

MARYLAND AFRICAN AMERICAN MUSEUM CORPORATION

**Financial Statements Together with
Report of Independent Public Accountants**

For the Year Ended June 30, 2024

MARYLAND AFRICAN AMERICAN MUSEUM CORPORATION

Financial Statements Together with Report of Independent Public Accountants

JUNE 30, 2024

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON THE AUDIT OF THE FINANCIAL STATEMENTS

To the Board of Directors of the
Maryland African American Museum Corporation

Opinion

We have audited the statement of financial position of the Maryland African American Museum Corporation (the Corporation) as of June 30, 2024, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as of June 30, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. 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 GAAS, 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 controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal controls. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern one year after the issuance date or the date the financial statements are available for issuance.

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 controls-related matters that we identified during the audit.

Owings Mills, Maryland
November 12, 2024

SBC + Company, LLC

MARYLAND AFRICAN AMERICAN MUSEUM CORPORATION

Statement of Financial Position As of June 30, 2024

ASSETS	
Cash and cash equivalents	\$ 608,127
Investments	8,839,552
Accounts and grants receivable, net	416,160
Inventory	54,747
Prepaid expenses and other assets	15,515
Property and equipment, net	728,547
Right of use asset - financing lease	36,474
Total Assets	\$ 10,699,122
LIABILITIES AND NET ASSETS	
Liabilities	
Accounts payable and accrued liabilities	\$ 748,229
Lease liability - financing lease	36,032
Deferred revenue	44,330
Total Liabilities	828,591
Net Assets	
Without Donor Restrictions	
Undesignated	753,460
Board designated	795,560
Total Without Donor Restrictions	1,549,020
With donor restrictions - permanently restricted	8,043,992
With donor restrictions - temporarily restricted	277,519
Total Net Assets	9,870,531
Total Liabilities and Net Assets	\$ 10,699,122

The accompanying notes are an integral part of this financial statement.

MARYLAND AFRICAN AMERICAN MUSEUM CORPORATION

Statement of Activities and Changes in Net Assets For the Year Ended June 30, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and Support			
Grants	\$ 3,144,854	\$ 102,518	\$ 3,247,372
Contributions	803,616	75,000	878,616
Admissions	130,529	-	130,529
Membership dues	46,239	-	46,239
Interest income, net	396,261	-	396,261
Museum store sales, net of cost of sales	63,638	-	63,638
Rental income	545,429	-	545,429
Commissions and other income	96,713	-	96,713
Nonfinancial contributions - goods	90,735	-	90,735
Nonfinancial contributions - services	45,135	-	45,135
Total Revenue	<u>5,363,149</u>	<u>177,518</u>	<u>5,540,667</u>
Net assets released from restrictions	<u>209,173</u>	<u>(209,173)</u>	<u>-</u>
Total Revenue and Support	<u>5,572,322</u>	<u>(31,655)</u>	<u>5,540,667</u>
Expenses			
Program services	4,172,034	-	4,172,034
Management and general	474,455	-	474,455
Fundraising	545,784	-	545,784
Total Expenses	<u>5,192,273</u>	<u>-</u>	<u>5,192,273</u>
Changes in net assets	380,049	(31,655)	348,394
Net assets, beginning of year	<u>2,418,118</u>	<u>7,104,019</u>	<u>9,522,137</u>
Net Assets, End of Year	<u>\$ 2,798,167</u>	<u>\$ 7,072,364</u>	<u>\$ 9,870,531</u>

The accompanying notes are an integral part of this financial statement.

MARYLAND AFRICAN AMERICAN MUSEUM CORPORATION

Statement of Functional Expenses For the Year Ended June 30, 2024

	Program Services	Management and General	Fundraising	Totals
Salaries and related expenses	\$ 2,272,050	\$ 252,450	\$ 280,500	\$ 2,805,000
Consulting and contracts	625,531	66,998	62,461	754,990
Occupancy	498,622	-	-	498,622
Artists and hosting	165,459	21,722	73,538	260,719
Technology and equipment	132,907	49,415	20,058	202,380
Outreach and collaboration	109,680	3,915	2,598	116,193
Deprecation expenses and amortization	76,171	8,464	9,404	94,038
Office expenses	70,101	5,809	39,681	115,592
Space rental	-	3,468	8,898	12,366
Supplies and materials	58,415	5,314	8,709	72,438
Finance expenses	17,640	25,297	2,177	45,114
Service donation expense	9,135	-	36,000	45,135
Goods donation expense	90,400	-	335	90,735
Transportation	45,923	14,931	1,425	62,279
Interest expense	-	3,233	-	3,233
Lease expense amortization	-	13,439	-	13,439
Total	\$ 4,172,034	\$ 474,455	\$ 545,784	\$ 5,192,273

The accompanying notes are an integral part of this financial statement.

