

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

FINANCIAL STATEMENTS

June 30, 2011 and 2010

**George Johnson
& Company**

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

CONTENTS

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)	2
FINANCIAL STATEMENTS:	
Statements of Net Assets	12
Statements of Activities	13
Balance Sheets - Governmental Funds	14
Reconciliations of Governmental Funds Balance Sheets to Statements of Net Assets	16
Statements of Revenue, Expenditures, and Changes in Fund Balances – Governmental Funds	17
Reconciliations of Governmental Funds Statements of Revenue, Expenditures, and Changes in Fund Balances to Statements of Activities	19
NOTES TO FINANCIAL STATEMENTS	20
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedules of Revenue and Expenditures - Budget and Actual – Operating Fund (Unaudited)	38
Note to Schedules of Revenue and Expenditures - Budget and Actual - Operating Fund (Unaudited)	40

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INDEPENDENT AUDITORS' REPORT

November 21, 2011

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, 2011 and 2010, 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, 2011 and 2010, 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.

As discussed in Note A to the financial statements, during the year ended June 30, 2011, the Museum changed its method of classifying its fund balances.

The accompanying management's discussion and analysis and schedules of revenue and expenditures - budget and actual (general 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, 2011 and 2010

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, 2011 and 2010 ("fiscal year 2011" and "fiscal year 2010," respectively). Please read it in conjunction with the Museum's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

The Museum continues to be impacted by the struggling economy affecting the entire nation and saw a decline in revenue, like many cultural institutions and not-for-profit organizations. Appropriate steps were taken during the fiscal year to maintain quality public programming and service, while instituting cost saving initiatives organization-wide. Total revenue declined approximately \$571,000 (10 percent), and total unrestricted net assets decreased by approximately \$24,000 (11 percent), during fiscal year 2011. Reductions in fundraising, corporate donations, and government support attributed to the decline in revenue. Total expenses, excluding depreciation, were reduced approximately \$585,000 over the prior year by internally developing programs and exhibitions, as well as reorganizing and reducing staff.

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

- Federal funds received during the fiscal year from the three-year grant awarded by the U.S. Department of Education ("DOE") in 2009 were approximately \$114,000. In total, the Museum has received roughly \$184,000 from the DOE. The remainder will be expended in fiscal year 2012. Operating support from the City of Detroit (the "City") was reduced by approximately \$370,000 due to City budget constraints. State programmatic support was also reduced during the year by approximately \$27,000 from the prior year. Overall, government support has decreased around \$615,000 (23 percent) during fiscal year 2011.
- Revenue from earned sources of admissions, facility rentals, the Museum store, and special events and other revenue combined to result in a decrease of approximately \$76,000, year over year. The Museum continues to host a full calendar of individual and community group weekend facility rentals; however, corporate functions have dropped significantly due to the weakened economy, which attributed to the decline in revenue for special events and facility rentals. During fiscal year 2011, membership revenue fell nearly \$21,000 (12 percent). In response, the Museum continues to reduce expenses and identify new sources of revenue and fundraising opportunities.

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

June 30, 2011 and 2010

FINANCIAL HIGHLIGHTS (CONTINUED)

- During the year, cash and investments increased by approximately \$299,000, or 13 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 \$147,000 (29 percent) from the prior year, which was attributed to receiving invoices that related to the Ford Freedom Awards towards the end of the June 2011 but for which payments were not made until July 2011.
- The Museum's endowment fund increased 10 percent over the prior year to a total of approximately \$912,000. In addition, approximately \$2.3 million is currently held in trust by the Community Foundation for Southeast Michigan ("CFSEM"), for a total of approximately \$3.2 million. The Museum received approximately \$109,000 in operating support from the CFSEM fund during 2011.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report contains two types of financial statements that the Museum is required to issue by the Governmental Accounting Standards Board ("GASB"). The GASB issues accounting and financial reporting guidelines for governmental agencies and units. This annual report contains the financial statements that the Museum is required to issue. The Museum's financial reports are shown as a "component unit" in the financial statements of the City of Detroit (the "City") because the members of the Museum's Board of Trustees are appointed by the City's mayor and the City provides financial support to the Museum. Therefore, the Museum is considered a governmental unit.

The statements of net assets and statements of activities (which are presented on pages 12 and 13) are considered government-wide financial statements. The balance sheets and statements of revenue, expenditures, and fund balances for governmental funds (which are presented on pages 14, 15, 17, and 18) are considered fund financial statements. A further discussion of each type of statement, and the major differences between the two types of statements, follows.

Government-Wide Financial Statements

The government-wide financial statements report information about the Museum as a whole using accounting methods similar to those used by private-sector companies and non-profit organizations. The statements of net 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.

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

June 30, 2011 and 2010

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Government-Wide Financial Statements (continued)

Net assets represent the difference between the Museum's assets and liabilities, and they represent one way to measure the Museum's financial health or position. Over time, increases or decreases in the Museum's net assets are an indicator of whether its financial health is improving or deteriorating.

Fund Financial Statements

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

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

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

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 \$80,000 and \$45,000 as of June 30, 2011 and 2010, respectively. These pledges have been recognized as revenue during the years ended June 30, 2011 and 2010 in the government-wide financial statements.

