

G
O
9
/
1
9
/
2
0
1
1
4

2013
Audit

006292

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

Financial Statements
and
Independent Auditor's Report
December 31, 2013 and 2012

G
O
9
/
1
9
/
2
0
1
1
4

2013
Audit
006272

Museum of African American History, Inc.
Financial Statements
December 31, 2013

Contents

	<u>Page</u>
Independent Auditor's Report	1
Financial Statements:	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash flows	5
Notes to Financial Statements	6

G
0

9
/
1
9
/
2
0
0
1
4



Independent Auditor's Report

2013
Audit

006272

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, 2013 and 2012 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, 2013 and 2012 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 Okolo
&
Company, LLC
June 15, 2014

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

Statements of Financial Position
December 31, 2013 and 2012

Assets							
			2013	2012			
			Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
<i>Current Assets:</i>							
Cash	\$	236,108	\$	-	\$	236,108	\$ 366,314
Accounts receivables current (net)		132,221		599,808	-	732,029	784,275
Inventory		20,248		-	-	20,248	20,892
Prepaid expenses and deposits		32,924		-	-	32,924	16,802
Total current assets		<u>421,501</u>		<u>599,808</u>	<u>-</u>	<u>1,021,309</u>	<u>1,188,283</u>
Investments		-		29,467	337,580	367,047	357,792
Pledges receivable (net of current)		455,784		571,856	-	1,027,640	883,139
<i>Property and Equipment</i>							
Land and improvements		152,485		-	-	152,485	152,485
Buildings and improvements		9,877,005		-	-	9,877,005	9,822,350
Exhibits		1,030,565		-	-	1,030,565	1,030,565
Furniture and equipment		119,558		-	-	119,558	119,558
Less- accumulated depreciation		<u>(1,821,756)</u>		<u>-</u>	<u>-</u>	<u>(1,821,756)</u>	<u>(1,503,856)</u>
Net property and equipment		<u>9,357,857</u>		<u>-</u>	<u>-</u>	<u>9,357,857</u>	<u>9,621,102</u>
Construction in Progress		3,366,543		-	-	3,366,543	3,270,772
Collections		229,325		-	-	229,325	229,325
Total assets	\$	<u>13,831,011</u>	\$	<u>1,201,130</u>	\$ 337,580	<u>15,369,721</u>	<u>15,550,413</u>
Liabilities and Net Assets							
<i>Current Liabilities:</i>							
Current portion of notes payable	\$	78,228	\$	-	\$	78,228	\$ 120,834
Accounts payable and accrued expenses		209,516		-	-	209,516	363,500
Total current liabilities		<u>287,744</u>		<u>-</u>	<u>-</u>	<u>287,744</u>	<u>484,334</u>
Notes payable net of current portion		1,596,797		-	-	1,596,797	1,626,916
Total liabilities		<u>1,884,541</u>		<u>-</u>	<u>-</u>	<u>1,884,541</u>	<u>2,111,250</u>
<i>Net Assets</i>							
<i>Unrestricted:</i>							
Operating		626,496		-	-	626,496	626,495
Property and equipment		11,319,974		-	-	11,319,974	11,217,691
Total unrestricted		<u>11,946,470</u>		<u>-</u>	<u>-</u>	<u>11,946,470</u>	<u>11,844,186</u>
Temporarily restricted		-		1,201,130	-	1,201,130	1,257,397
Permanently restricted		-		-	337,580	337,580	337,580
Total net assets		<u>11,946,470</u>		<u>1,201,130</u>	<u>337,580</u>	<u>13,485,180</u>	<u>13,439,163</u>
Total liabilities and net assets	\$	<u>13,831,011</u>	\$	<u>1,201,130</u>	\$ 337,580	<u>15,369,721</u>	<u>15,550,413</u>

