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October 12, 2011

Board of Directors  
Evansville African American  
Museum, Inc.  
P.O. Box 3124  
Evansville, IN 47731

We have reviewed the audit report prepared by Kruse, Dicus & Associates, LLP, Independent Public Accountants, for the period January 1, 2006 to December 31, 2007. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Evansville African American Museum, Inc., as of December 31, 2007 and 2006, and the results of its operations for the periods then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

STATE BOARD OF ACCOUNTS

*Audited Financial Statements*  
*Evansville African American Museum, Inc.*  
*December 31, 2007 and 2006*

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### INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Evansville African American Museum, Inc.

We have audited the accompanying statements of assets, liabilities, and net assets—cash basis of Evansville African American Museum, Inc. (a nonprofit organization) as of December 31, 2007 and 2006, and the related statements of support, revenue, expenses and changes in net assets—cash basis for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Evansville African American Museum, Inc. as of December 31, 2007 and 2006, and its support, revenue, and expenses for the years then ended, on the basis of accounting described in Note 1.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules of functional expenses—cash basis on pages 6 & 7 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Kruse, Dicus & Associates, LLP

Evansville, Indiana  
January 4, 2010

**Evansville African American Museum, Inc.**  
**Statements of Assets, Liabilities & Net Assets - Cash Basis**  
**December 31, 2007 and 2006**

**ASSETS**

	<u>2007</u>	<u>2006</u>
<b>Current Assets</b>		
Cash	\$ 89,676	\$ 223,010
Inventory - Note 1	4,621	0
Total Current Assets	<u>94,297</u>	<u>223,010</u>
<b>Property &amp; Equipment, at cost - Note 4</b>	1,866,740	1,343,030
Less: Accumulated depreciation	<u>92,336</u>	<u>36,924</u>
Total Property & Equipment	<u>1,774,404</u>	<u>1,306,106</u>
<b>Total Assets</b>	<u>\$ 1,868,701</u>	<u>\$ 1,529,116</u>

**LIABILITIES AND NET ASSETS**

<b>Current Liabilities</b>		
Notes Payable, Bank - Note 5	\$ 55,000	\$ 0
Payroll Liabilities	1,247	306
Total Current Liabilities	<u>56,247</u>	<u>306</u>
<b>Net Assets</b>		
Unrestricted	1,811,134	1,380,989
Temporarily Restricted - Note 6	<u>1,320</u>	<u>147,821</u>
Total Net Assets	<u>1,812,454</u>	<u>1,528,810</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 1,868,701</u>	<u>\$ 1,529,116</u>

The Notes to Financial Statements are an Integral Part of these Statements.

**Evansville African American Museum, Inc.**  
**Statements of Support, Revenue, Expenses & Changes**  
**in Net Assets - Cash Basis**  
**For the Years Ended December 31, 2007 and 2006**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2007</u>	<u>Total 2006</u>
<b>Support &amp; Revenue</b>				
Admissions & Facility Use	\$ 1,554	\$	\$ 1,554	\$ 0
Membership	6,411		6,411	8,918
Gift Shop Sales	1,813		1,813	0
Capital Contributions	183,923		183,923	73,340
Grants	244,125		244,125	169,247
Other support	856		856	1,745
In-kind Donations	15,400		15,400	5,600
Interest Income	4,003		4,003	6,903
Net Assets Released from Restrictions	<u>146,501</u>	<u>(146,501)</u>	<u>0</u>	<u>0</u>
Total Support & Revenue	<u>604,586</u>	<u>(146,501)</u>	<u>458,085</u>	<u>265,753</u>
<b>Expenses:</b>				
<b>Program Services</b>				
Program Expenses	93,742	0	93,742	52,122
<b>Supporting Services</b>				
Fundraising	50,046	0	50,046	21,034
Management and General	<u>30,653</u>	<u>0</u>	<u>30,653</u>	<u>25,018</u>
Total Supporting Services	<u>80,699</u>	<u>0</u>	<u>80,699</u>	<u>46,052</u>
Total Expenses	<u>174,441</u>	<u>0</u>	<u>174,441</u>	<u>98,174</u>
Change in Net Assets	430,145	(146,501)	283,644	167,579
Net Assets, Beginning of Year	<u>1,380,989</u>	<u>147,821</u>	<u>1,528,810</u>	<u>1,213,410</u>
Net Assets, End of Year	<u>\$ 1,811,134</u>	<u>\$ 1,320</u>	<u>\$ 1,812,454</u>	<u>\$ 1,380,989</u>

The Notes to Financial Statements are an Integral Part of these Statements.

**Evansville African American Museum, Inc.**  
**Schedule of Functional Expenses - Cash Basis**  
**For the Year Ended December 31, 2007**

	<u>Fundraising</u>	<u>Program</u>	<u>Administrative</u>	<u>Total</u>
Advertising & Marketing	\$ 972	1,738	0	2,710
Bank & Merchant Fees	0	0	508	508
Consulting	43,125	0	0	43,125
Cost of Events	4,602	0	0	4,602
Depreciation Expense	0	51,487	3,925	55,412
Dues & Subscriptions	0	0	1,291	1,291
Entertainment & Meals	0	0	115	115
Insurance	0	2,709	102	2,811
Interest Expense	0	0	2,370	2,370
Maintenance & Repairs	0	2,813	0	2,813
Miscellaneous	0	0	1,566	1,566
Office Supplies & Expense	443	1,638	182	2,263
Purchases - gift shop	0	1,542	0	1,542
Salaries & Wages	0	20,583	15,549	36,132
Seminars	0	3,457	0	3,457
Supplies	904	1,037	346	2,287
Taxes, Payroll	0	432	1,296	1,728
Telephone	0	0	2,702	2,702
Utilities	0	6,306	701	7,007
<b>Total Functional Expenses \$</b>	<u>50,046</u>	<u>93,742</u>	<u>30,653</u>	<u>174,441</u>

