530,190
Exhibit admissions	327,935				327,935
Museum store	147,782				147,782
Memberships	170,894				170,894
Special events and other revenue	696,071	583	505	20,345	717,504
Unrealized gain (loss) on investments	5,234	1,288		(32,512)	(25,990)
Total Revenue	4,423,717	582,093	395,528	(12,167)	5,389,171
Expenditures:					
Current:					
Salaries, wages, and employee benefits	2,109,938				2,109,938
Contractual and professional services	946,558				946,558
Facility operations and maintenance	1,153,078				1,153,078
Office expenses	297,298				297,298
Cost of goods sold	160,410				160,410
Educational programs and exhibits	499,099	850			499,949
Other current expenditures	183,481	500		10,150	194,131
Capital outlay (Note E)		372,141			372,141
Total Expenditures	5,349,862	373,491	-0-	10,150	5,733,503
Excess (Deficiency) of Revenue over Expenditures	(926,145)	208,602	395,528	(22,317)	(344,332)
Other Financing Sources (Uses):					
Interfund transfers	1,026,008	(241,266)	(784,742)		-0-
Net Increase (Decrease) in Fund Balances	99,863	(32,664)	(389,214)	(22,317)	(344,332)
Fund Balances, Beginning of Year	96,000	525,203	832,248	912,214	2,365,665
Fund Balances, End of Year	\$ 195,863	\$ 492,539	\$ 443,034	\$ 889,897	\$ 2,021,333

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, 2013 and 2012

	2013	2012
Net Increase (Decrease) in Fund Balances, Governmental Funds	\$ (1,391,134)	\$ (344,332)
<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>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	703,900	372,141
Less: Depreciation expense	(342,096)	(171,089)
Net Increase (Decrease) in Net Position, Governmental Activities	\$ (1,029,330)	\$ (143,280)

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013 and 2012

NOTE A – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities and Purpose

The Charles H. Wright Museum of African American History (the “Museum”), located in Detroit, Michigan, provides research, compilation, presentation, publication, and dissemination of knowledge relating to the history, growth, development, heritage, and culture of people of African descent and the human struggle for freedom. Additionally, the Museum provides a means of collecting and restoring artifacts and other source material to be used in research on the history of the people of African descent.

For financial reporting purposes, the Museum is a component unit of the City of Detroit, Michigan (the “City”) because the members of the Museum’s Board of Trustees are appointed by the City’s mayor and the City provides financial support to the Museum. There are no fiduciary funds or component units included in the accompanying financial statements.

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

Changes in Accounting Principles

The Governmental Accounting Standards Board (“GASB”) issued Statement of Governmental Accounting Standards (“SGAS”) No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,” in June 2011.

SGAS No. 63 establishes new guidance for reporting deferred outflows of resources (the consumption of net assets by the entity that is applicable to a future reporting period) and deferred inflows of resources (the acquisition of net assets by the entity that is applicable to a future reporting period), as well as reporting net position (the residual of all other elements presented in a statement of financial position), in a revised statement of net position and in the governmental funds balance sheet. SGAS No. 63 also provides updated definitions for the three components of net position and expands related note disclosure requirements.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2013 and 2012

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

Changes in Accounting Principles (continued)

The GASB also issued SGAS No. 65, “Items Previously Reported as Assets and Liabilities,” in March 2012. SGAS No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities, such as assets recorded in governmental fund financial statements when the related revenue is not available, as well as resources associated with nonexchange revenue transactions. SGAS No. 65 also includes deferred outflows of resources and deferred inflows of resources in determining which governmental funds are considered major funds.

The Museum adopted the provisions of SGAS No. 63 and SGAS No. 65, effective July 1, 2012. The implementation of SGAS No. 63 and SGAS No. 65 did not impact the Museum’s net position, changes in net position, fund balances, or changes in fund balances.

Basis of Presentation

The financial statements of the Museum consist of government-wide financial statements, which include the statements of net position and statements of activities, and fund financial statements, which include the balance sheets and statements of revenue, expenditures, and fund balances for governmental funds.

