

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

**FINANCIAL STATEMENTS**  
**(With Required Supplementary Information)**

**June 30, 2012 and 2011**



**GEORGE JOHNSON  
& COMPANY**

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Certified Public Accountants and Consultants

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

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## **INDEPENDENT AUDITORS' REPORT**

December 7, 2012

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, 2012 and 2011, 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, 2012 and 2011, 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.

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 38 through 40 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.

Board of Trustees  
Charles H. Wright Museum of African American History  
December 7, 2012  
Page Two

**INDEPENDENT AUDITORS' REPORT (CONTINUED)**

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

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

**June 30, 2012 and 2011**

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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, 2012 and 2011 (“fiscal year 2012” and “fiscal year 2011,” respectively). Please read it in conjunction with the Museum’s financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

The fiscal year ended June 30, 2012 was a period of opportunity and challenge. The opportunity resulted from the Museum’s ability to receive funding for major projects, such as the Inspiring Minds exhibition, the Underground Railroad project, and other exciting programming. The Museum also hosted its first major fundraising gala, which was a financial success. The challenge resulted from reduced operating support from the City of Detroit (the “City”). These funds support the operation and maintenance of the Museum building, grounds, and artifacts.

Total revenue for the year increased approximately \$301,000, or 6 percent. This was due to increased grants to support specific projects, as mentioned above, and an increase in earned revenue. This was partially offset by a reduction in contributions. Total expenses, excluding depreciation, increased approximately \$535,000, or 11 percent, due to activity associated with the Inspiring Minds exhibition and expenses associated with the fundraising gala. Total unrestricted net assets increased by approximately \$101,000, or 50 percent.

Overall, government funding increased approximately \$452,800, or 22 percent, during fiscal year 2012. Federal funds received during the fiscal year from the three-year grant awarded by the United States Department of Education for the Underground Railroad project were approximately \$377,000. In total, the Museum has received approximately \$561,000 from this grant. The remainder will be received and expended in fiscal year 2013. Operating support from the City was reduced by approximately \$300,000. The Museum did receive approximately \$555,000 from the City from bond funds for the Inspiring Minds exhibition. State of Michigan (the “State”) programmatic support was slightly reduced from \$8,500 to \$6,500.

Earned revenue from admissions, the Museum store, facility rental, memberships, and fundraising increased by approximately \$673,000. The majority of this increase (\$428,000) was associated with the Museum’s first fundraising gala. Facility rental revenue increased \$108,000, or 25 percent, from fiscal year 2011. Revenue from admissions and the Museum store increased approximately \$19,000, or 4 percent, the first increase since 2008. Membership revenue fell approximately \$8,600, or 5 percent.

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

**June 30, 2012 and 2011**

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**FINANCIAL HIGHLIGHTS (CONTINUED)**

During the year, cash and investments decreased by approximately \$684,000, or 26 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 decreased approximately \$60,000, or 9 percent, from the prior year.

The Museum's endowment fund decreased 2 percent over the prior year to a total of approximately \$890,000. 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 \$105,000 in operating support from the CFSEM fund during 2012.

**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 assets and statements of activities (which are presented on pages 13 and 14) are considered government-wide financial statements. The balance sheets and statements of revenue, expenditures, and fund balances for governmental funds (which are presented on pages 15, 16, 18, and 19) are considered fund financial statements. A further discussion of each type of statement, and the major differences between the two types of statements, follows.

**Government-Wide Financial Statements**

The government-wide financial statements report information about the Museum as a whole using accounting methods similar to those used by private-sector companies and non-profit organizations. The statements of net assets include all of the Museum's assets and liabilities. All of the current year's revenue and expenses are accounted for in the statements of activities, regardless of when cash is received or paid. The two government-wide financial statements report the Museum's net assets and how they have changed.

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

**June 30, 2012 and 2011**

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**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 \$-0- and \$80,000 as of June 30, 2012 and 2011, respectively. These pledges have been recognized as revenue during the years ended June 30, 2012 and 2011 in the government-wide financial statements.

The reconciliation of the differences between the fund financial statements and the government-wide financial statements is provided on pages 17 and 20.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)****June 30, 2012 and 2011****OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

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 38 and 39.

