

DETROIT HISTORICAL SOCIETY
(A Michigan Non-Profit Corporation)

FINANCIAL STATEMENTS

June 30, 2014 and 2013



**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 15, 2014

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, 2014 and 2013, 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 15, 2014
Page Two

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, 2014 and 2013, 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, 2014 and 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and cash equivalents	\$ 602,243	\$ 410,526
Investments, at fair value (Notes A and G)	3,375,986	2,259,118
Contributions and accounts receivable (net of allowance for doubtful contributions) (Note D)	2,301,986	2,798,370
Inventories (Note A)	80,212	69,917
Property and equipment (net of accumulated depreciation) (Note E)	5,342,495	5,686,019
Other assets	10,430	32,902
Total Assets	<u>\$ 11,713,352</u>	<u>\$ 11,256,852</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 140,370	\$ 106,176
Total Liabilities	<u>140,370</u>	<u>106,176</u>
Net Assets:		
Unrestricted	10,419,431	9,623,964
Temporarily restricted (Note B)	1,033,658	1,406,819
Permanently restricted (Note C)	119,893	119,893
Total Net Assets	<u>11,572,982</u>	<u>11,150,676</u>
Total Liabilities and Net Assets	<u>\$ 11,713,352</u>	<u>\$ 11,256,852</u>

See notes to financial statements.

DETROIT HISTORICAL SOCIETY
(A Michigan Non-Profit Corporation)

STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Changes in Unrestricted Net Assets:		
Revenue:		
Contributions and grants	\$ 2,621,092	\$ 3,329,947
Museum operation revenue	509,488	442,992
Income on long-term investments	47,249	53,892
Other investment income	-0-	2,547
	<hr/>	<hr/>
Total Unrestricted Revenue	3,177,829	3,829,378
Net assets released from restrictions (Note B)	<hr/>	<hr/>
	1,296,234	1,504,175
	<hr/>	<hr/>
Total Unrestricted Revenue and Other Support	4,474,063	5,333,553
	<hr/>	<hr/>
Expenses (Note J):		
Program services:		
Programs and exhibits	730,006	591,169
Museum operations	1,523,206	1,067,176
Program marketing	295,103	728,041
Education and curators	473,222	309,931
Volunteers	50,770	50,332
	<hr/>	<hr/>
Total Program Services	3,072,307	2,746,649
	<hr/>	<hr/>
Supporting services:		
Development	633,938	942,900
General and administrative	332,480	238,664
	<hr/>	<hr/>
Total Supporting Services	966,418	1,181,564
	<hr/>	<hr/>
Total Expenses	4,038,725	3,928,213
	<hr/>	<hr/>
Net Increase in Unrestricted Net Assets Before Gains and Losses	435,338	1,405,340
	<hr/>	<hr/>
Gains and losses:		
Net realized and unrealized gains on investments	360,129	235,181
	<hr/>	<hr/>
Net Increase in Unrestricted Net Assets	\$ 795,467	\$ 1,640,521
	<hr/>	<hr/>

See notes to financial statements.

DETROIT HISTORICAL SOCIETY
(A Michigan Non-Profit Corporation)

STATEMENTS OF ACTIVITIES (CONTINUED)

For the Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Changes in Temporarily Restricted Net Assets:		
Contributions	\$ 923,073	\$ 848,257
Net assets released from restrictions (Note B)	<u>(1,296,234)</u>	<u>(1,504,175)</u>
Net Increase (Decrease) in Temporarily Restricted Net Assets	<u>(373,161)</u>	<u>(655,918)</u>
Net Increase in Net Assets	422,306	984,603
Net Assets, Beginning of Year	<u>11,150,676</u>	<u>10,166,073</u>
Net Assets, End of Year	<u>\$ 11,572,982</u>	<u>\$ 11,150,676</u>

See notes to financial statements.

