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# 2021 AUDIT RESULTS

September 15, 2022

Association for the Study of African American Life  
and History (ASALH)  
Presentation to the Executive Council





## SCOPE OF SERVICES

- Audit of December 31, 2021 financial statements
- Preparation of 2021 Federal Form 990 tax return
- Recommendations and observations noted during the audit process
- Available for year-round consultation



## SUMMARY OF THE RESULTS



Unmodified Opinion on Financial Statements



No Material Weaknesses Identified



No Instances of Fraud Discovered or Made Aware Of



Full Cooperation Received



## SIGNIFICANT AUDIT RISKS



Reconciliations of cash / investments



Accuracy and collectability of receivables



Accuracy and completeness of liabilities



Recognition of revenue



Net Asset Classification



# AUDIT RESULTS



Association for the Study of African American Life and History (ASALH)  
Presentation to the Board of Directors



# ASSESSMENT OF CONTROL ENVIRONMENT



- CONTROL ENVIRONMENT
- RISK ASSESSMENT
- CONTROL ACTIVITIES
- INFORMATION AND COMMUNICATION
- MONITORING



# EVALUATION OF KEY PROCESSES

Process	Function	A	B	C	D	SBC Assessment
Treasury	<ul style="list-style-type: none"> <li>Cash Management</li> <li>Investment Accounting</li> <li>Investment Monitoring</li> <li>Investment Valuation</li> <li>Investment Policy</li> <li>Reconciliation</li> </ul>	✓	✓	✓		Green
Estimation	<ul style="list-style-type: none"> <li>Methodology</li> <li>Information</li> <li>Calculation</li> </ul>	✓	✓	✓		
Financial Reporting	<ul style="list-style-type: none"> <li>Accounting Principles and Disclosures</li> <li>Closing the Books</li> <li>Report Preparation</li> <li>General Ledger and Journal Entry Processing</li> <li>Verification and Review of Results</li> </ul>	✓	✓	✓		

<b>A</b>	Understand the Process
<b>B</b>	Walk-Through

<b>C</b>	What Can Go Wrong
<b>D</b>	Test of Controls

<i>SBC Assessment</i>	
No Issues Found	Green
Suggested Improvement	Yellow
Ineffective	Red



# EVALUATION OF KEY PROCESSES

(CONTINUED)

Process	Function	A	B	C	D	SBC Assessment
Expenditures	<ul style="list-style-type: none"> <li>▪ Vendor File Maintenance</li> <li>▪ Purchasing</li> <li>▪ Receiving</li> <li>▪ Accounts Payable and Cash Disbursement</li> </ul>	✓	✓	✓	✓	[Green Box]
Payroll	<ul style="list-style-type: none"> <li>▪ Hiring</li> <li>▪ Attendance Reporting</li> <li>▪ Payroll Accounting and Processing</li> <li>▪ Payroll Disbursements</li> <li>▪ Separation of Duties</li> </ul>	✓	✓	✓		
Revenue	<ul style="list-style-type: none"> <li>▪ Billing</li> <li>▪ Cash Receipts</li> <li>▪ Revenue Recognition</li> <li>▪ Cutoff</li> </ul>	✓	✓	✓	✓	

<b>A</b>	Understand the Process
<b>B</b>	Walk-Through

<b>C</b>	What Can Go Wrong
<b>D</b>	Test of Controls

<i>SBC Assessment</i>	
No Issues Found	[Green Box]
Suggested Improvement	[Yellow Box]
Ineffective	[Red Box]



# FINANCIAL STATEMENTS

	2021	2020	2019
<b>ASSETS</b>			
Cash and cash equivalents	\$ 909,953	\$ 770,334	\$ 275,739
Accounts receivable	114,299	25,547	98,332
Prepaid expenses and other assets	23,078	13,650	21,023
<b>Total Assets</b>	<b>\$ 1,047,330</b>	<b>\$ 809,531</b>	<b>\$ 395,094</b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>Liabilities</b>			
Accounts payable and accrued expenses	\$ 32,201	\$ 16,370	\$ 24,529
Deferred revenue	29,419	71,817	87,235
Refundable advances	26,256	17,164	-
Loan payable - Paycheck Protection Program loan	-	62,300	-
<b>Total Liabilities</b>	<b>87,876</b>	<b>167,651</b>	<b>111,764</b>
<b>Net Assets</b>			
Without donor restrictions	638,571	407,528	283,330
With donor restrictions	320,883	234,352	-
<b>Total Net Assets</b>	<b>959,454</b>	<b>641,880</b>	<b>283,330</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 1,047,330</b>	<b>\$ 809,531</b>	<b>\$ 395,094</b>



