

S50B01
Maryland African American Museum Corporation

Operating Budget Data

(\$ in Thousands)

	<u>FY 16</u> <u>Actual</u>	<u>FY 17</u> <u>Working</u>	<u>FY 18</u> <u>Allowance</u>	<u>FY 17-18</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$1,959	\$1,959	\$1,959	\$0	
Adjusted General Fund	\$1,959	\$1,959	\$1,959	\$0	0.0%
Adjusted Grand Total	\$1,959	\$1,959	\$1,959	\$0	0.0%

Note: Includes targeted reversions, deficiencies, and contingent reductions.

- There is no change in funding between the current fiscal 2017 appropriation and the fiscal 2018 allowance.

Analysis in Brief

Major Trends

New Strategic Plan: In fiscal 2016, the Maryland African American Museum Corporation's (MAAMC) introduced a new strategic plan as required every five years under Article 9-2606.

Issues

Competition with National Museum of African American History and Culture: In September 2016, the National Museum of African American History and Culture (NMAAHC), located in Washington, DC, opened to the public with record attendance. Because NMAAHC is located within close proximity to the MAAMC, attendance to the MAAMC may begin to decline.

Insufficient Reporting Measures: MAAMC currently does not submit any information indicating the museum's performance with the budget. Attendance and financial data had to be requested by the Department of Legislative Services.

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

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Recommended Actions

1. Adopt committee narrative requesting a report concerning inefficient reporting measures.

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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 the Maryland Museum of African American History and Culture in Baltimore City. MAAMC's mission is to be a resource regarding the lives of African American Marylanders by collecting, preserving, interpreting, documenting, and exhibiting contributions that represent such history. The museum is a public instrumentality and an independent unit of the Executive Branch. A 37-member board of directors manages the corporation's affairs.

Performance Analysis: Managing for Results

1. New Strategic Plan

MAAMC completed an updated strategic plan in fiscal 2016 that addressed short- and long-term goals. The 2016 strategic plan replaced the 2012 strategic plan required of the corporation under Article 9-2606. The new 2016 strategic plan, *Planning for Success and Preparing for the Future: 2016-2021*, addresses the following priorities:

- ***Increase the Museum's Financial Assets:*** The corporation plans to increase the museum's financial assets by requiring board members to fulfill their fiduciary obligation of 100% participation by the end of the third quarter of the given budgeted fiscal year;
- ***Expand Access to Education through the Museum's Collections:*** MAAMC plans to heavily engage college and university faculty and high school and elementary school teachers and their prospective students to better use the museum's collections in their studies. The corporation plans to increase utilization of digital and social media platforms to bring awareness. The corporation also plans to collaborate with other organizations and State agencies to display artifacts throughout the State; and
- ***Expand the Visibility of the Reginald F. Lewis Museum of Maryland African American History:*** MAAMC plans to seek innovative partnerships with other institutions that do not currently display artifacts, including hotels and business organizations.

Proposed Budget

The appropriation for fiscal 2018 is \$1,959,000, reflecting no change from fiscal 2017.

Exhibit 1 shows the data submitted through the State budget process. This data purports to show that the museum is able to meet the 50% required match as governed by the Memorandum of Understanding (MOU) between the corporation and the Department of Budget and Management (DBM). However, as discussed below, this is not the case.

Exhibit 1 MAAMC Budget Book Volume Figures Fiscal 2014-2018

	<u>Actual 2014</u>	<u>Actual 2015</u>	<u>Actual 2016</u>	<u>Working 2017</u>	<u>Allowance 2018</u>
Salaries and Wages	\$2,165,884	\$1,914,848	\$1,900,000	\$2,013,460	\$2,055,975
Technical and Special Fees	124,212	191,752	189,481	206,729	297,392
Fuel and Utilities	302,216	372,472	329,176	371,100	350,138
Contractual Services	1,166,500	1,256,471	1,314,493	1,120,706	1,035,574
Other Operating Cost	211,188	184,457	184,850	206,005	178,921
Total	\$3,970,000	\$3,920,000	\$3,918,000	\$3,918,000	\$3,918,000
General Funds	\$2,000,000	\$1,960,000	\$1,959,000	\$1,959,000	\$1,959,000
Privately Raised Revenue	1,970,000	1,960,000	1,959,000	1,959,000	1,959,000
Total	\$3,970,000	\$3,920,000	\$3,918,000	\$3,918,000	\$3,918,000

