

**THE NATIONAL MUSEUM OF AFRICAN
AMERICAN MUSIC**

FINANCIAL STATEMENTS

***As of and for the Years Ended June 30, 2018
and 2017***

And Report of Independent Auditor

Report of Independent Auditor

The Board of Directors
The National Museum of African American Music
Nashville, Tennessee

We have audited the accompanying financial statements of The National Museum of African American Music (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses, 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 from 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 accounting 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 The National Museum of African American Music, as of June 30, 2018 and 2017, 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.

Nashville, Tennessee

[REPORT DATE]

THE NATIONAL MUSEUM OF AFRICAN AMERICAN MUSIC
STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2018 AND 2017

| | 2018 | 2017 |
|---|----------------------------|----------------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 490,250 | \$ 56,440 |
| Accounts receivable | - | 28,211 |
| Grants receivable | 548,223 | 370,689 |
| Contributions receivable, net | 1,250,500 | 355,256 |
| Prepaid expenses | 7,089 | 16,326 |
| Total Current Assets | <u>2,296,062</u> | <u>826,922</u> |
| Noncurrent Assets: | | |
| Contributions receivable, net | 2,617,144 | 736,865 |
| Property and equipment, net | 9,830 | 11,998 |
| Intangible assets, net | 77,952 | 93,381 |
| Project development costs | 1,777,655 | 1,085,677 |
| Total Noncurrent Assets | <u>4,482,581</u> | <u>1,927,921</u> |
| Total Assets | <u>\$ 6,778,643</u> | <u>\$ 2,754,843</u> |
| LIABILITIES AND NET ASSETS | | |
| Current Liabilities: | | |
| Accounts payable | \$ 308,280 | \$ 300,950 |
| Accrued liabilities | - | 4,400 |
| Total Current Liabilities | <u>308,280</u> | <u>305,350</u> |
| Net Assets: | | |
| Unrestricted | 2,602,719 | 1,357,372 |
| Temporarily restricted | 3,867,644 | 1,092,121 |
| Total Net Assets | <u>6,470,363</u> | <u>2,449,493</u> |
| Total Liabilities and Net Assets | <u>\$ 6,778,643</u> | <u>\$ 2,754,843</u> |

The accompanying notes to the financial statements are an integral part of these statements.

THE NATIONAL MUSEUM OF AFRICAN AMERICAN MUSIC
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

| | Unrestricted | Temporarily Restricted | Total |
|--------------------------------------|--------------|---------------------------|--------------|
| Public Support and Revenue: | | | |
| Contributions | \$ 2,284,813 | \$ 3,998,120 | \$ 6,282,933 |
| Grant revenue | 1,079,736 | - | 1,079,736 |
| Other | 150,862 | - | 150,862 |
| Net assets released from restriction | 1,222,597 | (1,222,597) | - |
| Total Public Support and Revenue | 4,738,008 | 2,775,523 | 7,513,531 |
| Expenses: | | | |
| Program Services | 1,886,039 | - | 1,886,039 |
| Supporting Services: | | | |
| Management and general | 488,971 | - | 488,971 |
| Fundraising | 1,117,651 | - | 1,117,651 |
| Total Supporting Services | 1,606,622 | - | 1,606,622 |
| Total Expenses | 3,492,661 | - | 3,492,661 |
| Change in net assets | 1,245,347 | 2,775,523 | 4,020,870 |
| Net assets, beginning of year | 1,357,372 | 1,092,121 | 2,449,493 |
| Net assets, end of year | \$ 2,602,719 | \$ 3,867,644 | \$ 6,470,363 |

THE NATIONAL MUSEUM OF AFRICAN AMERICAN MUSIC
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

| | Unrestricted | Temporarily Restricted | Total |
|---|---------------------|-----------------------------------|--------------|
| Public Support and Revenue: | | | |
| Contributions | \$ 965,213 | \$ 816,100 | \$ 1,781,313 |
| Grant revenue | 1,204,345 | - | 1,204,345 |
| Special events | 117,777 | - | 117,777 |
| In-kind contributions | 12,160 | - | 12,160 |
| Other | 1,480 | - | 1,480 |
| Net assets released from restriction | 341,766 | (341,766) | - |
| Total Public Support and Revenue | 2,642,741 | 474,334 | 3,117,075 |
| Expenses: | | | |
| Program Services | 751,966 | - | 751,966 |
| Supporting Services: | | | |
| Management and general | 393,753 | - | 393,753 |
| Fundraising | 828,291 | - | 828,291 |
| Total Supporting Services | 1,222,044 | - | 1,222,044 |
| Total Expenses | 1,974,010 | - | 1,974,010 |
| Change in net assets before collection items not capitalized | 668,731 | 474,334 | 1,143,065 |
| Purchases and write down of artifacts collection | (67,176) | - | (67,176) |
| Change in net assets | 601,555 | 474,334 | 1,075,889 |
| Net assets, beginning of year | 755,817 | 617,787 | 1,373,604 |
| Net assets, end of year | \$ 1,357,372 | \$ 1,092,121 | \$ 2,449,493 |

The accompanying notes to the financial statements are an integral part of these statements.

THE NATIONAL MUSEUM OF AFRICAN AMERICAN MUSIC

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2018 AND 2017

| | 2018 | 2017 |
|--|--------------|--------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 4,020,870 | \$ 1,075,889 |
| Purchases and write down of artifacts collection | - | 60,741 |
| Depreciation and amortization expense | 17,597 | 14,757 |
| Unrealized gain on investments | - | (1,414) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 28,211 | (28,211) |
| Grants receivable | (177,534) | (130,114) |
| Contributions receivable | (2,775,523) | (507,028) |
| Prepaid expenses | 9,237 | (16,326) |
| Accounts payable | 7,330 | 56,980 |
| Accrued liabilities | (4,400) | (8,942) |
| Net cash provided by operating activities | 1,125,788 | 516,332 |
| Cash flows from investing activities: | | |
| Proceeds from sale of investments | - | 44,435 |
| Purchases of property and equipment | - | (9,414) |
| Purchases of intangible assets | - | (22,000) |
| Investments in project development | (691,978) | (634,005) |
| Net cash used in investing activities | (691,978) | (620,984) |
| Net increase (decrease) in cash and cash equivalents | 433,810 | (104,652) |
| Cash and cash equivalents, beginning of year | 56,440 | 161,092 |
| Cash and cash equivalents, end of year | \$ 490,250 | \$ 56,440 |