

DETROIT HISTORICAL SOCIETY
(A Michigan Non-Profit Corporation)

FINANCIAL STATEMENTS

June 30, 2022 and 2021



DETROIT HISTORICAL SOCIETY
(A Michigan Non-Profit Corporation)

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INDEPENDENT AUDITOR’S REPORT

November 29, 2022

To the Board of Trustees
Detroit Historical Society

Opinion

We have audited the 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, 2022 and 2021, and the related statements of activities and cash flows for the years then ended, as well as the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Detroit Historical Society as of June 30, 2022 and 2021, 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 (“U.S. GAAP”).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (“U.S. GAAS”). Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of the Financial Statements” section of our report. We are required to be independent of the Society and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter — Adoption of New Accounting Pronouncements

As discussed in Note A, effective July 1, 2021, the Society has adopted the provisions contained in Accounting Standards Update 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. Our opinion is not modified with respect to that matter.

Bank America Tower
110 N. Wacker Drive
Suite 2500
Chicago, Illinois 60606
Tel: (872) 465-1330
Fax: (833) 452-2727

PNC Center
201 E. Fifth Street
Suite 1900-1239
Cincinnati, Ohio 45202
Tel: (513) 766-9415
Fax: (833) 452-2727

Buhl Building
535 Griswold Street
Suite 1200
Detroit, Michigan 48226
Tel: (313) 965-2655
Fax: (833) 452-2727

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Responsibilities of Management for the Financial Statements

The Society's management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, and for 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.

In preparing the financial statements, management is required to evaluate whether there are any conditions or events, considered in the aggregate, that raise substantial doubt about the Society's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. *Reasonable assurance* is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with U.S. GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with U.S. GAAS:

- We exercise professional judgment and maintain professional skepticism throughout the audit.
- We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and we design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- We obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Auditor's Responsibility for the Audit of the Financial Statements (continued)

- We evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, and we evaluate the overall presentation of the financial statements.
- We conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Society's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant findings, and certain internal control-related matters that we identified during the audit.

GJC CPA's & Advisors

Detroit, Michigan

DETROIT HISTORICAL SOCIETY
(A Michigan Non-Profit Corporation)

STATEMENTS OF FINANCIAL POSITION

June 30, 2022 and 2021

| | <u>2022</u> | <u>2021</u> |
|--|-----------------------------------|-----------------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 120,101 | \$ 269,805 |
| Investments, at fair value (Notes A and G) | 1,390,227 | 2,058,460 |
| Contributions and accounts receivable (net of allowance for doubtful contributions) (Note D) | 756,790 | 537,742 |
| Inventories (Note A) | 176,726 | 92,434 |
| Property and equipment (net of accumulated depreciation) (Note E) | 3,968,353 | 4,634,434 |
| Prepaid expenses | 59,330 | 66,161 |
| Total Assets | <u><u>\$ 6,471,527</u></u> | <u><u>\$ 7,659,036</u></u> |
| LIABILITIES AND NET ASSETS | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | \$ 251,744 | \$ 316,762 |
| Deferred revenue (Note A) | 57,339 | 43,863 |
| Lease payable (Note F) | -0- | 1,753 |
| Notes payable (Note H) | 439,300 | 909,700 |
| Total Liabilities | <u><u>748,383</u></u> | <u><u>1,272,078</u></u> |
| Net Assets: | | |
| Net assets without donor restrictions | 4,868,234 | 5,712,588 |
| Net assets with donor restrictions (Note B) | 854,910 | 674,370 |
| Total Net Assets | <u><u>5,723,144</u></u> | <u><u>6,386,958</u></u> |
| Total Liabilities and Net Assets | <u><u>\$ 6,471,527</u></u> | <u><u>\$ 7,659,036</u></u> |

See notes to financial statements.