The reconciliation of the differences between the fund financial statements and the government-wide financial statements is provided on pages 16 and 19.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)**June 30, 2011 and 2010****OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

The notes to the financial statements, which begin on page 20, explain some of the information in the financial statements and provide more detailed data. A comparison of the Museum's general fund revenue and expenditures to its budget is provided on pages 38 and 39.

FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE

Table 1 reflects the statements of net assets as of June 30, 2011, 2010, and 2009:

Table 1
Statements of Net Assets
June 30, 2011, 2010, and 2009
(in thousands of dollars)

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Assets:			
Cash and cash equivalents	\$ 1,387.8	\$ 667.8	\$ 639.3
Investments	1,266.3	1,688.0	1,571.1
Accounts receivable	77.6	114.8	231.2
Prepaid expenses	50.2	73.0	1.2
Museum store inventory	156.5	129.9	169.9
Pledges receivable:			
Available within 60 days	80.0	45.0	-0-
Available in more than 60 days	-0-	-0-	80.0
Capital assets:			
Nondepreciable capital assets	218.6	133.3	54.8
Depreciable capital assets, net	911.4	1,113.1	1,979.8
Total Assets	<u>4,148.4</u>	<u>3,964.9</u>	<u>4,727.3</u>
Liabilities:			
Accounts payable	571.5	414.2	318.2
Accrued payroll and related taxes	81.2	91.2	91.7
Total Liabilities	<u>\$ 652.7</u>	<u>\$ 505.4</u>	<u>\$ 409.9</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)**June 30, 2011 and 2010****FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE (CONTINUED)**

Table 1
Statements of Net Assets (continued)
June 30, 2011, 2010, and 2009
(in thousands of dollars)

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Net Assets:			
Invested in capital assets, net of related debt	\$ 1,130.0	\$ 1,246.4	\$ 2,034.6
Restricted for capital projects	525.2	819.8	825.3
Restricted for other activities	728.0	338.9	121.5
Restricted for endowment	912.2	830.5	773.0
Unrestricted	<u>200.3</u>	<u>223.9</u>	<u>563.0</u>
Total Net Assets	<u><u>\$ 3,495.7</u></u>	<u><u>\$ 3,459.5</u></u>	<u><u>\$ 4,317.4</u></u>

Cash balances increased by approximately \$720,000 from the prior year to a balance of approximately \$1,388,000 as of June 30, 2011. Of the total cash balance, approximately \$377,000, or 27 percent, is unrestricted cash and approximately \$1,011,000, or 73 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. All investments are governed by a Board-approved investment policy. Accounts receivable balances are reviewed for collectability and are written off as necessary. Pledges receivable for fiscal year 2011 were \$80,000, which represents unconditional gifts from corporations and foundations. Prepaid expenses include exhibition rental fees, insurance premiums, and utilities that overlap fiscal years.

During fiscal year 2011, accounts payable balances increased by approximately \$157,000. The Museum maintains a \$100,000 line of credit which, as of June 30, 2011, had no activity and a zero balance.

Total net assets increased by approximately \$36,000 from the prior year. Total net assets, excluding depreciation, actually increased approximately \$262,000, year over year.

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

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

June 30, 2011 and 2010

FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE (CONTINUED)

Table 2 reflects the condensed statements of activities for the years ended June 30, 2011, 2010, and 2009:

Table 2
Statements of Activities
For the Years Ended June 30, 2011, 2010, and 2009
(in thousands of dollars)

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Expenses:			
Exhibits and educational program:			
Salaries, wages, and employee benefits	\$ 2,020.2	\$ 2,371.2	\$ 2,729.8
Contractual and professional services	589.7	691.5	841.5
Facility operations and maintenance	1,140.1	1,107.9	1,149.0
Educational programs and exhibits	562.5	574.6	761.2
Depreciation	226.2	1,105.6	1,376.9
Other expenses	513.5	666.4	616.5
Total Program Expenses	<u>5,052.2</u>	<u>6,517.2</u>	<u>7,474.9</u>
Program Revenue:			
Exhibits and educational program:			
Grants	2,072.2	2,686.7	3,094.7
Other program revenue	1,229.9	1,326.9	1,558.7
Total Program Revenue	<u>3,302.1</u>	<u>4,013.6</u>	<u>4,653.4</u>
Net Program Expense	<u>1,750.1</u>	<u>2,503.6</u>	<u>2,821.5</u>
General Revenue:			
Contributions	1,706.0	1,587.9	1,551.6
Unrealized gain (loss) on investments	80.3	57.8	(49.9)
Total General Revenue	<u>1,786.3</u>	<u>1,645.7</u>	<u>1,501.7</u>
Net Increase (Decrease) in Net Assets	36.2	(857.9)	(1,319.8)
Net Assets, Beginning of Year	<u>3,459.5</u>	<u>4,317.4</u>	<u>5,637.2</u>
Net Assets, End of Year	<u>\$ 3,495.7</u>	<u>\$ 3,459.5</u>	<u>\$ 4,317.4</u>

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

June 30, 2011 and 2010

FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE (CONTINUED)

The Museum received \$1.8 million in unrestricted operating support from the City of Detroit during fiscal year 2011, a decrease of \$370,000, or 21 percent from the prior year. The State of Michigan contributed \$8,500 in support this year for educational programming and \$35,400 in support the prior year. Grant funds received from federal sources by the Museum were almost \$114,000 in fiscal year 2011 and approximately \$87,000 in fiscal year 2010.

