



Abrams
Foster
Nole &
Williams, P.A.

**MARYLAND AFRICAN AMERICAN
MUSEUM CORPORATION**

**Financial Statements
and
Independent Auditor's Report**

Years Ended June 30, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Maryland African American Museum Corporation
Baltimore, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the Maryland African American Museum Corporation which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Certified Public Accountants & Business Advisors

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Maryland African American Museum Corporation as of June 30, 2021 and 2020, 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.

A handwritten signature in black ink that reads "Abrams, Foster, Nole & Williams, P.A." in a cursive, flowing script.

Abrams, Foster, Nole & Williams, P.A.
Certified Public Accountants
Baltimore, Maryland

September 7, 2021

MARYLAND AFRICAN AMERICAN MUSEUM CORPORATION
Statements of Financial Position
June 30, 2021 and 2020

	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 673,853	\$ 972,797
Accounts receivable	12,262	15,170
Gift shop inventory	51,290	67,352
Prepaid expenses	<u>17,663</u>	<u>2,000</u>
Total current assets	<u>755,068</u>	<u>1,057,319</u>
Property and Equipment, net	<u>272,553</u>	<u>267,045</u>
Non Current Assets		
Endowments		
Investments	9,077,744	7,571,119
Restricted cash	<u>100,062</u>	<u>1,069,984</u>
Total non current assets	<u>9,177,806</u>	<u>8,641,103</u>
Total Assets	<u><u>\$ 10,205,427</u></u>	<u><u>\$ 9,965,467</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 284,680	\$ 432,975
Accrued payroll expenses	61,020	62,597
Accrued expenses	64,734	49,000
Line of credit	100,178	399,850
Deferred revenue	<u>27,815</u>	<u>44,504</u>
Total current liabilities	<u>538,427</u>	<u>988,926</u>
Long Term Liabilities		
Loan payable	<u>313,158</u>	<u>275,300</u>
Net Assets		
Without donor restrictions		
Undesignated	176,036	60,137
Designated by the Board for endowment	<u>2,087,554</u>	<u>1,927,583</u>
Total	<u>2,263,590</u>	<u>1,987,720</u>
With donor restrictions		
Perpetual in nature	7,069,191	6,708,021
Purpose restrictions	<u>21,061</u>	<u>5,500</u>
Total	<u>7,090,252</u>	<u>6,713,521</u>
Total net assets	<u>9,353,842</u>	<u>8,701,241</u>
Total Liabilities and Net Assets	<u><u>\$ 10,205,427</u></u>	<u><u>\$ 9,965,467</u></u>

“The accompanying notes are an integral part of the financial statements”

MARYLAND AFRICAN AMERICAN MUSEUM CORPORATION
Statement of Activities and Changes in Net Assets
Year Ended June 30, 2021

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Grants	\$ 2,273,091	\$ -	\$ 2,273,091
Contributions	351,137	-	351,137
Admissions	63,913	-	63,913
Membership dues	68,354	-	68,354
Investment earnings	15,915	100,561	116,476
Unrealized gain on endowments	48,349	373,317	421,666
Other income	323,811	-	323,811
Net assets released from restrictions	97,147	(97,147)	-
Total revenue and support	<u>3,241,717</u>	<u>376,731</u>	<u>3,618,448</u>
Expenses			
Collections and exhibitions	237,017	-	237,017
Education and public programs	383,319	-	383,319
External affairs	451,800	-	451,800
Management, building and security	1,893,711	-	1,893,711
Total expenses	<u>2,965,847</u>	<u>-</u>	<u>2,965,847</u>
Increase in net assets	275,870	376,731	652,601
Net assets beginning of year	<u>1,987,720</u>	<u>6,713,521</u>	<u>8,701,241</u>
Net Assets End of Year	<u><u>\$ 2,263,590</u></u>	<u><u>\$ 7,090,252</u></u>	<u><u>\$ 9,353,842</u></u>

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MARYLAND AFRICAN AMERICAN MUSEUM CORPORATION
Statement of Activities and Changes in Net Assets
Year Ended June 30, 2020

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Grants	\$ 2,072,926	\$ -	\$ 2,072,926
Contributions	525,340	-	525,340
Admissions	86,203	-	86,203
Membership dues	40,322	-	40,322
Investment earnings	3,649	149,250	152,899
Unrealized (loss) on endowments	-	(320,252)	(320,252)
Other income	318,777	-	318,777
Net assets released from restrictions	<u>303,898</u>	<u>(303,898)</u>	<u>-</u>
Total revenue and support	<u>3,351,115</u>	<u>(474,900)</u>	<u>2,876,215</u>
Expenses			
Collections and exhibitions	486,315	-	486,315
Education and public programs	517,723	-	517,723
External affairs	757,127	-	757,127
Management, building and security	<u>1,781,204</u>	<u>-</u>	<u>1,781,204</u>
Total expenses	<u>3,542,369</u>	<u>-</u>	<u>3,542,369</u>
Decrease in net assets	(191,254)	(474,900)	(666,154)
Net assets beginning of year	<u>2,178,974</u>	<u>7,188,421</u>	<u>9,367,395</u>
Net Assets End of Year	<u>\$ 1,987,720</u>	<u>\$ 6,713,521</u>	<u>\$ 8,701,241</u>

