

**THE MUSEUM FOR AFRICAN ART
AND SUBSIDIARY**

**CONSOLIDATED FINANCIAL STATEMENTS
AND AUDITOR'S REPORT**

JUNE 30, 2009

**THE MUSEUM FOR AFRICAN ART
AND SUBSIDIARY**

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Independent Auditor's Report

Board of Trustees The Museum for African Art and Subsidiary

We have audited the accompanying consolidated balance sheet of The Museum for African Art and Subsidiary as of June 30, 2009, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of The Museum for African Art and Subsidiary's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior-year summarized comparative information has been derived from The Museum for African Art's 2008 financial statements and, in our report dated January 14, 2009, we expressed an unqualified opinion on those financial statements.

We conducted our audit 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Museum for African Art and Subsidiary's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Museum for African Art and Subsidiary as of June 30, 2009, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Loeb & Troper LLP

December 31, 2009

**THE MUSEUM FOR AFRICAN ART
AND SUBSIDIARY**

CONSOLIDATED BALANCE SHEET

JUNE 30, 2009

(With Summarized Financial Information for June 30, 2008)

	2009	2008
ASSETS		
Cash	\$ 2,664,450	\$ 2,030,592
Cash - escrow		129,068
Contributions receivable (Note 3)	6,548,604	6,930,317
Accounts receivable (net of allowance for uncollectibles of \$150,000 in 2009 and 2008)	46,374	224,171
Government grants receivable	29,270	
Prepaid expenses and other receivables	9,006	1,896
Employee loan receivable (Note 4)		6,500
Inventory	40,151	55,994
Fixed assets - net (Note 5)	10,529,992	19,740,378
Collection (Note 6)	1,225,188	1,118,965
	<u>\$ 21,093,035</u>	<u>\$ 30,237,881</u>
Total assets	<u>\$ 21,093,035</u>	<u>\$ 30,237,881</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 476,339	\$ 990,699
Prepaid exhibition fees	141,034	258,649
Advance from developer (Note 7)	5,963,986	5,963,986
Loans payable (Note 8)	740,000	10,191,114
	<u>7,321,359</u>	<u>17,404,448</u>
Total liabilities	<u>7,321,359</u>	<u>17,404,448</u>
Net assets (Exhibit B)		
Unrestricted	7,372,064	6,554,574
Temporarily restricted (Note 9)	6,399,612	6,278,859
	<u>13,771,676</u>	<u>12,833,433</u>
Total net assets	<u>13,771,676</u>	<u>12,833,433</u>
Total liabilities and net assets	<u>\$ 21,093,035</u>	<u>\$ 30,237,881</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

THE MUSEUM FOR AFRICAN ART AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES

EXHIBIT B

YEAR ENDED JUNE 30, 2009
(With Summarized Financial Information
for the Year Ended June 30, 2008)

	Unrestricted	Temporarily Restricted	Total
	2009	2008	
Revenues			
Membership fees and contributions (including donated artworks of \$93,243 in 2009 and \$222,464 in 2008)	\$ 1,518,873	\$ 1,165,740	\$ 2,684,613
Government grants and contracts	347,607	347,607	398,478
Exhibition fees	127,000	127,000	102,500
Donated services (Note 11)	88,905	88,905	384,204
Special events	425,813	425,813	632,247
Store sales	9,594	9,594	13,205
Admissions and other revenues (including interest income of \$10,997 in 2009 and \$40,812 in 2008)	295,690	96,784	392,474
Total revenues	<u>2,813,482</u>	<u>1,262,524</u>	<u>4,076,006</u>
Expenses			
Direct costs, including honorariums, transportation, exhibition, set-up, paper, printing, bindings, etc.	317,626	317,626	307,309
Salaries	896,688	896,688	874,644
Payroll taxes and employee benefits	157,351	157,351	157,234
Occupancy	176,188	176,188	153,921
Other expenses	670,616	670,616	971,624
Bad debt expense	97,860	97,860	110,559
Direct costs of special events	214,464	214,464	280,174
Total expenses before depreciation and amortization	<u>2,530,793</u>	<u>2,530,793</u>	<u>2,855,465</u>

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THE MUSEUM FOR AFRICAN ART AND SUBSIDIARY
 CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2009
 (With Summarized Financial Information
 for the Year Ended June 30, 2008)

