



Abrams
Foster
Nole &
Williams, P.A.

**MARYLAND AFRICAN AMERICAN
MUSEUM CORPORATION**

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

Years Ended June 30, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Maryland African American Museum Corporation
Baltimore, Maryland

Opinion

We have audited the accompanying financial statements of the Maryland African American Museum Corporation (a not for profit corporation) which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities and change in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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, 2023 and 2022, and the change 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Maryland African American Museum Corporation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, 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 Maryland African American Museum Corporation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Certified Public Accountants & Business Advisors

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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted 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, 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 Maryland African American Museum Corporation'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 Maryland African American Museum Corporation'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.



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

November 17, 2023

MARYLAND AFRICAN AMERICAN MUSEUM CORPORATION
Statements of Financial Position
June 30, 2023 and 2022

	2023	2022
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 420,605	\$ 555,330
Accounts receivable	628,956	44,625
Gift shop inventory	27,363	37,993
Prepaid expenses	<u>7,897</u>	<u>7,840</u>
Total current assets	<u>1,084,821</u>	<u>645,788</u>
Property and Equipment, net	<u>416,746</u>	<u>418,928</u>
Non Current Assets		
Endowments		
Investments	8,696,593	8,847,885
Restricted cash	<u>100,548</u>	<u>100,199</u>
Total non current assets	<u>8,797,141</u>	<u>8,948,084</u>
Total Assets	<u><u>\$ 10,298,708</u></u>	<u><u>\$ 10,012,800</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 355,524	\$ 311,272
Accrued payroll expenses	128,403	73,258
Accrued expenses	82,873	76,665
Line of credit	80,624	80,624
Finance lease liability - current	6,928	6,928
Deferred revenue	<u>106,619</u>	<u>54,822</u>
Total current liabilities	<u>760,971</u>	<u>603,569</u>
Non Current Liabilities		
Finance lease liability - net of current	<u>15,600</u>	<u>22,520</u>
Total non current liabilities	<u>15,600</u>	<u>22,520</u>
Net Assets		
Without donor restrictions		
Undesignated	201,112	438,626
Designated by the Board for endowment	<u>2,217,006</u>	<u>2,134,400</u>
Total	<u>2,418,118</u>	<u>2,573,026</u>
With donor restrictions		
Perpetual in nature	6,794,845	6,794,846
Purpose restrictions	<u>309,174</u>	<u>18,839</u>
Total	<u>7,104,019</u>	<u>6,813,685</u>
Total net assets	<u>9,522,137</u>	<u>9,386,711</u>
Total Liabilities and Net Assets	<u><u>\$ 10,298,708</u></u>	<u><u>\$ 10,012,800</u></u>

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

MARYLAND AFRICAN AMERICAN MUSEUM CORPORATION
Statement of Activities and Change in Net Assets
Year Ended June 30, 2023

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Operating activities			
Revenue and Support			
Grants	\$ 2,259,442	\$ 309,173	\$ 2,568,615
Contributions	1,037,984	-	1,037,984
Admissions	138,434	-	138,434
Membership dues	48,992	-	48,992
Interest income	327,191	-	327,191
Investment income	53,723	-	53,723
Other income	725,688	-	725,688
Fundraising	43,643	-	43,643
Donated goods (GIK)	49,000	-	49,000
Donated services (GIK)	2,366	-	2,366
Net assets released from restrictions	18,839	(18,839)	-
Total revenue and support	<u>4,705,302</u>	<u>290,334</u>	<u>4,995,636</u>
Expenses			
Program services	3,477,810	-	3,477,810
Supporting services			
Management and general	641,550	-	641,550
Fundraising	<u>598,442</u>	<u>-</u>	<u>598,442</u>
Total supporting services	<u>1,239,992</u>	<u>-</u>	<u>1,239,992</u>
Total expenses	<u>4,717,802</u>	<u>-</u>	<u>4,717,802</u>
(Decrease) increase in net assets from operations	(12,500)	290,334	277,834
Nonoperating activities			
Unrealized loss on endowments	<u>(142,400)</u>	<u>-</u>	<u>(142,400)</u>
Total nonoperating activities	<u>(142,400)</u>	<u>-</u>	<u>(142,400)</u>
(Decrease) increase in net assets	(154,900)	290,334	135,434
Net assets beginning of year	2,573,026	6,813,685	9,386,711
Prior period adjustment	<u>(8)</u>	<u>-</u>	<u>(8)</u>
Net assets beginning of year, as adjusted	<u>2,573,018</u>	<u>6,813,685</u>	<u>9,386,703</u>
Net Assets End of Year	<u>\$ 2,418,118</u>	<u>\$ 7,104,019</u>	<u>\$ 9,522,137</u>

