

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

Financial Statements
and
Independent Auditor's Report
December 31, 2015 and 2014

Museum of African American History, Inc.
Financial Statements
December 31, 2015 and 2014

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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, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion of the financial statements as a whole. The supplementary information included in the Statement of Functional Expenses presented on page 5 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Sambu Olow
Company, LLC
Randolph, Massachusetts
June 15, 2016

Museum of Africam American History, Incorporated
(Formerly, Museum of Afro-American History, Incorporated)
 Statements of Financial Position
 December 31, 2015 and 2014

Assets					
				2015	2014
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Total</u>
<i>Current Assets:</i>					
Cash	\$ 452,032	\$ 1,145,878	\$ -	\$ 1,597,910	\$ 2,437,100
Accounts receivables current (net)	9,951	540,675	-	550,626	575,374
Inventory	20,130	-	-	20,130	22,124
Prepaid expenses and deposits	18,774	-	-	18,774	17,578
Total current assets	<u>500,888</u>	<u>1,686,552</u>	<u>-</u>	<u>2,187,441</u>	<u>3,052,176</u>
Investments	-	1,423	337,580	339,003	344,696
Pledges receivable (net of current)	375,795	1,260,961	-	1,636,756	869,101
<i>Property and Equipment</i>					
Land and improvements	152,485	-	-	152,485	152,485
Buildings and improvements	10,165,549	-	-	10,165,549	9,901,905
Exhibits	1,030,565	-	-	1,030,565	1,030,565
Furniture and equipment	165,693	-	-	165,693	127,946
Less- accumulated depreciation	<u>(2,464,299)</u>	<u>-</u>	<u>-</u>	<u>(2,464,299)</u>	<u>(2,141,572)</u>
Net property and equipment	<u>9,049,993</u>	<u>-</u>	<u>-</u>	<u>9,049,993</u>	<u>9,071,329</u>
Construction in Progress	1,033,868	-	-	1,033,868	686,318
Collections	229,325	-	-	229,325	229,325
Total assets	<u>\$ 11,189,869</u>	<u>\$ 2,948,936</u>	<u>\$ 337,580</u>	<u>\$ 14,476,385</u>	<u>\$ 14,252,945</u>

Liabilities and Net Assets					
<i>Current Liabilities:</i>					
Current portion of notes payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable and accrued expenses	261,198	-	-	261,198	254,283
Total current liabilities	<u>261,198</u>	<u>-</u>	<u>-</u>	<u>261,198</u>	<u>254,283</u>
Notes payable net of current portion	-	-	-	-	-
Total liabilities	<u>261,198</u>	<u>-</u>	<u>-</u>	<u>261,198</u>	<u>254,283</u>
<i>Net Assets</i>					
<i>Unrestricted:</i>					
Operating	626,496	-	-	626,496	626,496
Board designated	1,300,000	-	-	1,300,000	1,300,000
Property and equipment	9,002,174	-	-	9,002,174	9,180,525
Total unrestricted	<u>10,928,670</u>	<u>-</u>	<u>-</u>	<u>10,928,670</u>	<u>11,107,021</u>
Temporarily restricted	-	2,948,937	-	2,948,937	2,554,062
Permanently restricted	-	-	337,580	337,580	337,580
Total net assets	<u>10,928,670</u>	<u>2,948,937</u>	<u>337,580</u>	<u>14,215,187</u>	<u>13,998,663</u>
Total liabilities and net assets	<u>\$ 11,189,868</u>	<u>\$ 2,948,937</u>	<u>\$ 337,580</u>	<u>\$ 14,476,385</u>	<u>\$ 14,252,945</u>