Government-Wide Financial Statements

The government-wide financial statements report information about all of the Museum’s assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenue, and expenses.

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, 2013 and 2012

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

Basis of Presentation (continued)

Fund Financial Statements (continued)

The following funds are used by the Museum:

General Fund

The general fund is the general operating fund of the Museum. It is used to account for all financial resources other than those required to be accounted for in another fund.

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.

Special Revenue Fund

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

Permanent Fund

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

The Museum's fund balances are classified as follows, based on the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable

These fund balances consist of amounts that are not in a spendable form (such as inventory or prepaid expenditures) or that are required to be maintained intact.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2013 and 2012

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

Basis of Presentation (continued)

Fund Financial Statements (continued)

Restricted

These fund balances consist of amounts that are constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed

These fund balances consist of amounts that are constrained to specific purposes by the Museum itself, using its highest level of decision-making authority, which is the Board of Trustees. To be reported as committed, such amounts cannot be used for any other purpose unless the Board of Trustees takes action to remove or change the constraint. The Board of Trustees establishes (and modifies or rescinds) fund balance commitments by passage of a resolution, typically through adoption and amendment of the budget.

Assigned

These fund balances consist of amounts that the Museum intends to use for a specific purpose. Such intent can be expressed by the governing body, which is the Board of Trustees, or by an official or body to which the Board of Trustees delegates the authority, such as the Finance Committee. Assigned fund balances are typically established through adoption or amendment of the budget.

Unassigned

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2013 and 2012

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

Basis of Accounting

Government-Wide Financial Statements

The government-wide financial statements are prepared on the accrual basis of accounting using the economic resources measurement focus. Accordingly, revenue is recorded when earned and expenses are recorded when incurred.

Grants provided to support program activities and revenue directly associated with services provided or use of the facility are classified as program revenue. Contributions, investment income, and other support not directly associated with services provided or use of the facility are classified as general revenue.

Fund Financial Statements

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

Expenditures that are incurred for purposes for which both restricted and unrestricted fund balances are available are applied first to available restricted fund balances, then to unrestricted fund balances. Expenditures that are incurred for purposes for which committed, assigned, and unassigned fund balances are available are applied first to available committed fund balances, then to available assigned fund balances, and finally to unassigned fund balances.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2013 and 2012

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

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, 2013 and 2012, total contributed volunteer time of 11,977 and 12,402 hours, respectively, was valued at \$247,086 and \$248,908, respectively.

Compensated Absences

Vacation time is accrued as earned. Employees are allowed to carry over a maximum of 80 hours. Any hours not used within a year of being carried over are forfeited.

Capital Assets

Capital assets are recorded at historical cost. The Museum capitalizes all expenditures for long-term and permanent exhibits, furniture, and equipment in excess of \$2,500 and for building improvements in excess of \$5,000. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range from five to 10 years. The depreciation for long-term and permanent exhibits is computed using the declining balance over the useful life of five years. Expenditures for maintenance and repairs are charged to expense. Renewals or betterments which extend the life or increase the value of the properties are capitalized and depreciated over the remaining useful lives of the related assets.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2013 and 2012

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

Collections and Artifacts

The Museum does not capitalize donated collections and artifacts or recognize them as revenue. Such donations need not be recognized if they are added to collections that: (a) are held for public exhibition, education, or research in furtherance of public service rather than financial gain, (b) are protected, kept unencumbered, cared for, and preserved, and (c) are subject to a policy that requires the proceeds from sales of collection items to be used to acquire other items for collections. For the years ended June 30, 2013 and 2012, donated collections and artifacts totaled \$62,014 and \$112,959, 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 \$99,735 and \$150,508 for the years ended June 30, 2013 and 2012, respectively.

