

**Museum of African American History, Inc**  
*(Formerly, Museum of Afro-American History, Inc.)*

Financial Statements  
and  
Independent Auditor's Report  
December 31, 2011 and 2010

**Museum of African American History, Inc.**  
Financial Statements  
December 31, 2011

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*Independent Auditor's Report*

The Board of Directors

**Museum of African American History, Inc.**

*(Formerly, Museum of Afro-American History, Incorporated)*

**Boston, MA**

We have audited the accompanying statements of financial position of Museum of African American History, Inc. (formerly, Museum of Afro-American History, Incorporated) (a nonprofit organization) as of December 31, 2011 and 2010 and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the organization's management. 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Museum of African American History, Inc. as of December 31, 2011 and 2010 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Sambo Ojoto*  
*Company, LLC.*  
*September 25, 2012*

**Museum of Africam American History, Incorporated**  
**(Formerly, Museum of Afro-American History, Incorporated)**

Statements of Financial Position

December 31, 2011 and 2010

	Assets			2011	2010
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
<i>Current Assets:</i>					
Cash	\$ -	\$ 194,521	\$ -	\$ 194,521	\$ 475,081
Accounts receivables current (net)	69,645	712,113	-	781,758	1,122,425
Inventory	19,886	-	-	19,886	18,876
Prepaid expenses and deposits	21,497	-	-	21,497	24,388
Total current assets	<u>111,028</u>	<u>906,634</u>	<u>-</u>	<u>1,017,662</u>	<u>1,640,770</u>
Investments	-	6,612	337,580	344,192	419,868
Pledges receivable (net of current)	192,554	548,174	-	740,728	848,279
<i>Property and Equipment</i>					
Land and improvements	152,485	-	-	152,485	152,485
Buildings and improvements	9,822,350	-	-	9,822,350	2,585,482
Exhibits	1,030,565	-	-	1,030,565	1,030,565
Furniture and equipment	108,509	-	-	108,509	105,834
Less- accumulated depreciation	<u>(1,185,854)</u>	<u>-</u>	<u>-</u>	<u>(1,185,854)</u>	<u>(1,597,524)</u>
Net property and equipment	<u>9,928,055</u>	<u>-</u>	<u>-</u>	<u>9,928,055</u>	<u>2,276,842</u>
Construction in Progress	3,265,920	-	-	3,265,920	7,031,488
Collections	224,825	-	-	224,825	224,825
Total assets	<u>\$ 13,722,382</u>	<u>\$ 1,461,420</u>	<u>\$ 337,580</u>	<u>\$ 15,521,383</u>	<u>\$ 12,442,072</u>
<b>Liabilities and Net Assets</b>					
<i>Current Liabilities:</i>					
Current portion of notes payable	\$ 162,729	\$ -	\$ -	\$ 162,729	\$ 158,278
Accounts payable and accrued expenses	396,535	-	-	396,535	38,088
Total current liabilities	<u>559,264</u>	<u>-</u>	<u>-</u>	<u>559,264</u>	<u>196,366</u>
Notes payable net of current portion	1,796,395	-	-	1,796,395	1,963,644
Total liabilities	<u>2,355,659</u>	<u>-</u>	<u>-</u>	<u>2,355,659</u>	<u>2,160,010</u>
<i>Net Assets</i>					
Unrestricted:					
Operating	626,495	-	-	626,495	626,495
Property and equipment	10,740,229	-	-	10,740,229	6,916,199
Total unrestricted	<u>11,366,724</u>	<u>-</u>	<u>-</u>	<u>11,366,724</u>	<u>7,542,694</u>
Temporarily restricted	-	1,461,420	-	1,461,420	2,401,788
Permanently restricted	-	-	337,580	337,580	337,580
Total net assets	<u>11,366,724</u>	<u>1,461,420</u>	<u>337,580</u>	<u>13,165,724</u>	<u>10,282,062</u>
Total liabilities and net assets	<u>\$ 13,722,383</u>	<u>\$ 1,461,420</u>	<u>\$ 337,580</u>	<u>\$ 15,521,383</u>	<u>\$ 12,442,072</u>