Total revenue received was reduced by approximately \$571,000, or 10 percent, primarily due to the reduction in financial support from government sources. Contributions remained comparable at approximately \$1.7 million and approximately \$1.6 million for fiscal years 2011 and 2010, respectively. Key grants received during the fiscal year include a two-year grant totaling \$160,000 awarded by the Kresge Foundation, \$66,700 awarded by the W.K. Kellogg Foundation, \$61,000 received from the Community Foundation for Southeast Michigan, and \$50,000 awarded by the Knight Foundation. In addition, \$150,000 in support for the African World Festival was provided by the City. In-kind donations are included in the contributions revenue category; approximately \$8,800 was received during the current year, and approximately \$83,500 was received during the prior year. 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 15 percent from the prior year as the Museum continued to reduce and realign staff. Net of depreciation, expenses decreased nearly \$586,000, or nine percent, from fiscal year 2010.

Admissions and Museum store sales are important components of program revenue. Attendance to the Museum increased slightly by 3,177 visitors. Although the Museum experienced an increase in attendance during the year, the Museum continues to struggle in this area, due to the continuing poor economy in the region and state, the elimination of a state-funded (grant) visitation program, and declining Museum memberships.

Museum store sales are in-part driven by Museum visitation; the slight increase in attendance during the year increased revenue over the prior year by almost \$4,700.

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

June 30, 2011 and 2010

FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE (CONTINUED)

Table 3 summarizes exhibit admissions and Museum store sales for the years ended June 30, 2011 and 2010:

Table 3
Schedules of Exhibit Admissions and Museum Store Sales
For the Years Ended June 30, 2011 and 2010
(in thousands of dollars)

	<u>2011</u>	<u>2010</u>
Exhibit admissions	\$ 319.0	\$ 307.1
Museum store sales (gross)	138.0	133.2

Other program revenue also includes revenue from the members of the Museum. Membership has continued to drop and is down around 832 members this year compared to 2010. This region’s high unemployment rates are negatively impacting the Museum’s membership roster, and the economy has caused individuals and families to make some tough personal budgeting decisions. The Museum is working hard to grow the numbers of memberships and to increase retention levels.

The 28th annual African World Festival was successful, again drawing record crowds and featuring such nationally known artists as Kindred Family Soul, Kjon, and Betty Levette. Again, the City of Detroit was the major sponsor of the event. The 2011 Ford Freedom Awards were also successful. Judge Constance Baker Motley was honored with the award, and Judge Damon Keith was recognized as the Ford Freedom Scholar. Judge Keith presented an inspirational speech to a packed auditorium of students at the Music Hall for the Performing Arts.

The Museum continued to focus on public programs and exhibitions that are impactful on the community. Exhibitions included *Joe Louis: Hometown Hero*, *Who Am I? My DNA Diary*, *Crowning Glories: Status, Style, and Self-Expression*, and *Ain’t Nothing Like the Real Thing: How the Apollo Theater Shaped American Entertainment*. The Museum hosted the second annual PANDA (Pan-African Nurturing Development Association) games in partnership with Eastern Michigan University and DTE Energy Company. The quiz show-styled academic competition was won by students from Peterson-Warren Academy. The Museum launched the second year of “30 Days to Lose It,” a health and fitness program to address many of the health issues in the community. Other programs included Black Marriage Day, Afro-Latin Music and Dance Night, Hustle for History, and Camp Africa, the Museum’s summer program for children.

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

June 30, 2011 and 2010

FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE (CONTINUED)

Partnerships and collaborations are an important cornerstone in Museum programming. This year, the Museum worked with many organizations, including Eastern Michigan University and MotorCities National Heritage Area, Inc., to develop and create educational materials, websites, and documentaries that will benefit generations of students to come.

Other key presentations this year included the following:

<u>Exhibitions</u>	<u>Annual Programs</u>
And Still We Rise	African World Festival
Art of the Masters	Black History Month
Contemporary Artists	Black Music Month
Dance Theater of Harlem	Kwanzaa
Heidelberg 25	Martin Luther King Day
Hell, Purgatory, and Paradise: An Artist's Journey	National Poetry Month
	Noel Night
	Women's History Month
	African World Festival
	Black History Month

ECONOMIC FACTORS

The Museum continues to focus on the four cornerstone goals identified during the last fiscal year. They 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

The Museum continues to work toward these goals despite the significant challenges of the national and local economy and the problems of many of the area's local corporations. Overall revenue declined approximately \$571,000 (10 percent) from the previous fiscal year. This was totally due to reductions in federal and local grants. To address the revenue reduction and maintain a balanced budget, the Museum continued to reduce operating costs. This was done by reductions in staffing and increased operating efficiencies.