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

Table 1 reflects the statements of net assets as of June 30, 2012, 2011, and 2010:

**Table 1**  
**Statements of Net Assets**  
**June 30, 2012, 2011, and 2010**  
*(in thousands of dollars)*

	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>Assets:</b>			
Cash and cash equivalents	\$ 781.2	\$ 1,387.8	\$ 667.8
Investments	1,189.2	1,266.3	1,688.0
Accounts receivable	56.7	77.6	114.8
Prepaid expenses	481.9	50.2	73.0
Museum store inventory	104.6	156.5	129.9
Pledges receivable:			
Available within 60 days	-0-	80.0	45.0
Capital assets:			
Nondepreciable capital assets	218.6	218.6	133.3
Depreciable capital assets, net	1,112.5	911.4	1,113.1
<b>Total Assets</b>	<b><u>3,944.7</u></b>	<b><u>4,148.4</u></b>	<b><u>3,964.9</u></b>
<b>Liabilities:</b>			
Accounts payable	476.3	571.5	414.2
Accrued payroll and related taxes	116.0	81.2	91.2
<b>Total Liabilities</b>	<b><u>\$ 592.3</u></b>	<b><u>\$ 652.7</u></b>	<b><u>\$ 505.4</u></b>

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)****June 30, 2012 and 2011****FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE (CONTINUED)**

**Table 1**  
**Statements of Net Assets (continued)**  
**June 30, 2012, 2011, and 2010**  
*(in thousands of dollars)*

	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	\$ 1,331.1	\$ 1,130.0	\$ 1,246.4
Restricted for capital projects	492.5	525.2	819.8
Restricted for other activities	337.5	728.0	338.9
Restricted for endowment	889.9	912.2	830.5
Unrestricted	301.4	200.3	223.9
	<u>301.4</u>	<u>200.3</u>	<u>223.9</u>
<b>Total Net Assets</b>	<b><u><u>\$ 3,352.4</u></u></b>	<b><u><u>\$ 3,495.7</u></u></b>	<b><u><u>\$ 3,459.5</u></u></b>

Cash balances decreased by approximately \$607,000 from the prior year to a balance of approximately \$781,000 as of June 30, 2012. Of the total cash balance, approximately \$111,000, or 14 percent, is unrestricted cash and approximately \$670,000, or 86 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. There were no pledges receivable as of June 30, 2012. Prepaid expenses include exhibition rental fees, insurance premiums, and utilities that overlap fiscal years.

During fiscal year 2012, accounts payable balances decreased by approximately \$95,000, or 17 percent. The Museum maintains a \$100,000 line of credit which, as of June 30, 2012, had no activity and a zero balance.

Total net assets decreased by approximately \$143,000 from the prior year. Total net assets, excluding depreciation, increased approximately \$28,000, year over year.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)****June 30, 2012 and 2011****FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE (CONTINUED)**

Table 2 reflects the condensed statements of activities for the years ended June 30, 2012, 2011, and 2010:

**Table 2**  
**Statements of Activities**  
**For the Years Ended June 30, 2012, 2011, and 2010**  
*(in thousands of dollars)*

	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>Expenses:</b>			
Exhibits and educational program:			
Salaries, wages, and employee benefits	\$ 2,109.9	\$ 2,020.2	\$ 2,371.2
Contractual and professional services	946.6	589.7	691.5
Facility operations and maintenance	1,153.1	1,140.1	1,107.9
Educational programs and exhibits	499.9	562.5	574.6
Depreciation	171.1	226.2	1,105.6
Other expenses	651.9	513.5	666.4
<b>Total Program Expenses</b>	<b><u>5,532.5</u></b>	<b><u>5,052.2</u></b>	<b><u>6,517.2</u></b>
<b>Program Revenue:</b>			
Exhibits and educational program:			
Grants	2,550.0	2,072.2	2,686.7
Other program revenue	1,894.3	1,229.9	1,326.9
<b>Total Program Revenue</b>	<b><u>4,444.3</u></b>	<b><u>3,302.1</u></b>	<b><u>4,013.6</u></b>
<b>Net Program Expense</b>	<b><u>1,088.2</u></b>	<b><u>1,750.1</u></b>	<b><u>2,503.6</u></b>
<b>General Revenue:</b>			
Contributions	970.9	1,706.0	1,587.9
Unrealized gain (loss) on investments	(26.0)	80.3	57.8
<b>Total General Revenue</b>	<b><u>944.9</u></b>	<b><u>1,786.3</u></b>	<b><u>1,645.7</u></b>
<b>Net Increase (Decrease) in Net Assets</b>	<b><u>(143.3)</u></b>	<b><u>36.2</u></b>	<b><u>(857.9)</u></b>
Net Assets, Beginning of Year	<u>3,495.7</u>	<u>3,459.5</u>	<u>4,317.4</u>
<b>Net Assets, End of Year</b>	<b><u>\$ 3,352.4</u></b>	<b><u>\$ 3,495.7</u></b>	<b><u>\$ 3,459.5</u></b>

