

**CHARLES H. WRIGHT
MUSEUM OF AFRICAN AMERICAN HISTORY
(A COMPONENT UNIT OF THE CITY OF
DETROIT, MICHIGAN)**

FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

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Alan C. Young & Associates, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

7310 Woodward Ave, Suite 740
Detroit, MI 48202

(313) 873-7500 (Tel.)

(313) 873-7502 (Fax)

www.alancyoung.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Charles H. Wright Museum of African American History
Detroit, Michigan

Opinion

We have audited the accompanying financial statements of the governmental activities and each major fund of the Charles H. Wright Museum of African American History ("The Wright"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise The Wright's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of The Wright as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. 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 Wright and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, 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 conditions or events, considered in the aggregate, that raise substantial doubt about The Wright's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities 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 opinions. 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 generally accepted auditing standards and Government Auditing Standards 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 generally accepted auditing standards and Government Auditing Standards we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and 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.
- 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 Wright's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Wright'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 audit findings, and certain internal control-related matters that we identified during the audit.

Summarized Comparative Information

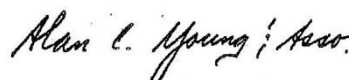
We have previously audited The Wright's 2021 financial statements and expressed an unmodified audit opinion on those audited financial statements in our report dated November 4, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplement Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison schedule, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report, dated December 6, 2022, on our consideration of The Wright's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering The Wright's internal control over financial reporting and compliance.



Detroit, Michigan
December 6, 2022

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

Management's Discussion and Analysis June 30, 2022 and 2021

This section of the annual report of the Charles H. Wright Museum of African American History ("The Wright") presents management's discussion and analysis of The Wright's financial performance during the fiscal years that ended on June 30, 2022 and 2021 ("fiscal year 2022" and "fiscal year 2021", respectively). Please read it in conjunction with The Wright's financial statements, which follow this section.

Financial Highlights

The Charles H. Wright Museum's long-term financial sustainability depends on the generous support of our community, the patronage of our local, national, and international visitors, and the benevolence of donors at all levels of giving. This fiscal year, we realized an increase in earned revenue as we recovered from the impact of COVID. Increased admissions, store purchases, event rentals, and memberships all contributed to the financial health of the organization.

The Wright was fortunate to receive significant grants and contributions exceeding a million dollars from institutions including The City of Detroit, The Ford Foundation, and from MacKenzie Scott. The increase of community, corporate, and organizational support lays a strong foundation towards long-term financial sustainability.

The Statement of Net Position reflects the beginning of our sustainability journey with an increase in Total Assets that is approximately 194% higher than the previous year. This increase includes an increase in Cash from \$2.7 million to \$11.6 million. This financial growth has allowed us to increase our operational and building reserves as well as pay off our existing debt.

The Statement of Activities reflects significant increases in all revenue categories. While the Total Revenue before Non-Operating Items increased over 107%, our expenditures before Non-operating Items only increased by 57% in a year-over-year comparison.

We are grateful to everyone that has supported The Wright. This increased community, corporate, and organizational support has laid a solid foundation that The Wright will build upon creating long-term financial sustainability and preserving our institutional vitality.

Overall, net position increased by approximately \$12 million or 260 percent as compared to the increase that occurred a year ago of approximately 139 percent. The majority of contributed revenue received during the year was unrestricted. Total expenses, excluding depreciation increased by \$2.9 million or approximately 57 percent.

The Wright's cash flow concerns have substantially dissipated as evidenced by the increase in cash & cash equivalents of almost \$9 million. The Wright has a line of credit of \$300,000. All line of credit debt was paid off in FY. The second PPP loan with the SBA for \$583,800 was completely forgiven.

The Wright's endowment fund was \$1,125,283, compared to the previous years' total of \$1,292,161. In addition, \$2,470,352 is currently held in trust by the Community Foundation of Southeast Michigan ("CFSEM"), for a total endowment of approximately \$3.6 million. The Wright received \$113,307 in operating support from the CFSEM fund as a dividend during the year.

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

**Management's Discussion and Analysis (Continued)
June 30, 2022 and 2021**

Financial Highlights (Continued)

Key funding for The Wright includes the following:

1. \$334,334 for operating support of programming from the Knight Foundation as the third installment of a three-year conditional commitment
2. \$1,850,000 for operating support from the Ford Foundation as part of the America Cultural Treasures grant.
3. \$500,000 for operating and programming support from the State of Michigan. This is the first installment of a \$500,000 grant awarded.
4. \$8,000,000 for operating support from MacKenzie Scott.
5. A \$280,000 grant for operating support from the Ford Motor Fund.

Overview of the Financial Statements

This annual report contains two types of financial statements that The Wright is required to issue by the Governmental Accounting Standards Board ("GASB"). The GASB issues accounting and financial reporting guidelines for governmental agencies and units. This annual report contains the financial statements that The Wright is required to issue. The Wright's financial reports are shown as a "component unit" in the financial statements of the City of Detroit (the "City") because the members of The Wright's Board of Trustees are appointed by the City's mayor and the City provides financial support to The Wright. Therefore, The Wright is considered a governmental unit.

The statements of net position and statements of activities (which are presented on pages 12 and 13) are considered government-wide financial statements. The balance sheets and statements of revenue, expenditures, and changes in fund balances for governmental funds (which are presented on pages 14 and 16) are considered fund financial statements.

Government-Wide Financial Statements

The government-wide financial statements report information about The Wright as a whole using accounting methods similar to those used by private-sector companies and non-profit organizations. The statements of net position include all of The Wright's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenue and expenses are accounted for in the statements of activities, regardless of when cash is received or paid.

The two government-wide financial statements report The Wright's net position and how they have changed. Net position represents the difference between The Wright's total of assets and deferred outflows of resources and its total of liabilities and deferred inflows of resources, and it represents one way to measure The Wright's financial health, or position. Over time, increases or decreases in The Wright's net position are an indicator of whether its financial health is improving or deteriorating.

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

**Management's Discussion and Analysis (Continued)
June 30, 2022 and 2021**

Overview of the Financial Statements (Continued)

Fund Financial Statements

The fund financial statements provide more detailed information about The Wright's funds, not The Wright as a whole. Funds are accounting devices that The Wright uses to keep track of specific sources of funding and spending for particular purposes.

Most of The Wright's activities are included in governmental funds, which focus on how cash, and other financial assets that can be readily converted to cash, flow in and out and show the balances left at the end of the year that are available for spending. As such, the fund financial statements provide a detailed short-term view that shows whether there are more or fewer financial resources that can be spent in the near future to finance The Wright's programs.

Major Differences between Government-Wide Financial Statements and Fund Financial Statements

A major difference between the two types of financial statements is in the accounting for capital assets. In the government-wide financial statements, investments in long-term assets are capitalized and depreciated over the estimated useful lives of the assets. In the fund financial statements, all capital expenditures are expensed in the year such expenditures are incurred.

The reconciliation of the differences between the fund financial statements and the government-wide financial statements is provided on pages 15 and 17.