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

June 30, 2011 and 2010

ECONOMIC FACTORS (CONTINUED)

As a result of the Museum's efforts toward the four goals, there were slight increases in contributions, exhibit admissions, and Museum store sales.

For fiscal year 2012, the Museum will continue to work toward the four goals while managing costs as effectively as possible. New initiatives will be launched to increase fundraising, attendance, and other earned revenue areas. Exhibitions scheduled for this fiscal year include *Dance Theater of Harlem: 40 Years of Firsts*, *Mixed Metaphors: The Aesthetic, Social and Political in African American Art*, *Moving to His Own Beat – Fela! The Man, The Movement, The Music*, and *Grass Roots: African Origins of an American Art*. Additionally, in this fiscal year, the Museum plans to launch the Children's Discovery Room, an Underground Railroad website and kiosks, and a series of programs and videos celebrating African American participation in the Civil War.

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, 2011 and 2010

	Governmental Activities	
	2011	2010
Assets:		
Cash and cash equivalents (Note A)	\$ 1,387,797	\$ 667,797
Investments (Note B)	1,266,305	1,687,958
Accounts receivable (no allowance considered necessary)	77,561	114,845
Prepaid expenses	50,170	72,955
Museum store inventory (lower of cost or market)	156,552	129,913
Pledges receivable (no allowance considered necessary) (Note D):		
Available within 60 days	80,000	45,000
Capital assets (Note E):		
Nondepreciable capital assets	218,629	133,344
Depreciable capital assets, net	911,409	1,113,044
Collections and artifacts (Notes A and C)	---	---
Total Assets	4,148,423	3,964,856
Liabilities:		
Accounts payable	571,545	414,216
Accrued payroll and related taxes	81,175	91,143
Total Liabilities	652,720	505,359
Net Assets:		
Invested in capital assets, net of related debt	1,130,038	1,246,388
Restricted for capital projects	525,203	819,843
Restricted for other activities	728,036	338,948
Restricted for endowment	912,214	830,475
Unrestricted	200,212	223,843
Total Net Assets	\$ 3,495,703	\$ 3,459,497

See notes to financial statements.

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2011 and 2010

	Governmental Activities	
	2011	2010
Expenses:		
Exhibits and educational program:		
Salaries, wages, and employee benefits	\$ 2,020,212	\$ 2,371,229
Contractual and professional services	589,650	691,487
Facility operations and maintenance	1,140,145	1,107,877
Office expenses	272,428	321,482
Cost of goods sold	115,783	172,752
Educational programs and exhibits:		
In-kind	-0-	83,486
Other	562,539	491,160
Purchases of artifacts	2,150	27,466
Other expenses	123,161	144,600
Depreciation (Note E)	226,159	1,105,633
Total Program Expenses	5,052,227	6,517,172
Program Revenue:		
Exhibits and educational program:		
Grants (Notes G and L)	2,072,169	2,686,683
Facility rental and catering	422,746	432,699
Exhibit admissions	319,029	307,063
Museum store	137,971	133,200
Memberships	179,507	200,236
Special events and other revenue	170,721	253,639
Total Program Revenue	3,302,143	4,013,520
Net Program Expense	1,750,084	2,503,652
General Revenue:		
Contributions	1,697,118	1,504,378
In-kind contributions	8,838	83,486
Unrealized gain on investments	80,334	57,836
Total General Revenue	1,786,290	1,645,700
Net Increase (Decrease) in Net Assets	36,206	(857,952)
Net Assets, Beginning of Year	3,459,497	4,317,449
Net Assets, End of Year	\$ 3,495,703	\$ 3,459,497

See notes to financial statements.

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

BALANCE SHEETS - GOVERNMENTAL FUNDS

June 30, 2011

(With Comparative Totals as of June 30, 2010)

	2011				Total All Funds	
	General Fund	Capital Projects Fund	Special Revenue Fund	Permanent Fund	2011	2010
ASSETS						
Cash and cash equivalents (Note A)	\$ 376,907	\$ 369,522	\$ 641,368	\$ -0-	\$ 1,387,797	\$ 667,797
Investments (Note B)	7,530	155,681	190,880	912,214	1,266,305	1,687,958
Accounts receivable (no allowance considered necessary)	77,561				77,561	114,845
Prepaid expenditures	50,170				50,170	72,955
Museum store inventory (lower of cost or market)	156,552				156,552	129,913
Pledges receivable (no allowance considered necessary) (Note D): Available within 60 days	80,000				80,000	45,000
Total Assets	\$ 748,720	\$ 525,203	\$ 832,248	\$ 912,214	\$ 3,018,385	\$ 2,718,468
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 571,545	\$ -0-	\$ -0-	\$ -0-	\$ 571,545	\$ 414,216
Accrued payroll and related taxes	81,175				81,175	91,143
Total Liabilities	652,720	-0-	-0-	-0-	652,720	505,359
Fund Balances (Deficits):						
Nonspendable	206,722			912,214	1,118,936	1,033,343
Restricted for capital projects		525,203			525,203	819,843
Restricted for designated activities			832,248		832,248	439,481
Unassigned	(110,722)				(110,722)	(79,558)
Total Fund Balances	96,000	525,203	832,248	912,214	2,365,665	2,213,109
Total Liabilities and Fund Balances	\$ 748,720	\$ 525,203	\$ 832,248	\$ 912,214	\$ 3,018,385	\$ 2,718,468

See notes to financial statements.

