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THE AMISTAD RESEARCH CENTER
FINANCIAL AND COMPLIANCE AUDIT
TOGETHER WITH
INDEPENDENT AUDITORS' REPORT
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 9-15-04

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Amistad Research Center

We have audited the accompanying statements of financial position of **The Amistad Research Center (the Center)** (a non-profit corporation) as of December 31, 2003 and 2002 and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of **the Center's** management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **the Center** as of December 31, 2003 and 2002, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

To the Board of Directors
The Amistad Research Center
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In accordance with Government Auditing Standards, we have also issued our report dated April 9, 2004 on our consideration of **the Center's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants as of and for the year ended December 31, 2003. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of **the Center** taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is 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.

Bruno & Tervalon LLP
BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

April 9, 2004

THE AMISTAD RESEARCH CENTER
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2003 AND 2002

ASSETS

	<u>2003</u>	<u>2002</u>
Cash	\$ 177,658	\$ 195,117
Investments (NOTE 3)	1,599,030	1,400,310
Accounts receivable	32,200	65,323
Pledges receivable, net (NOTE 4)	19,929	81,729
Grants receivable	76,778	419,047
Inventory	345,424	350,424
Other assets	5,421	2,800
Endowment investments (NOTES 2, 3 and 13)	2,386,056	2,051,656
Furniture and equipment, net (NOTES 2 and 5)	89,505	37,798
Fine arts collection (NOTES 14 AND 15)	<u>3,692,200</u>	<u>-0-</u>
Total assets	<u>\$8,424,201</u>	<u>\$4,604,204</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable and accrued expenses	\$ 39,484	\$ 44,199
Deferred revenue	<u>320,505</u>	<u>455,505</u>
Total liabilities	<u>359,989</u>	<u>499,704</u>
Net assets:		
Unrestricted	830,707	784,706
Temporarily restricted (NOTES 2 and 6)	1,138,836	1,251,725
Permanently restricted (NOTES 2 and 7)	<u>6,094,669</u>	<u>2,068,069</u>
Total net assets	<u>8,064,212</u>	<u>4,104,500</u>
Total liabilities and net assets	<u>\$8,424,201</u>	<u>\$4,604,204</u>

The accompanying notes are an integral part of these financial statements.

THE AMISTAD RESEARCH CENTER
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	<u>2003</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>PUBLIC SUPPORT AND REVENUES</u>				
Grants	\$ 777,409	\$ -0-	\$ -0-	\$ 777,409
Interest income (NOTE 3)	56,939	1,538	-	58,477
Unrealized gains (losses) on investments (NOTE 3)	10,620	-	334,400	345,020
Contributions, special events and fundraising (NOTE 8)	118,881	36,573	-	155,454
Royalties	200	-	-	200
Museum shop and other activities	8,039	-	-	8,039
Net assets released from restrictions	<u>151,000</u>	<u>(151,000)</u>	<u>-</u>	<u>-</u>
Total public support and revenues	<u>1,123,088</u>	<u>(112,889)</u>	<u>334,400</u>	<u>1,344,599</u>
<u>EXPENSES</u>				
Management and general	345,241	-	-	345,241
Program services	522,778	-	-	522,778
Fundraising	<u>209,068</u>	<u>-</u>	<u>-</u>	<u>209,068</u>
Total expenses	<u>1,077,087</u>	<u>-</u>	<u>-</u>	<u>1,077,087</u>
Change in net assets	<u>46,001</u>	<u>(112,889)</u>	<u>334,400</u>	<u>267,512</u>
Net assets, beginning of year	784,706	1,251,725	2,068,069	4,104,500
Adjustments to beginning net assets (NOTE 15)	<u>-</u>	<u>-</u>	<u>3,692,200</u>	<u>3,692,200</u>
Net assets, beginning of year, as adjusted	<u>784,706</u>	<u>1,251,725</u>	<u>5,760,269</u>	<u>7,796,700</u>
Net assets, end of year	<u>\$ 830,707</u>	<u>\$ 1,138,836</u>	<u>\$ 6,094,669</u>	<u>\$ 8,064,212</u>

The accompanying notes are an integral part of these financial statements.