DETROIT HISTORICAL SOCIETY
(A Michigan Non-Profit Corporation)

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash Flows from Operating Activities:		
Net increase in net assets	\$ 422,306	\$ 984,603
Adjustments to reconcile net increase in net assets to net cash provided by operating activities:		
Depreciation	449,313	32,581
Net realized and unrealized gains on investments	(360,129)	(235,181)
(Increase) decrease in:		
Contributions and accounts receivable	496,384	668,066
Inventories	(10,295)	(26,740)
Other assets	22,472	(1,524)
Increase (decrease) in accounts payable and accrued expenses	34,194	(38,613)
	<u>34,194</u>	<u>(38,613)</u>
Net Cash Provided by Operating Activities	<u>1,054,245</u>	<u>1,383,192</u>
Cash Flows from Investing Activities:		
Acquisition of property and equipment	(105,789)	(4,918,701)
Acquisition of investments	(773,382)	(132,121)
Proceeds from sales of investments	16,643	2,064,690
	<u>16,643</u>	<u>2,064,690</u>
Net Cash Provided (Used) by Investing Activities	<u>(862,528)</u>	<u>(2,986,132)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	191,717	(1,602,940)
Cash and Cash Equivalents Balance, Beginning of Year	<u>410,526</u>	<u>2,013,466</u>
Cash and Cash Equivalents Balance, End of Year	<u>\$ 602,243</u>	<u>\$ 410,526</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

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 per year towards operational expenses for the years ended June 30, 2014 and 2013.

On July 18, 2013, the City filed a petition under Chapter 9 of the United States Bankruptcy Code seeking to adjust the timing and payment of amounts associated with the City’s obligations. A trial in federal bankruptcy court to consider the City’s eligibility for bankruptcy commenced on October 23, 2013. There is considerable uncertainty associated with this process, and the effects of this process on the City are not currently known. 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.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2014 and 2013

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

Revenue Recognition (continued)

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 seventeen years. The Society capitalizes all expenditures for property and equipment in excess of \$1,000.

Investments

The Society's investments are stated at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price).

Investments in common stocks are valued at quoted market prices. Investments in registered investment companies and exchange-traded funds are valued at quoted market prices, which represent the net asset value of shares held by the Society as of the end of the year.

Purchases and sales of investments are reflected on a trade-date basis. Gains and losses on sales of securities are based on average costs. Dividend income is recorded on the ex-dividend date. Net appreciation includes gains and losses on investments bought and sold, as well as held, during the year. 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 the year.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2014 and 2013

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, 2014 and 2013; 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, 2014 and 2013

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 \$46,745 and \$356,623 for the years ended June 30, 2014 and 2013, respectively. Included in these amounts is donated advertising received by the Society totaling \$19,212 and \$223,238 for the years ended June 30, 2014 and 2013, 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, 2014 or 2013. The Society is no longer subject to federal income tax examinations by the IRS for years prior to the year ended June 30, 2008.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2014 and 2013

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, 2014 approximated \$468,000. Contributions and accounts receivable are due from various entities in southeastern Michigan. As discussed in Note G, investments are diversified among various common stocks, registered investment companies, exchange-traded funds, and short-term funds.

Reclassifications

Certain reclassifications have been made to the accompanying financial statements as of, and for the year ended, June 30, 2013 to conform to classifications used as of, and for the year ended, June 30, 2014.

Subsequent Events

The Society has evaluated subsequent events through October 15, 2014, the date that the accompanying financial statements were available to be issued.

DETROIT HISTORICAL SOCIETY
(A Michigan Non-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2014 and 2013

NOTE B - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes as of June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Restricted for program activities or projects:		
Bank One Plaza construction and ongoing maintenance	\$ 69,897	\$ 81,724
Historic Fort Wayne	3,986	7,449
Community outreach and education programs	58,496	54,690
Dossin Great Lakes Museum	3,962	724
Exhibits	161,786	157,170
Other programs	14,751	50,960
	<u>312,878</u>	<u>352,717</u>
Multi-year pledged contributions to be received and used in future periods	<u>720,780</u>	<u>1,054,102</u>
	<u>\$ 1,033,658</u>	<u>\$ 1,406,819</u>

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>2014</u>	<u>2013</u>
Purpose restrictions accomplished for the following programs or projects:		
Bank One Plaza construction and ongoing maintenance	\$ 11,827	\$ 4,920
Historic Fort Wayne	2,428	5,986
Community outreach and education programs	21,788	26,320
Exhibits	2,352	13,784
Other programs	56,879	11,424
	<u>95,274</u>	<u>62,434</u>
Time restrictions expired by passage of specified time	<u>1,200,960</u>	<u>1,441,741</u>
	<u>\$ 1,296,234</u>	<u>\$ 1,504,175</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2014 and 2013

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, 2014 and 2013.