	Unrestricted	Temporarily Restricted	Total
	2009	2008	2008
Change in net assets before depreciation and amortization, net assets released from restrictions, bad debt loss and start-up costs	\$ 282,689	\$ 1,262,524	\$ 4,219,517
Depreciation and amortization	36,399		67,416
Bad debt loss		250,000	250,000
Start-up costs	320,571		610,979
Change in net assets before net assets released from restrictions	(74,281)	1,012,524	3,291,122
Net assets released from restrictions (Note 9)	891,771	(891,771)	
Change in net assets (Exhibit D)	817,490	120,753	3,291,122
Net assets - beginning of year	6,554,574	6,278,859	9,542,311
Net assets - end of year (Exhibit A)	\$ 7,372,064	\$ 6,399,612	\$ 12,833,433

See independent auditor's report.

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2009

(With Summarized Financial Information
for the Year Ended June 30, 2008)

	Program Services					Supporting Services				Total		
	Exhibitions	Education	Publication	Museum Store	Start-up Costs	Total	Administration	Fund Raising	Direct Costs of Special Events	Total	2009	2008
Direct costs including honorariums, transportation, exhibition, set-up, paper, printing, binding, etc.	\$ 290,542	\$ 27,084				\$ 317,626					\$ 317,626	\$ 307,309
Start-up costs					\$ 320,571	320,571					320,571	610,979
Salaries	313,841	80,702	\$ 53,801			448,344	\$ 322,808	\$ 125,536		\$ 448,344	896,688	874,644
Payroll taxes and employee benefits	55,073	14,162	9,441			78,676	56,646	22,029		78,675	157,351	157,235
Occupancy	42,285	29,952	19,381	\$ 38,761		130,379	42,285	3,524		45,809	176,188	153,921
Other expenses (includes interest expense of \$26,147 in 2009)	168,239	11,206	116,232	18,701		314,378	205,196	151,042		356,238	670,616	971,623
Bad debt expense							97,860			97,860	97,860	110,559
Depreciation and amortization	8,735	6,188	4,004	8,008		26,935	8,736	728		9,464	36,399	67,416
Catering and hall rental									\$ 214,464	214,464	214,464	280,174
Total expenses	\$ 878,715	\$ 169,294	\$ 202,859	\$ 65,470	\$ 320,571	\$ 1,636,909	\$ 733,531	\$ 302,859	\$ 214,464	\$ 1,250,854	\$ 2,887,763	\$ 3,533,860

See independent auditor's report.

The accompanying notes are an integral part of these statements.

THE MUSEUM FOR AFRICAN ART AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS

YEARS ENDED JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities		
Change in net assets (Exhibit B)	\$ 938,243	\$ 3,291,122
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	36,399	67,416
Donated artworks	(106,223)	(253,290)
Decrease (increase) in assets		
Contributions receivable	381,713	(2,128,266)
Accounts receivable	177,797	(85,509)
Government grants receivable	(29,270)	165,900
Prepaid expenses and other receivables	(7,110)	1,468
Inventory	15,843	(2,565)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(514,360)	76,407
Prepaid exhibition fees	(117,615)	145,340
Advance from grantor		(149,340)
Net cash provided by operating activities	<u>775,417</u>	<u>1,128,683</u>
Cash flows from investing activities		
Construction costs	(631,250)	(2,924,806)
Payments received from employee loan		(6,500)
Decrease (increase) in cash - escrows	129,068	(49,515)
Proceeds from repayments of employee loan	6,500	
Net cash used by investing activities	<u>(495,682)</u>	<u>(2,980,821)</u>
Cash flows from financing activities		
Principal payments on loan	(15,877)	(49,310)
Proceeds from loans	370,000	
Advance from developer		2,371,375
Net cash provided by financing activities	<u>354,123</u>	<u>2,322,065</u>
Net increase in cash	633,858	469,927
Cash - beginning of year	<u>2,030,592</u>	<u>1,560,665</u>
Cash - end of year	<u>\$ 2,664,450</u>	<u>\$ 2,030,592</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	<u>\$ 26,147</u>	<u>\$ 41,223</u>
Land, construction costs and its related mortgages and escrow accounts were transferred to Park View Madison Associates:		
Land	\$ 9,298,500	
Construction in progress	377,669	
Escrow accounts	129,068	
Mortgages	<u>(9,805,237)</u>	
	<u>\$ -</u>	

See independent auditor's report.