The notes to the financial statements, which begin on page 18, explain some of the information in the financial statements and provide more detailed data. A comparison of The Wright's general fund revenue and expenditures to its budget is provided on pages 36 and 37.

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

Management's Discussion and Analysis (Continued)
June 30, 2022 and 2021

Financial Analysis of the Organization as a Whole

Statement of Net Position

The following table shows, in a condensed format, The Wright's assets, liabilities, and net position as of June 30, 2022, 2021, and 2020:

	<i>(in thousands of dollars)</i>		
	2022	2021	2020
Assets			
Cash and Cash Equivalents	\$ 11,630.4	\$ 2,680.9	\$ 755.2
Restricted Cash	49.6	15.1	-
Investments	1,125.3	1,292.2	1,059.9
Accounts Receivable	108.9	29.7	9.8
Prepaid Expenses	177.9	195.4	68.7
Museum Store Inventory	89.7	57.1	35.7
Capital Assets:			
Nondepreciable Capital Assets	3,064.8	691.3	578.7
Depreciable Capital Assets, Net	1,827.8	1,189.1	1,311.0
Total Assets	18,074.4	6,150.8	3,819.0
Liabilities			
Accounts Payable	1,015.1	649.6	712.3
Accrued Payroll and Related Taxes	168.5	204.5	143.8
Short-term Loans	-	583.8	975.2
Deferred Revenue	10.0	25.0	34.3
Fiduciary Liability	49.6	15.1	-
Total Liabilities	1,243.2	1,478.0	1,865.6
Net Position			
Net Investment in Capital Assets	4,892.6	1,880.4	1,889.7
Restricted for Endowment	957.3	1,116.3	899.8
Restricted for Designated Activities	946.5	568.5	809.0
Unrestricted	10,034.8	1,107.6	(1,645.1)
Total Net Position	\$ 16,831.2	\$ 4,672.8	\$ 1,953.4

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

Management's Discussion and Analysis (Continued)
June 30, 2022 and 2021

Financial Analysis of the Organization as a Whole (Continued)

Statement of Activities

The following table shows, in a consolidated format, The Wright's revenue, expenses, and changes in net position for the years ended June 30, 2022, 2021, and 2020:

	<i>(in thousands of dollars)</i>		
	2022	2021	2020
Program Expenses			
Exhibits and Educational Program:			
Salaries, Wages, and Employee Benefits	\$ 3,168.6	\$ 2,637.7	\$ 3,217.3
Contractual and Professional Services	2,242.1	1,047.4	1,200.6
Facility Operations and Maintenance	962.6	619.1	792.3
Educational Programs and Exhibits	637.3	188.0	377.0
Depreciation	304.5	250.5	218.2
Other Expenses	613.8	304.9	461.8
Total Program Expenses	7,928.9	5,047.6	6,267.2
Program Revenue			
Exhibits and Educational Program:			
Grants	4,826.9	2,754.8	2,820.1
Other Program Revenue	2,191.8	630.3	2,197.6
Total Program Revenue	7,018.7	3,385.1	5,017.7
Net Program Expense	910.2	1,662.5	1,249.5
General Revenue			
Contributions	12,595.7	3,988.3	1,439.9
PPP Loan Forgiveness	583.8	693.0	-
Other Gains (Losses)	(110.9)	(299.4)	(94.0)
Total General Revenue	13,068.6	4,381.9	1,345.9
Change in Net Position	12,158.4	2,719.4	96.4
Net Position, Beginning of Year	4,672.8	1,953.4	1,857.0
Net Position, End of Year	\$ 16,831.2	\$ 4,672.8	\$ 1,953.4

The Wright received \$1,900,000 in unrestricted operating support from the City during fiscal year 2022, an amount equal to the last several years. The State of Michigan (the "State") contributed over \$500,000 in support this year, primarily for general operating and programming support.

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

Management's Discussion and Analysis (Continued)
June 30, 2022 and 2021

Financial Analysis of the Organization as a Whole (Continued)

Statement of Activities (Continued)

Earned revenue from admissions, the museum store, facility rental, memberships, fundraising, and other revenue rose sharply as expected by approximately \$1.5 million or approximately 247 percent.

Expenses (excluding depreciation) increased by \$2,827,360, or approximately 59 percent during fiscal year 2022. This was in large part due to a return to in person programming and events and increased hours of operations.

Schedules of Exhibit Admissions and Museum Store Sales

	<i>(in thousands of dollars)</i>		
	2022	2021	2020
Exhibit Admissions	\$ 494.3	\$ 107.6	\$ 256.0
Museum Store Sales (Gross)	214.7	103.5	115.1

The Wright opens minds and changes lives through the exploration and celebration of African American history and culture by providing learning opportunities, exhibitions, programs, and events based on collections and research that explore the diverse history and culture of African Americans and their African origins. The Wright believes that not only can the answers that society seeks be found throughout this shared experience, but that those answers belong to ALL people. As a result, The Wright continued to present an exciting and educational slate of programs and exhibitions that appealed to a variety of audiences.

Kwanzaa 2022 was live streamed for 7 days in collaboration with several community-based organizations performing at The Wright.

MLK Day 2022 was presented, and we were able to create a lasting visual representation of the legacy of Dr. Martin Luther King Jr with our MLK day program which included locally based, nationally recognized poets, musicians, storytellers, and educators. All of it culminated in a life changing speech by former UN Ambassador Andrew Young. We were able to achieve something on a scale grander than thought possible in the midst of a pandemic.

Juneteenth 2022 Not only were we able to maintain our digital connection to the community with our Juneteenth presentation, which garnered national recognition, we were able to build upon that endeavor by adding to it an entire weekend of activities including a citywide Knowledge Hunt in collaboration with MUREC, and musical celebration of freedom and unity in the Juneteenth concert presented both in person and livestream.

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

Management's Discussion and Analysis (Continued)
June 30, 2022 and 2021

Schedules of Exhibit Admissions and Museum Store Sales (Continued)

Camp Africa 2022 was a 3 week-long program hosted in person, which focused on African Americans who pioneered innovations within the fields of Science, Technology, Engineering, Art, and Mathematics

The Wright continued to present exhibitions that were educational, entertaining, and impactful. Exhibitions presented during the year included the following:

- *King Tutankhamun*
- *The 44th*
- *Tuskegee Airmen*

Capital Assets

At the end of 2022, The Wright had \$4.9 million (net of depreciation) invested in a broad range of capital assets, including building, furniture and equipment and exhibits. Total depreciation for the year was \$304,467.

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Capital Work in Progress	\$ 3,064,759	\$ 691,273	\$ 578,660
Building and Improvements	3,190,719	2,502,641	2,209,581
Exhibits	12,672,167	12,427,012	12,944,447
Furniture and Equipment	947,733	963,075	2,465,231
Total	<u>19,875,378</u>	<u>16,584,001</u>	<u>18,197,919</u>
Less: Accumulated Depreciation	<u>14,982,785</u>	<u>14,703,648</u>	<u>16,308,708</u>
Net Capital Assets	<u>\$ 4,892,593</u>	<u>\$ 1,880,353</u>	<u>\$ 1,889,211</u>

Economic Factors and Next Year's Budget

The Wright remains laser-focused on the following four cornerstone goals:

1. Create a standard and culture of service within The Wright
2. Improve quality of educational offerings
3. Seek opportunities for partnership with other local and national organizations
4. Improve marketing of The Wright's products and services

In fiscal year 2023, The Wright will continue to focus on the four goals while continuing to build upon our institutional sustainability. The Wright has returned to its pre-pandemic days of operation, Tuesday through Sunday.