“The accompanying notes are an integral part of the financial statements”

MARYLAND AFRICAN AMERICAN MUSEUM CORPORATION
Statement of Functional Expenses
Year Ended June 30, 2021

	COLLECTIONS AND EXHIBITS	EDUCATION & PUBLIC PROGRAMS	EXTERNAL AFFAIRS	MANAGEMENT, BUILDING & SECURITY	TOTAL 2021
Salaries & wages	\$ 81,204	\$ 150,193	\$ 160,781	\$ 572,550	\$ 964,728
Fringe benefits	40,903	74,601	76,342	231,613	423,459
Contractual employees	49,188	20,493	-	9,070	78,751
Communications	267	270	593	561	1,691
Travel	-	-	-	5,100	5,100
Fixed charges	439	(57)	836	37,610	38,828
Interest expense	-	-	-	19,204	19,204
Materials and supplies	1,686	2,779	14,143	37,090	55,698
Equipment	-	3,630	1,632	1,597	6,859
Contractual services	5,078	17,566	33,678	630,700	687,022
Programs/workshops	900	19,050	-	-	19,950
Outside services	24,331	94,469	163,795	30,454	313,049
Exhibits	33,021	325	-	11	33,357
Utilities	-	-	-	250,362	250,362
Bad debts	-	-	-	2,397	2,397
Depreciation expense	-	-	-	65,392	65,392
Total expenses	<u>\$ 237,017</u>	<u>\$ 383,319</u>	<u>\$ 451,800</u>	<u>\$ 1,893,711</u>	<u>\$ 2,965,847</u>

“The accompanying notes are an integral part of the financial statements”

MARYLAND AFRICAN AMERICAN MUSEUM CORPORATION
Statement of Functional Expenses
Year Ended June 30, 2020

	COLLECTIONS AND EXHIBITS	EDUCATION & PUBLIC PROGRAMS	EXTERNAL AFFAIRS	MANAGEMENT, BUILDING & SECURITY	TOTAL 2020
Salaries & wages	\$ 58,038	\$ 256,841	\$ 319,238	\$ 605,771	\$ 1,239,888
Fringe benefits	35,023	111,056	138,550	213,850	498,479
Contractual employees	7,686	39,898	9,318	28,126	85,028
Communications	-	98	4,706	1,313	6,117
Travel	850	4,220	4,192	803	10,065
Fixed charges	439	2,444	3,698	30,893	37,474
Interest expense	-	-	-	10,081	10,081
Materials and supplies	25,363	10,206	7,915	23,424	66,908
Equipment	2,004	1,047	10,100	14,124	27,275
Contractual services	7,872	53,615	142,634	531,270	735,391
Programs/workshops	-	31,879	4,200	-	36,079
Outside services	7,097	6,419	102,839	18,430	134,785
Exhibits	140,544	-	9,737	240	150,521
Utilities	-	-	-	250,637	250,637
Bad debts	-	-	-	5,000	5,000
Depreciation expense	201,399	-	-	47,242	248,641
Total expenses	<u>\$ 486,315</u>	<u>\$ 517,723</u>	<u>\$ 757,127</u>	<u>\$ 1,781,204</u>	<u>\$ 3,542,369</u>

“The accompanying notes are an integral part of the financial statements”

