

DETROIT HISTORICAL SOCIETY  
(A Michigan Non-Profit Corporation)

**FINANCIAL STATEMENTS**

**June 30, 2017 and 2016**

DETROIT HISTORICAL SOCIETY  
(A Michigan Non-Profit Corporation)

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## **INDEPENDENT AUDITOR'S REPORT**

October 20, 2017

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, 2017 and 2016, 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.

**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, 2017 and 2016, 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, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,527,032	\$ 1,620,873
Investments, at fair value (Notes A and G)	4,744,474	4,094,841
Contributions and accounts receivable (net of allowance for doubtful contributions) (Note D)	1,500,252	1,401,834
Inventories (Note A)	85,934	82,428
Property and equipment (net of accumulated depreciation) (Note E)	4,333,131	4,740,716
Prepaid expenses	450	37,824
	<u>                    </u>	<u>                    </u>
<b>Total Assets</b>	<b><u>\$ 12,191,273</u></b>	<b><u>\$ 11,978,516</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 812,521	\$ 109,451
Deferred revenue (Note A)	114,562	-0-
Lease payable (Note F)	15,777	-0-
	<u>                    </u>	<u>                    </u>
<b>Total Liabilities</b>	<b><u>942,860</u></b>	<b><u>109,451</u></b>
<b>Net Assets:</b>		
Unrestricted	9,431,204	10,213,473
Temporarily restricted (Note B)	1,697,316	1,535,699
Permanently restricted (Note C)	119,893	119,893
	<u>                    </u>	<u>                    </u>
<b>Total Net Assets</b>	<b><u>11,248,413</u></b>	<b><u>11,869,065</u></b>
	<u>                    </u>	<u>                    </u>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 12,191,273</u></b>	<b><u>\$ 11,978,516</u></b>

See notes to financial statements.

DETROIT HISTORICAL SOCIETY  
(A Michigan Non-Profit Corporation)

**STATEMENTS OF ACTIVITIES**

**For the Years Ended June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>Changes in Unrestricted Net Assets:</b>		
<b>Revenue:</b>		
Contributions and grants	\$ 2,307,423	\$ 2,544,937
Museum operation revenue	594,034	704,665
Income on long-term investments	74,628	154,022
	<u>2,976,085</u>	<u>3,403,624</u>
Total Unrestricted Revenue		
Net assets released from restrictions (Note B)	<u>2,315,123</u>	<u>1,284,055</u>
<b>Total Unrestricted Revenue and Other Support</b>	<b><u>5,291,208</u></b>	<b><u>4,687,679</u></b>
<b>Expenses (Note J):</b>		
Program services:		
Programs and exhibits	2,226,664	748,782
Museum operations	1,397,017	1,175,426
Program marketing	685,997	540,330
Education and curators	712,053	930,300
Volunteers	122,799	130,009
	<u>5,144,530</u>	<u>3,524,847</u>
Total Program Services		
Supporting services:		
Development	702,496	612,297
General and administrative	682,530	612,442
	<u>1,385,026</u>	<u>1,224,739</u>
Total Supporting Services		
<b>Total Expenses</b>	<b><u>6,529,556</u></b>	<b><u>4,749,586</u></b>
<b>Net Increase (Decrease) in Unrestricted Net Assets Before Gains and Losses</b>	<b><u>(1,238,348)</u></b>	<b><u>(61,907)</u></b>
<b>Gains and losses:</b>		
Net realized and unrealized gains (losses) on investments	456,079	(196,824)
Gain on disposition of property and equipment	-0-	4,130
	<u>456,079</u>	<u>(192,694)</u>
<b>Total Gains (Losses)</b>	<b><u>456,079</u></b>	<b><u>(192,694)</u></b>
<b>Net Increase (Decrease) in Unrestricted Net Assets</b>	<b><u>\$ (782,269)</u></b>	<b><u>\$ (254,601)</u></b>

See notes to financial statements.