The Wright's current fiscal year 2023 budget far exceeds the budgets of the past 10 years.

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

Management's Discussion and Analysis (Continued)
June 30, 2022 and 2021

Economic Factors and Next Year's Budget (Continued)

In the second quarter of fiscal year 2022, The Wright opened The Smithsonian Institute's traveling exhibition *Men of Change: Power. Triumph. Truth*. This exhibition serves as a metaphor for the thousands of significant African American men who are rendered invisible by a society that does not quite know how to see them. Through literacy and historic quotes, poetry, original works of art, dramatically back-lit photographs, the creation of a dynamic space that encourages self-reflection, and exhibition text written with a vibrant 21st century cadence, this innovative exhibition weaves together the historical and the contemporary to illuminate the importance of these men, within the context of rich community traditions.

Other new exhibitions scheduled for the upcoming year include the following:

- *Jazz Greats*
- *Detroit Jazz: The Legacy Continues*
- *To Whom Much Is Given*
- *Artis Lane*
- *Derrick Adams: Sanctuary*
- *The Detroit Green Book*

Contacting The Wright's Management

This financial report is designed to present its users with a general overview of The Wright's finances and to demonstrate The Wright's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Chief Financial Officer's office of the Charles H. Wright Museum of African American History, 315 East Warren, Detroit, Michigan 48201.

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

Statements of Net Position June 30, 2022 and 2021

	Governmental Activities	
	2022	2021
Assets		
Cash & Cash Equivalents (Note 2)	\$ 11,630,434	\$ 2,680,886
Restricted Cash - Held as Fiduciary	49,633	15,153
Investments (Note 2)	1,125,283	1,292,161
Accounts Receivable (No Allowance Considered Necessary)	108,855	29,702
Prepaid Expenses	177,858	195,458
Museum Store Inventory (Lower of Cost or Market)	89,734	57,109
Capital Assets (Note 5):		
Nondepreciable Capital Assets	3,064,759	691,273
Depreciable Capital Assets, net	1,827,834	1,189,080
Collections and Artifacts (Note 3)	-	-
Total Assets	\$ 18,074,390	\$ 6,150,822
Liabilities		
Accounts Payable	\$ 1,015,117	\$ 649,603
Accrued payroll and Related Taxes	168,471	204,468
Short-term Loans (Note 6)	-	583,800
Fiduciary Liability	49,633	15,153
Unearned Revenue	10,000	25,000
Total Liabilities	1,243,221	1,478,024
Net Position		
Net Investment in Capital Assets	4,892,593	1,880,353
Restricted for Endowment	957,266	1,116,305
Restricted for Designated Activities (Note 7)	946,551	568,482
Unrestricted	10,034,759	1,107,658
Total Net Position	16,831,169	4,672,798
Total Liabilities and Net Position	\$ 18,074,390	\$ 6,150,822

The accompanying notes are an integral part of the financial statements.

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

Statements of Activities Years Ended June 30, 2022 and 2021

	Governmental Activities	
	2022	2021
Expenses:		
Exhibits and Educational Program:		
Salaries, Wages, and Employee Benefits	\$ 3,168,625	\$ 2,637,660
Contractual and Professional Services	2,242,152	1,047,373
Facility Operations and Maintenance	962,625	619,087
Office Expenses	263,248	182,370
Cost of Goods Sold	117,041	53,148
Educational Programs and Exhibits	637,265	187,968
Other Expenses	233,484	69,474
Depreciation (Note 5)	304,467	250,477
Total Program Expenses	7,928,907	5,047,557
Program Revenue:		
Exhibits and Educational Program:		
Grants (Note 8)	4,826,921	2,754,842
Facility Rental and Catering	463,457	65,201
Exhibit Admissions	494,332	107,632
Museum Store	214,663	103,457
Memberships	135,617	114,999
Special Events and Other Revenue	883,673	238,932
Total Program Revenue	7,018,663	3,385,063
Net Program Expense	910,244	1,662,494
General Revenue:		
Contributions	12,595,663	3,988,320
PPP Loan Forgiven	583,800	693,000
Net Realized and Unrealized Gain (Loss) on Investments	(110,873)	342,190
Gain (Loss) on Disposal of Capital Assets	25	(641,584)
Total General Revenue	13,068,615	4,381,926
Change in Net Position	12,158,371	2,719,432
Net Position, Beginning of Year	4,672,798	1,953,366
Net Position, End of Year	\$ 16,831,169	\$ 4,672,798

The accompanying notes are an integral part of the financial statements.

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

Balance Sheets Governmental Funds June 30, 2022

With Combined Comparative Totals as of June 30, 2021

	General Fund	Special Revenue Fund	Capital Projects Fund	Permanent Fund	Total All Funds	
					2022	2021
Assets						
Cash and Cash Equivalents (Note 2)	\$ 10,770,345	\$ 860,089	\$ -	\$ -	\$ 11,630,434	\$ 2,680,886
Restricted Cash	49,633	-	-	-	49,633	15,153
Investments (Note 2)	81,555	86,462	-	957,266	1,125,283	1,292,161
Accounts Receivable (no Allowance Considered Necessary)	108,855	-	-	-	108,855	29,702
Prepaid Expenses	177,858	-	-	-	177,858	195,458
Museum Store Inventory (Lower of Cost or Market)	89,734	-	-	-	89,734	57,109
Total Assets	\$ 11,277,980	\$ 946,551	\$ -	\$ 957,266	\$ 13,181,797	\$ 4,270,469
Liabilities and Fund Balance						
Liabilities						
Accounts Payable	\$ 1,015,117	\$ -	\$ -	\$ -	\$ 1,015,117	\$ 649,603
Accrued Payroll and Related Liabilities	168,471	-	-	-	168,471	204,468
Short-term Loans (Note 6)	-	-	-	-	-	583,800
Fiduciary Liability	49,633	-	-	-	49,633	15,153
Unearned Revenue	10,000	-	-	-	10,000	25,000
Total Liabilities	1,243,221	-	-	-	1,243,221	1,478,024
Fund Balance						
Non-Spendable	267,592	-	-	957,266	1,224,858	1,368,871
Restricted for Designated Activities (Note 7)	-	946,551	-	-	946,551	560,963
Unassigned	9,767,167	-	-	-	9,767,167	862,611
Total Fund Balance	10,034,759	946,551	-	957,266	11,938,576	2,792,445
Total Liabilities and Fund Balance	\$ 11,277,980	\$ 946,551	\$ -	\$ 957,266	\$ 13,181,797	\$ 4,270,469

The accompanying notes are an integral part of the financial statements.