THE AMISTAD RESEARCH CENTER
STATEMENTS OF ACTIVITIES, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	2002			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<u>PUBLIC SUPPORT AND REVENUES</u>				
Grants	\$ 658,545	\$ -0-	\$ -0-	\$ 658,545
Interest income (NOTE 3)	67,616	830	-0-	68,446
Unrealized gains (losses) on investments (NOTE 3)	120,891	-0-	(483,901)	(363,010)
Contributions, special events and fundraising (NOTE 8)	250,332	15,441	232	266,005
Royalties	633	-0-	-0-	633
Museum shop and other activities	15,546	-0-	-0-	15,546
Net assets released from restrictions	<u>83,000</u>	<u>(83,000)</u>	<u>-0-</u>	<u>-0-</u>
Total public support and revenues	<u>1,196,563</u>	<u>(66,729)</u>	<u>(483,669)</u>	<u>646,165</u>
<u>EXPENSES</u>				
Management and general	274,143	-0-	-0-	274,143
Program services	652,891	-0-	-0-	652,891
Fundraising	<u>158,537</u>	<u>-0-</u>	<u>-0-</u>	<u>158,537</u>
Total expenses	<u>1,085,571</u>	<u>-0-</u>	<u>-0-</u>	<u>1,085,571</u>
Change in net assets	110,992	(66,729)	(483,669)	(439,406)
Net assets, beginning of year	<u>673,714</u>	<u>1,318,454</u>	<u>2,551,738</u>	<u>4,543,906</u>
Net assets, end of year	<u>\$ 784,706</u>	<u>\$ 1,251,725</u>	<u>\$ 2,068,069</u>	<u>\$ 4,104,500</u>

The accompanying notes are an integral part of these financial statements.

THE AMISTAD RESEARCH CENTER
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	2003					
	Management and General Finance and Administration	Archives and Library	Program Services Grants and Programs	Total Program Services	Fundraising Programs and Development	Total
Salaries and wages	\$168,944	\$106,027	\$187,493	\$293,520	\$111,365	\$ 573,829
Payroll taxes and fringe benefits	50,645	21,156	39,211	60,367	12,022	123,034
Consultants	-	13,400	-	13,400	19,000	32,400
Books, films and periodicals	-	15,659	-	15,659	-	15,659
Appraisal fees	-	775	-	775	-	775
Archival supplies	-	25,791	-	25,791	-	25,791
Solinet fees	-	2,109	-	2,109	-	2,109
Exhibits	9,253	2,502	-	2,502	-	11,755
Travel, seminars and entertainment	3,255	2,252	-	2,252	10,782	16,289
Lodging and meals	8,127	1,143	-	1,143	2,030	11,300
Office supplies and postage	9,718	2,168	9,866	12,034	6,012	27,764
Depreciation	19,608	-	-	-	-	19,608
Accounting and auditing	31,630	-	-	-	-	31,630
Insurance	6,779	-	-	-	-	6,779
Telephone	1,262	176	-	176	1,232	2,670
Equipment repairs and maintenance	5,102	1,521	-	1,521	2,049	8,672
Rent (NOTE 8)	6,768	19,591	-	19,591	17,741	44,100
Galas	-	-	-	-	2,062	2,062
Marketing and promotions	-	-	-	-	1,984	1,984
Grants and scholarships	-	-	10,306	10,306	2,390	12,696
Management fees	2,514	3,765	-	3,765	1,162	7,441
Printing and newsletter	-	-	1,059	1,059	18,867	19,926
Other	<u>21,636</u>	<u>275</u>	<u>56,533</u>	<u>56,808</u>	<u>370</u>	<u>78,814</u>
Total expenses	<u>\$345,241</u>	<u>\$218,310</u>	<u>\$304,468</u>	<u>\$522,778</u>	<u>\$209,068</u>	<u>\$1,077,087</u>

The accompanying notes are an integral part of these financial statements.