The accompanying notes are integral part of these statements.

THE MUSEUM FOR AFRICAN ART AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 1 - NATURE AND PURPOSE OF ORGANIZATION

The Museum for African Art (“Museum”) was established in 1984 as an independent institution exclusively devoted to fostering the understanding and appreciation of African art and culture while highlighting its significant contributions to American and world culture. With an annual operating budget of approximately \$3 million and a board of 21, the organization has a staff of 20 full-time and part-time employees.

Over the past 25 years, the Museum has been a leader in creating a platform in which African art and culture can be presented and explored. Since 1997 the Museum’s touring exhibitions have doubled and its education activities increased by 87%. The Museum currently reaches 15,000 New York students annually and provides teacher training and curricula related to African art and culture to over 350 educational centers around the world. Its exhibitions have been viewed by three million visitors worldwide.

The Museum began laying the groundwork to bring to fruition its long-term goal of creating a permanent home. In 2000, the Museum found an ideal location at the intersection of 110th Street and 5th Avenue. Ideal from both a cultural and historical perspective, the Museum began pursuing site acquisition (Note 7). In 2002, the Museum moved to an interim site in Long Island City where it currently resides.

The Museum’s offices are located at 36-01 43rd Avenue, Long Island City. In 2006, the Museum closed the exhibit space in Long Island City and has continued the efforts on traveling exhibits.

The Museum’s primary sources of revenues are membership fees and contributions. The Museum also operates a store that earns additional revenues through sales of authentic African crafts, jewelry, clothing and textiles, as well as books on African art, culture and history.

The Museum is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting - The financial statements are prepared on the accrual basis.

Use of estimates - The preparation of 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 amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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THE MUSEUM FOR AFRICAN ART AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash escrow - Cash escrow accounts are required by the mortgagor to pay for insurance premiums.

Contributions receivable - Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are subsequently met.

Accounts receivable - The Museum records receivables based on established rates or contracts for services provided. Receivables are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. Interest income is not accrued or recorded on outstanding accounts receivable.

Grants receivable - Grants receivable are recorded when services are rendered.

Allowance for doubtful accounts - The Museum determines whether an allowance of uncollectibles should be provided for contributions and accounts receivable. Such estimates are based on management's assessment of the aged basis of its contributions, subsequent receipts, current economic conditions, historical information and other sources. Contributions and accounts receivable are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted.

Fixed assets - Fixed assets are stated at cost. Depreciation is provided on the straight-line method over the estimated useful lives. Items with cost of \$1,000 and an estimated useful life of greater than one year are capitalized. Leasehold improvements are capitalized at cost and amortized over the life of the lease.

Donated artworks - Donated artworks are recorded at their fair value at the date of the gift. The Museum does not imply time restrictions for gifts of long-lived assets. As a result, in the absence of donor-imposed restrictions, gifts of long-lived assets are reported as unrestricted revenues. Donated artworks are not depreciated.

Inventory - Inventory consists of finished goods held for sale in connection with the Museum's shop operation. Inventory is valued at cost or net realizable value, whichever is lower.

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THE MUSEUM FOR AFRICAN ART AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions - Unconditional contributions, including promises to give cash and other assets, are reported at fair value at the date the contribution is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor 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.

Revenues from government agencies - Revenues from government agencies are recognized when earned. Expense-based grants are recognized as allowable expenses are incurred.

Exhibition fees - Fees received from other museums or institutions in connection with the tours of exhibitions organized by the Museum are recognized as revenues when the exhibition is shown. Fees received in advance are, accordingly, deferred as a liability on the balance sheet.

Leases - The Museum maintains an operating lease for its space. Leases are categorized as operating based on Statement of Financial Accounting Standards (SFAS) No. 13, Accounting for Leases. The Museum's policy is to reflect rent expense on the straight-line basis. However, no adjustment was made to record deferred rent, as it had no material effect on the financial statements.

Functional allocation of expenses - The costs of providing the Museum's programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Summarized financial information - The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended June 30, 2008, from which the summarized information was derived.

Fair Value Measurements on a Nonrecurring Basis

SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities - Including an Amendment of SFAS No. 115* (SFAS No. 159), permits but does not require measurement of financial instruments and certain other items at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. As the Museum did not elect to fair value any of the financial instruments under the provisions of SFAS No. 159, the adoption of this statement effective January 1, 2008 did not have an impact on the financial statements.

