



**DATE:** February 21, 2018  
**TO:** Jim Westmoreland, City Manager / Chris Wilson, Assistant City Manager  
**FROM:** Internal Audit Division  
**SUBJECT:** Civil Rights Museum / Loan-Offset Summary

The Internal Audit Division has completed a summary of our reviews of the Civil Rights Museum's Financial Records/Documents as requested by the City Manager's Office. This review involved the analysis of items provided to us by the International Civil Rights Center & Museum (ICRCM). The purpose of this review is to verify eligible allowable net funds raised by the entity outside the normal course of business for the period of September 3, 2013 to July 1, 2015 to "Offset" the Loan provided by the City of Greensboro as forgivable amounts as outlined in the Executed Agreement dated August 19, 2014 "Item 15 – Offset Rights of Borrower".

The Greensboro City Council approved a Resolution on August 16, 2016 to extend the Loan-Offset Credit period to February 17, 2018.

This entity is also known as "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. All of these entities are related parties that were formed in order to facilitate the development of the Museum at 132-134 South Elm Street in Greensboro, NC.

On October 22, 2013, The City of Greensboro approved a \$1,500,000 forgivable loan to Sit-In Movement, Incorporated (Borrower) provided that a dollar for dollar match is raised over the course of the three (3) year period, 2013-2015. Borrower will assign to the City a security interest in the real property located at 134 South Elm Street, Greensboro, North Carolina. The purpose of the Loan is to provide operating support and development of the business located at 134 South Elm Street, Greensboro, North Carolina (the "*Business*") for the International Civil Rights Center and Museum, Incorporated with the objectives of (1) satisfying debt requirements; (2) retaining existing jobs; and (3) maintaining utilities of the Business.

Further, it is understood that the Project will now have until February 18, 2018 to raise \$1,500,000 in matching (*net*) funds from rental and fundraising activities to ensure that the liability to the City is fully forgiven. The City holds two (2) board level seats as a result of the above loan arrangement.

Our first of seven reviews was started on May 25, 2016 and our last review was started on February 14, 2018. The City of Greensboro provided three (3) Loan Installments with City Council Approval in the amounts of \$750,000, \$500,000 and \$250,000 respectively. In addition these loans incurred accrued

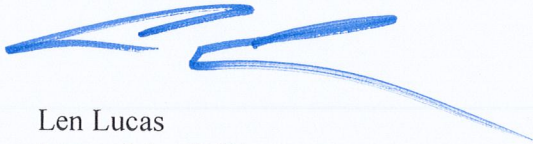


interest at the Rate of 2% (Percent) for a total interest amount of \$45,665.57 bringing the total liability due the City to \$1,545,665.57 (Projected) before any allowance for Loan-Offset Credits by ICRCM for Fundraising outside the Normal Course of Business.

In our review, we recommend that ICRCM be allowed Loan-Offset Credits in a cumulative amount of \$1,586,255.09 (see attached summary spreadsheet). Given this total, we now find that the ICRCM has now successfully reported sufficient net funds raised to allow the City to completely forgive its \$1.5 million dollar loan (including accumulated interest) per the terms of our August 19, 2014 loan agreement.

Please see the Attached Documents of the Civil Rights Museum Loan Balance Summary and Loan-Offset Credits and all of our Compliance Reviews until this point in chronological order.

Please contact us with any questions that you may have.



Len Lucas  
Internal Audit Director

**CIVIL RIGHTS MUSEUM LOAN BALANCE SUMMARY and LOAN-OFFSET CREDITS**

DATE	CITY LOAN DISBURSEMENTS	INTEREST ACCRUED @ 2.00%	LOAN BALANCE	AS OF DATE	DATE OF REVIEW RECOMMENDATION	AMOUNT OF CREDIT ALLOWED	CUMULATIVE CREDIT	LOAN & INTEREST LESS CREDIT	BALANCE	AS OF DATE
November 1, 2013	\$ 750,000.00	\$ 7,498.43	\$ 757,498.43 (Loan 1)	June 30, 2016	May 25, 2016 (1st Review)	\$ 612,509.50	\$ 612,509.50	\$757,498.43 (See Loan 1)		June 30, 2016
August 20, 2014	\$ 500,000.00	\$ 25,444.76	\$ 525,444.76 (Loan 2)	June 30, 2017 *	December 16, 2016 (Follow-Up to 1st Review)	\$ 103,069.48	\$ 715,578.98	\$757,498.43 - \$715,578.98 (See Loan 1)	\$ 41,919.45	June 30, 2016
August 24, 2015	\$ 250,000.00	\$ 12,722.38	\$ 262,722.38 (Loan 3)	June 30, 2018 *	January 19, 2017 (2nd Review)	\$ 459,204.68	\$ 1,174,783.66	\$788,167.14 + \$41,919.45 (See Loans 2 & 3)	\$ 830,086.59	June 30, 2016
TOTALS	\$ 1,500,000.00	\$ 45,665.57	\$ 1,545,665.57 * PROJECTED *	PROJECTED *	June 29, 2017 (3rd Review)	\$ 87,726.36	\$ 1,262,510.02	\$830,086.59 - \$459,204.68	\$ 370,881.91	January 19, 2017
					July 27, 2017 (4th Review)	\$ 105,963.31	\$ 1,368,473.33	\$370,881.91 - \$87,726.36	\$ 283,155.55	June 29, 2017
					8/21/2017 (Revised from 7/27/17) (4th Review)	\$ 400.00	\$ 1,368,873.33	\$283,155.55 - \$106,363.31	\$ 176,792.24	July 27, 2017 and August 21, 2017
					January 16, 2018 (5th Review)	\$ 115,924.69	\$ 1,484,798.02	\$176,792.24 - \$115,924.68	\$ 60,867.56	January 16, 2018
					January 16, 2018 (6th Review)	\$ 63,700.83	\$ 1,548,498.85	\$60,867.56 - \$63,700.83	\$ (2,833.28)	January 16, 2018 (See Note ****)
					2/4/2018 (Revised from 1/16/18) (6th Review)	\$ 5,750.00	\$ 1,554,248.85	(\$2,833.28 + \$5,750)	\$ (8,583.28)	February 14, 2018
					February 14, 2018 (7th Review)	\$ 32,006.24	\$ 1,586,255.09	(\$2,833.28 + \$32,006.24)	\$ (40,589.52)	February 14, 2018
						\$ 1,586,255.09				
<p>**** NOTE: Even though the spreadsheet calculation shows a Credit Balance of \$2,833.28 as of January 16, 2018, in our estimation this amount does not include all of the expenses for the GALA.</p>										
										TOTAL-TO-DATE