DETROIT HISTORICAL SOCIETY
(A Michigan Non-Profit Corporation)

STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2022 and 2021

| | <u>2022</u> | <u>2021</u> |
|--|---------------------|-----------------------|
| Changes in Net Assets without Donor Restrictions: | | |
| Revenue: | | |
| Contributions and grants | \$ 2,812,480 | \$ 1,849,509 |
| In-kind contributions (Note J) | 339,212 | 323,926 |
| Museum operation revenue | 743,005 | 342,534 |
| Income on long-term investments | 39,221 | 34,286 |
| Gain on forgiveness of Paycheck Protection Program loan (Note H) | 470,400 | -0- |
| | <u>4,404,318</u> | <u>2,550,255</u> |
| Total Revenue without Donor Restrictions | 4,404,318 | 2,550,255 |
| Net assets released from restrictions (Note B) | <u>437,652</u> | <u>222,314</u> |
| | <u>4,841,970</u> | <u>2,772,569</u> |
| Total Revenue and Other Support without Donor Restrictions | 4,841,970 | 2,772,569 |
| Expenses (Note K): | | |
| Program services: | | |
| Programs and exhibits | 1,176,699 | 1,052,122 |
| Museum operations | 1,082,683 | 1,181,797 |
| Program marketing | 292,543 | 199,342 |
| Education and curators | 719,284 | 510,547 |
| Volunteers | 9,504 | 7,373 |
| | <u>3,280,713</u> | <u>2,951,181</u> |
| Total Program Services | 3,280,713 | 2,951,181 |
| Supporting services: | | |
| Development | 961,382 | 955,456 |
| General and administrative | 1,216,775 | 832,466 |
| | <u>2,178,157</u> | <u>1,787,922</u> |
| Total Supporting Services | 2,178,157 | 1,787,922 |
| Total Expenses | 5,458,870 | 4,739,103 |
| Change in Net Assets without Donor Restrictions Before Gains and Losses | (616,900) | (1,966,534) |
| Gains and losses: | | |
| Net realized and unrealized gains (losses) on investments | <u>(227,454)</u> | <u>304,685</u> |
| Change in Net Assets without Donor Restrictions | \$ (844,354) | \$ (1,661,849) |

See notes to financial statements.

DETROIT HISTORICAL SOCIETY
(A Michigan Non-Profit Corporation)

STATEMENTS OF ACTIVITIES (CONTINUED)

For the Years Ended June 30, 2022 and 2021

| | <u>2022</u> | <u>2021</u> |
|---|----------------------------|----------------------------|
| Changes in Net Assets with Donor Restrictions: | | |
| Contributions | \$ 618,192 | \$ 326,725 |
| Net assets released from restrictions (Note B) | <u>(437,652)</u> | <u>(222,314)</u> |
| Change in Net Assets with Donor Restrictions | <u>180,540</u> | <u>104,411</u> |
| Change in Net Assets | (663,814) | (1,557,438) |
| Net Assets, Beginning of Year | <u>6,386,958</u> | <u>7,944,396</u> |
| Net Assets, End of Year | <u>\$ 5,723,144</u> | <u>\$ 6,386,958</u> |

See notes to financial statements.

DETROIT HISTORICAL SOCIETY
(A Michigan Non-Profit Corporation)