MARYLAND AFRICAN AMERICAN MUSEUM CORPORATION
Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Change in net assets	\$ 652,601	\$ (666,154)
Adjustments to reconcile change in net assets to net cash provided (used) in operating activities:		
Depreciation	65,392	248,641
Forgiveness of debt PPP	(275,300)	-
Unrealized (gain) loss on investments	(421,666)	320,252
Investment earnings	(116,476)	(155,037)
Changes in operating assets and liabilities:		
(Increase) decrease in assets		
Accounts receivable	2,908	24,672
Other receivables	-	3,391
Inventory	16,062	(23,247)
Prepaid expenses	(15,663)	(2,000)
Increase (decrease) in liabilities		
Accrued payroll expenses	(1,577)	(32,291)
Accrued expenses	15,734	8,743
Accounts payable	(148,295)	215,139
Deferred revenue	(16,689)	5,381
Total adjustments	<u>(895,570)</u>	<u>613,644</u>
Net cash (used) provided by operating activities	<u>(242,969)</u>	<u>(52,510)</u>
Cash Flows from Investing Activities		
Purchase of fixed assets	(70,900)	(109,506)
Purchase of investments	(149,869)	(8,366,554)
Proceeds from sale of investments	<u>153,414</u>	<u>4,447,454</u>
Net cash provided (used) by investing activities	<u>(67,355)</u>	<u>(4,028,606)</u>
Cash Flows from Financing Activities		
Principal payments on line of credit	(299,672)	-
Proceeds from loan borrowing	<u>313,158</u>	<u>275,300</u>
Net cash provided (used) by financing activities	<u>13,486</u>	<u>275,300</u>
Decrease in cash, cash equivalents and restricted cash	(296,838)	(3,805,816)
Cash, cash equivalents and restricted cash, beginning of year	<u>3,792,758</u>	<u>7,598,574</u>
Cash, cash equivalents and restricted cash, End of Year	<u>\$ 3,495,920</u>	<u>\$ 3,792,758</u>
Supplemental disclosure		
Cash paid for interest	<u>\$ 19,204</u>	<u>\$ 10,081</u>

“The accompanying notes are an integral part of the financial statements”

MARYLAND AFRICAN AMERICAN MUSEUM CORPORATION
Notes to Financial Statements
June 30, 2021 and 2020

1. NATURE OF ACTIVITIES

The Maryland African American Museum Corporation (the Corporation), which is a component unit of the State of Maryland (State), was created by the Maryland General Assembly (Senate Bill 716) in 1998 to plan, develop and manage a Maryland Museum of African American History and Culture in Baltimore City, in cooperation with the active support of the Mayor and City Council of Baltimore, affected State agencies, and other public and private institutions. The Corporation is a public instrumentality of the State and an independent unit in the Executive Branch of the State Government.

In 2002, the Corporation was awarded a \$5,000,000 endowment grant from The Reginald F. Lewis Foundation. The grant was payable over a period of five years. The final payment was received in June 2006. As a condition of the grant and after the Maryland Board of Public Works approval, the museum building was renamed Reginald F. Lewis Museum of Maryland African American History & Culture.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The financial statements of the Corporation are prepared in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) as the source of authoritative accounting principles generally accepted in the United States of America on the accrual basis of accounting with a fiscal year ending June 30.

B. New Accounting Pronouncement

The Corporation retroactively adopted the requirements in accordance with Accounting Standards Board's Accounting Standards Update No. 2016-14-*Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. A key change required by ASU 2016-14 is the net asset classes used in financial statements.

Amounts previously reported as unrestricted net assets are now reported as assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as assets with donor restrictions. The ASU has been applied retrospectively to the prior year. A footnote on liquidity has also been added (see note 11).

MARYLAND AFRICAN AMERICAN MUSEUM CORPORATION
Notes to Financial Statements
June 30, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with United States generally accepted accounting principles. Net assets, revenues, expenses, gains and losses are reported based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Corporation and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Corporation. These net assets may be used at the discretion of the Corporation's Board and the Executive Committee.

Net Assets With Donor Restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by the actions of the Corporation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

For the years ended June 30, 2021 and 2020, the Corporation had net assets with donor restrictions in the amount of \$7,090,252 and \$6,713,521, respectively.

D. Federal Income Tax

The Corporation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and is considered a quasi-government organization under the State of Maryland. Accordingly, there are no provisions for income taxes within the accompanying financial statements and the Corporation has not taken any questionable tax positions.

MARYLAND AFRICAN AMERICAN MUSEUM CORPORATION
Notes to Financial Statements
June 30, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Promises to Give

Contributions are recognized when the donor makes a promise to give to the Corporation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

F. 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 contingencies as of 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.

G. Cash, Cash Equivalents and Restricted Cash

The Corporation adopted the requirements in accordance with Accounting Standards Board's Accounting Standards Update No. 2016-15-*Not-for-Profit Entities* (Topic 230): *Classification of Certain Cash Receipts and Cash Payments* (ASU 2016-15). This update addresses diversity in presentation of the Statements of Cash Flows. Cash, cash equivalents, restricted cash, and restricted cash equivalents that are presented in more than one line on the statement of financial position are now required to either be presented on the face of the statement of cash flows or disclosed in the notes to the financial statements.

The Corporation retroactively adopted the requirements in accordance with Financial Accounting Standards Board's Accounting Standards Update No. 2016-18, *Statement of Cash Flows* (Topic 230): *Restricted Cash, Cash, cash equivalents, restricted cash and restricted cash equivalents* that are presented in more than one line on the statements of financial position are now required to be on the face of the statements of cash flows or disclosed in the notes to the financial statements.

