

NEW ORLEANS MUSIC HALL OF FAME, INC.**FINANCIAL AND COMPLIANCE AUDIT
TOGETHER WITH
INDEPENDENT AUDITORS' REPORT****FOR THE YEAR ENDED DECEMBER 31, 2007**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 2/23/11

Sean M. Bruno
Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
New Orleans Music Hall of Fame, Inc.
New Orleans, Louisiana

I have audited the accompanying statement of financial position of the **New Orleans Music Hall of Fame, Inc. (the Hall)** (a non-profit organization) as of December 31, 2007 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the management of **the Hall**. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and *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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **the Hall** as of December 31, 2007, and results of operations and the changes in its net assets, and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

To the Board of Directors
New Orleans Music Hall of Fame, Inc.
New Orleans, Louisiana
Page 2

In accordance with Government Auditing Standards, I have also issued my report dated January 31, 2011 on my consideration of **the Hall's** internal control over financial reporting and 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, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards, and should be considered in assessing the results of my audit.

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information included in the report (shown on page 11) is presented for the purpose of additional analysis and is not a required part of the financial statements of **the Hall**. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.



SEAN M. BRUNO
CERTIFIED PUBLIC ACCOUNTANTS

January 31, 2011

Sean M. Bruno
Certified Public Accountants

NEW ORLEANS MUSIC HALL OF FAME, INC.
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2007

ASSETS

Cash and cash equivalents (NOTE 2)	\$ 772
Prepaid expenses	9,695
Fixed assets net of accumulated depreciation/amortization of \$15,670 (NOTES 2 and 3)	<u>1,157,452</u>
Total assets	<u>\$ 1,167,919</u>

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable	\$ 29,994
Due to related parties (NOTE 4)	273,517
Notes payable (NOTE 5)	24,251
Mortgage payable (NOTE 6)	356,472
Deferred mortgage (NOTE 7)	<u>129,000</u>
Total liabilities	<u>813,234</u>
Net Assets (NOTE 2):	
Unrestricted	<u>354,685</u>
Total net assets	<u>354,685</u>
Total liabilities and net assets	<u>\$ 1,167,919</u>

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

NEW ORLEANS MUSIC HALL OF FAME, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007

Revenues and Support:	
Grant revenue (NOTE 8)	\$ 600,000
Event revenue	9,300
Interest income	836
Other revenue	<u>13,444</u>
Total revenues and support	623,580
Expenses:	
Program services	57,660
Support services	<u>12,414</u>
Total expenses	<u>70,074</u>
Change in net assets	<u>553,506</u>
Net Assets:	
Beginning of year	<u>(198,821)</u>
End of year	<u>\$ 354,685</u>

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

NEW ORLEANS MUSIC HALL OF FAME, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2007

Cash Flows from Operating Activities

Change in net assets	\$ 553,506
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation expense	2,265
Decrease in prepaid expenses	90,305
Increase in accounts payable	7,234
Increase in due to related parties	110,482
Increase in deferred mortgage	<u>129,000</u>
 Net cash provided by operating activities	 <u>892,792</u>

Cash Flows from Investing Activities

Purchase of fixed assets	<u>(816,650)</u>
 Net cash used in investing activities	 <u>(816,650)</u>

Cash Flows from Financing Activities

Decrease in notes payable	<u>(75,749)</u>
 Net cash used in financing activities	 <u>(75,749)</u>

Net increase in cash and equivalents	393
Cash and equivalents, January 1, 2007	<u>379</u>
Cash and equivalents, December 31, 2007	<u>\$ 772</u>

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

NEW ORLEANS MUSIC HALL OF FAME, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION

The Hall is a non-profit organization whose mission is to create a National Jazz Museum that will be shared with and enjoyed by the New Orleans community; to preserve the culture of Jazz Music for future generations; to increase community involvement and interest in musical, recreational, and educational and cultural activities; to promote volunteer services; to sponsor educational programs and community events; and to raise funds for special projects and improvements related to **the Hall**.

Financial Statement Presentation

The Hall has adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 116, "Accounting for Contributions Received and Contributions Made," and SFAS No. 117, "Financial Statements of Not-for-Profit Organizations", which are codified in FASB ASC Top 958 and require its financial position and activities be reported within the three classes of net assets (i.e. unrestricted net asset, temporarily restricted net assets, and permanently restricted 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 Hall** 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.

