

DETROIT HISTORICAL SOCIETY
(A Michigan Non-Profit Corporation)

FINANCIAL STATEMENTS

June 30, 2023 and 2022



DETROIT HISTORICAL SOCIETY
(A Michigan Non-Profit Corporation)

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INDEPENDENT AUDITOR’S REPORT

November 18, 2024

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, 2023 and 2022, 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, 2023 and 2022, 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, 2022, the Society has adopted the provisions contained in Accounting Standards Update 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to that matter.

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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 CPAs & Advisors

Detroit, Michigan

DETROIT HISTORICAL SOCIETY
(A Michigan Non-Profit Corporation)

STATEMENTS OF FINANCIAL POSITION

June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash and cash equivalents	\$ 737,058	\$ 120,101
Investments, at fair value (Notes A and F)	745,824	1,390,227
Contributions and accounts receivable (net of allowance for doubtful contributions) (Note D)	3,945,657	756,790
Inventories (Note A)	218,377	176,726
Property and equipment (net of accumulated depreciation) (Note E)	3,362,392	3,968,353
Prepaid expenses	64,944	59,330
	<u> </u>	<u> </u>
Total Assets	<u>\$ 9,074,252</u>	<u>\$ 6,471,527</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 346,668	\$ 251,744
Deferred revenue (Note A)	28,215	57,339
Notes payable (Note G)	-0-	439,300
	<u> </u>	<u> </u>
Total Liabilities	<u>374,883</u>	<u>748,383</u>
Net Assets:		
Net assets without donor restrictions	7,766,310	4,868,234
Net assets with donor restrictions (Note B)	933,059	854,910
	<u> </u>	<u> </u>
Total Net Assets	<u>8,699,369</u>	<u>5,723,144</u>
	<u> </u>	<u> </u>
Total Liabilities and Net Assets	<u>\$ 9,074,252</u>	<u>\$ 6,471,527</u>

See notes to financial statements.

DETROIT HISTORICAL SOCIETY
(A Michigan Non-Profit Corporation)

STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Changes in Net Assets without Donor Restrictions:		
Revenue:		
Contributions and grants	\$ 7,041,499	\$ 2,812,480
In-kind contributions (Note I)	363,728	339,212
Museum operation revenue	838,166	743,005
Income on long-term investments	52,597	39,221
Gain on forgiveness of Paycheck Protection Program loan and interest (Note G)	446,780	470,400
	<u>8,742,770</u>	<u>4,404,318</u>
Total Revenue without Donor Restrictions	8,742,770	4,404,318
Net assets released from restrictions (Note B)	<u>624,046</u>	<u>437,652</u>
	<u>9,366,816</u>	<u>4,841,970</u>
Total Revenue and Other Support without Donor Restrictions		
Expenses (Note J):		
Program services:		
Programs and exhibits	1,355,237	1,176,699
Museum operations	1,395,601	1,082,683
Program marketing	648,928	292,543
Education and curators	890,524	719,284
Volunteers	7,949	9,504
	<u>4,298,239</u>	<u>3,280,713</u>
Total Program Services	4,298,239	3,280,713
Supporting services:		
Development	899,560	961,382
General and administrative	1,299,099	1,216,775
	<u>2,198,659</u>	<u>2,178,157</u>
Total Supporting Services	2,198,659	2,178,157
	<u>6,496,898</u>	<u>5,458,870</u>
Total Expenses	6,496,898	5,458,870
	2,869,918	(616,900)
Change in Net Assets without Donor Restrictions Before Gains and Losses	2,869,918	(616,900)
Gains and losses:		
Net realized and unrealized gains (losses) on investments	<u>28,158</u>	<u>(227,454)</u>
	28,158	(227,454)
Change in Net Assets without Donor Restrictions	<u>\$ 2,898,076</u>	<u>\$ (844,354)</u>

See notes to financial statements.

DETROIT HISTORICAL SOCIETY
(A Michigan Non-Profit Corporation)

STATEMENTS OF ACTIVITIES (CONTINUED)

For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Changes in Net Assets with Donor Restrictions:		
Contributions	\$ 702,195	\$ 618,192
Net assets released from restrictions (Note B)	<u>(624,046)</u>	<u>(437,652)</u>
Change in Net Assets with Donor Restrictions	<u>78,149</u>	<u>180,540</u>
Change in Net Assets	2,976,225	(663,814)
Net Assets, Beginning of Year	<u>5,723,144</u>	<u>6,386,958</u>
Net Assets, End of Year	<u>\$ 8,699,369</u>	<u>\$ 5,723,144</u>

See notes to financial statements.