MARYLAND AFRICAN AMERICAN MUSEUM CORPORATION

Statement of Cash Flows For the Year Ended June 30, 2024

Cash Flows from Operating Activities

Changes in net assets	\$ 348,394
Adjustments to reconcile changes in net assets to net cash from operating activities:	
Depreciation and amortization	94,038
Lease amortization	12,997
Unrealized/realized gain on investments	(29,075)
Reinvested income	(412,424)
Effects of changes in non-cash operating assets and liabilities:	
Accounts receivable	212,796
Inventory	(27,384)
Prepaid expenses	(7,618)
Accounts payable and accrued liabilities	181,429
Deferred revenue	(62,289)
Net Cash Flow from Operating Activities	<u>310,864</u>

Cash Flows from Investing Activities

Purchase of fixed assets	(428,356)
Purchase of investments	(861,393)
Proceeds from sale of investments	1,260,481
Net Cash Flow from Investing Activities	<u>(29,268)</u>

Cash Flows from Financing Activities

Payments on line of credit	(80,624)
Payments on finance lease	(13,450)
Net Cash Flow from Investing Activities	<u>(94,074)</u>

Net change in cash and cash equivalents	187,522
Cash and cash equivalents, beginning of year	420,605
Cash and Cash Equivalents, End of Year	<u>\$ 608,127</u>

Supplemental Disclosure

Cash paid for interest	<u>\$ 4,216</u>
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The accompanying notes are an integral part of this financial statement.

MARYLAND AFRICAN AMERICAN MUSEUM CORPORATION

Notes to the Financial Statements

June 30, 2024

1. ORGANIZATION AND MISSION

The Maryland African American Museum Corporation (the Corporation), which is a component unit of the State of Maryland (the 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 instrument 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 and the museum building was renamed Reginald F. Lewis Museum of Maryland African American History & Culture.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements of the Corporation are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue, support, and expenses during the reporting period. Accordingly, actual results could differ from those estimates and assumptions.

Cash and Cash Equivalents

The Corporation maintains its cash in bank deposit accounts at two separate financial institutions, which at times may exceed Federally insured limits. The Federal Deposit Insurance Corporation (FDIC) guarantees account up to \$250,000 per depositor per institution. The Corporation has not experienced any losses in its bank deposit accounts. Cash and cash equivalents consist of cash and highly liquid investments funds, which have an original maturity of 90 days or less. Cash equivalents as of June 30, 2024 consisted of money market funds.

MARYLAND AFRICAN AMERICAN MUSEUM CORPORATION

Notes to the Financial Statements

June 30, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements

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

The three levels of the fair value hierarchy under generally accepted accounting principles are described below:

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

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

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

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Financial instruments consisted of cash and cash equivalents, investments, receivables, and payables and debt. The carrying value of the Association's financial instruments in the accompanying statements of financial position approximates their respective estimated fair values as of June 30, 2024.

MARYLAND AFRICAN AMERICAN MUSEUM CORPORATION

Notes to the Financial Statements

June 30, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts and Grants Receivable

Accounts receivable represent amounts due from grants and pledges not collected as of year-end. Receivables are valued at management's estimate of the net realizable value. The Corporation's management periodically reviews the status of all receivable balances for collectability. Management believes that receivables as of June 30, 2024 were fully collectible, and thus no allowance for doubtful accounts were recorded. As of June 30, 2024, receivables that were expected to be collected greater than one year were discounted at 4.71%.

Inventory

Inventory represents goods that are sold in the Corporation's gift shop. Items held for sale at the gift shop are valued using the weighted average cost method.

Property and Equipment

Purchases of property and equipment in excess of \$1,000 with an estimated useful life of more than one year are capitalized at cost and depreciated over the estimated useful lives of the assets using the straight-line method. Gifts of long-lived assets are recorded at their fair value when donated. Expenditures for major repairs and improvements are capitalized, and expenditures for minor repairs and maintenance are expensed as incurred.

Collection of Artifacts and Documents

The Corporation owns diverse collections of historical and artistic artifacts. The Corporation secures and preserves all collections to adequately preserve African American history. 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.

