

S50B
Maryland African American Museum Corporation

Operating Budget Data

(\$ in Thousands)

| | <u>FY 10</u> <u>Actual</u> | <u>FY 11</u> <u>Working</u> | <u>FY 12</u> <u>Allowance</u> | <u>FY 11-12</u> <u>Change</u> | <u>% Change</u> <u>Prior Year</u> |
|------------------------------|-------------------------------|--------------------------------|----------------------------------|----------------------------------|--------------------------------------|
| General Fund | \$2,100 | \$2,000 | \$2,000 | \$0 | |
| Adjusted General Fund | \$2,100 | \$2,000 | \$2,000 | \$0 | 0.0% |
| Adjusted Grand Total | \$2,100 | \$2,000 | \$2,000 | \$0 | 0.0% |

- The fiscal 2012 allowance is \$2 million, matching the working appropriation from the previous fiscal year.

Analysis in Brief

Major Trends

Strategic Plan Continues to Guide Museum Performance: The Maryland African American Museum Corporation (MAAMC) strategic plan from fiscal 2007 continues to serve as the five-year plan that identifies goals and objectives for the organization.

Issues

Museum Failed to Meet Match Requirement: A memorandum of understanding (MOU) between the museum and the Department of Budget and Management (DBM) includes a provision that the museum will match the State grant with its own earnings. However, the museum failed to meet this requirement in fiscal 2010. **The Department of Legislative Services (DLS) recommends that the corporation comment on its inability to meet the required match in fiscal 2010. Additionally, DLS recommends that committee narrative again be adopted that requests the continuation of the MOU between MAAMC and DBM.**

Note: Numbers may not sum to total due to rounding.

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Visitor Attendance, Revenues, and Outlook for Private Funding: Expectations for visitor attendance and revenues have been adjusted downward over the last several years. However, in most cases, actual achievement of these goals has fallen short of revised goals. **DLS recommends that MAAMC comment on its plans for meeting its expectations for attendance and for fundraising in fiscal 2011 and 2012.**

Recommended Actions

| | <u>Funds</u> |
|----------------------------------------------------------------------------------------------------------------------------|---------------------|
| 1. Reduce general fund grant by 10%. | \$ 200,000 |
| 2. Adopt committee narrative that requests a memorandum of understanding on the use of the fiscal 2012 general fund grant. | |
| Total Reductions | \$ 200,000 |

S50B
Maryland African American Museum Corporation

Operating Budget Analysis

Program Description

The Maryland African American Museum Corporation (MAAMC) was created by Chapters 428 and 429 of 1998 to plan, develop, and manage a Maryland Museum of African American History and Culture in Baltimore City. The museum opened in June 2005.

The museum's mission is to educate the public about the contributions and experiences of African American Marylanders; to provide research facilities for scholars, students, and others; and to provide public programming, educational opportunities, and community outreach. The corporation is a public instrumentality and an independent unit in the Executive Branch. A 37-member board of directors manages the corporation's affairs.

Performance Analysis: Managing for Results

MAAMC is not a State agency and thus does not participate in the State's Managing for Results program. However, under Article 41 §20-105(b)(1), the corporation is required to prepare an overall strategic plan that establishes both short- and long-term goals and objectives for the museum. MAAMC submitted a strategic plan prior to the 2002 legislative session to guide its activities for five years. The corporation's subsequent five-year plan was completed in 2007. The goals, objectives, and strategies laid out in the plan address operations, effective marketing, and financial management. Aspects include:

- **Integrity:** The museum is dedicated to operating with integrity in all aspects of service to customers and stakeholders. In support of this goal, the museum will strengthen its role as an educational destination, engage the community through active partnerships, improve the visitor experience through innovative exhibits, and provide career resources to the museum staff.
- **Marketing:** MAAMC intends to increase visibility both in Baltimore and throughout the State by better understanding its customers and their expectations. New efforts to employ surveys and focus groups are intended to maximize the museum's brand recognition throughout the communities it serves and introduce new audiences to the museum.
- **Finances:** The plan includes objectives to increase museum revenues, including attendance-based revenues, and other forms of contributions to ensure the museum's future viability. MAAMC will also assist board members in effectively transitioning from a founding to an operating board.

Proposed Budget

State support for MAAMC is budgeted as a general fund grant. As shown in **Exhibit 1**, the Governor’s fiscal 2012 allowance for the corporation is \$2 million. This matches the amount in the fiscal 2011 working appropriation. The amount of the grant is designed to provide State support for 50% of MAAMC’s operating budget.