MARYLAND AFRICAN AMERICAN MUSEUM CORPORATION
Notes to Financial Statements
June 30, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Cash, Cash Equivalents and Restricted Cash (continued)

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statements of financial position to the sum of the corresponding amounts within the statements of cash flows:

	June 30, 2021	June 30, 2020
Cash, cash equivalents and restricted cash	\$ 673,853	\$ 972,797
Restricted cash	100,062	1,069,984
Investment cash	2,721,992	1,749,977
Total cash, cash equivalents and restricted cash	<u>\$ 3,495,907</u>	<u>\$ 3,792,758</u>

H. Capital Assets

Capital assets are stated at cost, or if donated, at the approximate fair value at the date of donation. The Corporation has a capitalization policy of \$1,000. Depreciation is computed using the straight-line method and the following useful lives: software, 3 years; office equipment, 3-5 years; furniture, 5-7 years; vehicles, 5 years; and building improvements, 5-15 years.

The Corporation owns diverse collections of historical and artistic artifacts. The Corporation does not capitalize these collections as they meet the criteria for: (1) the Corporation's mission in acquiring these collections is for the purpose of preservation, (2) education, (3) research, and (4) exhibition.

The Corporation secures and preserves all collections to adequately preserve African American history. All amounts received from the sale of artifacts and collections are used only for the purchase of new artifacts and collections.

I. Reclassification

Certain amounts in the prior period presented have been reclassified to conform to the current period financial statement presentation. These reclassifications have no effect on previously reported net income.

MARYLAND AFRICAN AMERICAN MUSEUM CORPORATION
Notes to Financial Statements
June 30, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Line of Credit

On May 2, 2008, the Corporation entered into a \$1,000,000 line of credit with a local bank with a maturity date of August 2, 2012 with various subsequent extensions through July 10, 2020. The line is secured by a certificate of deposit at the local bank and carries an interest rate of 2.2 percent. Collateral of \$1,000,000 is held on a Certificate of Deposit Account Registry Service (CDARS) account. Borrowings totaled \$399,850 at June 30, 2020.

On August 20, 2020, the Corporation entered into a \$700,000 line of credit with a regional bank. The line is a demand note with interest payable at prime plus 2 percent. The loan is collateralized by the business personal property equipment and inventory.

K. Grants

The Governor of the State of Maryland is authorized under the Maryland African American Museum Corporation Act (Article 41, title 20, subtitle 1 of the Annotated Code of Maryland) to include a general fund grant to the Corporation in the Governor's annual budget submission. The Governor has committed to propose each year, under a Memorandum of Understanding, a state grant to the Corporation equal to 50 percent of the Corporation's operating budget, as approved by the Maryland Department of Budget and Management (DBM).

Under the Memorandum of Understanding, if the Corporation does not expend or encumber the entire amount of the state grant along with the Corporation's matching funds for costs of operations incurred in the current fiscal year, the Corporation shall return the amount of the unexpended, unencumbered state grant to the general fund. As of June 30, 2021 and 2020, there was no balance due to the State of Maryland. The Corporation received a waiver of its matching requirement for the years ended June 30, 2021 and 2020 under the terms of the Memorandum of Understanding.

L. Use of Restricted Assets

When an expense is incurred that can be paid using either with donor restricted or without donor restricted resources, the Corporation's policy is to first charge the expense to with donor restricted resources and then to without donor restricted resources.

MARYLAND AFRICAN AMERICAN MUSEUM CORPORATION
Notes to Financial Statements
June 30, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Risk Management

The Corporation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to and illness of employees; and natural disasters. The Corporation participates in the State's various self-insurance programs. The State is self-insured for general liability, property and casualty, workers' compensation, environmental and antitrust liabilities and certain employee health benefits.

The State allocates the cost of providing claims servicing and claim payments by charging a "premium" to the Corporation based on a percentage of the Corporation's estimated current year payroll or based on the average loss experienced by the Corporation. This charge considers recent trends in actual claims experienced by the State as a whole and makes provisions for catastrophic losses.

There have been no significant reductions in insurance coverage from the prior year. Additionally, settlements have not exceeded insurance coverage for the past three fiscal years.

N. Functional Allocation of Expenses

Costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Costs are allocated between program services and support services. Support service expenses include expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the Corporation.

O. Advertising

Advertising costs are expensed as incurred. For the years ended June 30, 2021 and 2020, there was \$7,122 and \$17,005 in advertising costs, respectively.

