NEW ORLEANS AFRICAN AMERICAN MUSEUM OF ARTS, CULTURE, AND HISTORY

FINANCIAL AND COMPLIANCE AUDIT TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2013

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
New Orleans African American Museum
Of Arts, Culture, and History
New Orleans, Louisiana

I have audited the accompanying financial statements of New Orleans African American Museum of Arts, Culture, and History (the Museum), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, and cash flows for the year 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

INDEPENDENT AUDITOR'S REPORT
(CONTINUED)

Auditor's Responsibility, Continued

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 consolidated 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, I 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 consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Museum as of December 31, 2013, 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.

Other Information

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenditures is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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INDEPENDENT AUDITOR'S REPORT
(CONTINUED)

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, I have also issued my report dated August 16, 2014 on my consideration of the Museum's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Museum's internal control over financial reporting and compliance.

VGR, CPA
New Orleans, Louisiana

August 16, 2014

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NEW ORLEANS AFRICAN AMERICAN MUSEUM
OF ARTS, CULTURE, AND HISTORY
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2013

ASSETS

Assets:	
Cash and equivalents (NOTES 2 and 6)	$ 124,692
Grants receivable (NOTE 6)	3,500
Inventory	4,383
Prepaid expenses	4,590
Art Collection (Note 9)	61,475
Property, plant and equipment net of accumulated depreciation and amortization of $775,669 (NOTES 2 and 7)	2,214,685
Total assets	$ 2,413,325

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable (NOTE 12)	$ 150,079
Deferred Revenue	22,398
Line of credit (NOTES 6 and 8)	114,761
Total liabilities	287,238
Net Assets (NOTE 2):	
Unrestricted -	2,126,087
Total net assets	2,126,087
Total liabilities and net assets	$ 2,413,325

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

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NEW ORLEANS AFRICAN AMERICAN MUSEUM
OF ARTS, CULTURE, AND HISTORY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

Revenues and Other Support	
Grants and contracts	$ 704,338
Contributions	6,400
Admissions	18,165
Merchandise sales	43
Facility rental and tours	2,932
Fundraising	4,286
Other income	3,429
Total revenues and other support	739,593
Expenses	
Support Services	63,101
Program Services	118,305
Fundraising	3,806
Total expenses	185,212
Change in net assets	554,381
Net assets, beginning of year	1,598,784
Adjustment to beginning of year (NOTE 13)	(27,078)
Net assets, beginning of year as restated	1,571,706
Net assets, end of year	$ 2,126,087

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

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NEW ORLEANS AFRICAN AMERICAN MUSEUM
OF ARTS, CULTURE, AND HISTORY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013

Cash Flows from Operating Activities:	
Change in net assets	$ 554,381
Adjustments to reconcile change in net assets to net cash provide by operating activities:	
Depreciation expense	26,226
Increase/Decrease in:	
Decrease in grants receivable	117,729
Increase in accounts payable	12,143
Increase in prepaid expenses	(1,250)
Decrease in other liabilities	(3,023)
Increase in deferred revenue	22,398
Net cash used in operating activities	728,604
Cash Flows from Investing Activities:	
Purchase of fixed assets	(679,038)
Net cash used in investing activities	(679,038)
Cash Flows from Financing Activities:	
Increase in Line of Credit	58,449
Net cash used in investing activities	58,449
Net Increase in cash	108,015
Cash, beginning of year	16,677
Cash, end of year	$ 124,692

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

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NEW ORLEANS AFRICAN AMERICAN MUSEUM
OF ARTS, CULTURE, AND HISTORY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATION:

The New Orleans African American Museum of Arts, Culture, and History (the Museum) is a non-profit organization incorporated in 2000. The development of the Museum began in 1991 using Community Block Grant funds to restore a group of properties located in the historic Treme' neighborhood of New Orleans. These properties were donated to the Museum by the City of New Orleans for its present use as a museum. The mission of the Museum is to preserve, promote and interpret the lives and history of African Americans cultural heritage of New Orleans, with a particular emphasis on the Treme' community. The vision of the Museum is to be the flagship site that celebrates the contributions of all Africans and the African diasporas to the architecture, culture, and visual arts.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Principles of Accounting

The Museum is a non-profit community based organization whose financial statements are prepared on the accrual basis.

