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**LOUISIANA ARTISTS GUILD**  
**NEW ORLEANS, LOUISIANA**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 1999 AND 1998**

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 08-16-00

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**Postlethwaite & Netterville**  
*A Professional Accounting Corporation*

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**Independent Auditors' Report**

To the Board of Directors  
Louisiana Artists Guild

We have audited the accompanying statement of financial position of the Louisiana Artists Guild (the Guild, a Louisiana nonprofit corporation), as of December 31, 1999, and the related statements of activities and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Guild's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Guild as of December 31, 1998, were audited by other auditors whose opinion dated April 16, 1999, expressed an unqualified opinion on those statements before restatement. As discussed in Note 7, the Guild has restated its 1998 financial statements during the current year to properly reflect the restrictions on net assets and the proper discounting of pledges receivable as of December 31, 1998, in conformity with generally accepted accounting principles.

We conducted our audit in accordance with generally accepted auditing standards and the standards for 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 the Louisiana Artists Guild, as of December 31, 1999 and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

We also audited the adjustments described in Note 7 that were applied to restate the 1998 financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

In accordance with Government Auditing Standards, we have also issued a report on our consideration of the Guild's compliance and internal control over financial reporting dated May 5, 2000.

*Postlethwaite & Netterville*

Metairie, Louisiana  
May 5, 2000



**LOUISIANA ARTISTS GUILD**  
**NEW ORLEANS, LOUISIANA**

**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 1999**  
**WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 1998**

**ASSETS**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>1999 Total</u>	<u>1998 Total (Restated)</u>
<b><u>CURRENT ASSETS</u></b>				
Cash	\$ 359,484	\$ -	\$ 359,484	\$ 98,190
Pledges receivable, current portion	766,494	2,739,818	3,506,312	573,859
Investments	1,242	-	1,242	10,182
Total current assets	<u>1,127,220</u>	<u>2,739,818</u>	<u>3,867,038</u>	<u>682,231</u>
<b><u>PLEDGES RECEIVABLE, NONCURRENT</u></b>	-	1,164,468	1,164,468	526,702
<b><u>LAND AND BUILDINGS</u></b>	1,288,000	-	1,288,000	1,288,000
<b><u>CONSTRUCTION IN PROGRESS</u></b>	<u>907,027</u>	<u>-</u>	<u>907,027</u>	<u>337,385</u>
<b><u>TOTAL ASSETS</u></b>	<u>\$ 3,322,247</u>	<u>\$ 3,904,286</u>	<u>\$ 7,226,533</u>	<u>\$ 2,834,318</u>

**LIABILITIES AND NET ASSETS**

<b><u>CURRENT LIABILITIES</u></b>				
Accrued liabilities	\$ 94,413	\$ -	\$ 94,413	\$ 2,000
Notes payable	468,240	-	468,240	789,440
Total current liabilities	<u>562,653</u>	<u>-</u>	<u>562,653</u>	<u>791,440</u>
<b><u>DUE TO ARTS COUNCIL OF NEW ORLEANS</u></b>	546,339	-	546,339	268,662
<b><u>NET ASSETS</u></b>	<u>2,213,255</u>	<u>3,904,286</u>	<u>6,117,541</u>	<u>1,774,216</u>
<b><u>TOTAL LIABILITIES AND NET ASSETS</u></b>	<u>\$ 3,322,247</u>	<u>\$ 3,904,286</u>	<u>\$ 7,226,533</u>	<u>\$ 2,834,318</u>

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



**LOUISIANA ARTISTS GUILD**  
**NEW ORLEANS, LOUISIANA**

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 1999**  
**WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 1998**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>1999 Total</u>	<u>1998 Total (Restated)</u>
<b><u>SUPPORT AND REVENUE</u></b>				
Support				
Contributions	\$ -	\$ 4,790,681	\$ 4,790,681	\$ 2,030,732
Grants	-	-	-	40,000
Revenue				
Interest income	5,428	-	5,428	1,326
Rental income	12,800	-	12,800	-
Total support and revenue	<u>18,228</u>	<u>4,790,681</u>	<u>4,808,909</u>	<u>2,072,058</u>
<b><u>NET ASSETS RELEASED FROM RESTRICTIONS</u></b>	<u>1,035,226</u>	<u>(1,035,226)</u>	<u>-</u>	<u>-</u>
<b><u>EXPENSES</u></b>				
Development	323,184	-	323,184	245,705
Administration	142,400	-	142,400	133,082
Total expenses	<u>465,584</u>	<u>-</u>	<u>465,584</u>	<u>378,787</u>
<b><u>CHANGE IN NET ASSETS</u></b>	<u>587,870</u>	<u>3,755,455</u>	<u>4,343,325</u>	<u>1,693,271</u>
<b><u>NET ASSETS AT BEGINNING OF YEAR</u></b>	<u>1,625,385</u>	<u>148,831</u>	<u>1,774,216</u>	<u>80,945</u>
<b><u>NET ASSETS AT END OF YEAR</u></b>	<u>\$ 2,213,255</u>	<u>\$ 3,904,286</u>	<u>\$ 6,117,541</u>	<u>\$ 1,774,216</u>