NOTE B - CASH DEPOSITS AND INVESTMENTS

Cash Deposits

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)**June 30, 2013 and 2012****NOTE B - CASH DEPOSITS AND INVESTMENTS (CONTINUED)****Cash Deposits (continued)**

As of June 30, 2013 and 2012, 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>2013</u>	<u>2012</u>
Carrying amount of deposits:		
Cash and cash equivalents	\$ 278,558	\$ 781,214
Certificates of deposit included in investments	<u>-0-</u>	<u>169,595</u>
	<u>\$ 278,558</u>	<u>\$ 950,809</u>
Total bank balances	<u>\$ 108,956</u>	<u>\$ 935,860</u>
Uninsured and uncollateralized bank balances	<u>\$ -0-</u>	<u>\$ 365,697</u>

Investments

Investments are recorded at fair value, based on quoted market prices. As of June 30, 2013 and 2012, the Museum's investments are classified as follows:

	<u>2013</u>	<u>2012</u>
Investments held by the Museum or its agent in the Museum's name:		
Money market funds:		
Unrated:		
U.S. Trust Money Market Funds	\$ 125,245	\$ 115,384
Certificates of deposit (included in the cash deposit disclosures)	-0-	169,595
Corporate bonds:		
A- rating from Standard & Poor's, weighted average maturity of 24 years and 25 years for 2013 and 2012, respectively	10,408	10,840

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2013 and 2012

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

	<u>2013</u>	<u>2012</u>
Investments held by the Museum or its agent in the Museum's name (continued):		
Corporate bonds (continued):		
BBB- rating from Standard & Poor's, weighted average maturity of 48 years and 49 years for 2013 and 2012, respectively	\$ 10,404	\$ 11,295
446 shares of common stock from Gannett Company, Inc., received on June 2, 1987 (value at date of donation was \$8,530)	11,025	6,623
Registered investment companies:		
Bond funds:		
AAA rating from Standard & Poor's, weighted average maturity of 8.22 years and 8.31 years for 2013 and 2012, respectively	41,127	43,075
AA+ rating from Standard & Poor's, weighted average maturity of 1.96 years for 2013 and 2012	37,926	37,967
A- rating from Standard & Poor's, weighted average maturity of 4.92 years and 4.99 years for 2013 and 2012, respectively	207,896	210,988
A- rating from Standard & Poor's, weighted average maturity of 2.03 years and 1.87 years for 2013 and 2012, respectively	79,823	79,580
Equity funds	395,181	343,056
Other funds	54,800	55,285
Individual investments representing five percent or more of the Museum's investments:		
Cash surrender value of life insurance policy:		
Lincoln National Life Insurance Company	106,561	105,501
	<u>\$ 1,080,396</u>	<u>\$ 1,189,189</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2013 and 2012

NOTE B - CASH DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (continued)

Credit risk is the risk that the Museum will not recover its investments due to the inability of the counterparty to fulfill its obligations. State of Michigan statutes authorize the Museum to invest in obligations and certain repurchase agreements of the U.S. Treasury and related governmental agencies, commercial paper rated prime at the time of purchase and maturing not more than 270 days from the date of purchase, bankers acceptances and certificates of deposit issued or created by any state or national bank insured with the applicable federal agency, investment pools authorized by the Surplus Funds Investment Act, and registered investment companies composed entirely of the above investments.

The Museum's investment policy does not further limit its investment options. The Museum's investment policy does not limit its investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Museum will not be able to recover the value of its investments that are in the possession of an outside party. The Museum has a limit on the amount that may be invested in any one investment.

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 \$1.516 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, 2013 and 2012

NOTE D - PLEDGES RECEIVABLE

For purposes of the fund financial statements, pledges receivable are recorded on the modified accrual basis of accounting. Therefore, the governmental funds balance sheets present a deferred revenue balance for the net amount of any pledges receivable that are not susceptible to accrual (both measurable and available within 60 days). Such pledges will be recorded in the fund financial statements as revenue in future years as payments are received.

For purposes of the government-wide financial statements, pledges receivable are recorded on the accrual basis of accounting. Therefore, the statements of activities present revenue for the net amount of any pledges receivable in the period the unconditional promises to give are obtained.

