

***African American Heritage
Society Museum, Inc.***
(A Nonprofit Corporation)

Financial Statements

With Independent Auditors' Report Thereon

For the Year Ended December 31, 2021

H A Beasley & Company, PLLC
Certified Public Accountants
Murfreesboro, Tennessee

African American Heritage Society Museum, Inc.

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**H A Beasley
& Company, PLLC**

Certified Public Accountants

Independent Auditors' Report

To the Board of Directors and Management of
African American Heritage Society Museum, Inc.

Opinion

We have audited the financial statements of African American Heritage Society Museum, Inc., which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of African American Heritage Society Museum, Inc. as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about African American Heritage Society Museum, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of African American Heritage Society Museum, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about African American Heritage Society Museum, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

H A Beasley & Company PLLC

H A Beasley & Company, PLLC
September 26, 2022

AFRICAN AMERICAN HERITAGE SOCIETY MUSEUM, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 820,682
Grant receivable	16,027
Prepaid expenses	<u>1,339</u>
Total current assets	838,048

PROPERTY AND EQUIPMENT, NET	<u>745,016</u>
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TOTAL ASSETS	<u>\$ 1,583,064</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accrued expenses	\$ 2,389
Deferred revenue	<u>31,135</u>
Total current liabilities	<u>33,524</u>

TOTAL LIABILITIES	33,524
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NET ASSETS

Without donor restrictions	946,932
With donor restrictions	<u>602,608</u>
TOTAL NET ASSETS	<u>1,549,540</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,583,064</u>
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See accompanying notes to financial statements and independent auditors' report.

AFRICAN AMERICAN HERITAGE SOCIETY MUSEUM, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Totals
Revenue and Support			
Individual donations	\$ 671,350	\$ 578,279	\$ 1,249,629
Fundraising events contributions	43,300	10,288	53,588
Grants	89,000	-	89,000
Memberships	491	-	491
In-kind donations	9,182	-	9,182
Totals	813,323	588,567	1,401,890
Fundraising events tickets	18,535	-	18,535
Less: Cost of direct benefit to donor	(9,491)	-	(9,491)
Net revenue from fundraising event	9,044	-	9,044
Totals	822,367	588,567	1,410,934
Net assets released from donor restrictions:			
Satisfaction of program restrictions	5,000	(5,000)	-
Total revenue and support	827,367	583,567	1,410,934
Expenses			
Program services	28,643	-	28,643
Supporting services			
Management and general	9,584	-	9,584
Fundraising	1,218	-	1,218
Total expenses	39,445	-	39,445
CHANGE IN NET ASSETS	787,922	583,567	1,371,489
NET ASSETS AT BEGINNING OF YEAR	159,010	19,041	178,051
NET ASSETS AT END OF YEAR	\$ 946,932	\$ 602,608	\$ 1,549,540

See accompanying notes to financial statements and independent auditors' report.

AFRICAN AMERICAN HERITAGE SOCIETY MUSEUM, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

		Supporting Services		
	Program Services	Management and General	Fund- raising	Totals
Advertising	\$ -	\$ 425	\$ 149	\$ 574
Bank charges and merchant fees	-	284	-	284
Donations	3,000	465	-	3,465
Depreciation expense	-	225	-	225
Insurance	-	1,883	-	1,883
Internet	-	373	-	373
Juneteenth celebration	4,622	-	-	4,622
Meals and entertainment	-	703	-	703
Supplies for Merrill-Williams House	3,434	-	-	3,434
Other expenses	-	202	391	593
Printing	-	251	411	662
Postage	-	351	267	618
Property taxes	-	327	-	327
Professional fees	12,587	-	-	12,587
Scholarships	5,000	-	-	5,000
Subscriptions	-	300	-	300
Utilities	-	3,670	-	3,670
Website fees	-	125	-	125
Total functional expenses	<u>\$ 28,643</u>	<u>\$ 9,584</u>	<u>\$ 1,218</u>	<u>\$ 39,445</u>

See accompanying notes to financial statements and independent auditors' report.

AFRICAN AMERICAN HERITAGE SOCIETY MUSEUM, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 1,371,489
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	225
Increase in operating assets:	
Grant receivable	(16,027)
Prepaid expenses	(1,339)
Increase in operating liabilities:	
Accrued expenses	2,389
Deferred revenue	18,635
Net cash provided by operating activities	1,375,372

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property and equipment	(722,441)
Net cash used in investing activities	(722,441)
Net increase in cash and cash equivalents	652,931
Beginning cash and cash equivalents	167,751
Ending cash and cash equivalents	<u>\$ 820,682</u>

See accompanying notes to financial statements and independent auditors' report.

AFRICAN AMERICAN HERITAGE SOCIETY MUSEUM, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

African American Heritage Society Museum, Inc. (the “Organization”) is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is located in Franklin, Tennessee. Its purpose is to collect, preserve, and interpret artifacts pertaining to Williamson County African American culture and increase understanding and appreciation of African American heritage for future generations.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis.