Deaccessioned Collections

The Corporation restricts the use of proceeds from its collection of artifacts and documents. All proceeds obtained from the disposition of artifacts and/or documents are used only for the purchase or of new artifacts and collections or the care and protection of existing artifacts and collections.

MARYLAND AFRICAN AMERICAN MUSEUM CORPORATION

Notes to the Financial Statements

June 30, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Right of Use Asset and Lease liability

The Corporation records the right of use assets related to the postage meters and copier equipment. The right of use assets is amortized over the term of the leases. The lease liability represents the future commitments for the Corporation's equipment and copier leases. The liability related to the postage equipment leases are discounted using Treasury risk free rate which was estimated of 4.13% as of June 30, 2024. The liability related to the copier equipment is discounted using Treasury risk free rate which was estimated at 4.13% as of July 1, 2023.

Deferred Revenue

Deferred revenue consists of amounts paid in advance for event space rentals. The revenue is recognized when the event occurs.

Net Assets

Net assets without donor restrictions are assets and contributions that are not restricted by donors or for which restrictions have expired.

Board-designated represents expendable funds functioning as an endowment designated by the Board. All income earned by this fund is deemed available for and becomes part of unrestricted net assets.

Net assets with donor restrictions are those whose use by the Corporation, has been restricted by donors primarily for a specific time period or purpose. When a donor restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions. If donor restriction is met in the same reporting period in which the contribution is received, the contribution (to the extent that the restrictions have been met) is reported as net assets without donor restrictions.

Net assets with donor restrictions to be permanently restricted are those that are restricted by donors to be maintained by the Corporation in perpetuity.

Revenue and Support

The Corporation recognizes contributions and grants when an unconditional promise to give is received. Conditional promises to give, with a measurable performance or other barrier and right of return, are not recognized until the conditions on which they depend have been met. Contributions and grants received are recorded as net assets with or without donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions.

MARYLAND AFRICAN AMERICAN MUSEUM CORPORATION

Notes to the Financial Statements

June 30, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue and Support (continued)

When a donor restriction expires, that is, when some stipulated time restriction ends, or purpose of the restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions. Membership dues are recognized when received in the year the membership is established and provide members free entrance into the museum for the year.

Admissions and museum store sales revenue is recognized when services are delivered, and products are sold.

Commission revenue is revenue from catering services for events held at the Museum that is earned through commissions based on a percentage of gross catering revenues, as specified in the agreement with the catering provider.

Special events revenue is recognized when the event occurs.

Investment gains/losses include both realized and unrealized gains and losses on investments. Realized gains and losses are calculated based on the difference between the cost of the investments and the proceeds received from the sale of the respective investments. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on an accrual basis. Dividends are recorded on the ex-dividend date. Investment income is classified as with and without donor restrictions, based on the purpose of the underlying investments.

Nonfinancial Contributions

Contributed nonfinancial assets include donated professional services and goods which are recorded at the respective fair values of the goods or services received. In addition to contributed nonfinancial assets, volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation.

Functional Allocation of Expenses

The costs of providing various programs and supporting activities have been summarized on a functional basis in the accompanying statements of activities and changes in net assets in the statements of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services that benefit from those costs. Management and general expenses include expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Corporation. Fundraising expenses are those which are specific to the related activities.

MARYLAND AFRICAN AMERICAN MUSEUM CORPORATION

Notes to the Financial Statements

June 30, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising Expenses

Advertising expenses are expensed as incurred. For the year ended June 30, 2024, there was \$66,348 in advertising costs.

Income Taxes

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. Accordingly, there are no provisions for income taxes within the accompanying financial statements and the Corporation has not taken any questionable tax positions.

Accounting principles generally accepted in the United States of America provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition of tax positions taken or expected to be taken in a tax return. The Corporation performed an evaluation of uncertain tax positions as of June 30, 2024 and determined that there were no matters that would require recognition in the accompanying financial statements or which may have any effect on its tax-exempt status.

Liquidity and Availability of Resources

The following represents the Corporation's financial assets as of June 30, 2024, reduced by the amounts not available for general use within one year because of donor-imposed and Board restrictions.

