

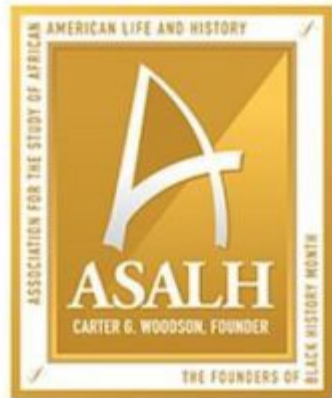


**SB & COMPANY, LLC**

CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

# **PRESENTATION TO THE BOARD OF DIRECTORS**

## **Association for the Study of African American Life and History**



# **DECEMBER 31, 2022**

# **AUDIT RESULTS**

# Introductions

---

## ❖ SB & Company, LLC Leadership Team

- Pamela Gray, Engagement Partner
- Kenzy Cisse, Audit Supervisor

# Executive Summary

---

## I. Scope of Services

- Audit of December 31, 2022 financial statements
- Preparation of the Federal Form 990
- Recommendations and observations noted during the audit process
- Available for year-round consultation

## II. Results

- Plan to issue an unmodified opinion on financial statements
- No material weaknesses in internal controls were identified during the audit
- No instances of fraud discovered or made aware of
- Received full cooperation from management

# Executive Summary

---

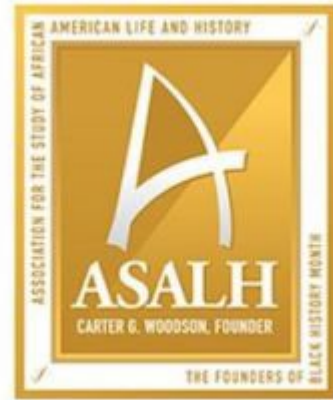
## III. Areas of Audit Emphasis

- Reconciliations of cash
- Accuracy and collectability of receivables
- Accuracy and completeness of liabilities
- Recognition of revenue

# Audit Results

---

## Association for the Study of African American Life and History



# Assessment of Control Environment

Control Environment	Risk Assessment	Control Activities
<ul style="list-style-type: none"> <li>• Key executive integrity, ethics, and behavior</li> <li>• Control consciousness and operating style</li> <li>• Commitment to competence</li> <li>• Exercise oversight responsibility</li> <li>• Organizational structure, responsibility, and authority</li> <li>• Enforce accountability</li> <li>• HR policies and procedures</li> </ul>	<ul style="list-style-type: none"> <li>• Define objectives and risk tolerances</li> <li>• Identify, analyze, and respond to risk</li> <li>• Assess fraud risk</li> <li>• Identify, analyze, and respond to change</li> <li>• Mechanisms to anticipate, identify, and react to significant events</li> <li>• Processes and procedures to identify changes in GAAP, business practices, and internal control</li> </ul>	<ul style="list-style-type: none"> <li>• Existence of necessary policies and procedures</li> <li>• Design control activities</li> <li>• Design activities for the information system</li> <li>• Implement control activities</li> <li>• Existence of necessary policies and procedures</li> <li>• Clear financial objectives with active monitoring</li> <li>• Logical segregation of duties</li> <li>• Periodic comparisons of book-to-actual and physical count-to-books</li> <li>• Adequate safeguards of documents, records, and assets</li> <li>• Assess controls in place</li> </ul>
Effective	Effective	Effective

# Assessment of Control Environment

Information and Communication	Monitoring
<ul style="list-style-type: none"><li>▪ Use quality information</li><li>▪ Communicate internally</li><li>▪ Communicate externally</li><li>▪ Adequate performance reports produced from information systems</li><li>▪ Information systems are connected with business strategy</li><li>▪ Commitment of HR and finance to develop, test, and monitor IT systems and programs</li><li>▪ Business continuity and disaster plan for IT</li><li>▪ Established communication channels for employees to fulfill responsibilities</li><li>▪ Adequate communication across organization</li></ul>	<ul style="list-style-type: none"><li>▪ Perform monitoring activities</li><li>▪ Remediate deficiencies</li><li>▪ Periodic evaluations of internal controls</li><li>▪ Implementation of improvement recommendations</li></ul>
Effective	Effective

# Evaluation of Key Processes

Treasury	Estimation	Financial Reporting
<ul style="list-style-type: none"><li>▪ Cash Management</li><li>▪ Reconciliation</li></ul>	<ul style="list-style-type: none"><li>▪ Methodology</li><li>▪ Information</li><li>▪ Calculation</li></ul>	<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>
Effective	Effective	Effective