Basis of Presentation

The Organization presents its financial statements in accordance with *Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 958, Financial Statements for Not-for-Profit Entities*. Accordingly, the Organization reports information regarding its financial position and activities according to the two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. All contributions are considered to be without donor restrictions unless specifically restricted by the donor. Amounts received that are restricted for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions.

Net Assets Without Donor Restrictions

Net assets without donor restrictions include unrestricted resources which represent the portion of funds that are available for the operating objectives of the Organization. Net assets without donor restrictions may be designated for specific purposes by the Organization’s board of directors.

Net Assets With Donor Restrictions

Net assets with donor restrictions consist of donor restricted contributions and grants. Amounts restricted by donors for a specific purpose are deemed to be earned and reported as revenue with restrictions, when received, and such unexpended amounts are reported as net assets with restrictions at year-end. When the donor restriction expires, that is, when a stipulated time or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as “net assets released from donor restrictions.” Donor restricted contributions whose restrictions are met in the same reporting period are reported as contributions without donor restrictions.

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents include cash and short-term investments with an initial maturity date of three months or less.

AFRICAN AMERICAN HERITAGE SOCIETY MUSEUM, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment, Net

Property and equipment are recorded at cost or, for donated items, at the estimated fair value as of the date received. Expenditures for major additions and improvements are capitalized and minor replacements, maintenance and repairs are charged to expense when incurred. When assets are retired or otherwise disposed of, the related cost and accumulated depreciation is removed from the accounts and any resulting gain or loss is reflected on the statement of activities.

For financial statement purposes, depreciation is computed using the straight-line method over the estimated useful lives of assets. Historical buildings are not depreciated, while any improvements made to these buildings are depreciated over 39 years.

Contributions of long-lived assets or contributions restricted for acquisition of long-lived assets are reported as increases in temporarily restricted net assets. When restrictions are considered met, an appropriate amount is reclassified to unrestricted net assets. The useful lives of the long-lived assets are calculated based on the Organization's depreciation policy.

Contributions and Other Income

ASU No. 2018-08, Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made requires three classifications of contributions received in the current year: conditional, unconditional with donor restrictions, or unconditional without donor restrictions. Conditional contributions, including conditional promises to give, are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Unconditional contributions, including unconditional promises to give are recognized as revenue in the period received. Contributions of assets and specialized services are recorded at their estimated fair value.

Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Revenue Recognition

During the year ended December 31, 2021, the Organization hosted two fundraising events. The annual Black Tie event featured a meal and online entertainment. This event was held virtually and the Organization collected payments for tickets for either entertainment, a meal, or both with the proceeds to be used for general operations. The Organization also sold tickets for their annual T.E. Murdic Scholarship Prom event which featured a meal and a night of dancing, with the proceeds to be used to provide scholarships to qualifying high school students.

A portion of the revenue streams from both of these events is considered an exchange transaction under *Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers ("ASU 2014-09")* as those making the payments are receiving services with commensurate value to the payment they are making. The Organization recognizes revenue from these revenue streams when the recipient takes possession of the purchased item which is the point in time that the Organization is considered to meet its performance obligations under the contract with its customers.

AFRICAN AMERICAN HERITAGE SOCIETY MUSEUM, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (continued)

For the year ended December 31, 2021, total revenue from the Black Tie event was \$56,475. Of this amount, \$13,175 was recognized as an exchange transaction for the meal and entertainment, and \$43,300 was received as contributions or sponsorships.

For the year ended December 31, 2021, total revenue from the T.E. Murdic Scholarship Prom event was \$15,648. Of this amount, \$5,360 was recognized as an exchange transaction for the meal and entertainment, and \$10,288 was received as contributions or sponsorships.

The Organization's contracts with its customers do not have a significant financing component, and there were no uncompleted contracts with customers as both December 31, 2021 and 2020 resulting in a contract asset. During the years ended December 31, 2021 and 2020, the Organization did begin collecting payments for the Black Tie event to be held in the following year. These payments do create a contract liability and totaled \$31,135 and \$12,500 as of December 31, 2021 and 2020, respectively.

There were also no receivables from contracts with customers as of both December 31, 2021 and 2020.

Advertising Costs

The Organization expenses the cost of non-direct responsive advertising as incurred. For the year ended December 31, 2021, advertising costs totaled \$574.

Functional Expenses

The cost of providing the program activities and other activities have been summarized on a functional basis in the statement of functional expenses. Expenses that can be directly attributed to a particular function are charged to that function. Expenses that relate to more than one function are allocated among applicable functions on the basis of objectively evaluated financial and nonfinancial data or reasonable subjective methods determined by management. Accordingly, certain costs have been allocated among the program services, management and general, and fundraising based on estimates by management. All expenses are allocated based on time and effort.