P. Financial Instruments with Concentration of Credit Risk

The Corporation maintains its cash accounts with a commercial bank as well as brokerage firms. The accounts at the commercial bank are insured by the Federal Deposit Insurance Corporation (FDIC) up to a maximum of \$250,000 per depositor. Cash accounts at the brokerage firm are insured by the Securities Investor Protection Corporation (SIPC) up to \$250,000 and the securities are insured up to \$500,000 for each brokerage account.

MARYLAND AFRICAN AMERICAN MUSEUM CORPORATION
Notes to Financial Statements
June 30, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Financial Instruments with Concentration of Credit Risk (continued)

The SIPC insurance does not protect against market losses on investments. The risk is managed by maintaining all deposits in high quality financial institutions. The Corporation has not experienced any losses in such accounts.

Q. Reporting for Impairment of Capital Assets and Insurance Recoveries

The Corporation received no insurance recoveries for the years ended June 30, 2021 and 2020. There was no impairment of capital assets.

R. Commitments

During the year ended June 30, 2019, the Corporation entered an exclusive agreement with Class Act Café and Catering, Inc. to provide catering for events held at the Museum. Catering commissions were calculated on a percentage of gross catering revenues as defined in the agreement. Due to the COVID pandemic, the museum was closed for events during most of the 2021 fiscal year and, as such, commission revenue was \$0 and \$26,245 for the years ended June 30, 2021 and 2020, respectively.

3. CASH DEPOSIT BALANCES

The following are the carrying value and bank balances of deposits at June 30, 2021 and 2020:

	<u>2021</u>		<u>2020</u>	
	<u>Carrying Amounts</u>	<u>Bank Amounts</u>	<u>Carrying Amounts</u>	<u>Bank Amounts</u>
Demand deposits	\$ 154,771	\$ 196,482	\$ 37,185	\$ 58,984
Money market accounts	<u>518,182</u>	<u>518,183</u>	<u>934,712</u>	<u>934,594</u>
Total	<u>\$ 672,953</u>	<u>\$ 714,665</u>	<u>\$ 971,897</u>	<u>\$ 993,578</u>

The bank amount is the statement balance at June 30 that does not include in-transit transactions. The aforementioned deposits do not include cash on hand of \$900 at June 30, 2021 and 2020, respectively.

MARYLAND AFRICAN AMERICAN MUSEUM CORPORATION
Notes to Financial Statements
June 30, 2021 and 2020

4. RESTRICTED CASH

The Corporation has cash that is maintained in separate bank accounts and restricted by donors as permanent endowments as follows:

	<u>2021</u>	<u>2020</u>
Operating endowments	\$ 21,013	\$ 224,697
Education endowments	<u>79,049</u>	<u>845,287</u>
Total	<u>\$ 100,062</u>	<u>\$ 1,069,984</u>

5. INVESTMENTS

Investments are presented at fair value and are composed of the following at June 30, 2021 and 2020.

	<u>2021</u>		<u>2020</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 2,721,992	\$ 2,721,992	\$ 1,749,977	\$ 1,749,977
Privately held partnership	1,500,000	1,675,126	1,500,000	1,500,000
Mutual funds	<u>4,434,086</u>	<u>4,680,626</u>	<u>4,641,394</u>	<u>4,321,142</u>
Total	<u>\$ 8,656,078</u>	<u>\$ 9,077,744</u>	<u>\$ 7,891,371</u>	<u>\$ 7,571,119</u>

6. FAIR VALUE MEASUREMENTS

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. Generally accepted accounting principles in the United States (GAAP) establish a framework for measuring fair value. That framework provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. That hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (“Level 1”) and the lowest priority to unobservable inputs (“Level 3”).

The three levels of fair value hierarchy are described below:

Level 1

Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2

Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.

MARYLAND AFRICAN AMERICAN MUSEUM CORPORATION
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6. FAIR VALUE MEASUREMENTS (Continued)

Level 3

Inputs that are unobservable inputs that are supported by little or no market activity and that are significant to the measurement of the assets or liabilities.

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Cash, Money Market and Mutual Funds: These funds are categorized as Level 1 as the primary purpose is to maintain a stable net asset value (“NAV”) of \$1.

Privately Held Partnership: These funds are categorized as Level 3 as the primary purpose is to hold “End of Life” short duration bonds.