THE AMISTAD RESEARCH CENTER
STATEMENTS OF FUNCTIONAL EXPENSES, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

2002

	<u>Management and General</u>	<u>Archives and Library</u>	<u>Program Services Grants and Programs</u>	<u>Total Program Services</u>	<u>Fundraising Programs and Development</u>	<u>Total</u>
Salaries and wages	\$126,796	\$110,150	\$116,991	\$227,141	\$ 90,494	\$ 444,431
Payroll taxes and fringe benefits	38,431	18,046	30,785	48,831	8,926	96,188
Consultants	-0-	21,205	1,900	23,105	-0-	23,105
Books, films and periodicals	-0-	8,679	-0-	8,679	-0-	8,679
Appraisal fees	-0-	7,550	-0-	7,550	-0-	7,550
Archival supplies	-0-	23,537	-0-	23,537	-0-	23,537
Solinet fees	-0-	2,139	-0-	2,139	-0-	2,139
Exhibits	6,441	3,864	-0-	3,864	-0-	10,305
Travel, seminars and entertainment	4,037	3,214	-0-	3,214	5,887	13,138
Lodging and meals	9,183	843	-0-	843	-0-	10,026
Office supplies and postage	6,530	2,331	9,637	11,968	2,408	20,906
Depreciation	18,018	-0-	-0-	-0-	-0-	18,018
Accounting and auditing	42,479	-0-	-0-	-0-	-0-	42,479
Insurance	4,516	6,130	-0-	6,130	-0-	10,646
Telephone	1,698	358	-0-	358	204	2,260
Equipment repairs and maintenance	3,538	-0-	-0-	-0-	125	3,663
Rent (NOTE 8)	6,768	19,591	-0-	19,591	17,741	44,100
Galas	-0-	-0-	-0-	-0-	17,149	17,149
Marketing and promotions	-0-	-0-	-0-	-0-	300	300
Grants and scholarships	-0-	-0-	260,021	260,021	927	260,948
Management fees	1,671	795	-0-	795	-0-	2,466
Printing and newsletter	-0-	-0-	-0-	-0-	13,954	13,954
Other	<u>4,037</u>	<u>2,507</u>	<u>2,618</u>	<u>5,125</u>	<u>422</u>	<u>9,584</u>
Total expenses	<u>\$274,143</u>	<u>\$230,939</u>	<u>\$421,952</u>	<u>\$652,891</u>	<u>\$158,537</u>	<u>\$1,085,571</u>

The accompanying notes are an integral part of these financial statements.

THE AMISTAD RESEARCH CENTER
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	<u>2003</u>	<u>2002</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 267,512	\$ (439,406)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	19,608	18,018
Net unrealized (gains) and losses	(345,020)	363,010
(Increase) decrease in:		
Accounts receivable	33,123	28,506
Pledges receivable	61,800	113,000
Grants receivable	342,269	(368,216)
Inventory	5,000	152
Other assets	(2,621)	(199)
Increase (decrease) in:		
Accounts payable and accrued expenses	(4,715)	12,385
Deferred revenues	<u>(135,000)</u>	<u>192,221</u>
Net cash (used in) provided by operating activities	<u>241,956</u>	<u>(80,529)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(71,315)	(5,472)
Purchase of investments	<u>(188,100)</u>	<u>-0-</u>
Net cash used in investing activities	<u>(259,415)</u>	<u>(5,472)</u>
Net decrease in cash	(17,459)	(86,001)
Cash at beginning of year	<u>195,117</u>	<u>281,118</u>
Cash at end of year	<u>\$ 177,658</u>	<u>\$ 195,117</u>

The accompanying notes are an integral part of these financial statements.

THE AMISTAD RESEARCH CENTER
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - Organization and Nature of Activities:

The Amistad Research Center (The Center) collects original source materials on American ethnic history, race, relations and civil rights, and the African diaspora. **The Center** organizes and preserves these materials according to archival standards and makes them accessible for research use. **The Center** also collects and makes accessible to research scholars, books, periodicals, photographs, microforms, film, and videotape to support its manuscript collections. **The Center** collects African art and works of art by African American artists for display at **The Center** and from which traveling exhibitions may be developed.

The Center, incorporated in the State of Louisiana on October 16, 1987, is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes.

NOTE 2 - Summary of Significant Accounting Policies:

Principles of Accounting

The Center's financial statements are prepared on the accrual basis and in accordance with accounting principles generally accepted in the United States of America. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

THE AMISTAD RESEARCH CENTER
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Summary of Significant Accounting Policies, Continued:

Public Support and Revenue

Contributions are generally available for unrestricted use in the year received unless specifically restricted by the donor. Unconditional promises to give are recorded as received. Unconditional promises to give due in the next year are reflected as current promises to give and are recorded at their net realizable value. Unconditional promises to give due in subsequent years are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts. An allowance for uncollectible promises is provided based on management's evaluation of potential uncollectible promises receivable at year end.

Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restrictions expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Endowment contributions and investments are permanently restricted by the donor. Investment earnings available for distribution are recorded in unrestricted net assets. Investments earnings with donor restrictions are recorded in temporarily or permanently restricted net assets based on the nature of the restrictions.

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

THE AMISTAD RESEARCH CENTER
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Summary of Significant Accounting Policies, Continued:

Investments

In accordance with Statement of Financial Accounting (SFAS) No. 124, Accounting for Certain Investments Held by Not-for-Profit Organizations investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. The fair values of investments are based on quoted market prices for those or similar investments. Unrealized gains and losses are included in the change in net assets. (See NOTE 13)

Cash and Cash Equivalents

The Center considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents for purposes of the statement of cash flows exclude permanently restricted cash and cash equivalents.

Inventory

Inventories are stated at the lower of cost or market. Print inventories (works of art available for sale) donated to **The Center** are recorded at their fair value at the date of donation.

Furniture and Equipment

Furniture and equipment are capitalized at cost. Furniture and equipment are being depreciated over estimated useful lives of five to ten years using a straight-line method, with a half of a year's depreciation recognized in the years of acquisition and disposal.

THE AMISTAD RESEARCH CENTER
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Summary of Significant Accounting Policies, Continued:

Reclassifications

Certain amounts from 2002 have been reclassified to conform with the 2003 presentation.

NOTE 3 - Investments:

Investments and investment return and its classification in the Statement of Activities as of December 31, are summarized as follows:

	2003		
	<u>Cost</u>	<u>Fair Value</u>	<u>Carrying Value</u>
Unrestricted:			
Government securities	\$1,407,758	\$1,398,271	\$1,398,271
Money accounts	12,659	12,659	12,659
Short-term investments	188,100	188,100	188,100
Permanently and temporarily restricted:			
Common Investment Fund	<u>2,362,569</u>	<u>2,386,056</u>	<u>2,386,056</u>
	<u>\$3,971,086</u>	<u>\$3,985,086</u>	<u>\$3,985,086</u>

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest and dividends	\$56,939	\$1,538	\$ -0-	\$ 58,477
Unrealized gains (losses)	<u>10,620</u>	<u>-0-</u>	<u>334,400</u>	<u>345,020</u>
	<u>\$67,559</u>	<u>\$1,538</u>	<u>\$334,400</u>	<u>\$403,497</u>

THE AMISTAD RESEARCH CENTER
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 3 - Investments, Continued:

	2002			
	<u>Cost</u>	<u>Fair Value</u>	<u>Carrying Value</u>	
Unrestricted:				
Government securities	\$ 902,282	\$ 934,608	\$ 934,608	
Money accounts	465,702	465,702	465,702	
Permanently and temporarily restricted:				
Common Investment Fund	<u>2,362,569</u>	<u>2,051,656</u>	<u>2,051,656</u>	
	<u>\$3,730,553</u>	<u>\$3,451,966</u>	<u>\$3,451,966</u>	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest and dividends	\$ 67,616	\$830	\$ -0-	\$ 68,446
Unrealized gains (losses)	<u>120,891</u>	<u>-0-</u>	<u>(483,901)</u>	<u>(363,010)</u>
	<u>\$188,507</u>	<u>\$830</u>	<u>\$(483,901)</u>	<u>\$(294,564)</u>

THE AMISTAD RESEARCH CENTER
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 4 - Pledges Receivable:

Unconditional promises to give consist of the following at December 31:

	<u>2003</u>	<u>2002</u>
Expected to be collected in:		
Less than one year	\$ 50,725	\$ 60,000
One year to five years	<u> -0-</u>	<u>52,525</u>
	50,725	112,525
Less allowance for doubtful accounts	<u>(30,796)</u>	<u>(30,796)</u>
	<u>\$ 19,929</u>	<u>\$ 81,729</u>

NOTE 5 - Furniture and Equipment:

At December 31, furniture and equipment consisted of the following:

	<u>2003</u>	<u>2002</u>
Office furniture and equipment	\$ 211,744	\$ 140,429
Automobile	<u>19,713</u>	<u>19,713</u>
	231,457	160,142
Less accumulated depreciation	<u>(141,952)</u>	<u>(122,344)</u>
	<u>\$ 89,505</u>	<u>\$ 37,798</u>

THE AMISTAD RESEARCH CENTER
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 6 - Temporarily Restricted Net Assets:

Temporarily restricted net assets are available for the following purposes or periods:

	<u>2003</u>	<u>2002</u>
Capital campaign	\$1,116,122	\$1,235,467
Scholarships	2,932	8,173
Building fund	8,085	8,085
Grant fund	<u>11,697</u>	<u>-0-</u>
	<u>\$1,138,836</u>	<u>\$1,251,725</u>

NOTE 7 - Permanently Restricted Net Assets:

Net assets were permanently restricted for the following purposes at December 31:

	<u>2003</u>	<u>2002</u>
Capital campaign	\$ 16,724	\$ 16,723
United Church Board for Homeland Ministries: Endowment Fund	2,354,660	2,024,733
New Orleans Friends of Amistad Fund	31,085	26,613
Fine arts	<u>3,692,200</u>	<u>-0-</u>
	<u>\$6,094,669</u>	<u>\$2,068,069</u>

THE AMISTAD RESEARCH CENTER
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 8 - Lease:

The Amistad Research Center entered into a leasing arrangement commencing January 1, 1987, with Tulane University whereby **The Amistad Research Center** would move its operations to the Tulane Campus. The lease was for a period of ten (10) years, free of any rental assessment, and terminated on the 31st day of December 1996. The lease is automatically renewable for eighteen successive five year terms. At the end of the original lease term, the organization exercised the renewal option for an additional five years.

The in-kind rent contribution for the years ended December 31, 2003 and 2002 was \$44,100 which was based on comparable rental sites.

During the term of the lease, Tulane shall contribute to **The Amistad Research Center** annually an unrestricted cash-operating subsidy. The amount contributed for 2003 and 2002 was \$102,757 and \$100,245, respectively.

NOTE 9 - Retirement Plan:

After three years of employment, **The Center** allows all employees to participate in a pension plan for lay workers administered by the United States Church of Christ. **The Center** contributes 11% of an employee's salary into the plan if the employee contributes 1% of his salary. An employee may pay up to 4% of his salary into the pension plan. **The Center** contributed a total of \$16,219 and \$16,501 to the plan during the years ended December 31, 2003 and 2002, respectively.

NOTE 10 - Concentration of Credit Risk:

At the end of the year, **The Amistad Research Center** had on deposit cash at a local bank in excess of FDIC insurance limits of \$100,000. The uninsured portion is \$100,732 and \$121,627 at December 31, 2003 and 2002, respectively.

THE AMISTAD RESEARCH CENTER
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 11 - Fair Values of Financial Instruments:

The following methods and assumptions were used by The Center in estimating its fair value disclosures for financial instruments:

Cash and short-term unconditional promises to give: The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

Short-term and endowment investments: The fair values of investments are based on quoted market prices for those or similar investments. (See NOTE 13)

Long-term unconditional promises to give: The fair value of promises to give that are due in more than one year is estimated by discounting the future cash flows using a current risk free rate of return.

	<u>2003</u>		<u>2002</u>	
	<u>Carrying</u>	<u>Fair</u>	<u>Carrying</u>	<u>Fair</u>
	<u>Amount</u>	<u>Value</u>	<u>Amount</u>	<u>Value</u>
Financial Assets:				
Cash	\$ 177,658	\$ 177,658	\$ 195,117	\$ 195,117
Investments	1,599,030	1,599,030	1,400,310	1,400,310
Unconditional promises to give	19,929	19,929	81,729	81,729
Endowment investments	2,386,056	2,386,056	2,051,656	2,051,656
Fine arts collection	<u>3,692,200</u>	<u>3,692,200</u>	<u>-0-</u>	<u>-0-</u>
	<u>\$7,874,873</u>	<u>\$7,874,873</u>	<u>\$3,728,812</u>	<u>\$3,728,812</u>

THE AMISTAD RESEARCH CENTER
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 12 - Functional Allocation of Expenses:

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 13 - Endowment Investments:

In accordance with Statement of Financial Accounting Standards No. 124, Accounting for Certain Investments Held by Not-for-Profit Organizations, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the Statements of Financial Position.