The Museum does not have any pledges receivable as of June 30, 2013 or 2012.

NOTE E - CAPITAL ASSETS

Nondepreciable capital asset activity for the years ended June 30, 2013 and 2012 is as follows:

	<u>Construction in Progress</u>
Balance, July 1, 2011	<u>\$ 218,629</u>
Balance, June 30, 2012	218,629
Acquisitions	161,350
Less: Transfers to exhibits	<u>(218,629)</u>
Balance, June 30, 2013	<u>\$ 161,350</u>

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2013 and 2012

NOTE E - CAPITAL ASSETS (CONTINUED)

Depreciable capital asset activity for the years ended June 30, 2013 and 2012 is as follows:

	<u>Building Improvements</u>	<u>Exhibits</u>	<u>Furniture and Equipment</u>	<u>Total</u>
Cost:				
Balance, July 1, 2011	\$ 1,523,112	\$ 12,040,872	\$ 1,475,176	\$ 15,039,160
Acquisitions	32,612	291,144	48,385	372,141
Balance, June 30, 2012	1,555,724	12,332,016	1,523,561	15,411,301
Acquisitions		542,550		542,550
Transfers from construction in progress		218,629		218,629
Balance, June 30, 2013	\$ 1,555,724	\$ 13,093,195	\$ 1,523,561	\$ 16,172,480
Accumulated Depreciation:				
Balance, July 1, 2011	\$ 784,470	\$ 12,040,872	\$ 1,302,409	\$ 14,127,751
Depreciation expense	118,243	2,174	50,672	171,089
Balance, June 30, 2012	902,713	12,043,046	1,353,081	14,298,840
Depreciation expense	121,093	180,534	40,469	342,096
Balance, June 30, 2013	\$ 1,023,806	\$ 12,223,580	\$ 1,393,550	\$ 14,640,936
Net Depreciable Capital Assets:				
Balance, June 30, 2012	\$ 653,011	\$ 288,970	\$ 170,480	\$ 1,112,461
Balance, June 30, 2013	\$ 531,918	\$ 869,615	\$ 130,011	\$ 1,531,544

NOTE F - LINE OF CREDIT

The Museum has a line of credit arrangement with a bank for \$100,000, requiring interest at 1.5 percent over the prime rate per annum. The line of credit is secured by substantially all assets of the Museum.

Activity under the line of credit for the years ended June 30, 2013 and 2012 is as follows:

	<u>2013</u>	<u>2012</u>
Balance, beginning of year	\$ -0-	\$ -0-
Additions	100,000	-0-
Balance, End of Year	\$ 100,000	\$ -0-

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2013 and 2012

NOTE G - CONTRACT WITH THE CITY OF DETROIT

The Museum entered into its most recent contract with the City of Detroit effective November 1, 1999, under which the City is to provide the Museum with operating funds. This contract was for 10 years, with an automatic 10-year renewal unless a notice to terminate is requested by either party. The contract was extended effective November 1, 2009 and expires on October 31, 2019. Under the terms of the contract, all personal property acquired before and/or during the life of the contract becomes the property of the City. Funding under the contract totaled \$992,399 and \$1,569,224 for the years ended June 30, 2013 and 2012, 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, 2013 and 2012 totaled \$107,934 and \$105,337, 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, 2013 and 2012 is \$2,329,569 and \$2,225,284, 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2013 and 2012

NOTE I - LEASES

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

For the Years Ending June 30:	
2014	\$ 23,788
2015	19,648
2016	19,648
2017	16,572
2018	<u>4,896</u>
Total Minimum Lease Payments	<u><u>\$ 84,552</u></u>

Total rental expense under these lease agreements for the years ended June 30, 2013 and 2012 was \$23,032 and \$27,847, respectively.

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2013 and 2012

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

The following table displays reconciliations of the general and special revenue fund balances on the fund financial statements to unrestricted net position and net position restricted for other activities on the government-wide financial statements as of June 30, 2013 and 2012.