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

**June 30, 2012 and 2011**

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

The Museum received \$1.5 million in unrestricted operating support from the City during fiscal year 2012, a decrease of \$300,000, or 17 percent from the prior year. The State contributed \$6,500 in support this year for educational programming and \$8,500 in support the prior year. Grant funds received from federal sources by the Museum were approximately \$377,000 in fiscal year 2012 and approximately \$114,000 in fiscal year 2011.

Total revenue received was increased by approximately \$301,000, or 6 percent, primarily due to an increase in earned income sources. Contributions declined significantly to approximately \$971,000, compared to approximately \$1.7 million for fiscal year 2011. Key grants received during the fiscal year include a grant totaling \$10,000 awarded by the Hudson-Webber Foundation, \$20,000 awarded by the W.K. Kellogg Foundation, and \$25,000 received from the Erb Family Foundation. In addition, \$100,000 in support for the African World Festival was provided by the City. In-kind donations of approximately \$29,000 are included in the contributions category. Approximately \$8,800 was received during the prior year. The increase is attributable to services provided for a fundraiser.

The Museum worked to carefully manage operating expenses; however, wages and benefits rose 4 percent from the prior year as the Museum continued to realign staff. Net of depreciation, expenses increased \$535,000, or 11 percent, from fiscal year 2011. 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 slightly by 1,476 visitors. 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 \$9,800.

Table 3 summarizes exhibit admissions and Museum store sales for the years ended June 30, 2012 and 2011:

**Table 3**  
**Schedules of Exhibit Admissions and Museum Store Sales**  
**For the Years Ended June 30, 2012 and 2011**  
*(in thousands of dollars)*

	<u>2012</u>	<u>2011</u>
Exhibit admissions	\$ 327.9	\$ 319.0
Museum store sales (gross)	147.8	138.0

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

**June 30, 2012 and 2011**

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

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 29th annual African World Festival again drew record crowds and featured such nationally known artists as Rachelle Ferrell, Roy Ayers, Ella Jenkins, Jessica Care Moore, and a tribute to Fela Kuti featuring the Odu Afrobeat Orchestra. The Museum also had a special appearance by Anita Baker. An additional highlight was the *Detroit Rocks the Runway* fashion design competition hosted by *America's Next Top Model* winner Naima Mora.

The first annual gala fundraiser celebrating the exhibition *Dance Theater of Harlem: 40 Years of Firsts* attracted over 400 supporters and provided operating revenue to partially offset the reduction from the City. The 2012 Ford Freedom Awards were also successful. The New York Renaissance basketball team, the first all-black, fully professional, African American owned team was honored, and basketball Hall of Famer Kareem Abdul-Jabbar served as the Ford Freedom Scholar. Abdul-Jabbar spoke about education and its importance outside the world of sports to 1,700 students at the scholars lecture.

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

- *Dance Theater of Harlem: 40 Years of Firsts*
- *Heidelberg 25*
- *The Chris Webber Collection: Exceptional People During Extraordinary Times 1755-Present*
- *Moving to His Own Beat - Fela: The Man, The Movement, The Music*
- *Perceptions: The Art of Barbara Brown King and Carole Morisseau*
- *Mixed Metaphors: The Aesthetic, Social and Political in African American Art*

The Museum served as the venue for the opening night of the city-wide Concert of Colors, hosted the internationally acclaimed artist Annie Lee for a reception and signing of her artwork, and presented *Rhapsody in Boop: A Jazz Celebration of the Music of Betty Boop*. The Museum also presented the first annual *Malcolm X Day: A Historic Homecoming* to an overflow crowd. The program featured nationally known authors Herb Boyd and Dr. Haki R. Madhubuti.

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

**June 30, 2012 and 2011**

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

The Museum continued the popular *30 Days to Lose It*, a health and fitness program to address health issues in the community, and inaugurated *Hustle for History*, a weekly program to provide exercise in a fun manner. The Museum also inaugurated 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 established a 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 that this progress is reflected in the increases in the Museum's earned income sources.

