

**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, 2012



TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT.....	1
STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2012	4
STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2012	5
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2012.....	6
NOTES TO THE FINANCIAL STATEMENTS	7
SCHEDULE OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2012.....	14
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2012.....	15
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	16
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	17

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' 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.....	20
SCHEDULES OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2012	
Schedule I - Summary of the Independent Auditors' Results.....	23
Schedule II - Financial Statement Findings.....	24
Schedule III - Federal Award Findings and Questioned	28
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS	29



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, 2012, 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, 2012, 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 expenses is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, 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.

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, 2013 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, 2013

**NEW ORLEANS AFRICAN AMERICAN MUSEUM
OF ARTS, CULTURE, AND HISTORY
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2012**

ASSETS

Assets:

Cash and equivalents (NOTES 2 and 6)	\$	16,677
Grants receivable (NOTE 6)		121,229
Inventory		4,383
Prepaid expenses		3,340
Art Collection		61,475
Property, plant and equipment net of accumulated depreciation and amortization of \$713,403 (NOTES 2 and 7)		<u>1,588,952</u>
Total assets		<u>\$ 1,796,056</u>

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable	\$	137,936
Other liabilities		3,023
Line of credit (NOTES 6 and 8)		50,711
Note payable (NOTE 9)		<u>5,602</u>
Total liabilities		<u>197,272</u>

Net Assets (NOTE 2):

Unrestricted - board designated (NOTE 11)	1,598,784
Total net assets	<u>1,598,784</u>
Total liabilities and net assets	<u>\$ 1,796,056</u>

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

**NEW ORLEANS AFRICAN AMERICAN MUSEUM
OF ARTS, CULTURE, AND HISTORY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012**

<u>Revenues and Other Support</u>	
Grants and contracts	\$ 612,339
Contributions	12,489
Memberships	2,179
Admissions	29,990
Merchandise sales	35,714
Facility rental and tours	9,621
Fundraising	14,150
Other income	<u>1,627</u>
Total revenues and other support	<u>718,109</u>
<u>Expenses</u>	
Support services	56,944
Program services	<u>189,681</u>
Total expenses	<u>246,625</u>
Change in net assets	471,484
Net assets, beginning of year	<u>1,127,300</u>
Net assets, end of year	\$ <u>1,598,784</u>

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

NEW ORLEANS AFRICAN AMERICAN MUSEUM
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012

Cash Flows from Operating Activities

Change in net assets	\$ 471,484
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	53,800
Increase in grants receivable	(121,044)
Decrease in inventory	2,382
Increase in prepaids	(3,340)
Increase in accounts payable	116,484
Decrease in other liabilities	<u>(327)</u>
Net cash provided by operating activities	<u>519,439</u>

Cash Flows from Investing Activities

Purchase of fixed assets	<u>(516,788)</u>
Net cash used in investing activities	<u>(516,788)</u>

Cash Flows from Financing Activities

Proceeds from loans/line of credit	<u>4,049</u>
Net cash provided by financing activities	<u>4,049</u>

Net increase in cash and equivalents	6,700
Cash - January 1, 2012	<u>9,977</u>
Cash - December 31, 2012	<u>\$ 16,677</u>

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

**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 American's 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 missions 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.

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

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 restrictions.

As of December 31, 2012, **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 a 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 39 years.

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.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

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.

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.

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

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 2009, 2010 and 2011 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.

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

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.

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

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, 2012 are as follows:

<u>Description</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 16,677	\$ 16,677
Receivables	121,229	121,229
Accounts payable	145,175	145,175
Line of credit	50,711	50,711
Note payable	5,602	5,602

NOTE 7 - PROPERTY, PLANT AND EQUIPMENT:

	<u>Balance at 12/31/12</u>
Furniture, fixtures and equipment	\$ 29,280
Building improvements	1,350,632
Construction-in-progress	922,443
Accumulated depreciation	<u>(713,403)</u>
Net property, plant, and equipment	<u>\$ 1,588,952</u>

Depreciation expense for the year ended December 31, 2012 totaled \$53,799.

