

DETROIT HISTORICAL SOCIETY
(A Michigan Non-Profit Corporation)

FINANCIAL STATEMENTS

June 30, 2012 and 2011



**GEORGE JOHNSON
& COMPANY**

Certified Public Accountants and Consultants

DETROIT HISTORICAL SOCIETY
(A Michigan Non-Profit Corporation)

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INDEPENDENT AUDITORS' REPORT

October 12, 2012

To the Board of Trustees
Detroit Historical Society
Detroit, Michigan

We have audited the accompanying statements of financial position of the Detroit Historical Society (the "Society," a Michigan non-profit Corporation) as of June 30, 2012 and 2011, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Society'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 Society's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 opinion.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of the Detroit Historical Society as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.


CERTIFIED PUBLIC ACCOUNTANTS

DETROIT HISTORICAL SOCIETY
(A Michigan Non-Profit Corporation)

STATEMENTS OF FINANCIAL POSITION

June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and cash equivalents	\$ 2,013,466	\$ 450,761
Investments, at fair value (Notes A and F)	3,956,506	4,580,850
Contributions and accounts receivable (net of allowance for doubtful contributions) (Note D)	3,466,436	3,084,682
Inventories (Note A)	43,177	52,265
Property and equipment (net of accumulated depreciation of \$308,137 and \$294,458 in 2012 and 2011, respectively) (Note A)	174,528	58,868
Exhibit construction in progress	625,371	-0-
Other assets	31,378	10,940
	<u> </u>	<u> </u>
Total Assets	<u><u>\$ 10,310,862</u></u>	<u><u>\$ 8,238,366</u></u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 144,789	\$ 90,727
	<u> </u>	<u> </u>
Total Liabilities	<u>144,789</u>	<u>90,727</u>
Net Assets:		
Unrestricted	7,983,443	5,886,360
Temporarily restricted (Note B)	2,062,737	2,141,386
Permanently restricted (Note C)	119,893	119,893
	<u> </u>	<u> </u>
Total Net Assets	<u>10,166,073</u>	<u>8,147,639</u>
	<u> </u>	<u> </u>
Total Liabilities and Net Assets	<u><u>\$ 10,310,862</u></u>	<u><u>\$ 8,238,366</u></u>

See notes to financial statements.

DETROIT HISTORICAL SOCIETY
(A Michigan Non-Profit Corporation)

STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Changes in Unrestricted Net Assets:		
Revenue:		
Contributions and grants	\$ 4,449,443	\$ 3,692,753
Admissions and other revenue	395,750	421,553
Income on long-term investments	55,405	78,860
Other investment income	278,501	39
	<u>5,179,099</u>	<u>4,193,205</u>
Net assets released from restrictions (Note B)	<u>1,065,291</u>	<u>384,942</u>
	<u>6,244,390</u>	<u>4,578,147</u>
Expenses (Note J):		
Program services:		
Programs and exhibits	647,061	785,297
Museum operations	818,997	853,228
Program marketing	645,944	343,113
Education and curators	374,985	285,299
Volunteers	120,218	42,396
	<u>2,607,205</u>	<u>2,309,333</u>
Supporting services:		
Development	816,015	650,152
General and administrative	239,112	212,500
	<u>1,055,127</u>	<u>862,652</u>
	<u>3,662,332</u>	<u>3,171,985</u>
	2,582,058	1,406,162
Net Increase in Unrestricted Net Assets Before Gains and Losses		
Gains and losses:		
Net realized and unrealized gains (losses) on investments	<u>(484,975)</u>	<u>630,893</u>
	<u>\$ 2,097,083</u>	<u>\$ 2,037,055</u>

See notes to financial statements.