NOTE 14 - Fine Arts Historical Collection:

The Center's collections are made up of artifacts of historical significance and art objects that are held for educational, research, scientific and curatorial purposes. Each of the items are cataloged, preserved and cared for and activities verifying their existence and assessing their condition are performed continuously. These items were recently appraised at approximately \$3,692,200.

NOTE 15 - Changes in Accounting Principle (Fine Arts Collection):

In 2003, **the Center** capitalized its collection retroactively in conformity with FASB Statement No. 116. **The Center** capitalized collection items acquired prior to 2003, at their fair or acquired value. The collection items capitalized retroactively were determined to have a total value of \$3,692,200. This amount is reflected as a change in accounting principles on the statement of activities.

SUPPLEMENTARY INFORMATION

THE AMISTAD RESEARCH CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2003

<u>FEDERAL GRANTOR/PROGRAM NAME</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity's Number</u>	<u>Activity</u>
<i>Direct Awards</i>			
Institute of Museum and Library Services - National Leadership Grant	45.312	N/A	\$286,894
National Endowment for the Humanities NEH Challenge Grant	45.130	N/A	<u>135,000</u>
Sub-total			<u>421,894</u>
<i>Awards from a Pass-Through Entity</i>			
U.S. Department of Education Passed through Tulane University- Fund for the Improvement of Post Secondary Education	84.116Z	P1162020183	39,580
U.S. Department of Education Passed through Tulane University- Fund for the Improvement of Post Secondary Education	84.116Z	P1162030239	<u>77,309</u>
Sub-total			<u>116,889</u>
U.S. Department of Housing and Urban Development Passed through Tulane University - HUD Renovation Project	14.541904	B-01-SP-LA-0231	<u>47,909</u>
Sub-total			<u>47,909</u>
Total			<u>\$586,692</u>

The above schedule of expenditures of federal awards is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



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Society of Louisiana
Certified Public Accountants

Michael B. Bruno, CPA
Alcide J. Tervalon, Jr., CPA
Waldo J. Moret, Jr., CPA
Paul K. Andoh, Sr., CPA

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
The Amistad Research Center

We have audited the financial statements of **The Amistad Research Center (the Center)** as of and for the year ended December 31, 2003, and have issued our report thereon dated April 9, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether **the Center's** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(CONTINUED)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered **the Center's** internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to the management of **the Center** in a separate letter dated April 9, 2004.

This report is intended solely for the information and use of the Board of Directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bruno & Tervalon LLP
BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

April 9, 2004

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors
The Amistad Research Center

Compliance

We have audited the compliance of **The Amistad Research Center (the Center)** with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2003. **The Center's** major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs is the responsibility of **the Center's** management. Our responsibility is to express an opinion on **the Center's** compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

(CONTINUED)

types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about **the Center's** compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of **the Center's** compliance with those requirements.

In our opinion, **the Center** complied, in all material respects, with the requirements, referred to above that are applicable to its major federal programs for the year ended December 31, 2003.

Internal Control Over Compliance

The management of **the Center** is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered **the Center's** internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

(CONTINUED)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board of Directors, management, the Legislative Auditor of the State of Louisiana, and federal awarding agencies and pass-through entities and is not intended to be and should be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bruno & Tervalon LLP
BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

April 9, 2004

THE AMISTAD RESEARCH CENTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2003

Section I - Summary of Auditors' Results

1. Type of report issued on the financial statements: **Unqualified**.
2. Did the audit disclose any reportable conditions in internal control: **None Reported**.
3. Were any of the reportable conditions material weaknesses: **No**.
4. Did the audit disclose any noncompliance which is material to the financial statements of the organization: **No**.
5. Did the audit disclose any reportable conditions in internal control over major programs: **None Reported**.
6. Were any of the reportable conditions in internal control over major programs material weaknesses: **No**.
7. Type of report issued on compliance for major programs: **Unqualified**.
8. Did the audit disclose any audit findings which the independent auditors are required to report under OMB Circular A-133, Section 510(a): **No**.
9. The following is an identification of major programs:

<u>CFDA Number</u>	<u>Federal Program</u>
45.312	Institute of Museum and Library Services - National Leadership Grant
14.541904	U.S. Department of Housing and Urban Development - Renovation Project

THE AMISTAD RESEARCH CENTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2003

Section I - Summary of Auditors' Results, Continued

10. The dollar threshold used to distinguish between Type A and Type B Programs, as described in OMB Circular A-133, Section 520(b) is as follows:

<u>Program</u>	<u>Amount</u>
Type A	\$300,000

11. Did the auditee qualify as a low-risk auditee under OMB Circular A-133, Section 530:
No.

Section II - Financial Statement Findings

No matters reported.

Section III - Federal Award Finding and Questioned Cost

No matters reported.

**THE AMISTAD RESEARCH CENTER
STATUS OF PRIOR YEAR AUDIT FINDINGS**

RESOLVED UNRESOLVED

**INTERNAL CONTROL AND COMPLIANCE
MATERIAL TO FINANCIAL STATEMENTS**

No matters reported.

**INTERNAL CONTROL AND COMPLIANCE
MATERIAL TO FEDERAL AWARDS**

2002-01 Report submission.

X

THE AMISTAD RESEARCH CENTER

EXIT CONFERENCE

During the course of the audit and at an exit conference the report and its contents were discussed. Involved in those discussions were:

THE AMISTAD RESEARCH CENTER

Mr. Lee Hampton	--	Executive Director
Dr. Charles C. Teamer	--	Former Executive Director
Ms. Alvery Rodney	--	Finance Director
Mr. Sam Long	--	Consultant

BRUNO & TERVALON LLP, CERTIFIED PUBLIC ACCOUNTANTS

Mr. Michael B. Bruno, CPA	--	Managing Partner
Mr. Armand E. Pinkney	--	Manager



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INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT

To the Board of Directors
The Amistad Research Center

In planning and performing our audit of the financial statements of **The Amistad Research Center (the Center)** for the year ended December 31, 2003, we considered **the Center's** internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during the audit, we became aware of the following matter that is an opportunity for strengthening internal controls and operating efficiency. The following summarizes our comment and recommendation concerning that matter.

INVOICE CANCELLATION

During the course of the audit we noted that various paid invoices are not stamped "PAID" or otherwise cancelled upon payment to prevent duplicate payment.

Recommendation

We recommend that all invoices be stamped "PAID" or otherwise cancelled upon payment to prevent duplicate payment.

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT
(CONTINUED)

Status of Prior Year Comments

	<u>Resolved</u>	<u>Unresolved</u>
Interbank Transfers	X	
Outstanding (distributing) Checks	X	
Collateralization		X
Pledges Receivable		X

We will review the status of these comments during our next audit engagement. We have already discussed these comments and recommendations with the management of **the Center**, and will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Bruno & Tervalon LLP
BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

April 9, 2004



RECEIVED

JUN 10 2004

BRUNO & TERVALON LLP
Certified Public Accountants

June 6, 2004

Bruno & Tervalon, LLP
Certified Public Accountants
4298 Elysian Fields Avenue
New Orleans, Louisiana 70122

**RESPONSE TO INDEPENDENT AUDITOR'S COMMENTS TO
MANAGEMENT**

In response to your comments for strengthening internal controls and operating more efficiently, we are implementing the following:

COLLATERALIZATION

We will monitor account balances in all accounts and minimize risks associated with uninsured deposits by maintaining current balances at FDIC insured levels.

PLEDGES RECEIVABLE

We are in the process of investigating all outstanding pledges to determine whether they are collectible or should be written off. Appropriate journal entries will be recorded to fairly state any pledges determined to be uncollectible.

INVOICE CANCELLATION

We have stamped all previous invoices "PAID" and have implemented a system to ensure each new invoice is stamped to prevent duplicate payment.

As stated in our discussion with you, we intend to involve Bruno & Tervalon in the implementation of the above changes.


LEONCE HAMPTON
EXECUTIVE DIRECTOR
AMISTAD RESEARCH CENTER