MAAMC: Maryland African American Museum Corporation

Source: Maryland African American Museum Corporation

Operating Expenses

The museum prepares its budget with the anticipation of meeting its required match and having a total of \$3.9 million to allocate across its expenses. If fundraising falls short, MAAMC is forced to reduce its expenses over the course of the fiscal year. In fiscal 2016, it is reported that MAAMC was able to raise \$1.959 million. In prior years this was not always the case. For example, in fiscal 2013, MAAMC was only able to contribute \$257,000 in privately raised revenue to operating costs, and the museum was forced to reduce salaries by approximately \$861,000, and contractual services by \$259,000.

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The fiscal 2018 allocation to the museum will allow for a small increase in salaries. However, it will make reductions to contractual costs and utility costs.

Exhibit 2 shows the details of the museum's audited financial statement. This data is shown for informational purposes. However, it should be noted that it differs from the data submitted to DBM and included in the budget books, including the level of privately raised revenue. DBM confirms that the private match requirement was in fact waived in fiscal 2016.

Exhibit 2
Maryland African American Museum Corporation
Audited Financials
Fiscal 2014-2016

<u>Expenses</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Collections and Exhibits	\$895,726	\$592,921	\$662,110
Education and Public Programs	472,174	683,837	691,029
External Affairs	636,758	521,128	685,246
Management, Building, and Security	1,856,645	1,882,522	1,943,802
Total	\$3,861,303	\$3,680,408	\$3,982,187
General Funds	\$2,000,000	\$1,960,000	\$1,960,000
Revenue and Support			
Grants	\$2,574,597	\$2,330,196	\$2,377,069
Contributions	737,065	167,721	442,115
Admissions	183,385	99,449	143,801
Membership Dues	65,156	46,047	47,866
Investment Income	89,734	143,984	119,280
Realized Loss on Endowments	426,126	1,734	-310,274
Unrealized Loss on Endowments	643,701	123,613	-544,535
Other Income	76,016	191,936	158,168
Net Assets Released from Restriction	0	0	0
Rental income	92,696	0	0
Total Revenue and Support	\$4,888,476	\$3,104,680	\$2,433,490
Privately Raised Revenue	\$2,888,476	\$1,144,680	\$473,490

Note: General funds are included in the grant figure and are excluded from privately raised revenue noted above.

Source: Maryland African American Museum Corporation

Based on the audited financial data, it would appear that MAAMC may struggle to raise sufficient funds for the required match in fiscal 2017 and 2018. Presumably, the museum will seek a waiver of the match.