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

Reconciliations of Total Governmental Fund Balance to Net Position of Governmental Activities June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Total Fund Balance - Governmental Fund	\$ 11,938,576	\$ 2,792,445
<p>Amounts reported for governmental activities in the statement of net position are different because -</p> <p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet</p>		
Nondepreciable Capital Assets	3,064,759	691,273
Depreciable Capital Assets		
Cost	16,810,619	15,892,728
Accumulated Depreciation	<u>(14,982,785)</u>	<u>(14,703,648)</u>
Total Net Position	<u>\$ 16,831,169</u>	<u>\$ 4,672,798</u>

The accompanying notes are an integral part of the financial statements.

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds Year Ended June 30, 2022 With Combined Comparative Totals for the Year Ended June 30, 2021

	General Fund	Special Revenue Fund	Capital Projects Fund	Permanent Fund	Total All Funds	
					2022	2021
Revenue						
Grants (Note 8)	\$ 2,383,905	\$ 113,092	\$ 2,329,924	\$ -	\$ 4,826,921	\$ 2,754,842
Contributions	11,598,913	996,750	-	-	12,595,663	3,988,320
Facility Rental and Catering	463,457	-	-	-	463,457	65,201
Exhibit Admissions	494,332	-	-	-	494,332	107,632
Museum Store	214,663	-	-	-	214,663	103,457
Memberships	135,617	-	-	-	135,617	114,999
Special Events and Other Revenue	883,673	-	-	-	883,673	238,932
PPP Loan Forgiven	583,800	-	-	-	583,800	693,000
Net Realized and Unrealized Gain (Loss) on investments	48,165	-	-	(159,038)	(110,873)	342,190
Total Revenue	16,806,525	1,109,842	2,329,924	(159,038)	20,087,253	8,408,573
Expenditures						
Salaries, Wages, and Benefits	3,152,273	16,352	-	-	3,168,625	2,637,660
Contractual and Professional Services	1,683,346	558,806	-	-	2,242,152	1,047,373
Facility Operations and Maintenance	962,166	459	-	-	962,625	619,087
Office Expenses	242,067	21,181	-	-	263,248	182,370
Cost of Goods Sold	117,041	-	-	-	117,041	53,148
Educational Programs and Exhibits	586,711	50,554	-	-	637,265	187,968
Other Current Expenditures	218,099	15,385	-	-	233,484	69,474
Capital Outlay (Note 5)	-	-	3,316,707	-	3,316,707	913,163
Total Expenditures	6,961,703	662,737	3,316,707	-	10,941,147	5,710,243
Excess (Deficiency) of Revenues Over Expenditures	9,844,822	447,105	(986,783)	(159,038)	9,146,106	2,698,330
Other Financing Sources/(Uses)						
Proceeds from Disposal of Capital Assets	25	-	-	-	25	30,460
Interfund Transfers	(925,266)	(61,517)	986,783	-	-	-
Excess of Revenues and Other Sources Over Expenditures and Other Uses	8,919,581	385,588	-	(159,038)	9,146,131	2,728,790
Fund Balance - June 30, 2021	1,115,178	560,963	-	1,116,304	2,792,445	63,655
Fund Balance - June 30, 2022	\$ 10,034,759	\$ 946,551	\$ -	\$ 957,266	\$ 11,938,576	\$ 2,792,445

The accompanying notes are an integral part of the financial statements.

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

Reconciliations of the Statement of Revenues, Expenditures, and Changes In Fund Balance of Governmental Funds to the Statement of Activities June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Net Changes in Fund Balance - Total Governmental Funds	\$ 9,146,131	\$ 2,728,790
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their useful lives as depreciation.		
Depreciation Expense	(304,467)	(250,477)
Capital Outlay	3,316,707	913,163
Governmental Funds do not report capital assets, therefore do not record gains (losses) on disposal.		
	25	(641,584)
Governmental Funds report proceeds from disposal of assets. In the statement of activities, this is part of the gain/loss.		
	<u>(25)</u>	<u>(30,450)</u>
Change in Net Position	<u>\$ 12,158,371</u>	<u>\$ 2,719,442</u>

The accompanying notes are an integral part of the financial statements.

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

Notes to Financial Statements
June 30, 2022 and 2021

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING ENTITY

Reporting Entity

The Charles H. Wright Museum of African American History ("The Wright"), located in Detroit, Michigan, provides research, compilation, presentation, publication, and dissemination of knowledge relating to the history, growth, development, heritage, and culture of people of African descent and the human struggle for freedom. Additionally, The Wright provides a means of collecting and restoring artifacts and other source material to be used in research on the history of the people of African descent.

For financial reporting purposes, The Wright is a component unit of the City of Detroit, Michigan (the "City") because the members of The Wright's Board of Trustees are appointed by the City's mayor and the City provides financial support to The Wright. There are no fiduciary funds or component units included in the accompanying financial statements.

Basis of Presentation

The financial statements of The Wright consist of government-wide financial statements, which include the statements of net position and statement of activities, and fund financial statements, which include the balance sheets and statement of revenue, expenditures, and fund balances for governmental funds.

Government-Wide Financial Statements

The government-wide financial statements report information about all of The Wright's assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenue, and expenses.

Fund Financial Statements

For purposes of the fund financial statements, the accounts of The Wright are organized on the basis of governmental funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenue, and expenditures. The various funds are summarized by type in the fund financial statements.

The following funds, all of which are considered major funds, are used by The Wright:

General Fund

The general fund is the general operating fund of The Wright. It is used to account for all financial resources other than those required to be accounted for in another fund.

Special Revenue Fund

The special revenue fund is used to account for donor-funded programs (including exhibitions) that overlap fiscal years.

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

Notes to Financial Statements (Continued)
June 30, 2022 and 2021

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING ENTITY (Continued)

Fund Financial Statements (Continued)

Capital Projects Fund

The capital projects fund is used to account for financial resources restricted to use for acquisition and construction of major capital facilities.

Permanent Fund

The permanent fund is used to account for the long-term investment of funds permanently restricted by donor stipulation or by action of the Board of Trustees.

Fund Equity - Fund balance classifications comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds.

Fund Equity is classified as net position and displayed in three components:

- (a) **Net Investment in Capital Assets** - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- (b) **Restricted** - Consists of net position with constraints placed on the use by: (1) external groups such as creditors, grantors, contributors, or laws or regulations of other *governments*; or (2) law through constitutional provisions or enabling legislation.
- (c) **Unrestricted** - All other net position that does not meet the definition of "restricted" or "net investment in capital assets".

The Wright's fund balances are classified as follows, based on the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable

These fund balances consist of amounts that are not in a spendable form (such as inventory or prepaid expenditures) or that are required to be maintained intact.

Restricted

These fund balances consist of amounts that are constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed

These fund balances consist of amounts that are constrained to specific purposes by The Wright itself, using its highest level of decision-making authority, which is the Board of Trustees. To be reported as committed, such amounts cannot be used for any other purpose unless the Board of Trustees takes action to remove or change the constraint. The Board of Trustees establishes (and modifies or rescinds) fund balance commitments by passage of a resolution, typically through adoption and amendment of the budget.