NOTE 8 - LINE OF CREDIT

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

NOTE 8 - LINE OF CREDIT

On September 1, 2011 **the Museum** obtained a \$50,000 line of credit from a local bank. The secured line of credit, had a maturity date of August 30, 2012, and bears an interest rate of 7%. The line of credit is secured by real estate owned by the **Museum**. Interest-only monthly payments commenced October 1, 2011, and was to continue until the line of credit matured on August 30, 2012. On December 20, 2012, the line of credit was restructured to extend the maturity date to December 19, 2013. As of December 31, 2012, the amount outstanding including accrued interest on the line of credit totaled \$50,711.

NOTE 9 - NOTE PAYABLE

On September 30, 2010 and May 1, 2012 **the Museum** obtained two loans from a non-profit organization. The loans are secured by all of **the Museum's** current and future assets, and has maturity dates of September 30, 2013 and May 1, 2014 respectively and they bear interest rates of 8% and 6% respectively. As of December 31, 2012, the principal balance due on the notes totaled \$5,602.

Amortization of the principal balance until maturity is as follows:

<u>Year Ending December 31,</u>	
2013	\$5,400
2014	<u>202</u>
Total	<u>\$5,602</u>

NOTE 10 - 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, 2013 to August 16, 2013, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNCTIONAL EXPENSES

NEW ORLEANS AFRICAN AMERICAN MUSEUM
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>SUPPORT SERVICES</u>	<u>PROGRAM SERVICES</u>	<u>TOTAL</u>
Salaries and benefits	\$ 19,528	\$ 58,582	\$ 78,110
Professional services	10,578	-	10,578
Advertising	-	811	811
Special events	-	6,942	6,942
Exhibition costs	-	18,380	18,380
Event rental and group tour expense	-	3,286	3,286
Equipment rentals	1,215	-	1,215
Repairs and maintenance	-	6,572	6,572
Depreciation	-	53,799	53,799
Insurance	7,240	21,720	28,960
Interest expense	5,124	-	5,124
Miscellaneous	204	2,047	2,251
Dues and memberships	1,903	-	1,903
Postage	-	1,840	1,840
Printing	-	1,613	1,613
Telecommunications	8,049	-	8,049
Office supplies	352	-	352
Bank charges	2,751	-	2,751
Utilities	-	14,089	14,089
Totals	<u>\$ 56,944</u>	<u>\$ 189,681</u>	<u>\$ 246,625</u>

See Accompanying Independent Auditor's Report

SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NEW ORLEANS AFRICAN AMERICAN MUSEUM
OF ARTS, CULTURE, AND HISTORY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012

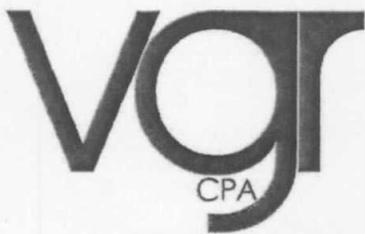
<u>GRANTOR</u>	<u>CFDA NUMBER</u>	<u>ENTITY NUMBER</u>	<u>ACTIVITY</u>
U.S. Department of Housing and Urban Development			
<u>Awards From A Pass-Through Entity</u>			
<u>City of New Orleans</u>			
Community Development Block Grant	14.218	N/A	\$ <u>517,048</u>
Total U.S. Department of Housing and Urban Development			<u>517,048</u>
 Institute of Museum and Library Services			
Museum Grants for African History and Culture	45.309	N/A	<u>24,704</u>
Total Institute of Museum and Library Services			<u>24,704</u>
Total Expenditures of Federal Awards			\$<u>541,752</u>

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, 2012

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.



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, 2012, 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, 2013.

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.

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.

Our consideration of the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency, as item 2012-01.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **the Museum's** financial statements are free from material misstatement, we 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 our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2012-02.

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)

Museum's Response to Findings

The Museum's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Museum's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 23, 2013



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE 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) 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's major federal programs for the year ended December 31, 2012. 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 the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

(CONTINUED)

Auditor's Responsibility, Continued

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's** 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 August 23, 2013.