Issues

1. Competition with National Museum of African American History and Culture

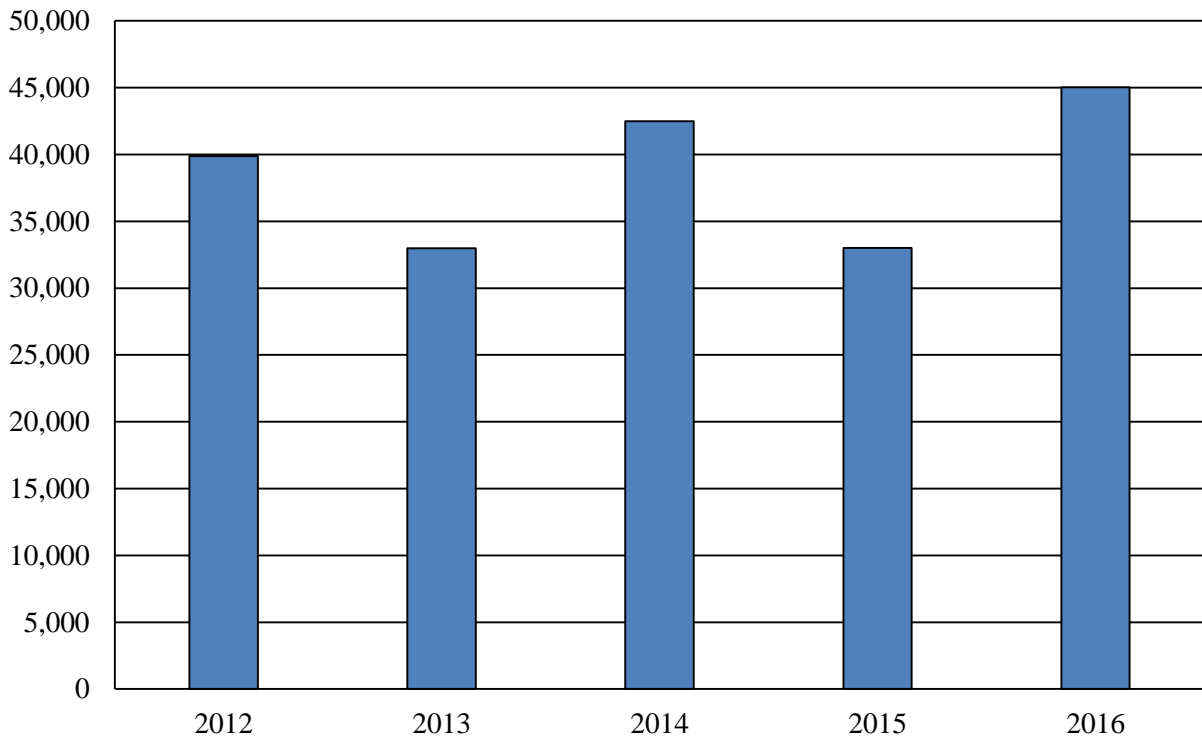
In September 2016, the National Museum of African American History and Culture (NMAAHC) opened in Washington, DC and quickly ran out of advanced timed passes for several months. Group reservations are also booked in advance and can be requested for up to one year. NMAAHC welcomed more than 750,000 visitors since its opening. Devoted exclusively to the documentation of African American life, history, and culture, NMAAHC has a large collection of artifacts dedicated to its mission. In addition, NMAAHC has also acquired over 100,000 charter members. Although admission to the museum is free of charge for all audiences and passes for admission may be obtained for the same day or in advance, currently, passes for advanced entry are unavailable through May 2017.

Historically, MAAMC attendance has been the second largest source of private revenue for the museum. However, to date, the museum's recorded attendance of 51,368 in fiscal 2008, has not been repeated in any other fiscal year. MAAMC's current ticket prices are \$8 for general admission; \$6 for adults aged 65 or older and for youth between the ages of 7 to 17 or students with valid identification. Admission is free for members, Maryland public school teachers, and children under the age of 6.

Exhibit 3 shows visitor attendance at MAAMC from fiscal 2012 to 2016. Attendance includes the following categories: general admission, educational tours, adult tour groups, special events, educational meetings, public programs, meeting space rentals, and children under the age of six. From fiscal 2014 to 2015, there was a major drop in attendance resulting in 9,488 fewer attendees. In fiscal 2016, attendance increased by 12,033 attendees. This is partially due the corporation's annual African American Children's book fair that is reported as the largest event. There was also a Kwanzaa Celebration during fiscal 2016 that brought 1,188 visitors to MAAMC.