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2022 and 2021

| | <u>2022</u> | <u>2021</u> |
|--|--------------------------|---------------------------|
| Cash Flows from Operating Activities: | | |
| Change in net assets | \$ (663,814) | \$ (1,557,438) |
| Adjustments to reconcile change in net assets to net cash flows from operating activities: | | |
| Depreciation | 672,021 | 564,866 |
| Net realized and unrealized (gains) losses on investments | 227,454 | (304,685) |
| Gain on forgiveness of Paycheck Protection Program loan | (470,400) | -0- |
| Changes in: | | |
| Contributions and accounts receivable | (219,048) | (121,401) |
| Inventories | (84,292) | (14,676) |
| Prepaid expenses | 6,831 | (17,227) |
| Accounts payable and accrued expenses | (65,018) | (2,189) |
| Deferred revenue | 13,476 | (69,873) |
| Net Cash Flows from Operating Activities | <u>(582,790)</u> | <u>(1,522,623)</u> |
| Cash Flows from Investing Activities: | | |
| Acquisition of property and equipment | (5,940) | -0- |
| Acquisition of investments | (585,658) | (397,036) |
| Proceeds from disposition of investments | 1,026,437 | 362,750 |
| Net Cash Flows from Investing Activities | <u>434,839</u> | <u>(34,286)</u> |
| Cash Flows from Financing Activities: | | |
| Proceeds issued on notes payable | -0- | 439,300 |
| Payments on lease payable | (1,753) | (3,506) |
| Net Cash Flows from Financing Activities | <u>(1,753)</u> | <u>435,794</u> |
| Change in Cash and Cash Equivalents | (149,704) | (1,121,115) |
| Cash and Cash Equivalents, Beginning of Year | 269,805 | 1,390,920 |
| Cash and Cash Equivalents, End of Year | <u>\$ 120,101</u> | <u>\$ 269,805</u> |

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

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 \$1,000,000 and \$500,000 towards operational expenses during the years ended June 30, 2022 and 2021, respectively.

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.

Adoption of New Accounting Pronouncements

In September 2020, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 requires contributed nonfinancial assets to be presented separately from contributions of cash and other financial assets in the statement of activities. ASU 2020-07 also requires expanded disclosures regarding the types, uses, policies, valuation techniques, and donor restrictions related to contributed nonfinancial assets. The Society adopted the provisions of ASU 2020-07 as of July 1, 2021. These provisions have been retroactively applied to the disclosures in the accompanying financial statements as of, and for the year ended, June 30, 2021. The adoption of this pronouncement did not impact the Society’s net assets.

Basis of Presentation

The Society reports information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

Revenue Recognition

Revenue is measured based upon the consideration specified in a contract with a customer at the time when the related performance obligation is satisfied.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022 and 2021

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

Revenue Recognition (continued)

A performance obligation is a promise in a contract to transfer a distinct good or service, or a series of distinct goods or services, to the customer. The Society recognizes revenue when a performance obligation is satisfied by transferring control over a product or service to a customer. For museum operation revenue, the Society has determined control to be transferred at a point in time when the goods or services are provided to the customer.

The Society receives deposits for facility rental and group tours in advance of the event date. Additionally, the COVID-19 outbreak (see Note N) forced the postponement of the Society's annual Dossin Great Lakes Museum Gala that would have been normally held during the year ended June 30, 2020 to August 2020; therefore, recognition of all of the non-contributed funds received during the year ended June 30, 2020 was deferred to the year ended June 30, 2021. These deferred receipts and the deposits received for events that will occur after the end of the fiscal year are recorded in deferred revenue. Deferred revenue as of June 30, 2022 and 2021 totaled \$57,339 and \$43,863, respectively.

Recognition of Contributions and Grants

Contributions and grants of cash and other assets, including unconditional promises to give in the future, are reported as support when received or when conditions related to a contractual promise to give are substantially met, measured at estimated realizable value. All contributions and grants are considered to be available for general use unless specifically restricted by the donor. The Society reports contributions and grants as support with donor restrictions 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), net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statements of activities as net assets released from restrictions.

The Society reports gifts of property and equipment as support without donor restrictions 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 support with donor restrictions. 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, 2022 and 2021

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 \$5,000.

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 registered investment companies and exchange-traded funds are valued at quoted market prices, which represent the net asset value of shares or units 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.

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, 2022 and 2021

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.

Advertising

The Society's advertising costs are expensed as incurred. Advertising expenses totaled \$44,186 and \$11,276 for the years ended June 30, 2022 and 2021, respectively.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022 and 2021

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

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 uncertain tax positions or unrecognized tax benefits as of June 30, 2022 or 2021.

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 did not exceed the federally insured limit as of June 30, 2022. Contributions and accounts receivable are due from various entities in southeastern Michigan. As discussed in Note G, investments are diversified among various registered investment companies, exchange-traded funds, and short-term funds.