Cash and cash equivalents	\$	608,127
Investments		8,839,552
Accounts receivable		416,160
Financial assets, at year-end		<u>9,863,839</u>
Less: those unavailable for general expenditures within one year, due to:		
Donor restrictions - held in perpetuity		8,043,992
Donor restrictions - board designated		795,560
Donor restrictions - purpose/time		<u>277,519</u>
Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	\$	<u>746,768</u>

MARYLAND AFRICAN AMERICAN MUSEUM CORPORATION

Notes to the Financial Statements

June 30, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Liquidity and Availability of Resources (continued)

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. Additionally, the Corporation maintains a \$700,000 line of credit as discussed in more detail in Note 8 and a board-designated fund of \$795,560. As of June 30, 2024, \$700,000 remains available on the Corporation's line of credit.

Subsequent Events

The Corporation evaluated the accompanying financial statements for subsequent events and transactions through November 12, 2024, date these financial statements were available for issue, and have determined that no material subsequent events have occurred that would affect the information presented in the accompanying financial statements or require additional disclosure.

Adjustment to Beginning Net Asset Allocations

During the current fiscal year, management reviewed the classification of its net assets and identified adjustments needed to accurately allocate funds between board-designated and endowment funds. As a result, a reallocation was made between board-designated net assets and net assets with donor restrictions as of the beginning of the fiscal year. This reallocation did not impact the total beginning net assets; rather, it was an internal adjustment to reflect the correct classification of funds based on their intended designations. The total net assets reported at the beginning of the year remain unchanged.

3. INVESTMENTS

The following is a description of the valuation methodologies used for investments measured at fair value. There have been no changes in the methodologies used as of June 30, 2024.

Cash and cash equivalents, fixed income, and mutual funds: Valued at the fair value of the investments based on the price per the active market on which the securities are traded.

Privately Held Partnership: 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 methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, the Corporation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

MARYLAND AFRICAN AMERICAN MUSEUM CORPORATION

Notes to the Financial Statements June 30, 2024

3. INVESTMENTS (continued)

The following table sets forth, by level, the fair value hierarchy of the Corporation's investments at fair value as of June 30, 2024.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Totals</u>
Cash and money market funds	\$ 2,950,578	\$ -	\$ -	\$ 2,950,578
Certificat of deposit	101,307	-	-	101,307
Privately held partnership	-	-	1,706,622	1,706,622
Fixed income	3,099,116	-	-	3,099,116
Mutual funds	981,929	-	-	981,929
Total Investments	\$ 7,132,930	\$ -	\$ 1,706,622	\$ 8,839,552

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.

For the year ended June 30, 2024, investment income consisted of the following:

Interest and dividends	\$ 412,424
Unrealized and realized gain on investments	29,075
Less: Management fees	45,238
Total Investment Income, Net	\$ 396,261

4. PROPERTY AND EQUIPMENT, NET

As of June 30, 2024, property and equipment consisted of the following:

		<u>Estimated Estimated Useful life</u>
Equipment	\$ 1,100,219	3 to 5 years
Furniture	91,103	5 to 7 years
Permanant exhibit	3,235,025	20 years
Gift shop furniture and fixtures	24,515	5 to 7 years
Building improvements	426,196	5-15 years
Total	4,877,058	
Less: accumulated depreciation	4,148,511	
Property and Equipment, Net	\$ 728,547	

Depreciation and amortization expense was \$94,038 for the year ended June 30, 2024 .

MARYLAND AFRICAN AMERICAN MUSEUM CORPORATION

Notes to the Financial Statements

June 30, 2024

5. LEASE LIABILITY

On August 19, 2021, the Corporation entered into a five-year lease agreement for a postage meter which is set to expire on August 19, 2026, with a base monthly payment of \$386 per month. As of June 30, 2024, the lease payable was \$10,032.

On August 19, 2021, the Corporation entered into a sixty-three-month lease agreement for a postage meter which is set to expire on November 19, 2026, with a base monthly payment of \$192 per month. As of June 30, 2024, the lease payable was \$5,565.

On June 20, 2023, the Corporation entered into a sixty-three-month lease agreement for a copier which is set to expire on September 20, 2028 with a base monthly payment of \$447 per month. As of June 30, 2024, the lease payable was \$20,875. Total interest expense was \$967 for the year ended June 30, 2024.

Future minimum principal payments under the leases are as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2025	\$ 12,300
2026	12,300
2027	6,744
2028	5,364
2029	1,341
Total	<u>38,049</u>
Less: discount for present value	2,017
	<u>\$ 36,032</u>

6. NET ASSETS WITH DONOR RESTRICTIONS

The Corporation net assets with donor restrictions were available for the following programs and consisted of the following as of June 30, 2024:

Outreach	\$ 50,000
Teaching institute	78,519
Annual gala	25,000
Colloquium	14,000
Honoring black excellence	10,000
Time restricted	100,000
Total	<u>\$ 277,519</u>

MARYLAND AFRICAN AMERICAN MUSEUM CORPORATION

Notes to the Financial Statements

June 30, 2024

7. ENDOWMENT

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 to be permanently restricted as the original value of gifts donated to the endowment. This includes any accumulations to the permanent endowment made in accordance with the direction of applicable donor gift instruments 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.