See accompanying notes to the financial statements

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

Statements of Activities and Changes in Net Assets
December 31, 2015 and 2014

	2015			2014	
	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>	<i>Total</i>
<i>Operating Revenues:</i>					
Grants and contributions	\$ 749,335	\$ 160,701	\$ -	\$ 910,036	\$ 577,516
Contract income	-	93,200	-	93,200	168,990
Donated rent and services	160,434	-	-	160,434	161,754
Special events	419,166	-	-	419,166	138,175
Membership dues	21,285	-	-	21,285	40,275
Interest and miscellaneous incomes	12,918	-	-	12,918	13,963
Investment income	6,555	-	-	6,555	6,902
Museum shop sales	11,391	-	-	11,391	17,086
Facilities and program income	69,653	-	-	69,653	67,648
Gain on sale of investments	10,818	-	-	10,818	58,696
Gain on sale of fixed assets	-	-	-	-	371,763
Net assets released from restrictions:					
Satisfaction of program and time restrictions	249,945	(249,945)	-	-	-
Total Operating revenues	1,711,500	3,956	-	1,715,456	1,622,768
<i>Operating Expenses:</i>					
Program services	985,361	-	-	985,361	1,160,271
Management and general	419,516	-	-	419,516	409,144
Nantucket Program	95,835	-	-	95,835	81,707
Capital campaign	66,412	-	-	66,412	24,019
Total operating expense before closing costs and depreciation	1,567,124	-	-	1,567,124	1,675,141
Changes in net assets before closing costs and depreciation	144,376	3,956	-	148,332	(52,373)
Closing costs	-	-	-	-	193,220
Depreciation	322,727	-	-	322,727	319,816
Total operating expenses	1,889,851	-	-	1,889,851	2,188,177
Changes in net assets from operations	(178,351)	3,956	-	(174,395)	(565,409)
<i>Non-Operating Revenue (Loss)</i>					
Grants and contributions	-	413,983	-	413,983	1,136,778
Realized and unrealized loss on investments	-	(23,064)	-	(23,064)	(57,886)
Total non - operating revenue	-	390,919	-	390,919	1,078,892
Changes in net assets	(178,351)	394,875	-	216,524	513,483
Net assets, beginning of year	11,107,021	2,554,062	337,580	13,998,663	13,485,180
Net assets, end of year.	\$ 10,928,670	\$ 2,948,937	\$ 337,580	\$ 14,215,187	\$ 13,998,663

See accompanying notes to the financial statements

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

Statement of Functional Expenses

For the Years Ended December 31, 2015 and 2014

Supporting Services

	Program Services	Nantucket Program	Total Program	Administrative	Capital Campaign	2015 Total	2014 Total
<i>Salaries and benefits</i>							
Salaries	\$ 431,600	\$ 41,732	\$ 473,332	\$ 170,851	54,241	\$ 698,424	\$ 708,195
Payroll taxes and benefits	58,280	5,703	63,983	46,080	4,491	114,554	97,856
Total salaries and benefits	489,880	47,435	537,315	216,931	58,732	812,978	806,051
<i>Other expenses</i>							
Occupancy	180,707	-	180,707	73,336	-	254,043	252,476
Supplies, materials and others	25,100	4,669	29,769	10,115	-	39,884	40,171
Consultants	92,271	1,310	93,581	66,560	-	160,141	165,807
Storage	35,058	6,274	41,332	-	7,476	48,808	50,186
Membership fees	6,268	650	6,918	275	-	7,193	3,368
Travel and conferences	11,003	2,518	13,521	3,221	126	16,868	13,137
Postages	801	228	1,029	2,306	70	3,405	2,826
Printing and copying	831	216	1,047	3,617	8	4,672	2,980
Payroll processing fee	3,352	209	3,561	628	-	4,189	4,124
Insurance	17,134	17,135	34,269	9,257	-	43,526	48,110
Telephone	15,790	3,080	18,870	2,754	-	21,624	21,975
Advertising and promotion	6,623	536	7,159	639	-	7,798	1,202
Exhibits	2,156	-	2,156	-	-	2,156	20,331
Interest expense	-	-	-	-	-	-	95,849
Cleaning and maintenance	61,684	2,621	64,305	1,416	-	65,721	52,044
Utilities	32,764	8,141	40,905	-	-	40,905	43,468
Dues and subscription	-	559	559	2,405	-	2,964	1,823
Property taxes	-	-	-	-	-	-	18,472
Equipment repairs and maintenance	540	65	605	2,187	-	2,792	3,501
Equipment rental	3,399	189	3,588	1,902	-	5,490	6,257
Bank charges	-	-	-	8,217	-	8,217	7,233
Legal and accounting	-	-	-	13,750	-	13,750	13,750
Total other expenses before closing costs and depreciation	495,481	48,400	543,881	202,585	7,680	754,146	869,090
Closing costs	292,999	29,728	322,727	-	-	322,727	193,220
Depreciation	-	-	-	-	-	-	319,816
Total expenses	\$ 1,278,360	\$ 125,563	\$ 1,403,923	\$ 419,516	\$ 66,412	\$ 1,889,851	\$ 2,188,177