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

MARYLAND AFRICAN AMERICAN MUSEUM CORPORATION
Statement of Activities and Change in Net Assets
Year Ended June 30, 2022

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Grants	\$ 2,139,232	\$ -	\$ 2,139,232
Contributions	1,142,874	-	1,142,874
Admissions	137,595	-	137,595
Membership dues	50,992	-	50,992
Investment earnings	39,685	79,779	119,464
Unrealized gain (loss) on endowments	(74,839)	(274,346)	(349,185)
Other income	618,578	-	618,578
Net assets released from restrictions	82,000	(82,000)	-
Total revenue and support	<u>4,136,117</u>	<u>(276,567)</u>	<u>3,859,550</u>
Expenses			
Program services	2,902,101	-	2,902,101
Supporting services			
Management and general	540,198	-	540,198
Fundraising	<u>384,382</u>	<u>-</u>	<u>384,382</u>
Total supporting services	<u>924,580</u>	<u>-</u>	<u>924,580</u>
Total expenses	<u>3,826,681</u>	<u>-</u>	<u>3,826,681</u>
Increase (decrease) in net assets	309,436	(276,567)	32,869
Net assets beginning of year	<u>2,263,590</u>	<u>7,090,252</u>	<u>9,353,842</u>
Net Assets End of Year	<u>\$ 2,573,026</u>	<u>\$ 6,813,685</u>	<u>\$ 9,386,711</u>

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

MARYLAND AFRICAN AMERICAN MUSEUM CORPORATION
Statement of Functional Expenses
Year Ended June 2023

	Supporting Expenses				
	Program Services	Management & General	Fundraising	Total Supporting Expenses	Total 2023
Personnel	\$ 1,839,651	\$ 459,559	\$ 405,467	\$ 865,026	\$ 2,704,677
Consulting & contracts	465,838	66,457	77,612	144,069	609,907
Occupancy	433,240	-	-	-	433,240
Technology and equipment	180,124	21,523	43,212	64,735	244,859
Artists and hosting	110,707	8,000	350	8,350	119,057
Outreach & collaboration	35,860	962	248	1,210	37,070
Depreciation expense	98,772	6,372	1,062	7,434	106,206
Office expenses	139,041	2,740	8,902	11,642	150,683
Space rental	53,208	-	47,155	47,155	100,363
Supplies & materials	40,631	604	4,434	5,038	45,669
Finance expenses	-	19,855	10,000	29,855	29,855
Service donation expense (GIK)	2,366	-	-	-	2,366
Goods donation expense (GIK)	49,000	-	-	-	49,000
Investment management fees	-	39,164	-	39,164	39,164
Transportation	29,372	1,632	-	1,632	31,004
Lease expense (ROU) amortization	-	6,931	-	6,931	6,931
Interest expense	-	7,751	-	7,751	7,751
Total expenses	\$ 3,477,810	\$ 641,550	\$ 598,442	\$ 1,239,992	\$ 4,717,802

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

MARYLAND AFRICAN AMERICAN MUSEUM CORPORATION
Statement of Functional Expenses
Year Ended June 30, 2022

