

**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, 2015**



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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

### **Report on the Financial Statements**

I have audited the accompanying financial statements of **New Orleans African American Museum of Arts, Culture, and History (the Museum)** (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, 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 audit. 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. 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 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 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, 2015, 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 accompanying schedule of functional expenditures on page 14 and schedule of expenditures of federal awards on page 15, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and is not a required part of the 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 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 November 25, 2019 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

November 25, 2019

**NEW ORLEANS AFRICAN AMERICAN MUSEUM  
OF ARTS, CULTURE, AND HISTORY  
STATEMENT OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2015**

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ASSETS

Assets:

Current Assets:

Cash and equivalents	91,101
Pledges Receivable	-
Other Assets	4,383
Property, plant and equipment net of accumulated depreciation and amortization of \$939,837 (NOTES 2 and 7)	5,456,944

Total assets	5,552,429
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LIABILITIES AND NET ASSETS

Liabilities:

Current Liabilities:

Accounts Payable	171,476
Notes Payable	2,739,228

Total liabilities	<u>2,910,704</u>
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Net Assets (NOTE 2):

Unrestricted -	2,641,725
Restricted-	<u>-</u>

Total net assets	<u>2,641,725</u>
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Total liabilities and net assets	5,552,429
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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 TWELVE MONTHS ENDED DECEMBER 31, 2015

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<u>INCOME</u>	<u>Without</u> <u>Restriction</u>	<u>Wth</u> <u>Restriction</u>	<u>Total</u>
Grant Income	\$ 900,083	-	\$ 900,083
Donation Income	856	-	\$ 856
Other Income	11,146	-	\$ 11,146
School Contract income	<u>11,800</u>	-	<u>\$ 11,800</u>
Total Income	\$ 923,885	\$ -	\$ 923,885
 <u>EXPENSES</u>			
Program Services	-	-	-
Support Services	183,751	-	183,751
Fundraising	<u>41,644</u>	<u>-</u>	<u>41,644</u>
Total Expenses	225,395	-	225,395
Change in net assets	698,490	-	698,490
Net assets, beginning of year	1,491,129	-	1,491,129
Adjustment to beginning of year	452,106	-	452,106
Beginning of year as restated	1,943,235	-	1,943,235
Net assets, end of year	2,641,725	-	2,641,725

The accompanying notes are an integral part of these financial statements



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

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2015

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**Cash Flows from Operating Activities**

Change in net assets	\$ 1,150,596
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Increase in Notes Payable	619,908
Decrease in accounts payable	<u>(21,031)</u>
Net cash provided by operating activities	<u>1,749,473</u>

**Cash Flows from Investing Activities**

Purchase of fixed assets	<u>(2,291,781)</u>
Net cash used in investing activities	<u>(2,291,781)</u>
Net increase in cash and equivalents	(542,308)
Cash - beginning of year	<u>633,409</u>
Cash - end of year	<u><u>\$ 91,101</u></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**

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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 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

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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 restrictions.

As of December 31, 2015, **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

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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

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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 2012, 2013 and 2014 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.

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

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

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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

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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, 2015 are as follows:

<u>Description</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 91,101	\$ 91,101
Accounts payable	171,476	171,476
Note payable	2,739,228	2,739,228

NOTE 7 - PROPERTY, PLANT AND EQUIPMENT:

	<u>Balance at 12/31/15</u>
Land	\$ 60,000
Furniture, fixtures and equipment	29,280
Art and Artifacts	61,475
Buildings and improvements	1,301,225
Construction-in-progress	4,944,801
Accumulated depreciation	<u>(939,837)</u>
Net property, plant, and equipment	<u>\$ 5,456,944</u>

Depreciation expense for the year ended December 31, 2015 totaled \$35,576.

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

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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, 2015, 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, 2015. On December 20, 2015, the line of credit was restructured to extend the maturity date to December 19, 2013. As of December 31, 2015, the amount outstanding including accrued interest on the line of credit totaled \$50,711.