DETROIT HISTORICAL SOCIETY
(A Michigan Non-Profit Corporation)

STATEMENTS OF ACTIVITIES (CONTINUED)

For the Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Changes in Temporarily Restricted Net Assets:		
Contributions	\$ 986,642	\$ 1,108,450
Net assets released from restrictions (Note B)	<u>(1,065,291)</u>	<u>(384,942)</u>
Net Increase (Decrease) in Temporarily Restricted Net Assets	<u>(78,649)</u>	<u>723,508</u>
Net Increase in Net Assets	2,018,434	2,760,563
Net Assets, Beginning of Year	<u>8,147,639</u>	<u>5,387,076</u>
Net Assets, End of Year	<u><u>\$ 10,166,073</u></u>	<u><u>\$ 8,147,639</u></u>

See notes to financial statements.

DETROIT HISTORICAL SOCIETY
(A Michigan Non-Profit Corporation)

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash Flows from Operating Activities:		
Net increase in net assets	\$ 2,018,434	\$ 2,760,563
Adjustments to reconcile net increase in net assets to net cash provided by operating activities:		
Depreciation	13,679	12,015
Net realized and unrealized (gains) losses on investments	484,975	(630,893)
(Increase) decrease in:		
Contributions and accounts receivable	(381,754)	(1,929,152)
Inventories	9,088	(15,313)
Other assets	(20,438)	295
Increase in accounts payable and accrued expenses	54,062	29,247
	<u>2,178,046</u>	<u>226,762</u>
Net Cash Provided by Operating Activities		
	2,178,046	226,762
Cash Flows from Investing Activities:		
Acquisition of property and equipment	(129,339)	(41,646)
Payments on exhibit construction in progress	(625,371)	-0-
Acquisition of investments	(575,122)	(1,516,187)
Proceeds from sales of investments	714,491	1,447,895
	<u>(615,341)</u>	<u>(109,938)</u>
Net Cash Provided (Used) by Investing Activities		
	(615,341)	(109,938)
Net Increase in Cash and Cash Equivalents	1,562,705	116,824
Cash and Cash Equivalents Balance, Beginning of Year	<u>450,761</u>	<u>333,937</u>
Cash and Cash Equivalents Balance, End of Year	<u>\$ 2,013,466</u>	<u>\$ 450,761</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

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

Nature of Organization

The Detroit Historical Society (the “Society”) is an independent, Michigan non-profit Corporation whose purpose is to educate and inspire its community and visitors by preserving and portraying the region’s shared history through dynamic exhibits and experiences. Under an agreement with the City of Detroit (the “City”), the Society manages the daily operations of the Detroit Historical Museum, its gift shop, the Dossin Great Lakes Museum, and the Collections Resource Center. The City contributed \$337,500 and \$450,000 towards operational expenses for the years ended June 30, 2012 and 2011, respectively.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting, which includes recognition of revenue when earned and expenses when incurred.

Basis of Presentation

The Society reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Revenue Recognition

The Society reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statements of activities as net assets released from restrictions.

The Society reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Society reports the expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2012 and 2011

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

Inventories

Inventories are stated at the lower of cost (determined by the retail inventory method) or market.

Property and Equipment

Property and equipment purchased by the Society for its own use is recorded at cost. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets, which range from five to fifteen years. The Society capitalizes all expenditures for property and equipment in excess of \$1,000.

Investments

Investments are stated at fair value as of June 30, 2012 and 2011, based on quoted market prices. Realized gains and losses represent the difference between the proceeds received and the cost of investments sold. Unrealized gains and losses represent the change in the fair value of investments during each year.

Donated Facilities

The Society has an arrangement with the City under which the City provides the Society with facilities at no charge. Management estimates the fair value of the use of these facilities to be approximately \$218,900 per year for the years ended June 30, 2012 and 2011; these values have been included in the accompanying statements of activities.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2012 and 2011

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

Fair Value Measurements

The Society uses fair value measurements in the preparation of its financial statements, which utilize various inputs, including those that can be readily observed, corroborated, or are generally unobservable. The Society utilizes market-based data and valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Additionally, the Society applies assumptions that market participants would use in pricing an asset or liability, including assumptions about risk.

The measurement of fair value includes a hierarchy based on the quality of inputs used to measure fair value. Financial assets and liabilities are categorized into this three-level fair value hierarchy, based on the inputs to the valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable inputs.