In fiscal year 2013, 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 2013 fiscal year, the Museum plans to launch a series of programs and exhibitions that will further enhance the Museum visitor experience. The Museum will launch 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, a long-term exhibition, *Inspiring Minds: African Americans in Science and Technology*, and an Underground Railroad website and kiosks. New exhibitions scheduled for the upcoming year include the following:

- *Visions of Our 44th President*
- *A Very Present Force: Celebrating a Century of the Detroit Branch NAACP*
- *Pathways to Freedom in the Americas: Shared Experiences between Michigan, U.S.A. and Guerrero, Mexico*
- *Great American Artists: The Roots, The Branches, The Seeds*

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

**June 30, 2012 and 2011**

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**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, 2012 and 2011

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
<b>Assets:</b>		
Cash and cash equivalents (Note A)	\$ 781,214	\$ 1,387,797
Investments (Note B)	1,189,189	1,266,305
Accounts receivable (no allowance considered necessary)	56,738	77,561
Prepaid expenses	481,947	50,170
Museum store inventory (lower of cost or market)	104,572	156,552
Pledges receivable (no allowance considered necessary) (Note D):		
Available within 60 days	-0-	80,000
Capital assets (Note E):		
Nondepreciable capital assets	218,629	218,629
Depreciable capital assets, net	1,112,461	911,409
Collections and artifacts (Notes A and C)	---	---
<b>Total Assets</b>	<b><u>3,944,750</u></b>	<b><u>4,148,423</u></b>
<b>Liabilities:</b>		
Accounts payable	476,337	571,545
Accrued payroll and related taxes	115,990	81,175
<b>Total Liabilities</b>	<b><u>592,327</u></b>	<b><u>652,720</u></b>
<b>Net Assets:</b>		
Invested in capital assets, net of related debt	1,331,090	1,130,038
Restricted for capital projects	492,539	525,203
Restricted for other activities	337,533	728,036
Restricted for endowment	889,897	912,214
Unrestricted	301,364	200,212
<b>Total Net Assets</b>	<b><u>\$ 3,352,423</u></b>	<b><u>\$ 3,495,703</u></b>

See notes to financial statements.

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

**STATEMENTS OF ACTIVITIES**

**For the Years Ended June 30, 2012 and 2011**

	<b>Governmental Activities</b>	
	<b>2012</b>	<b>2011</b>
<b>Expenses:</b>		
Exhibits and educational program:		
Salaries, wages, and employee benefits	\$ 2,109,938	\$ 2,020,212
Contractual and professional services	946,558	589,650
Facility operations and maintenance	1,153,078	1,140,145
Office expenses	297,298	272,428
Cost of goods sold	160,410	115,783
Educational programs and exhibits	499,949	562,539
Purchases of artifacts	-0-	2,150
Other expenses	194,131	123,161
Depreciation (Note E)	171,089	226,159
<b>Total Program Expenses</b>	<b>5,532,451</b>	<b>5,052,227</b>
<b>Program Revenue:</b>		
Exhibits and educational program:		
Grants (Notes G and L)	2,549,997	2,072,169
Facility rental and catering	530,190	422,746
Exhibit admissions	327,935	319,029
Museum store	147,782	137,971
Memberships	170,894	179,507
Special events and other revenue	717,504	170,721
<b>Total Program Revenue</b>	<b>4,444,302</b>	<b>3,302,143</b>
<b>Net Program Expense</b>	<b>1,088,149</b>	<b>1,750,084</b>
<b>General Revenue:</b>		
Contributions	941,878	1,697,118
In-kind contributions	28,981	8,838
Unrealized gain (loss) on investments	(25,990)	80,334
<b>Total General Revenue</b>	<b>944,869</b>	<b>1,786,290</b>
<b>Net Increase (Decrease) in Net Assets</b>	<b>(143,280)</b>	<b>36,206</b>
Net Assets, Beginning of Year	3,495,703	3,459,497
<b>Net Assets, End of Year</b>	<b>\$ 3,352,423</b>	<b>\$ 3,495,703</b>

See notes to financial statements.