# Evaluation of Key Processes (continued)

Expenditures	Payroll	Revenue
<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>	<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>	<ul style="list-style-type: none"> <li>▪ Billing</li> <li>▪ Cash Receipts</li> <li>▪ Revenue Recognition</li> <li>▪ Cutoff</li> </ul>
Effective	Effective	Effective

# Financial Statement Highlights

## Statements of Financial Position As of December 31, 2022, 2021, and 2020

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 848,135	\$ 909,953	\$ 770,334
Accounts receivable	359,382	114,299	25,547
Prepaid expenses and other assets	27,784	23,078	13,650
<b>Total Assets</b>	<b><u>\$ 1,235,301</u></b>	<b><u>\$ 1,047,330</u></b>	<b><u>\$ 809,531</u></b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>Liabilities</b>			
Accounts payable and accrued expenses	\$ 120,616	\$ 32,201	\$ 16,370
Deferred revenue	63,359	29,419	71,817
Refundable advances	38,750	26,256	17,164
Loan payable - Paycheck Protection Program loan	-	-	62,300
<b>Total Liabilities</b>	<b><u>222,725</u></b>	<b><u>87,876</u></b>	<b><u>167,651</u></b>
<b>Net Assets</b>			
Without donor restrictions	738,125	638,571	407,528
With donor restrictions	274,451	320,883	234,352
<b>Total Net Assets</b>	<b><u>1,012,576</u></b>	<b><u>959,454</u></b>	<b><u>641,880</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 1,235,301</u></b>	<b><u>\$ 1,047,330</u></b>	<b><u>\$ 809,531</u></b>

# Financial Statement Highlights (continued)

## Statement of Activities and Change in Net Assets

For the years ended December 31, 2022, 2021, and 2020

### NET ASSETS WITHOUT DONOR RESTRICTIONS

#### Revenue and Other Support

	2022	2021	2020
National Conference	\$ 541,357	\$ 166,672	\$ 90,365
Publications	217,489	210,246	211,927
Black History Month Festival	147,375	250,942	224,202
Memberships	195,305	216,795	180,120
Private grants	354,630	238,770	5,000
Federal grants	521,944	219,511	265,398
Contributions	76,245	123,852	246,194
Federal grant - Paycheck Protection Loan forgiveness	-	62,300	-
Other	7,950	22,836	8,839
ASALH store	12,240	2,590	3,681
Net assets released from restrictions	70,172	130,466	-
<b>Total Revenue and Other Support</b>	<b>2,144,707</b>	<b>1,644,980</b>	<b>1,235,726</b>

#### Expenses

Program services	1,708,453	1,094,672	787,617
Management and general	164,407	221,109	234,056
Fundraising	172,293	98,156	89,855
<b>Total Expenses</b>	<b>2,045,153</b>	<b>1,413,937</b>	<b>1,111,528</b>
<b>Change in Net Assets Without Donor Restrictions</b>	<b>99,554</b>	<b>231,043</b>	<b>124,198</b>

### NET ASSETS WITH DONOR RESTRICTIONS

Grants	23,740	216,997	234,352
Net assets released from restrictions	(70,172)	(130,466)	-
<b>Change in Net Assets With Donor Restrictions</b>	<b>(46,432)</b>	<b>86,531</b>	<b>234,352</b>

Changes in total net assets	53,122	317,574	358,550
Net Assets, beginning of year	959,454	641,880	283,330
<b>Net Assets, End of Year</b>	<b>\$ 1,012,576</b>	<b>\$ 959,454</b>	<b>\$ 641,880</b>

# Status of Prior Year Recommendations

Observation	Recommendation	Status
<p><b>Revenue</b></p>	<p>During our audit testing, we noted that deferred revenue was overstated. SBC recommends that ASALH review the agreement and ensure the proper treatment of revenue recognition. No issues noted in the current year testing.</p>	<p>No Issues Noted</p>
<p><b>During the audit procedures, SBC noted that some organizational documents of ASALH have not been updated in many years.</b></p> <p>For example:</p> <ul style="list-style-type: none"> <li>➤ Liquidity/Cash Management</li> <li>➤ Expense Allocations</li> <li>➤ Whistleblower policy</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. Additionally, SBC recommends establishing branch policy for 501C3 organizations and those branches that are not separate 501C3 organizations.</p>	<p>In Progress</p>

# Required Communications

---



# Required Communications

---

## 1. Auditor's Responsibilities Under Generally Accepted Auditing Standards (GAAS)

The financial statements are the responsibility of management. Our audit was designed in accordance with auditing standards generally accepted in the United States of America, and provide for reasonable, rather than absolute, assurance that the financial statements are free of material misstatement.