See accompanying notes to the financial statements

**Museum of African American History, Incorporated**  
**(Formerly, Museum of Afro-American History, Incorporated)**

Statements of Activities and Changes in Net Assets  
December 31, 2011 and 2010

	2011			2010	
	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>	<i>Total</i>
<i>Operating Revenues:</i>					
Grants and contributions	\$ 289,976	\$ 140,487	\$ -	\$ 430,463	\$ 495,147
Contract income	-	50,000	-	50,000	50,000
Donated rent and services	161,650	65,000	-	226,650	187,250
Special events (net)	299,325	-	-	299,325	9,048
Membership dues	17,960	-	-	17,960	15,270
Interest income and miscellaneous income	15,515	-	-	15,515	12,647
Other income	27,030	-	-	27,030	497,980
Museum shop sales net of cost of goods sold	14,749	-	-	14,749	19,446
Facilities and program income	41,656	-	-	41,656	37,448
Loss on disposal of fixed assets	(432,132)	-	-	(432,132)	-
Net assets released from restrictions:					
Satisfaction of program and time restrictions	1,195,855	(1,195,855)	-	-	-
Total Operating revenues	1,631,584	(940,368)	-	691,216	1,324,236
<i>Operating Expenses:</i>					
Program services	1,047,240	-	-	1,047,240	1,042,553
Management and general	365,360	-	-	365,360	373,484
Nantucket Program	22,064	-	-	22,064	63,892
Capital campaign	52,948	-	-	52,948	44,484
Total operating expense before depreciation	1,487,612	-	-	1,487,612	1,524,413
Changes in net assets before depreciation	143,972	(940,368)	-	(796,396)	(200,177)
Depreciation	192,908	-	-	192,908	86,185
Total operating expenses	1,680,520	-	-	1,680,520	1,610,598
Changes in net assets from operations	(48,936)	(940,368)	-	(989,304)	(286,362)
<i>Non-Operating Revenue (Loss)</i>					
Grants and contributions	-	3,898,000	-	3,898,000	333,324
Realized and unrealized gains on investments	-	(25,033)	-	(25,033)	41,037
Satisfaction of restrictions	3,872,967	(3,872,967)	-	-	-
Total non - operating revenue	3,872,967	-	-	3,872,967	374,361
Interest expense	-	-	-	-	-
Changes in net assets	3,824,031	(940,368)	-	2,883,663	87,999
Net assets, beginning of year	7,542,694	2,401,788	337,580	10,282,062	10,194,063
Net assets, end of year.	\$ 11,366,725	\$ 1,461,420	\$ 337,580	\$ 13,165,725	\$ 10,282,062

See accompanying notes to the financial statements

**Museum of African American History, Inc.**  
**(Formerly, Museum of Afro-American History, Inc)**

Statement of Functional Expenses

For the Years Ended December 31, 2011 and 2010

*Supporting Services*

	Program Services	Nantucket Program	Total Program	Administrative	Capital Campaign	2011 Total	2010 Total
<i>Salaries and benefits</i>							
Salaries	\$ 415,332	\$ -	\$ 415,332	\$ 132,893	\$ 35,088	\$ 583,313	\$ 611,725
Payroll taxes and benefits	59,594	2,202	61,796	38,593	3,723	104,112	110,584
<b>Total salaries and benefits</b>	<b>474,926</b>	<b>2,202</b>	<b>477,128</b>	<b>171,486</b>	<b>38,811</b>	<b>687,425</b>	<b>722,309</b>
<i>Other expenses</i>							
Occupancy	174,616	-	174,616	54,415	-	229,031	228,781
Supplies, materials and others	34,330	2,328	36,658	10,911	713	48,282	129,465
Consultants	101,303	621	101,924	78,548	-	180,472	154,656
Storage	37,386	-	37,386	-	7,032	44,418	44,875
Travel and conferences	6,542	-	6,542	471	-	7,013	4,227
Insurance	6,987	12,484	19,471	6,246	-	25,717	42,022
Telephone	11,804	747	12,551	3,311	2,910	18,772	15,209
Advertising and promotion	1,427	94	1,521	267	-	1,788	1,874
Exhibits	8,830	-	8,830	-	-	8,830	27,046
Interest expense	136,494	-	136,494	-	-	136,494	140,949
Cleaning and maintenance	16,469	3,338	19,807	2,454	3,482	25,743	-
Utilities	27,571	-	27,571	-	-	27,571	-
Property taxes	-	-	-	15,473	-	15,473	-
Equipment repairs and maintenance	8,359	250	8,609	2,907	-	11,516	-
Bank charges	-	-	-	4,205	-	4,205	-
Legal and accounting	196	-	196	14,666	-	14,862	13,000
<b>Total other expenses before depreciation</b>	<b>572,314</b>	<b>19,862</b>	<b>592,176</b>	<b>193,874</b>	<b>14,137</b>	<b>800,187</b>	<b>802,104</b>
Depreciation	164,867	28,041	192,908	-	-	192,908	86,185
<b>Total expenses</b>	<b>\$ 1,212,107</b>	<b>\$ 50,105</b>	<b>\$ 1,262,212</b>	<b>\$ 365,360</b>	<b>\$ 52,948</b>	<b>\$ 1,680,520</b>	<b>\$ 1,610,598</b>