		Supporting Expenses			
	Program	Management & General	Fundraising	Total Supporting Expenses	TOTAL 2022
Personnel	\$ 1,479,644	\$ 391,911	\$ 195,941	\$ 587,852	\$ 2,067,496
Consulting and contracts	538,908	69,723	92,210	161,933	700,841
Occupancy	350,354	739	-	739	351,093
Technology and equipment	114,235	22,389	13,311	35,700	149,935
Artists and hosting	120,252	17,476	8,400	25,876	146,128
Outreach and collaboration	115,919	1,472	2,299	3,771	119,690
Depreciation expense	75,926	4,898	816	5,714	81,640
Office expenses	75,672	-	7,176	7,176	82,848
Space Rental	-	-	57,438	57,438	57,438
Supplies and materials	21,051	6,370	6,463	12,833	33,884
Finance expenses	20	17,129	-	17,129	17,149
Transportation	10,120	2,908	328	3,236	13,356
Interest expense	-	5,183	-	5,183	5,183
Total expenses	<u>\$ 2,902,101</u>	<u>\$ 540,198</u>	<u>\$ 384,382</u>	<u>\$ 924,580</u>	<u>\$ 3,826,681</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, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Change in net assets	\$ 135,434	\$ 32,869
Adjustments to reconcile change in net assets to net cash provided (used) in operating activities:		
Depreciation	106,206	81,641
Lease expense ROU amortization	6,931	-
Forgiveness of PPP debt	-	(313,158)
Unrealized loss on investments	142,400	349,185
Interest income	(327,191)	-
Investment earnings	(53,723)	(119,464)
Changes in operating assets and liabilities:		
(Increase) decrease in assets		
Accounts receivable	(584,331)	(32,363)
Inventory	10,630	13,297
Prepaid expenses	(57)	9,823
Increase (decrease) in liabilities		
Accrued payroll expenses	55,145	12,238
Accrued expenses	6,208	11,931
Accounts payable	44,252	24,017
Refundable advance	-	2,575
Deferred revenue	51,797	27,007
Total adjustments	<u>(541,733)</u>	<u>66,729</u>
Net cash (used) provided by operating activities	<u>(406,299)</u>	<u>99,598</u>
Cash Flows from Investing Activities		
Purchase of fixed assets	(110,955)	(198,568)
Purchase of investments	(1,346,843)	(143,773)
Proceeds from sale of investments	<u>1,483,918</u>	<u>139,396</u>
Net cash provided (used) by investing activities	<u>26,120</u>	<u>(202,945)</u>
Cash Flows from Financing Activities		
Principal payments on line of credit	-	(24,483)
Principal payments on finance lease	<u>(6,928)</u>	<u>-</u>
Net cash (used) by financing activities	<u>(6,928)</u>	<u>(24,483)</u>
Decrease in cash, cash equivalents and restricted cash	(387,107)	(127,830)
Cash, cash equivalents and restricted cash, beginning of year	<u>3,368,077</u>	<u>3,495,907</u>
Cash, cash equivalents and restricted cash, End of Year	<u>\$ 2,980,970</u>	<u>\$ 3,368,077</u>
Supplemental disclosure		
Cash paid for interest	<u>\$ 7,759</u>	<u>\$ 5,183</u>

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

MARYLAND AFRICAN AMERICAN MUSEUM CORPORATION
Notes to Financial Statements
June 30, 2023 and 2022

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. Basis of Presentation

The Corporation is required to report its financial statements 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.

MARYLAND AFRICAN AMERICAN MUSEUM CORPORATION
Notes to Financial Statements
June 30, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

The ASU has been applied. A footnote on liquidity has also been added (see note 12).

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, 2023 and 2022, the Corporation had net assets with donor restrictions in the amount of \$7,104,019 and \$6,813,685, respectively.

C. 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, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. 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.

