

Memphis Black Arts Alliance  
985 South Bellevue Blvd.  
Memphis, TN 38106



Internal Audit Report  
July 1, 2014 – June 30, 2015

Prepared by MBAA Financial Committee  
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Memphis Black Arts Alliance Internal Audit Report  
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### Internal Auditor's Report

During 2014-15, Memphis Black Arts Alliance shut down most of its programs and had no active employees.

The building was empty for a portion of the year with no utilities in service. During this time, MBAA was the victim of theft. For some months, the facility was leased to Marcus Garvey Institute. Funds collected in rent & utilities, along with one active program, Jazz-A-FIRE (staffed by independent contractors) was used to pay the most basic expenses, i.e. utilities, property/liability insurance.

With no staff in place, many records were incomplete and improperly filed. Volunteers and Board Members attempted to pull records together for reports required by the State of Tennessee and the Federal Government. Because of the low budget during the fiscal year 2014-2015, an independent audit is not required and many of the compliance recommendations for record keeping are relaxed. During this time, MBAA managed to maintain compliance with both state and federal entities and protect the liability associated with the building.

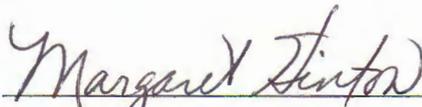
Having completed this internal audit, this committee finds that the organization needs to strengthen its operations to ensure that, as programming and budget increase, MBAA will remain in compliance.

We have interviewed the Executive Director, the Board of Directors and other key stakeholders and discussed areas for improvement as the organization grows. We have also discussed the need for follow-up on a regular basis over the remainder of this fiscal year, as well as establishment of new and adapted policies and procedures in the absence of full staff at the facility.

Our goal is to pull together information necessary to assist in making the record-keeping and day-to-day functions easier and therefore, more accurate.

Respectfully submitted,

2014-15 Financial Committee  
Memphis Black Arts Alliance

  
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Margaret Dinton, Board Treasurer

Veronica Bennett  
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## Organization Background and Executive Summary

Since 1982, Memphis Black Arts Alliance (MBAA) has functioned as a Memphis “community staple” which offers the Greater Mid-South region and tourists a way to discover, refine and celebrate their talents; delight in the cultural contributions of historic African American artists; and participate in professionally instructed and culturally inspired multi-disciplinary arts. This is achieved via educational programs, services, products and special events. Programs include Cultural Arts Jams; Juneteenth on Beale and Bellevue; FireHouse Community Arts Festival @ Soulsville, USA; Jazz-A-F!RE; Voices-A-F!RE; Arts-A-F!RE Youth Theater Troupe; FireHouse Little Theater and FireHouse ArtsReach to schools, community centers and churches.

MBAA believes the creative process has power to transform all people of all ages or backgrounds and should be a life-long learning exercise for all ages. The creative process especially teaches children hope. When engaged in creating, participants learn to live their lives without limits. Because we see the arts as a vehicle for children’s growth in self-confidence, respectful relations and development of learning skills, we will measure our success by their growth. The FireHouse Community Arts Center, a converted 1910 city fire station at the gateway to Soulsville, 985 South Bellevue provides a “home base” for MBAA and a “place” for most services.

Since 1996, MBAA’s primary educational program, the FireHouse Community Arts Academy, has enrolled 3,986 students. (**Ages:** 2-11, 47%; 12-19, 26%; 20-26, 17%; 27-50, 6%, 51 +, 10%; **Classes:** Music-Instrumental, 33%; Music-Vocal, 6%; Dance, 30%; Theater; 23%; KinderArts; 8%; and, **Geography:** South-SW-Whitehaven, 34%; Midtown-East Midtown (Orange Mound) 24%; East Memphis – Germantown, Hickory Hill, Cordova, Bartlett, 20%; North Memphis, 13%; MS, 4%; Downtown 3%; SW TN Counties, 2% MS, 2%.) Effects are greatly multiplied when considering the impact these programs have on audiences attending the various performances.

In addition to the foregoing, MBAA has offered its FireHouse ArtsReach (outreach) educational programs for youth at the following locations: Cummings Elementary/Middle School, Hamilton Middle School, Peabody Elementary School, Lester Middle School, Circles of Success Learning Academy (COSLA @ St. Andrew); Hickory Hill Community Center; Sardis Missionary Baptist Church; and Public Housing Developments: Lamar, Cleaborne & Foote Homes.

Uniquely, MBAA has a 34 year history of providing community arts services in a space maintained for 33 years and owned since 1998. It is Shelby County’s oldest multidisciplinary arts organization that is focused on serving the Greater Memphis community and African American Arts. The core faculty, professionally educated, practicing and teaching artists, are all committed to MBAA’s mission. Additionally, MBAA maintains an intergenerational focus in its staffing and programming in an effort to actualize the African proverb, “It takes a village to raise a child.” As noted by faculty at a recent meeting, “We not only teach, we enlighten, enrich and expand consciousness.”