**Museum of African American History, Incorporated**  
**(Formerly, Museum of Afro-American History, Incorporated)**

Statements of Cash Flows

For the Years Ended December 31, 2011 and 2010

	2011	2010
<i>Cash flows from operating activities:</i>		
Change in net assets	(989,304)	(286,362)
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	192,908	86,185
Changes in assets and liabilities:		
Pledges and accounts receivable	448,218	429,132
Inventory	(1,010)	1,166
Prepaid expenses and deposits	2,891	(7,171)
Accounts payable and accrued expenses	362,898	(88,462)
Net cash provided (used) in operating activities	16,601	134,488
<i>Cash flows from investing activities:</i>		
Acquisition of property and equipment	(7,239,543)	(1,577)
Construction in progress	3,765,568	(219,597)
Capitalization of exhibit expenses	-	(497,980)
Disposal of fixed assets	(604,578)	-
Sale of investment	95,000	119,500
Purchase of investment	(19,326)	(68,308)
Net cash used in investing activities	(4,002,879)	(667,962)
<i>Cash flows from financing activities:</i>		
Payment on loan	(167,249)	(57,742)
Grants and contributions for property acquisitions	3,872,967	374,362
Net cash used in financing activities	3,705,718	316,620
Net (decrease) increase in cash and cash equivalents	(280,560)	(216,854)
Cash and cash equivalents at beginning of year	475,081	691,935
Cash and cash equivalents at end of year	\$ 194,521	\$ 475,081
Supplemental disclosures:		
Interest paid	\$ 136,494	\$ 140,949

*See accompanying notes to financial statements*

**Museum of African American History, Inc.**  
Notes to Financial Statements  
December 31, 2011 and 2010

**1. Type of Organization:**

The Museum of African American History, Inc. (formerly, Museum of Afro-American History, Incorporated) (MAAH or the Museum) is a nonprofit organization dedicated to the preservation and interpretation of the contributions of people of African descent and those who have found common cause with them in the struggle for liberty, dignity and justice for all Americans. Incorporated under the laws of Massachusetts in 1967, MAAH is New England's largest museum that tells and echoes the powerful stories of the survival and liberation struggles of black communities, families and their children. To this end, the museum collects and exhibits artifacts; educates the public of the relevance and importance of the artifacts and in so doing, celebrates the enduring vitality of African American culture.

Among the activities and programs organized by the museum are the following:

*Exhibits Programs and Education:* - These activities are aimed at showcasing the powerful stories of black families who worshipped, educated their children, debated current issues, produced great art, organized politically and advanced the cause of freedom.

*Historical Landmarks:* - These landmarks consisting of the African Meeting House, Boston, and the African Meeting House in Nantucket; Abiel Smith School and Seneca Boston - Florence Higginbotham House which provide visitors with stories of black Americans courageous struggles and aspirations.

*Black Heritage Trails (a registered trademark):* - The trails on Boston's Beacon Hill and the Island of Nantucket highlight black heritage and community conducted on a guided walking tour.

*Summary of Significant Accounting Policies*

*Basis of Presentation* - Financial statements presentation follows the recommendation of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, MAAH is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

*Revenue and Expenses* - Contributions received or receivable are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Contract income is recognized over the contract period as costs are incurred. Revenues from facilities, programs, Museum shop sales and membership dues are recognized as revenue when earned. Special events income is recognized when earned and shown net of direct expenses of \$9,048 and \$107,494 for the years ended December 31, 2011 and 2010 respectively.