See accompanying notes to the financial statements

G
O

9
/
1
9
/
2
0
1
1
4

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

Statements of Activities and Changes in Net Assets
December 31, 2013 and 2012

	2013			2012	
	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>	<i>Total</i>
<i>Operating Revenues:</i>					
Grants and contributions	\$ 1,208,476	\$ 268,739	\$ -	\$ 1,477,215	\$ 1,546,530
Contract income	-	40,780	-	40,780	167,379
Donated rent and services	161,201	-	-	161,201	156,432
Special events (net)	134,366	-	-	134,366	116,454
Membership dues	32,285	-	-	32,285	33,713
Interest and miscellaneous incomes	1,990	-	-	1,990	714
Other income	7,232	-	-	7,232	7,230
Museum shop sales net of cost of goods sold	7,957	-	-	7,957	19,397
Facilities and program income	67,394	-	-	67,394	53,304
Gain on sale of investments	40,050	-	-	40,050	-
Net assets released from restrictions:					
Satisfaction of program and time restrictions	341,477	(341,477)	-	-	-
Total Operating revenues	2,002,428	(31,958)	-	1,970,470	2,101,153
<i>Operating Expenses:</i>					
Program services	1,191,101	-	-	1,191,101	1,273,640
Management and general	358,229	-	-	358,229	348,528
Nantucket Program	60,953	-	-	60,953	24,416
Capital campaign	63,862	-	-	63,862	27,060
Total operating expense before depreciation	1,674,145	-	-	1,674,145	1,673,644
Changes in net assets before depreciation	328,283	(31,958)	-	296,325	427,509
Depreciation	317,900	-	-	317,900	318,002
Total operating expenses	1,992,045	-	-	1,992,045	1,991,646
Changes in net assets from operations	10,383	(31,958)	-	(21,575)	109,507
<i>Non-Operating Revenue (Loss)</i>					
Grants and contributions	-	53,800	-	53,800	115,000
Realized and unrealized gains on investments	-	13,791	-	13,791	48,930
Satisfaction of restrictions	91,900	(91,900)	-	-	-
Total non - operating revenue	91,900	(24,309)	-	67,591	163,930
Changes in net assets	102,283	(56,267)	-	46,016	273,437
Net assets, beginning of year	11,844,185	1,257,397	337,580	13,439,162	13,165,725
Net assets, end of year.	\$ 11,946,468	\$ 1,201,130	\$ 337,580	\$ 13,485,178	\$ 13,439,162

See accompanying notes to the financial statements

Statement of Functional Expenses
For the Years Ended December 31, 2013 and 2012

	<i>Supporting Services</i>						
	<i>Program Services</i>	<i>Nantucket Program</i>	<i>Total Program</i>	<i>Administrative</i>	<i>Capital Campaign</i>	<i>2013 Total</i>	<i>2012 Total</i>
<i>Salaries and benefits</i>							
Salaries	\$ 421,138	\$ 14,884	\$ 436,022	\$ 206,381	51,610	\$ 694,013	\$ 553,210
Payroll taxes and benefits	62,985	2,897	65,882	40,208	4,839	110,929	92,969
Total salaries and benefits	484,123	17,781	501,904	246,589	56,449	804,942	646,179
<i>Other expenses</i>							
Occupancy	180,239	300	180,539	55,915	-	236,454	232,963
Supplies, materials and others	20,001	2,217	22,218	5,531	168	27,917	37,375
Consultants	182,857	72	182,929	1,624	-	184,553	166,058
Storage	33,566	2,695	36,261	-	7,037	43,298	39,688
Membership fees	2,112	8	2,120	225	-	2,345	-
Travel and conferences	16,879	1,010	17,889	893	103	18,885	14,301
Postages	1,305	190	1,495	848	105	2,448	2,308
Printing and copying	3,349	254	3,603	48	-	3,651	5,827
Payroll processing fee	2,836	177	3,013	887	-	3,900	4,097
Insurance	25,589	25,590	51,179	6,397	-	57,576	44,832
Telephone	7,291	2,678	9,969	5,365	-	15,334	16,240
Advertising and promotion	1,292	368	1,660	250	-	1,910	1,174
Exhibits	13,825	-	13,825	-	-	13,825	55,735
Interest expense	127,844	-	127,844	-	-	127,844	132,723
Cleaning and maintenance	45,556	2,986	48,542	862	-	49,404	44,024
Utilities	25,066	4,357	29,423	-	-	29,423	31,358
Property taxes	8,781	-	8,781	9,675	-	18,456	16,105
Equipment repairs and maintenance	6,134	132	6,266	138	-	6,404	4,496
Equipment rental	2,456	138	2,594	2,881	-	5,475	-
Bank charges	-	-	-	6,351	-	6,351	4,998
Bad debt expenses	-	-	-	-	-	-	157,163
Legal and accounting	-	-	-	13,750	-	13,750	16,000
Total other expenses before depreciation	706,978	43,172	750,150	111,640	7,413	869,203	1,027,465
Depreciation	289,032	28,868	317,900	-	-	317,900	318,002
Total expenses	\$ 1,480,133	\$ 89,821	\$ 1,569,954	\$ 358,229	\$ 63,862	\$ 1,992,045	\$ 1,991,646

