

DETROIT HISTORICAL SOCIETY
(A Michigan Non-Profit Corporation)

FINANCIAL STATEMENTS

June 30, 2013 and 2012



**GEORGE JOHNSON
& COMPANY**

Certified Public Accountants and Consultants

DETROIT HISTORICAL SOCIETY
(A Michigan Non-Profit Corporation)

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INDEPENDENT AUDITOR'S REPORT

October 4, 2013

To the Board of Trustees
Detroit Historical Society

Report on the Financial Statements

We have audited the accompanying financial statements of the Detroit Historical Society (the "Society," a Michigan non-profit Corporation), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, as well as the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Society's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control. Accordingly, we express no such opinion.

Board of Trustees
Detroit Historical Society
October 4, 2013
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INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Auditor's Responsibility (continued)

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Detroit Historical Society as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.



CERTIFIED PUBLIC ACCOUNTANTS
Detroit, Michigan

DETROIT HISTORICAL SOCIETY
(A Michigan Non-Profit Corporation)

STATEMENTS OF FINANCIAL POSITION

June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and cash equivalents	\$ 410,526	\$ 2,013,466
Investments, at fair value (Notes A and F)	2,259,118	3,956,506
Contributions and accounts receivable (net of allowance for doubtful contributions) (Note D)	2,798,370	3,466,436
Inventories (Note A)	69,917	43,177
Property and equipment (net of accumulated depreciation of \$340,718 and \$308,137 in 2013 and 2012, respectively) (Note A)	268,303	134,541
Exhibit construction in progress (Note A)	5,417,716	665,358
Other assets	32,902	31,378
Total Assets	<u>\$ 11,256,852</u>	<u>\$ 10,310,862</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 106,176	\$ 144,789
Total Liabilities	<u>106,176</u>	<u>144,789</u>
Net Assets:		
Unrestricted	9,623,964	7,983,443
Temporarily restricted (Note B)	1,406,819	2,062,737
Permanently restricted (Note C)	119,893	119,893
Total Net Assets	<u>11,150,676</u>	<u>10,166,073</u>
Total Liabilities and Net Assets	<u>\$ 11,256,852</u>	<u>\$ 10,310,862</u>

See notes to financial statements.

DETROIT HISTORICAL SOCIETY
(A Michigan Non-Profit Corporation)

STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Changes in Unrestricted Net Assets:		
Revenue:		
Contributions and grants	\$ 3,329,947	\$ 4,449,443
Museum operation revenue	442,992	395,750
Income on long-term investments	53,892	55,405
Other investment income	2,547	278,501
	<u>3,829,378</u>	<u>5,179,099</u>
Net assets released from restrictions (Note B)	<u>1,504,175</u>	<u>1,065,291</u>
	<u>5,333,553</u>	<u>6,244,390</u>
Expenses (Note D):		
Program services:		
Programs and exhibits	591,169	647,061
Museum operations	1,067,176	818,997
Program marketing	728,041	645,944
Education and curators	309,931	374,985
Volunteers	50,332	120,218
	<u>2,746,649</u>	<u>2,607,205</u>
Supporting services:		
Development	942,900	816,015
General and administrative	238,664	239,112
	<u>1,181,564</u>	<u>1,055,127</u>
	<u>3,928,213</u>	<u>3,662,332</u>
	<u>1,405,340</u>	<u>2,582,058</u>
Gains and losses:		
Net realized and unrealized gains (losses) on investments	<u>235,181</u>	<u>(484,975)</u>
	<u>\$ 1,640,521</u>	<u>\$ 2,097,083</u>

See notes to financial statements.

DETROIT HISTORICAL SOCIETY
(A Michigan Non-Profit Corporation)

STATEMENTS OF ACTIVITIES (CONTINUED)

For the Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Changes in Temporarily Restricted Net Assets:		
Contributions	\$ 848,257	\$ 986,642
Net assets released from restrictions (Note B)	<u>(1,504,175)</u>	<u>(1,065,291)</u>
Net Increase (Decrease) in Temporarily Restricted Net Assets	<u>(655,918)</u>	<u>(78,649)</u>
Net Increase in Net Assets	984,603	2,018,434
Net Assets, Beginning of Year	<u>10,166,073</u>	<u>8,147,639</u>
Net Assets, End of Year	<u><u>\$ 11,150,676</u></u>	<u><u>\$ 10,166,073</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, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash Flows from Operating Activities:		
Net increase in net assets	\$ 984,603	\$ 2,018,434
Adjustments to reconcile net increase in net assets to net cash provided by operating activities:		
Depreciation	32,581	13,679
Net realized and unrealized (gains) losses on investments	(235,181)	484,975
(Increase) decrease in:		
Contributions and accounts receivable	668,066	(381,754)
Inventories	(26,740)	9,088
Other assets	(1,524)	(20,438)
Increase (decrease) in accounts payable and accrued expenses	(38,613)	54,062
	<u>1,383,192</u>	<u>2,178,046</u>
Net Cash Provided by Operating Activities	<u>1,383,192</u>	<u>2,178,046</u>
Cash Flows from Investing Activities:		
Acquisition of property and equipment	(126,356)	(129,339)
Payments on exhibit construction in progress	(4,792,345)	(625,371)
Acquisition of investments	(132,121)	(575,122)
Proceeds from sales of investments	2,064,690	714,491
	<u>(2,986,132)</u>	<u>(615,341)</u>
Net Cash Provided (Used) by Investing Activities	<u>(2,986,132)</u>	<u>(615,341)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(1,602,940)</u>	<u>1,562,705</u>
Cash and Cash Equivalents Balance, Beginning of Year	<u>2,013,466</u>	<u>450,761</u>
Cash and Cash Equivalents Balance, End of Year	<u>\$ 410,526</u>	<u>\$ 2,013,466</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013 and 2012

