

**Pamoja Art Society, Inc.
Shreveport, Louisiana**

**Financial Statements
June 30, 2004**

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 2-16-05

**Pamoja Art Society, Inc.
Shreveport, Louisiana**

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Pamoja Art Society, Inc.
Shreveport, Louisiana

Statement of Financial Position
June 30, 2004

Assets

Current Assets	
Cash	\$ 2,369
Grant Receivables	575
Other Receivables	2,530
<i>Advances Receivable from Related Parties</i>	2,215
Prepaid Expenses	<u>1,800</u>
Total Current Assets	9,489
Property and Equipment – Net	6,223
Collections	3,500
Note Receivable – Related Party	<u>4,148</u>
Total Assets	<u>\$ 23,360</u>

Liabilities and Net Assets

Current Liabilities	
Accounts Payable	\$ <u>4,800</u>
Total Current Liabilities	<u>4,800</u>
Net Assets	
Unrestricted	18,560
Temporarily Restricted	-
Permanently Restricted	-
Total Net Assets	<u>18,560</u>
Total Liabilities and Net Assets	<u>\$ 23,360</u>

The Notes to the Financial Statements are an integral part of these statements.

**Pamoja Art Society, Inc.
Shreveport, Louisiana**

**Statement of Activities
for the Year Ended June 30, 2004**

Unrestricted Net Assets

Unrestricted Revenue

Grant – State Appropriations	\$	50,000
Grants – Other		20,522
Contributions		240
Interest		27
Total Unrestricted Revenue		<u>70,789</u>

Expenses

Program Services – Art Projects		14,515
Support Services – Administration		60,907
Total Expenses		<u>75,422</u>

Decrease in:

Unrestricted Net Assets	(4,633)
Temporarily Restricted Net Assets		-	
Permanently Restricted Net Assets		-	
Change in Net Assets	(4,633)
Net Assets, Beginning of Year		23,193	
Net Assets, End of Year	\$	<u>18,560</u>	

The Notes to the Financial Statements are an integral part of these statements.

Pamoja Art Society, Inc.
Shreveport, Louisiana

Statement of Cash Flows
for the Year Ended June 30, 2004

Cash Flows from Operating Activities	
Decrease in Net Assets	(\$ 4,633)
Adjustments to Reconcile Change in Net Assets to Cash Provided (Used) by Operating Activities	
Depreciation	1,981
<i>(Increase) Decrease in</i>	
Grant Receivables	2,742
Other Receivables	(2,530)
<i>Increase (Decrease) in</i>	
Accounts Payable	4,800
Cash Provided by Operations	<u>2,360</u>
Cash Flows from Investing Activities	
Cash Used in Investing	<u>-</u>
Cash Flows from Financing Activities	
Advances to Related Parties	(2,760)
Repayments of Advances to Related Parties	<u>545</u>
Cash Used in Financing	<u>(2,215)</u>
Net Increase in Cash and Cash Equivalents	145
Cash and Cash Equivalents, Beginning of Year	<u>2,224</u>
Cash and Cash Equivalents, End of Year	\$ <u>2,369</u>

The Notes to the Financial Statements are an integral part of these statements.

Pamoja Art Society, Inc.
Shreveport, Louisiana

Notes to the Financial Statements
June 30, 2004

Note 1 Organization and Significant Accounting Policies

Background

Pamoja Art Society, Inc. ("Pamoja") is a not-for-profit organization specializing in promoting African American Art. The Organization began operations in November 1977, and serves the greater Shreveport-Bossier Area.

The Organization receives grant funds appropriated under Act 11 of the 2000 Legislative Session for promotion of arts and various other grants. During the year ended June 30, 2004, the Organization's grant revenues were \$70,522. Pamoja relies upon the funding from these sources for its operations.

Summary of Significant Accounting Policies

The accounting policies of Pamoja conform to generally accepted accounting principles as applicable to not-for-profit organizations. The more significant accounting policies of the agency are described below:

Basis of Accounting: The Organization prepares its financial statements on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

Net Assets: Under the provisions of Statement of Financial Accounting Standards No. 117, "Financial Statements for Not-For-Profit Organizations", net assets and revenues and contributions, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations. Support restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized.

Temporarily restricted net assets - Net assets that are subject to donor-imposed stipulations which may or will be met either by actions of the Organization and/or the passage of time. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (i.e., 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.

Permanently restricted net assets - Net assets that are subject to donor-imposed stipulations requiring that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

Federal Income Taxes: Pamoja is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Pamoja is exempt from Louisiana income taxes as well.

Cash: Pamoja's cash consists of deposits in bank checking and money market accounts.

Property: Property is stated at cost. Pamoja follows the practice of capitalizing expenditures for property and equipment in excess of \$500. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets which range from three to forty years.

Collections: Pamoja capitalizes works of art at cost. Due to the longevity of this class of asset, depreciation is not taken.

Risks and Uncertainties: The preparation of financial statements in conformity with generally accepted accounting principles 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 reported period. Actual results could differ from those estimates.