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

Notes to Financial Statements (Continued)
June 30, 2022 and 2021

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING ENTITY (Continued)

Fund Financial Statements (Continued)

Assigned

These fund balances consist of amounts that The Wright intends to use for a specific purpose. Such intent can be expressed by the governing body, which is the Board of Trustees, or by an official or body to which the Board of Trustees delegates the authority, such as the Finance Committee. Assigned fund balances are typically established through adoption or amendment of the budget.

Unassigned

These fund balances consist of amounts that are available for any purpose. Only the general fund has a positive unassigned fund balance.

Basis of Accounting

The accounting policies of The Wright conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units.

The following is a summary of the significant accounting policies:

The government-wide financial statements are prepared on the accrual basis of accounting using the economic resources measurement focus. Accordingly, revenue is recorded when earned and expenses are recorded when incurred. Grants provided to support program activities and revenue directly associated with services provided or use of the facility are classified as program revenue. Contributions, investment income, and other support, gains, and losses not directly associated with services provided or use of the facility are classified as general revenue.

The fund financial statements are prepared on the modified accrual basis of accounting using the flow of current financial resources as a measurement focus. Under the modified accrual basis of accounting, revenue is recorded when susceptible to accrual, which is when it is both measurable and available. "Available" means collectible within the current period or soon enough thereafter (within 60 days) to be used to pay liabilities of the current period. Expenditures, other than interest on long-term debt, are recorded when the liability is incurred, if measurable. In applying the susceptible-to-accrual concept to intergovernmental revenue, the legal and contractual requirements of the numerous individual programs are used as guidance. Monies virtually unrestricted as to purpose of expenditure and revocable only for failure to comply with prescribed compliance requirements are reflected as revenue at the time of receipt, or earlier if the susceptible-to-accrual criteria are met.

Expenditures that are incurred for purposes for which both restricted and unrestricted fund balances are available are applied first to available restricted fund balances, then to unrestricted fund balances. Expenditures that are incurred for purposes for which committed, assigned, and unassigned fund balances are available are applied first to available committed fund balances, then to available assigned fund balances, and finally to unassigned fund balances.

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

Notes to Financial Statements (Continued)
June 30, 2022 and 2021

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING ENTITY (Continued)

Cash Equivalents - The Wright considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Prepaid Expenses – Payments made to vendors for services that will benefit periods beyond the fiscal year end are recorded as prepaid expenses.

Capital Assets - Capital assets are recorded at historical cost. The Wright capitalizes all expenditures for long-term and permanent exhibits, furniture, and equipment in excess of \$2,500 and for building improvements in excess of \$5,000. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range from five to 10 years. The depreciation for long-term and permanent exhibits is computed using the declining balance over the useful life of five years. Expenditures for maintenance and repairs are charged to expense. Renewals or betterments which extend the life or increase the value of the properties are capitalized and depreciated over the remaining useful lives of the related assets.

Deferred Outflows of Resources – In addition to assets, the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditures) until then. The Wright did not have any deferred outflows of resources at June 30, 2022 or 2021.

Deferred Inflows of Resources – In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Wright did not have and deferred inflows of resources at June 30, 2022 or 2021.

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 period. Actual results could differ from those estimates.

City of Detroit Donated Facilities

The Wright has an arrangement with the City under which the City provides The Wright with facilities at no charge. This arrangement has not been reflected in the financial statements since the arrangement is not susceptible to objective measurement or valuation.

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

Notes to Financial Statements (Continued)
June 30, 2022 and 2021

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING ENTITY (Continued)

Contributed Services

A substantial number of volunteers have made significant contributions of their time to develop The Wright's programs, principally in membership development. No amounts have been reflected in these financial statements for volunteer services contributed; however, for the years ended June 30, 2022 and 2021, total contributed volunteer time of 2,594 and 2,852 hours, respectively, was valued at \$74,033 and \$81,396, respectively.

Compensated Absences

Vacation time is accrued as earned. Employees are allowed to carry over a maximum of 80 hours. Any hours not used within a year of being carried over are forfeited.

Investments

The Wright's investments, except for the life insurance policy, 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).

The Wright's investments are valued as follows:

- Common stocks are stated at quoted market prices.
- Money market funds and registered investment companies are valued at quoted market prices, which represent the net asset values thereof on the last business day of the fiscal year.
- The life insurance policy is measured at its cash surrender value.

Purchases and sales of securities are recorded on a trade-date basis. Gains and losses on sales of securities are based on average costs. Interest income is recorded on the accrual basis. Dividends are 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.

Fair Value Measurements

The Wright uses fair value measurements in the preparation of its financial statements, which utilize various inputs, including those that can be readily observable, corroborated, or are generally unobservable. The Wright utilizes market-based data and valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Additionally, The Wright applies assumptions that market participants would use in pricing an asset or liability, including assumptions about risk.

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

Notes to Financial Statements (Continued)
June 30, 2022 and 2021

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING ENTITY (Continued)

Fair Value Measurements (Continued)

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that The Wright has the ability to access.

Level 2: Inputs to the valuation methodology include:

Quoted prices for similar assets or liabilities in active markets;

Quoted prices for identical or similar assets or liabilities in inactive markets;

Inputs other than quoted prices that is observable for the assets or liabilities;

Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Collections and Artifacts

The Wright does not capitalize donated collections and artifacts or recognize them as revenue. Such donations need not be recognized if they are added to collections that: (a) are held for public exhibition, education, or research in furtherance of public service rather than financial gain, (b) are protected, kept unencumbered, cared for, and preserved, and (c) are subject to a policy that requires the proceeds from sales of collection items to be used to acquire other items for collections. For the years ended June 30, 2022 and 2021, donated collections and artifacts totaled \$0 and \$4,230, respectively.

Advertising

The Wright's advertising costs are expensed as incurred. Advertising expenses totaled \$193,859 and \$16,359 for the years ended June 30, 2022 and 2021, respectively.

Tax Exempt Status

The Wright is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and is not classified as a private foundation by the Internal Revenue Service.

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

Notes to Financial Statements (Continued)
June 30, 2022 and 2021

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING ENTITY (Continued)

Income Taxes

The FASB Accounting Standards Codification Topic, Accounting for Uncertainty in Income Taxes, addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods. There were no unrecognized tax benefits identified or recorded as liabilities for the fiscal year 2021. The Wright's tax returns for prior three years remain subject to examination by the Internal Revenue Service.

Adoption of New Accounting Pronouncement – In June 2017, the GASB issued Statement No. 87, Leases, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Wright had no leases required to be recognized at June 30, 2022.

2) DEPOSITS AND INVESTMENTS

Cash Deposits

State of Michigan (the "State") statutes require that certificates of deposit, savings accounts, deposit accounts, and depository receipts be made with banks doing business and having a place of business in the State that are also members of a federal or national insurance corporation.