Basis of Reporting

The Museum has adopted the provisions of FASB Accounting Standards Codification, Topic 958, "Accounting for Not-for-Profit Entities", and reports its financial position and activities according to three classes of net assets according to externally (donor) imposed restrictions.

A description of the three net asset categories is as follows:

Unrestricted net assets include funds not subject to donor-imposed stipulations. The revenues received and expenses incurred in conducting the mission of the Museum are included in this category.

Temporarily restricted net assets include realized gains and losses, investment income and gifts and contributions for which donor-imposed restrictions (capital improvements, etc.) have not been met.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Basis of Reporting, Continued

Permanently restricted net assets are contributions which are required by the donor-imposed restriction to be invested in perpetuity and only the income be made available for program operations in accordance with the donor restrictions. Such income is reflected in temporarily restricted net assets until utilized for donor imposed purposes.

As of December 31, 2013, the Museum did not have any temporarily or permanently restricted net assets.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Museum considers all short-term, highly liquid investments with maturity of three months or less at the time of purchase to be cash equivalents.

Property, Plant, and Equipment

The Museum capitalizes items with a unit cost of greater than $1,000 and a useful life greater than 1 year. Property, plant, and equipment is recorded at historical cost, if purchased, or at fair market value at the date of the gift, if donated. Additions, improvements and expenditures that significantly extend the useful life of an asset are capitalized. Depreciation is provided using the straight-line method over the estimated useful lives of the assets which are 3, 5, or 33 years.

Art Collections

The Museum capitalizes items at cost, if the items were purchased, or at appraised value at the date items are accepted by the Museum. Gains or losses from reappraisal of these items are reflected on the statement of activities as changes in the appropriate net asset classes, depending on the existence and type of donor-imposed restrictions

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

Support and Revenues

Revenues received under grant programs are recognized when earned.

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor or the board of directors.

Fair Value

The Museum has adopted certain provisions of FASB Accounting Standards Codification Topic 820, "Fair Value Measurements and Disclosures." ASC Topic 820 refines the definition of fair value, establishes specific requirements as well as guidelines for a consistent framework to measure fair value, and expands disclosure requirements about fair value measurements. ASC Topic 820 requires the Museum to maximize the use of observable market inputs, minimize the use of unobservable market inputs, and disclose in the form of an outlined hierarchy, the details of such fair value measurements.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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NOTE 3 - ECONOMIC DEPENDENCY:

The primary source of revenue for the Museum is federal grants provided through various funding agencies. The continued success of the Museum is dependent upon the renewal of contracts from current funding sources.

NOTE 4 - INCOME TAXES:

The Museum is a tax-exempt organization under section 501(C)(3) of the Internal Revenue Code. Accordingly, no provisions for federal or state income taxes have been recorded in the accompanying financial statements. Should the Museum's tax status be challenged in the future, the 2010, 2011 and 2012 tax years are open for examination by the IRS.

NOTE 5 - COMMITMENTS AND CONTINGENCIES:

Participation in Grant Programs

The Museum is a recipient of grant funds from certain funding sources. These grants are governed by various federal, state and local guidelines, regulations, and contractual agreements.

The administration of the program and activities funded by the grants are under the control and administration of the Museum and are subject to audit and/or review by the applicable funding source. Any grant funds found not to be properly spent in accordance with the terms, conditions, and regulations of the funding source may be subject to recapture.

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NOTE 6 - FAIR VALUE MEASUREMENTS OF FINANCIAL ASSETS AND LIABILITIES:

In accordance with FASB ASC Topic 820, fair value is defined as the price that the Museum would receive to sell an asset or pay to transfer a liability in a timely transaction with an independent buyer in the principal market, or in the absence of a principal market the most advantageous market for the asset or liability. ASC Topic 820 established a three-tier hierarchy to distinguish between (1) inputs that reflect the assumptions market participants would use in pricing an asset or liability developed based on market data obtained from sources independent of the reporting entity (observable inputs) and (2) inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing an asset or liability developed based on the best information available in the circumstances (unobservable inputs) and to established classification of fair value measurements for disclosure purposes.