Exhibit 1
Maryland African American Museum Corporation Expenditures and Revenues
Fiscal 2009-2012
(\$ in Thousands)

| | <u>2009</u> | <u>2010</u> | <u>Working Appropriation 2011</u> | <u>Allowance 2012</u> | <u>\$ Change 2011-2012</u> | <u>% Change 2011-2012</u> |
|---------------------------------|----------------|----------------|-------------------------------------------|---------------------------|--------------------------------|-------------------------------|
| Regular Salaries and Wages | \$1,652 | \$1,832 | \$2,092 | \$2,123 | \$31 | 1.5% |
| Contractual Employees | 118 | 100 | 172 | 173 | \$ | 0.2% |
| Fuel and Utilities | 449 | 350 | 414 | 367 | -\$47 | -11.3% |
| Contractual Services | 1,739 | 1,263 | 1,091 | 1,130 | \$39 | 3.6% |
| Other Operating Costs | 208 | 202 | 231 | 207 | -\$24 | -10.2% |
| Total | \$4,166 | \$3,748 | \$4,000 | \$4,000 | \$0 | 0.0% |
| General Funds | \$2,083 | \$2,100 | \$2,000 | \$2,000 | \$0 | 0.0% |
| Privately Raised Revenue | \$2,083 | \$1,648 | \$2,000 | \$2,000 | \$0 | 0.0% |

Source: Governor’s Budget Books, Fiscal 2010 to 2012

MAAMC is required to provide matching funds from private sources to support operating costs. Total funds are not expected to change in fiscal 2012. Salaries and contractual services make up the largest component of the corporation’s budget. MAAMC reports that security services and exhibition preparation are the main drivers of contractual services costs. The budget reflects increases in both these areas. The corporation is able to offset these increases by savings in fuel and utility costs and other operating costs.

Issues

1. Museum Failed to Meet Match Requirements

Since its creation in 1998, the corporation has received operating assistance in the form of general fund grants in varying amounts. In fiscal 2005, the legislature began adopting budget narrative that directed the Department of Budget and Management (DBM) and the museum corporation to enter into a memorandum of understanding (MOU) that includes matching fund requirements. As required by the MOUs for fiscal 2005 through 2007, the State grant accounted for 75% of the operating expenses of the museum. For fiscal 2008, the General Assembly adopted budget language that expressed intent that the general fund grant supports no more than 50% of the operating expenses. Since that time, the MOUs have reflected this intent.

In fiscal 2010, the museum corporation received \$2 million in general funds, and based on the terms of the MOU, was required raise at least \$2 million of its own funds. However, the museum informed DBM that it was unable to meet the match requirement and requested an amendment to the fiscal 2010 MOU to waive the 50% matching requirement. By a letter dated July 8, 2010, the department notified the budget chairmen that the waiver request was approved.

The Department of Legislative (DLS) recommends that the corporation comment on its inability to meet the required match in fiscal 2010. Additionally, DLS recommends that committee narrative again be adopted that requests the continuation of the MOU between MAAMC and DBM with the 50% matching requirement.

2. Visitor Attendance, Revenues, and Outlook for Private Funding

Lower than expected visitor attendance has been a concern for the museum since it opened in June 2005. Attendance figures include paying individuals, members, children under six, meeting space rental, and scheduled school tours. Except for Title I schools, which have predominately low-income students, students pay a museum admission fee of \$3 to \$5. Admission fees for Title I schools and other community groups are covered by a multi-year grant from the Weinberg Foundation. The regular adult admission fee is set at \$8.

As shown in **Exhibit 2**, the museum met only 67% of its attendance goal in fiscal 2009, attracting 43,590 visitors. This represents a 15% decline in attendance from fiscal 2008. The museum has been adjusting its expectations for attendance and revenues downward; however, the realities have not met even the revised projections. Attendance has consistently fallen since the museum's opening.