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

BALANCE SHEETS - GOVERNMENTAL FUNDS

June 30, 2010

	<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 A)	\$ 244,808	\$ 273,158	\$ 149,831	\$ -0-	\$ 667,797
Investments (Note B)	7,553	558,780	291,150	830,475	1,687,958
Accounts receivable (no allowance considered necessary)	114,845				114,845
Prepaid expenditures	72,955				72,955
Museum store inventory (lower of cost or market)	129,913				129,913
Pledges receivable (no allowance considered necessary) (Note D): Available within 60 days	25,000	20,000			45,000
Total Assets	<u>\$ 595,074</u>	<u>\$ 851,938</u>	<u>\$ 440,981</u>	<u>\$ 830,475</u>	<u>\$ 2,718,468</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 380,621	\$ 32,095	\$ 1,500	\$ -0-	\$ 414,216
Accrued payroll and related taxes	91,143				91,143
Total Liabilities	<u>471,764</u>	<u>32,095</u>	<u>1,500</u>	<u>-0-</u>	<u>505,359</u>
Fund Balances (Deficits):					
Nonspendable	202,868			830,475	1,033,343
Restricted for capital projects		819,843			819,843
Restricted for designated activities			439,481		439,481
Unassigned	(79,558)				(79,558)
Total Fund Balances	<u>123,310</u>	<u>819,843</u>	<u>439,481</u>	<u>830,475</u>	<u>2,213,109</u>
Total Liabilities and Fund Balances	<u>\$ 595,074</u>	<u>\$ 851,938</u>	<u>\$ 440,981</u>	<u>\$ 830,475</u>	<u>\$ 2,718,468</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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Total Fund Balances, Governmental Funds	\$ 2,365,665	\$ 2,213,109
<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>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	218,629	133,344
Depreciable capital assets:		
Cost	15,039,160	15,014,636
Less: Accumulated depreciation	<u>(14,127,751)</u>	<u>(13,901,592)</u>
 Total Net Assets, Governmental Activities	<u><u>\$ 3,495,703</u></u>	<u><u>\$ 3,459,497</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, 2011
(With Comparative Totals for the Year Ended June 30, 2010)**

	2011				Total All Funds	
	General Fund	Capital Projects Fund	Special Revenue Fund	Permanent Fund	2011	2010
Revenue:						
Grants (Notes G and L)	\$ 2,072,169	\$ -0-	\$ -0-	\$ -0-	\$ 2,072,169	\$ 2,686,683
Contributions	1,427,118		270,000		1,697,118	1,584,378
In-kind contributions	8,838				8,838	83,486
Facility rental and catering	422,746				422,746	432,699
Exhibit admissions	319,029				319,029	307,063
Museum store	137,971				137,971	133,200
Memberships	179,507				179,507	200,236
Special events and other revenue	146,852	1,512	2,172	20,185	170,721	253,639
Unrealized gain on investments	384	3,679		76,271	80,334	57,836
Total Revenue	4,714,614	5,191	272,172	96,456	5,088,433	5,739,220
Expenditures:						
Current:						
Salaries, wages, and employee benefits	2,020,212				2,020,212	2,371,229
Contractual and professional services	589,650				589,650	691,487
Facility operations and maintenance	1,140,145				1,140,145	1,107,877
Office expenses	272,428				272,428	321,482
Cost of goods sold	115,783				115,783	172,752
Educational programs and exhibits:						
In-kind					-0-	83,486
Other	562,539				562,539	491,160
Purchases of artifacts		2,150			2,150	27,466
Other current expenditures	108,444			14,717	123,161	144,600
Capital outlay (Note E)		109,809			109,809	317,434
Total Expenditures	4,809,201	111,959	-0-	14,717	4,935,877	5,728,973
Excess (Deficiency) of Revenue over Expenditures	(94,587)	(106,768)	272,172	81,739	152,556	10,247
Other Financing Sources (Uses):						
Interfund transfers	67,277	(187,872)	120,595		-0-	-0-
Net Increase (Decrease) in Fund Balances	(27,310)	(294,640)	392,767	81,739	152,556	10,247
Fund Balances, Beginning of Year	123,310	819,843	439,481	830,475	2,213,109	2,202,862
Fund Balances, End of Year	\$ 96,000	\$ 525,203	\$ 832,248	\$ 912,214	\$ 2,365,665	\$ 2,213,109