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.

In accordance with UPMIFA, the Corporation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of the Corporation and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the Corporation; and
- The investment policies of the Corporation.

Return Objectives

The overall financial objectives of the Endowment are to provide income for the Corporation's current and future operations and to increase the value of the Endowment to ensure the perpetual nature of the mission. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds.

Spending Policy

The current policy is to distribute on an annual basis an amount equal to 5 percent rolling three years average of the market value of as of June 30th.

MARYLAND AFRICAN AMERICAN MUSEUM CORPORATION

Notes to the Financial Statements June 30, 2024

7. ENDOWMENT (continued)

Spending Policy (continued)

For the year ended June 30, 2024, the changes in the endowment net assets were as follows:

	Without Donor Restrictions - Board Designated	With Donor Restrictions - Held in Perpetuity
Endowment Net Assets, July 1, 2023	\$ 791,743	\$ 8,005,398
Investment return, net	33,129	334,972
Withdrawals	(29,312)	(296,378)
Endowment Net Assets, June 30, 2024	\$ 795,560	\$ 8,043,992

8. COMMITMENTS AND CONTINGENCIES

Commitments

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 revenue as defined in the agreement. The Commission revenue was \$83,067 for the year ended June 30, 2023. As of July 30, 2023, the exclusive agreement was terminated.

State of Maryland Grant

The Governor of the State of Maryland (the State) 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. They committed \$2,700,000 for the fiscal years 2023 to 2025 to the Corporation's operating budget, as approved by the Maryland Department of Budget and Management (DBM). The Corporation received the full committed amount as of June 31, 2024.

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, 2024, there was no balance due to the State. The Corporation met its matching requirement during the year ended June 30, 2024.

MARYLAND AFRICAN AMERICAN MUSEUM CORPORATION

Notes to the Financial Statements

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9. RETIREMENT PLANS

State Retirement System

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.

The Corporation participates in the System, a defined benefit plan funded and administered by the State. Under this arrangement, the State is responsible for funding and making all contributions to the pension plan on behalf of the Corporation's eligible employees. The Corporation does not record pension liabilities on its financial statements, as all costs associated with the pension benefits are funded and paid in the Corporation's reimbursement to the State for employers' payroll cost. (See Note 10)

Funding Policy

The Corporation is 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 year ended June 30, 2024 in the amounts of \$355,738.

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.

Employees cannot withdraw their account balances 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). Only employees make voluntary contributions from their salaries to the plans.

MARYLAND AFRICAN AMERICAN MUSEUM CORPORATION

Notes to the Financial Statements

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10. RELATED PARTY TRANSACTIONS

The Museum is built on land that is leased from Baltimore City (the City) for \$1 for the 99 year lease. This property can only be used as a museum and the land and building would revert back to the City in the event of default. The Museum expands tourism beyond the Inner Harbor. The Museum benefits the citizens of Baltimore City as the museum complements the numerous historic, architectural and cultural attractions in Jonestown and Little Italy. Finally, the museum assists Baltimore City School system develop educational programs and activities for students of all grade levels.

The Corporation operates in a building owned by the State which was built on the City's land for the Organization's use. Under the terms of the arrangement, the Corporation is permitted to make improvements to the building to support its mission. These improvements are capitalized as building improvements on the Corporation's financial statements and are depreciated over their estimated useful lives. Ownership of the building remains with the State, and the Corporation does not recognize the building's value as an asset on its statement of financial position.

The employees of the Corporation are employees of the State. 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, 2024 the Corporation owed \$370,913 to the State. For the year ended June 30, 2024, the Corporation paid to the City a total payroll and benefits of \$2,434,087.

11. NON-FINANCIAL CONTRIBUTIONS

For the year ended June 30, 2024, the Corporate received donated goods and graphic services as contributions for \$135,870. Contributed services of \$45,135 were recognized as in-kind revenue at their estimated fair value if they create or enhance non-financial assets or require specialized skills that would need to be purchased if they were not donated. Contributed goods in the amount of \$90,735 were recorded at the estimated fair value as contributed nonfinancial assets with a corresponding increase in expenses.