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

Statements of Cash Flows

For the Years Ended December 31, 2013 and 2012

	2013	2012
<i>Cash flows from operating activities:</i>		
Change in net assets	(21,576)	109,507
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	317,900	318,002
Changes in assets and liabilities:		
Pledges and accounts receivable	(92,255)	(144,927)
Inventory	645	(1,006)
Prepaid expenses and deposits	(16,122)	4,695
Accounts payable and accrued expenses	(226,709)	(74,930)
Net cash provided in operating activities	<u>(38,117)</u>	<u>211,341</u>
<i>Cash flows from investing activities:</i>		
Acquisition of property and equipment	(54,655)	(11,049)
Construction in progress	(95,771)	(4,852)
Exhibit expenses	-	(4,500)
Sale of investment	87,617	44,703
Purchase of investment	(24,194)	(101,113)
Net cash used in investing activities	<u>(87,003)</u>	<u>(76,811)</u>
<i>Cash flows from financing activities:</i>		
Payment on loan	(72,677)	(126,667)
Grants and contributions for property acquisitions	67,591	163,930
Net cash provided by financing activities	<u>(5,086)</u>	<u>37,263</u>
Net (decrease) increase in cash and cash equivalents	(130,206)	171,793
Cash and cash equivalents at beginning of year	<u>366,314</u>	<u>194,521</u>
Cash and cash equivalents at end of year	<u>\$ 236,108</u>	<u>\$ 366,314</u>
Supplemental disclosures:		
Interest paid	<u>\$ 127,844</u>	<u>\$ 132,723</u>

See accompanying notes to financial statements

Museum of African American History, Inc.
Notes to Financial Statements
December 31, 2013 and 2012

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 and Abiel Smith School in Boston, and the African Meeting House in Nantucket; and Seneca-Boston-Florence Higginbotham House in Nantucket 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 Statement presentation follows the recommendations 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, the Museum 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. The organization also adopted Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions received or pledged are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

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.

Museum of African American History, Inc.
Notes to Financial Statements - *Continued*
December 31, 2013 and 2012

1. *Type of Organization - Continued*

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 \$134,366 and \$116,454 for the years ended December 31, 2013 and 2012 respectively.

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, 2013 and 2012

1. *Type of Organization - Continued*

Concentration of Credit - A significant proportion of MAAH's income is earned as support from Federal, State and Local Government entities, 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:*

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.

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.

G
O
9
/
1
9
/
2
0
1
4

Museum of African American History, Inc.
Notes to Financial Statements - *Continued*
December 31, 2013 and 2012

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

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 was completed in 1999 while the new construction and restoration of the African Meeting House, the walkway and the AMH Courtyard were completed in November, 2012. The construction costs have been capitalized and included 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 \$207,039 and \$122,322 at December 31, 2013 and 2012 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.

G
0
9
/
1
9
/
2
0
1
1
4

Museum of African American History, Inc.
Notes to Financial Statements - *Continued*
December 31, 2013 and 2012

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, 2013 and 2012.