Custodial credit risk is the risk that, in event of a bank failure, The Wright's deposits may not be returned to The Wright.

As of June 30, 2022 and 2021, The Wright's carrying amounts of deposits and bank balances, and the bank balances that are not covered by federal depository insurance, are as follows:

	2022	2021
Carrying Amount of Deposits	<u>\$ 11,680,067</u>	<u>\$ 2,696,039</u>
Total Bank Balances	<u>\$ 11,714,713</u>	<u>\$ 2,684,590</u>
Uninsured and Uncollateralized Bank Balances	<u>\$ 10,663,460</u>	<u>\$ 1,313,148</u>

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

Notes to Financial Statements (Continued)
June 30, 2022 and 2021

2) DEPOSITS AND INVESTMENTS (Continued)

Fair Value Measurements

The Wright's fair value hierarchy for those assets measured on a recurring basis as of June 30, 2022 is summarized as follows:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Investments at fair value:				
Money market funds	\$ 47,558	\$ -	\$ -	\$ 47,558
Registered investment companies	925,093	-	-	925,093
Common stocks	75,445	-	-	75,445
Total Investments at Fair Value	<u>1,048,096</u>	<u>-</u>	<u>-</u>	1,048,096
Investments at cash surrender value:				
Life insurance policy				<u>77,187</u>
Total				<u>\$ 1,125,283</u>

The Wright's fair value hierarchy for those assets measured on a recurring basis as of June 30, 2021 is summarized as follows:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Investments at fair value:				
Money market funds	\$ 26,849	\$ -	\$ -	\$ 26,849
Registered investment companies	1,094,196	-	-	1,094,196
Common stocks	84,654	-	-	84,654
Total Investments at Fair Value	<u>1,205,699</u>	<u>-</u>	<u>-</u>	1,205,699
Investments at cash surrender value:				
Life insurance policy				<u>86,462</u>
Total				<u>\$ 1,292,161</u>

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

Notes to Financial Statements (Continued)
June 30, 2022 and 2021

2) DEPOSITS AND INVESTMENTS (Continued)

Fair Value Measurements (Continued)

Credit risk is the risk that The Wright will not recover its investments due to the inability of the counterparty to fulfill its obligations. State statutes authorize The Wright to invest in obligations and certain repurchase agreements of the U.S. Treasury and related governmental agencies, commercial paper rated prime at the time of purchase and maturing not more than 270 days from the date of purchase, bankers acceptances and certificates of deposit issued or created by any state or national bank insured with the applicable federal agency, investment pools authorized by the Surplus Funds Investment Act, and registered investment companies composed entirely of the above investments.

The Wright's investment policy does not further limit its investment options. The Wright's investment policy does not limit its investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial credit risk is the risk that, in the event of the failure of the counterparty, The Wright will not be able to recover the value of its investments that are in the possession of an outside party. The Wright has a limit on the amount that may be invested in any one investment.

Individual investments, other than registered investment companies, that represent five percent or more of The Wright's total investments either as of June 30, 2022 or as of June 30, 2021, or investments for which credit risk or interest rate risk disclosures are required, are as follows:

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

Notes to Financial Statements (Continued)
June 30, 2022 and 2021

2) DEPOSITS AND INVESTMENTS (Continued)

	2022	2021
Investments held by The Wright or its agent in The Wright's name:		
Money market funds:		
AAAm rating from Standard & Poor's:		
Federated Government Obligations Fund, Premier Class	\$ 41,448	\$ 22,109
Unrated	6,110	4,751
Registered investment companies:		
Bond funds:		
AAA rating from Standard & Poor's:		
Weighted average maturity of 8.30 years and 7.95 years for 2021 and 2020, respectively	45,044	77,156
Weighted average maturity of 12.60 years and 11.90 years for 2021 and 2019, respectively	42,480	102,319
AAA rating from MSCI:		
Weighted average maturity of 0.63 years and	30,675	-
Aaa rating from Moody's:		
Weighted average maturity of 0.15 years and 0.14 years for 2021 and 2020, respectively	-	37,960
Baa rating and Aa rating from Moody's from 2021 and 2020, respectively:		
Weighted average maturity of 9.70 years and 10.00 years from 2021 and 2020, respectively	14,416	25,524
BB rating from Standard & Poor's:		
Weighted average maturity of 5.70 years 6.30 years from 2021 and 2020, respectively	18,743	9,736
Unrated:		
Weighted average maturity of 8.05 years and 10.25 years for 2021 and 2020, respectively	15,008	23,236
Life insurance policy:		
Lincoln National Life Insurance Company	77,187	86,462

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

**Notes to Financial Statements (Continued)
June 30, 2022 and 2021**

3) COLLECTIONS AND ARTIFACTS

The Wright has collections and artifacts that were donated to The Wright by various parties. These items are on display and are used by researchers, historians, and others who are interested in studying the history of the people of African descent. The Wright employs a curator to ensure that the collections and artifacts are protected and preserved. It is the policy of The Wright, in accordance with standards established by the American Association of Museums' Board of Ethics, that proceeds from the sale of any such items are to be used to purchase additional such items.

The Wright has purchased approximately \$2.137 million of collections and artifacts since its inception. These items have been recorded as expenditures in the accompanying financial statements.

4) PLEDGES RECEIVABLE

For purposes of the fund financial statements, pledges receivable are recorded on the modified accrual basis of accounting. Therefore, the governmental funds balance sheets present a deferred pledges balance for the net amount of any pledges receivable that are not susceptible to accrual (both measurable and available within 60 days). Such pledges will be recorded in the fund financial statements as revenue in future years as payments are received.

For purposes of the government-wide financial statements, pledges receivable are recorded on the accrual basis of accounting. Therefore, the statements of activities present revenue for the net amount of any pledges receivable in the period the unconditional promises to give are obtained.

The Wright had no pledges receivable at June 30, 2022 or 2021.

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

Notes to Financial Statements (Continued)
June 30, 2022 and 2021

5) CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2022 and 2021 is as follows:

	<u>Balance 6/30/2021</u>	<u>Additions</u>	<u>Disposals</u>	<u>Reclassification</u>	<u>Balance 6/30/2022</u>
Capital Work in Progress	\$ 691,273	\$ 3,316,707	\$ -	\$ (943,221)	\$ 3,064,759
Building and Improvements	2,502,641	-	-	688,078	3,190,719
Exhibits	12,427,012	-	-	245,155	12,672,167
Furniture and Equipment	963,075	-	(25,330)	9,988	947,733
Subtotal	16,584,001	3,316,707	(25,330)	-	19,875,378
Accumulated Depreciation:					
Building and Improvements	1,671,006	152,326	-	-	1,823,332
Exhibits	12,285,666	59,442	-	-	12,345,108
Furniture and Equipment	746,976	92,699	(25,330)	-	814,345
Subtotal	14,703,648	304,467	(25,330)	-	14,982,785
Net Capital Assets	<u>\$ 1,880,353</u>	<u>\$ 3,012,240</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,892,593</u>
	<u>Balance 6/30/2020</u>	<u>Additions</u>	<u>Disposals</u>	<u>Reclassification</u>	<u>Balance 6/30/2021</u>
Capital Work in Progress	\$ 578,660	\$ 913,163	\$ (243,172)	\$ (557,378)	\$ 691,273
Building and Improvements	2,209,581	-	(167,661)	460,721	2,502,641
Exhibits	12,944,447	-	(961,258)	443,823	12,427,012
Furniture and Equipment	2,465,231	-	(1,154,990)	(347,166)	963,075
Subtotal	18,197,919	913,163	(2,527,081)	-	16,584,001
Accumulated Depreciation:					
Building and Improvements	1,669,616	102,556	(167,665)	66,499	1,671,006
Exhibits	12,802,784	57,122	(765,847)	191,607	12,285,666
Furniture and Equipment	1,835,808	90,799	(921,525)	(258,106)	746,976
Subtotal	16,308,208	250,477	(1,855,037)	-	14,703,648
Net Capital Assets	<u>\$ 1,889,711</u>	<u>\$ 662,686</u>	<u>\$ (672,044)</u>	<u>\$ -</u>	<u>\$ 1,880,353</u>

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

Notes to Financial Statements (Continued)
June 30, 2022 and 2021

6) SHORT-TERM LOANS

Short-term loans as of June 30, 2022 and 2021 consist of the following:

Line of Credit

The Wright has a line of credit arrangement with a bank for \$300,000, requiring interest at 1.5 percent over the prime rate per annum. The line of credit is secured by substantially all assets of The Wright.

Notes Payable

On February 20, 2021, The Wright received a second PPP loan in the amount of \$583,800. The loan carries a rate of 1% and matures 5 years from the date of disbursement and with equal payments due starting from the date the SBA submits The Wright's loan forgiveness amount to the lender. This second PPP loan carries forgiveness provisions subject to certain conditions. On September 9, 2021, The Wright was notified by the lender that the loan was approved for forgiveness by the SBA.

Activity related to short-term loans for the years ended June 30, 2022 and 2021 is as follows:

	<u>Line of Credit</u>	<u>Notes Payable</u>	<u>Total</u>
Balance, July 1, 2020	\$ 275,000	\$ 700,168	\$ 975,168
Additions	-	583,800	583,800
Less: Repayments	(275,000)	(7,168)	(282,168)
Less: PPP Loan Forgiven		(693,000)	(693,000)
Balance, June 30, 2021	-	583,800	583,800
Additions	-	-	-
Less: Repayments	-	-	-
Less: PPP Loan Forgiven	-	(583,800)	(583,800)
Balance, June 30, 2022	\$ -	\$ -	\$ -

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

Notes to Financial Statements (Continued)
June 30, 2022 and 2021

7) DESIGNATED FUND BALANCE/NET POSITION

The Wright's fund balance and net position are restricted for the following designated activities:

	<u>2022</u>	<u>2021</u>
Archival Shelving	\$ 50,000	\$ 50,000
Children's Discovery Room	22,525	22,525
Cultural Passport	21,000	21,000
Gallery Floor Upgrade	16,534	16,535
Juneteenth	17,846	27,450
Stormwater Demonstration	60,062	60,062
MLK Jr Day	57	-
Grandparents' Day	1,560	-
30 Days to Lose It	800	-
CEO Sabbatical	4,254	-
Sustainability	2,000	-
Evaluation Capacity Building - IMLS	27,674	-
Multicultural Leadership Series	1,500	-
Camp Africa 2021	527	-
Camp Africa 2022	68,750	-
GM Theater Renovation 2022	500,000	-
Venue Grant 2021-2022	25,000	-
Judge Keith Collection Project 2022	30,000	-
Technical Capacity Building	10,000	-
Mechanical Systems Project	-	62,073
NW Pedestrian Bridge/Roof Parapit	-	54,700
Parking Lot Repair 2020	-	66,915
IT Overhaul	-	39,465
Other Programs	9,275	53,776
Surrender Value of Life Insurance Policy	77,187	93,981
Total	<u>\$ 946,551</u>	<u>\$ 568,482</u>

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

**Notes to Financial Statements (Continued)
June 30, 2022 and 2021**

8) CONTRACT WITH THE CITY OF DETROIT

The Wright entered into a contract with the City effective November 1, 1999, under which the City was to provide The Wright with operating funds. This contract was for 10 years, with an automatic 10-year renewal unless a notice to terminate was requested by either party. The contract was extended effective November 1, 2009, with an expiration date of October 31, 2019. Under the terms of the contract, all personal property acquired before and/or during the life of the contract became the property of the City. Funding under the contract totaled \$1,900,000 per year for the years ended June 30, 2022 and 2021.

The Wright entered into a new contract, dated September 18, 2020, with the City, effective upon ratification by the City Council. This contract is for 10 years, with two automatic 10-year renewals unless a notice to terminate is requested by either party. The amount of funding for future years under this contract will be negotiated annually.

9) PERMANENT CHARITABLE ENDOWMENT FUND

The Wright established the Museum of African American History 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. The Foundation transfers earnings on the Endowment Fund to The Wright periodically in the form of grants so long as The Wright continues to meet its tax-exempt purpose. Grants paid to The Wright from the Foundation for the years ended June 30, 2022 and 2021 totaled \$133,307 and \$109,738, respectively.

Since the Endowment Fund has been funded entirely by contributions from outside donors, these funds are not recorded on the financial statements of The Wright. The fair value of the Endowment Fund as of June 30, 2022 and 2021 is \$2,470,352 and \$2,919,100 respectively.

The Wright'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 tax-exempt 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.

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

Notes to Financial Statements (Continued)
June 30, 2022 and 2021

10) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and State law for the general fund. All annual appropriations lapse at the end of the fiscal year.

Under the State's Uniform Budgeting and Accounting Act, actual expenditures for any budgeted expenditure category are not to exceed the amounts budgeted for that category. The Uniform Budgeting and Accounting Act permits governmental entities to amend their budgets during the year, and requires amended budgets to be approved by the governing body prior to expending funds in excess of the amount budgeted for that category.

During the year ended June 30, 2022, The Wright incurred expenditures in excess of the amounts budgeted as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Contractual and Professional Services	\$ 1,086,716	\$ 1,683,346	\$ (596,630)
Cost of Goods Sold	112,316	117,041	\$ (4,725)

The original budgeted amounts are as presented to The Wright's Finance Committee and approved by The Wright's Board of Trustees. On a quarterly basis, management prepares forecasts of revenue and expenditures to reflect changes to the schedule of programs and exhibitions, as well as trends in earnings and contributions. These forecasts are the basis of pro forma financial reports and are presented regularly to the Finance Committee for review as a part of its operating oversight. Proposed modifications to the budget are approved by the full Board of Trustees. Line item appropriations are authorized by The Wright's management. Unexpended appropriations lapse at the end of the fiscal year.