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

	<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)	\$ 2,490,736	\$ 195,947	\$ -0-	\$ -0-	\$ 2,686,683
Contributions	1,146,547	50,000	387,831		1,584,378
In-kind contributions	83,486				83,486
Facility rental and catering	432,699				432,699
Exhibit admissions	307,063				307,063
Museum store	133,200				133,200
Memberships	200,236				200,236
Special events and other revenue	223,162	4,612	593	25,272	253,639
Unrealized gain on investments	4,411		93	53,332	57,836
Total Revenue	5,021,540	250,559	388,517	78,604	5,739,220
Expenditures:					
Current:					
Salaries, wages, and employee benefits	2,371,229				2,371,229
Contractual and professional services	691,487				691,487
Facility operations and maintenance	1,107,877				1,107,877
Office expenses	321,482				321,482
Cost of goods sold	172,752				172,752
Educational programs and exhibits:					
In-kind	83,486				83,486
Other	491,160				491,160
Purchases of artifacts		27,466			27,466
Other current expenditures	123,473			21,127	144,600
Capital outlay (Note E)		317,434			317,434
Total Expenditures	5,362,946	344,900	-0-	21,127	5,728,973
Excess (Deficiency) of Revenue over Expenditures	(341,406)	(94,341)	388,517	57,477	10,247
Other Financing Sources (Uses):					
Interfund transfers	253,831	88,857	(342,688)		-0-
Net Increase (Decrease) in Fund Balances	(87,575)	(5,484)	45,829	57,477	10,247
Fund Balances, Beginning of Year	210,885	825,327	393,652	772,998	2,202,862
Fund Balances, End of Year	\$ 123,310	\$ 819,843	\$ 439,481	\$ 830,475	\$ 2,213,109

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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Net Increase in Fund Balances, Governmental Funds	\$ 152,556	\$ 10,247
<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>		
Pledges receivable that are available in more than 60 days as of June 30, 2009	-0-	(80,000)
<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	109,809	317,434
Less: Depreciation expense	<u>(226,159)</u>	<u>(1,105,633)</u>
Net Increase (Decrease) in Net Assets, Governmental Activities	<u>\$ 36,206</u>	<u>\$ (857,952)</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

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.

Change in Accounting Principle

The Governmental Accounting Standards Board issued Statement of Governmental Accounting Standards (“SGAS”) No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions,” in February 2009. 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 stabilization amounts. The Museum adopted the provisions of SGAS, effective July 1, 2010. The fund balances as of June 30, 2010 have been reclassified accordingly; however, the implementation of SGAS No. 54 did not impact the Museum’s net assets, changes in net assets, changes in fund balances, or total fund balance.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2011 and 2010

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

Basis of Presentation (continued)

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. 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2011 and 2010

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

Basis of Presentation (continued)

Fund Financial Statements (continued)

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.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2011 and 2010

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

Basis of Presentation (continued)

Fund Financial Statements (continued)

Unassigned

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

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2011 and 2010

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

Basis of Accounting (continued)

Fund Financial Statements (continued)

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.

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.

All of the Museum's non-interest-bearing cash balances were fully insured as of June 30, 2011 due to a temporary federal program in effect from December 31, 2010 through December 31, 2012. Under the program there is no limit to the amount of insurance for eligible accounts. Beginning in 2013, insurance coverage will revert to \$250,000 per depositor at each financial institution, and the Museum's non-interest-bearing cash balances may again exceed federally insured limits.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2011 and 2010

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

Cash Deposits (continued)

As of June 30, 2011 and 2010, 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>2011</u>	<u>2010</u>
Carrying amount of deposits:		
Cash and cash equivalents	\$ 1,387,797	\$ 667,797
Certificates of deposit included in investments	242,349	749,397
	<u>\$ 1,630,146</u>	<u>\$ 1,417,194</u>
Total bank balances	<u>\$ 1,597,726</u>	<u>\$ 1,316,828</u>
Uninsured and uncollateralized bank balances	<u>\$ 679,218</u>	<u>\$ 326,224</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, 2011 and 2010, total contributed volunteer time of 10,785 and 11,457 hours, respectively, was valued at \$213,435 and \$230,629, respectively.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2011 and 2010

NOTE A – NATURE OF ORGANIZATION AND 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. Effective January 1, 2011, the capitalization policy was changed to increase the capitalization threshold for building improvements to \$5,000. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range from five to 10 years. The depreciation for long-term and permanent exhibits is computed using the declining balance over the useful life of five years. Expenditures for maintenance and repairs are charged to expense. Renewals or betterments which extend the life or increase the value of the properties are capitalized and depreciated over the remaining useful lives of the related assets.

Collections and Artifacts

In accordance with the provisions of 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, 2011 and 2010, donated collections and artifacts totaled \$97,602 and \$57,557, respectively.

Tax-Exempt Status

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2011 and 2010

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

Advertising

The Museum's advertising costs are expensed as incurred. Advertising expenses totaled \$105,369 and \$117,141 for the years ended June 30, 2011 and 2010, respectively. Of these amounts, \$-0- and \$50,000 were received as in-kind donations for the years ended June 30, 2011 and 2010, respectively.

Reclassifications

Certain reclassifications have been made to the 2010 financial statements to conform to classifications used in 2011.

