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Alexandria Museum of Art

Alexandria, Louisiana

April 30, 1958

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Release Date SEP 3 0 1958

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KNIGHT MADDEN

Certified Public Accountant

A PROFESSIONAL ACCOUNTING CORPORATION

Crain E. Knight, Jr., CPA
K. Martin Masters, CPA

September 18, 1995

Associates:
John E. Theriot II, CPA
Kathleen S. Belgard, CPA

Independent Auditors' Report

To the Board of Trustees
Alexandria Museum of Art
Alexandria, Louisiana

We have audited the accompanying statement of financial position of the Alexandria Museum of Art, a non-profit organization as of April 30, 1995, and the related statements of activity and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and 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 misstatements. 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 Alexandria Museum of Art as of April 30, 1995, and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of administrative expenses is presented for purposes of additional analysis 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.

Knight-Madden
KNIGHT  MADDEN

**Alexandria Museum of Art
Statement of Financial Position
April 30, 1998**

Assets	
Current assets	
Cash and cash equivalents	\$ 35,141
Accounts receivable	8,594
Unconditional promises to give, less allowance for uncollectible	728,945
Prepaid expenses	3,765
Inventory	15,435
Total current assets	<u>871,271</u>
Fixed assets, net of depreciation	3,875,810
Art collection	899,218
Endowment investments	
Cash and cash equivalents	25,699
Investments, at fair value	1,234,119
Development expenses, net of amortization	49,758
Long-term unconditional promises to give	<u>158,867</u>
Total Assets	<u>\$8,964,754</u>
Liabilities and Net Assets	
Current liabilities	
Accounts payable	\$ 257,404
Other accrued expenses	10,940
Notes payable & line of credit	80,940
Deferred revenues	13,815
Total Current Liabilities	<u>363,715</u>
Net Assets	
Unrestricted	4,309,400
Temporarily restricted	34,851
Permanently restricted	1,858,699
Total Net Assets	<u>6,202,950</u>
Total Liabilities and Net Assets	<u>\$8,964,754</u>

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

Alexandria Museum of Art
Statement of Activity
For the Year Ended April 30, 1998

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public Support and Revenues:				
Contributions	\$ 29,423	\$ 441,443	\$ 298,138	\$ 768,988
Grants - private	1,880			1,880
Grants - governmental	81,200			81,200
Fiscalal memberships	25,373			25,373
Corporate memberships	1,500			1,500
Spectram	27,378			27,378
Interest & dividends	34,208	31,928		66,136
Gallery admissions	3,355			3,355
Museum shop sales	2,145			2,145
Courses & workshops	8,419			8,419
Rentals	3,029			3,029
Realized and unrealized gains			114,921	114,921
Miscellaneous	8,059			8,059
Total Public Support and Revenues	<u>288,158</u>	<u>473,371</u>	<u>413,059</u>	<u>1,174,588</u>
Reclassifications				
Net assets released from restrictions	1,578,922	(1,578,922)		
Net assets designated as permanently restricted		(837,789)	637,759	
Total Public Support, Revenues and Reclassifications	<u>1,627,080</u>	<u>(1,133,541)</u>	<u>1,042,818</u>	<u>1,536,357</u>
Expenses				
Program Services				
Exhibits	29,980			29,980
Education	6,867			6,867
Collection	791			791
Total Program Services	<u>37,638</u>			<u>37,638</u>
Administration	269,230			269,230
Fundraising				
Spectram	28,816			28,816
Total Expenses	<u>335,684</u>			<u>335,684</u>
Change in net assets	<u>1,271,396</u>	<u>(1,133,541)</u>	<u>1,042,818</u>	<u>780,673</u>
Net assets - beginning of year	<u>1,034,673</u>	<u>1,770,172</u>	<u>815,746</u>	<u>3,620,591</u>
Net assets - end of year	<u>\$ 2,306,069</u>	<u>\$ 34,631</u>	<u>\$ 1,858,564</u>	<u>\$ 4,199,264</u>

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

**Alexandria Museum of Art
Statement of Cash Flows
For the Year Ended April 30, 1998**

Change in net assets	\$ 761,464
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	48,981
Decrease in preconditional promises to give	1,036,240
Increase in accounts receivable	(5,783)
Increase in other current assets	(8,200)
Increase in accounts payable and accrued liabilities	227,638
Increase in deferred revenues	9,716
	<u>2,297,896</u>
Net cash provided by operating activities	
Investing Activities	
Purchase of equipment	(204,819)
Accession of art - by donation	(71,500)
Accession of art - by purchase	(16,000)
Construction cost - new facility	(3,688,289)
Expenditure of development expenses	(21,683)
Change in permanently restricted cash and cash equivalents	488,783
Increase in investments	(894,844)
	<u>(2,671,258)</u>
Net cash provided (used) by investing activities	
Financing activities	
Short-term borrowing	54,492
	<u>54,492</u>
Net increase in cash and cash equivalents	(1,409,280)
Cash and cash equivalents as of beginning of year	1,404,621
Cash and cash equivalents as of the end of year	<u>\$ 25,141</u>
Supplemental Disclosure of Cash Flow Information:	
Cash paid for interest during the year	<u>\$ 1,289</u>

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

The Alexandria Museum of Art
Notes to Financial Statements
April 30, 1988

Note 1 - Summary of Significant Accounting Policies

Organization - The Alexandria Museum of Art, (the Museum) is a non-profit corporation formed in 1973. Its purpose is to encourage appreciation, education and active participation in artistic expression and the promotion of art and culture.