Concentrations of Credit Risk: Pamoja maintains its cash balances in financial institutions. The balance with each financial institution is insured by the FDIC up to \$100,000. At June 30, 2004, the Organization had no uninsured cash balances.

Note 2 Property and Equipment – Net

As of June 30, 2004, property and equipment consisted of the following:

Building	\$	4,000
Furniture and Equipment		<u>6,012</u>
Total, at cost		10,012
Accumulated Depreciation	(<u>3,789</u>)
Property and Equipment – Net	\$	<u>6,223</u>

Depreciation charged to operations was \$1,981 for the year ended June 30, 2004.

Note 3 Note Receivable - Related Party

As of June 30, 2004, Pamoja had a note receivable from its President in the amount of \$4,148. The note was originally in the amount of \$8,683, dated June 7, 2003, at 0% interest, payable at a rate of \$300 per month, beginning July 7, 2003, continuing until the note is paid in full. The loan is unsecured. Management believes the loan is fully collectible; therefore, no allowance for uncollectible accounts is included in these financial statements.

Note 4 Commitments and Contingencies

Grants require the fulfillment of certain conditions as set forth in grant contracts. Failure to fulfill the conditions as set forth in the grant contracts could result in the return of grant funds to the grantor.

Note 5 Related Party Transactions

As of June 30, 2004, Pamoja had a note receivable from its President in the amount of \$4,148 (see Note 4).

During the year ended June 30, 2004, Pamoja made non-interest bearing advances to its President on an unsecured basis in the amount of \$2,760. Repayments in the amount of \$545 were received during the year from the President. At June 30, 2004, outstanding advances receivable from the President totaled \$2,215.

Pamoja paid a member of its executive board \$11,000 for administrative duties performed for the year ended June 30, 2004 and reimbursed the board members \$2,000 for mileage incurred during the year.

ROBERTS, CHERRY & COMPANY
Certified Public Accountants, Consultants

Independent Auditor's Report

To the Board of Directors of
Pamoja Art Society, Inc.
Shreveport, Louisiana

We have audited the accompanying statement of financial position of Pamoja Art Society, Inc. (a not-for-profit Organization) as of June 30, 2004, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of Pamoja Art Society, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

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. 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 audit provides 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 Pamoja Art Society, Inc. as of June 30, 2004, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2005 on our consideration of Pamoja Art Society, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. 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.

ROBERTS, CHERRY AND COMPANY
ROBERTS, CHERRY AND COMPANY

A Corporation of
Certified Public Accountants
Shreveport, Louisiana
January 13, 2005

ROBERTS, CHERRY & COMPANY
Certified Public Accountants, Consultants

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

To the Board of Directors of
Pamoja Art Society, Inc.
Shreveport, Louisiana

We have audited the financial statements of Pamoja Art Society, Inc. (a not-for-profit organization) as of and for the year ended June 30, 2004, and have issued our report thereon dated January 13, 2005. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Pamoja Art Society, Inc.'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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Pamoja Art Society, Inc.'s ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions noted are described in the accompanying schedule of findings and questioned costs as item 2004-1.

A material weakness is a reportable 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 caused by error or fraud 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 2004-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pamoja Art Society, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2004-2, 2004-3 and 2004-4.

This report is intended for the information and use of management, others within the Organization and federal awarding agencies and pass-through entities, and the Legislative Auditor, State of Louisiana. However, this report is a matter of public record upon acceptance by the Legislative Auditor, State of Louisiana, and its distribution is not limited.

ROBERTS, CHERRY AND COMPANY

ROBERTS, CHERRY AND COMPANY

A Corporation of
Certified Public Accountants
Shreveport, Louisiana
January 13, 2005

**Pamoja Art Society, Inc.
Schedule of Prior Year Findings
For the Year Ended June 30, 2004**

Section I – Internal Controls and Compliance Material to the Financial Statements

<u>Reference</u>	<u>Description and Recommendation</u>	<u>Resolution or State</u>
2003-1	Pamoja expended grant revenues for purposes other than those specified under terms of the grants. Specifically, Pamoja made a loan to its President for personal uses.	Unresolved
2003-2	Pamoja does not have procedures in place to ensure that expenditures are not reported in more than one grant expenditures report.	Resolved

Section II – Internal Controls and Compliance Material to Federal Awards

Not Applicable

Section III – Management's Response

Not Applicable

Pamoja Art Society, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004

We have audited the financial statements of Pamoja Art Society, Inc. as of and for the year ended June 30, 2004, and have issued our report thereon dated January 13, 2005. 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. Our audit of the financial statements as of June 30, 2004 resulted in an unqualified opinion.

Section I Summary of Auditor's Reports

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses: Yes

Reportable Conditions: Yes

Compliance

Compliance Material to Financial Statements: Yes

b. Federal Awards – N/A

c. Identification of Major Programs – N/A

Section II Financial Statement Findings

2004–1 Pamoja did not reconcile the bank accounts to the accounting ledgers maintained on Excel spreadsheets to ascertain that all expenditures were properly recorded. The Excel spreadsheet ledgers do not properly function as a double entry set of books resulting in items not posted being discovered routinely.