<u>Donors</u>	<u>Activities That May Be Supported by Related Income</u>	<u>Permanently Restricted Net Asset Balance</u>	
		<u>2014</u>	<u>2013</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>

NOTE D - CONTRIBUTIONS AND ACCOUNTS RECEIVABLE

Included in contributions and accounts receivable are the following unconditional promises to give as of June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Contributions receivable:		
Amounts due in:		
Less than one year	\$ 1,662,570	\$ 1,816,990
One to five years	720,780	1,054,102
	<u>\$ 2,383,350</u>	<u>\$ 2,871,092</u>

DETROIT HISTORICAL SOCIETY
(A Michigan Non-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2014 and 2013

NOTE D - CONTRIBUTIONS AND ACCOUNTS RECEIVABLE (CONTINUED)

	<u>2014</u>	<u>2013</u>
Contributions receivable (continued):		
Less:		
Unamortized discount (at 3.25 percent)	\$ (45,176)	\$ (47,639)
Allowance for doubtful contributions	<u>(38,961)</u>	<u>(29,056)</u>
	<u>(84,137)</u>	<u>(76,695)</u>
Net Contributions Receivable	2,299,213	2,794,397
Accounts receivable	<u>2,773</u>	<u>3,973</u>
	<u>\$ 2,301,986</u>	<u>\$ 2,798,370</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, 2014.

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. The Campaign has raised, through written pledges, cash receipts, donated facilities, and various in-kind contributions, a total of approximately \$23.4 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
2014	<u>3,902,589</u>
	<u>\$ 23,399,222</u>

DETROIT HISTORICAL SOCIETY
(A Michigan Non-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2014 and 2013

NOTE E - PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2014 and 2013 consist of the following:

	<u>2014</u>	<u>2013</u>
Leasehold improvements	\$ 5,523,505	\$ -0-
Exhibit construction in progress	-0-	5,417,716
Furniture and equipment	<u>609,021</u>	<u>609,021</u>
	6,132,526	6,026,737
Less: Accumulated depreciation	<u>(790,031)</u>	<u>(340,718)</u>
	<u><u>\$ 5,342,495</u></u>	<u><u>\$ 5,686,019</u></u>

The above schedule includes assets acquired as part of the Society's improvement program under the Campaign. These assets are considered leasehold improvements by the Society, as the Society leases the Detroit Historical Museum from the City under a memorandum of agreement dated March 14, 2006. These leasehold improvements are being depreciated over periods equal to the lesser of the remaining term of the Society's memorandum of agreement (through June 30, 2020), plus one 10-year renewal option that the Society's management anticipates will be exercised, or the assets' estimated useful lives.

NOTE F – LEASES

The Society leases copying equipment under operating leases expiring through May 28, 2018. Future minimum lease payments under these leases as of June 30, 2014 are as follows:

For the Years Ended June 30:	
2015	\$ 14,880
2016	14,880
2017	14,880
2018	<u>11,160</u>
Total Minimum Lease Payments	<u><u>\$ 55,800</u></u>

Rental expense under these operating leases for the years ended June 30, 2014 and 2013 was \$10,083 and \$8,484, respectively.