**Museum of African American History, Inc.**

Notes to Financial Statements - *Continued*

December 31, 2011 and 2010

**1. *Type of Organization - Continued***

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Donations of property and equipment are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

*Fixed Assets and Depreciation* - Fixed assets are stated at cost when purchased. Donations of fixed assets are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Museum reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Depreciation is calculated by straight-line method over their estimated useful lives. Maintenance and repairs are charged to operations when incurred. Significant betterments and renewals are capitalized. It is the Museum's policy to capitalize all furniture and equipment purchases, property betterments and property renewals valued over \$500.

Fixed assets depreciation is based on estimated useful lives as follows:

Land and improvement	20 years
Building improvements	15 - 40 years
Exhibits; Furniture and equipment	5 - 10 years

*Cash and Cash Equivalents* - For the purposes of financial statement presentation, MAAH considers all highly liquid investments with maturity of three months or less to be cash equivalents.

*Functional Expenses* - Expenses by function have been allocated among program and supporting services based on direct charge, analysis of personnel time and space utilized for the related activities.

*Income Taxes* - MAAH is exempt from income taxes under Section 501(c) (3) of the United States Internal Revenue Code; the Organization has been determined to be an organization which is not a private foundation.

**Museum of African American History, Inc.**  
Notes to Financial Statements - *Continued*  
December 31, 2011 and 2010

**1. *Type of Organization - Continued***

*Concentration of Credit* - A significant proportion of MAAH's income is earned as support from the National Park Service (NPS) arising from a cooperative agreement (see note 2) and other corporate and foundation donors. Financial instruments which potentially subject MAAH to concentration of credit risk consist principally of receivables from these donors.

MAAH maintains cash balances in several commercial banks. The balances are insured up to a maximum of \$250,000 by the Federal Deposit Insurance Corporation. At various times during the year, the cash balance at one of the banks exceeded the insured balance. Management monitors the financial condition of the banks periodically to keep the credit risk to a minimum.

*Advertising Costs* - Advertising costs are expensed as they are incurred.

*Estimates and Assumptions* - The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Bad and Doubtful Debt Expenses* - Accounts and pledges receivables are assessed by management for bad and doubtful debt allowances. Pledges scheduled for collections over one year are assigned a discount factor of 2%.

**2. *Cooperative Agreement & Historical Sites Development:***

**New Grant:** The Museum received a temporarily restricted grant of \$4,138,000 for the restoration and rehabilitation of African Meeting House in Boston. The grant which became effective on September 16, 2011 provided funding for Construction Management and a portion of the architectural services as well as for the completion of construction work. During the year ended December 31, 2010, \$250,000 was received as payment from the award. The remaining \$3,888,000 was received during the year ended December 31, 2011.

The Museum maintains a cooperative agreement with NPS arising from a Congressional Act pursuant of Title 1 of the Act of October 10, 1980 (Public Law 96-430). The Act provides funding for National Historical Structures located in Boston, specifically, the African Meeting House and the Abiel Smith School.

**Museum of African American History, Inc.**  
Notes to Financial Statements - *Continued*  
December 31, 2011 and 2010

**2. *Cooperative Agreement & Historical Sites Development- Continued***

Under this agreement, the Museum provides certain continuing services as defined in the agreement relating to the preservation, protection, programming, operation and maintenance of the African Meeting House and the Abiel Smith School. The agreement which is renewable at expiration is for a five-year period at each instance.

MAAH entered into a revised agreement with NPS which expires in 2013. This agreement is governed by the United States National Park Service General Provisions for Cooperative Agreements. Additional funding promised by NPS under this agreement has progressively decreased over the years.

In 1991, NPS, with assistance from the Museum obtained \$1.2 million in funding for the restoration of the African Meeting House and Abiel Smith School. Of this amount, \$800,000 was earmarked for the restoration of the Abiel Smith School and the rest for design and engineering work for both historic buildings; the permanent exhibitions and the courtyard. NPS also in collaboration with the Museum secured an additional \$1.4 million in 1999 for the restoration of the African Meeting House and the Smith Courtyard. The unused portion of this fund, \$916,762 was re-awarded to the Museum to be used for the African Meeting House's capital improvement.

Rehabilitation of the Abiel Smith School were completed in 1999 while the new construction and restoration of the African Meeting House, the walkway and the AMH Courtyard were completed in November, 2011. As of December 31, 2011 and 2010 year end, \$3,770,221 and \$4,398,053 respectively were incurred for new construction and restoration costs of the African Meeting House. These costs are included as Buildings and Improvements in the accompanying statement of financial position.