Exhibit 2
Visitor Attendance and Revenues
Fiscal 2008-2011

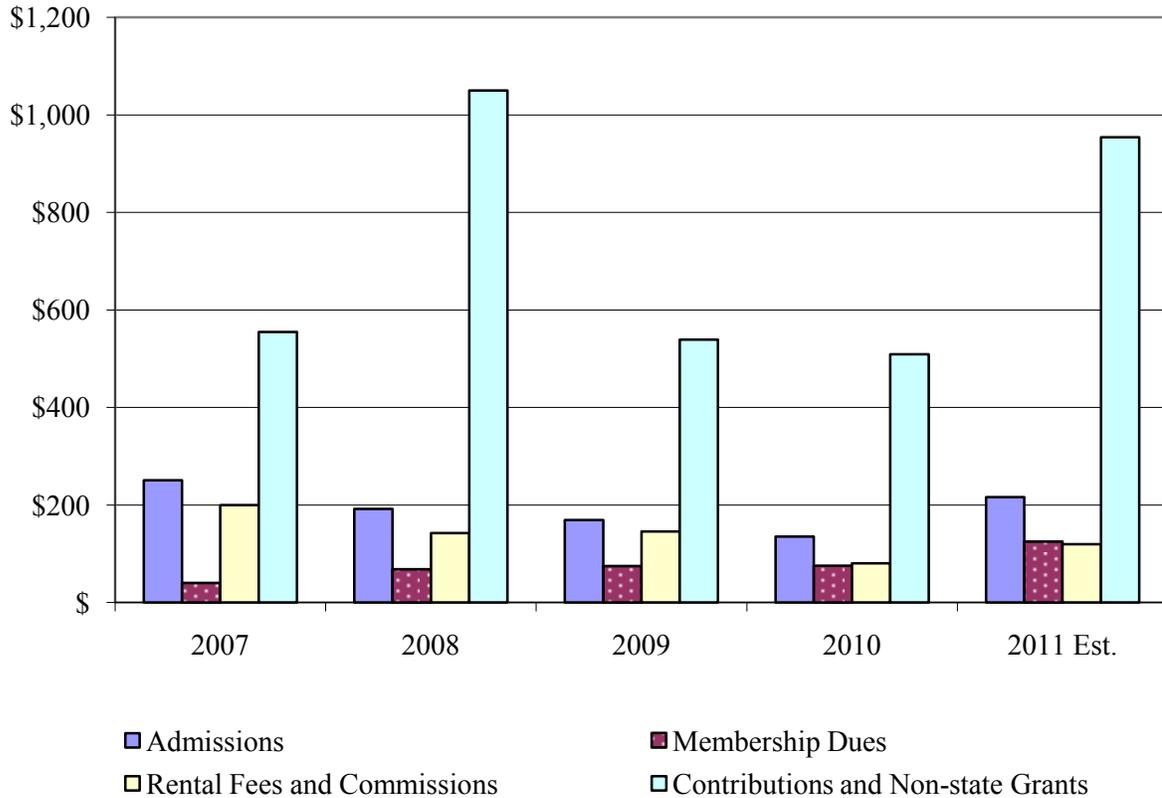
| | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>Estimated</u> <u>2011</u> |
|---------------------------|-------------|-------------|-------------|---------------------------------|
| Goal | 75,000 | 65,000 | 50,000 | 45,000 |
| Attendance | 51,368 | 43,590 | 36,073 | |
| % of Goal Attained | 68% | 67% | 72% | |
| | | | | |
| Goal | \$620,000 | \$517,000 | \$410,000 | \$336,000 |
| Attendance-based Revenues | \$334,720 | \$315,042 | \$216,405 | |
| % of Goal Attained | 54% | 61% | 53% | |

Note: Attendance includes those who pay membership dues and have free entrance to the museum; revenues from membership dues are accounted for separately and are not included in the attendance-based revenue figures.

Source: Maryland African American Museum Corporation

As shown in **Exhibit 3**, the corporation relies heavily on private contributions and non-state grants. These contributions take many forms, most notably corporate or nonprofit sponsorships of exhibits. As such, this revenue source is highly variable. The exhibit shows that the corporation has optimistic expectations for revenues in fiscal 2011. For example, it expects membership dues to double between fiscal 2010 and 2011.

Exhibit 3
Major Sources of Private Funds
Fiscal 2007-2011
(\$ in Thousands)



Source: Maryland African American Museum Corporation

It should be noted that MAAMC may face future difficulties in fundraising with the opening of a national African American museum in Washington, DC, which is scheduled to open in 2015. Currently, the National Museum of African American History and Culture has a gallery in the Smithsonian’s National Museum of American History

DLS recommends that MAAMC comment on its plans for meeting its expectations for attendance and for fundraising in fiscal 2011 and 2012.