DETROIT HISTORICAL SOCIETY
(A Michigan Non-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2014 and 2013

NOTE G – 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, 2014 and 2013 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>	
2014				
Assets:				
Investments at fair value:				
Registered investment companies:				
Equity funds	\$ 1,436,575	\$ -0-	\$ -0-	\$ 1,436,575
Fixed income funds	877,909			877,909
	<u>2,314,484</u>	<u>-0-</u>	<u>-0-</u>	<u>2,314,484</u>
Common stocks:				
Information technology	135,294			135,294
Financial	109,053			109,053
Health care	106,682			106,682
Consumer discretionary	95,886			95,886
Consumer staples	62,503			62,503
Energy	68,483			68,483
Industrial	84,805			84,805
Other	44,117			44,117
	<u>706,823</u>	<u>-0-</u>	<u>-0-</u>	<u>706,823</u>
Exchange-traded funds:				
Equity fund	340,110			340,110
Short-term investment fund	14,569			14,569
Total Investments	3,375,986	-0-	-0-	3,375,986
Cash and cash equivalents	602,243			602,243
	<u>\$ 3,978,229</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 3,978,229</u>

DETROIT HISTORICAL SOCIETY
(A Michigan Non-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2014 and 2013

NOTE G – 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>	
2013				
Assets:				
Investments at fair value:				
Registered investment companies:				
Equity funds	\$ 983,114	\$ -0-	\$ -0-	\$ 983,114
Fixed income funds	628,752			628,752
	<u>1,611,866</u>	<u>-0-</u>	<u>-0-</u>	<u>1,611,866</u>
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
	<u>489,552</u>	<u>-0-</u>	<u>-0-</u>	<u>489,552</u>
Exchange-traded funds:				
Equity fund	154,877			154,877
Short-term investment fund	2,823			2,823
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>

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2014 and 2013

NOTE G – INVESTMENTS AND FAIR VALUE (CONTINUED)

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.

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.

NOTE H - 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 contributes one percent of each eligible employee's base salary. The Society's contribution expense was \$9,742 and \$9,549 for the years ended June 30, 2014 and 2013, respectively. Contributions are fully vested after three years of employee service.

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, 2014 and 2013 totaled \$67,843 and \$65,240, 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, 2014 and 2013 is \$1,629,651 and \$1,500,244, 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, 2014 and 2013

NOTE J - FUNCTIONAL EXPENSES

Expenses incurred by the Society for the year ended June 30, 2014, with summarized comparative totals for the year ended June 30, 2013, are as follows:

	2014										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	2014	
Salaries and benefits	\$ 295,183	\$ 381,521	\$ 139,612	\$ 345,029	\$ 29,651	\$ 1,190,996	\$ 316,255	\$ 162,423	\$ 478,678	\$ 1,669,674	\$ 1,681,115
Professional fees and contractual											
services	183,601	34,004	51,733	45,867	2,570	317,775	187,934	27,271	215,205	532,980	1,061,144
Supplies	27,862	19,322	2,460	6,190	2,531	58,365	15,493	22,906	38,399	96,764	76,506
Printing and publications	9,797	2,099	73,213	2,458	184	87,751	30,812	678	31,490	119,241	148,892
Postage		550	1,431		2,758	1,981	10,916	1,270	10,916	12,897	18,365
Conferences			120			2,878	1,717		2,987	5,865	1,364
Repairs and maintenance	23,549	351,230		9,569	822	385,170	8,771	4,505	13,276	398,446	293,642
Travel	2,014	1,063	1,935	2,216	1,572	8,800	2,475	8,371	10,846	19,646	30,751
Occupancy	38,698	363,945	18,303	45,233	3,887	470,066	41,460	21,293	62,753	532,819	420,789
Telephone	4,863	6,285	2,300	5,684	489	19,621	5,210	2,676	7,886	27,507	26,333
Depreciation	128,962	274,044				403,006		46,307	46,307	449,313	32,581
Cost of sales		77,581				77,581				77,581	55,272
Insurance	8,046	10,400	3,806	9,405	808	32,465	8,621	4,427	13,048	45,513	22,717
Bad debt expense								25,014	25,014	25,014	37,758
Miscellaneous expenses	7,431	1,162	190	1,571	5,498	15,852	4,274	5,339	9,613	25,465	20,984
	\$ 730,006	\$ 1,523,206	\$ 295,103	\$ 473,222	\$ 50,770	\$ 3,072,307	\$ 633,938	\$ 332,480	\$ 966,418	\$ 4,038,725	\$ 3,928,213

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.