	<u>2013</u>		<u>2012</u>	
	<u>General Fund Balance/ Unrestricted Net Position</u>	<u>Special Revenue Fund Balance/ Net Position Restricted for Other Activities</u>	<u>General Fund Balance/ Unrestricted Net Position</u>	<u>Special Revenue Fund Balance/ Net Position Restricted for Other Activities</u>
Fund balances (deficits), governmental funds:				
Nonspendable	\$ 104,176	\$ -0-	\$ 586,519	\$ -0-
Restricted for designated activities	-0-	113,346	-0-	443,034
Unassigned	(723,524)	-0-	(390,656)	-0-
	<u>(619,348)</u>	<u>113,346</u>	<u>195,863</u>	<u>443,034</u>
Fund balances designated by the Board of Trustees for specific activities which are not restricted by donors	<u>106,561</u>	<u>(106,561)</u>	<u>105,501</u>	<u>(105,501)</u>
Net Position, Governmental Activities	<u>\$ (512,787)</u>	<u>\$ 6,785</u>	<u>\$ 301,364</u>	<u>\$ 337,533</u>

NOTE K - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and State of Michigan (the "State") law for the general fund. All annual appropriations lapse at the end of the fiscal year.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2013 and 2012

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

During the year ended June 30, 2013, 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	\$ 1,901,700	\$ 2,067,971	\$ (166,271)
Contractual and professional services	1,217,750	1,308,613	(90,863)
Office expenses	155,270	287,573	(132,303)
Cost of goods sold	121,410	144,339	(22,929)
Other current expenditures	-0-	189,896	(189,896)

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

NOTE L - CAPITAL EXPANSION BOND ISSUES

On November 8, 2001, the general electorate approved a Capital Expansion Bond Issue for \$20 million, of which \$4 million was designated to the Museum. In May 2003, the general electorate approved another Capital Expansion Bond Issue for \$6 million. These funds are to be used primarily for capital purchases, including exhibit construction, equipment, and other major building maintenance expenses. During May 2011, the general electorate approved another \$34 million for capital improvements from the general obligation bond sale during December 2010, of which approximately \$297,000 was designated for the Museum.

As of June 30, 2013, approximately \$405,000 in bonds remains available for the Museum's use. The dollars will be authorized by the City over time. The Museum did not receive any money from this authorization during the year ended June 30, 2013. 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, 2013 and 2012

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 - 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 - GENERAL FUND (UNAUDITED)

For the Years Ended June 30, 2013 and 2012

	2013			2012				
	Original Budget	Final Budget	Actual	Positive (Negative) Variance with Final Budget	Original Budget	Final Budget	Actual	Positive (Negative) Variance with Final Budget
Revenue:								
Grants	\$ 1,282,500	\$ 1,494,620	\$ 1,037,399	\$ (457,221)	\$ 1,970,000	\$ 1,494,620	\$ 1,969,775	\$ 475,155
Contributions	1,200,950	1,380,837	1,138,219	(242,618)	1,494,782	1,380,837	546,855	(833,982)
In-kind contributions			2,429	2,429			28,981	28,981
Facility rental and catering	508,250	455,558	649,488	193,930	499,822	455,558	530,190	74,632
Exhibit admissions	367,420	285,226	326,385	41,159	297,099	285,226	327,935	42,709
Museum store	164,850	142,828	116,028	(26,800)	144,738	142,828	147,782	4,954
Memberships	184,000	210,266	165,896	(44,370)	213,725	210,266	170,894	(39,372)
Special events and other revenue	984,000	924,157	723,738	(200,419)	451,955	924,157	696,071	(228,086)
Unrealized gain on investments			14,242	14,242			5,234	5,234
Total Revenue	4,691,950	4,893,492	4,173,824	(719,668)	5,072,121	4,893,492	4,423,717	(469,775)
Expenditures:								
Current:								
Salaries, wages, and employee benefits	1,901,700	1,901,700	2,067,971	(166,271)	2,371,371	2,178,851	2,109,938	68,913
Contractual and professional services	1,217,750	1,217,750	1,308,613	(90,863)	474,920	672,487	946,558	(274,071)
Facility operations and maintenance	1,327,240	1,327,240	1,204,868	122,372	1,099,759	1,095,150	1,153,078	(57,928)
Office expenses	155,270	155,270	287,573	(132,303)	272,963	287,883	297,298	(9,415)
Cost of goods sold	121,410	121,410	144,339	(22,929)	107,822	133,513	160,410	(26,897)
Educational programs and exhibits	311,550	311,550	278,536	33,014	475,439	513,146	499,099	14,047
Purchases of artifacts			361	(361)	194,772	194,988	194,988	
Other current expenditures			189,896	(189,896)	75,075	77,458	183,481	(106,023)
Total Expenditures	5,034,920	5,034,920	5,482,157	(447,237)	5,072,121	5,153,476	5,349,862	(196,386)