Fair Value of Measurement

The following presents the Corporation’s fair value measurements of assets recognized in the accompanying combined statements of financial position that are measured at fair value on a recurring basis and the level within the fair value hierarchy as of June 30, 2021:

FAIR VALUE MEASUREMENTS USING:

Description	2021 Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and Money Market Funds	\$ 2,721,992	\$ 2,721,992	\$ -	\$ -
Privately Held Partnership	1,675,126	-	-	1,675,126
Mutual Funds	<u>4,680,626</u>	<u>4,680,626</u>	<u>-</u>	<u>-</u>
Total fair value	<u>\$ 9,077,744</u>	<u>\$ 7,402,618</u>	<u>\$ -</u>	<u>\$ 1,675,126</u>

MARYLAND AFRICAN AMERICAN MUSEUM CORPORATION
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6. FAIR VALUE MEASUREMENTS (Continued)

The following presents the Corporation's fair value measurements of assets recognized in the accompanying combined statements of financial position that are measured at fair value on a recurring basis and the level within the fair value hierarchy as of June 30, 2020:

FAIR VALUE MEASUREMENTS USING:

Description	2020 Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and Money Market Funds	\$ 1,749,977	\$ 1,749,977	\$ -	\$ -
Privately Held Partnership	1,500,000	-	-	1,500,000
Mutual Funds	<u>4,321,142</u>	<u>4,321,142</u>	<u>-</u>	<u>-</u>
Total fair value	<u>\$ 7,571,119</u>	<u>\$ 6,071,119</u>	<u>\$ -</u>	<u>\$ 1,500,000</u>

For the period from July 1, 2020, through June 30, 2021, the application of the valuation techniques applied to similar assets and liabilities has been consistent.

The Level 3 inputs pertain to privately held partnership investments held in Radcliffe International Ultra Short Duration Fund, a product of Radcliffe Capital Management, L.P. manager of over \$3 billion across defensive credit related strategies. The Ultra Short Duration Strategy has capitalized on persistent structural market efficiencies that result in supply/demand imbalances in many short term corporate and convertible bonds that are sold as they approach maturity. The strategy's objective is to consistently achieve meaningfully higher net returns than short term high-grade bond funds with minimal credit default risk while avoiding both the duration risk and credit risk of other fixed income strategies.

The fair value of the Corporation's interest in the privately held partnership is measured using the market value reported by the custodian, Wilmington Trust. The following is the reconciliation of the changes in the Corporation's privately held partnership interest measured at fair value on a recurring basis using significant unobservable inputs (Level 3) as follows:

	<u>Total</u>
Fair Value at July 1, 2019	\$ -
Purchase interest in Ultra Short Duration Fund	<u>1,500,000</u>
Fair Value at June 30, 2020	1,500,000
Unrealized gain on investment	<u>175,126</u>
Fair Value at June 30, 2021	<u>\$ 1,675,126</u>

MARYLAND AFRICAN AMERICAN MUSEUM CORPORATION
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7. CAPITAL ASSETS

Capital assets consist of the following at June 30, 2021:

	Balance June 30, 2020	Additions	Disposals/ Transfers	Balance June 30, 2021
Capital Assets				
Equipment	\$ 674,095	\$ 70,900	\$ -	\$ 744,995
Furniture	89,725	-	-	89,725
Permanent exhibit	2,912,491	-	-	2,912,491
Gift shop furniture and fixtures	20,236	-	-	20,236
Building improvements	398,595	-	-	398,595
Total	<u>4,095,142</u>	<u>70,900</u>	<u>-</u>	<u>4,166,042</u>
Accumulated depreciation				
Equipment	494,120	52,511	-	546,631
Furniture	89,725	-	-	89,725
Permanent exhibit	2,910,340	747	-	2,911,087
Gift shop furniture and fixtures	20,236	-	-	20,236
Building improvements	313,676	12,134	-	325,810
Total	<u>3,828,097</u>	<u>65,392</u>	<u>-</u>	<u>3,893,489</u>
Capital Assets, net	<u><u>\$ 267,045</u></u>	<u><u>\$ 5,508</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 272,553</u></u>

Capital assets consist of the following at June 30, 2020:

	Balance June 30, 2019	Additions	Disposals/ Transfers	Balance June 30, 2020
Capital Assets				
Equipment	\$ 575,175	\$ 98,920	\$ -	\$ 674,095
Furniture	89,725	-	-	89,725
Permanent exhibit	2,912,491	-	-	2,912,491
Gift shop furniture and fixtures	20,236	-	-	20,236
Building improvements	388,009	10,586	-	398,595
Total	<u>3,985,636</u>	<u>109,506</u>	<u>-</u>	<u>4,095,142</u>
Accumulated depreciation				
Equipment	462,322	31,798	-	494,120
Furniture	89,725	-	-	89,725
Permanent exhibit	2,715,901	194,439	-	2,910,340
Gift shop furniture and fixtures	20,236	-	-	20,236
Building improvements	291,272	22,404	-	313,676
Total	<u>3,579,456</u>	<u>248,641</u>	<u>-</u>	<u>3,828,097</u>
Capital Assets, net	<u><u>\$ 406,180</u></u>	<u><u>\$ (139,135)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 267,045</u></u>

MARYLAND AFRICAN AMERICAN MUSEUM CORPORATION
Notes to Financial Statements
June 30, 2021 and 2020

8. RELATED PARTY TRANSACTIONS

The museum building is owned by the State of Maryland and operated by the Corporation under a memorandum of understanding. Land for the museum is leased from the City of Baltimore (see Note 9).

