

DETROIT HISTORICAL SOCIETY
(A Michigan Non-Profit Corporation)

FINANCIAL STATEMENTS

June 30, 2016 and 2015

DETROIT HISTORICAL SOCIETY
(A Michigan Non-Profit Corporation)

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INDEPENDENT AUDITOR'S REPORT

October 11, 2016

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, 2016 and 2015, 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 11, 2016
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INDEPENDENT AUDITOR'S REPORT (CONTINUED)

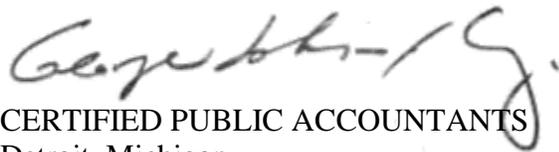
Auditor's Responsibility (continued)

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, 2016 and 2015, 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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents	\$ 1,620,873	\$ 907,996
Investments, at fair value (Notes A and G)	4,094,841	4,097,012
Contributions and accounts receivable (net of allowance for doubtful contributions) (Note D)	1,401,834	1,498,908
Inventories (Note A)	82,428	84,514
Property and equipment (net of accumulated depreciation) (Note E)	4,740,716	4,888,470
Prepaid expenses	37,824	13,122
Total Assets	<u>\$ 11,978,516</u>	<u>\$ 11,490,022</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 109,451	\$ 100,155
Total Liabilities	<u>109,451</u>	<u>100,155</u>
Net Assets:		
Unrestricted	11,065,078	10,468,074
Temporarily restricted (Note B)	684,094	801,900
Permanently restricted (Note C)	119,893	119,893
Total Net Assets	<u>11,869,065</u>	<u>11,389,867</u>
Total Liabilities and Net Assets	<u>\$ 11,978,516</u>	<u>\$ 11,490,022</u>

See notes to financial statements.

DETROIT HISTORICAL SOCIETY
(A Michigan Non-Profit Corporation)

STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Changes in Unrestricted Net Assets:		
Revenue:		
Contributions and grants	\$ 4,361,511	\$ 2,675,511
Museum operation revenue	704,665	589,761
Income on long-term investments	154,022	140,572
	<u>5,220,198</u>	<u>3,405,844</u>
Total Unrestricted Revenue	5,220,198	3,405,844
Net assets released from restrictions (Note B)	319,086	628,165
	<u>319,086</u>	<u>628,165</u>
Total Unrestricted Revenue and Other Support	<u>5,539,284</u>	<u>4,034,009</u>
Expenses (Note J):		
Program services:		
Programs and exhibits	748,782	688,616
Museum operations	1,175,426	1,511,438
Program marketing	540,330	311,259
Education and curators	930,300	471,589
Volunteers	130,009	47,924
	<u>3,524,847</u>	<u>3,030,826</u>
Total Program Services	3,524,847	3,030,826
Supporting services:		
Development	612,297	634,771
General and administrative	612,442	371,357
	<u>1,224,739</u>	<u>1,006,128</u>
Total Supporting Services	1,224,739	1,006,128
Total Expenses	<u>4,749,586</u>	<u>4,036,954</u>
Net Increase (Decrease) in Unrestricted Net Assets Before Gains and Losses	<u>789,698</u>	<u>(2,945)</u>
Gains and losses:		
Net realized and unrealized gains (losses) on investments	(196,824)	51,588
Gain on disposition of property and equipment	4,130	-0-
	<u>(192,694)</u>	<u>51,588</u>
Total Gains (Losses)	<u>(192,694)</u>	<u>51,588</u>
Net Increase in Unrestricted Net Assets	<u>\$ 597,004</u>	<u>\$ 48,643</u>

See notes to financial statements.

DETROIT HISTORICAL SOCIETY
(A Michigan Non-Profit Corporation)

STATEMENTS OF ACTIVITIES (CONTINUED)

For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Changes in Temporarily Restricted Net Assets:		
Contributions	\$ 201,280	\$ 396,407
Net assets released from restrictions (Note B)	<u>(319,086)</u>	<u>(628,165)</u>
Net Increase (Decrease) in Temporarily Restricted Net Assets	<u>(117,806)</u>	<u>(231,758)</u>
Net Increase (Decrease) in Net Assets	479,198	(183,115)
Net Assets, Beginning of Year	<u>11,389,867</u>	<u>11,572,982</u>
Net Assets, End of Year	<u>\$ 11,869,065</u>	<u>\$ 11,389,867</u>

See notes to financial statements.