	<u>2013</u>	Fair Market Value	Unrealized Appreciation/ Depreciation
	<u>Cost</u>	<u>Value</u>	<u>Depreciation</u>
Mutual funds	\$ 319,847	\$ 367,047	\$ 47,200
	<u>\$ 319,847</u>	<u>\$ 367,047</u>	<u>\$ 47,200</u>
Unrealized gain on investments			30,205
Net realized gain on sale of investments			<u>40,050</u>
Net realized and unrealized gain on investments			<u>\$ 70,255</u>
	<u>2012</u>	Fair Market Value	Unrealized Appreciation/ Depreciation
	<u>Cost</u>	<u>Value</u>	<u>Depreciation</u>
Mutual funds	\$ 321,786	\$ 357,792	\$ 36,006
	<u>\$ 321,786</u>	<u>\$ 357,792</u>	<u>\$ 36,006</u>
Unrealized loss on investments			(16,995)
Net realized loss on sale of investments			<u>16,528</u>
Net realized and unrealized loss on investments			<u>\$ (467)</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, 2013 and 2012, the investments consist of \$31,822 and \$18,741 respectively of cash and cash equivalents.

G
0
9
/
1
9
/
2
0
1
4

Museum of African American History, Inc.
Notes to Financial Statements - *Continued*
December 31, 2013 and 2012

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.

G
0
9
/
1
9
/
2
0
1
1
4

Museum of African American History, Inc.
Notes to Financial Statements - *Continued*
December 31, 2013 and 2012

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 payments on this loan at December 31, 2013 and 2012 were \$126,567 and \$132,085 respectively. The mortgage balance at December 31, 2013 was \$1, 675,025.

Future minimum payments until maturity are as follows:

December 31,	2013	\$	199,292
	2014		199,292
	2015 and beyond		2,424,719
		<u>\$</u>	<u>2,823,303</u>

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, 2013 and 2012, \$3,366,543 and \$3,270,772 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, 2013.

6. Collections:

MAAH owns various valuable collections of exhibits, artifacts and other historical art materials. The determination 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.

G
0
9
/
1
9
/
2
0
1
4

Museum of African American History, Inc.
Notes to Financial Statements - *Continued*
December 31, 2013 and 2012

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 \$319,600 and \$135,100 at December 31, 2013 and 2012 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 \$43,298 and \$39,688 for the years ended December 31, 2013 and 2012 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, 2013 and 2012 in-kind contributed revenue and related expenses consisted of the following:

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:

G
0
9
/
1
9
/
2
0
1
1
4

Museum of African American History, Inc.
Notes to Financial Statements - *Continued*
December 31, 2013 and 2012

10. In-kind Contributions - Continued

	2013	2012
Rent	152,250	152,250
Professional Services	2,618	2,205
Others	6,333	1,977
Total	161,201	156,432

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	\$ 1,106,794
Less: discount allowance for doubtful accounts	(79,154)
	1,027,640

12. Subsequent Events

M.A.A.H. has evaluated the financial statement impact of subsequent events occurring through June 15, 2014 the date that the financial statements were authorized to be issued.

G
0
9
/
1
9
/
2
0
1
1
4

Museum of African American History, Inc.
Notes to Financial Statements - *Continued*
December 31, 2013 and 2012

13. Net Assets:

Temporarily restricted net assets of \$1, 201,130 and \$1, 257,397 as of December 31, 2013 and 2012 respectively, consist of donor-restricted contributions to be used in fiscal years 2013 and 2012 for the following:

	2013	2012
Capital Campaign	\$ 1,061,630	\$ 1,117,897
Other designated projects	139,500	139,500
Total	1,201,130	1,257,397

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.

The Museum maintains an Endowment Fund for funds received from donors for investment. The original endowment fund comprised of the following: Transfer of the Raytheon Endowment Fund \$287,580; Anonymous donor \$45,000 and William Taylor \$5,000. The Endowment Fund investment is managed by U.S. Trust, Bank of America Corporation. Income from the investments can be used for operational expenses. At December 31, 2013, the value of the permanently restricted Endowment was \$337,580.