MAAMC has also reported that a notable amount of its key staff members have resigned including 1 individual who obtained employment at NMAAHC. **MAAMC should comment on current staffing levels and how NMAAHC could affect future staffing levels and attendance. MAAMC should comment on possible collaboration with this neighboring museum.**

Exhibit 3
Visitor Attendance MAAMC
Fiscal 2012-2016



MAAMC: Maryland African American Museum Corporation

Source: Maryland African American Museum Corporation

2. Insufficient Reporting Measures

MAAMC currently does not participate in the State’s Managing for Results program. Therefore, no data is readily available indicating the corporation’s performance. Attendance, as well as audited financial reports are currently not required at the time of budget submission. MAAMC receives general funds and has a standing MOU stating that the State will provide no more than 50% of MAAMC’s operating expenses. Attendance records and financial reports were not provided in the corporation’s fiscal 2018 budget submission and had to be requested by the Department of Legislative Services (DLS). **DLS recommends the adoption of committee narrative to request operational reporting be required with budget submissions.**

Recommended Actions

1. Adopt the following narrative:

Report on Maryland African American Museum Corporation’s Performance, Staffing Levels, Board Members, and Financials: The Maryland African American Museum Corporation (MAAMC) by definition is not a State agency and does not participate in the State’s Managing for Results program. There are no current performance measures that report the condition of the museum. Funding provided by the State has been historically flat despite its inability to meet the match requirement. Because of this, the State is currently providing more than 50% of the corporation’s operating expenses, which is inconsistent with what is stated in the Memorandum of Understanding. The committee request that MAAMC and the Department of Budget and Management (DBM) submit the most recent audited financial statements, attendance, board composition, and staffing levels with the annual budget submission.

Information Request	Authors	Due Date
Audited financials, attendance report, board members (current and vacancies), and staffing levels	MAAMC DBM	With the annual budget submission

Appendix 1
Current and Prior Year Budgets
Maryland African American Museum Corporation
(\$ in Thousands)

	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Fund</u>	<u>Federal</u> <u>Fund</u>	<u>Reimb.</u> <u>Fund</u>	<u>Total</u>
Fiscal 2016					
Legislative Appropriation	\$1,959	\$0	\$0	\$0	\$1,959
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	0	0	0	0
Reversions and Cancellations	0	0	0	0	0
Actual Expenditures	\$1,959	\$0	\$0	\$0	\$1,959
Fiscal 2017					
Legislative Appropriation	\$1,959	\$0	\$0	\$0	\$1,959
Cost Containment	0	0	0	0	0
Budget Amendments	0	0	0	0	0
Working Appropriation	\$1,959	\$0	\$0	\$0	\$1,959

Note: Does not include targeted reversions, deficiencies, and contingent reductions. Numbers may not sum to total due to rounding.

**Appendix 2
Audit Findings**

Audit Period for Last Audit:	March 12, 2013 – September 5, 2016
Issue Date:	February 16, 2017
Number of Findings:	3
Number of Repeat Findings:	2
% of Repeat Findings:	66%
Rating: (if applicable)	n/a

Finding 1: **The Maryland African American Museum Corporation (MAAMC) did not comply with its endowment fund investment policy with respect to oversight of investments and conflict of interest disclosure requirements from its financial manager.**

Finding 2: MAAMC did not always comply with its written procurement policy regarding obtaining written proposals and obtaining management approvals.

Finding 3: **Adequate accountability and controls were not established over MAAMC’s museum collection of art and historical artifacts.**

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

**Appendix 3
Object/Fund Difference Report
Maryland African American Museum Corporation**

<u>Object/Fund</u>	<u>FY 16 Actual</u>	<u>FY 17 Working Appropriation</u>	<u>FY 18 Allowance</u>	<u>FY 17 - FY 18 Amount Change</u>	<u>Percent Change</u>
Objects					
12 Grants, Subsidies, and Contributions	\$ 1,959,000	\$ 1,959,000	\$ 1,959,000	\$ 0	0%
Total Objects	\$ 1,959,000	\$ 1,959,000	\$ 1,959,000	\$ 0	0%
Funds					
01 General Fund	\$ 1,959,000	\$ 1,959,000	\$ 1,959,000	\$ 0	0%
Total Funds	\$ 1,959,000	\$ 1,959,000	\$ 1,959,000	\$ 0	0%

Note: Does not include targeted reversions, deficiencies, and contingent reductions.