The Museum qualifies as a tax-exempt organization (an "other than private foundation") under Section 501(c)(3) of the Internal Revenue Code.

Basis of Accounting - The Museum maintains its accounting records on the accrual basis. The Museum, in conformity with generally accepted accounting principles, adopted the following Statements of the Financial Accounting Standards Board (FASB): Statement Number 116, "Accounting for Contributions Received and Contributions Made"; Statement number 137, "Financial Statements of Not-for-Profit Organizations"; and Statement Number 134, "Accounting for Certain Investments Held by Not-for-Profit Organizations".

Contributions - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the temporary nature values of any donor restrictions. Temporarily restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions.

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at their net realizable value discounted to present value, using risk-free interest rates applicable in the years in which the promises are to be received. The discount rate used on long-term promises to give was 7% in 1988.

Financial statement presentation - The Museum reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. In addition, the Museum is required to present a statement of cash flows.

Investments - 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. Unrealized gains and losses are included in the change in net assets. The cost basis of marketable securities is reflected in Note 2. There are no known material unrecorded permanent market value declines in marketable securities.

Art Collection - The Museum elected to capitalize its collection retroactively in conformity with SFAS Statement No. 116. Items purchased are capitalized at their cost; items contributed are capitalized at their fair or appraised value at the acquisition date.

Public Support and Revenue - Membership dues and general contributions are generally available for unrestricted use in the related campaign year unless specifically restricted by the donor. An allowance for uncollectible promises is provided based on management's evaluation of potential uncollectible promises receivable at year-end.

The Alexandria Museum of Art
Notes to Financial Statements
April 30, 1998

Note 1 - Summary of Significant Accounting Policies, Continued

Grants and other contributions of cash or other assets are reported as temporarily restricted support if they are received with stipulation that limit the use of the grant or donated assets. When donor restrictions expire, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reallocated 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 use in operations are recorded as unrestricted net assets. Investment earnings dedicated to special purposes are recorded as temporarily restricted assets until the purpose is fulfilled, at which time they are reallocated to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Gains and losses on investments are added to or subtracted from the endowment principal.

Cash and Cash Equivalents - The Museum maintains cash in checking accounts, certificates of deposit and money market mutual funds or cash and cash equivalents. Cash and cash equivalents for purposes of the statement of cash flows include permanently restricted cash and cash equivalents.

Inventory - Inventory consists of items held for resale in the Museum gift shop and is carried in the financial statements at cost, on a first-in, first-out basis.

Fixed Assets and Depreciation - Purchased property and equipment is recorded at acquisition even if donated property and equipment is recorded at its fair value as of the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Repairs, maintenance and minor replacements are charged to operations as incurred. Major replacements and improvements are capitalized at cost.

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 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 these estimates.

Note 2 - Investments

Investments consist of stock and bond funds, which are presented in the financial statements at fair value. At April 30, 1998, the cost basis of the investments was \$1,364,756. During the year, the Museum paid \$5,131 of custodial fees on its investment accounts.

The Alexandria Museum of Art
Notes to Financial Statements
April 30, 1998

Note 3 – Fixed Assets and Depreciation

The following schedule summarizes estimated useful life, cost and accumulated depreciation of property, plant and equipment as of April 30, 1998:

Description	Life	Balance
Land		\$ 278,979
Building and improvements	40 years	3,412,323
Furniture and equipment	3 – 7 years	393,230
Vehicles	5 years	<u>3,580</u>
		4,088,112
Less: Accumulated Depreciation		<u>(1,123,263)</u>
Net Property and Equipment		<u>\$2,964,849</u>

Depreciation expense for 1998 was \$45,868.

Note 4 – Unconditional Promises to Give

Receivable in less than one year	\$ 737,400
Receivable in one to five years	<u>183,358</u>
Total unconditional promises to give	920,758
Less discounts to net present value	36,158
Less allowance for uncollectible promises	<u>17,289</u>
Net unconditional promises to give at April 30, 1998	<u>\$ 867,311</u>

Note 5 – Permanent Restricted Net Assets

Net assets were permanently restricted for the following purposes at April 30, 1998:

Endowment for collection	\$ 368,381
Endowment for operations	<u>1,208,214</u>
Total Permanently Restricted Net Assets	<u>\$1,576,595</u>

The Alexandria Museum of Art
Notes to Financial Statements
April 30, 1998

Note 9 - Contributed Services -- continued

The Museum did receive the free use of temporary facilities during construction of the new Museum building; the value of the facilities is estimated to be \$7,800 which is reflected in the statement of activities as an unrestricted donation and rent expense.