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

**BALANCE SHEETS - GOVERNMENTAL FUNDS**

June 30, 2012

(With Comparative Totals as of June 30, 2011)

	2012				Total All Funds	
	General Fund	Capital Projects Fund	Special Revenue Fund	Permanent Fund	2012	2011
<b>ASSETS</b>						
Cash and cash equivalents (Note A)	\$ 111,349	\$ 344,492	\$ 325,373	\$ -0-	\$ 781,214	\$ 1,387,797
Investments (Note B)	24,196	157,435	117,661	889,897	1,189,189	1,266,305
Accounts receivable (no allowance considered necessary)	56,738				56,738	77,561
Prepaid expenditures	481,947				481,947	50,170
Museum store inventory (lower of cost or market)	104,572				104,572	156,552
Pledges receivable (no allowance considered necessary) (Note D): Available within 60 days					-0-	80,000
<b>Total Assets</b>	<b>\$ 778,802</b>	<b>\$ 501,927</b>	<b>\$ 443,034</b>	<b>\$ 889,897</b>	<b>\$ 2,613,660</b>	<b>\$ 3,018,385</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 466,949	\$ 9,388	\$ -0-	\$ -0-	\$ 476,337	\$ 571,545
Accrued payroll and related taxes	115,990				115,990	81,175
<b>Total Liabilities</b>	<b>582,939</b>	<b>9,388</b>	<b>-0-</b>	<b>-0-</b>	<b>592,327</b>	<b>652,720</b>
<b>Fund Balances (Deficits):</b>						
Nonspendable	586,519			889,897	1,476,416	1,118,936
Restricted for capital projects		492,539			492,539	525,203
Restricted for designated activities			443,034		443,034	832,248
Unassigned	(390,656)				(390,656)	(110,722)
<b>Total Fund Balances</b>	<b>195,863</b>	<b>492,539</b>	<b>443,034</b>	<b>889,897</b>	<b>2,021,333</b>	<b>2,365,665</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 778,802</b>	<b>\$ 501,927</b>	<b>\$ 443,034</b>	<b>\$ 889,897</b>	<b>\$ 2,613,660</b>	<b>\$ 3,018,385</b>

See notes to financial statements.

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

**BALANCE SHEETS - GOVERNMENTAL FUNDS**

June 30, 2011

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Special Revenue Fund</u>	<u>Permanent Fund</u>	<u>Total All Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents (Note A)	\$ 376,907	\$ 369,522	\$ 641,368	\$ -0-	\$ 1,387,797
Investments (Note B)	7,530	155,681	190,880	912,214	1,266,305
Accounts receivable (no allowance considered necessary)	77,561				77,561
Prepaid expenditures	50,170				50,170
Museum store inventory (lower of cost or market)	156,552				156,552
Pledges receivable (no allowance considered necessary) (Note D): Available within 60 days	80,000				80,000
<b>Total Assets</b>	<b><u>\$ 748,720</u></b>	<b><u>\$ 525,203</u></b>	<b><u>\$ 832,248</u></b>	<b><u>\$ 912,214</u></b>	<b><u>\$ 3,018,385</u></b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 571,545	\$ -0-	\$ -0-	\$ -0-	\$ 571,545
Accrued payroll and related taxes	81,175				81,175
<b>Total Liabilities</b>	<b><u>652,720</u></b>	<b><u>-0-</u></b>	<b><u>-0-</u></b>	<b><u>-0-</u></b>	<b><u>652,720</u></b>
<b>Fund Balances (Deficits):</b>					
Nonspendable	206,722			912,214	1,118,936
Restricted for capital projects		525,203			525,203
Restricted for designated activities			832,248		832,248
Unassigned	(110,722)				(110,722)
<b>Total Fund Balances</b>	<b><u>96,000</u></b>	<b><u>525,203</u></b>	<b><u>832,248</u></b>	<b><u>912,214</u></b>	<b><u>2,365,665</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 748,720</u></b>	<b><u>\$ 525,203</u></b>	<b><u>\$ 832,248</u></b>	<b><u>\$ 912,214</u></b>	<b><u>\$ 3,018,385</u></b>

See notes to financial statements.

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

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

**June 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
Total Fund Balances, Governmental Funds	\$ 2,021,333	\$ 2,365,665
<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	218,629
Depreciable capital assets:		
Cost	15,411,301	15,039,160
Less: Accumulated depreciation	<u>(14,298,840)</u>	<u>(14,127,751)</u>
<b>        Total Net Assets,         Governmental Activities</b>	<b><u>\$ 3,352,423</u></b>	<b><u>\$ 3,495,703</u></b>

See notes to financial statements.