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THE MUSEUM FOR AFRICAN ART AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Accounting Standards Board (FASB) Interpretation No. 48 - Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109 (FIN 48)

In July 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109 (FIN 48)*. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN 48 is effective for nonpublic companies and not-for-profits for periods beginning after December 15, 2008.

As FIN 48 has not been adopted, the Museum is continuing to use FASB Statement No. 5, *Accounting for Contingencies (FAS 5)* to evaluate uncertain tax positions. The Museum is currently evaluating the impact on the financial statements of adopting FIN 48.

Subsequent events - Subsequent events have been evaluated through December 31, 2009, which is the date the financial statements were available to be issued.

NOTE 3 - CONTRIBUTIONS RECEIVABLE

The Museum received promises to give, restricted by time. Noncurrent contributions receivable have been discounted over the payment period using a discount rate of 5%. Contributions receivable are due as follows:

2009-2010	\$ 2,561,000
2010-2011	2,302,000
2011-2012	1,747,000
2012-2013	672,000
2013-2014	122,000
Thereafter	<u>38,000</u>
	7,442,000
Allowance for doubtful accounts	(500,000)
Discount	<u>(393,396)</u>
	<u>\$ 6,548,604</u>

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THE MUSEUM FOR AFRICAN ART AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 4 - EMPLOYEE LOAN RECEIVABLE

In 2008, the Museum loaned \$9,000 to an employee to pay for his son's funeral costs. This loan was authorized by the Board. The loan was payable by December 2009. The balance was fully repaid as of June 30, 2009.

NOTE 5 - FIXED ASSETS

	<u>Cost</u>	<u>Useful Lives</u>
Leasehold improvements	\$ 369,099	6 years
Furniture and fixtures	262,499	7 years
Equipment	168,033	5 years
Construction in progress	<u>10,515,878*</u>	
	11,315,509	
Accumulated depreciation and amortization	<u>(785,517)</u>	
Net	<u>\$ 10,529,992</u>	

* Includes capitalized interest of \$3,527,872.

NOTE 6 - COLLECTION

The Museum's collection comprises objects related to African cultural history. The collection is held for exhibition and education, and is administered and stored in accordance with a formal collection management policy approved by the American Association of Museums.

NOTE 7 - DEVELOPMENT OF NEW MUSEUM SITE

On August 1, 2003, the Museum purchased a parcel of land in Manhattan on which to construct a new museum. The land was purchased for \$9,298,500. The land and construction costs were financed completely through two mortgages from the Community Preservation Corporation. The land, building and related debt was transferred into a joint venture property co-owned by the Museum and the residential condominium developer in 2009. The developer advanced the Museum funds towards the construction. The balance of the advance was \$5,963,986 as of June 30, 2009. The advance is non-interest-bearing and due upon completion of construction.

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THE MUSEUM FOR AFRICAN ART AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 7 - DEVELOPMENT OF NEW MUSEUM SITE (continued)

In 2004, the Museum entered into an agreement with a real estate developer. Under this joint venture, Parkview Madison Associates (the "LLC") was created. The vision for the site is a 19-story condominium complex. The LLC acquired the four adjacent city-owned lots to build the complex. With the acquisition of the four city-owned lots and the parcel already owned by the Museum, the total site comprises 330,000 square feet of developable land. The Museum's portion will contain approximately 70,000 square feet. In July 2007, the Museum and the LLC closed on the four city-owned lots securing the final parcels necessary to begin the project. The Museum established MAA Owner LLC ("sub"), a wholly owned subsidiary. The sub was established to construct and hold the Museum's condominium unit within the LLC. In 2009, the Museum transferred title of the land to the LLC. The sub will be leasing the museum unit to the Museum for operations of the Museum when construction is completed.

In 2009, the Museum and the sub entered into a purchase agreement with LLC to acquire the museum unit (condominium unit including land and building) located at 1280 Fifth Avenue, New York, NY. The anticipated cost of the unit is \$43,750,000 and is to be financed by a Wachovia Letter of Credit of \$25,000,000 (Note 13) and New Market Tax Credit of \$18,750,000. As of June 30, 2009, the unit is still in construction. Management anticipates taking possession of the unit in 2010.