Various inputs are used in determining the value of the Museum assets or liabilities. The inputs are summarized in the three broad levels listed below:

Level 1 - Quoted prices are available in active markets for identical investments as of the reporting date.

Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 - Pricing inputs are unobservable for the investment and include situations where there is little, if any market activity. The inputs into the determination of fair value require significant management judgment or estimation.

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NOTE 6 - FAIR VALUE MEASUREMENTS OF FINANCIAL ASSETS AND LIABILITIES, CONTINUED

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Museum's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment. All investments are considered level 1 investments.

The carrying value and the estimated fair values of the Museum's financial instruments at December 31, 2013 are as follows:

Description	Carrying Value	Fair Value
Cash and cash equivalents	$ 124,692	$ 124,692
Grant Receivables	3,500	3,500
Accounts payable	150,079	150,079
Line of credit	114,761	114,761

NOTE 7 - PROPERTY, PLANT AND EQUIPMENT:

	Balance at 12/31/13
Land	60,000
Furniture, fixtures and equipment	$ 29,280
Buildings and improvements	1,589,537
Construction-in-progress	1,311,537
Accumulated depreciation	(775,669)
Net property, plant, and equipment	$ 2,214,685

Depreciation expense for the year ended December 31, 2013 totaled $26,226.

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NOTE 8 - LINE OF CREDIT

On October 6, 2013 the Museum obtained a $ 125,000 line of credit from a local bank. The unsecured line of credit, has a maturity date of October 6, 2014, and bears an interest rate of 7%. As of December 31, 2013, the amount outstanding including accrued interest on the line of credit totaled $114,761.

NOTE 9 - ART COLLECTIONS

On February 15, 2002 the Museum received works of art from Southern University of Baton Rouge, Louisiana. The works of art had an appraised value of $61,475.

NOTE 10 - CONTINGENT LIABILITY:

The Museum has one potential contingent liability. A contractor performed worked deemed unacceptable by the City of New Orleans Code Enforcement Division. The Museum has since replaced this contractor and is disputing the need to pay for services rendered as the services were not useful. The Museum's counsel states that the issue has not been elevated to arbitration. The total amount of the claim is $81,485.

NOTE 11 - DEEP-WATER HORIZON CLAIM:

On July 5, 2013 The Museum filed a claim with the Court Approved Settlement Program for "Business Economic Loss" associated with the BP Deepwater Horizon incident that occurred on April 20, 2010. Since the initial filing of the claim, BP has pursued litigation in the United States District Court for the Eastern District of Louisiana, and appeals to the Fifth Circuit Court of Appeals Court and the United States Supreme Court to obtain clarification of various issues regarding calculating Business Economic Loss claims. This has caused significant delay in the processing of claims by the Settlement Program. On December 8, 2014, the United States Supreme Court denied BP's petition for writ of certiorari. The Museum's claim has progressed, but no determination has been made on the claim. The probability of a favorable outcome on this claim cannot be determined at this time.

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NOTE 12 - ACCOUNTS PAYABLE:

At December 31, 2013 the Museum had various vendor payables totaling $150,079. $60,166 of this balance is for consulting services related to a future "New Market Tax Credit" project. Based on the agreement with the consultant, this obligation is payable only from proceeds of the tax credit financing closing. The balance of this obligation will be paid only with the proceeds from future tax credit financing.

NOTE 13 - PRIOR PERIOD ADJUSTMENT:

An error was detected during the current financial year relative to prior period Accumulated Depreciation. The Net Assets have been restated to reflect the adjustment.

NOTE 14 - SUBSEQUENT EVENTS:

FASB Accounting Standards Codifications Topic 855-10, "Subsequent Events" requires the disclosure of the date through which the Museum has evaluated subsequent events and the reason for selecting that date. The Museum evaluated subsequent events from January 1, 2014 to August 16, 2014, the date the financial statements were available to be issued.