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 restrictions.

At December 31, 2007, **the Hall** did not have any temporarily or permanently restricted net assets.

NEW ORLEANS MUSIC HALL OF FAME, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

Cash Equivalents

For purposes of the statement of cash flows, **the Hall** considers all investments purchased with a maturity of three months or less to be cash equivalents.

Revenue Recognition

The Hall recognizes all grants as income in the period earned.

Fixed Assets

Plant, property, and equipment are recorded at cost (or fair market value for donated assets) and are depreciated using the straight-line method over the estimated useful lives of the related assets.

Income Taxes

The Hall is a tax exempt corporation under Section 501c(3) of the Internal Revenue Code. Accordingly, no provisions for federal or state income taxes have been recorded in the accompanying financial statements.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.

NEW ORLEANS MUSIC HALL OF FAME, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,
CONTINUED:

Fair Values of Financial Institutions

The Hall adopted certain provisions of Statement of Financial Accounting Standards (SFAS) No. 157, Fair Value Measurements which are codified in FASB ASC Topic 820. ASC Topic 820 refines the definition of fair value, established specific requirements as well as guidelines for a consistent framework to measure fair value, and expands disclosure requirements about fair value measurements. Further ASC Topic 820 require the Hall to maximize the use of observable marked inputs, minimize the use of unobservable marked inputs, and disclose in the form of an outlined hierarchy the details of such fair value measurements.

NOTE 3 - FIXED ASSETS

Changes in the net book value of plant, property, and equipment during the year ended December 31, 2007 were as follows:

<u>Description</u>	<u>Balance</u> <u>January 1,</u> <u>2007</u>	<u>Additions/</u> <u>Deletions</u>	<u>Deletions</u>	<u>Balance</u> <u>December 31,</u> <u>2007</u>
Land	\$ 206,861	\$ 215,535	\$ -	\$ 422,396
Building	149,611	601,115	-	750,726
Accumulated depreciation	<u>(13,405)</u>	<u>(2,265)</u>	<u>-</u>	<u>(15,670)</u>
Total	<u>\$ 343,067</u>	<u>\$ 814,385</u>	<u>\$ -0-</u>	<u>\$ 1,157,452</u>

Depreciation expense totaled \$2,265 for the year ended December 31, 2007.

NEW ORLEANS MUSIC HALL OF FAME, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 4 - NOTES PAYABLE

The Hall received a loan from a local bank in the amount of \$26,316 on April 25, 2007. The loan is to be repaid over a one year period and the interest rate is 7%. The balance of the loan was \$24,251 at December 31, 2007.

NOTE 5 - MORTGAGE PAYABLE

On March 2, 2005, the Urban Development Group transferred the property at 342-44 South Rampart Street, and the related mortgage in the amount of \$356,472, to **the Hall**. The mortgage is due to the a local Trust and is to be repaid on or before December 31, 2014. The mortgage bears no interest until the due date. If the balance is not paid by the due date, the outstanding balance will be subject to a 6% interest rate.

The unamortized discount relative to the note totaled \$119,398 at December 31, 2007, which is recorded as a reduction of the discount and an increase in interest expense.

NOTE 6 - DEFERRED MORTGAGE

The Hall received a Community Development Block Grant from the City of New Orleans in the amount of \$129,000 on December 17, 2007. The funds received under this grant are secured in the form of a deferred mortgage loan in favor of the City and are to be used to acquire and develop the property at 401 South Rampart Street. The City will forgive the loan balance annually over a five year period until the loan is fully forgiven. If the property acquired is used for ineligible purposes, the loan balance will become due immediately.

NEW ORLEANS MUSIC HALL OF FAME, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 7 - DUE TO RELATED PARTIES

The Hall owed amounts to related parties as follows:

The president of **the Hall** periodically makes payments on behalf of **the Hall**. The payments consist of payments on **the Hall's** outstanding liabilities, and also payment for a portion of the Hall's operating expenses. **The Hall** reimburses the president for the payments made on its behalf as funds become available. During the year the president made payments on behalf of **the Hall** in the amount of \$64,592 and was reimbursed \$54,110 from **the Hall**. The total amount due to the president at December 31, 2007 totaled \$173,215.