The employees of the Corporation are employees of the State of Maryland. Therefore, the Central Payroll Bureau of the State of Maryland handles all payroll issues for the Corporation including processing paychecks, payroll deductions, reporting, and payment of all related payroll taxes and benefits. The Corporation reimburses the State for all salaries and related benefit costs. As of June 30, 2021 and 2020, the Corporation owed \$176,160 and \$342,669, respectively, to the State of Maryland.

9. OPERATING LEASES

The Corporation has entered into a land lease agreement with the City of Baltimore. As the building of a museum in Baltimore City supports the City's efforts to expand tourism beyond the Inner Harbor, the Corporation asked the City of Baltimore to match the State's commitment to building the museum by leasing the land for \$1 per year for 98 years. Under the terms of the Land Disposition Lease Agreement, the property can only be used as a museum. In the event of any default, the land would revert back to the City and the building to the State of Maryland.

During fiscal years 2021 and 2020, the Corporation had operating lease agreements for various office equipment. Rental expense was \$14,866 and \$12,818 for the years ended June 30, 2021 and 2020, respectively.

Future minimum lease payments under operating leases with lease terms of one year or more for the year ended June 30, 2021 are as follows:

2022	\$ 8,531
2023	<u>2,675</u>
Total	<u>\$ 11,206</u>

10. ENDOWMENT NET ASSETS

The Corporation's endowment consists of individual pledges established by donors to provide annual funding for specific activities and general operations. The Endowment also includes funds that have been designated by the Board of Directors and reported in the statements of financial position as net assets without donor restrictions. The endowment net assets may include endowed unconditional promises to give, which are recognized in the year the commitment is received.

MARYLAND AFRICAN AMERICAN MUSEUM CORPORATION
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10. ENDOWMENT NET ASSETS (Continued)

Interpretation of Relevant Law

As required by Generally Accepted Accounting Principles (GAAP), net assets associated with endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Corporation has interpreted the Maryland Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Corporation classifies as net assets with donor restrictions as (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor restricted endowment funds that are not required to be retained in perpetuity are appropriated for expenditure by the Corporation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Corporation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Corporation and (7) the Corporation's investment policies.

Corporation's Spending Policy

The current policy is to distribute on an annual basis an amount equal to 5 percent of the average market value of the endowment for the previous twelve quarters.

The changes in endowment net assets are illustrated below, which are maintained in the Without Donor Restrictions and With Donor Restrictions.

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10. ENDOWMENT NET ASSETS (Continued)

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, July 1, 2020	\$ 1,927,582	\$ 6,713,521	\$ 8,641,103
Investment return, net	62,825	473,878	536,703
Net assets released from restriction	85,000	(85,000)	-
Allocation adjustment	<u>12,147</u>	<u>(12,147)</u>	<u>-</u>
Endowment Net Assets, June 30, 2021	<u><u>\$ 2,087,554</u></u>	<u><u>\$ 7,090,252</u></u>	<u><u>\$ 9,177,806</u></u>

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, July 1, 2019	\$ 2,069,051	\$ 7,188,421	\$ 9,257,472
Investment return, net	-	(171,002)	(171,002)
Appropriation of endowment net assets pursuant to spending-rate policy	-	(303,898)	(303,898)
Other changes:			
Distribution from board-designated endowment pursuant to distribution policy	<u>(141,469)</u>	<u>-</u>	<u>(141,469)</u>
Endowment Net Assets, June 30, 2020	<u><u>\$ 1,927,582</u></u>	<u><u>\$ 6,713,521</u></u>	<u><u>\$ 8,641,103</u></u>

At June 30, 2021 and 2020, net assets with donor restrictions are restricted for educational purposes.

MARYLAND AFRICAN AMERICAN MUSEUM CORPORATION
Notes to Financial Statements
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11. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following represents the financial assets available for general expenditures within one year at June 30, 2021 and 2020.

	<u>2021</u>	<u>2020</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 673,853	\$ 972,797
Restricted cash-endowments	100,062	1,069,984
Investments-endowments	9,077,744	7,571,119
Accounts receivable	<u>12,262</u>	<u>15,170</u>
Total financial assets	9,863,921	9,629,070
Less amounts not available to be used within one year:		
Net assets with donor restrictions	(7,090,252)	(6,713,521)
Board designated net assets for endowments	<u>(2,087,554)</u>	<u>(1,927,582)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 686,115</u>	<u>\$ 987,967</u>

As part of its liquidity management plan, the Corporation invests cash in excess of daily requirements in short-term Certificate of Deposits and Money Market Funds which are Board designated for endowments and available for appropriation.