**Evansville African American Museum, Inc.**  
**Schedule of Functional Expenses - Cash Basis**  
**For the Year Ended December 31, 2006**

	<u>Fundraising</u>	<u>Program</u>	<u>Administrative</u>	<u>Total</u>
Advertising & Marketing	\$ 1,808	2,086	0	3,894
Bank & Merchant Fees	0	0	327	327
Cost of Events	17,167	0	0	17,167
Depreciation Expense	0	24,128	3,586	27,714
Dues & Subscriptions	0	0	245	245
Entertainment & Meals	0	0	486	486
Insurance	0	2,678	102	2,780
Maintenance & Repairs	0	1,830	0	1,830
Miscellaneous	0	0	667	667
Office Supplies & Expense	564	0	897	1,461
Salaries & Wages	0	9,875	12,826	22,701
Seminars	0	3,999	0	3,999
Supplies	1,495	1,415	472	3,382
Taxes, Payroll	0	589	1,767	2,356
Telephone	0	0	2,574	2,574
Travel	0	0	455	455
Utilities	0	5,522	614	6,136
<b>Total Functional Expenses \$</b>	<u>21,034</u>	<u>52,122</u>	<u>25,018</u>	<u>98,174</u>

# Evansville African American Museum, Inc.

## Notes to Financial Statements

December 31, 2007 and 2006

### Note 1 – Significant Accounting Policies

**a) Accounting Methods** – The Evansville African American Museum, Inc. (The Organization) maintains its records on the cash basis of accounting for financial statement purposes, which is a comprehensive basis of accounting other than United States generally accepted accounting principles. Under this basis, revenues and related assets are recognized when received rather than when earned, and disbursements are recognized when paid rather than incurred. Consequently, the Organization has not recognized pledges receivable from donors and the related effects on the change in net asset in the accompanying financial statements.

**b) Property and Equipment** - Property and equipment are carried at cost or at estimated fair value of at the date of the gift. Depreciation of property and equipment is provided using the straight-line method for financial reporting purposes at rates based on their estimated useful lives. Purchased assets, with a cost exceeding \$500, are generally capitalized.

**c) Cash Equivalents** - For cash flows statement purposes, the Organization considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents.

**d) Income Taxes** – The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

**e) Restricted and Unrestricted Support and Revenue** - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted. Public support and revenue is recorded as revenue at the time of receipt in accordance with the cash-basis of accounting.

**f) Inventory** – Inventory is composed of gifts and souvenirs for sale in the gift shop and is recorded at lower of cost or market. Cost is determined by the first-in, first-out method (FIFO).

**g) Functional Allocation of Expenses** – The costs of providing various programs have been summarized on a functional basis in the statement of activities and the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

### Note 2 – Nature of Operations, Risks and Uncertainties

**Nature of Operations** – The Museum is located in Evansville, Indiana. The Organization's purpose is to develop a resource and cultural center to collect, preserve, and educate the public on the history and traditions of African American families, organizations, and communities.

**Risks and Uncertainties** – The Organization kept funds in an account which is in excess of the FDIC limit in the amount of \$48,752 in 2006.

The City of Evansville, Indiana, provided 34% and 39% of support in 2007 and 2006, respectively.

### Note 3 – Donated Materials & Services

The Organization recognizes revenue for certain services received at the fair value of those services. These services include labor for operation of the museum. The services received as donations are recorded and reflected in the accompanying financial statements at their estimated fair values at the date of receipt. The amount of such estimated fair market value of the donated services was \$15,000 for 2007 and \$5,600 in 2006.

# Evansville African American Museum, Inc.

## Notes to Financial Statements

December 31, 2007 and 2006

### Note 4 – Property and Equipment

Property and equipment at December 31, 2007 and 2006 are summarized by major classifications as follows:

	2007	2006
Land & Buildings	\$ 1,151,869	\$ 1,107,969
Exhibits	705,997	227,297
Furniture & Equipment	8,874	7,764
	<u>1,866,740</u>	<u>1,343,030</u>
Less accumulated depreciation	92,336	36,924
Total	\$ <u>1,774,404</u>	\$ <u>1,306,106</u>

Depreciation expense for the year ended December 31, 2007 and 2006 is \$55,412 and \$27,714, respectively.

### Note 5 – Note Payable

The Organization has a letter of credit with a bank in the amount of \$60,000. The balance was \$55,000 at December 31, 2007 and \$0 at December 31, 2006. The amount of interest paid was \$2,370 and \$0 at December 31, 2007 and 2006 respectively. The note is secured by all assets. The covenants of the loan require that the organization to maintain its record in accordance with generally accepted accounting principles. As stated in Note 1, the organization maintains its records on the cash basis of accounting, which is a comprehensive basis of accounting other than United States generally accepted accounting principles. See Note 1.

### Note 6 – Restrictions on Net Assets

Temporarily restricted net assets are available for the following purposes:

	2007	2006
Ambassador Program	\$ 1,320	\$ 1,320
Exhibits	0	146,501
Total	\$ <u>1,320</u>	\$ <u>147,821</u>