The various levels of the fair value hierarchy are described as follows:

- Level 1 - Financial assets and liabilities whose values are based on unadjusted quoted market prices for identical assets and liabilities in an active market that the Society has the ability to access
- Level 2 - Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable for substantially the full term of the asset or liability
- Level 3 - Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement

The use of observable market data, when available, is required in making fair value measurements. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2012 and 2011

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

Advertising

The Society's advertising costs are expensed as incurred. Advertising expenses totaled \$77,665 and \$24,912 for the years ended June 30, 2012 and 2011, respectively. In addition, the Society received donated advertising totaling \$4,600 and \$74,005 for the years ended June 30, 2012 and 2011, respectively.

Cash Equivalents

For purposes of the statements of cash flows, the Society considers all short-term securities purchased with original maturities of three months or less to be cash equivalents.

Tax-Exempt Status

The Society is organized under section 501(c)(3) of the Internal Revenue Code ("IRC") and has received a determination of its tax-exempt status from the Internal Revenue Service ("IRS") as a publicly supported organization under IRC section 509(a)(2). The Society's management is not aware of any unrecognized tax benefits as of June 30, 2012 or 2011. The Society is no longer subject to federal income tax examinations by the IRS for years prior to the year ended June 30, 2006.

Concentration of Credit Risk

Financial instruments which potentially subject the Society to concentrations of credit risk consist principally of cash, cash equivalents, contributions and accounts receivable, and investments.

Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits. All of the Society'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 Society's non-interest-bearing cash balances may again exceed federally insured limits. Contributions and accounts receivable are due from various entities in southeastern Michigan. As discussed in Note F, investments are diversified among various common stocks, registered investment companies, exchange-traded funds, and short-term funds.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2012 and 2011

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

Reclassifications

Certain reclassifications have been made to the accompanying financial statements as of, and for the year ended, June 30, 2011 to conform to classifications used as of, and for the year ended, June 30, 2012.

Subsequent Events

The Society has evaluated subsequent events through October 12, 2012, the date that the accompanying financial statements were available to be issued.

NOTE B - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes as of June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Restricted for program activities or projects:		
Bank One Plaza construction and ongoing maintenance	\$ 86,644	\$ 60,595
Historic Fort Wayne	12,400	12,400
Community outreach and education programs	67,810	82,505
Dossin Great Lakes Museum Exhibits	724	724
Other programs	153,369	155,801
	16,612	17,301
	<u>337,559</u>	<u>329,326</u>
Multi-year pledged contributions to be received and used in future periods	<u>1,725,178</u>	<u>1,812,060</u>
	<u><u>\$ 2,062,737</u></u>	<u><u>\$ 2,141,386</u></u>

DETROIT HISTORICAL SOCIETY
(A Michigan Non-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2012 and 2011

NOTE B - TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes, or by occurrence of other events specified by donors, as follows:

	<u>2012</u>	<u>2011</u>
Purpose restrictions accomplished for the following programs or projects:		
Bank One Plaza construction and ongoing maintenance	\$ 5,551	\$ 7,577
Historic Fort Wayne	-0-	1,057
Community outreach and education programs	14,695	24,457
Dossin Great Lakes Museum	10,338	-0-
Exhibits	13,606	26,430
Other programs	3,282	6,546
	<u>47,472</u>	<u>66,067</u>
Time restrictions expired by passage of specified time	<u>1,017,819</u>	<u>318,875</u>
	<u>\$ 1,065,291</u>	<u>\$ 384,942</u>

NOTE C - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of investments to be held in perpetuity. The income may be used to support various activities, as detailed in the following schedule, which displays the composition of permanently restricted net assets as of June 30, 2012 and 2011.