DETROIT HISTORICAL SOCIETY
(A Michigan Non-Profit Corporation)

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 2,976,225	\$ (663,814)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	645,961	672,021
Net realized and unrealized (gains) losses on investments	(28,158)	227,454
Gain on forgiveness of Paycheck Protection Program loan	(439,300)	(470,400)
Changes in:		
Contributions and accounts receivable	(3,188,867)	(219,048)
Inventories	(41,651)	(84,292)
Prepaid expenses	(5,614)	6,831
Accounts payable and accrued expenses	94,924	(65,018)
Deferred revenue	(29,124)	13,476
Other liabilities	-0-	(1,753)
	<u>(15,604)</u>	<u>(584,543)</u>
Net Cash Flows from Operating Activities		
Cash Flows from Investing Activities:		
Acquisition of property and equipment	(40,000)	(5,940)
Acquisition of investments	(1,970,363)	(585,658)
Proceeds from disposition of investments	2,642,924	1,026,437
	<u>632,561</u>	<u>434,839</u>
Net Cash Flows from Investing Activities		
Change in Cash and Cash Equivalents	616,957	(149,704)
Cash and Cash Equivalents, Beginning of Year	<u>120,101</u>	<u>269,805</u>
Cash and Cash Equivalents, End of Year	<u>\$ 737,058</u>	<u>\$ 120,101</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

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

Nature of Activities and Purpose

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 per year towards operational expenses during the years ended June 30, 2023 and 2022.

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 February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires the recognition by lessees of assets and liabilities that arise from all lease transactions, except for leases with a term of 12 months or less. The lessee accounting model under ASU 2016-02 retains two types of leases:

- Finance leases, which are accounted for in substantially the same manner as the accounting for capital leases under previous guidance
- Operating leases, which are accounted for (both in the statement of activities and in the statement of cash flows) in a manner consistent with the accounting for operating leases under previous guidance

ASU 2016-02 also requires expanded qualitative and quantitative disclosures regarding the amount, timing, and uncertainty of cash flows arising from leases. The Society adopted the provisions of ASU 2016-02 as of July 1, 2022, using the retrospective approach. The Society elected the package of practical expedients permitted under the transition guidance within this standard which, among other matters, allowed the Society to carry forward the historical lease classifications. The adoption of ASU 2016-02 did not have a material impact on the Society’s net assets or financial statements.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023 and 2022

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

Financial Statement 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. 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 start date. 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, 2023 and 2022 totaled \$28,215 and \$57,339, 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, 2023 and 2022

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, 2023 and 2022

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 \$30,318 and \$44,186 for the years ended June 30, 2023 and 2022, respectively.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023 and 2022

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, 2023 or 2022.

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, 2023 approximated \$505,000. Contributions and accounts receivable are due from various entities in southeastern Michigan. As discussed in Note F, 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, 2022 to conform to classifications used as of, and for the year ended, June 30, 2023.

Subsequent Events

The Society has evaluated subsequent events through November 18, 2024, 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, 2023 and 2022

NOTE B — NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes or periods as of June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Restricted for specific purposes:		
The Hustle	\$ 279,563	\$ 355,029
Institute of Museum and Library Services ("IMLS") digitization project	173,608	-0-
Frontiers To Factories Refresh	171,250	19,301
Exhibits	59,564	163,358
Dossin Great Lakes Museum landscaping	33,900	55,088
Maritime Miniatures	29,557	29,557
Knight Foundation Storytelling	17,522	-0-
Michigan Humanities Council		
Digital Streets of Old Detroit	15,000	-0-
Glancy Foundation	12,488	-0-
National Oceanic and Atmospheric Administration ("NOAA") Friends of the Detroit River	7,125	-0-
Dossin Great Lakes Museum	6,330	7,509
Friends of Historic Hamtramck ("FHHS") Affinity Group	4,001	15,631
Community outreach and education programs	3,258	22,921
Digitization coordinator	-0-	40,000
National Endowment for the Humanities ("NEH") Boomtown	-0-	26,193
Mason Archive	-0-	430
Investment in perpetuity (see Note C)	119,893	119,893
	<u><u>\$ 933,059</u></u>	<u><u>\$ 854,910</u></u>

DETROIT HISTORICAL SOCIETY
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023 and 2022

