

DETROIT HISTORICAL SOCIETY
(A Michigan Non-Profit Corporation)

FINANCIAL STATEMENTS

June 30, 2011 and 2010

**George Johnson
& Company**

DETROIT HISTORICAL SOCIETY
(A Michigan Non-Profit Corporation)

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George Johnson & Company

1200 Buhl Building • 535 Griswold Street • Detroit, Michigan 48226-3689
(313) 965-2655 • Fax (313) 965-4614

INDEPENDENT AUDITORS' REPORT

September 23, 2011

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, 2011 and 2010, 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, 2011 and 2010, 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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and cash equivalents	\$ 450,761	\$ 333,937
Investments, at fair value (Notes A and E)	4,580,850	3,881,665
Contributions receivable (no allowance considered necessary) (Note D)	3,081,114	1,153,099
Accounts receivable (no allowance considered necessary)	3,568	2,431
Inventories (Note A)	52,265	36,952
Property and equipment (net of accumulated depreciation of \$294,458 and \$282,443 in 2011 and 2010, respectively) (Note A)	58,868	29,237
Other assets	10,940	11,235
Total Assets	<u><u>\$ 8,238,366</u></u>	<u><u>\$ 5,448,556</u></u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 90,727	\$ 61,480
Total Liabilities	<u><u>90,727</u></u>	<u><u>61,480</u></u>
Net Assets:		
Unrestricted	5,887,516	4,169,336
Temporarily restricted (Note B)	2,140,230	1,097,847
Permanently restricted (Note C)	119,893	119,893
Total Net Assets	<u><u>8,147,639</u></u>	<u><u>5,387,076</u></u>
Total Liabilities and Net Assets	<u><u>\$ 8,238,366</u></u>	<u><u>\$ 5,448,556</u></u>

See notes to financial statements.

DETROIT HISTORICAL SOCIETY
(A Michigan Non-Profit Corporation)

STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Changes in Unrestricted Net Assets:		
Revenue:		
Contributions and grants	\$ 3,692,753	\$ 2,621,824
Admissions and other revenue	421,553	409,390
Income on long-term investments	78,860	86,924
Other investment income	39	34
	<u>4,193,205</u>	<u>3,118,172</u>
Net assets released from restrictions (Note B)	<u>384,942</u>	<u>42,921</u>
	<u>4,578,147</u>	<u>3,161,093</u>
Expenses (Note D):		
Program services:		
Programs and exhibits	785,297	464,079
Museum operations	853,228	815,481
Program marketing	343,113	489,460
Education and curators	285,299	253,267
Volunteers	42,396	41,243
	<u>2,309,333</u>	<u>2,063,530</u>
Supporting services:		
Development	650,152	493,653
General and administrative	212,500	207,816
	<u>862,652</u>	<u>701,469</u>
	<u>3,171,985</u>	<u>2,764,999</u>
	<u>1,406,162</u>	<u>396,094</u>
Gains and losses:		
Net realized and unrealized gains on investments	<u>630,893</u>	<u>277,283</u>
	<u>\$ 2,037,055</u>	<u>\$ 673,377</u>

See notes to financial statements.

DETROIT HISTORICAL SOCIETY
(A Michigan Non-Profit Corporation)

STATEMENTS OF ACTIVITIES (CONTINUED)

For the Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Changes in Temporarily Restricted Net Assets:		
Contributions	\$ 1,108,450	\$ 926,876
Net assets released from restrictions (Note B)	<u>(384,942)</u>	<u>(42,921)</u>
Net Increase in Temporarily Restricted Net Assets	<u>723,508</u>	<u>883,955</u>
Net Increase in Net Assets	2,760,563	1,557,332
Net Assets, Beginning of Year	<u>5,387,076</u>	<u>3,829,744</u>
Net Assets, End of Year	<u><u>\$ 8,147,639</u></u>	<u><u>\$ 5,387,076</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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash Flows from Operating Activities:		
Net increase in net assets	\$ 2,760,563	\$ 1,557,332
Adjustments to reconcile net increase in net assets to net cash provided by operating activities:		
Depreciation	12,015	15,553
Net realized and unrealized gains on investments	(630,893)	(277,283)
(Increase) decrease in:		
Contributions receivable	(1,928,015)	(1,013,102)
Accounts receivable	(1,137)	84,168
Inventories	(15,313)	(19,780)
Other assets	295	(5,236)
Increase (decrease) in:		
Accounts payable	29,247	(5,193)
Deferred revenue	-0-	(9,000)
	<u>226,762</u>	<u>327,459</u>
Net Cash Provided by Operating Activities		
	226,762	327,459
Cash Flows from Investing Activities:		
Acquisition of property and equipment	(41,646)	-0-
Acquisition of investments	(1,516,187)	(1,815,857)
Proceeds from sales of investments	1,447,895	1,519,025
	<u>(109,938)</u>	<u>(296,832)</u>
Net Cash Provided (Used) by Investing Activities		
	(109,938)	(296,832)
Net Increase in Cash and Cash Equivalents	116,824	30,627
Cash and Cash Equivalents Balance, Beginning of Year	<u>333,937</u>	<u>303,310</u>
Cash and Cash Equivalents Balance, End of Year	<u>\$ 450,761</u>	<u>\$ 333,937</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

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

Nature of 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 \$450,000 per year towards operational expenses for the years ended June 30, 2011 and 2010.