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SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNCTIONAL EXPENSES

NEW ORLEANS AFRICAN AMERICAN MUSEUM
OF ARTS, CULTURE, AND HISTORY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013

	Program Services	Support Services	Fundraising	Total
Salaries and benefits	$ 27,748	$ 11,883	$ -	$ 39,631
Professional fees	13,137	25,437	2,900	41,474
Special events	5,556	-	-	5,556
Exhibition costs	296	-	-	296
Event rental and group tour expense	2,306	-	-	2,306
Storage expense	19,747	3,414	-	23,161
Repairs and maintenance	4,950	206	-	5,156
Depreciation	23,563	2,663	-	26,226
Insurance	8,575	3,669	-	12,244
Interest expense	-	5,794	-	5,794
Dues and memeberships	-	1,104	-	1,104
Postage and printing	-	46	-	46
Business expense	1,230	1,661	-	2,891
Telecommunications	6,053	2,018	-	8,071
Office expenses	-	710	-	710
Advertising and promotion	-	688	906	1,594
Bank charges	-	476	-	476
Utilities	3,496	1,165	-	4,661
Other expenses	-	2,167	-	2,167
Merchant fees	1,648	-	-	1,648
Total expenses	$ 118,305	$ 63,101	$ 3,806	$ 185,212

See the Independent Auditor's Report on Supplementary Information

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SUPPLEMENTARY INFORMATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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NEW ORLEANS AFRICAN AMERICAN MUSEUM OF ARTS, CULTURE, AND HISTORY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013

GRANTOR	CFDA NUMBER	ENTITY NUMBER	ACTIVITY
U.S. Department of Housing and Urban Development			
Awards From A Pass-Through Entity			
City of New Orleans			
Community Development Block Grant	14.218	N/A	$ 653,511
Total U.S. Department of Housing and Urban Development			653,511
Institute of Museum and Library Services			
Museum Grants for African History and Culture	45.309	N/A	21,493
Total Institute of Museum and Library Services			21,493
Total Expenditures of Federal Awards			$ 675,004

See the Independent Auditor's Report on Supplementary Information

NEW ORLEANS AFRICAN AMERICAN MUSEUM
OF ARTS, CULTURE, AND HISTORY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 1 – Basis of Accounting:

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Museum and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented, or used in the preparation of, the basic financial statements.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
New Orleans African American Museum
Of Arts, Culture, and History
New Orleans, Louisiana

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of New Orleans African American Museum of Arts, Culture, and History (the Museum) (a non-profit organization) which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued my report thereon dated August 16, 2014.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Museum's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Museum's internal control. Accordingly, I do not express an opinion on the effectiveness of the Museum's internal control.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

(CONTINUED)

Internal Control Over Financial Reporting, Continued

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Museum's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

(CONTINUED)

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose; however under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

VGR, CPA
New Orleans, Louisiana

August 16, 2014

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

To the Board of Directors
New Orleans African American Museum
Of Arts, Culture, and History
New Orleans, Louisiana

Report on Compliance for Each Major Federal Program

I have audited the New Orleans African American Museum of Arts, Culture, and History's (the Museum's) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Museum major federal programs for the year ended December 31, 2013. The Museum's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of the Museum's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of

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Auditor's Responsibility, Continued

the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Museum compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of the Museum's compliance.

Opinion on Each Major Federal Program

In my opinion, the Museum complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

I have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Museum as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Museum's basic financial statements. I issued my report thereon dated August 16, 2014, which contained unmodified opinions on those financial statements. My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule

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Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133, Continued

of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

VGR, CPA
New Orleans, Louisiana

August 16, 2014

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

NEW ORLEANS AFRICAN AMERICAN MUSEUM
OF ARTS, CULTURE, AND HISTORY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2013

SCHEDULE I - Summary of the Independent Auditor's Results

1. Type of report issued on the financial statements. **Unqualified opinion**

2. Did the audit disclose any significant deficiencies in internal control? **No**

3. Did the audit disclose any material weaknesses in internal control? **No**

4. Did the audit disclose any noncompliance which is material to the financial statements of the organization? **No**

5. Did the audit disclose any significant deficiencies in internal control over major programs? **No**

6. Did the audit disclose any material weaknesses in internal control over major programs? **No**

7. Type of report issued on compliance for major programs. **Unqualified**

8. Did the audit disclose any audit findings which the independent auditors are required to report under OMB Circular A-133, Section 510(a)? **Yes**

9. Was a management letter issued? **No**

10. The following is an identification of major programs:

CFDA or Contract Number	Name of Federal Program
14.218	Community Development Block Grant
45.309	Museum Grants for African American History and Culture

11. The dollar threshold used to distinguish between Type A and Type B Programs, as described in OMB Circular A-133, Section 520(b) was **$300,000**.