Criteria: Books should be maintained to account for recording of accurate revenues and expenditures. Monthly bank reconciliations should be performed to ascertain any items not posted to the ledgers.

Condition Found: We found that some expenditures and deposits were not posted to the Excel spreadsheet ledgers and there was no evidence that the bank accounts had been reconciled.

Effect: The Excel spreadsheet ledgers can be misstated resulting in improper reporting of grant expenditures on the required grant reports

Cause: The Organization did not maintain the services of an outside accountant to perform the bookkeeping function as it did in the fiscal year ended June 30, 2003.

Questioned Costs: \$0

Recommendations: We recommend that the Organization hire an outside accountant to maintain a double entry set of books to ensure that the reports under various grants are complete and accurate.

2004–2 Pamoja pays certain persons performing duties within the Organization on contract basis.

Criteria: Proper handling of compensation paid to persons performing duties to ascertain compliance with Federal payroll requirements.

Condition Found: We noted that payments were being made for services performed by individuals on an independent contractor basis without entering into written contracts with these individuals. Also, we did not find where 1099 non-employee compensation forms were filed with the Internal Revenue Service at the end of the calendar year for these individuals.

Effect: The Organization could be subjected to substantial payroll tax penalties if these individuals are not deemed to meet the criteria for independent contractors but instead meet the criteria for employees. Also, failure to file the proper 1099s at the end of the calendar year can result in failure to file penalties.

Cause: The Organization did not obtain contracts with the individuals and did not file year-end 1099s.

Questioned Costs: \$0

Recommendations: We recommend that the client review payment to all individuals and ascertain the contractor-employee status and obtain proper contracts with all non employees. All required 1099s need to be filed for payments made to individuals totaling \$600 or more during the calendar year.

2004-3 Pamoja expended grant revenues for purposes other than those specified under terms of the grants. Specifically, Pamoja made advances to its President for non-intended uses.

Criteria: Grant funds should be spent in accordance with their intended purposes under terms of the grant agreements.

Condition Found: We noted Pamoja made advances to its President out of grant funds not intended for that purpose.

Effect: There was no effect on the financial statements; however, by failing to expend grant funds in accordance with the terms of the grants, Pamoja puts their Organization at risk of being required by the granting agencies to return portions of the grant revenue which they received. These funds were not expended from state appropriated grants.

Cause: The Organization failed to understand what the grant funds could not be used for under the grants terms.

Questioned Costs: \$0

Recommendations: We recommend that the client gain an understanding of each of the grant agreements by reading the agreement carefully and inquiring of the grant agency about terms or conditions in which Pamoja needs further interpretation. Then, Pamoja should review the grant terms prior to authorizing expenditures to ensure that the expenditure is in accordance with the grant agreement.

2004-4 Pamoja did not file its annual financial statements timely.

Criteria: Entities receiving funds from the State of Louisiana are required to submit annual financial statements to the Louisiana Legislative Auditor's Office within 6 months of the entity's fiscal year end.

Condition Found: Pamoja failed to submit its annual audited financial statements for the year ended June 30, 2004 with the Louisiana Legislative Auditor's Office by the December 31, 2004 deadline.

Effect: Pamoja did not comply with the terms of its grant agreement.

Cause: Pamoja could not locate some of its monthly bank statements for the fiscal year ending June 30, 2004. In order to complete the audit, copies of the statements had to be requested from the financial institutions which delayed completion of the audit.

Questioned Costs: \$0

Recommendations: We recommend that the Organization hire an accountant who, in addition to preparing the general ledger, would be responsible for record retention.

Section III Federal Award Findings and Questioned Costs

Not Applicable



February 7, 2005

Projects

Programs

Exhibitions

Fund-raising

Marketing

Public
Relations

Legislative Audit Advisory Council
STATE OF LOUISIANA
Post Office Box 94397
Baton Rouge, LA 70804-9397

RE: Management's Corrective Action Plan

Dear Sir:

This letter is provided as a response to the Audit findings by Roberts, Cherry Company, CPA for Pamoja Art Society, Inc. for the fiscal year ending June 30, 2004.

FINDING:

- 2004-1 Pamoja will require the Resource Development Coordinator to be Responsible for maintaining a double-entry set of books. There will be A handwritten ledger with separate entry accounts for each funding Source. The Resource Development Coordinator will then enter all expenditures into a computerized spreadsheet ledger and transmit both sets of records to an outside accountant for the purpose of bank statement reconciliation.
- 2004-2 Signed contracts with descriptions of services provided. Form 1099 completed and distributed.
- 2004-3 The Resource Development Coordinator will establish a separate ledger for each grant award. Object codes will be assigned to categorize allowable expenditures to ensure that no unallowable expenditures are made from each grant source.
- 2004-4 Pamoja will retain the services of a CPA to compile annual financial statements and for records retention.

Sincerely,

Jameelah B. El-Amin, Chair
Development Committee