11) CAPITAL EXPANSION BOND ISSUES

On November 8, 2001, the general electorate approved a Capital Expansion Bond Issue for \$20 million, of which \$4 million was designated to The Wright. In May 2003, the general electorate approved another Capital Expansion Bond Issue for \$6 million. These funds are to be used primarily for capital purchases, including exhibit construction, equipment, and other major building maintenance expenses. During May 2011, the general electorate approved another \$34 million for capital improvements from the general obligation bond sale during December 2010, of which approximately \$297,000 was designated for The Wright. UTGO bonds were issued in December 2018 for \$145 million with \$1.7 million designated for The Wright. \$80 million in UTGO bonds were issued in October 2020 with \$2.5 million designated for The Wright.

As of June 30, 2022, The Wright had successfully used all of their allocated bond funds. The Wright received approximately \$2.3 million from this authorization during the year ended June 30, 2022.

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

**Notes to Financial Statements (Continued)
June 30, 2022 and 2021**

12) RISK MANAGEMENT

Given the normal activities of The Wright and the relatively low rate of claims and lawsuits experienced in The Wright's past history, the risk involved in The Wright operations is minimal and, in management's opinion; is sufficiently covered-by its insurance policies.

13) SUBSEQUENT EVENTS

Subsequent events were evaluated through December 6, 2022, which is the date the financial statements were available to be issued. No issues which could have a material effect on these financial statements have come to our attention.

REQUIRED SUPPLEMENTARY INFORMATION

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

Required Supplemental Information Budgetary Comparison Schedules – General Fund Years Ended June 30, 2022 and 2021

	2022				2021			
	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenue								
Grants	\$ 2,355,000	\$ 5,845,998	\$ 2,383,905	\$ (3,462,093)	\$ 2,041,700	\$ 2,210,200	\$ 2,168,750	\$ (41,450)
Contributions	660,000	1,372,326	11,598,913	10,226,587	1,396,844	4,192,218	3,830,920	(361,298)
Facility Rental and Catering	191,424	181,845	463,457	281,612	90,000	90,000	65,201	(24,799)
Exhibit Admissions	276,196	333,905	494,332	160,427	100,000	100,000	107,632	7,632
Museum Store	262,760	239,314	214,663	(24,651)	271,644	100,029	103,457	3,428
Memberships	130,000	122,218	135,617	13,399	124,045	124,045	114,999	(9,046)
Special Events and Other Revenue	556,275	858,627	883,673	25,046	36,735	24,967	238,932	213,965
PPP Loan Forgiven	-	-	583,800	583,800	-	-	693,000	693,000
Net Realized and Unrealized Gain on Investments	100,000	165,523	48,165	(117,358)	145,837	119,535	133,185	13,650
Total Revenue	4,531,655	9,119,756	16,806,525	7,686,769	4,206,805	6,960,994	7,456,076	495,082
Expenditures - Current								
Salaries, Wages, and Employee Benefits	3,296,514	3,353,851	3,152,273	201,578	2,377,381	2,648,766	2,625,160	23,606
Contractual and Professional Services	776,025	1,086,716	1,683,346	(596,630)	-	-	859,041	(859,041)
Facility Operations and Maintenance	1,015,297	1,038,080	962,166	75,914	910,266	1,100,266	619,087	481,179
Office Expenses	329,783	328,927	242,067	86,860	310,959	812,409	180,156	632,253
Cost of Good Sold	101,550	112,316	117,041	(4,725)	-	-	53,148	(53,148)
Educational Programs and Exhibits	508,435	838,786	586,711	252,075	512,585	962,585	183,577	779,008
Other Current Expenditures	264,588	577,685	218,099	359,586	56,677	77,103	27,798	49,305
Total Expenditures	6,292,192	7,336,361	6,961,703	374,658	4,167,868	5,601,129	4,547,967	1,053,162
Excess of Revenue (Under) Over Expenditures	(1,760,537)	1,783,395	9,844,822	8,061,427	38,937	1,359,865	2,908,109	1,548,244
Other Financing Sources (Uses):								
Proceeds from disposal of Capital Assets	-	-	25	25	-	-	30,460	30,460
Interfund Transfers	-	-	(925,266)	(925,266)	-	-	(84,330)	(84,330)
Change in Fund Balance	\$ (1,760,537)	\$ 1,783,395	\$ 8,919,581	\$ 7,136,186	\$ 38,937	\$ 1,359,865	\$ 2,854,239	\$ 1,494,374

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

**Note to Required Supplementary Information
Years Ended June 30, 2022 and 2021**

1) BUDGETARY INFORMATION

The Charles H. Wright Museum of African American History ("The Wright") establishes a budget that is reflected in the financial statements for the general fund. The budget is presented on the modified accrual basis of accounting.

The original budgeted amounts are as presented to The Wright's Finance Committee and approved by The Wright's Board of Trustees. On a quarterly basis, management prepares forecasts of revenue and expenditures to reflect changes to the schedule of programs and exhibitions, as well as trends in earnings and contributions. These forecasts are the basis of pro forma financial reports and are presented regularly to the Finance Committee for review as a part of its operating oversight. Proposed modifications to the budget are approved by the full Board of Trustees. Line item appropriations are authorized by The Wright's management. Unexpended appropriations lapse at the end of the fiscal year.



Alan C. Young & Associates, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

7310 Woodward Ave, Suite 740
Detroit, MI 48202

(313) 873-7500 (Tel.)
(313) 873-7502 (Fax)
www.alancyoung.com

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Trustees of
Charles H. Wright Museum of African American History
Detroit, Michigan

We have audited, in accordance with auditing standards generally accepted in the United States of America and the Standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the Financial Statements of the governmental activities and the major funds of the Charles H. Wright Museum of African American History ("The Wright") as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise The Wright's basic financial statements and have issued our report thereon dated December 6, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Wright's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Wright's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of The Wright's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Exhibit A as item 2022-001, we did identify an item that we consider to be a material weakness.

**Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial
Statements Performed in Accordance
With *Government Auditing Standards*
(Continued)**

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Wright's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Wright's Response to Finding

The Wright's response to the finding identified in our audit is described in Exhibit A. The Wright's response was not subjected by the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Wright's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Wright's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Alan C. Young & Assoc.

Detroit, Michigan
December 6, 2022

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

Exhibit A
Year Ended June 30, 2022

Reference Number	Finding
2022-001	<p data-bbox="469 464 932 491">Finding Type – Material Weakness</p> <p data-bbox="469 531 1409 627">Condition – Numerous adjustments were necessary subsequent to year end to properly state account balances and to provide documentation for audit purposes.</p> <p data-bbox="469 667 1419 793">Description – During our audit, there were significant delays caused by software and other issues that required reconciliation in order to provide documentation for the audit. Although all accounts were ultimately reconciled, the reconciliations were not performed on a timely basis.</p> <p data-bbox="469 833 1398 930">Recommendation – Year-end close out should be carefully reviewed and monitored and all accounts should be fully reconciled at year end to ensure propriety.</p> <p data-bbox="469 970 1414 1062">View of Responsible Official – We agree with the recommendation. We are in the process of reviewing our year end procedures to ensure that year end balances are properly stated.</p>