Recommended Actions

- | | <u>Amount
Reduction</u> |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|
| 1. Reduce the general fund grant by 10%. Given the sustained decline in attendance, the museum should scale back its operations, thereby reducing expenses. | \$ 200,000 GF |
| 2. Adopt the following narrative: | |

Memorandum of Understanding on Use of the General Fund Grant: The Maryland African American Museum Corporation (MAAMC) and the Department of Budget and Management (DBM) executed a memorandum of understanding (MOU) governing the use of MAAMC's general fund grant for fiscal 2007 to 2010. The committees request that a similar MOU be executed for fiscal 2012. The MOU should specify that the State intends to support no more than 50% of MAAMC's operating costs in fiscal 2012, which is consistent with previously expressed intent of the General Assembly.

| Information Request | Authors | Due Date |
|----------------------------------------------------------|----------------|-------------------|
| MOU specifying use of the fiscal 2012 general fund grant | MAAMC DBM | July 2, 2011 |
| Total General Fund Reductions | | \$ 200,000 |

Current and Prior Year Budgets

Current and Prior Year Budgets Maryland African American Museum Corporation (\$ in Thousands)

| | <u>General Fund</u> | <u>Special Fund</u> | <u>Federal Fund</u> | <u>Reimb. Fund</u> | <u>Total</u> |
|----------------------------------|--------------------------------|--------------------------------|--------------------------------|-------------------------------|---------------------|
| Fiscal 2010 | | | | | |
| Legislative Appropriation | \$2,100 | \$0 | \$0 | \$0 | \$2,100 |
| Deficiency Appropriation | 0 | 0 | 0 | 0 | 0 |
| Budget Amendments | 0 | 0 | 0 | 0 | 0 |
| Cost Containment | 0 | 0 | 0 | 0 | 0 |
| Reversions and Cancellations | 0 | 0 | 0 | 0 | 0 |
| Actual Expenditures | \$2,100 | \$0 | \$0 | \$0 | \$2,100 |
| Fiscal 2011 | | | | | |
| Legislative Appropriation | \$2,000 | \$0 | \$0 | \$0 | \$2,000 |
| Budget Amendments | 0 | 0 | 0 | 0 | 0 |
| Working Appropriation | \$2,000 | \$0 | \$0 | \$0 | \$2,000 |

Note: Numbers may not sum to total due to rounding.

Audit Findings

| | |
|------------------------------|-----------------------------------|
| Audit Period for Last Audit: | April 2, 2007 – February 23, 2010 |
| Issue Date: | September 2010 |
| Number of Findings: | 5 |
| Number of Repeat Findings: | 0 |
| % of Repeat Findings: | 0% |
| Rating: (if applicable) | n/a |

Finding 1: MAAMC did not comply with certain provisions of its endowment fund investment policy related to the oversight of investment decisions and disclosure requirements intended to prevent conflicts of interest.

Finding 2: MAAMC could not document that its Board of Directors authorized the opening of a \$1 million line of credit and the subsequent withdrawal of \$900,000 to cover funding shortfalls.

Finding 3: MAAMC had not established comprehensive procedures and adequate controls over its art collection.

Finding 4: Procedures and controls were not established to ensure all cash receipts were deposited.

Finding 5: MAAMC’s procurement policies were not sufficiently comprehensive.

*Bold denotes item repeated in full or part from preceding audit report.

**Object/Fund Difference Report
Maryland African American Museum Corporation**

| <u>Object/Fund</u> | <u>FY 10 Actual</u> | <u>FY 11 Working Appropriation</u> | <u>FY 12 Allowance</u> | <u>FY 11 - FY 12 Amount Change</u> | <u>Percent Change</u> |
|-----------------------------------------|-------------------------|--------------------------------------------|----------------------------|----------------------------------------|---------------------------|
| Objects | | | | | |
| 12 Grants, Subsidies, and Contributions | \$ 2,100,000 | \$ 2,000,000 | \$ 2,000,000 | \$ 0 | 0% |
| Total Objects | \$ 2,100,000 | \$ 2,000,000 | \$ 2,000,000 | \$ 0 | 0% |
| Funds | | | | | |
| 01 General Fund | \$ 2,100,000 | \$ 2,000,000 | \$ 2,000,000 | \$ 0 | 0% |
| Total Funds | \$ 2,100,000 | \$ 2,000,000 | \$ 2,000,000 | \$ 0 | 0% |

Note: The fiscal 2011 appropriation does not include deficiencies. The fiscal 2012 allowance does not include contingent reductions.