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

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

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

For the Years Ended June 30, 2013 and 2012

	2013			2012				
	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	\$ (342,970)	\$ (141,428)	\$ (1,308,333)	\$ (1,166,905)	\$ -0-	\$ (259,984)	\$ (926,145)	\$ (666,161)
Other Financing Sources: Interfund transfers			493,122	493,122			1,026,008	1,026,008
Net Increase (Decrease) in Fund Balance	\$ (342,970)	\$ (141,428)	\$ (815,211)	\$ (673,783)	\$ -0-	\$ (259,984)	\$ 99,863	\$ 359,847

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

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

For the Years Ended June 30, 2013 and 2012

NOTE A - BUDGETS AND BUDGETARY ACCOUNTING

The Charles H. Wright Museum of African American History (the “Museum”) establishes a budget that is reflected in the financial statements for the general fund. The budget is presented on the modified accrual basis of accounting.

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

OTHER SUPPLEMENTARY INFORMATION



INDEPENDENT AUDITOR'S REPORT ON OTHER SUPPLEMENTARY INFORMATION

November 8, 2013

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

We have audited the 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, 2013 and 2012, and our report thereon dated November 8, 2013, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of cash flows are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

CERTIFIED PUBLIC ACCOUNTANTS
Detroit, Michigan

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

SCHEDULES OF CASH FLOWS

For the Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash Flows from Operating Activities:		
Net increase (decrease) in net position	\$ (1,029,330)	\$ (143,280)
Adjustments to reconcile net increase (decrease) in net position to net cash provided (used) by operating activities:		
Unrealized (gain) loss on investments	(50,971)	25,990
Depreciation	342,096	171,089
(Increase) decrease in:		
Accounts receivable	25,908	20,823
Prepaid expenses	464,451	(431,777)
Museum store inventory	17,892	51,980
Pledges receivable	-0-	80,000
Increase (decrease) in:		
Accounts payable	187,318	(95,208)
Accrued payroll and related taxes	(15,884)	34,815
	<u>(58,520)</u>	<u>(285,568)</u>
Net Cash Provided (Used) by Operating Activities		
	<u>(58,520)</u>	<u>(285,568)</u>
Cash Flows from Investing Activities:		
Acquisition of investments	(9,831)	(163,476)
Proceeds from sales of investments	169,595	214,602
Acquisition of capital assets	(703,900)	(372,141)
	<u>(544,136)</u>	<u>(321,015)</u>
Net Cash Provided (Used) by Investing Activities		
	<u>(544,136)</u>	<u>(321,015)</u>
Cash Flows from Financing Activities:		
Proceeds received on line of credit	100,000	-0-
	<u>100,000</u>	<u>-0-</u>
Net Cash Provided by Financing Activities		
	<u>100,000</u>	<u>-0-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(502,656)	(606,583)
Cash and Cash Equivalents Balance, Beginning of Year	781,214	1,387,797
	<u>781,214</u>	<u>1,387,797</u>
Cash and Cash Equivalents Balance, End of Year	\$ 278,558	\$ 781,214
	<u>\$ 278,558</u>	<u>\$ 781,214</u>