## 2. Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application.

*The significant accounting policies used by management are described in the notes to the financial statements.*

## 3. Auditor's Judgments About the Quality of Accounting Principles

We discuss our judgments about the quality, not just the acceptability, of accounting principles selected by management, the consistency of their application, and the clarity and completeness of the financial statements, which include related disclosures.

*We have reviewed the significant accounting policies adopted by Association for the Study of African American Life and History (ASALH) and have determined that these policies are acceptable accounting policies.*

# Required Communications (continued)

---

## 4. Audit Adjustments

We are required to inform ASALH's oversight body about adjustments arising from the audit (whether recorded or not) that could, in our judgment, either individually or in the aggregate, have a significant effect on ASALH's financial reporting process.

We are also required to inform ASALH's oversight body about unadjusted audit differences that were determined by management to be individually and in the aggregate, immaterial.

*There were no passed adjustments identified during the audit process.*

## 5. Fraud and Illegal Acts

We are required to report to the ASALH's oversight body any fraud or illegal acts involving senior management and fraud or illegal acts (whether caused by senior management or other employees) that cause a material misstatement of the financial statements.

*During our discussions with management, we were not aware of suspected or alleged fraud that occurred.*

# Required Communications (continued)

---

## **6. Material Weaknesses in Internal Control**

We are required to communicate all significant deficiencies in ASALH's systems of internal controls, whether or not they are material weaknesses.

*There were no material weaknesses noted during the audit.*

## **7. Other Information in Documents Containing Audited Financial Statements**

*None.*

## **8. Disagreements with Management on Financial Accounting and Reporting Matters**

*None.*

## **9. Serious Difficulties Encountered in Performing the Audit**

*None.*

## **10. Major Issues Discussed with Management Prior to Acceptance**

*None.*



# Required Communications (continued)

---

## 11. Consultation with Other Accountants

*To our knowledge, there were no consultations with other accountants since our appointment as ASALH's independent public accountants.*

## 12. Independence

*As part of our client acceptance process, we go through a process to ensure we are independent of ASALH. We are independent of ASALH.*

## 13. Non-Attest Services

We perform non-attest services for ASALH. They include filing of the Form 990, financial statement compilation assistance.

*Management has designated an individual who possesses suitable skill, knowledge, and/or experience to oversee this service, and have taken responsibility for the service performed. We are independent of ASALH.*

# Required Communications (continued)

---

## 14. Subsequent Events

We were not made aware of any material subsequent events that have occurred that would affect the information presented in the accompanying financial statements or require additional disclosure.

## 15. 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 GAAS AU-C 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.

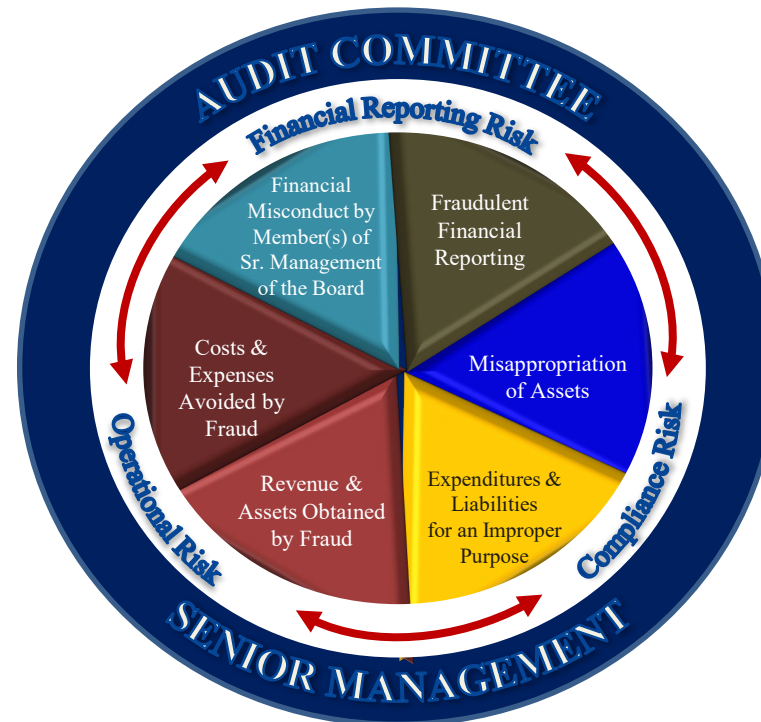
## 16. Examples of Procedures Performed

- Discuss thoughts and ideas in areas where the financial statements might be susceptible to material misstatement due to fraud;
- Understand pressures on the financial statement results;
- Understand the tone and culture of the organization;
- Look for unusual or unexpected transactions, relationships, or procedures;
- Discussions with individuals outside of finance;
- Evaluate key processes and controls; and
- Consider information gathered throughout the audit.