NOTE B - INVESTMENTS

Investments as of June 30, 2011 and 2010 consist of the following:

	<u>2011</u>	<u>2010</u>
Investments held by the Museum or its agent in the Museum's name:		
Money market funds:		
Unrated:		
U.S. Trust Money Market Funds	\$ 62,554	\$ -0-
UBS Money Market Funds	-0-	28,783
Certificates of deposit (included in the cash deposit disclosures)	242,349	749,397
U.S. Treasury notes:		
Maturities between one and five years	49,997	267,258
Maturities between five and 10 years	-0-	130,195
U.S. Treasury bonds:		
Maturities greater than 10 years	-0-	69,942
446 shares of common stock from Gannett Company, Inc., received on June 2, 1987 (value at date of donation was \$8,530)	6,387	6,003
Other common stocks	-0-	335,847

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2011 and 2010

NOTE B - INVESTMENTS (CONTINUED)

	<u>2011</u>	<u>2010</u>
Investments held by the Museum or its agent in the Museum's name (continued):		
Registered investment companies:		
Bond funds:		
AAA rating from Standard & Poor's, weighted average maturity of 8.02 years	\$ 45,779	\$ -0-
AA+ rating from Standard & Poor's, weighted average maturity of 1.87 years	37,935	-0-
A rating from Standard & Poor's, weighted average maturity of 4.98 years	205,740	-0-
A rating from Standard & Poor's, weighted average maturity of 1.87 years	79,762	-0-
Equity funds	377,448	-0-
Other funds	54,142	-0-
Individual investments representing five percent or more of the Museum's investments:		
Cash surrender value of life insurance policy:		
Lincoln National Life Insurance Company	<u>104,212</u>	<u>100,533</u>
	<u>\$ 1,266,305</u>	<u>\$ 1,687,958</u>

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2011 and 2010

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 \$1.341 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 \$80,000 and \$45,000 as of June 30, 2011 and 2010 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.

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

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

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2011 and 2010

NOTE E - CAPITAL ASSETS

Nondepreciable capital asset activity for the years ended June 30, 2011 and 2010 is as follows:

	Construction in Progress
Balance, July 1, 2009	\$ 54,828
Acquisitions	<u>78,516</u>
Balance, June 30, 2010	133,344
Acquisitions	<u>85,285</u>
Balance, June 30, 2011	<u>\$ 218,629</u>

Depreciable capital asset activity for the years ended June 30, 2011 and 2010 is as follows:

	Building Improvements	Exhibits	Furniture and Equipment	Total
Cost:				
Balance, July 1, 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
Acquisitions	<u>5,688</u>		<u>18,836</u>	<u>24,524</u>
Balance, June 30, 2011	<u>\$ 1,523,112</u>	<u>\$ 12,040,872</u>	<u>\$ 1,475,176</u>	<u>\$ 15,039,160</u>
Accumulated Depreciation:				
Balance, July 1, 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
Depreciation expense	<u>122,345</u>		<u>103,814</u>	<u>226,159</u>
Balance, June 30, 2011	<u>\$ 784,470</u>	<u>\$ 12,040,872</u>	<u>\$ 1,302,409</u>	<u>\$ 14,127,751</u>
Net Depreciable Capital Assets:				
Balance, June 30, 2010	\$ 855,299	\$ -0-	\$ 257,745	\$ 1,113,044
Balance, June 30, 2011	<u>\$ 738,642</u>	<u>\$ -0-</u>	<u>\$ 172,767</u>	<u>\$ 911,409</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2011 and 2010

NOTE F - LINE OF CREDIT

As of June 30, 2011, 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, 2011 was 3.25 percent. The line of credit is secured by substantially all assets of the Museum and expired on September 1, 2011. For the years ended June 30, 2011 and 2010, there was no activity on the line of credit. As of June 30, 2011 and 2010, there was no outstanding balance on this line of credit.

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 \$1.95 million and \$2.37 million for the years ended June 30, 2011 and 2010, respectively. The amount of funding for future years under the contract will be negotiated annually; for the year ended June 30, 2012, funding has been reduced to \$1.4625 million.

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, 2011 and 2010 totaled \$109,212 and \$116,672, 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, 2011 and 2010 is \$2,281,600 and \$2,042,625, 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, 2011 and 2010

NOTE I - LEASES

The Museum leases various types of 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:	
2012	\$ 25,866
2013	8,280
2014	<u>4,140</u>
Total Minimum Lease Payments	<u>\$ 38,286</u>

Total rental expense under these lease agreements for the years ended June 30, 2011 and 2010 was \$33,679 and \$40,306, respectively.

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

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 assets rather than net assets restricted for other activities.