DETROIT HISTORICAL SOCIETY
(A Michigan Non-Profit Corporation)

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities:		
Net increase (decrease) in net assets	\$ 479,198	\$ (183,115)
Adjustments to reconcile net increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	437,394	454,025
Net realized and unrealized (gains) losses on investments	196,824	(51,588)
Gain on disposition of property and equipment	(4,130)	-0-
(Increase) decrease in:		
Contributions and accounts receivable	97,074	803,078
Inventories	2,086	(4,302)
Prepaid expenses	(24,702)	(2,692)
Increase (decrease) in accounts payable and accrued expenses	9,296	(40,215)
	<u>1,193,040</u>	<u>975,191</u>
Net Cash Provided by Operating Activities		
	<u>1,193,040</u>	<u>975,191</u>
Cash Flows from Investing Activities:		
Acquisition of property and equipment	(289,640)	-0-
Proceeds from disposition of property and equipment	4,130	-0-
Acquisition of investments	(223,083)	(692,274)
Proceeds from sales of investments	28,430	22,836
	<u>(480,163)</u>	<u>(669,438)</u>
Net Cash Provided (Used) by Investing Activities		
	<u>(480,163)</u>	<u>(669,438)</u>
Net Increase in Cash and Cash Equivalents	712,877	305,753
Cash and Cash Equivalents Balance, Beginning of Year	<u>907,996</u>	<u>602,243</u>
Cash and Cash Equivalents Balance, End of Year	<u>\$ 1,620,873</u>	<u>\$ 907,996</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

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 \$500,000 per year towards operational expenses for the years ended June 30, 2016 and 2015.

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, 2016 and 2015

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

Inventories

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

Property and Equipment

Property and equipment purchased by the Society for its own use is recorded at cost. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets, which range from five to 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 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.

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 \$300,650 and \$218,900 for the years ended June 30, 2016 and 2015, respectively; these values have been included in the accompanying statements of activities.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2016 and 2015

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

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
- 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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2016 and 2015

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

Fair Value Measurements (continued)

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 \$186,590 and \$67,384 for the years ended June 30, 2016 and 2015, respectively. Included in these amounts is donated advertising received by the Society totaling \$85,994 and \$25,855 for the years ended June 30, 2016 and 2015, 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 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, 2016 or 2015.

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, 2016 approximated \$1,515,000. 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, and short-term funds.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2016 and 2015

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

Subsequent Events

The Society has evaluated subsequent events through October 11, 2016, 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, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Restricted for program activities or projects:		
Bank One Plaza construction and ongoing maintenance	\$ 53,438	\$ 62,309
Historic Fort Wayne	1,320	3,986
Community outreach and education programs	42,320	60,556
Dossin Great Lakes Museum	5,307	3,962
Exhibits	159,889	161,786
Other programs	<u>21,864</u>	<u>12,768</u>
	284,138	305,367
Multi-year pledged contributions to be received and used in future periods	<u>399,956</u>	<u>496,533</u>
	<u>\$ 684,094</u>	<u>\$ 801,900</u>

DETROIT HISTORICAL SOCIETY
(A Michigan Non-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2016 and 2015

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>2016</u>	<u>2015</u>
Purpose restrictions accomplished for the following programs or projects:		
Bank One Plaza construction and ongoing maintenance	\$ 8,870	\$ 7,588
Historic Fort Wayne	2,666	-0-
Community outreach and education programs	31,682	14,140
Exhibits	2,818	-0-
Other programs	<u>36,473</u>	<u>18,690</u>
	82,509	40,418
Time restrictions expired by passage of time	<u>236,577</u>	<u>587,747</u>
	<u>\$ 319,086</u>	<u>\$ 628,165</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, 2016 and 2015.

<u>Donors</u>	<u>Activities That May Be Supported by Related Income</u>	<u>Permanently Restricted Net Asset Balance</u>	
		<u>2016</u>	<u>2015</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	<u>4,130</u>	<u>4,130</u>
		<u>\$ 119,893</u>	<u>\$ 119,893</u>

DETROIT HISTORICAL SOCIETY
(A Michigan Non-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2016 and 2015

NOTE D - CONTRIBUTIONS AND ACCOUNTS RECEIVABLE

Included in contributions and accounts receivable are the following unconditional promises to give as of June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Contributions receivable:		
Amounts due in:		
Less than one year	\$ 1,076,782	\$ 1,045,147
One to five years	422,600	496,533
	<u>1,499,382</u>	<u>1,541,680</u>
Less:		
Unamortized discount (at 3.25 percent)	(22,644)	(50,105)
Allowance for doubtful contributions	(79,210)	-0-
	<u>(101,854)</u>	<u>(50,105)</u>
Net Contributions Receivable	1,397,528	1,491,575
Accounts receivable	<u>4,306</u>	<u>7,333</u>
	<u>\$ 1,401,834</u>	<u>\$ 1,498,908</u>

The Society's policy for determining allowances for doubtful contributions is based on specific identification of contributions for which management has a known risk of not collecting.