Reclassifications

Certain reclassifications have been made to the accompanying financial statements as of, and for the year ended, June 30, 2021 to conform to classifications used as of, and for the year ended, June 30, 2022.

Subsequent Events

The Society has evaluated subsequent events through November 29, 2022, 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, 2022 and 2021

NOTE B — NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes or periods as of June 30, 2022 and 2021:

| | <u>2022</u> | <u>2021</u> |
|--|--------------------------|--------------------------|
| Restricted for specific purposes: | | |
| The Hustle | \$ 355,029 | \$ -0- |
| Exhibits | 163,358 | 309,177 |
| Dossin Great Lakes Museum landscaping | 55,088 | 79,361 |
| Digitization coordinator | 40,000 | -0- |
| Maritime Miniatures | 29,557 | -0- |
| National Endowment for the Humanities Boomtown | 26,193 | 28,334 |
| Community outreach and education programs | 22,921 | 23,872 |
| Frontiers To Factories Refresh | 19,301 | -0- |
| Friends of Historic Hamtramck ("FHHS") Affinity Group | 15,631 | -0- |
| Dossin Great Lakes Museum | 7,509 | 4,170 |
| Mason Archive | 430 | -0- |
| Margaret Dunning digitization equipment | -0- | 55,000 |
| Core Detroit Collaboration Project | -0- | 54,563 |
| Investment in perpetuity (see Note C) | 119,893 | 119,893 |
| | <u><u>\$ 854,910</u></u> | <u><u>\$ 674,370</u></u> |

DETROIT HISTORICAL SOCIETY
(A Michigan Non-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022 and 2021

NOTE B — NET ASSETS WITH DONOR RESTRICTIONS (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>2022</u> | <u>2021</u> |
|---|-------------------|-------------------|
| Purpose restrictions accomplished for the following programs or projects: | | |
| Exhibits | \$ 151,108 | \$ 42,086 |
| Margaret Dunning digitization equipment | 55,000 | -0- |
| FHHS Affinity Group | 54,605 | -0- |
| Core Detroit Collaboration Project | 54,563 | 438 |
| Frontiers to Factories Refresh | 30,699 | -0- |
| 100 Years 100 Stories | 25,000 | -0- |
| Dossin Great Lakes Museum landscaping | 24,273 | 20,639 |
| The Hustle | 19,971 | -0- |
| Freedom Confirmed | 11,100 | -0- |
| Maritime Miniatures | 6,790 | -0- |
| National Endowment for the Humanities Boomtown | 2,141 | 59,820 |
| Community outreach and education programs | 951 | -0- |
| Dossin Great Lakes Museum Affinity Groups | 881 | -0- |
| Mason Archive | 570 | -0- |
| Dossin Great Lakes Museum press event | -0- | 36,050 |
| Bank One Plaza construction and ongoing maintenance | -0- | 28,457 |
| Exiled to Motown | -0- | 5,000 |
| Other programs | -0- | 29,824 |
| | <u>\$ 437,652</u> | <u>\$ 222,314</u> |

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022 and 2021

NOTE C — INVESTMENT IN PERPETUITY

Certain net assets with donor restrictions are to be held in perpetuity. The income from these investments may be used to support various activities, as detailed in the following schedule, which displays the composition of net assets being held in perpetuity as of June 30, 2022 and 2021.

| <u>Donors</u> | <u>Activities That May Be Supported by Related Income</u> | <u>Balance Held in Perpetuity</u> | |
|--|---|---------------------------------------|-------------------|
| | | <u>2022</u> | <u>2021</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, 2022 and 2021:

| | <u>2022</u> | <u>2021</u> |
|---------------------------|-------------------|-------------------|
| Contributions receivable: | | |
| Amounts due in: | | |
| Less than one year | \$ 461,854 | \$ 339,850 |
| One to five years | -0- | 50,000 |
| | <u>\$ 461,854</u> | <u>\$ 389,850</u> |

DETROIT HISTORICAL SOCIETY
(A Michigan Non-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022 and 2021