The Hall received a loan from Gulf Coast Housing Partnership, Inc. in the amount of \$100,000 on October 16, 2006. During the year a local church paid off the loan and **the Hall** will repay the church, when funds are available. The church is owned and operated by the chairman of **the Hall's** board of directors. The total amount due to the church totaled \$100,000 at December 31, 2007.

NOTE 8 - GRANT REVENUE

In 2007, **the Hall** was awarded a grant from the State of Louisiana in the amount of \$2,000,000. The grant funds will be utilized to purchase and redevelop a property which will serve as the location of **the Hall**. During the year ended December 31, 2007, **the Hall** received a totaled of \$600,000 from this grant.

NEW ORLEANS MUSIC HALL OF FAME, INC.
 SCHEDULE OF FUNCTIONAL EXPENSES
 FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Program Services</u>	<u>Support Services</u>	<u>Total</u>
Utilities	\$ 4,171	\$ -	\$ 4,171
Special events	18,250	-	18,250
Insurance	397	-	397
Advertising and promotion	2,500	3,123	5,623
Telephone	-	700	700
Bank fees	-	727	727
Depreciation expense	2,265	-	2,265
Interest expense	18,518	-	19
Office expenses	118	198	316
Professional services	10,100	-	10,100
Taxes and licenses	341	5	346
Repairs and maintenance	1,000	-	1,000
Miscellaneous	-	427	427
Legal fees	<u>-</u>	<u>7,234</u>	<u>7,234</u>
Totals	\$ <u>57,660</u>	\$ <u>12,414</u>	\$ <u>70,074</u>

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**INDEPENDENT AUDITORS' 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 Music Hall of Fame, Inc.
New Orleans, Louisiana

I have audited the financial statements of **the Hall** as of and for the year ended December 31, 2007, and have issued my report thereon dated January 31, 2011. I conducted my audit 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.

Internal Control over Financial Reporting

In planning and performing my audit, I considered **the Hall's** internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **the Hall's** internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of **the Hall's** internal control over financial reporting.

**INDEPENDENT AUDITORS' 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)

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting and its operations that I consider to be material weaknesses.

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 Hall's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiency described in the Schedule of Findings at finding 2007-01 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hall's financial statements are free of 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 an instance of noncompliance or other matters that are required to be reported under Government Auditing Standards, and which is described in the accompanying Schedule of Findings as item 2007-02.

**INDEPENDENT AUDITORS' 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)

I noted certain other matters that I reported to management of **the Hall** in a separate letter dated January 31, 2011.

The Hall's responses to the findings identified in my audit are described in the accompanying Schedule of Findings. I did not audit **the Hall's** response and, accordingly, I express no opinion on it.

This report is intended solely for the use of **the Hall**, its management and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



**SEAN M. BRUNO
CERTIFIED PUBLIC ACCOUNTANTS**

January 31, 2011

NEW ORLEANS MUSIC HALL OF FAME, INC.
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2007

SCHEDULE I - Financial Statement Findings

Audit Finding Reference Number

2007-01 - Failure to Design and Implement an Internal Control System

Conditions and Perspective

I noted during my audit that **the Hall** had not designed and implemented an internal control system.

Cause

The Hall was still in its beginning stages and management had not yet established policies and procedures for the organization.

Effect

Increased risk of material misstatement of the financial statements and increased fraud risk.

Recommendation

I recommend **the Hall** design and implement an effective internal control system.

Management's Response

We will immediately begin the process of identifying a consultant that can assist **the Hall** in developing a system of internal controls. We expect to have the system in place by April 30, 2011.

NEW ORLEANS MUSIC HALL OF FAME, INC.
SCHEDULE OF FINDINGS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2007

SCHEDULE I - Financial Statement Findings, Continued

Audit Finding Reference Number

2007-02 – Late Submission of Audit Report

Criteria

Louisiana Revised Statute 24:513 requires audit reports to be completed and submitted to the State of Louisiana Legislative Auditor within six (6) months after year end, unless the Louisiana Legislative Auditor Audit Advisory Council approves an extension request, based only on a natural disaster, to file the audit report with the Louisiana Legislative Auditor by a specific date.

Condition

The December 31, 2007 audited financial statements were not submitted to the Legislative Auditor's office by the statutory due date of June 30, 2008.

Effect

An audit report filed with an approved extension from the Legislative Auditor after the six (6) months timeframe for any reason other than for a natural disaster is a violation of the State audit completion and submission law.