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, 2016.

DETROIT HISTORICAL SOCIETY
(A Michigan Non-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2016 and 2015

NOTE E - PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2016 and 2015 consist of the following:

	<u>2016</u>	<u>2015</u>
Leasehold improvements	\$ 5,673,090	\$ 5,523,505
Furniture and equipment	<u>739,031</u>	<u>609,021</u>
	6,412,121	6,132,526
Less: Accumulated depreciation	<u>(1,671,405)</u>	<u>(1,244,056)</u>
	<u><u>\$ 4,740,716</u></u>	<u><u>\$ 4,888,470</u></u>

The above schedule includes assets acquired as part of the Society's improvement program under the Past Forward 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, 2016 are as follows:

For the Years Ending June 30:	
2017	\$ 14,880
2018	<u>11,160</u>
Total Minimum Lease Payments	<u><u>\$ 26,040</u></u>

Rental expense under these operating leases for the years ended June 30, 2016 and 2015 was \$14,880 per year.

DETROIT HISTORICAL SOCIETY
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2016 and 2015

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, 2016 and 2015 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>	
2016				
Assets:				
Investments at fair value:				
Registered investment companies:				
Equity funds	\$ 2,023,817	\$ -0-	\$ -0-	\$ 2,023,817
Fixed income funds	1,238,920			1,238,920
	<u>3,262,737</u>	<u>-0-</u>	<u>-0-</u>	<u>3,262,737</u>
Common stocks:				
Information technology	126,748			126,748
Financial	109,426			109,426
Health care	110,919			110,919
Consumer discretionary	124,283			124,283
Consumer staples	85,970			85,970
Energy	46,500			46,500
Industrial	106,703			106,703
Other	82,051			82,051
	<u>792,600</u>	<u>-0-</u>	<u>-0-</u>	<u>792,600</u>
Short-term investment fund	<u>39,504</u>			<u>39,504</u>
Total Investments	4,094,841	-0-	-0-	4,094,841
Cash and cash equivalents	<u>1,620,873</u>			<u>1,620,873</u>
	<u>\$ 5,715,714</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 5,715,714</u>

DETROIT HISTORICAL SOCIETY
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2016 and 2015

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>	
2015				
Assets:				
Investments at fair value:				
Registered investment companies:				
Equity funds	\$ 2,042,986	\$ -0-	\$ -0-	\$ 2,042,986
Fixed income funds	1,235,882			1,235,882
	<u>3,278,868</u>	<u>-0-</u>	<u>-0-</u>	<u>3,278,868</u>
Common stocks:				
Information technology	135,668			135,668
Financial	141,834			141,834
Health care	134,640			134,640
Consumer discretionary	126,738			126,738
Consumer staples	74,199			74,199
Energy	40,823			40,823
Industrial	99,806			99,806
Other	46,954			46,954
	<u>800,662</u>	<u>-0-</u>	<u>-0-</u>	<u>800,662</u>
Short-term investment fund	17,482			17,482
Total Investments	4,097,012	-0-	-0-	4,097,012
Cash and cash equivalents	907,996			907,996
	<u>\$ 5,005,008</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 5,005,008</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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2016 and 2015

NOTE G – 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.

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 the base salary of each eligible employee who provided at least 1,000 hours of service during the year. The Society's contribution was \$15,567 and \$8,151 for the years ended June 30, 2016 and 2015, 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, 2016 and 2015 totaled \$67,977 and \$68,388, 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, 2016 and 2015 is \$1,458,892 and \$1,545,313, respectively.

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

DETROIT HISTORICAL SOCIETY
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2016 and 2015

NOTE J - FUNCTIONAL EXPENSES

Expenses incurred by the Society for the year ended June 30, 2016, with summarized comparative totals for the year ended June 30, 2015, are as follows:

	2016										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	2016	
Salaries and benefits	\$ 249,951	\$ 478,248	\$ 173,043	\$ 538,028	\$ 79,708	\$ 1,518,978	\$ 259,051	\$ 144,670	\$ 403,721	\$ 1,922,699	\$ 1,681,135
Professional fees and contractual services	70,718	44,103	129,090	82,823	3,791	330,525	27,456	179,216	206,672	537,197	344,070
Supplies	60,973	12,288	2,279	32,004	8,167	115,711	124,313	7,496	131,809	247,520	215,012
Printing and publications	4,262	2,015	127,127	20,302		153,706	11,718	210	11,928	165,634	138,900
Postage	247	970	1,822	46	327	3,412	12,031	5,360	17,391	20,803	18,711
Conferences	2,202	5,349	3,538	4,691	758	16,538	1,927	1,483	3,410	19,948	22,291
Repairs and maintenance	64,631	101,320	49,236	91,187	13,509	319,883	127,122	66,297	193,419	513,302	410,342
Travel	2,456	3,819	1,154	2,394	219	10,042	2,782	12,370	15,152	25,194	18,509
Occupancy	67,210	186,368	46,530	139,590	20,680	460,378	31,020	25,850	56,870	517,248	462,944
Telephone	4,216	8,322	2,918	8,755	1,297	25,508	4,216	3,243	7,459	32,967	27,736
Depreciation	196,827	218,697				415,524		21,870	21,870	437,394	454,025
Cost of sales		84,444				84,444				84,444	86,110
Insurance	5,046	9,316	3,493	10,480	1,553	29,888	5,046	3,882	8,928	38,816	45,630
Bad debt expense								126,731	126,731	126,731	55,788
Tours	20,043	7,521	100			27,664	140	1,614	1,754	29,418	30,794
Miscellaneous expenses		12,646				12,646	5,475	12,150	17,625	30,271	24,957
	\$ 748,782	\$ 1,175,426	\$ 540,330	\$ 930,300	\$ 130,009	\$ 3,524,847	\$ 612,297	\$ 612,442	\$ 1,224,739	\$ 4,749,586	\$ 4,036,954

Certain reclassifications have been made to the above schedule for the year ended June 30, 2015 to conform to classifications used for the year ended June 30, 2016.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2016 and 2015

NOTE J - FUNCTIONAL EXPENSES (CONTINUED)

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.

NOTE K - NEW ACCOUNTING PRONOUNCEMENTS

In May 2015, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. ASU 2015-07 removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient, and also removes the requirement to make certain disclosures for those investments that are eligible to be measured at fair value using the net asset value per share practical expedient but for which the entity has not elected to measure the fair value using that practical expedient. The Society adopted the provisions of ASU 2015-07 as of July 1, 2015. The adoption of this pronouncement did not impact the Society’s net assets or the disclosures in the accompanying financial statements.

The FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, in May 2014. The objectives of this ASU are to improve upon revenue recognition requirements by providing a single comprehensive model to determine the measurement of revenue and timing of recognition. The core principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. This ASU also requires expanded qualitative and quantitative disclosures regarding the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. ASU 2014-09 applies to the Society’s financial statements for the year ending June 30, 2020 and is to be applied retrospectively. Early adoption prior to the year ending June 30, 2019 is not permitted. The Society’s management has not determined the impact on its financial statements as a result of implementing ASU 2014-09.

The FASB issued ASU 2016-02, *Leases (Topic 842)*, in February 2016. ASU 2016-02 requires the recognition by lessees of assets and liabilities that arise from all lease transactions, except for leases with a lease term of 12 months or less. The lessee accounting model under ASU 2016-02 retains two types of leases: finance leases, which are to be accounted for in substantially the same manner as the existing accounting for capital leases, and operating leases, which are to be accounted for (both in the statement of activities and the statement of cash flows) in a manner consistent with existing accounting for operating leases.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2016 and 2015

NOTE K - NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

ASU 2016-02 also requires expanded qualitative and quantitative disclosures regarding the amount, timing, and uncertainty of cash flows arising from leases. ASU 2016-02 applies to the Society's financial statements for the year ending June 30, 2021, with earlier implementation permitted. The Society's management has not determined the impact on its financial statements as a result of implementing ASU 2016-02.

The FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, in August 2016. ASU 2016-14 modifies the requirements related to financial statement presentation for non-profit organizations. The major provisions of ASU 2016-14 are as follows:

- Information about net assets and changes in net assets will be reported for two classes of net assets: *net assets with donor restrictions* and *net assets without donor restrictions*.
- Reporting of expenses by both function and nature in one location will be required for all non-profit organizations.
- Either the direct method or the indirect method for presenting operating cash flows may continue to be used, but the requirement for those entities using the direct method to prepare a reconciliation with the indirect method will be eliminated.
- Quantitative information that communicates the availability of the organization's financial assets as of the statement of financial position date to meet cash needs for general expenditures within one year will be required to be presented on the face of the financial statements or in the notes to the financial statements.
- Qualitative information on how the organization manages its liquid available resources and liquidity risks will be required to be disclosed in the notes to the financial statements.
- Reporting of the "underwater" amounts of donor-restricted endowment funds in net assets with donor restrictions and enhanced disclosures about "underwater" endowments will be required.
- Other enhanced disclosures regarding board designations and appropriations, the nature of net assets with donor restrictions, and functional expense allocation methods will also be required.

ASU 2016-14 applies to the Society's financial statements for the year ending June 30, 2019, with earlier implementation permitted, and is to be applied retrospectively, with certain disclosure exceptions in the year of implementation. The Society's management has not determined the impact on its financial statements as a result of implementing ASU 2016-14.