The Museum acquired the Seneca Boston Florence Higginbotham House, the cottage and the garage in August, 2001. The purchase price for the House which is adjacent to the African Meeting House and a shed in Nantucket, Massachusetts was about \$654,000. Rehabilitation of the Boston Higginbotham House is in progress and expenses to date totaling \$122,322 at December 31, 2011 and 2010 year end respectively were incurred in conjunction with the rehabilitation and are included as construction in progress in the accompanying financial statements.

During the year ended December 31, 2007 MAAH also acquired from a Trust, the 38 South Russell Street site, a four-story and basement tenement in the Beacon Hill area of Boston Massachusetts. The property will be renovated for offices, library and archives services.

The purchase price of the property of \$2,080,000 was funded through a twenty year mortgage with annual interest of 7.28%. Renovation and mortgage expenses are expected to be funded through a capital campaign.

**Museum of African American History, Inc.**  
Notes to Financial Statements - *Continued*  
December 31, 2011 and 2010

**3. Investments:**

The Museum records its investments at market value. Interest, dividends and mutual fund distributions are recorded when earned. Gains and losses are recognized as incurred or based on market value changes during the period. The following represents a summary of the investment portfolio with related unrealized appreciation and (depreciation) as at December 31, 2011 and 2010.

	<u>2011</u>		
	<u>Cost</u>	<u>Fair Market Value</u>	<u>Unrealized Appreciation/Depreciation</u>
Mutual funds	\$ 339,961	\$ 344,192	\$ 4,231
	<u>\$ 339,961</u>	<u>\$ 344,192</u>	<u>\$ 4,231</u>
Unrealized loss on investments			(53,000)
Net realized loss on sale of investments			4,911
Net realized and unrealized loss on investments			<u>\$ (48,089)</u>
	<u>2010</u>		
	<u>Cost</u>	<u>Fair Market Value</u>	<u>Unrealized Appreciation/Depreciation</u>
Mutual funds	\$ 376,982	\$ 440,179	\$ 63,197
	<u>\$ 376,982</u>	<u>\$ 440,179</u>	<u>\$ 63,197</u>
Unrealized loss on investments			73,320
Net realized loss on sale of investments			(19,607)
Net realized and unrealized loss on investments			<u>\$ 53,713</u>

Mutual funds consist of various equity and government bond funds. Investments are classified as long-term in the accompanying statements of financial position since it is the museum's intent to hold these investments for long-term purposes. During the year ended December 31, 2011 and 2010, the investments consist of \$22,841 and \$20,433 respectively of cash and cash equivalents.

**Museum of African American History, Inc.**

Notes to Financial Statements - *Continued*

December 31, 2011 and 2010

**3. *Investments -Continued***

In accordance with Financial Accounting Standards Board Statement No. 124 and Massachusetts State Law, appreciation on permanently restricted investments is included in temporarily restricted net assets.

MAAH measures the fair value of its financial instruments in accordance with accounting standards relative to fair value measurements, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs to determine the fair value of financial instruments. Also in accordance with these standards, MAAH categorizes its financial instruments, based on the priority of inputs to the valuation technique, into a three-level hierarchy, as discussed below.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level I - are quoted prices in active markets for identical investments that the Museum has the ability to access at the measurement or reporting date. The type of investments generally included in this category includes listed equities and mutual funds.

Level II - are inputs (other than quoted prices in active markets included within Level I), which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include corporate bonds, less liquid and restricted equity securities, and certain over-the-counter derivatives.

Level III - are unobservable inputs for the investment and includes situations where there is little, if any, market activity for the investment. Unobserved inputs are those that reflect the Company's own assumptions about the determination of fair value and require significant management judgment or estimation. Investments which are generally included in this category may include private equity funds, hedge funds, partnerships and limited liability companies.

Investments are uninsured and are subject to movements arising from market fluctuations.

**Museum of African American History, Inc.**  
Notes to Financial Statements - *Continued*  
December 31, 2011 and 2010

**4. Long Term Debt:**

During the year ended December 31, 2007, MAAH obtained a mortgage for \$2,080,000 for the acquisition of the property at 38 South Russell Street. Interest on the 20-year mortgage agreement is 7.28% per annum. Principal and interest payments commenced in March, 2007. Interest payment on this loan at December 31, 2011 and 2010 were \$136,494 and \$140,949 respectively. The mortgage balance at December 31, 2011 was \$1,814,757

Future minimum payments until maturity are as follows:

December 31,	2012	\$	199,292
	2013		199,292
	2014		199,292
	2015 and beyond		2,424,719
			\$ 3,022,595

In 2009, MAAH negotiated the conversion of certain current accounts payable liability to a promissory note. The note calls for a quarterly payment of \$25,000 of the outstanding balance until fully paid. Interest on the note of 3% is to be accrued. The accrued interest will be forgiven if there is no payment default during payment period of the promissory note.