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, 2011 and 2010

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 three to five 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, 2011 and 2010, 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, 2011 and 2010; 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, 2011 and 2010

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, 2011 and 2010

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 \$24,912 and \$13,495 for the years ended June 30, 2011 and 2010, respectively. In addition, the Society received donated advertising totaling \$74,005 and \$197,000 for the years ended June 30, 2011 and 2010, 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, 2011 or 2010. The Society is no longer subject to federal income tax examinations by the IRS for years prior to the year ended June 30, 2005.

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, 2011 due to a temporary federal program in effect from December 31, 2010 through December 31, 2012. Under the program, there is no limit to the amount of insurance for eligible accounts. Beginning in 2013, insurance coverage will revert to \$250,000 per depositor at each financial institution, and the 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 E, investments are diversified among various alternative asset funds, registered investment companies, and short-term funds.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2011 and 2010

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

Subsequent Events

The Society has evaluated subsequent events through September 23, 2011, 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, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Restricted for program activities or projects:		
Bank One Plaza construction and ongoing maintenance	\$ 60,595	\$ 68,172
Historic Fort Wayne	12,400	13,457
Community outreach and education programs	82,505	77,711
Dossin Great Lakes Museum Exhibits	724	724
Other programs	154,645	31,075
	17,301	15,944
	<u>328,170</u>	<u>207,083</u>
Multi-year pledged contributions to be received and used in future periods	1,812,060	890,764
	<u>\$ 2,140,230</u>	<u>\$ 1,097,847</u>

DETROIT HISTORICAL SOCIETY
(A Michigan Non-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2011 and 2010

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>2011</u>	<u>2010</u>
Purpose restrictions accomplished for the following programs or projects:		
Bank One Plaza construction and ongoing maintenance	\$ 7,577	\$ 5,770
Historic Fort Wayne	1,057	696
Community outreach and education programs	24,457	25,890
Dossin Great Lakes Museum	-0-	10,565
Exhibits	26,430	-0-
Other programs	6,546	-0-
	<u>66,067</u>	<u>42,921</u>
Time restrictions expired by passage of specified time	<u>318,875</u>	<u>-0-</u>
	<u>\$ 384,942</u>	<u>\$ 42,921</u>

Certain reclassifications have been made to the above schedules as of, and for the year ended, June 30, 2010 to conform to classifications used as of, and for the year ended, June 30, 2011.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2011 and 2010

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, 2011 and 2010.

<u>Donors</u>	<u>Activities That May Be Supported by Related Income</u>	<u>Permanently Restricted Net Asset Balance</u>	
		<u>2011</u>	<u>2010</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 Any activities of the Society	11,805 4,130	11,805 4,130
		<u>\$ 119,893</u>	<u>\$ 119,893</u>

NOTE D - CONTRIBUTIONS RECEIVABLE

Included in contributions receivable are the following unconditional promises to give as of June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Amounts due in:		
Less than one year	\$ 1,372,558	\$ 323,175
One to five years	1,812,060	890,764
	3,184,618	1,213,939
Less: Unamortized discount (at 3.25 percent)	(103,504)	(60,840)
	<u>\$ 3,081,114</u>	<u>\$ 1,153,099</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2011 and 2010

NOTE D - CONTRIBUTIONS RECEIVABLE (CONTINUED)

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 are recognized when the conditions on which they depend are substantially met. The Society has no conditional promises to receive as of June 30, 2011.

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, 2011, the Campaign has raised, through written pledges and cash receipts, a total of approximately \$9.28 million, as follows:

For the Years Ended June 30:	
2010	\$ 3,958,090
2011	<u>5,326,260</u>
	<u>\$ 9,284,350</u>

DETROIT HISTORICAL SOCIETY
(A Michigan Non-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2011 and 2010

NOTE E – 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, 2011 and 2010 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>	
2011				
Assets:				
Investments at fair value:				
Short-term investment fund	\$ 86,759	\$ -0-	\$ -0-	\$ 86,759
Bond fund			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
2010				
Assets:				
Investments at fair value:				
Short-term investment fund	\$ 268,331	\$ -0-	\$ -0-	\$ 268,331
Bond fund			38,770	38,770
Commodity trust fund		20,686		20,686
Real estate fund		51,100		51,100
Registered investment companies:				
Equity funds	2,240,882			2,240,882
Fixed income funds	1,261,896			1,261,896
Total Investments	3,771,109	71,786	38,770	3,881,665
Cash and cash equivalents	333,937			333,937
	\$ 4,105,046	\$ 71,786	\$ 38,770	\$ 4,215,602

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2011 and 2010

NOTE E – INVESTMENTS AND FAIR VALUE (CONTINUED)

Certain reclassifications have been made to the above schedule as of June 30, 2010 to conform to classifications used as of June 30, 2011.