<u>Donors</u>	<u>Activities That May Be Supported by Related Income</u>	<u>Permanently Restricted Net Asset Balance</u>	
		<u>2012</u>	<u>2011</u>
Solan Weeks	Registration fees for educational workshops	\$ 4,044	\$ 4,044
Charles and Katherine Hagler Society Trustees and others	Discretionary fund of the Museum Director	99,914	99,914
Other	Short-term exhibits	11,805	11,805
	Any activities of the Society	4,130	4,130
		<u>\$ 119,893</u>	<u>\$ 119,893</u>

DETROIT HISTORICAL SOCIETY
(A Michigan Non-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2012 and 2011

NOTE D - CONTRIBUTIONS AND ACCOUNTS RECEIVABLE

Included in contributions and accounts receivable are the following unconditional promises to give as of June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Contributions receivable:		
Amounts due in:		
Less than one year	\$ 1,819,032	\$ 1,372,558
One to five years	1,725,178	1,812,060
	<u>3,544,210</u>	<u>3,184,618</u>
Less:		
Unamortized discount (at 3.25 percent)	(54,043)	(103,504)
Allowance for doubtful contributions	(23,926)	-0-
	<u>3,466,241</u>	<u>3,081,114</u>
Net Contributions Receivable	3,466,241	3,081,114
Accounts receivable	<u>195</u>	<u>3,568</u>
	<u>\$ 3,466,436</u>	<u>\$ 3,084,682</u>

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

Conditional promises to receive, which do not include any open-ended bequests, are recognized when the conditions on which they depend are substantially met. The Society has no conditional promises to receive as of June 30, 2012.

In July 2009, the Society launched a comprehensive fund raising campaign, Past Forward (the "Campaign"), to raise a total of \$21 million during the five-year period beginning July 1, 2009 and ending June 30, 2014. Through June 30, 2012, the Campaign has raised, through written pledges and cash receipts, a total of approximately \$15 million, as follows:

For the Years Ended June 30:	
2010	\$ 3,958,090
2011	5,326,260
2012	<u>5,694,372</u>
	<u>\$ 14,978,722</u>

DETROIT HISTORICAL SOCIETY
(A Michigan Non-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2012 and 2011

NOTE E – LEASES

The Society leases copying equipment under operating leases expiring through May 31, 2014. Future minimum lease payments under these leases as of June 30, 2012 are as follows:

For the Years Ended June 30:	
2013	\$ 8,484
2014	<u>7,777</u>
Total Minimum Lease Payments	<u>\$ 16,261</u>

Rental expense under these operating leases for the year ended June 30, 2012 was \$8,484.

NOTE F – INVESTMENTS AND FAIR VALUE

The Society's fair value hierarchy for those assets measured at fair value on a recurring basis as of June 30, 2012 and 2011 is summarized as follows:

	<u>Fair Value Measurements</u>			<u>Total</u>
	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	
2012				
Assets:				
Investments at fair value:				
Short-term investment fund	\$ 31,383	\$ -0-	\$ -0-	\$ 31,383
Common stocks:				
Information technology	220,502			220,502
Financial	142,293			142,293
Health care	137,308			137,308
Consumer discretionary	127,848			127,848
Consumer staples	120,612			120,612
Energy	104,018			104,018
Industrial	101,130			101,130
Other	104,444			104,444
Exchange-traded funds:				
Equity fund	236,026			236,026

DETROIT HISTORICAL SOCIETY
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2012 and 2011

NOTE F – INVESTMENTS AND FAIR VALUE (CONTINUED)

	<u>Fair Value Measurements</u>			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
2012 (continued)				
Assets (continued):				
Investments at fair value (continued):				
Registered investment companies:				
Equity funds	\$ 1,557,857	\$ -0-	\$ -0-	\$ 1,557,857
Fixed income funds	1,073,085			1,073,085
Total Investments	3,956,506	-0-	-0-	3,956,506
Cash and cash equivalents	2,013,466			2,013,466
	\$ 5,969,972	\$ -0-	\$ -0-	\$ 5,969,972
2011				
Assets:				
Investments at fair value:				
Short-term investment fund	\$ 86,759	\$ -0-	\$ -0-	\$ 86,759
Bond funds			70,895	70,895
Commodity trust fund		24,820		24,820
Commodity derivative fund			47,036	47,036
Real estate fund		92,101		92,101
Registered investment companies:				
Equity funds	3,001,520			3,001,520
Fixed income funds	1,257,719			1,257,719
Total Investments	4,345,998	116,921	117,931	4,580,850
Cash and cash equivalents	450,761			450,761
	\$ 4,796,759	\$ 116,921	\$ 117,931	\$ 5,031,611