Future minimum payments until fully paid are as follows:

December 31,	2012	\$	100,000
	2013		44,167
			\$ 144,167

**5. Construction in Progress:**

Construction in progress remains on-going for the Museum's restoration and renovation projects. Construction and interest expenses and donated legal services related to the project have all been capitalized as construction in progress. At December 31, 2011 and 2010, \$3,265,920 and \$7,031,488 respectively have been capitalized as construction in progress and reported in the accompanying financial statements.

Certain fully depreciated fixed assets worth about \$150,361 were still in use by the Museum at December 31, 2011.

**Museum of African American History, Inc.**

Notes to Financial Statements - *Continued*

December 31, 2011 and 2010

**6. Collections:**

MAAH owns various valuable collections of exhibits, artifacts and other historical art materials. The determinations of the values of some of these collections are not feasible and therefore have not been reflected in the accompanying financial statements. Collections with measurable basis are recorded at cost at the date of purchase or at their fair market value at the date of donation and are included as collections in the accompanying financial statements.

**7. Capital Campaign:**

The Museum has enlisted the assistance of a committee of prominent fund raisers in the community for its capital campaign for property acquisitions, site improvements and restorations. Management has requested that a portion of the proceeds from the fund drive be made available for supporting services expenses.

**8. Related Party Transactions:**

The Museum has pledges outstanding from Board Members amounting to about \$125,100 and \$200,600 at December 31, 2011 and 2010 respectively.

**9. Rentals:**

The Museum has various rental commitments on tenant-at-will agreements for office and administrative space for the "Welcome Center" and storage facilities. The office space occupied by the Museum has a monthly rental expense of about \$6,378. Rental expense for the storage facilities in Boston and Nantucket Massachusetts was \$44,418 and \$44,875 for the years ended December 31, 2011 and 2010 respectively.

**10. In-kind Contributions:**

In-kind revenue and expenses represent donated goods and services to MAAH. Donated services are recognized as contributions in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by MAAH. During the year ended December 31, 2011 and 2010 in-kind contributed revenue and related expenses consisted of the following:

**Museum of African American History, Inc.**  
Notes to Financial Statements - *Continued*  
December 31, 2011 and 2010

**10. In-kind Contributions - Continued**

The City of Boston granted the Museum a ninety-nine year lease on July 1, 1994, for the use of the Abiel Smith School for a consideration of \$1. Under the terms of the agreement, MAAH will be responsible for the insurance, maintenance and utility expenses for the School. Management's estimate of the contribution arising from this transaction in addition to other in-kind contributions received are as follows:

	2011	2010
Rent	152,250	152,250
Consulting services	66,862	35,000
Others	7,537	-
Total	226,649	187,250

**11. Pledges Receivable:**

MAAH received unconditional pledges from various donors for supporting services and program purposes as well as capital campaign. Some of these pledges date back to past years and management believes that due to the nature of the pledges they will be honored by the makers. However, a provision of \$79,157 has been made for possible default in payments and resultant bad debt.

	Amount
Pledges and Accounts Receivable	\$ 1,591,640
Less: discount allowance for doubtful accounts	(79,154)
	1,512,486



**Museum of African American History, Inc.**  
Notes to Financial Statements - *Continued*  
December 31, 2011 and 2010

**12. Net Assets:**

Temporarily restricted net assets of \$1,464,420 and \$2,401,788 as of December 31, 2011 and 2010 respectively, consist of donor-restricted contributions to be used in fiscal years 2011 and 2010 for the following:

	2011	2010
Capital Campaign	\$ 1,260,287	\$ 1,844,419
Other designated projects	201,133	557,369
Total	1,461,420	2,401,788

Permanently restricted net assets of \$337,580 represents donors' contributions for the establishment of a permanent endowment. Income from investments represented by the assets may be used for general operations.

**13. Subsequent Events**

M.A.A.H. has evaluated the financial statement impact of subsequent events occurring through July 15, 2011 the date that the financial statements were authorized to be issued.