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

Statements of Cash Flows

For the Years Ended December 31, 2015 and 2014

	2015	2014
<i>Cash flows from operating activities:</i>		
Change in net assets	(174,395)	(565,409)
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	322,727	319,816
Changes in assets and liabilities:		
Pledges and accounts receivable	(742,906)	315,193
Inventory	1,995	(1,876)
Prepaid expenses and deposits	(1,197)	15,346
Accounts payable and accrued expenses	6,915	(33,461)
Net cash provided in operating activities	(586,861)	49,609
<i>Cash flows from investing activities:</i>		
Acquisition of property and equipment	(293,391)	(33,288)
Construction in progress	(322,727)	-
Sale of fixed asset	-	2,680,225
Sale of investment	56,808	98,000
Purchase of investment	(83,938)	(63,924)
Net cash used in investing activities	(643,248)	2,681,013
<i>Cash flows from financing activities:</i>		
Mortgage payoff	-	(1,675,025)
Grants and contributions for property acquisitions	390,919	1,145,395
Net cash provided by financing activities	390,919	(529,630)
Net (decrease) increase in cash and cash equivalents	(839,190)	2,200,992
Cash and cash equivalents at beginning of year	2,437,100	236,108
Cash and cash equivalents at end of year	\$ 1,597,910	\$ 2,437,100
Supplemental disclosures:		
Interest paid	\$ -	\$ 95,849

See accompanying notes to financial statements

Museum of African American History, Inc.

Notes to Financial Statements

December 31, 2015 and 2014

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 the Abiel Smith School in Boston and the African Meeting House 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.

Financial Statements of Not-for-Profit Organizations. Under these standards, 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. In addition, the Museum is required to account for contributions received and contributions made as follows: Contributions received or pledged are to be 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. Expenses are recorded when incurred.

Museum of African American History, Inc.

Notes to Financial Statements - *Continued*

December 31, 2015 and 2014

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. Special events income were \$419,166 and \$138,175 net of expenses for the years ended December 31, 2015 and 2014 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, 2015 and 2014

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 the National Park Service (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.

Museum of African American History, Inc.
Notes to Financial Statements - *Continued*
December 31, 2015 and 2014

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

MAAH entered into a revised agreement with NPS which expires in 2015. 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 and Outbuildings are in progress and expenses to date totaling \$347,550 and \$476,679 at December 31, 2015 and 2014 year end respectively were incurred in conjunction with the rehabilitation and are included as construction in progress in the accompanying financial statements.

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, 2015 and 2014.

Museum of African American History, Inc.
Notes to Financial Statements - *Continued*
December 31, 2015 and 2014

3. *Investments - Continued*

	<u>2015</u>	<u>Fair Market</u>	<u>Unrealized</u>
	<u>Cost</u>	<u>Value</u>	<u>Appreciation/ Depreciation</u>
Mutual funds	\$ 368,580	\$ 339,003	\$ (29,577)
	<u>\$ 368,580</u>	<u>\$ 339,003</u>	<u>\$ (29,577)</u>
Unrealized loss on investments			(29,055)
Net realized gain on sale of investments			<u>10,817</u>
Net realized and unrealized gain on investments			<u>\$ (18,238)</u>
	<u>2014</u>	<u>Fair Market</u>	<u>Unrealized</u>
	<u>Cost</u>	<u>Value</u>	<u>Appreciation/ Depreciation</u>
Mutual funds	\$ 352,124	\$ 344,696	\$ (7,428)
	<u>\$ 352,124</u>	<u>\$ 344,696</u>	<u>\$ (7,428)</u>
Unrealized gain on investments			22,777
Net realized gain on sale of investments			<u>58,696</u>
Net realized and unrealized gain on investments			<u>\$ 81,473</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, 2015 and 2014, the investments consist of \$44,770 and \$28,836 respectively of cash and cash equivalents.