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

Nature of 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 \$198,246 and \$337,500 towards operational expenses for the years ended June 30, 2013 and 2012, respectively.

Under the Society’s memorandum of agreement with the City dated March 14, 2006, the Society is required to provide a list of all completed assets for acceptance by the City. The Society anticipates providing such a list for the City’s consideration at the completion of the Society’s comprehensive fund raising campaign, Past Forward (the “Campaign”), which is expected to be completed by June 30, 2014.

On July 18, 2013, the City filed a petition under Chapter 9 of the United States Bankruptcy Code seeking to adjust the timing and payment of amounts associated with the City’s obligations. A trial in federal bankruptcy court to consider the City’s eligibility for bankruptcy is currently scheduled for October 23, 2013. There is considerable uncertainty associated with this process, and the effects of this process on the City are not currently known. As the Society is an independent organization, the Society’s management anticipates that the Society will be able to continue operations, although the future impact on the Society is not currently known.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2013 and 2012

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

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.

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, 2013 and 2012, 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2013 and 2012

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

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, 2013 and 2012; 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.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2013 and 2012

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

Fair Value Measurements (continued)

- 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.

Advertising

The Society's advertising costs are expensed as incurred. Advertising expenses totaled \$356,623 and \$77,665 for the years ended June 30, 2013 and 2012, respectively. Included in these amounts is donated advertising received by the Society totaling \$223,238 and \$4,600 for the years ended June 30, 2013 and 2012, 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, 2013 or 2012. The Society is no longer subject to federal income tax examinations by the IRS for years prior to the year ended June 30, 2007.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2013 and 2012

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

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 the federally insured limit of \$250,000 per depositor at each financial institution. Cash and cash equivalents on deposit in excess of the federally insured limit as of June 30, 2013 approximated \$160,000. 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.

Subsequent Events

The Society has evaluated subsequent events through October 4, 2013, 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, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Restricted for program activities or projects:		
Bank One Plaza construction and ongoing maintenance	\$ 81,724	\$ 86,644
Historic Fort Wayne	7,449	12,400
Community outreach and education programs	54,690	67,810
Dossin Great Lakes Museum	724	724
Exhibits	157,170	153,369
Other programs	50,960	16,612
	<u>352,717</u>	<u>337,559</u>
Multi-year pledged contributions to be received and used in future periods	<u>1,054,102</u>	<u>1,725,178</u>
	<u><u>\$ 1,406,819</u></u>	<u><u>\$ 2,062,737</u></u>

DETROIT HISTORICAL SOCIETY
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2013 and 2012

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>2013</u>	<u>2012</u>
Purpose restrictions accomplished for the following programs or projects:		
Bank One Plaza construction and ongoing maintenance	\$ 4,920	\$ 5,551
Historic Fort Wayne	5,986	-0-
Community outreach and education programs	26,320	14,695
Dossin Great Lakes Museum	-0-	10,338
Exhibits	13,784	13,606
Other programs	11,424	3,282
	<u>62,434</u>	<u>47,472</u>
Time restrictions expired by passage of specified time	<u>1,441,741</u>	<u>1,017,819</u>
	<u>\$ 1,504,175</u>	<u>\$ 1,065,291</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, 2013 and 2012.

<u>Donors</u>	<u>Activities That May Be Supported by Related Income</u>	<u>Permanently Restricted Net Asset Balance</u>	
		<u>2013</u>	<u>2012</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, 2013 and 2012

NOTE D - CONTRIBUTIONS AND ACCOUNTS RECEIVABLE

Included in contributions and accounts receivable are the following unconditional promises to give as of June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Contributions receivable:		
Amounts due in:		
Less than one year	\$ 1,816,990	\$ 1,819,032
One to five years	<u>1,054,102</u>	<u>1,725,178</u>
	2,871,092	3,544,210
Less:		
Unamortized discount (at 3.25 percent)	(47,639)	(54,043)
Allowance for doubtful contributions	<u>(29,056)</u>	<u>(23,926)</u>
Net Contributions Receivable	2,794,397	3,466,241
Accounts receivable	<u>3,973</u>	<u>195</u>
	<u><u>\$ 2,798,370</u></u>	<u><u>\$ 3,466,436</u></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, 2013.