DETROIT HISTORICAL SOCIETY  
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**STATEMENTS OF ACTIVITIES (CONTINUED)**

**For the Years Ended June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>Changes in Temporarily Restricted Net Assets:</b>		
Contributions	\$ 2,476,740	\$ 2,017,854
Net assets released from restrictions (Note B)	<u>(2,315,123)</u>	<u>(1,284,055)</u>
<b>Net Increase in Temporarily Restricted Net Assets</b>	<u>161,617</u>	<u>733,799</u>
<b>Net Increase (Decrease) in Net Assets</b>	<b>(620,652)</b>	<b>479,198</b>
Net Assets, Beginning of Year	<u>11,869,065</u>	<u>11,389,867</u>
<b>Net Assets, End of Year</b>	<u><u>\$ 11,248,413</u></u>	<u><u>\$ 11,869,065</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, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>Cash Flows from Operating Activities:</b>		
Net increase (decrease) in net assets	\$ (620,652)	\$ 479,198
Adjustments to reconcile net increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	551,812	437,394
Net realized and unrealized (gains) losses on investments	(456,079)	196,824
Gain on disposition of property and equipment	-0-	(4,130)
Donated securities	(122,717)	-0-
(Increase) decrease in:		
Contributions and accounts receivable	(98,418)	97,074
Inventories	(3,506)	2,086
Prepaid expenses	37,374	(24,702)
Increase (decrease) in:		
Accounts payable and accrued expenses	703,070	9,296
Deferred revenue	114,562	-0-
	<u>105,446</u>	<u>1,193,040</u>
<b>Net Cash Provided by Operating Activities</b>	<b>105,446</b>	<b>1,193,040</b>
<b>Cash Flows from Investing Activities:</b>		
Acquisition of property and equipment	(126,697)	(289,640)
Proceeds from disposition of property and equipment	-0-	4,130
Acquisition of investments	(101,300)	(223,083)
Proceeds from sales of investments	30,463	28,430
	<u>197,534</u>	<u>480,163</u>
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>\$ (197,534)</b>	<b>\$ (480,163)</b>

See notes to financial statements.

DETROIT HISTORICAL SOCIETY  
(A Michigan Non-Profit Corporation)

**STATEMENTS OF CASH FLOWS (CONTINUED)**

For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>Cash Flows from Financing Activities:</b>		
Payments on lease payable	\$ (1,753)	\$ -0-
<b>Net Cash Provided (Used) by     Financing Activities</b>	<u>(1,753)</u>	<u>-0-</u>
<b>Net Increase (Decrease) in     Cash and Cash Equivalents</b>	<b>(93,841)</b>	<b>712,877</b>
Cash and Cash Equivalents Balance, Beginning of Year	<u>1,620,873</u>	<u>907,996</u>
<b>Cash and Cash Equivalents Balance,     End of Year</b>	<u><b>\$ 1,527,032</b></u>	<u><b>\$ 1,620,873</b></u>
<b>Schedule of Noncash Transactions:</b>		
Acquisition of equipment under capital lease	<u>\$ 17,530</u>	<u>\$ -0-</u>

See notes to financial statements.

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2017 and 2016**

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**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, 2017 and 2016.

**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, 2017 and 2016**

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

**Revenue Recognition (continued)**

The Society receives deposits for facility rental and group tours in advance of the event date. Deposits received for events that will take place after the end of the fiscal year are recorded in deferred revenue. Deferred revenue as of June 30, 2017 totaled \$114,562.

**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 and depreciation include 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, 2017 and 2016**

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

**Donated Materials, Services, and Facilities**

Revenue and expenses relating to the Society's activities include approximately \$55,000 and \$240,000 of donated materials and services for the years ended June 30, 2017 and 2016, respectively. The materials and services were provided for general operations and the Detroit 67 Project. These values have been included in the accompanying statements of activities.

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 per year for the years ended June 30, 2017 and 2016. This value has 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.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2017 and 2016**

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

**Fair Value Measurements (continued)**

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.

**Advertising**

The Society's advertising costs are expensed as incurred. Advertising expenses totaled \$244,630 and \$186,590 for the years ended June 30, 2017 and 2016, respectively. Included in these amounts is donated advertising received by the Society totaling \$85,994 for the year ended June 30, 2016; no donated advertising was received for the year ended June 30, 2017.

**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.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2017 and 2016**

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

**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, 2017 or 2016.

**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, 2017 approximated \$1,314,000. 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.

**Reclassifications**

Certain reclassifications have been made to the accompanying financial statements as of, and for the year ended, June 30, 2016 to conform to the classifications used as of, and for the year ended, June 30, 2017.