NOTE 9 - NOTE PAYABLE

**the Museum** obtained the following loans from a local financial institution: On August 18, 2015 a loan of \$500,000.00 at 5.75% which matures February 18, 2016; On October 7, 2013 a loan of 125,000.00 at 7.00% which matures October 6, 2016; On April 17, 2014 a loan of 1,415,000.00 and \$585,000 both at 1% and both mature on April 16, 2016; The loans are secured by all of **the Museum's** current and future assets. As of December 31, 2015, the principal balance due on the note totaled \$2,739,228. Amortization of the principal balance until maturity is as follows:

<u>Year Ending December 31,</u>	
2016	\$ <u>2,739,228</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, 2016 to November 25, 2019 the date the financial statements were available to be issued.

NOTE 11 - PRIOR PERIOD ADJUSTMENT:

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



**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FUNCTIONAL EXPENSES**

**BROTHERS EMPOWERED TO TEACH**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
**FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2015**

	Program Services	Support Services	Fundraising	TOTAL
Payroll Expenses	\$ -	\$ 462	\$ -	\$ 462
Office Supplies	\$ -	\$ 895	\$ -	\$ 895
Postage and Mailing Expenses	\$ -	\$ 128	\$ -	\$ 128
Technology and Telecommunications	\$ -	\$ 2,640	\$ -	\$ 2,640
Insurance	\$ -	\$ 9,308	\$ -	\$ 9,308
Bank Service Charges	\$ -	\$ 512	\$ 1,887	\$ 2,399
Interest Expense	\$ -	\$ 8,167	\$ 27,772	\$ 35,939
Professional Fees	\$ -	\$ 871	\$ 11,985	\$ 12,856
Deprecation	\$ -	\$ 141,454	\$ -	\$ 141,454
Utilities	\$ -	\$ 3,925	\$ -	\$ 3,925
Ground Maintenance	\$ -	\$ 3,068	\$ -	\$ 3,068
Tours	\$ -	\$ 12,323	\$ -	\$ 12,323
Total Expenses	\$ -	\$ 183,751	\$ 41,644	\$ 225,395

The accompanying notes are an integral part of these financial statements

**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, 2015

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<u>GRANTOR</u>	<u>CFDA NUMBER</u>	<u>ENTITY NUMBER</u>	<u>ACTIVITY</u>
<b>U.S. Department of Housing and Urban Development</b>			
<u>Awards From A Pass-Through Entity</u>			
<u>City of New Orleans</u>			
Community Development Block Grant	14.218	N/A	\$ <u>900,083</u>
Total U.S. Department of Housing and Urban Development			<u>900,083</u>
<b>Total Expenditures of Federal Awards</b>			<b><u>\$900,083</u></b>

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, 2015

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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.

NOTE 2 - Indirect Cost Rate

**The Museum** has not elected to use the ten percent (10%) de minimis indirect cost rate.



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*

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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, 2015, 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 November 25, 2019.

### **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*

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(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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. I did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that I consider to be a significant deficiency as item 2015-001.

**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 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 finding and questioned cost as item 2015-002.

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*

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(CONTINUED)

**The Museum's Response to Finding**

**The Museum's** response to the findings identified in my audit is described in the accompanying schedule of finding and questioned costs. **The Museum** response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I 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

November 25, 2019





INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH  
MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE

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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 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, 2015. **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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH  
MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE

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(CONTINUED)

*Auditor's Responsibility, Continued*

the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 December 31, 2015.

*Other Matters*

The results of my auditing procedures disclosed instances of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2015-002. My opinion of each major federal program is not modified with respect to this matter.

**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 subject to the auditing procedures applied in the audit of compliance and, accordingly, I express no opinion of the response.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH  
MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE

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(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 our 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 the Uniform Guidance, 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. I did not identify any deficiencies in internal control over compliance that I consider to be a material weakness. However, I identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2015-002, that I consider to be a significant deficiency.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH  
MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE

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(CONTINUED)

**Report on Internal Control over Compliance, Continued**

**The Museum's** response to the internal control over compliance 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.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



**VGR, CPA**  
New Orleans, Louisiana

November 25, 2019

## **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, 2015

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**SCHEDULE I - Summary of the Independent Auditor's Results**

*Financial Statements*

1. Type of report issued on the financial statements. **Unmodified 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**

*Federal Awards*

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. **Unmodified opinion**
8. Did the audit disclose any audit findings which the independent auditors are required to report in accordance with Uniform Guidance 200.518(b) (1)? **Yes**
9. Was a management letter issued? **Yes**
10. The following is an identification of major programs:

CFDA or  
Contract Number

Name of  
Federal Program

14.218

Community Development Block Grant

11. The dollar threshold used to distinguish between Type A and Type B Programs, as described in 2 CFR 200 516 (a) was **\$750,000.**
12. Did the auditee qualify as a low risk auditee under Uniform Guidance 200.520 **No**

**SCHEDULE II**  
**FINANCIAL STATEMENTS FINDING**

**NEW ORLEANS AFRICAN AMERICAN MUSEUM  
OF ARTS, CULTURE, AND HISTORY**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2015, CONTINUED

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**SCHEDULE II - Financial Statement Findings**

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

**Audit Finding Reference Number**

2015-001 – Financial Management System

**Criteria**

Part 200 – Uniform Administrative Requirements 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;
- The agency lacked the administrative capacity to assist with the audit;
- No schedule was available to reconcile to depreciation/amortization
- Noted the bank reconciliations were not performed on a timely basis;
- 1099's were not submitted to all contractors who performed services in 2015.

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, 2015, CONTINUED

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**SCHEDULE II - Financial Statement Findings, Continued**

**INTERNAL CONTROL OVER FINANCIAL REPORTING, CONTINUED:**

**Audit Finding Reference Number**

2015-001 – 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**

**The Museum** is not in compliance with Part 200 – Uniform Administrative Requirements 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**

Management concurs with the finding and has taken steps to have the general ledger accounts reconciled and reviewed on a monthly basis and take other appropriate steps to strengthen the internal control.

**NEW ORLEANS AFRICAN AMERICAN MUSEUM  
OF ARTS, CULTURE, AND HISTORY**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2015, CONTINUED

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**SCHEDULE II - Financial Statement Findings, Continued**

**INTERNAL CONTROL OVER FINANCIAL REPORTING, CONTINUED:**

**Audit Finding Reference Number**

2015-002 - Untimely Submission of Audit Report

**Criteria**

Pursuant to the requirement of Louisiana Statute R.S. 24:513 a. (5)(a)(i), annual financial reports shall be completed within six (6) months of the close of an entity's fiscal year, and according to Uniform Guidance 2 CFR Part 200.512(a), 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. If the due date falls on a Saturday, Sunday or federal holiday, the reporting package is due the next business day.

**Conditions and Perspective**

The December 31, 2015 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, 2015, CONTINUED

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**SCHEDULE II - Financial Statement Findings, Continued**

**INTERNAL CONTROL OVER FINANCIAL REPORTING, CONTINUED:**

**Audit Finding Reference Number**

2015-002 - 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**

Due to significant changes in the Board membership and staffing during 2015 and 2016, the Museum was unable to complete and submit the 2015 audit report timely. The current Board is working to ensure that resources are available for timely financial reporting going forward.

**SCHEDULE III**  
**FEDERAL AWARD 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, 2015, CONTINUED

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**SCHEDULE III – Federal Award Finding and Questioned Costs**

**INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE**

**Audit Finding Reference Number**

2015-001 - Untimely Submission of Audit Report

**Federal Program Specific Federal Award Identification**

CFDA Title and Number

14.218 Community Development Block Grant

Federal Award Year

December 31, 2015

Federal Agencies

U.S. Department of Housing and Urban Development

Criteria

Pursuant to the requirement of Louisiana Statute R.S. 24:513 a. (5)(a)(i), annual financial reports shall be completed within six (6) months of the close of an entity's fiscal year, and according to Uniform Guidance 2 CFR Part 200.512(a), 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. If the due date falls on a Saturday, Sunday or federal holiday, the reporting package is due the next business day.

Conditions

The December 31, 2015 audit report was not submitted within the prescribed time frames.

**NEW ORLEANS AFRICAN AMERICAN MUSEUM  
OF ARTS, CULTURE, AND HISTORY**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2015, CONTINUED

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**SCHEDULE III – Federal Award Finding and Questioned Costs**

**INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE**

Continued

Questioned Costs

For purposes of this condition, I have no questioned costs.

Context

The audit report was outstanding more than nine (9) months after the entity's fiscal year.

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

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.

Views of Responsible Officials and Planned Corrective Actions

Due to significant changes in the Board membership and staffing during 2015 and 2016, the Museum was unable to complete and submit the 2015 audit report timely. The current Board is working to ensure that resources are available for timely financial reporting going forward.



**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, 2015

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**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, 2016.

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 2015-02.