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 maintains its investments in two trust accounts. 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 are not publicly traded. The underlying assets in these funds are publicly traded on exchanges, and price quotes for the assets held by these funds are readily available. The bond fund and the commodity derivative fund invest primarily in other Level 3 investment funds. The fair value of each of these funds has been estimated using the net asset value per share, which is calculated at the close of business on the last business day of each calendar month. There are no restrictions relative to contributions or redemptions for any of these funds.

DETROIT HISTORICAL SOCIETY
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2011 and 2010

NOTE E – 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, 2011 and 2010 is as follows:

	<u>Bond Fund</u>	<u>Commodity Derivative Fund</u>	<u>Total</u>
2011			
Changes in Level 3 Assets:			
Net realized and unrealized gains (losses)	\$ (1,275)	\$ 1,886	\$ 611
Purchases, issuances, and settlements	<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>
2010			
Changes in Level 3 Assets:			
Net realized and unrealized gains	\$ 37	\$ -0-	\$ 37
Purchases, issuances, and settlements	<u>38,733</u>	<u>-0-</u>	<u>38,733</u>
Net Increase in Level 3 Assets	38,770	-0-	38,770
Balance, July 1, 2009	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Balance, June 30, 2010	<u>\$ 38,770</u>	<u>\$ -0-</u>	<u>\$ 38,770</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, 2010	<u>\$ 37</u>	<u>\$ -0-</u>	<u>\$ 37</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2011 and 2010

NOTE F - 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 .5 percent of each eligible employee's base salary. The Society's contribution expense was \$5,087 and \$3,320 for the years ended June 30, 2011 and 2010, respectively. Contributions are fully vested after three years of employee service.

NOTE G - LINE OF CREDIT

The Society has a \$500,000 line of credit, with interest at the bank's prime rate plus .8 percent. (The prime rate as of June 30, 2011 was 3.25 percent.) There was no outstanding balance on this line of credit as of June 30, 2011 and 2010.

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, 2011 and 2010 totaled \$67,535 and \$73,098, 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, 2011 and 2010 is \$1,478,223 and \$1,339,007, 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, 2011 and 2010

NOTE I - FUNCTIONAL EXPENSES

Expenses incurred by the Society for the year ended June 30, 2011, with summarized comparative totals for the year ended June 30, 2010, are as follows:

	2011										Total Expenses	
	Program Services					Supporting Services					2011	2010
	Programs and Exhibits	Museum Operations	Program Marketing	Education and Curators	Volunteers	Total Program Services	Development	General and Administrative	Total Supporting Services			
Salaries and benefits	\$ 385,654	\$ 309,982	\$ 169,170	\$ 196,196	\$ 25,998	\$ 1,087,000	\$ 300,377	\$ 121,631	\$ 422,008	\$ 1,509,008	\$ 1,255,933	
Professional fees and contractual services	2,65,084	34,126	94,597	39,351	8,121	441,279	229,952	28,718	258,670	699,949	600,093	
Supplies	33,284	15,271	3,768	6,330	2,308	60,961	10,241	13,136	23,377	84,338	65,239	
Printing and publications	10,384	1,600	33,977	1,013	203	47,177	35,155	2,117	37,272	84,449	105,007	
Postage	2,599	2,512	7,886	546	835	14,378	12,798	545	13,343	27,721	32,727	
Conferences		985	45	2,748	30	3,808	1,626	1,810	3,436	7,244	4,468	
Repairs and maintenance	11,899	99,407	2,495	3,317	383	117,501	4,430	1,794	6,224	123,725	111,837	
Travel	1,640	2,635	1,626	2,269	75	8,245	3,944	8,140	12,084	20,329	16,540	
Occupancy	55,942	324,305	24,539	28,459	3,771	437,016	43,571	17,643	61,214	498,230	462,579	
Telephone	7,678	3,992	2,178	2,526	335	16,709	3,868	1,566	5,434	22,143	24,475	
Depreciation								12,015	12,015	12,015	15,553	
Cost of sales	6,132	54,220				60,352				60,352	52,791	
Insurance	5,001	4,020	2,194	2,544	337	14,096	3,995	1,577	5,572	19,668	17,367	
Miscellaneous expenses		173	638			811	195	1,808	2,003	2,814	390	
	\$ 785,297	\$ 853,228	\$ 343,113	\$ 285,299	\$ 42,396	\$ 2,309,333	\$ 650,152	\$ 212,500	\$ 862,652	\$ 3,171,985	\$ 2,764,999	

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, 2010 and 2009

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 not determined the impact, if any, on its future operations as a result of this legislation.