Having enrolled over 3,900 participants since 1996, MBAA does the FireHouse Community Arts Academy well. Its core faculty are professionally educated, practicing and teaching artists committed to MBAA’s mission. Some have been members of the MBAA since its founding in 1982. Through the years, the Academy provided significant earned income which helped to weather the variables of private contributions and government funding.

Currently MBAA is in revitalization mode with consultation with the Assisi Foundation, the Memphis Music Initiative and the recently retired Founder/Executive Director. In 2015, MBAA’s Board of Directors hired a new Executive Director with proven arts programming and organizational turn-around skills. With a new Director and staff, consultants and a significant cache of volunteers, the organization seeks to revise and implement a strategic plan that capitalizes on its assets and community needs. At the same time, MBAA seeks to diversify and increase funding and funding sources while creating a greater public awareness of MBAA as a major asset to the broader community.

In October of 2015, the Board and current Executive Director met with various consultants for a strategic planning retreat to re-examine the organization's position and current direction. The following is a summary of the affirmations resulting from this effort.

**Mission:** The Memphis Black Arts Alliance is dedicated to improving the quality of life and economic wellbeing of Greater Memphis through the preservation, celebration and advancement of African American arts, culture, and literature. We inspire, educate and engage artists and audiences towards the creation of just and equitable communities through forward-thinking experiences.

**Vision:** At Memphis Black Arts Alliance, we envision imaginations ignited through African American arts and culture radiating from Soulsville across Memphis and the Mid-South, inspiring justice, equity, and sustainable community development.

**Values:** We acknowledge that African American art and culture are living, breathing, and ever-evolving, not only to be preserved and remembered but to be created every day. As such, by valuing the present lived experiences of African Americans, we value and vision forward.

- African-American Cultural Heritage and Afrofuturism
- Creativity and Innovation
- Economic and Cultural Sustainability
- Intergenerational Exchanges
- Justice and Equity
- Youth Leadership and Voices
- Inspiration, Dedication and Drive

### **MBAA Programs and Rationale**

*Jazz-A-FIRE* - Featuring a variety of local artists will not only acquaint them and their following with MBAA, but will also introduce them to new, forward-thinking artistry for potential future collaborations and creative developments.

*Voices-A-FIRE* – An “open mic” experience presenting feature artists will introduce performers and their following to the FireHouse & MBAA giving voice and providing creative opportunity to those that otherwise refrain from sharing their art in a public setting.

*Souls-A-FIRE* - A new program that will train youth and young adults to create music, movement, and performance, thus, elevating their creative voices while building their capacity to shift their environments towards community and economic development.

*Music-A-FIRE* – An after-school program giving participants an opportunity to spend time after school in a creative and positive setting.

*SPARK* – A summer camp designed for ages 6-18. SPARK provides exemplary out-of-school artistic experiences and entrepreneurial ventures for youth. The essence of this work is to create and manifest healthier life outcomes for participants through knowledge and integration of music with creative writing and performance. The camp finale is a professional-class production exposing campers, their families and their friends, to aspects of professional theater.

*The Academy* – Provides opportunities for seasoned professional artists to give back by sharing experiences, skills and talents through mentorship and formal instruction.

## **Audit Scope/Objectives**

The objective of this internal audit is to examine the current practices making recommendations and documentation of sound fiscal and operational policies to help insure the health of the organization. We also hope to:

1. Gather and examine official documents (i.e. charter, bylaws, IRS documentation, and insurance policies) and establish archives for historical documents.
2. Determine areas of financial compliance and areas of possible risk.
3. Create resource for current & future fundraising initiatives (i.e. grants, sponsorships).
4. Establish routine duties which should be followed to minimize risk and insure ongoing compliance, including assigning duties to staff & Board members.
5. Realign and simplify Financial Chart of Accounts and Program Classification system to make record keeping and reporting more accurate and consistent.
6. Create internal forms to align with the flow of policies and procedures to make record keeping and reporting more accurate and consistent.
7. Establish an Operations Calendar to ensure that vital information is captured and accurately reported to Management, Board of Directors and Key Stakeholders (i.e. external audit, federal and state reporting deadlines, budget planning).

## **Audit Findings/Recommendations**

In the absence of administrative staff to collect receivables and maintain records during the transition, errors and inconsistencies are almost certain. The recommendation here is that a trusted volunteer or board member be identified to act as administrator during the transition. More specific areas needing special attention are listed below.

### **General Cash Handling**

- Maintain accountability for all forms of revenue received. Cash receipts should be used to all revenue including checks and online contributions. A cash receipt book should be established for all funds collected on the premises and another book should be used for electronic receipts and revenue from offsite events. Customer/donor should receive a copy of any receipt written for funds rendered.
- Use of a Paid out receipt book for money paid out through petty cash is essential. All paid receipts should be signed by the vendor/payee. It is recommended that the receipt books used not resemble each other to avoid any confusion.