Cause

The Hall did not engage an independent audit firm or complete its financial statements in a timely manner.

Recommendation

I recommend that **the Hall** review its financial reporting procedures to ensure that audit engagements are submitted to the State of Louisiana Legislative Auditor within the required time frame.

NEW ORLEANS MUSIC HALL OF FAME, INC.
SCHEDULE OF FINDINGS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2007

SCHEDULE I - Financial Statement Findings, Continued

Audit Finding Reference Number

2007-02 – Late Submission of Audit Report, Continued

Management's Response

We will implement procedures to ensure that future audit reports are completed and issued within prescribed guidelines as required by Louisiana Revised Statute 24:513.

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INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT

To the Board of Directors
New Orleans Music Hall of Fame, Inc.
New Orleans, Louisiana

I have audited the financial statements of the **New Orleans Music Hall of Fame, Inc. (the Hall)** for the year ended December 31, 2007, and have issued my report thereon dated January 31, 2011.

In planning and performing our audit of the financial statements, I considered the organizations internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

During my audit, I became aware of several matters that are an opportunity for strengthening internal control and operating efficiency. The memorandum that accompanies this letter summarizes my comments and recommendations regarding the matters. Also, I have reviewed Management's Corrective Action Plan with regard to the December 31, 2007 comments to management.

This letter does not affect my report dated January 31, 2011 on the financial statements of the **Hall**.

NEW ORLEANS MUSIC HALL OF FAME, INC.
INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT, CONTINUED

CURRENT YEAR MANAGEMENT LETTER COMMENTS

2007-01 BOARD MINUTES

Condition

I noted that **the Hall** failed to transcribe minutes for the board meetings that took place during the year.

Recommendation

I recommend that management implement policies and procedures that require minutes be transcribed for all board meetings.

Management's Response

We have implemented policies and procedures that require all board minutes to be transcribed after every board and committee meetings. The board minutes will then have to be approved and accepted at the next board or committee meeting.

2007-02 ISSUANCE OF IRS FORM 1099S

Condition

I noted that management did not issue IRS Form 1099s to consultants that were paid greater than \$600 during the fiscal year.

Recommendation

I recommend that management implement procedures that will ensure that IRS Form 1099s be issued to all consultants receiving total payments in excess of \$600.

NEW ORLEANS MUSIC HALL OF FAME, INC.
INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT, CONTINUED

2007-02 ISSUANCE OF IRS FORM 1099S, CONTINUED

Management's Response

We have implemented policies and procedures that require IRS form 1099s to be issued to all consultants receiving payments in excess of \$600.

2007-03 CHECK AUTHORIZATION

Condition

During the audit, I noted checks written to the president of the **Hall** for expense reimbursements were both written by, and signed by, the President with no additional signature.

Recommendation

I recommend that management implement policies and procedures that require the signature of another board member be obtained for disbursements made to the **Hall's** president.

Management's Response

We have implemented policies and procedures that require all checks written to the President of the **Hall** that are in excess of \$250 be signed by a board authorized check signer.

NEW ORLEANS MUSIC HALL OF FAME, INC.
INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT, CONTINUED

CURRENT YEAR MANAGEMENT LETTER COMMENTS, CONTINUED

2007-04 MAINTENANCE OF SUPPORTING DOCUMENTATION

Condition

I noted that the Hall failed to obtain and/or maintain supporting documentation for several transactions recorded in the general ledger.

Recommendation

I recommend that management implement policies and procedures that require supporting documentation be obtained and maintained for all transactions recorded in the general ledger.

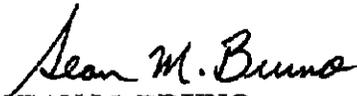
Management's Response

We have implemented policies and procedures that require supporting documentation to be maintained and properly filed for all general ledger transactions.

NEW ORLEANS MUSIC HALL OF FAME, INC.
INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT, CONTINUED

I will review the status of these comments during our next audit engagement. I have already discussed many of these comments and suggestions with appropriate personnel of the **New Orleans Music Hall of Fame, Inc.**, and I will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendation.

This report is intended solely for the information and use of the Board of Directors, and management and is not intended to be and should not be used by anyone other than these specified parties.


SEAN M. BRUNO
CERTIFIED PUBLIC ACCOUNTANTS

January 31, 2011