**Subsequent Events**

The Society has evaluated subsequent events through October 20, 2017, 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, 2017 and 2016**

**NOTE B - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Restricted for program activities or projects:		
Dossin Outdoor Campaign	\$ 1,152,390	\$ 567,336
Detroit 67 Project	-0-	284,269
Bank One Plaza construction and ongoing maintenance	45,843	53,438
Community outreach and education programs	33,177	42,320
Dossin Great Lakes Museum	7,165	5,307
Historic Fort Wayne	1,320	1,320
Exhibits	154,962	159,889
Other programs	5,374	21,864
	<u>1,400,231</u>	<u>1,135,743</u>
Multi-year pledged contributions to be received and used in future periods	<u>297,085</u>	<u>399,956</u>
	<u><b>\$ 1,697,316</b></u>	<u><b>\$ 1,535,699</b></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>2017</u>	<u>2016</u>
Purpose restrictions accomplished for the following programs or projects:		
Dossin Outdoor Campaign	\$ 140,485	\$ -0-
Detroit 67 Project	1,864,745	906,230
Bank One Plaza construction and ongoing maintenance	7,595	8,870
Community outreach and education programs	23,843	31,682
Dossin Great Lakes Museum	8,407	58,739
Historic Fort Wayne	-0-	2,666
Exhibits	4,927	2,818
Other programs	102,250	36,473
	<u>2,152,252</u>	<u>1,047,478</u>
Time restrictions expired by passage of time	<u>162,871</u>	<u>236,577</u>
	<u><b>\$ 2,315,123</b></u>	<u><b>\$ 1,284,055</b></u>

DETROIT HISTORICAL SOCIETY  
(A Michigan Non-Profit Corporation)

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2017 and 2016**

**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, 2017 and 2016.

<u>Donors</u>	<u>Activities That May Be Supported by Related Income</u>	<u>Permanently Restricted Net Asset Balance</u>	
		<u>2017</u>	<u>2016</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, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Contributions receivable:		
Amounts due in:		
Less than one year	\$ 962,967	\$ 1,076,782
One to five years	627,000	422,600
	<u>1,589,967</u>	<u>1,499,382</u>
Less:		
Unamortized discount (at 3.25 percent)	(34,129)	(22,644)
Allowance for doubtful contributions	(60,876)	(79,210)
	<u>\$ (95,005)</u>	<u>\$ (101,854)</u>

DETROIT HISTORICAL SOCIETY  
(A Michigan Non-Profit Corporation)

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2017 and 2016**

**NOTE D - CONTRIBUTIONS AND ACCOUNTS RECEIVABLE (CONTINUED)**

	<u>2017</u>	<u>2016</u>
Net Contributions Receivable	\$ 1,494,962	\$ 1,397,528
Accounts receivable	<u>5,290</u>	<u>4,306</u>
	<u><b>\$ 1,500,252</b></u>	<u><b>\$ 1,401,834</b></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, 2017.

**NOTE E - PROPERTY AND EQUIPMENT**

Property and equipment as of June 30, 2017 and 2016 consist of the following:

	<u>2017</u>	<u>2016</u>
Leasehold improvements	\$ 5,534,636	\$ 5,614,351
Capital projects in progress	138,454	58,739
Furniture and equipment	<u>883,258</u>	<u>739,031</u>
	6,556,348	6,412,121
Less: Accumulated depreciation	<u>(2,223,217)</u>	<u>(1,671,405)</u>
	<u><b>\$ 4,333,131</b></u>	<u><b>\$ 4,740,716</b></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 remaining term of the Society's memorandum of agreement (through June 30, 2020).

DETROIT HISTORICAL SOCIETY  
(A Michigan Non-Profit Corporation)

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2017 and 2016**

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**NOTE F – LEASES**

The Society entered into a capital lease for telephone equipment, with a cost of \$54,530. The lease agreement includes a \$37,000 down payment and monthly payments over a 60-month period with no imputed interest. Accumulated depreciation on this asset was \$5,453 as of June 30, 2017.

The Society also leases copying equipment under an operating lease expiring May 28, 2018. Rental expense under the operating lease for the years ended June 30, 2017 and 2016 was \$14,880 per year.

Future minimum lease payments under these leases as of June 30, 2017 are as follows:

	<b><u>Capital Lease</u></b>	<b><u>Operating Lease</u></b>
<b>For the Years Ending June 30:</b>		
2018	\$ 3,506	\$ 11,160
2019	3,506	-0-
2020	3,506	-0-
2021	3,506	-0-
2022	1,753	-0-
	<b><u>\$ 15,777</u></b>	<b><u>\$ 11,160</u></b>

DETROIT HISTORICAL SOCIETY  
(A Michigan Non-Profit Corporation)