### **Accounts Receivable**

- Develop and implement general procedures and controls over accounts receivable activity to include collections and dropped classes. Enhancing collection efforts and billing procedures to ensure that revenues due the Academy are collected in timely manner.
  - Maintain adequate separation of duties between the person receiving and handling cash payments from the accounts receivable record keeper who posts the payments to customer accounts.
  - Reconcile detail of individual account receivable balances to a receivable control total on a routine (e.g. monthly) basis.
  - Provide monthly statements to customers giving them an opportunity to dispute any charges.
  - No allowance was recorded for uncollectible accounts. This has the effect of overstating receivables and income. Recommendations: Accounts Receivable should be reviewed quarterly to determine if collection is feasible. If not, an allowance should be recorded.
  - Accounts receivable aging report should be reviewed regularly for possible write-offs
  - Drops should be processed timely in order to decrease bad debt expense
  - Inactive customers who have uncollectible balances should be written off in timely manner.

### **Depreciation**

- Depreciation expense and accumulated depreciation inconsistently stated on the financial statements. Memorized transactions can be established in QuickBooks to record depreciation. Compare rates in the general ledger to the depreciation calculation schedule to determine that depreciation is included properly.

### **In-Kind Contributions**

- In-kind contributions should be tracked and reflected in financial records and reports.

## Statement of Financial Income and Expense

July 1, 2014 – June 30, 2015

### Ordinary Income/Expense

#### Income

Program/Earned Income 6,031.57

Fundraising 12,842.00

Marketing Income 1,581.75

Total Income 20,455.32

Gross Profit 20,455.32

#### Expense

Direct Program 5,465.54

Fringe Benefits 727.54

Marketing Expense 2,011.93

Occupancy 46,953.73

Contract Services 295.00

Operations 9,281.79

Total Expense 64,735.53

Net Ordinary Income -44,280.21

Other Income/Expense -150.00

Net Income -44,430.21

# Statement of Financial Position

July 1, 2014 – June 30, 2015

## ASSETS

### Current Assets

Checking/Savings	4,586.84
Accounts Receivable	
Accounts Receivable	-5,778.03
Pledges Receivable	-2,721.58
Grants Receivable	<u>3,120.57</u>
Total Accounts Receivable	-5,379.04
Other Current Assets	
Employee Advances	338.78
Prepaid Expenses	1,858.53
Supplies Inventory	<u>550.00</u>
Total Other Current Assets	<u>2,747.31</u>
Total Current Assets	1,955.11

### Fixed Assets

Physical Plant	
Buildings - Operating	195,324.82
Land - Operating	25,000.00
Accum Depr - Building	<u>-156,522.72</u>
Total Physical Plant	63,802.10
Other Fixed Assets	
Office Furniture and Equipment	21,033.45
Program Equipment	22,016.57
Original Art Work	<u>12,950.00</u>
Total Other Fixed Assets	<u>56,000.02</u>
Total Fixed Assets	<u>119,802.12</u>

## TOTAL ASSETS

121,757.23

## LIABILITIES & EQUITY

### Liabilities

#### Current Liabilities

##### Accounts Payable

Accounts Payable	9,735.10
Payroll Liabilities	<u>203.42</u>

Total Current Liabilities 9,938.52

Total Liabilities 9,938.52

### Equity

Opening Bal Equity	158,285.18
Unrestricted Net Assets	-2,036.26
Net Income	<u>-44,430.21</u>

Total Equity 111,818.71

## TOTAL LIABILITIES & EQUITY

121,757.23

# 2015-2016

## MEMPHIS BLACK ARTS ALLIANCE

### BOARD MEMBERS

Title	Name	Company	Position	Email	Phone	Join Date
President	Donald Fugh	Square D Company	Executive Sales Engineer	donald.fugh@schneider-electric.com	(901) 647-6316	2000
Vice President	Rev. Willie Hardy	New Nonconah Baptist Church	Minister	whardy1@comcast.net	(901) 230-7992	2010
Treasurer	Margaret Hinton	Church of God in Christ Publishing House	Lead Accounting Clerk	margarethinton@gmail.com	(901) 493-5320	2006
Secretary	Kiya Black	International Paper	IT Business Analyst	bilateralwomyn@yahoo.com	(901) 517-3631	2014
	Valetta Brinson	Southwest Tennessee Community College	Assistant Professor	vrwb223@yahoo.com	(901) 258-8593	2015
	Larry Dodson, II	LaMarie's Entertainment Complex	Booking Agent	lamariesentertainmentcomplex@gmail.com	(901) 355-3564	2015
	Eileen Collier		Entrepreneur, Radio Personality	eileencollier1230@gmail.com	(901) 277-5336	2015
Ex-Officio	Lar'Juanette Williams	Memphis Black Arts Alliance, Inc.	Executive Director	larjuan1@gmail.com mbaafirehouse@gmail.com	(901) 406-4609	2015
Ex-Officio	Bennie Nelson West	Memphis Black Arts Alliance, Inc.	Executive Director, Emeritus	creativecommunities@gmail.com	(901) 649-0413	2015