NOTE D — CONTRIBUTIONS AND ACCOUNTS RECEIVABLE (CONTINUED)

| | <u>2022</u> | <u>2021</u> |
|---------------------------------------|--------------------------|--------------------------|
| Contributions receivable (continued): | | |
| Less: | | |
| Unamortized discount (at 3.5 percent) | \$ -0- | \$ (1,691) |
| Allowance for doubtful contributions | <u>(3,000)</u> | <u>(18,600)</u> |
| | <u>(3,000)</u> | <u>(20,291)</u> |
| Net Contributions Receivable | 458,854 | 369,559 |
| Accounts receivable | <u>297,936</u> | <u>168,183</u> |
| | <u>\$ 756,790</u> | <u>\$ 537,742</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. As of June 30, 2022, the Society had a conditional promise to receive subject to the following condition:

| | |
|---|--------------------------|
| Matching contributions raised to support Capacity and Planning Support project | <u><u>\$ 200,000</u></u> |
|---|--------------------------|

DETROIT HISTORICAL SOCIETY
(A Michigan Non-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022 and 2021

NOTE E — PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2022 and 2021 consist of the following:

| | <u>2022</u> | <u>2021</u> |
|--------------------------------|----------------------------|----------------------------|
| Leasehold improvements | \$ 8,091,351 | \$ 8,091,351 |
| Furniture and equipment | 750,744 | 744,804 |
| | 8,842,095 | 8,836,155 |
| Less: Accumulated depreciation | <u>(4,873,742)</u> | <u>(4,201,721)</u> |
| | <u>\$ 3,968,353</u> | <u>\$ 4,634,434</u> |

The above schedule includes assets acquired as part of various capital improvement programs initiated by the Society. These assets are considered leasehold improvements by the Society, as the Society leases the Detroit Historical Museum from the City.

NOTE F — LEASES

The Society entered into a capital lease for telephone equipment, with a cost of \$54,530. The lease agreement included a \$37,000 down payment and monthly payments over a 60-month period, which expired in January 2022. Accumulated depreciation on this asset was \$54,530 and \$49,077 as of June 30, 2022 and 2021, respectively.

The Society has also entered into various operating leases agreements for office equipment expiring on various dates through June 2027.

Future minimum lease payments are as follows as of June 30, 2022:

| For the Years Ending June 30: | |
|--------------------------------------|-------------------------|
| 2023 | \$ 11,638 |
| 2024 | 11,638 |
| 2025 | 11,638 |
| 2026 | 11,638 |
| 2027 | <u>5,380</u> |
| Total Minimum Lease Payments | <u>\$ 51,932</u> |

DETROIT HISTORICAL SOCIETY
(A Michigan Non-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022 and 2021

NOTE F — LEASES (CONTINUED)

Total rental expense under these operating leases during the years ended June 30, 2022 and 2021 was \$12,283 and \$18,694, respectively.

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, 2022 and 2021 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> | |
| 2022 | | | | |
| Assets: | | | | |
| Investments at fair value: | | | | |
| Registered investment companies: | | | | |
| Equity funds | \$ 560,474 | \$ -0- | \$ -0- | \$ 560,474 |
| Fixed income funds | 397,056 | | | 397,056 |
| | 957,530 | -0- | -0- | 957,530 |
| Exchange-traded funds | 39,651 | | | 39,651 |
| Short-term investment fund | 393,046 | | | 393,046 |
| | <u>\$ 1,390,227</u> | <u>\$ -0-</u> | <u>\$ -0-</u> | <u>\$ 1,390,227</u> |
| 2021 | | | | |
| Assets: | | | | |
| Investments at fair value: | | | | |
| Registered investment companies: | | | | |
| Equity funds | \$ 868,422 | \$ -0- | \$ -0- | \$ 868,422 |
| Fixed income funds | 585,709 | | | 585,709 |
| | 1,454,131 | -0- | -0- | 1,454,131 |
| Exchange-traded funds | 162,200 | | | 162,200 |
| Short-term investment fund | 442,129 | | | 442,129 |
| | <u>\$ 2,058,460</u> | <u>\$ -0-</u> | <u>\$ -0-</u> | <u>\$ 2,058,460</u> |

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022 and 2021

NOTE G — INVESTMENTS AND FAIR VALUE (CONTINUED)

The Board of Trustees (the “Board”) 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.