E. 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.

F. 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, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. 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, 2023	June 30, 2022
Cash and cash equivalents	\$ 420,605	\$ 555,330
Restricted cash	100,548	100,199
Investment cash	<u>2,459,817</u>	<u>2,712,548</u>
Total cash, cash equivalents and restricted cash	<u>\$ 2,980,970</u>	<u>\$ 3,368,077</u>

G. 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.

H. 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, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Line of Credit

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. Borrowings totaled \$80,624 and \$80,624 at June 30, 2023 and 2022, respectively.

J. 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, 2023 and 2022, 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, 2023 and 2022 under the terms of the Memorandum of Understanding.

K. 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.

L. 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.

MARYLAND AFRICAN AMERICAN MUSEUM CORPORATION
Notes to Financial Statements
June 30, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Risk Management (continued)

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 four fiscal years.

M. 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.

N. Advertising

Advertising costs are expensed as incurred. For the years ended June 30, 2023 and 2022, there was \$19,503 and \$56,488 in advertising costs, respectively.

O. 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.

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.

P. Reporting for Impairment of Capital Assets and Insurance Recoveries

The Corporation received no insurance recoveries for the years ended June 30, 2023 and 2022. There was no impairment of capital assets.

MARYLAND AFRICAN AMERICAN MUSEUM CORPORATION
Notes to Financial Statements
June 30, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. 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 \$83,067 and \$19,816 for the years ended June 30, 2023 and 2022, respectively.

3. CASH DEPOSIT BALANCES

The following are the carrying value and bank balances of deposits at June 30, 2023 and 2022:

	<u>2023</u>		<u>2022</u>	
	<u>Carrying Amounts</u>	<u>Bank Amounts</u>	<u>Carrying Amounts</u>	<u>Bank Amounts</u>
Demand deposits	\$ 11,452	\$ 580,944	\$ 146,326	\$ 175,036
Money market accounts	<u>408,312</u>	<u>408,312</u>	<u>408,046</u>	<u>408,046</u>
Total	<u>\$ 419,764</u>	<u>\$ 989,256</u>	<u>\$ 554,372</u>	<u>\$ 583,082</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 \$841 at June 30, 2023 and 2022, respectively.

4. RESTRICTED CASH

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

	<u>2023</u>	<u>2022</u>
Operating endowments	\$ 21,105	\$ 21,042
Education endowments	<u>79,443</u>	<u>79,157</u>
Total	<u>\$ 100,548</u>	<u>\$ 100,199</u>

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5. INVESTMENTS

Investments are presented at fair value and are composed of the following at June 30, 2023 and 2022.

	<u>2023</u>		<u>2022</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 2,459,817	\$ 2,459,817	\$ 2,712,548	\$ 2,712,548
Privately held partnership	1,670,811	1,705,033	1,500,000	1,670,811
Mutual funds	3,710,353	3,594,275	4,766,957	3,710,353
Equities	754,173	937,468	750,000	754,173
Total	<u>\$ 8,595,154</u>	<u>\$ 8,696,593</u>	<u>\$ 9,729,505</u>	<u>\$ 8,847,885</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.

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.

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6. FAIR VALUE MEASUREMENTS (Continued)

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, 2023:

Description	2023 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	\$ 2,459,817	\$ 2,459,817	\$ -	\$ -
Privately Held Partnership	1,705,033	-	-	1,705,033
Mutual Funds	3,594,275	3,594,275	-	-
Equities	<u>937,468</u>	<u>937,468</u>	<u>-</u>	<u>-</u>
Total fair value	<u>\$ 8,696,593</u>	<u>\$ 6,991,560</u>	<u>\$ -</u>	<u>\$ 1,705,033</u>

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, 2022:

FAIR VALUE MEASUREMENTS USING:

Description	2022 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	\$ 2,712,548	\$ 2,712,548	\$ -	\$ -
Privately Held Partnership	1,670,811	-	-	1,670,811
Mutual Funds	3,710,353	3,710,353	-	-
Equities	<u>754,173</u>	<u>754,173</u>	<u>-</u>	<u>-</u>
Total fair value	<u>\$ 8,847,885</u>	<u>\$ 7,177,074</u>	<u>\$ -</u>	<u>\$ 1,670,811</u>

For the period from July 1, 2022, through June 30, 2023, the application of the valuation techniques applied to similar assets and liabilities has been consistent.