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

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

For the Year Ended June 30, 2012  
(With Comparative Totals for the Year Ended June 30, 2011)

	2012				Total All Funds	
	General Fund	Capital Projects Fund	Special Revenue Fund	Permanent Fund	2012	2011
<b>Revenue:</b>						
Grants (Notes G and L)	\$ 1,969,775	\$ 580,222	\$ -0-	\$ -0-	\$ 2,549,997	\$ 2,072,169
Contributions	546,855		395,023		941,878	1,697,118
In-kind contributions	28,981				28,981	8,838
Facility rental and catering	530,190				530,190	422,746
Exhibit admissions	327,935				327,935	319,029
Museum store	147,782				147,782	137,971
Memberships	170,894				170,894	179,507
Special events and other revenue	696,071	583	505	20,345	717,504	170,721
Unrealized gain (loss) on investments	5,234	1,288		(32,512)	(25,990)	80,334
<b>Total Revenue</b>	<b>4,423,717</b>	<b>582,093</b>	<b>395,528</b>	<b>(12,167)</b>	<b>5,389,171</b>	<b>5,088,433</b>
<b>Expenditures:</b>						
Current:						
Salaries, wages, and employee benefits	2,109,938				2,109,938	2,020,212
Contractual and professional services	946,558				946,558	589,650
Facility operations and maintenance	1,153,078				1,153,078	1,140,145
Office expenses	297,298				297,298	272,428
Cost of goods sold	160,410				160,410	115,783
Educational programs and exhibits	499,099	850			499,949	562,539
Purchases of artifacts					-0-	2,150
Other current expenditures	183,481	500		10,150	194,131	123,161
Capital outlay (Note E)		372,141			372,141	109,809
<b>Total Expenditures</b>	<b>5,349,862</b>	<b>373,491</b>	<b>-0-</b>	<b>10,150</b>	<b>5,733,503</b>	<b>4,935,877</b>
<b>Excess (Deficiency) of Revenue over Expenditures</b>	<b>(926,145)</b>	<b>208,602</b>	<b>395,528</b>	<b>(22,317)</b>	<b>(344,332)</b>	<b>152,556</b>
<b>Other Financing Sources (Uses):</b>						
Interfund transfers	1,026,008	(241,266)	(784,742)		-0-	-0-
<b>Net Increase (Decrease) in Fund Balances</b>	<b>99,863</b>	<b>(32,664)</b>	<b>(389,214)</b>	<b>(22,317)</b>	<b>(344,332)</b>	<b>152,556</b>
Fund Balances, Beginning of Year	96,000	525,203	832,248	912,214	2,365,665	2,213,109
<b>Fund Balances, End of Year</b>	<b>\$ 195,863</b>	<b>\$ 492,539</b>	<b>\$ 443,034</b>	<b>\$ 889,897</b>	<b>\$ 2,021,333</b>	<b>\$ 2,365,665</b>

See notes to financial statements.

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

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

For the Year Ended June 30, 2011

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

See notes to financial statements.

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

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

**For the Years Ended June 30, 2012 and 2011**

	2012	2011
Net Increase (Decrease) in Fund Balances, Governmental Funds	\$ (344,332)	\$ 152,556
<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	372,141	109,809
Less: Depreciation expense	(171,089)	(226,159)
<b>Net Increase (Decrease) in Net Assets, Governmental Activities</b>	<b>\$ (143,280)</b>	<b>\$ 36,206</b>

See notes to financial statements.

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2012 and 2011**

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**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.

**Basis of Presentation**

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

**Government-Wide Financial Statements**

The government-wide financial statements report information about all of the Museum’s assets, liabilities, net assets, revenue, and expenses, similar to the financial statements of non-governmental enterprises.

**Fund Financial Statements**

For purposes of the fund financial statements, the accounts of the Museum are organized on the basis of governmental funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenue, and expenditures. The various funds are summarized by type in the fund financial statements.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2012 and 2011

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**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, 2012 and 2011**

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**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, 2012 and 2011**

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**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, 2012 and 2011****NOTE A – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****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, 2012 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.

As of June 30, 2012 and 2011, 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>2012</u>	<u>2011</u>
Carrying amount of deposits:		
Cash and cash equivalents	\$ 781,214	\$ 1,387,797
Certificates of deposit included in investments	169,595	242,349
	<u>\$ 950,809</u>	<u>\$ 1,630,146</u>
Total bank balances	<u>\$ 935,860</u>	<u>\$ 1,597,726</u>
Uninsured and uncollateralized bank balances	<u>\$ 365,697</u>	<u>\$ 679,218</u>

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2012 and 2011**

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

**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, 2012 and 2011, total contributed volunteer time of 12,402 and 10,785 hours, respectively, was valued at \$248,908 and \$213,435, respectively.