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 — NOTES PAYABLE

On April 21, 2020, the Society received a loan of \$470,400 from a bank under the U.S. Small Business Administration’s Paycheck Protection Program (“PPP”), pursuant to Sections 1102 and 1106 of the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”). The loan agreement terms were subsequently amended, pursuant to the terms of the Paycheck Protection Program Flexibility Act of 2020, which was signed into law on June 5, 2020. Under Section 1106 of the CARES Act, some or all of the loan may be forgiven for qualified payroll costs, interest, rent, and utilities incurred during the 24-week period beginning on the date the loan was funded, subject to certain conditions. The Society submitted its application for forgiveness of the entire loan balance to the bank and was granted full forgiveness on August 27, 2021. As such, the total loan amount has been recorded as a gain on forgiveness of debt on the accompanying financial statements for the year ended June 30, 2022.

On February 19, 2021, the Society received a second PPP loan of \$439,300 from a bank. Under Section 1106 of the CARES Act, some or all of this loan may be forgiven for payroll costs, interest, rent, and utilities incurred or paid during a specified period beginning on the date the loan was made, subject to certain conditions. The Society submitted its application for forgiveness of the entire loan balance to the bank and was granted full forgiveness on October 28, 2022. As such, the total loan amount will be recognized as a gain on forgiveness of debt on the financial statements for the year ending June 30, 2023.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022 and 2021

NOTE I — 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 \$15,568 and \$19,033 for the years ended June 30, 2022 and 2021, respectively. Contributions are fully vested after three years of employee service.

NOTE J— IN-KIND CONTRIBUTIONS

The Society has an arrangement with the City under which the City provides the Society with facilities at no charge. The value of the use of those facilities is included in the following schedule.

In-kind contributions, including the usage of those contributions, are summarized as follows for the years ended June 30, 2022 and 2021:

| | <u>2022</u> | <u>2021</u> | <u>Usage</u> |
|------------|-------------------|-------------------|---------------------------------|
| Facilities | \$ 300,638 | \$ 300,638 | Program and supporting services |
| Gifts | 13,396 | 23,288 | Fundraising events |
| Books | 25,178 | -0- | Museum display |
| | <u>\$ 339,212</u> | <u>\$ 323,926</u> | |

In-kind contributions were valued using estimated average prices of identical or similar products, services, or facilities using pricing data of similar products, services, or facilities under a "like-kind" methodology, considering the utility of the services, goods, and facilities at the time of the contribution. No in-kind contributions were received with donor restrictions. The Society does not sell donated gifts and only uses donated services, goods, and facilities for its own program or supporting service activities.

DETROIT HISTORICAL SOCIETY
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022 and 2021

NOTE K — FUNCTIONAL EXPENSES

Expenses incurred by the Society for the years ended June 30, 2022 and 2021 are as follows:

| | <u>Program Services</u> | | | | | <u>Supporting Services</u> | | | <u>Total Expenses</u> | |
|--|------------------------------|--------------------------|--------------------------|-------------------------------|-------------------|-------------------------------|--------------------|-----------------------------------|-----------------------|----------------------------------|
| | <u>Programs and Exhibits</u> | <u>Museum Operations</u> | <u>Program Marketing</u> | <u>Education and Curators</u> | <u>Volunteers</u> | <u>Total Program Services</u> | <u>Development</u> | <u>General and Administrative</u> | | <u>Total Supporting Services</u> |
| 2022 | | | | | | | | | | |
| Salaries and benefits | \$ 386,884 | \$ 357,353 | \$ 130,840 | \$ 388,420 | \$ -0- | \$ 1,263,497 | \$ 748,722 | \$ 455,601 | \$ 1,204,323 | \$ 2,467,820 |
| Professional fees and contractual services | 92,931 | 49,833 | 39,877 | 6,919 | | 189,560 | 62,711 | 532,774 | 595,485 | 785,045 |
| Supplies | 85,118 | 113,510 | 23 | 10,447 | 1,988 | 211,086 | 64,842 | 13,243 | 78,085 | 289,171 |
| Printing and publications | 4,349 | | 73,707 | 311 | | 78,367 | 18,748 | 1,551 | 20,299 | 98,666 |
| Postage | | 12,235 | 4,219 | 559 | | 17,013 | 3,692 | 1,618 | 5,310 | 22,323 |
| Conferences | 13,012 | | 4,554 | 1,185 | 117 | 18,868 | 5,155 | 26,012 | 31,167 | 50,035 |
| Repairs and maintenance | 54,737 | 189,851 | | 3,512 | | 248,100 | 2,535 | 120 | 2,655 | 250,755 |
| Travel | 2,714 | 171 | 240 | 38 | | 3,163 | 4,153 | 13,457 | 17,610 | 20,773 |
| Occupancy | 129,274 | 187,491 | 39,083 | 42,089 | 6,013 | 403,950 | 41,093 | 43,086 | 84,179 | 488,129 |
| Telephone | | 21,919 | | 9,484 | | 31,403 | | | | 31,403 |
| Depreciation | 403,213 | | | 255,369 | | 658,582 | | 13,439 | 13,439 | 672,021 |
| Cost of sales | | 148,644 | | | | 148,644 | | | | 148,644 |
| Insurance | | | | | | | | 39,650 | 39,650 | 39,650 |
| Bad debt expense | | | | | | | | 41,250 | 41,250 | 41,250 |
| Tours | 4,467 | 1,676 | | 951 | | 7,094 | 2,090 | 104 | 2,194 | 9,288 |
| Miscellaneous expenses | | | | | 1,386 | 1,386 | 7,641 | 34,870 | 42,511 | 43,897 |
| | \$ 1,176,699 | \$ 1,082,683 | \$ 292,543 | \$ 719,284 | \$ 9,504 | \$ 3,280,713 | \$ 961,382 | \$ 1,216,775 | \$ 2,178,157 | \$ 5,458,870 |

DETROIT HISTORICAL SOCIETY
(A Michigan Non-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022 and 2021

NOTE K — FUNCTIONAL EXPENSES (CONTINUED)

| | Program Services | | | | | Supporting Services | | | | Total Expenses |
|--|-----------------------|---------------------|-------------------|------------------------|-----------------|------------------------|-------------------|----------------------------|---------------------------|---------------------|
| | Programs and Exhibits | Museum Operations | Program Marketing | Education and Curators | Volunteers | Total Program Services | Development | General and Administrative | Total Supporting Services | |
| 2021 | | | | | | | | | | |
| Salaries and benefits | \$ 462,568 | \$ 306,590 | \$ 97,407 | \$ 438,067 | \$ -0- | \$ 1,304,632 | \$ 688,909 | \$ 487,966 | \$ 1,176,875 | \$ 2,481,507 |
| Professional fees and contractual services | 7,050 | 15,713 | 28,410 | 7,972 | | 59,145 | 117,468 | 136,901 | 254,369 | 313,514 |
| Supplies | 103,792 | 71,555 | 212 | 10,955 | 730 | 187,244 | 82,293 | 57,656 | 139,949 | 327,193 |
| Printing and publications | 950 | | 28,062 | | | 29,012 | 12,620 | | 12,620 | 41,632 |
| Postage | | | 2,740 | 96 | | 2,836 | 4,551 | 1,073 | 5,624 | 8,460 |
| Conferences | 865 | 70 | 3,428 | 1,381 | 130 | 5,874 | 3,355 | 8,017 | 11,372 | 17,246 |
| Repairs and maintenance | 17,014 | 326,069 | | 498 | | 343,581 | 1,378 | 500 | 1,878 | 345,459 |
| Travel | 24 | 825 | | 470 | | 1,319 | 1,237 | | 1,237 | 2,556 |
| Occupancy | 129,274 | 145,969 | 39,083 | 42,089 | 6,013 | 362,428 | 41,093 | 43,086 | 84,179 | 446,607 |
| Telephone | | 13,361 | | 9,019 | | 22,380 | | 6,868 | 6,868 | 29,248 |
| Depreciation | 329,364 | 218,774 | | | | 548,138 | | 16,728 | 16,728 | 564,866 |
| Cost of sales | | 81,297 | | | | 81,297 | | | | 81,297 |
| Insurance | | | | | | | | 38,955 | 38,955 | 38,955 |
| Bad debt expense | | | | | | | | 7,508 | 7,508 | 7,508 |
| Tours | 1,221 | 1,574 | | | | 2,795 | 1,624 | 750 | 2,374 | 5,169 |
| Miscellaneous expenses | | | | | 500 | 500 | 928 | 26,458 | 27,386 | 27,886 |
| | \$ 1,052,122 | \$ 1,181,797 | \$ 199,342 | \$ 510,547 | \$ 7,373 | \$ 2,951,181 | \$ 955,456 | \$ 832,466 | \$ 1,787,922 | \$ 4,739,103 |