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6. FAIR VALUE MEASUREMENTS (Continued)

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, 2021	\$ 1,675,126
Unrealized loss on investment	<u>(4,315)</u>
Fair Value at June 30, 2022	1,670,811
Unrealized gain on investment	<u>34,222</u>
Fair Value at June 30, 2023	<u><u>\$ 1,705,033</u></u>

7. CAPITAL ASSETS

Capital assets consist of the following at June 30, 2023:

	Balance June 30, 2022	Additions	Disposals/ Transfers	Balance June 30, 2023
Capital Assets				
Equipment	\$ 915,962	\$ 110,955	\$ -	\$ 1,026,917
Furniture	89,725	-	-	89,725
Permanent exhibit	2,912,491	-	-	2,912,491
Gift shop furniture and fixtures	20,236	-	-	20,236
Building improvements	426,196	-	-	426,196
Right of Use Asset	29,448	-	6,931	22,517
Total	<u>4,394,058</u>	<u>110,955</u>	<u>6,931</u>	<u>4,498,082</u>
Accumulated depreciation				
Equipment	614,588	91,252	-	705,840
Furniture	89,725	-	-	89,725
Permanent exhibit	2,911,832	660	-	2,912,492
Gift shop furniture and fixtures	20,236	-	-	20,236
Building improvements	338,749	14,294	-	353,043
Total	<u>3,975,130</u>	<u>106,206</u>	<u>-</u>	<u>4,081,336</u>
Capital Assets, net	<u><u>\$ 418,928</u></u>	<u><u>\$ 4,749</u></u>	<u><u>\$ 6,931</u></u>	<u><u>\$ 416,746</u></u>

MARYLAND AFRICAN AMERICAN MUSEUM CORPORATION
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7. CAPITAL ASSETS (Continued)

Capital assets consist of the following at June 30, 2022:

Capital Assets	Balance June 30, 2021	Additions	Disposals/ Transfers	Balance June 30, 2022
Equipment	\$ 744,995	\$ 170,967	\$ -	\$ 915,962
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	27,601	-	426,196
Right of Use Asset	-	35,228	5,780	29,448
Total	<u>4,166,042</u>	<u>233,796</u>	<u>5,780</u>	<u>4,394,058</u>
Accumulated depreciation				
Equipment	546,631	67,957	-	614,588
Furniture	89,725	-	-	89,725
Permanent exhibit	2,911,087	745	-	2,911,832
Gift shop furniture and fixtures	20,236	-	-	20,236
Building improvements	325,810	12,939	-	338,749
Total	<u>3,893,489</u>	<u>81,641</u>	<u>-</u>	<u>3,975,130</u>
Capital Assets, net	<u>\$ 272,553</u>	<u>\$ 152,155</u>	<u>\$ 5,780</u>	<u>\$ 418,928</u>

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, 2023 and 2022, the Corporation owed \$216,595 and \$168,366, 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.

MARYLAND AFRICAN AMERICAN MUSEUM CORPORATION
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9. OPERATING LEASES Continued)

During fiscal years 2023 and 2022, the Corporation had short term lease agreements for various equipment in connection with annual special events. Rental expense was \$43,406 and \$17,482 for the years ended June 30, 2023 and 2022, respectively.