Donated property when received is reflected as a contribution in the accompanying statements at its estimated fair market value. The value of donated fund raising items is not recorded as contributions because there is not a fair basis for valuing them.

The Museum received donated art with a fair value of \$21,000 during the year. These donations are reflected as unrestricted donations in the Statement of Activity.

Note 10 - Concentration of Credit Risk

Financial instruments that potentially subject the Museum to credit risk include investments in mutual funds. Future changes in economic conditions may make the investments less valuable.

The Museum's unconditional promises to give are concentrated in one major donor. (See Note 11.) The balance of the unconditional promises to give is concentrated among the general population of Central Louisiana; unfavorable changes in economic conditions of the region could pose a credit risk to the Museum.

Note 11 - Capital Grant

The Rapides Foundation made a five-year funding grant of \$2,808,000 to the Museum for the construction of and furnishings for the new Museum facilities. As of April 30, 1998, the Museum had received \$2,240,000 of the grant. The balance of the grant is reflected in unconditional promises to give. The balance, \$568,000, was received in early fiscal year 1999.

Special conditions of the grant agreement require the Museum to conduct a community-wide campaign to increase its Operating Endowment Fund to a level of \$2,000,000. The Operating Endowment Fund shall be restricted to support the on-going operating expenses of the Museum. Other requirements require interim reports be submitted to the grantor to include information on major pledge accounts, status of construction, and interim financing of construction.

Under the terms of the grant, the Museum should raise an additional \$865,000 for its operating endowment.

Note 12 - Development Expenses

The Museum in connection with the grand opening of its new building spent \$51,708 to promote the new facility and to create an awareness of the Museum's value to the community. These expenditures are expected to have a benefit beyond the current year, therefore, the expenditures have been capitalized and are being amortized over a 36 month period. Amortization during the current year amounted to \$1,436.

**The Alexandria Museum of Art
Notes to Financial Statements
April 30, 1998**

Note 13 - Subsequent Events

The decline in the stock market since April 30, 1998 could have a material effect on the financial position of the Museum. However, because of the fluctuations in the market over the last several weeks, it is not practical to determine a specific impact on the Museum's investments.

Supplementary Data

**Alexandria Museum of Art
Schedule of Administrative Expenses
For the Year Ended April 30, 1998**

Office supplies	\$ 5888
General	2,314
Public relations	1,414
Dues	1,278
Library	580
Conferences and training	1,040
Postage & freight	5,000
Payroll taxes & benefits	16,520
Telephone	7,382
Wages	156,438
Professional fees	16,249
Travel fees	1,586
Contract labor	6,834
Repairs & maintenance	3,666
Membership programs	2,186
Auto expense	4,112
Rent	3,000
Utilities	8,792
Insurance	8,880
Printing	1,781
Security	671
Interest	1,388
Depreciation	45,800
Amortization	2,538
Travel & entertainment	1,406
	<hr/>
Total	<u>\$298,220</u>

KNIGHT MAsDEN

Certified Public Accountants

A PROFESSIONAL ACCOUNTING CORPORATION

Clayton I. Knight, Jr., CPA
K. Martin Masden, CPA

September 16, 1998

Associates:
John R. Tharion II, CPA
Kathleen S. Delgard, CPA

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
STRUCTURE BASED ON AN AUDIT OF BASIC FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees
Alexandria Museum of Art
Alexandria, Louisiana

We have audited the financial statements of the Alexandria Museum of Art (a nonprofit organization) as of and for the year ended April 30, 1998, and have issued our report thereon dated September 16, 1998.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. These standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the Alexandria Museum of Art is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of the Alexandria Museum of Art for the year ended April 30, 1998, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the

design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities 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 one matter involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

MATERIAL WEAKNESS:

During the audit year, the Museum's procedures for receipting, depositing and recording cash receipts were not followed. Management is aware of this problem and steps have been taken to correct it.

This report is intended for the information of the trustees and management. However, this report is a matter of public record, and its distribution is not limited.


KNIGHT • MADDEN

KNIGHT & MASDEN

Certified Public Accountants

A PROFESSIONAL ACCOUNTING CORPORATION

Coan I. Knight, Jr., CPA
E. Martin Masden, CPA

Associates:
John E. Theriot II, CPA
Kathleen S. Belgard, CPA

September 16, 1998

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE BASED
ON AN AUDIT OF BASIC FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees
Alexandria Museum of Art
Alexandria, Louisiana

We have audited the financial statements of the Alexandria Museum of Art (a nonprofit organization) as of and for the year ended April 30, 1998, and have issued our report thereon dated September 16, 1998.

We conducted our audit in accordance with generally accepted auditing standards and 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.

Compliance with laws, regulations, contracts, and grants applicable to the Alexandria Museum of Art is the responsibility of the Alexandria Museum of Art's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Alexandria Museum of Art's compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on overall compliance with such provisions was not an objective of our audit of the financial statements. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under Government Auditing Standards.

This report is intended for the information of the trustees, management and the Legislative Auditor for the State of Louisiana. However, this report is a matter of public record, and its distribution is not limited.

Knights-Masden
KNIGHT & MASDEN