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>2023</u>	<u>2022</u>
Purpose restrictions accomplished for the following programs or projects:		
Exhibits	\$ 108,094	\$ 151,108
The Hustle	75,466	19,971
NEH security system	64,835	-0-
FHHS Affinity Group	62,073	54,605
Ford Motor Company Fund	40,000	-0-
Digitization coordinator	40,000	-0-
Michigan Arts and Culture Council roof	40,000	-0-
Frontiers to Factories Refresh	28,051	30,699
IMLS digitization project	26,392	-0-
NEH Boomtown	26,193	2,141
Dossin Great Lakes Museum landscaping	21,188	24,273
Michigan Arts and Culture Council security system upgrade	20,000	-0-
Community outreach and education programs	19,663	951
2023 Summer Camp	16,000	-0-
Arts Infused Education	10,000	-0-
Glancy Foundation	8,652	-0-
Knight Foundation Storytelling	6,850	-0-
Dossin Great Lakes Museum Affinity Groups	5,284	881
NOAA Friends of the Detroit River	4,875	-0-
Mason Archive	430	570
Margaret Dunning digitization equipment	-0-	55,000
Core Detroit Collaboration Project	-0-	54,563
100 Years 100 Stories	-0-	25,000
Freedom Confirmed	-0-	11,100
Maritime Miniatures	-0-	6,790
	<u>\$ 624,046</u>	<u>\$ 437,652</u>

DETROIT HISTORICAL SOCIETY
(A Michigan Non-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023 and 2022

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, 2023 and 2022.

<u>Donors</u>	<u>Activities That May Be Supported by Related Income</u>	<u>Balance Held in Perpetuity</u>	
		<u>2023</u>	<u>2022</u>
Solan Weeks	Registration fees for educational workshops	\$ 4,044	\$ 4,044
Charles and Katherine Hagler Society Trustees	Discretionary fund of the Museum Director	99,914	99,914
and others	Short-term exhibits	11,805	11,805
Other	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, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Contributions receivable:		
Amounts due in:		
Less than one year	\$ 2,542,918	\$ 461,854
One to five years	278,917	-0-
	<u>\$ 2,821,835</u>	<u>\$ 461,854</u>

DETROIT HISTORICAL SOCIETY
(A Michigan Non-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023 and 2022

NOTE D — CONTRIBUTIONS AND ACCOUNTS RECEIVABLE (CONTINUED)

	<u>2023</u>	<u>2022</u>
Contributions receivable (continued):		
Less:		
Unamortized discount (at four percent)	\$ (10,728)	\$ -0-
Allowance for doubtful contributions	<u>(3,000)</u>	<u>(3,000)</u>
	<u>(13,728)</u>	<u>(3,000)</u>
Net Contributions Receivable	2,808,107	458,854
Accounts receivable	<u>1,137,550</u>	<u>297,936</u>
	<u>\$ 3,945,657</u>	<u>\$ 756,790</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 had a conditional promise to receive subject to the following condition as of June 30, 2023:

Achievement of program guidelines related to Streets of Old Detroit exhibition	<u><u>\$ 1,500</u></u>
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DETROIT HISTORICAL SOCIETY
(A Michigan Non-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023 and 2022

NOTE E — PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2023 and 2022 consist of the following:

	<u>2023</u>	<u>2022</u>
Leasehold improvements	\$ 8,131,351	\$ 8,091,351
Furniture and equipment	<u>400,132</u>	<u>750,744</u>
	8,531,483	8,842,095
Less: Accumulated depreciation	<u>(5,169,091)</u>	<u>(4,873,742)</u>
	<u><u>\$ 3,362,392</u></u>	<u><u>\$ 3,968,353</u></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 — 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, 2023 and 2022 is summarized as follows:

	<u>Fair Value Measurements</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>	<u>Total</u>
2023				
Assets:				
Investments at fair value:				
Registered investment companies:				
Equity funds	\$ 270,750	\$ -0-	\$ -0-	\$ 270,750
Fixed income funds	<u>259,131</u>			<u>259,131</u>
	529,881	-0-	-0-	529,881
Exchange-traded funds	75,731			75,731
Short-term investment fund	<u>140,212</u>			<u>140,212</u>
	<u><u>\$ 745,824</u></u>	<u><u>\$ -0-</u></u>	<u><u>\$ -0-</u></u>	<u><u>\$ 745,824</u></u>

DETROIT HISTORICAL SOCIETY
(A Michigan Non-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023 and 2022

NOTE F — 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>	
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>

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 G — PAYCHECK PROTECTION PROGRAM LOANS

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023 and 2022

NOTE G — PAYCHECK PROTECTION PROGRAM LOANS (CONTINUED)

Under Section 1106 of the CARES Act, some or all of the loan could 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.

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 could 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 amounts, including interest, have been recorded as a gain on forgiveness of debt on the accompanying financial statements for the years ended June 30, 2023 and 2022.

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 \$19,008 and \$15,568 for the years ended June 30, 2023 and 2022, respectively. Contributions are fully vested after three years of employee service.