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



**LOUISIANA ARTISTS GUILD**  
**NEW ORLEANS, LOUISIANA**

**STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>1999</u>	<u>1998</u> <u>(Restated)</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>		
Change in net assets for the period	\$ 4,343,325	\$ 1,693,271
Net change in operating assets and liabilities		
Pledges receivable	(3,570,219)	(1,100,561)
Support due Arts Council of New Orleans	277,677	169,970
Accrued liabilities	92,413	1,960
Investment securities	8,940	(10,182)
Net cash provided by operating activities	<u>1,152,136</u>	<u>754,458</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>		
Payments for buildings and construction-in-progress	<u>(890,842)</u>	<u>(657,253)</u>
<b><u>NET INCREASE IN CASH</u></b>	261,294	97,205
<b><u>CASH AT BEGINNING OF YEAR</u></b>	<u>98,190</u>	<u>985</u>
<b><u>CASH AT END OF YEAR</u></b>	<u>\$ 359,484</u>	<u>\$ 98,190</u>

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



**LOUISIANA ARTISTS GUILD**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**1. Organization and Operations**

The Louisiana Artists Guild (the Guild), a nonprofit organization, was incorporated in June, 1995 to provide management and administrative services and studio and retail space to visual artists and craftsmen. The Guild is not yet operational, but has begun a capital campaign to raise \$16 million to cover the estimated cost of construction, development and startup costs for an arts complex located at Howard Avenue and Carondelet Street.

**2. Summary of Significant Accounting Policies**

**Method of Accounting**

The financial statements are prepared on the accrual basis of accounting.

**Use of Estimates**

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 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.

**Description of Net Assets Classification**

Financial Accounting Standards Board (FASB) Statement No. 117 entitled "Financial Statements of Not-For-Profit Organizations" requires that net assets and changes in net assets be reported for three classifications -- permanently restricted, temporarily restricted and unrestricted -- based on the existence or absence of donor imposed restrictions. Unexpended funds solicited through the Capital Campaign are considered temporarily restricted.

**Gifts, Grants, and Bequests**

Gifts, grants, and bequests are recorded as revenues in the period received and as assets, or as decreases in liabilities or expenses depending on the form of benefits received. Pledges receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using market interest rates. There is no allowance for uncollectible pledges because management believes all amounts recorded are collectible.

Non-cash gifts, grants, and bequests are recorded as revenue at the fair market value at the date contributed, if an objective valuation is determinable.



**LOUISIANA ARTISTS GUILD**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**2. Summary of Significant Accounting Policies (continued)**

**Donated Services**

Volunteers have given extensive amounts of time and services to the Guild. The value of this contributed time is not reflected in the accompanying financial statements since the volunteers' time does not meet the criteria necessary for recognition.

**Land and Building**

The Guild's fixed assets consist primarily of two buildings and land acquired in 1998, capitalized architect's fees, and other pre-demolition construction costs related to the project.

**Income Taxes**

The Guild is exempt from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code and, accordingly, no provision for income taxes has been reflected in the accompanying financial statements.

**Concentration of credit risk**

At December 31, 1999, the Guild had cash deposits in excess of federally insured limits totaling \$585,616 at a local institution.

**3. Related Parties**

In November 1998, as filed with the State of Louisiana on March 10, 1999, the Articles of Incorporation of the Guild were amended such that all Guild members and the Board of Directors are selected by and serve at the pleasure of the Board of Directors of the Arts Council of New Orleans (ACNO). The amended Articles also provide that in the event of dissolution that all of the Guild's property goes to ACNO.

The Guild shares office space with ACNO. Certain employees of ACNO also serve as employees of the Guild. Salary expense, supplies, utilities, insurance and certain administrative expenses are allocated to the Guild based on the percentage of time the employee dedicated to the Guild. Guild expenses incurred prior to the receipt of funding are paid by ACNO and accounted for as Due to Arts Council of New Orleans. As of December 31, 1999 the Guild owed ACNO approximately \$546,000. No interest is charged on the Due to Arts Council balance.

Pre-development costs of \$343,000 prior to 1997 were funded by grants from ACNO. ACNO has provided additional funds through grants to the Guild. Grants to the Guild were approximately \$74,000 in 1999 and \$188,000 in 1998.



**LOUISIANA ARTISTS GUILD**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**3. Related Parties (continued)**

ACNO provides an open line of credit up to \$400,000 for Guild cash needs for property acquisition and development costs. This loan is to be repaid as Capital Campaign pledges are collected together with 8% per annum simple interest. There was no balance outstanding under this line of credit at December 31, 1999.