DETROIT HISTORICAL SOCIETY
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2013 and 2012

NOTE D - CONTRIBUTIONS AND ACCOUNTS RECEIVABLE (CONTINUED)

In July 2009, the Society launched 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, 2013, the Campaign has raised, through written pledges and cash receipts, a total of approximately \$19.5 million, as follows:

For the Years Ended June 30:	
2010	\$ 3,958,090
2011	5,326,260
2012	5,694,372
2013	4,517,911
	<u>\$ 19,496,633</u>

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, 2013 are as follows:

For the year ended June 30, 2014	<u>\$ 7,777</u>
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Rental expense under these operating leases for the years ended June 30, 2013 and 2012 was \$8,484 per year.

DETROIT HISTORICAL SOCIETY
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2013 and 2012

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, 2013 and 2012 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>	
2013				
Assets:				
Investments at fair value:				
Short-term investment fund	\$ 2,823	\$ -0-	\$ -0-	\$ 2,823
Common stocks:				
Information technology	76,208			76,208
Financial	90,527			90,527
Health care	58,648			58,648
Consumer discretionary	66,962			66,962
Consumer staples	56,822			56,822
Energy	43,977			43,977
Industrial	52,118			52,118
Other	44,290			44,290
Exchange-traded funds:				
Equity fund	154,877			154,877
Registered investment companies:				
Equity funds	983,114			983,114
Fixed income funds	628,752			628,752
Total Investments	2,259,118	-0-	-0-	2,259,118
Cash and cash equivalents	410,526			410,526
	<u>\$ 2,669,644</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 2,669,644</u>

DETROIT HISTORICAL SOCIETY
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2013 and 2012

NOTE F – INVESTMENTS AND FAIR VALUE (CONTINUED)

	<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
Registered investment companies:				
Equity funds	1,557,857			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
	<u>\$ 5,969,972</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 5,969,972</u>

The Board of Trustees for the Society maintains an Investment Committee whose responsibility 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.

DETROIT HISTORICAL SOCIETY
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2013 and 2012

NOTE F – INVESTMENTS AND FAIR VALUE (CONTINUED)

All investments are held at PNC Bank and 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 Society did not have any Level 3 assets as of June 30, 2013 or 2012. The fair value reconciliation of the Society's Level 3 assets, measured at fair value on a recurring basis, for the year ended June 30, 2012 is as follows:

	Bond Fund	Commodity Derivative Fund	Total
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>

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 \$9,549 and \$10,317 for the years ended June 30, 2013 and 2012, respectively. Contributions are fully vested after three years of employee service.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2013 and 2012

NOTE H - 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, 2013 and 2012 totaled \$65,240 and \$64,206, 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, 2013 and 2012 is \$1,500,244 and \$1,437,981, 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
(A Michigan Non-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2013 and 2012

NOTE I - FUNCTIONAL EXPENSES

Expenses incurred by the Society for the year ended June 30, 2013, with summarized comparative totals for the year ended June 30, 2012, are as follows:

	2013										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	2013	
Salaries and benefits	\$ 334,538	\$ 364,015	\$ 163,841	\$ 244,894	\$ 34,740	\$ 1,142,028	\$ 433,417	\$ 105,670	\$ 539,087	\$ 1,681,115	\$ 1,765,556
Professional fees and contractual services	158,773	76,425	389,890	22,345	6,361	653,794	395,946	11,404	407,350	1,061,144	907,877
Supplies	16,913	20,792	5,849	2,651	2,550	48,755	10,804	16,947	27,751	76,506	138,821
Printing and publications	7,369	1,799	115,651	1,673	130	126,622	20,692	1,578	22,270	148,892	98,669
Postage	1,161	2,378	6,445	444	818	11,246	6,932	187	7,119	18,365	22,182
Conferences	184	688				872	170	322	492	1,364	5,812
Repairs and maintenance	5,139	265,880	20,665	586	83	292,353	1,036	253	1,289	293,642	146,942
Travel	8,635	1,898	1,915	1,786	607	14,841	10,432	5,478	15,910	30,751	27,091
Occupancy	43,559	249,295	21,333	31,887	4,523	350,597	56,433	13,759	70,192	420,789	427,426
Telephone	5,046	19,857	238	356	51	25,548	631	154	785	26,333	25,862
Depreciation								32,581	32,581	32,581	13,679
Cost of sales	247	55,025				55,272				55,272	35,521
Insurance	4,521	4,919	2,214	3,309	469	15,432	5,857	1,428	7,285	22,717	22,398
Miscellaneous expenses	5,084	4,205				9,289	550	48,903	49,453	58,742	24,496
	\$ 591,169	\$ 1,067,176	\$ 728,041	\$ 309,931	\$ 50,332	\$ 2,746,649	\$ 942,900	\$ 238,664	\$ 1,181,564	\$ 3,928,213	\$ 3,662,332

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, 2013 and 2012

NOTE J - 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 reviewed the projected costs and savings under these acts and has decided not to change its renewal dates based on the current health plan projections.