Income Taxes

The Organization is a not-for-profit organization that is exempt from federal income tax under Internal Revenue Code Section 501(c)(3) whereby only unrelated business income, as defined in Section 512(a)(1) of the Code, is subject to federal income tax. With few exceptions, the Organization is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2018, and to state tax authorities for years before 2016.

The Organization has evaluated its tax positions for all open tax years. Based on the evaluation of the Organization's tax positions, management believes all tax positions taken would be upheld under an examination; therefore, no provision for the effects of uncertain positions has been recorded for the year ended December 31, 2021.

AFRICAN AMERICAN HERITAGE SOCIETY MUSEUM, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE B – PROPERTY AND EQUIPMENT, NET

Property and equipment, net is composed of the following as of December 31, 2021:

Land	\$ 412,687
Historical buildings	227,132
Improvements to historical buildings	<u>105,422</u>
Totals	745,241
Less: Accumulated depreciation	<u>(225)</u>
Total property and equipment, net	<u><u>\$ 745,016</u></u>

For the year ended December 31, 2021, depreciation expense totaled \$225.

NOTE C – GRANT RECEIVABLE

The Organization has a grant receivable totaling \$16,027 as of December 31, 2021, which is the amount of a reimbursable grant to be received after year end for expenses incurred during the year ended December 31, 2021.

NOTE D – ACCRUED EXPENSES

Accrued expenses are comprised of accrued property taxes and total \$2,389 as of December 31, 2021.

NOTE E – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization is supported in part by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. As such, some financial assets may not be available for general expenditure within one year.

The following reflects the Organization's assets as of December 31, 2021, reduced by amounts not available for general use within one year of the date of the statement of financial position because of a contractual or donor imposed restriction.

Financial assets as of year-end:	
Cash and equivalents	\$ 820,682
Other receivables	16,027
Prepaid expenses	<u>1,339</u>
Total financial assets as of year-end	838,048
Less amounts unavailable for general expenditures within one year:	
Contractual or donor-imposed restrictions	<u>602,608</u>
Total unavailable for general expenditures within one year	<u>602,608</u>
Total financial assets available for general expenditures within one year	<u><u>\$ 235,440</u></u>

AFRICAN AMERICAN HERITAGE SOCIETY MUSEUM, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE F – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions include donations for furnishings and improvements to the historical homes, and to provide scholarships to qualifying high school students. Net assets with temporary donor restrictions received during the year ended December 31, 2021 totaled \$1,211,883. Of this amount, \$623,316 was used for the restricted purpose during the year ended December 31, 2021, and the remaining amount of \$588,567 is shown as contributions with donor restrictions on the statement of activities for the year ended December 31, 2021. The amount of net assets released from donor restrictions totaled \$5,000 for the year ending December 31, 2021. This amount was released due to incurring expenses for providing scholarships to qualifying students.

The net assets with temporary donor restrictions as of December 31, 2021 are subject to expenditures for the following purposes:

Merill-Williams house improvements	\$ 578,279
McLemore house furnishings	3,000
Scholarships	<u>21,329</u>
Total net assets with temporary donor restrictions	<u><u>\$ 602,608</u></u>

NOTE G – IN-KIND DONATIONS

The organization received donated professional services throughout the year ended December 31, 2021 for hours spent by an attorney, a website designer, and an appraiser totaling \$9,182. The total value recognized as revenue and expense for these donated services for the year ended December 31, 2021 totaled \$7,682. The donated services of the appraiser, which totaled \$1,500, were capitalized as part of the historical building purchased during the year ended December 31, 2021.

NOTE H - CONCENTRATION OF RISK

At times throughout the year, the Organization may maintain cash balances in certain accounts in excess of the Federal Deposit Insurance Corporation (“FDIC”) limit which is \$250,000 for substantially all depository accounts. As of December 31, 2021, the Organization had funds in excess of the FDIC limits of \$244,247.

During the year ended December 31, 2021, the Organization received a single donation in the amount of \$1,000,000 which represents 70% of total support received.

The Organization receives contributions from donors mainly in the middle Tennessee area. If the economic conditions in this area were to deteriorate, there is a risk that donors could reduce their charitable giving and the Organization could experience difficulty in continuing operations.

NOTE I – CASH FLOW INFORMATION

During the year ended December 31, 2021, there were no payments of interest or income taxes.

NOTE J - SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 26, 2022, which is the date the financial statements were available to be issued.

AFRICAN AMERICAN HERITAGE SOCIETY MUSEUM, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE J - SUBSEQUENT EVENTS (CONTINUED)

Management is continuing to evaluate the impact of the COVID-19 pandemic and has concluded that while it is reasonably possible that the virus could have a negative effect on the Organization's financial position, and results of its operations and cash flows, the specific impact is not readily determinable as of the date of these financial statements.

The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

There have been no other adjustments to the financial statements to include any subsequent transactions or events.