# Responsibility for Mitigating Fraud

## External Auditor:

- ⦿ Evaluate management programs and controls to deter and detect fraud for identified risks
- ⦿ Reasonable assurance that financial statements are free of material misstatement due to fraudulent financial reporting or misappropriation of assets
- ⦿ Compliance with fraud standard (SAS 99)
  - Conversations with finance and operations personnel
  - Disaggregated analytics
  - Surprise audit procedures
  - Journal entry testing



## Management:

- ⦿ CFO/Controller: controls to deter and detect fraud
- ⦿ General Counsel/Compliance: monitoring

## Audit Committee:

- ⦿ Evaluate management identification of fraud risk
- ⦿ Evaluate implementation of fraud controls
- ⦿ Reinforce “tone at the top”
- ⦿ Conduct special investigations

# SBC's Service Pledge to You

---

We will consistently deliver a **Quality Product** and **Quality Service** so that we have the opportunity to establish a **Quality Relationship** with you, allowing us to provide you with **Quality Knowledge** for your continual success. Only after we have provided you with the knowledge that enables your business to grow and prosper, we have *hit the bullseye!*

Our commitment to you is the execution of our **Bullseye Philosophy**. We execute this philosophy for every client, on every engagement, every time.



# Engagement Team Contact Info

---



**Pamela Gray, CPA**  
*Engagement Partner*

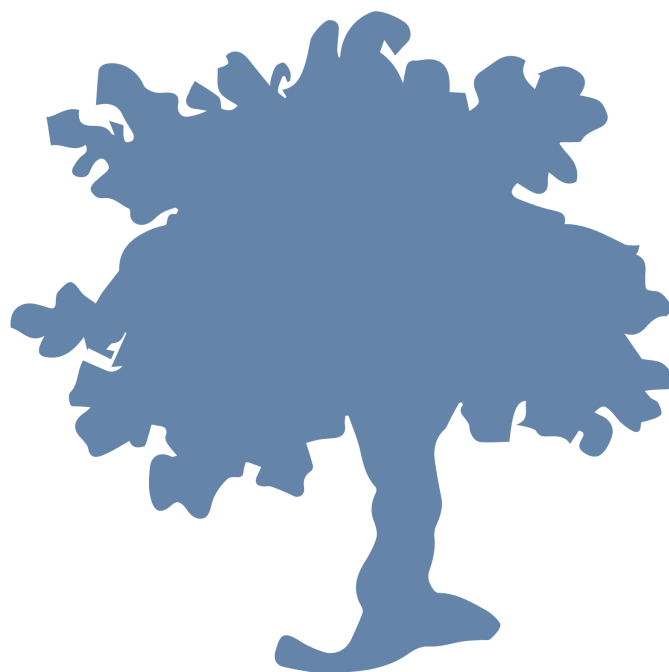
Office: 410-584-1406  
Mobile: 410-905-1372  
pgray@sbandcompany.com

*Executive Assistant*  
**Susan Teneza**  
410-584-9303  
steneza@sbandcompany.com



**Kenzy Cisse**  
*Client Service Supervisor*

Office: 410-584-2204  
Mobile: 443-683-5761  
kcisse@sbandcompany.com



---

**Maryland**

10200 Grand Central Avenue  
Suite 250  
Owings Mills, MD 21117  
410.584.0060

**Washington, D.C.**

1200 G Street, NW  
Suite 809  
Washington, DC 20005  
202.434.8684

**Pennsylvania**

1500 Market Street  
Suite 1200  
Philadelphia, PA 19102  
215.665.5749

**Virginia**

6802 Paragon Place  
Suite 410  
Richmond, VA 23230  
804.441.6290

**South Florida**

4000 Hollywood Boulevard  
Suite 555-S  
Hollywood, FL 33021  
954.843.3477

# DRAFT FINANCIAL STATEMENTS

---

**Association for the Study of African American Life and History**