10. CAPITAL LEASE

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). In June 2020, the FASB issued ASU 2020-05, *Leases* (Topic 842): *Effective Dates for Certain Entities*. Under the new standards, lessees will need to recognize a right-of-use asset and lease liability for virtually all their leases (other than leases that meet the definition of a short term lease). The liability will be equal to the present value of lease payments. For income statement purposes, the FASB continued the dual model, requiring leases to be classified as either operating or finance. Operating leases will result in straight line expense (similar to current capital leases) while finance leases will result in a front-loaded expense pattern (similar to current capital leases). Classification will be based on criteria that are largely similar to those applied to current lease accounting. Extensive quantitative and qualitative disclosures will be required to provide greater insight into the extent of revenue and expense recognized and expected to be recognized from existing contracts. The Corporation retroactively adopted the requirements of Topic 842 effective July 1, 2021 which resulted in an adjustment to net assets for the fiscal year ended 2022.

On August 19, 2021, the Corporation entered into a sixty-three month finance lease for postage meter equipment for the amount of \$12,084 with an imputed interest rate of .037 percent with monthly principal and interest payments of \$192.

Future minimum principal payments under the lease are as follows:

2024	\$ 2,301
2025	2,301
2026	2,301
2027	960
Total	<u>\$ 7,863</u>

On August 19, 2021, the Corporation entered into a sixty-three month finance lease for postage meter equipment for the amount of \$23,144 with an imputed interest rate of .027 percent with monthly principal and interest payments of \$386.

MARYLAND AFRICAN AMERICAN MUSEUM CORPORATION
Notes to Financial Statements
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10. CAPITAL LEASE (Continued)

Future minimum principal payments under the lease are as follows:

2024	\$ 4,629
2025	4,629
2026	4,629
2027	<u>772</u>
Total	<u>\$ 14,659</u>

11. 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.

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.

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

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:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, July 1, 2022	\$ 2,134,400	\$ 6,813,685	\$ 8,948,085
Investment return, net	64,606	308,335	372,941
Net assets released from restriction	<u>18,000</u>	<u>(18,000)</u>	<u>-</u>
Endowment Net Assets, June 30, 2023	<u><u>\$ 2,217,006</u></u>	<u><u>\$ 7,104,020</u></u>	<u><u>\$ 9,321,026</u></u>

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, July 1, 2021	\$ 2,087,554	\$ 7,090,252	\$ 9,177,806
Investment return, net	(35,154)	(194,567)	(229,721)
Net assets released from restriction	<u>82,000</u>	<u>(82,000)</u>	<u>-</u>
Endowment Net Assets, June 30, 2022	<u><u>\$ 2,134,400</u></u>	<u><u>\$ 6,813,685</u></u>	<u><u>\$ 8,948,085</u></u>

At June 30, 2023 and 2022, net assets with donor restrictions are restricted for educational purposes.

MARYLAND AFRICAN AMERICAN MUSEUM CORPORATION
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12. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following represents the financial assets available for general expenditures within one year at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 420,605	\$ 555,330
Restricted cash-endowments	100,548	100,199
Investments-endowments	8,696,593	8,847,885
Accounts receivable	<u>628,956</u>	<u>44,625</u>
Total financial assets	9,846,702	9,548,039
Less amounts not available to be used within one year:		
Net assets with donor restrictions	(7,104,019)	(6,813,685)
Board designated net assets for endowments	<u>(2,217,006)</u>	<u>(2,134,400)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 525,677</u>	<u>\$ 599,954</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.

13. 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.

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.

MARYLAND AFRICAN AMERICAN MUSEUM CORPORATION
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13. RETIREMENT PLANS (Continued)

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, 2023 and 2022 in the amounts of \$352,080 and \$280,365, respectively.

14. 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 \$0 for the year ended June 30, 2023 and \$83,950 for nineteen covered employees for the year ended June 30, 2022.

15. 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).

16. LOAN PAYABLE

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.

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16. LOAN PAYABLE (Continued)

The principal amount of \$313,158 and related interest in the amount of \$1,999 was forgiven January 13, 2022 and treated as other income.

17. SUBSEQUENT EVENTS

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 855-10-50, the Corporation has evaluated subsequent events and transactions through November 17, 2023, the date the financial statements were available to be issued. No events require recognition in the financial statements or disclosures of the Corporation.



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