**Compensated Absences**

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

**Capital Assets**

Capital assets are recorded at historical cost. The Museum capitalizes all expenditures for building improvements, long-term and permanent exhibits, furniture, and equipment in excess of \$2,500. 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.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2012 and 2011**

**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, 2012 and 2011, donated collections and artifacts totaled \$112,959 and \$97,602, 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 \$150,508 and \$105,369 for the years ended June 30, 2012 and 2011, respectively.

**NOTE B - INVESTMENTS**

Investments as of June 30, 2012 and 2011 consist of the following:

	<u>2012</u>	<u>2011</u>
<b>Investments held by the Museum or its agent in the Museum's name:</b>		
Money market funds:		
Unrated:		
U.S. Trust Money Market Funds	\$ 115,384	\$ 62,554
Certificates of deposit (included in the cash deposit disclosures)	169,595	242,349
U.S. Treasury notes:		
Maturities between one and five years	-0-	49,997

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2012 and 2011

**NOTE B - INVESTMENTS (CONTINUED)**

	<u>2012</u>	<u>2011</u>
<b>Investments held by the Museum or its agent in the Museum's name (continued):</b>		
Corporate bonds:		
A- rating from Standard & Poor's, weighted average maturity of 25 years	\$ 10,840	\$ -0-
BBB- rating from Standard & Poor's, weighted average maturity of 49 years	11,295	-0-
446 shares of common stock from Gannett Company, Inc., received on June 2, 1987 (value at date of donation was \$8,530)	6,623	6,387
Registered investment companies:		
Bond funds:		
AAA rating from Standard & Poor's, weighted average maturity of 8.31 years	43,075	45,779
AA+ rating from Standard & Poor's, weighted average maturity of 1.96 years	37,967	37,935
A rating from Standard & Poor's, weighted average maturity of 4.99 years	210,988	205,740
A rating from Standard & Poor's, weighted average maturity of 1.87 years	79,580	79,762
Equity funds	343,056	377,448
Other funds	55,285	54,142
Individual investments representing five percent or more of the Museum's investments:		
Cash surrender value of life insurance policy:		
Lincoln National Life Insurance Company	105,501	104,212
	<u>\$ 1,189,189</u>	<u>\$ 1,266,305</u>

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2012 and 2011**

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**NOTE B - 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 \$1.454 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 \$-0- and \$80,000 as of June 30, 2012 and 2011 that are due in less than one year from the statement of net assets date.

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

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2012 and 2011**

**NOTE D - PLEDGES RECEIVABLE (CONTINUED)**

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

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

**NOTE E - CAPITAL ASSETS**

Nondepreciable capital asset activity for the years ended June 30, 2012 and 2011 is as follows:

	<b><u>Construction in Progress</u></b>
Balance, July 1, 2010	\$ 133,344
Acquisitions	85,285
	<hr/>
<b>Balance, June 30, 2011</b>	<b>218,629</b>
	<hr/>
<b>Balance, June 30, 2012</b>	<b><u>\$ 218,629</u></b>

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2012 and 2011**

**NOTE E - CAPITAL ASSETS (CONTINUED)**

Depreciable capital asset activity for the years ended June 30, 2012 and 2011 is as follows:

	<u>Building Improvements</u>	<u>Exhibits</u>	<u>Furniture and Equipment</u>	<u>Total</u>
<b>Cost:</b>				
Balance, July 1, 2010	\$ 1,517,424	\$ 12,040,872	\$ 1,456,340	\$ 15,014,636
Acquisitions	5,688		18,836	24,524
<b>Balance, June 30, 2011</b>	<b>1,523,112</b>	<b>12,040,872</b>	<b>1,475,176</b>	<b>15,039,160</b>
Acquisitions	32,612	291,144	48,385	372,141
<b>Balance, June 30, 2012</b>	<b>\$ 1,555,724</b>	<b>\$ 12,332,016</b>	<b>\$ 1,523,561</b>	<b>\$ 15,411,301</b>
<b>Accumulated Depreciation:</b>				
Balance, July 1, 2010	\$ 662,125	\$ 12,040,872	\$ 1,198,595	\$ 13,901,592
Depreciation expense	122,345		103,814	226,159
<b>Balance, June 30, 2011</b>	<b>784,470</b>	<b>12,040,872</b>	<b>1,302,409</b>	<b>14,127,751</b>
Depreciation expense	118,243	2,174	50,672	171,089
<b>Balance, June 30, 2012</b>	<b>\$ 902,713</b>	<b>\$ 12,043,046</b>	<b>\$ 1,353,081</b>	<b>\$ 14,298,840</b>
<b>Net Depreciable Capital Assets:</b>				
Balance, June 30, 2011	\$ 738,642	\$ -0-	\$ 172,767	\$ 911,409
Balance, June 30, 2012	\$ 653,011	\$ 288,970	\$ 170,480	\$ 1,112,461