**4. Property Acquisition**

On August 28, 1998, the Guild purchased a building for \$828,000, making a partial payment of \$39,000 and executing a promissory note for \$789,000. The building was leased to the seller for payment of expenses of occupancy such as taxes, utilities, maintenance and repair expenses. At December 31, 1999 the balance on the note is \$468,290, all of which is due in 2000.

**5. Pledges Receivable**

Pledges receivable at December 31, 1999 and 1998 are as follows:

	1999	1998
Receivable in less than one year	\$ 3,549,454	\$ 573,859
Receivable in one to five years	1,295,000	600,000
Total pledges receivable	4,844,454	1,173,859
Less discounts to net present value (5.26% discount)	(173,674)	(73,298)
Net pledges receivable at year end	\$ 4,670,780	\$ 1,100,561

The Guild has received other pledges and grants which are contingent upon future events and have therefore not been included in revenues for 1999 and 1998. The conditional pledges include:

Grantor	Amount	Condition
Louisiana Capital Outlay Bill	\$ 2,585,000	Funding provisions of the Capital Outlay Bill
Entergy	900,000	Financial situation of Entergy
RosaMary Foundation	500,000	Location of Guild in a specific area, with a contract to build/renovate by a certain date
	\$ 3,985,000	



**LOUISIANA ARTISTS GUILD**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**6. Subsequent Event**

The Guild has applied to the Louisiana Bond Commission for Public Facility Authority bonds, which will be used to cover pledges not available for several years and the balance of the building project costs.

**7. Restatement of Prior Financial Statements**

Pledges receivable for the year ended December 31, 1998 have been restated to reflect the discount on future pledges recognized as contributions during 1998. The effect of the changes is summarized below:

Net assets at December 31, 1998 as previously reported	\$ 1,847,514
Reduction in contributions revenue due to discounting of future pledges recognized during 1998	(73,298)
Net assets at December 31, 1998, as restated	<u>\$ 1,774,216</u>

In addition, unexpended net assets at December 31, 1998, which were obtained through the Capital Campaign, have been reclassified as temporarily restricted.





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**REPORT OF INDEPENDENT AUDITORS**  
**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  
Louisiana Artists Guild

We have audited the financial statements of the Louisiana Artists Guild (the Guild) as of and for the year ended December 31, 1999, and have issued our report thereon dated May 5, 2000. We conducted our audit in accordance with generally accepted auditing standards 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 Guild'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 statements 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*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Guild's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements, but 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 defined as 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.

This report is intended for the information of the Board of Directors and management and is not intended to be and should not be used by anyone other than the specified parties.

*Postlethwaite & Netterville*

Metairie, Louisiana  
May 5, 2000



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2000 JUN 28 AM 10:18

May 5, 2000

To the Board of Directors  
Louisiana Artists Guild  
New Orleans, Louisiana

We have audited the financial statements of Louisiana Artists Guild (the Guild) for the year ended December 31, 1999, and have issued our report thereon dated May 5, 2000. In planning and performing our audit of the Guild's financial statements, we considered its 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 our audit we became aware of a couple of matters that present an opportunity for strengthening internal controls and operating efficiency. The following paragraphs summarize our comments and suggestions regarding these matters. This letter does not affect our report dated May 5, 2000, on the financial statements of Louisiana Artists Guild.

**Unrelated Business Income**

Since the building for the Louisiana Artists Guild will be mortgaged through the Public Facility Bonds, rental income not related to its purpose will be considered unrelated business income. Rental of studio space therefore will probably not be subject to income tax, however rental of retail space probably will be.

**Capital Campaign**

Some of the capital campaign literature mentions the proceeds will be used for endowment. The Board may want to clarify with any donor who might believe their contribution will be used for endowment that this was only if excess funds were collected.

**Sales Taxes**

For items auctioned by the Guild, these items are considered sold and are subject to sales tax. If there are auctions in conjunction with a special event, you may be able to get these exempted if the event has received an exemption that covers the auction too.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various Guild personnel, and we will be pleased to further discuss, perform any additional studies, or to assist you in implementing the recommendations at your convenience.

*Postlethwaite & Netterville*



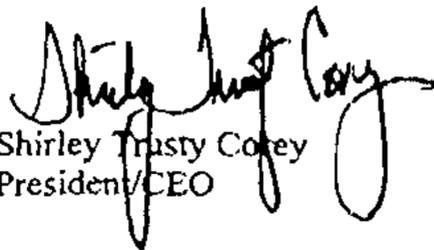
June 26, 2000

Postlethwaite & Netterville  
2324 Severn Avenue, Suite A  
Metairie, Louisiana 70001

We have received your Report to Management dated May 5, 2000, for the Louisiana Artists Guild for the year ended December 31, 1999.

We have reviewed your comments and will consider them in the future.

Sincerely,

  
Shirley Trusty Corey  
President/CEO