NOTE 8 - LOANS PAYABLE

The Museum obtained five loans from the Marty and Dorothy Silverman Foundation for \$120,000 in 1997, \$200,000 in 1999, \$250,000 in 2003, \$100,000 in 2005 and \$100,000 in 2006. On February 26, 2007, the Marty and Dorothy Silverman Foundation amended the loan agreement to reflect the liquidation of the Merrill Lynch pledged collateral of \$400,000. The new consolidated loan of \$370,000 bears interest at 3% above prime (6.25% as of June 30, 2009). Principal is due on March 1, 2012. Interest payments are due quarterly.

In addition, the Museum maintained a line of credit of \$150,000 from Washington Mutual Bank, FA, a division of Chase Bank, N.A. Interest accrued at one percent above the Washington Mutual, FA reference rate. As of June 30, 2009, the Museum paid the balance due and canceled the line of credit.

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THE MUSEUM FOR AFRICAN ART AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 8 - LOANS PAYABLE (continued)

The Museum obtained an unsecured loan from a board member in 2009 in the amount of \$250,000. As of June 30, 2009, the loan's interest rate was 10%. Principal was due on September 30, 2009. Subsequent to year end, the Museum is in technical default on the loan. Upon technical default, the interest rate increased to 12% per annum. Interest on the loan was capitalized as part of construction in progress. Subsequent to year end, the board member passed away. The Museum is in negotiations with his estate to arrange repayment of the loan.

In 2009, the Museum received a loan from LLC (see Notes 1 and 7) for \$120,000 for the construction of the new museum unit. The loan bears interest at 20% per annum. Principal and interest are due upon completion of the unit. Interest on the loan was capitalized as part of construction in progress. The loan is collateralized by the Museum's investment in the LLC.

In 2004, the Museum obtained two mortgages from the Community Preservation Corporation (CPC). The first is for \$5,153,549 and bears interest at LIBOR plus .225%. As of June 30, 2008, the rate was 4.75%. The second is for \$4,651,688 and bears interest at 15%. Principal payments on the mortgages are not due until construction is completed, at which time an amortization schedule will be developed. Construction is not expected to be completed until 2010. Interest on the two mortgages was capitalized as part of construction in progress. In 2009, CPC assigned the mortgages to the Union Labor Life Insurance Company and the Museum transferred the liability to the LLC along with the transfer of the land.

Interest expense for the year was \$26,147.

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

Purchasing and developing new Museum space	\$ 6,058,912
Poster campaign	240,700
El Anatsui exhibit	<u>100,000</u>
	<u>\$ 6,399,612</u>

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THE MUSEUM FOR AFRICAN ART AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS (continued)

Net assets were released from restrictions by incurring expenses satisfying the following restricted purposes:

Purchasing and developing new museum space	\$ 884,471
Poster campaign	<u>7,300</u>
	<u>\$ 891,771</u>

NOTE 10 - OPERATING LEASE

The Museum's offices are located in Long Island City, Queens. In June 2002, the Museum entered into a 4-year noncancellable operating lease for the Queens location. The lease expired on January 15, 2007 and was extended through December 15, 2010. The minimum future rent under the terms of the lease is as follows:

2009-2010	\$ 130,995
2010-2011	<u>67,095</u>
	<u>\$ 198,090</u>

Rent expense was \$132,300 in 2009.

NOTE 11 - DONATED SERVICES

In 2009, board members donated legal and marketing services to the Museum in the amount of \$88,905.

NOTE 12 - CONCENTRATIONS

Financial instruments which potentially subject the Museum to a concentration of credit risk are cash accounts with major financial institutions in excess of FDIC insurance limits. Management believes that credit risk related to these accounts is minimal.

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THE MUSEUM FOR AFRICAN ART AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 13 - CONTINGENCY

In 2009, the Museum obtained a \$25,000,000 letter of credit from Wachovia Bank National Association (Wachovia). The letter of credit was to facilitate the acquisition of the museum condominium unit to be constructed in Manhattan (see Note 7). The letter of credit will expire in January 2010. The interest rate on the loan is at the bank's prime rate plus 300 basis points. The Museum has not drawn down any funds as of June 30, 2009. The letter of credit is secured by contributions receivable. Interest on the loan will be capitalized as part of construction in progress.

The Museum is responsible to report to various third parties, amongst which are the National Endowment for the Arts, the New York State Office of Attorney General, the Internal Revenue Service, the New York State Department of Charities Registration and the Office of Inspector General (OIG). These agencies and others have the right to audit the Museum.