NOTE I — 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.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023 and 2022

NOTE I— IN-KIND CONTRIBUTIONS (CONTINUED)

In-kind contributions, including the usage of those contributions, are summarized as follows for the years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>	<u>Usage</u>
Facilities	\$ 300,638	\$ 300,638	Program and supporting services
Gifts	63,090	13,396	Fundraising events
Books	-0-	25,178	Museum display
	<u>\$ 363,728</u>	<u>\$ 339,212</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.

NOTE J — FUNCTIONAL EXPENSES

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.

DETROIT HISTORICAL SOCIETY
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023 and 2022

NOTE J — FUNCTIONAL EXPENSES (CONTINUED)

Expenses incurred by the Society for the years ended June 30, 2023 and 2022 are as follows:

	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
2023										
Salaries and benefits	\$ 526,421	\$ 423,365	\$ 441,343	\$ 475,958	\$ -0-	\$ 1,867,087	\$ 454,858	\$ 586,598	\$ 1,041,456	\$ 2,908,543
Professional fees and contractual services	96,400	59,550	67,649	19,740		243,339	198,454	527,701	726,155	969,494
Supplies	136,497	112,961	5,395	30,685	760	286,298	124,967	17,048	142,015	428,313
Printing and publications	6,761		86,096	4,048		96,905	28,463	2,740	31,203	128,108
Postage		5,881	3,265	102	11	9,259	4,313	914	5,227	14,486
Conferences	4,613	271	5,464	1,516	540	12,404	144	23,466	23,610	36,014
Repairs and maintenance	58,575	358,170		837		417,582	32,397		32,397	449,979
Travel	2,672	380	582	2,875		6,509	7,123	10,740	17,863	24,372
Occupancy	129,274	238,965	39,083	42,089	6,013	455,424	41,093	43,086	84,179	539,603
Telephone		27,314		10,290		37,604				37,604
Depreciation	387,577			245,465		633,042		12,919	12,919	645,961
Cost of sales		156,280				156,280				156,280
Insurance								43,278	43,278	43,278
Tours	5,360	3,244	51	56,919		65,574	1,667	298	1,965	67,539
Miscellaneous expenses	1,087	9,220			625	10,932	6,081	30,311	36,392	47,324
	\$ 1,355,237	\$ 1,395,601	\$ 648,928	\$ 890,524	\$ 7,949	\$ 4,298,239	\$ 899,560	\$ 1,299,099	\$ 2,198,659	\$ 6,496,898

DETROIT HISTORICAL SOCIETY
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023 and 2022

NOTE J — 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
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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023 and 2022

NOTE K — 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, 2023 and 2022 totaled \$90,054 and \$86,756, 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, 2023 and 2022 is \$2,729,443 and \$2,016,620, 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.

NOTE L – LIQUIDITY AND AVAILABILITY OF RESOURCES

The Society has the following financial assets available for general expenditures within one year as of June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Financial Assets:		
Cash and cash equivalents	\$ 737,058	\$ 120,101
Investments	745,824	1,390,227
Contributions and accounts receivable	<u>3,945,657</u>	<u>756,790</u>
Total Financial Assets	\$ 5,428,539	\$ 2,267,118

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023 and 2022

NOTE L – LIQUIDITY AND AVAILABILITY OF RESOURCES (CONTINUED)

	<u>2023</u>	<u>2022</u>
Less:		
Contributions receivable with liquidity horizons greater than one year	\$ (268,189)	\$ -0-
Assets with donor restrictions for specific purposes	<u>(933,059)</u>	<u>(854,910)</u>
Financial Assets Available to Meet General Expenditures within One Year	<u>\$ 4,227,291</u>	<u>\$ 1,412,208</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 M — NEW ACCOUNTING PRONOUNCEMENTS

The FASB issued ASU 2016-13, *Measurement of Credit Losses on Financial Instruments*, in June 2016. ASU 2016-13 replaces the existing incurred loss impairment methodology for financial instruments, including accounts and notes receivable, with a methodology that reflects expected credit losses. Under ASU 2016-13, consideration of a broader range of reasonable and supportable information, including forecasts, will be required to develop credit loss estimates (currently the allowance for doubtful accounts). The new methodology will be used to measure impairment of financial instruments, including accounts and notes receivable, and may result in earlier recognition of credit losses than under existing accounting. Promises to receive (contributions or pledges receivable) are excluded from the scope of this standard. ASU 2016-13 applies to the Society's financial statements for the year ending June 30, 2024, with earlier implementation permitted. The Society's management has not determined the impact on its financial statements as a result of implementing ASU 2016-13.