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022 and 2021

NOTE K — FUNCTIONAL EXPENSES (CONTINUED)

The Society allocates its expenses on a functional basis among its program and supporting services. Costs directly attributable to programs or supporting services are recorded in the appropriate function. Certain costs not directly attributable to a function are allocated to functions, including salaries and benefits, which are allocated based on time studies of the particular individuals. 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 L — 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, 2022 and 2021 totaled \$120,415 and \$119,416, 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, 2022 and 2021 is \$2,016,620 and \$2,358,564, 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, 2022 and 2021

NOTE M – LIQUIDITY AND AVAILABILITY OF RESOURCES

The Society has the following financial assets available for general expenditures within one year as of June 30, 2022 and 2021:

| | <u>2022</u> | <u>2021</u> |
|--|----------------------------|----------------------------|
| Financial Assets: | | |
| Cash and cash equivalents | \$ 120,101 | \$ 269,805 |
| Investments | 1,390,227 | 2,058,460 |
| Contributions and accounts receivable | <u>756,790</u> | <u>537,742</u> |
| Total Financial Assets | 2,267,118 | 2,866,007 |
| Less: | | |
| Contributions receivable with liquidity horizons greater than one year | -0- | (48,309) |
| Assets with donor restrictions for specific purposes | <u>(854,910)</u> | <u>(674,370)</u> |
| Financial Assets Available to Meet General Expenditures within One Year | <u>\$ 1,412,208</u> | <u>\$ 2,143,328</u> |

The Society has certain donor-restricted assets that are to be used for specific purposes or maintained in perpetuity. Therefore, these assets are not considered to be available for general expenditures within the next year. The Society has a policy to manage its liquidity following three guiding principles: operating within a prudent range of financial stability, maintaining adequate liquidity to fund near-term operations, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

NOTE N — CONTINGENCIES

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus (the “COVID-19 outbreak”) and the risks to the international community as the virus spread globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022 and 2021

NOTE N — CONTINGENCIES (CONTINUED)

The full impact of the COVID-19 outbreak continues to evolve as of the date that the accompanying financial statements were available to be issued. As such, it is uncertain as to the full magnitude that the pandemic will have on the Society's financial condition, liquidity, and future results of operations. The Society's operations are dependent on private and public donations from individuals, foundations, and corporations, as well as museum operation revenue. The COVID-19 outbreak may have a continued impact on economic and market conditions.

As of the date of issuance of the financial statements, the Society's operations have not been significantly impacted, but the Society's management continues to monitor the situation.

NOTE O — NEW ACCOUNTING PRONOUNCEMENTS

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, 2023, 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.