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. 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, 2015 and 2014

4. Fair Value Measurements

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.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgement and considers factors specific to the investment. MAAH has marketable securities classified as Level I, which has a fair value of \$339,003 and \$344,696 as of December 31, 2015 and 2014, respectively.

Museum of African American History, Inc.
Notes to Financial Statements - *Continued*
December 31, 2015 and 2014

4. Fair Value Measurements -Continued

The following table presents MAAH's fair value hierarchy for the financial assets measured at fair value on a recurring basis:

Account #	<u>Fair Value</u>			<u>Quoted Prices In Active Markets For Identical Assets (Level 1)</u>
	8515318	8515353	Total	
	2015			
Cash/Cash equivalent	\$ 34,886	\$ 9,884	\$ 44,770	\$ 44,770.00
Equities	149,708	26,847	176,555	176,555.00
Fixed income	81,826	13,579	95,405	95,405.00
Real Estate	6,881	2,475	9,356	9,356.00
Commodities	10,955	1,962	12,917	12,917.00
	<u>\$ 284,256</u>	<u>\$ 54,747</u>	<u>\$ 339,003</u>	<u>\$ 339,003</u>
	2014			
Cash/Cash equivalent	\$ 21,291	\$ 7,545	\$ 28,836	\$ 28,836.00
Equities	159,234	28,737	187,971	187,971.00
Fixed income	86,623	14,385	101,008	101,008.00
Real Estate	7,111	2,558	9,669	9,669.00
Commodities	14,598	2,614	17,212	17,212.00
	<u>\$ 288,857</u>	<u>\$ 55,839</u>	<u>\$ 344,696</u>	<u>\$ 344,696</u>

Museum of African American History, Inc.
Notes to Financial Statements - *Continued*
December 31, 2015 and 2014

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, 2015 and 2014, the balances on this account were \$1,033,868 and \$686,318 respectively. These amounts have been reflected in the accompanying financial statements.

Certain fully depreciated fixed assets worth about \$150,361 were still in use by the Museum at December 31, 2015.

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 operations services expenses.

8. *Related Party Transactions:*

The Museum has pledges outstanding from Board Members amounting to about \$313,250 and \$264,250 at December 31, 2015 and 2014 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 \$48,808 and \$50,186 for the years ended December 31, 2015 and 2014 respectively.

Museum of African American History, Inc.
Notes to Financial Statements - *Continued*
December 31, 2015 and 2014

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, 2015 and 2014 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:

	2015	2014
Rent	152,250	152,250
Professional Services	3,640	2,618
Others	4,544	6,333
Total	160,434	161,201

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. Net Pledges Receivable at December 31, 2015 and 2014 were as follows:

	2,015	2014
Pledges and Accounts Receivable	\$ 1,715,913	\$ 948,255
Less: discount allowance for doubtful accounts	(79,157)	(79,154)
	1,636,756	\$ 869,101

Museum of African American History, Inc.
Notes to Financial Statements - *Continued*
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12. Net Assets:

Temporarily restricted net assets of \$2,948,937 and \$2,554,062 as of December 31, 2015 and 2014 respectively, consist of donor-restricted contributions to be used in fiscal years 2015 and 2014 for the following:

	2015	2014
Capital Campaign	\$ 2,052,368	\$ 2,414,562
Other designated projects	896,569	139,500
Total	<u>2,948,937</u>	<u>2,554,062</u>

The Board has designated \$1,300,000 of the proceeds from the sale of 38 South Russel Street property for revolving operating and capital reserve funds. The designated amount is reflected in the accompanying financial statements.

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. Uncertain Tax Positions

MAAH accounts for the effect of any uncertain tax positions based on a "more likely than not" threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable tax authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a "cumulative probability assessment" that aggregates the estimated tax liability for all uncertain tax positions. MAAH has identified its tax status as a tax exempt entity regarding its tax position; however, it has determined that such a tax position does not result in an uncertainty requiring recognition. MAAH is not currently under examination by any taxing jurisdiction. Its Federal and State tax returns are generally open for examination for three years following the date filed.

14. Subsequent Events

M.A.A.H. has evaluated the financial statement impact of subsequent events occurring through June 15, 2016 the date that the financial statements were authorized to be issued.