

Internal Audit Division
City of Greensboro



October 25, 2013

TO: Mary Vigue, Assistant to the City Manager
FROM: Internal Audit Division
SUBJECT: Civil Rights Museum / External Audits

The Internal Audit Division has completed our review of the Civil Rights Museum's Financial Statements as requested by the City Manager's Office. This review involved the analysis of financial statements provided to us for the years-ended December 31, 2010 and December 31, 2011.

These statements are titled "Sit-In Movement, Incorporated and Affiliated Entities". The affiliated entities include: Civil Rights Museum, LLC; International Civil Rights Center and Museum, LLC; Museum Landlord, LLC; and Museum Tenant, LLC. You may recall these entities being discussed in greater detail in our memo dated July 24, 2013. All of these entities are related parties that were formed in order to facilitate the development of the Museum.

The audited financial statements mentioned above both have an Unqualified Opinion by the local CPA Firm. This means that these statements fairly present the financial position at December 31, 2010 and December 31, 2011 in accordance with Generally Accepted Accounting Principles (GAAP). Additionally, all entities were combined to produce one set of financial statements for each year.

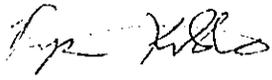
However, we feel that the following items are worth noting:

- These statements were not prepared in a timely fashion with the issuance dates being September 30, 2013 and October 14, 2013, respectively.
- Both years contain a note to the financials titled *Concentration Risk* which states, "The Project operates in Greensboro, North Carolina. Future operations could be affected by changes to the economy or other conditions in that geographic area. The Tenant receives 100% of its rental revenue from CRM, a related entity, in connection with the Sublease. If the operations of the CRM were to be negatively impacted, it could have a significant effect on the overall operations of the Project."
- Sit-In Movement, Incorporated, entered into a note agreement with Carolina Bank on July 28, 2009. The note payable as of December 31, 2010 is \$2,312,000. The balance due at December 31, 2011 is \$1,550,000.
- In the December 31, 2011 financials there is a note titled *Subsequent Event* which states, "Subsequent to December 31, 2011, Sit-In Movement, Incorporated defaulted on its loan

with Carolina Bank. Sit-In Movement, Incorporated is working on a Loan Modification Agreement.”

In summary, these financial statements have been prepared in accordance with Generally Accepted Accounting Principles and appear to be acceptable.

Please contact us with any questions that you may have.



Ryan Kildoo for Mickey Kerans
Internal Auditor



Len Lucas
Internal Audit Director