The table on the following page displays reconciliations of the general and special revenue fund balances 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, 2011 and 2010.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2011 and 2010

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

	<u>2011</u>		<u>2010</u>	
	<u>General Fund Balance/ Unrestricted Net Assets</u>	<u>Special Revenue Fund Balance/ Net Assets Restricted for Other Activities</u>	<u>General Fund Balance/ Unrestricted Net Assets</u>	<u>Special Revenue Fund Balance/ Net Assets Restricted for Other Activities</u>
Fund balances (deficits), governmental funds:				
Nonspendable	\$ 206,722	\$ -0-	\$ 202,868	\$ -0-
Restricted for designated activities	-0-	832,248	-0-	439,481
Unassigned	<u>(110,722)</u>	<u>-0-</u>	<u>(79,558)</u>	<u>-0-</u>
	96,000	832,248	123,310	439,481
Fund balances designated by the Board of Trustees for specific activities which are not restricted by donors	<u>104,212</u>	<u>(104,212)</u>	<u>100,533</u>	<u>(100,533)</u>
Net Assets, Governmental Activities	<u>\$ 200,212</u>	<u>\$ 728,036</u>	<u>\$ 223,843</u>	<u>\$ 338,948</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, 2011 and 2010****NOTE K - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)**

During the year ended June 30, 2011, the Museum incurred expenditures in excess of the amounts budgeted as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Contractual and professional services	\$ 399,745	\$ 589,650	\$ (189,905)
Facility operations and maintenance	1,047,066	1,140,145	(93,079)
Office expenses	243,931	272,428	(28,497)
Cost of goods sold	37,500	115,783	(78,283)
Educational programs and exhibits	454,491	562,539	(108,048)
Other current expenditures	77,103	108,444	(31,341)

In addition, the Museum did not budget revenue from the Museum's store during the year ended June 30, 2011. Total revenue from the Museum's store was \$137,971 for the year ended June 30, 2011.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2011 and 2010

NOTE L - CAPITAL EXPANSION BOND ISSUES (CONTINUED)

As of June 30, 2011, approximately \$1.77 million in bonds remain available for the Museum's use. The dollars will be authorized by the City over time. The Museum received approximately \$150,000 from this authorization during the year ended June 30, 2011. Because no schedule of payments has been established and the payments are at the discretion of the City, revenue will be recognized when received.

NOTE M - RISK MANAGEMENT

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

NOTE N - NEW ACCOUNTING PRONOUNCEMENTS

The GASB issued 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. SGAS No. 63 applies to the Museum's financial statements for the year ending June 30, 2013, with earlier implementation encouraged. The Museum has not determined the impact on its financial statements of implementing SGAS No. 63.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2011 and 2010

NOTE O - HEALTH CARE REFORM LEGISLATION (CONTINUED)

- 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, 2011 and 2010

	2011			2010				
	Original Budget	Final Budget	Actual	Positive (Negative) Variance with Final Budget	Original Budget	Final Budget	Actual	Positive (Negative) Variance with Final Budget
Revenue:								
Grants	\$ 2,043,750	\$ 2,043,750	\$ 2,072,169	\$ 28,419	\$ 2,542,900	\$ 2,470,970	\$ 2,490,736	\$ 19,766
Contributions	878,144	1,013,144	1,427,118	413,974	1,026,000	998,137	1,146,547	148,410
In-kind contributions			8,838	8,838			83,486	83,486
Facility rental and catering	416,106	416,106	422,746	6,640	479,628	395,082	432,699	37,617
Exhibit admissions	305,198	305,198	319,029	13,831	380,000	301,707	307,063	5,356
Museum store			137,971	137,971	225,000	137,165	133,200	(3,965)
Memberships	275,300	275,300	179,507	(95,793)	316,700	241,405	200,236	(41,169)
Special events and other revenue	253,819	253,819	146,852	(106,967)	230,262	774,183	223,162	(551,021)
Unrealized gain on investments			384	384			4,411	4,411
Total Revenue	4,172,317	4,307,317	4,714,614	407,297	5,200,490	5,318,649	5,021,540	(297,109)
Expenditures:								
Current:								
Salaries, wages, and employee benefits	1,912,481	2,047,481	2,020,212	27,269	2,661,733	2,359,323	2,371,229	(11,906)
Contractual and professional services	374,245	399,745	589,650	(189,905)	494,392	676,019	691,487	(15,468)
Facility operations and maintenance	1,047,066	1,047,066	1,140,145	(93,079)	1,087,490	1,104,257	1,107,877	(3,620)
Office expenses	243,931	243,931	272,428	(28,497)	255,943	296,257	321,482	(25,225)
Cost of goods sold	37,500	37,500	115,783	(78,283)	130,302	143,083	172,752	(29,669)
Educational programs and exhibits:								
In-kind	479,991	454,491	562,539	-0-	391,744	458,800	83,486	(83,486)
Other				(108,048)		491,160	491,160	(32,360)
Purchases of artifacts				-0-		27,466	27,466	27,466
Other current expenditures	77,103	77,103	108,444	(31,341)	178,886	311,084	123,473	187,611
Total Expenditures	4,172,317	4,307,317	4,809,201	(501,884)	5,200,490	5,376,289	5,362,946	13,343

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, 2011 and 2010

	2011			2010				
	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-	\$ -0-	\$ (94,587)	\$ (94,587)	\$ -0-	\$ (57,640)	\$ (341,406)	\$ (283,766)
Other Financing Sources: Interfund transfers			67,277	67,277			253,831	253,831
Net Increase (Decrease) in Fund Balance	\$ -0-	\$ -0-	\$ (27,310)	\$ (27,310)	\$ -0-	\$ (57,640)	\$ (87,575)	\$ (29,935)

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, 2011 and 2010

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.