12. RETIREMENT PLANS

The employees of the Corporation are covered by the State Retirement and Pension System of Maryland (the System). The State Retirement Agency (the Agency) is the administrator of the System, a cost sharing multiple-employee retirement system. The System was established by the State Personnel and Pension Articles 73B of the Annotated Code of Maryland and provides retirement allowances to System members and beneficiaries. Responsibility for administration and operation of the System is vested with a Board of Trustees. The System issues a publicly-available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the State Retirement and Pension System of Maryland, 120 East Baltimore Street, Baltimore, Maryland 21202 or by calling (800) 492-5909.

MARYLAND AFRICAN AMERICAN MUSEUM CORPORATION
Notes to Financial Statements
June 30, 2021 and 2020

12. RETIREMENT PLANS (Continued)

Funding Policy

The Corporation's required contributions are based upon actuarial valuations. Effective July 1, 1980, in accordance with the laws governing the System, all benefits of the System are funded in advance. The entry age normal cost method is the actuarial cost method used. The employees of the Corporation are required by State statute to contribute to the System. The employees contribute 7 percent of compensation, as defined, depending on the participant's plan. The Corporation made its required contribution during fiscal years ended June 30, 2021 and 2020 in the amounts of \$201,701 and \$235,335, respectively.

13. POST RETIREMENT BENEFITS

Former employees of the Corporation who are receiving retirement benefits may participate in post-employment health care benefits provided by the State for retired employees and their dependents.

These plans, which provide insurance coverage for medical, dental and hospital costs are funded currently by the payment of premiums to carriers and, under State policy, are contributory. Substantially all employees become eligible for these benefits when they retire with pension benefits. The cost of retirees' health care benefits are expensed when paid and totaled \$50,848 for twenty four covered employees for the year ended June 30, 2021 and \$57,913 for nineteen covered employees for the year ended June 30, 2020.

14. DEFERRED COMPENSATION PLAN

Employees of the Corporation are also eligible to participate in the State's Deferred Compensation Plans (Plans) created in accordance with Internal Revenue Code Sections 457 and 401(k). The Plans, available to eligible employees, permit participants to defer a portion of their salary until future years. Participation in the Plans is optional.

The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. All assets of the Plans are held in a trust, custodial account or annuity contract for the exclusive benefit of employees and beneficiaries. The Plan's third-party administrator manages investments under one of several investment options, or a combination thereof. Participants make the choice of the investment option(s).

15. LOAN PAYABLE

On April 30, 2020, the Corporation received an unsecured loan under the Paycheck Protection Plan (PPP) from the Harbor Bank of Maryland authorized by the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") in the amount of \$275,300 and due to the Small Business Administration (SBA) as the holder of the note.

MARYLAND AFRICAN AMERICAN MUSEUM CORPORATION
Notes to Financial Statements
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15. LOAN PAYABLE (Continued)

Under the terms of the loan, all payments are deferred for six months through October 2020, with monthly interest payments thereafter at one percent per annum, and a due date of the entire loan balance on April 30, 2022. This loan was forgiven November 2, 2020 and treated as other income.

On June 7, 2021, the Corporation received an unsecured loan under the Paycheck Protection Plan (PPP) from B.S.D. Capital, Inc. dba Lendistry and authorized by the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (the “Economic Aid Act”) in the amount of \$313,158 and due to the Small Business Administration (SBA) as the holder of the note.

The loan terms provide that a portion or all of the loan is forgivable to the extent that the Corporation uses loan proceeds to fund qualifying payroll, rent and utilities during a designated eight-week period.

A summary of the annual maturities of long-term debt for the five-years subsequent to June 30, 2021 follows:

<u>Year</u>	<u>Annual Principal Payments</u>
2022	\$ -
2023	313,158
2024	-
2025	-
2026	-
Total	<u>\$ 313,158</u>

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16. SUBSEQUENT EVENTS

On June 17, 2021, the Corporation received an award notice for a \$1 million capital grant in the State's FY22 capital budget.

In August 2021, the Corporation entered into operating lease agreements for various office equipment with future minimum lease payments as follows:

<u>Year</u>	<u>Lease Payments</u>
2022	\$ 5,198
2023	6,931
2024	6,931
2025	6,931
2026	5,776
2027	<u>3,463</u>
Total	<u>\$ 35,230</u>

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 855-10-50, the Corporation has evaluated subsequent events and transactions through September 7, 2021, the date the financial statements were available to be issued. No events, with the exception of the information disclosed above, require recognition in the financial statements or disclosures of the Corporation.



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