# FINANCIAL STATEMENTS (CONTINUED)

	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>			
<b>Revenue and Other Support</b>			
National Conference	\$ 166,672	\$ 90,365	\$ 481,114
Publications	210,246	211,927	196,098
Black History Month Festival	250,942	224,202	179,513
Memberships	216,795	180,120	203,685
Private grants	238,770	45,413	-
Federal grants	219,511	224,985	406,315
Contributions	123,852	246,194	73,491
Federal grant - Paycheck Protection Loan forgiveness	62,300	-	-
Other	22,836	9,950	7,229
ASALH store	2,590	2,570	3,703
Net assets released from restrictions	130,466	-	-
<b>Total Revenue and Other Support</b>	<u>1,644,980</u>	<u>1,235,726</u>	<u>1,551,148</u>
<b>Expenses</b>			
Program services	1,094,672	787,617	1,275,045
Management and general	221,109	234,056	105,055
Fundraising	98,156	89,855	46,727
<b>Total Expenses</b>	<u>1,413,937</u>	<u>1,111,528</u>	<u>1,426,827</u>
<b>Change in Net Assets Without Donor Restrictions</b>	<u>231,043</u>	<u>124,198</u>	<u>124,321</u>
<b>NET ASSETS WITH DONOR RESTRICTIONS</b>			
Grants	216,997	234,352	-
Net assets released from restrictions	(130,466)	-	-
<b>Change in Net Assets With Donor Restrictions</b>	<u>86,531</u>	<u>234,352</u>	<u>-</u>
Changes in total net assets	317,574	358,550	124,321
Net Assets, beginning of year	641,880	283,330	159,009
	<u>\$ 959,454</u>	<u>\$ 641,880</u>	<u>\$ 283,330</u>





# STATUS OF PRIOR YEAR RECOMMENDATION

Observation	Recommendation	Status
<b>Revenue</b>	During our audit testing, we noted revenue was not properly recorded based on new accounting standards regarding earned revenue (Rev Rec 606) and the new clarifying standard for contributions (ASU 2018-08). We recommend that a detailed review be performed of all revenue sources to ensure that revenue is properly recognized as either earned revenue or a grant/contribution.	No issues noted in the current year testing.



# STATUS OF PRIOR YEAR RECOMMENDATION (CONTINUED)

Observation	Recommendation	Status
<p>During the audit procedures, SBC noted that some organizational documents of ASALH have not been updated in many years. For example:</p> <ul style="list-style-type: none"> <li>➤ Organizational chart</li> <li>➤ Whistleblower policy</li> <li>➤ Constitution and bylaws</li> <li>➤ Branch compliance</li> </ul>	<p>SBC recommends that management and those charged with governance revisit these documents, document any changes, and have the approval of the updated documents memorialized via the minutes. Updated documents should include language as it relates to managing liquidity and the functional expense allocation methodology, as disclosed in the notes to the financial statements. Implementation of this recommendation will allow ASALH to have policies and procedures that are consistent with the current operations and provide a platform to monitor that the policies and procedures are being applied consistently.</p>	<p>In progress</p>



# REQUIRED COMMUNICATIONS



1. Auditor's Responsibilities Under Generally Accepted Auditing Standards (GAAS)
2. Significant Accounting Policies
3. Auditor's Judgments About the Quality of Accounting Principles
4. Audit Adjustments (*no passed adjustments*)
5. Fraud and Illegal Acts (*none were identified*)
6. Material Weaknesses in Internal Controls (*none were identified*)
7. Other Information in Documents Containing Audited Financial Statements
8. Disagreements with Management on Financial Accounting and Reporting Matters (*none were identified*)
9. Serious Difficulties Encountered in Performing the Audit (*none were identified*)



# REQUIRED COMMUNICATIONS

(CONTINUED)



10. Major Issues Discussed with Management Prior to Acceptance
11. Management Representations
12. Consultation with Other Accountants
13. Independence
14. Nonattest Services
15. Subsequent Events
16. Our Responsibility Related to Fraud
  - Plan and perform the audit to obtain reasonable assurance that there is no material misstatement caused by error or fraud;
  - Comply with AU-C Section 240: Consideration of Fraud in a Financial Statement Audit;
  - Approach all audits with an understanding that fraud could occur in any entity, at any time, by anyone; and
  - Perform mandatory procedures required by GAAS and our firm policies.



# ENGAGEMENT TEAM CONTACT INFORMATION



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