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2012 and 2011

NOTE F – INVESTMENTS AND FAIR VALUE (CONTINUED)

The Board of Trustees for the Society maintains an Investment Committee whose responsibility it is to monitor the Society's investment portfolio and to make sure that the portfolio is invested in accordance with the Society's written investment policy, as developed and implemented by the Board. The Society's investment portfolio is professionally managed by one or more independent financial advisors who manage the portfolio and act as custodians. The independent financial advisors are responsible for advising the Board with regard to appropriate investments and for maintaining the portfolio within the guidelines of the Society's investment policy.

The Society previously maintained its investments in two trust accounts with JP Morgan Chase Bank and Comerica Bank. In December 2011, the Society transferred all investments to a new trust account with PNC Bank and closed out the two previous trust accounts. The majority of investments was transferred, and the other investment funds were liquidated. All investments held at PNC Bank are Level 1 investments, with values at quoted market prices. Most of the investment gains and losses (realized and unrealized), interest income, and dividends are recorded as operating revenue.

The commodity trust fund and the real estate fund held as of June 30, 2010 were not publicly traded. The underlying assets in these funds were publicly traded on exchanges, and price quotes for the assets held by these funds were readily available. The bond funds and the commodity derivative fund held as of June 30, 2010 invested primarily in other Level 3 investment funds. The fair value of each of these funds was estimated using the net asset value per share, which was calculated at the close of business on the last business day of each calendar month. There were no restrictions relative to contributions or redemptions for any of these funds.

DETROIT HISTORICAL SOCIETY
(A Michigan Non-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2012 and 2011

NOTE F – INVESTMENTS AND FAIR VALUE (CONTINUED)

The fair value reconciliation of the Society’s Level 3 assets, measured at fair value on a recurring basis, for the years ended June 30, 2012 and 2011 is as follows:

	<u>Bond Fund</u>	<u>Commodity Derivative Fund</u>	<u>Total</u>
2012			
Changes in Level 3 Assets:			
Net realized and unrealized gains (losses)	\$ 5,351	\$ (1,347)	\$ 4,004
Purchases	3,375	45,054	48,429
Less: Sales	<u>(79,621)</u>	<u>(90,743)</u>	<u>(170,364)</u>
Net Increase (Decrease) in Level 3 Assets	(70,895)	(47,036)	(117,931)
Balance, July 1, 2011	<u>70,895</u>	<u>47,036</u>	<u>117,931</u>
Balance, June 30, 2012	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Net gains for the year included in changes in net assets attributable to the change in unrealized gains or losses relating to assets still held as of June 30, 2012	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
2011			
Changes in Level 3 Assets:			
Net realized and unrealized gains (losses)	\$ (1,275)	\$ 1,886	\$ 611
Purchases	<u>33,400</u>	<u>45,150</u>	<u>78,550</u>
Net Increase in Level 3 Assets	32,125	47,036	79,161
Balance, July 1, 2010	<u>38,770</u>	<u>-0-</u>	<u>38,770</u>
Balance, June 30, 2011	<u>\$ 70,895</u>	<u>\$ 47,036</u>	<u>\$ 117,931</u>
Net gains (losses) for the year included in changes in net assets attributable to the change in unrealized gains or losses relating to assets still held as of June 30, 2011	<u>\$ (12,911)</u>	<u>\$ 3,455</u>	<u>\$ (9,456)</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2012 and 2011

NOTE G - RETIREMENT PLAN

The Society provides retirement benefits for eligible full-time employees through a defined contribution plan. Employees are generally eligible to participate at age 21 and after completing one year of employment. The Society contributed .5 percent of each eligible employee's base salary prior to August 31, 2011. Effective September 1, 2011, the Society contributes one percent of eligible base salary. The Society's contribution expense was \$10,317 and \$5,087 for the years ended June 30, 2012 and 2011, respectively. Contributions are fully vested after three years of employee service.