**NOTE F - LINE OF CREDIT**

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 line of credit was secured by substantially all assets of the Museum and expired on September 1, 2011. For the years ended June 30, 2012 and 2011, there was no activity on the line of credit. As of June 30, 2012 and 2011, 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.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2012 and 2011**

**NOTE G - CONTRACT WITH THE CITY OF DETROIT (CONTINUED)**

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 \$1.59 million and \$1.95 million for the years ended June 30, 2012 and 2011, 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, 2012 and 2011 totaled \$105,337 and \$109,212, 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, 2012 and 2011 is \$2,225,284 and \$2,281,600, respectively.

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

**NOTE I - LEASES**

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

<b>For the Years Ending June 30:</b>	
2013	\$ 20,584
2014	16,444
2015	12,304
2016	12,304
2017	<u>9,228</u>
<b>Total Minimum Lease Payments</b>	<b><u>\$ 70,864</u></b>

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2012 and 2011**

**NOTE I – LEASES (CONTINUED)**

Total rental expense under these lease agreements for the years ended June 30, 2012 and 2011 was \$27,847 and \$33,679, 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 following table 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, 2012 and 2011.

	2012		2011	
	General Fund Balance/ Unrestricted Net Assets	Special Revenue Fund Balance/ Net Assets Restricted for Other Activities	General Fund Balance/ Unrestricted Net Assets	Special Revenue Fund Balance/ Net Assets Restricted for Other Activities
Fund balances (deficits), governmental funds:				
Nonspendable	\$ 586,519	\$ -0-	\$ 206,722	\$ -0-
Restricted for designated activities	-0-	443,034	-0-	832,248
Unassigned	(390,656)	-0-	(110,722)	-0-
	195,863	443,034	96,000	832,248
Fund balances designated by the Board of Trustees for specific activities which are not restricted by donors	105,501	(105,501)	104,212	(104,212)
<b>Net Assets, Governmental Activities</b>	<b>\$ 301,364</b>	<b>\$ 337,533</b>	<b>\$ 200,212</b>	<b>\$ 728,036</b>

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2012 and 2011**

**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.

During the year ended June 30, 2012, 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	\$ 672,487	\$ 946,558	\$ (274,071)
Facility operations and maintenance	1,095,150	1,153,078	(57,928)
Office expenses	287,883	297,298	(9,415)
Cost of goods sold	133,513	160,410	(26,897)
Other current expenditures	77,458	183,481	(106,023)

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.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2012 and 2011**

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**NOTE L - CAPITAL EXPANSION BOND ISSUES (CONTINUED)**

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, 2012, approximately \$405,000 in bonds remains available for the Museum's use. The dollars will be authorized by the City over time. The Museum received approximately \$713,000 from this authorization during the year ended June 30, 2012. 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 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.

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.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2012 and 2011**

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**NOTE N - NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)**

SGAS No. 63 and SGAS No. 65 apply 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 and SGAS No. 65.

**NOTE O - HEALTH CARE REFORM LEGISLATION**

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

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

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

**REQUIRED SUPPLEMENTARY INFORMATION**



CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

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

For the Years Ended June 30, 2012 and 2011

	2012			2011		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
				Positive (Negative) Variance with Final Budget		Positive (Negative) Variance with Final Budget
Excess (Deficiency) of Revenue over Expenditures	\$ -0-	\$ (259,984)	\$ (926,145)	\$ (666,161)	\$ -0-	\$ (94,587)
Other Financing Sources: Interfund transfers			1,026,008	1,026,008		67,277
Net Increase (Decrease) in Fund Balance	\$ -0-	\$ (259,984)	\$ 99,863	\$ 359,847	\$ -0-	\$ (27,310)

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, 2012 and 2011**

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**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.