



INTERNATIONAL CIVIL RIGHTS CENTER & MUSEUM

March 11, 2014

Jim Westmoreland
Greensboro City Manager

BY HAND-DELIVERY

RE: Your requests of February 24, 2014

Dear Mr. Westmoreland:

Thank you for your February 24, 2014, letter. As you know, the City Accountant had complete access to our financial records for as long as he felt necessary. Many of these questions tend to delve into financial matters that no doubt he would have reviewed and would be in the best position as an employee of the City of Greensboro to give answers that his employers would find inherently reliable. That said, we have supplied the following answers that should provide the information to the City Council's questions in conjunction with the information already provided to the City Accountant which he would be in a position to explain to your satisfaction. Our answers to your questions are as follows:

1. In the beginning was the non-profit, Sit-In Movement Inc., which owned everything. The only purpose of the other corporations, Museum Landlord, LLC, Museum Tenant, LLC, Civil Rights Museum LLC, ICRCM, INC., is to qualify for and satisfy the strict requirements of the tax credits program. All of this was done on the advice of highly specialized accountants and attorneys who do extensive federal tax credit work (Tara Sherbert, Sherbert and Associates and Peter Duffley of Womble Carlyle). All of the cash flow was fully reviewed by representatives of the City Internal Audit Department along with the interim Assistant City Manager. We understand your accountants have prepared an overview concerning cash flow. Certainly all our books have been made fully available. Additionally, both the City Attorney and Roster Paralegal came to the Museum to review by-laws, legal agreements, deeds, and collateral agreements. In the end, after 2016, everything will again be owned by the non-profit, Sit-In Movement, Inc., and the other corporations will cease to exist.

2. There are two separate tax credit programs involved. The Historic Tax Credits are for five years and are concluding this year. The last \$12,000 quarterly payment is in January 2015. The New Market Tax credits are for seven years and are essentially over in two more years, 2016. The last \$49,000 quarterly payment is in January 2017. Thereafter the Sit-In Movement Inc., owns this valuable asset land building and exhibits, free and clear except for the City loan-grant which we hope to have retired by then by matching donations.

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3. Although accounting work properly shows various sums owed to the owners of the tax credits, upon successful completion of the tax credit program as noted above, under the terms of the tax credits, nothing whatsoever will be owed on the building. (except the City loan/grant.)

4. The implications of default would be bad for the citizens of Greensboro. This historic asset of Greensboro would be owned by banks and companies with no legal obligation to history or to Greensboro.

5. This is a gray area. Somewhere between the 8 hours a day, 6 days a week we are now open, and being open one day or less is an electrified third rail wherein the IRS could declare we had not met the government requirements and declare us in non-compliance. Both our commitment to the citizens of Greensboro and conservative stewardship would argue strongly against testing that boundary.

6. Yes, we believe all those details are worked out by the attorneys.

7. No. Sit-In Movement Inc., can use as many volunteers as it wishes as a non-profit and is not limited by restrictions on the for-profit.

8. No asset management fees were paid to Museum Landlord. All asset management fees were paid to the tax credit investors. There were development fees paid as a normal part of the structure of the tax credits to Sit-In Movement Inc. Development fees were paid to the original owner of the building, Sit-In Movement, Inc., and not to any individual or corporation and became part of the assets of the non-profit, Sit-In Movement, Inc. Ordinarily, the development fees are part of the attraction of historical tax credits for the property owner and/or the developer and they can be quite lucrative. In this instance, however, all development fees paid to Sit-In Movement Inc., were put right back into the Museum for construction, etc. As previously noted our Board of Directors written and adopted code of ethics prohibits board members, their families or corporations in which they have a substantial interest from making any financial gain from the Museum.

9. The calculation for the asset management fee is determined by actuarial calculations in support of amortization of the tax credits. (Sit-In plays no role in these calculations.) The asset management fee is part of the peculiar structure of the tax credits. The sum of \$59,000 is paid by Landlord, LLC, to Stonebridge as an "asset management fee" every quarter. Then, Stonehenge keeps \$2,000 of that every quarter and turns around and pays Sit-In Movement Inc., \$57,000 in principal and interest going back to the original purchase of the building for the tax credit venture from Sit-In Movement Inc., which prior to 2010 owned the building outright. Sit-In Movement, Inc., then contributes the money back into the Museum for operations. For a more complete understanding of the above, please see the United States Tax Code.

10. We represent we are in complete compliance with all tax credit issues. If he has not already done so we will allow the City accountant to verify all required payments have been made.

11. No.

12. Yes.

13. This was answered in number 2.

14. There are 12 employees who either work in the retail gift shop or as tour guides or education associates for school groups who make \$10, 3 employees who are mid-level managers all of whom make less than \$18 an hour. Our curator/acting manager, chief financial officer and special events coordinator make between \$52,000 and \$88,000 a year. The last three are paid competitively with other similar museums; all others are paid according to market conditions in Greensboro. All employees work for Civil Rights Museum, LLC, currently. In 2010, the year we opened, some employees began the year working for Sit-In Movement Inc. and transitioned to Civil Rights Museum, LLC, as the for profit began and that situation will reverse in late 2016 and early 2017 as Civil Rights Museum, LLC, goes away.

15. An accounting sheet was supplied at the planning session 3 weeks ago and since then some utilities have been paid. A total of \$172,674 remains in the account.

The above information is supplied voluntarily in co-operation toward our mutual goal of preserving and protecting a National Historic site central to the history of Greensboro and to help build public support. Supplying this information should not be taken as an agreement to amend the already negotiated and final contract. An offer was made by the City of Greensboro in open City Council, was accepted by Sit-In Movement Inc., and the remaining acts required of Sit-In are to sign a Deed of Trust and to provide an audit for 2013 by July 1, 2014. Acting in reliance upon the good faith of the City of Greensboro we have placed the Mayor and City manager on our Board, conducted meetings with those members participating and voting, and solicited funds from third parties representing that their donations would – in effect – double by forgiven City debt.

We deeply appreciate the support of the City for this project close to our hearts and for which great amounts of our time and effort have been devoted. We look forward to an excellent working relationship with the City in which all will look back with great satisfaction on an effort well-undertaken and well-executed.

Very truly yours,

Deena Hayes-Greene
Chairman

DHG/js