12. Did the auditee qualify as a low risk auditee under OMB Circular A-133, Section 530? **No**

SCHEDULE II - Financial Statement Findings

INTERNAL CONTROL OVER FINANCIAL REPORTING

Audit Finding Reference Number

2013-01 – Financial Management System

Criteria

OMB Circular A-110, Subpart C, Section 21 specifies that financial management systems must be maintained in accordance with certain standards.

Conditions and Perspective

Management failed to establish and/or follow appropriate procedures to ensure that accounting records are maintained. Audit testing yielded the following internal control issues:

- Several transactions selected for testing were not supported by proper documentation;
- Noted the cash reconciliations were not properly performed;
- 1099's were not submitted to all contractors who performed services in 2013;
- Audit schedules and audit data was not available in a timely manner.

The aforementioned conditions may result in inaccurate financial statements being generated during the year and management having to propose journal entries during the audit to properly state account balances. The condition also limits the effectiveness of management to make financial decisions regarding the Museum during the year as a result of inaccurate financial statements.

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SCHEDULE II - Financial Statement Findings, Continued

INTERNAL CONTROL OVER FINANCIAL REPORTING, CONTINUED:

Audit Finding Reference Number

2013-01 – Financial Management System, Continued

Cause

Management failed to establish and/or adhere to policies and to ensure the general ledger accounts are being maintained properly.

Effect

New Orleans African American Museum, Inc. is in non-compliance with OMB Circular A-110 financial reporting standards.

Recommendation

I recommend management and responsible personnel adhere to established policies and procedures which require general ledger accounts be reconciled and reviewed on a monthly basis.

Management's Response

Management will ensure compliance and adhere to established policies and procedures associated with the financial reporting of the museum's financial reports.

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SCHEDULE II - Financial Statement Findings, Continued

INTERNAL CONTROL OVER FINANCIAL REPORTING, CONTINUED:

Audit Finding Reference Number

2013-02 – Lack of Segregation of Duties

Criteria

Safeguarding of assets requires segregation of duties. No one person should have access to both physical assets and the related accounting records, or to all components of a particular transaction.

Conditions and Perspective

One key employee, who receives checks, makes deposits runs the Museum and submits the information to be contractor to input into the financial reporting system.

Cause

In 2013, the Museum cut back on non-essential staff during the construction of its facilities. As such, the Museum had only two key employees to perform key operation.

Effect

Failure to segregate the duties could lead to accounting errors or defalcations not being identified or corrected in a timely basis.

Recommendation

I recommend that management segregate the duties of receiving and reporting cash receipts.

Management's Response

Management will ensure segregation of duties are established and monitored.

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SCHEDULE III - Federal Awards Findings

INTERNAL CONTROL OVER COMPLIANCE AND COMPLIANCE

Audit Finding Reference Number

2013-03 - Untimely submission of audit report

Criteria

Pursuant to the requirement of Louisiana Statute R.S. 24:513, annual financial reports shall be completed within six (6) months of the close of an entity's fiscal year, and according to OMB Circular No. A-133, section 320, Single audits are required to be completed and the data collection form and reporting package submitted within the earlier of thirty (30) days after receipt of the auditor's report, or nine (9) months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for the audit.

Conditions and Perspective

The December 31, 2013 audit report was not submitted within the prescribed time frames.

Cause

Management failed to ensure that the audit report was issued within prescribed timeliness.

Effect

The Museum has not complied with the audit requirement of the State of Louisiana or the Federal government

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SCHEDULE III - Federal Awards Findings, Continued

INTERNAL CONTROL OVER COMPLIANCE AND COMPLIANCE, CONTINUED:

Audit Finding Reference Number

2013-03 – Untimely submission of audit report, Continued:

Recommendation

I recommend that the management of the Museum take steps to ensure that the financial audit is submitted within the prescribed State and Federal deadlines.