Other Matters

The results of my auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2012-01 and 2012-02. My opinion on each major federal program is not modified with respect to these matters.

The Museum's response to the noncompliance findings identified in my audit is described in the accompanying schedule of findings and questioned costs. **The Museum's** response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the response.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

(CONTINUED)

Report on Internal Control over Compliance

Management of the **Museum** is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the **Museum's** internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the **Museum's** internal control over compliance.

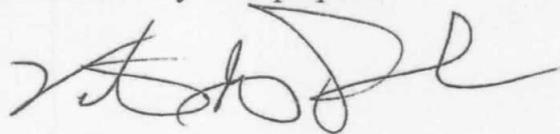
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

(CONTINUED)

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



VGR, CPA
New Orleans, Louisiana

August 23, 2013

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, 2012**

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? **Yes**
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? **Yes**
10. The following is an identification of major programs:

<u>CFDA or Contract Number</u>	<u>Name of Federal Program</u>
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**

NEW ORLEANS AFRICAN AMERICAN MUSEUM
OF ARTS, CULTURE, AND HISTORY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2012, CONTINUED

SCHEDULE II - Financial Statement Findings

INTERNAL CONTROL OVER FINANCIAL REPORTING

Audit Finding Reference Number

2012-01 – 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:

- Noted that monthly reconciliations and close out procedures were not performed on a timely basis;
- Several transactions selected for testing were not supported by proper documentation;
- Several invoices were not cancelled to avoid duplication of payment per policy;
- Noted that a payable was created for reimbursement of unapproved expenses;
- 1099's were not submitted to all contractors who performed services in 2012; and
- All museum admissions was not 'input' in **the museum's** point of sale software.

Additionally, The policies and procedures manual contained several internal control "suggested procedures" for cash disbursements and cash receipts and not firm procedures.

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.

**NEW ORLEANS AFRICAN AMERICAN MUSEUM
OF ARTS, CULTURE, AND HISTORY**
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2012, CONTINUED

SCHEDULE II - Financial Statement Findings, Continued

INTERNAL CONTROL OVER FINANCIAL REPORTING, CONTINUED:

Audit Finding Reference Number

2012-01 – Financial Management System, Continued

Cause

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

Effect

The Museum is in non-compliance with OMB Circular A-110 financial reporting standards.

Recommendation

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

Management's Response

The Museum management and responsible personnel will adhere to established policies and procedures regarding the posting and reviewing of general ledger accounts monthly. Policies and procedures will be reviewed and updated in accordance with current practice. Management will also review the staffing needs and responsibilities of staff within the Finance Department to ensure more adequate review of the accounting records and timely reconciliation.

**NEW ORLEANS AFRICAN AMERICAN MUSEUM
OF ARTS, CULTURE, AND HISTORY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2012, CONTINUED**

SCHEDULE II - Financial Statement Findings, Continued

COMPLIANCE,

Audit Finding Reference Number

2012-02 - 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, 2012 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

NEW ORLEANS AFRICAN AMERICAN MUSEUM
OF ARTS, CULTURE, AND HISTORY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2012, CONTINUED

SCHEDULE II - Financial Statement Findings, Continued

COMPLIANCE, CONTINUED:

Audit Finding Reference Number

2012-02 - 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 will ensure that audits will be submitted timely in the future.

**NEW ORLEANS AFRICAN AMERICAN MUSEUM
OF ARTS, CULTURE, AND HISTORY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2012, CONTINUED**

SCHEDULE III - Federal Award Findings

FEDERAL COMPLIANCE

Audit Finding Reference Number

2012-01 - Financial Management System

See finding number 2012-01 in section II.

2012-02 - Untimely submission of audit report

See finding number 2012-02 in section II.

**SCHEDULE OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS**

**NEW ORLEANS AFRICAN AMERICAN MUSEUM
OF ARTS, CULTURE, AND HISTORY**
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2012

Audit 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, 2012.

Recommendation

I 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 2012-02.