NOTE H - LINE OF CREDIT

Through December 2011, the Society had a \$500,000 line of credit, with interest at the bank's prime rate plus .8 percent. There was no outstanding balance on this line of credit as of June 30, 2011.

NOTE I - ENDOWMENT FUND

The Society established the Detroit Historical Society 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 intended solely for the use of the Society. The Foundation transfers earnings on the Endowment Fund to the Society periodically in the form of grants so long as the Society continues to meet its tax-exempt purpose. Grants paid to the Society from the Foundation for the years ended June 30, 2012 and 2011 totaled \$64,206 and \$67,535, respectively.

Since the Endowment Fund has been funded entirely by contributions from outside donors, this fund is not recorded on the statements of financial position of the Society. The fair value of the Endowment Fund as of June 30, 2012 and 2011 is \$1,437,981 and \$1,478,223, respectively.

The Society'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 non-profit 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.

DETROIT HISTORICAL SOCIETY
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2012 and 2011

NOTE J - FUNCTIONAL EXPENSES

Expenses incurred by the Society for the year ended June 30, 2012, with summarized comparative totals for the year ended June 30, 2011, are as follows:

	2012										Total Expenses
	Program Services					Supporting Services					
	Programs and Exhibits	Museum Operations	Program Marketing	Education and Curators	Volunteers	Total Program Services	Development	General and Administrative	Total Supporting Services	2012	
Salaries and benefits	\$ 347,678	\$ 308,575	\$ 166,100	\$ 303,938	\$ 35,125	\$ 1,161,416	\$ 450,765	\$ 153,375	\$ 604,140	\$ 1,765,556	\$ 1,509,008
Professional fees and contractual											
services	179,722	47,390	397,790	7,084	75,301	707,287	178,298	22,292	200,590	907,877	699,949
Supplies	18,803	16,000	6,997	12,328	3,213	57,341	58,305	23,175	81,480	138,821	84,338
Printing and publications	24,387	1,103	38,357	1,482	126	65,455	32,666	548	33,214	98,669	84,449
Postage	1,228	2,144	6,073	596	1,040	11,081	10,844	257	11,101	22,182	27,721
Conferences		1,560		910		2,470	671	2,671	3,342	5,812	7,244
Repairs and maintenance	10,183	125,691	3,220	2,540	294	141,928	3,733	1,281	5,014	146,942	123,725
Travel	4,229	2,118	1,543	2,902	127	10,919	11,922	4,250	16,172	27,091	20,329
Occupancy	43,206	246,883	20,641	37,770	4,365	352,865	55,510	19,051	74,561	427,426	498,230
Telephone	3,276	16,878	858	1,570	180	22,762	2,308	792	3,100	25,862	22,143
Depreciation								13,679	13,679	13,679	12,015
Cost of sales	862	34,659				35,521			7,629	35,521	60,352
Insurance	4,421	3,924	2,112	3,865	447	14,769	5,680	1,949		22,398	19,668
Miscellaneous expenses	9,066	12,072	2,253			23,391	5,313	(4,208)	1,105	24,496	2,814
	\$ 647,061	\$ 818,997	\$ 645,944	\$ 374,985	\$ 120,218	\$ 2,607,205	\$ 816,015	\$ 239,112	\$ 1,055,127	\$ 3,662,332	\$ 3,171,985

The functional classification of expenses is based either on direct costs or an allocation of indirect costs on a basis which management believes results in a fair presentation. The Society did not conduct any activities for which joint costs were allocated between development expenses and program services or general and administrative expenses.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2012 and 2011

NOTE K - 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 that may have a significant financial impact on employers:

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