Management's Response

Management has taken corrective actions to ensure future audits are submitted in a timely manner.

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SCHEDULE III - Federal Awards Findings, Continued

INTERNAL CONTROL OVER COMPLIANCE AND COMPLIANCE, CONTINUED:

Audit Finding Reference Number	Questioned Costs
2013 - 04 - Cash Management	$0.00

Federal Program and Specific Federal Award Identification

CFDA Title and Number
14.218 Community Development Block Grants/Entitlement Grants

Federal Award Year
December 31, 2013

Federal Agencies
U. S. Department of Housing and Urban Development

Pass-Through Entity
City of New Orleans

Criteria

OMB Circular A-110, Subpart C, Section 215.22 stipulates that cash advances to a recipient organization shall be limited to the minimum amounts needed and to be timed in accordance with the actual, immediate cash needs of the Museum in carrying out the purpose of the approved program or project. The timing and amount of cash advances shall be as close as is administratively feasible to the actual disbursements by the Museum for direct program or project costs and the proportionate share of any allowable indirect costs.

Conditions and Perspectives

I noted that the Museum drew down excess of immediate cash needs totaling $22,398 for the Community Development Block Grant program, however, it was noted that the Museum received permission and was allowed to apply the overdraw to expenses incurred in the subsequent fiscal year.

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SCHEDULE III - Federal Awards Findings, Continued

INTERNAL CONTROL OVER COMPLIANCE AND COMPLIANCE, CONTINUED:

Audit Finding Reference Number

2013 - 04 - Cash Management, Continued

Cause

The Museum failed to implement effective internal control procedures to ensure that draw downs and expenditure reconciliations were performed on a consistent and timely basis.

Questioned Costs

For purposes of the condition I have not questioned costs totaling $22,398 as the Museum has applied the amounts to eligible and approved expenses.

Effect

The Museum was noncompliance with applicable federal rules and regulations.

Recommendation

We recommend that management of the Museum improve existing policies and procedures to ensure drawdowns of Federal funds are made only for immediate cash needs in accordance with federal laws and regulations. I further recommend that the Museum implement policies and procedures that will require program expenditures and draw down activity be reviewed on a regular basis to ensure that excess draws are detected and corrected on a timely basis.

Management's Response

Management concurs with the recommendations and will ensure compliance with monitoring and managing federal funds in a timely manner in the future.

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SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

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NEW ORLEANS AFRICAN AMERICAN MUSEUM
OF ARTS, CULTURE, AND HISTORY
SCHEDULE OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2013

Prior Year Finding Reference Number

2012-01 – Financial Management System

Condition

Lack of proper internal controls established to ensure the general ledger accounts are being maintained properly.

Recommendation

I recommend management and responsible personnel adhere to established policies and procedures which require general ledger accounts be reconciled and reviewed on a monthly basis. I also recommend that management review staffing needs and evaluate the responsibilities and duties of the Chief Financial Officer.

Current Status

Unresolved. See current year finding 2013-01.

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NEW ORLEANS AFRICAN AMERICAN MUSEUM
OF ARTS, CULTURE, AND HISTORY
SCHEDULE OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2013

Prior Year Finding Reference Number

2012-02 - Untimely Submission of Audit Report

Conditions and Perspective

The December 31, 2012 audit report was not submitted within the prescribed time frames.

Recommendation

I recommend that the management of the Museum take steps to ensure that the financial audit is submitted within the prescribed State and Federal deadlines.

Current Status:

Unresolved. See current year finding 2013-03.

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NEW ORLEANS AFRICAN AMERICAN MUSEUM
OF ARTS, CULTURE, AND HISTORY
SCHEDULE OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2013

Prior Year Finding Reference Number

2011-01 Timely Filing of Report

Condition

The December 31, 2011 compiled financial statements were not submitted to the Legislative Auditor by the Statutory due date of June 30, 2013.

Recommendation

We recommend that the Museum review its financial reporting procedures to ensure the engagements are submitted to the State of Louisiana Legislative Auditor within the required time frame.

Current Status

Unresolved. See current year finding 2013-02.

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