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2017 and 2016**

**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, 2017 and 2016 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>	
<b>2017</b>				
<b>Assets:</b>				
Investments at fair value:				
Registered investment companies:				
Equity funds	\$ 2,407,692	\$ -0-	\$ -0-	\$ 2,407,692
Fixed income funds	1,256,489			1,256,489
	<u>3,664,181</u>	<u>-0-</u>	<u>-0-</u>	<u>3,664,181</u>
Common stocks:				
Information technology	188,981			188,981
Financial	156,833			156,833
Health care	110,668			110,668
Consumer discretionary	127,831			127,831
Consumer staples	86,644			86,644
Energy	67,362			67,362
Industrial	114,717			114,717
Other	88,821			88,821
	<u>941,857</u>	<u>-0-</u>	<u>-0-</u>	<u>941,857</u>
Short-term investment fund	138,436			138,436
<b>Total Investments</b>	<b>4,744,474</b>	<b>-0-</b>	<b>-0-</b>	<b>4,744,474</b>
Cash and cash equivalents	1,527,032			1,527,032
	<u><b>\$ 6,271,506</b></u>	<u><b>\$ -0-</b></u>	<u><b>\$ -0-</b></u>	<u><b>\$ 6,271,506</b></u>

DETROIT HISTORICAL SOCIETY  
(A Michigan Non-Profit Corporation)

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2017 and 2016**

**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>	
<b>2016</b>				
<b>Assets:</b>				
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	39,504			39,504
<b>Total Investments</b>	<b>4,094,841</b>	<b>-0-</b>	<b>-0-</b>	<b>4,094,841</b>
Cash and cash equivalents	1,620,873			1,620,873
	<u>\$ 5,715,714</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 5,715,714</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, 2017 and 2016**

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**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 \$16,002 and \$15,567 for the years ended June 30, 2017 and 2016, 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, 2017 and 2016 totaled \$65,712 and \$67,977, 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, 2017 and 2016 is \$1,745,592 and \$1,458,892, 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, 2017 and 2016**

**NOTE J - FUNCTIONAL EXPENSES**

Expenses incurred by the Society for the year ended June 30, 2017, with summarized comparative totals for the year ended June 30, 2016, are as follows:

	2017									Total Expenses	
	Program Services					Supporting Services				2017	2016
	Programs and Exhibits	Museum Operations	Program Marketing	Education and Curators	Volunteers	Total Program Services	Development	General and Administrative	Total Supporting Services		
Salaries and benefits	\$ 424,587	\$ 570,503	\$ 179,686	\$ 489,723	\$ 104,667	\$ 1,769,166	\$ 352,555	\$ 124,354	\$ 476,909	\$ 2,246,075	\$ 1,922,699
Professional fees and contractual services	169,333	225	116,161	141,576		427,295	27,734	219,319	247,053	674,348	537,197
Supplies	999,087	54,857	1,952	8,174	5,524	1,069,594	200,952	31,382	232,334	1,301,928	247,520
Printing and publications	12,878	1,995	315,796	5,040		335,709	23,457	871	24,328	360,037	165,634
Postage	462	6	1,013	45	297	1,823	11,415	7,099	18,514	20,337	20,803
Conferences	8,085	2,353	6,178	2,967	424	20,007	2,579	5,166	7,745	27,752	19,948
Repairs and maintenance	130,100	309,852	750			440,702	6,720	42,814	49,534	490,236	513,302
Travel	3,635	4,735	745	2,571	481	12,167	188	13,970	14,158	26,325	25,194
Occupancy	188,207	56,146	59,179	57,545	10,594	371,671	64,485	129,142	193,627	565,298	517,248
Telephone		740				740		32,335	32,335	33,075	32,967
Depreciation	248,316	275,906				524,222		27,590	27,590	551,812	437,394
Cost of sales		108,392				108,392				108,392	84,444
Insurance	14,429	4,304	4,537	4,412	812	28,494	4,944	9,901	14,845	43,339	38,816
Bad debt expense								8,666	8,666	8,666	126,731
Tours	27,545	3,663				31,208	100		100	31,308	29,418
Miscellaneous expenses		3,340				3,340	7,367	29,921	37,288	40,628	30,271
	<b>\$ 2,226,664</b>	<b>\$ 1,397,017</b>	<b>\$ 685,997</b>	<b>\$ 712,053</b>	<b>\$ 122,799</b>	<b>\$ 5,144,530</b>	<b>\$ 702,496</b>	<b>\$ 682,530</b>	<b>\$ 1,385,026</b>	<b>\$ 6,529,556</b>	<b>\$ 4,749,586</b>

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2017 and 2016**

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**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**

The Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“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, 2018 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. 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.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2017 and 2016**

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**NOTE K - NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)**

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.