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ARTS COUNCIL OF NEW ORLEANS

**FINANCIAL STATEMENTS
AS OF DECEMBER 31, 1987 AND 1988
TOGETHER WITH AUDITORS' REPORT**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the parish, or reviewed, 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 7-21-88

ARTS COUNCIL OF NEW ORLEANS

FINANCIAL STATEMENTS

AS OF DECEMBER 31, 1997 AND 1996

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ARTHUR ANDERSEN LLP

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors of the Arts Council of New Orleans:

We have audited the accompanying statements of financial position of the Arts Council of New Orleans (the Council) - a Louisiana nonprofit corporation, as of December 31, 1997 and 1998, and the related statements of activities and changes in net assets and cash flows for the years then ended. These financial statements and the schedule referred to below are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audit.

We conducted our audits in accordance with generally accepted auditing standards and the standards for financial audits contained in Government Auditing Standards (1996 Revision) issued by the Comptroller General of the United States. These standards require that we plan and perform the audits 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 audits provide 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 Arts Council of New Orleans, as of December 31, 1997 and 1998, and the results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report on our consideration of the Council's compliance and internal control over financial reporting dated April 17, 1998.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The schedule of support and expense for state and passed through grants (Schedule A) is presented for purposes of additional analysis and is not a required part of the financial statements. This information has been subjected to the auditing procedures applied in our audit of the 1997 financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Arthur Andersen LLP

New Orleans, Louisiana
April 17, 1998

ARTS COUNCIL OF NEW ORLEANS

STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 1997

WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 1996

ACCOUNT	Unaudited	Temporarily Restricted	Permanently Restricted	1997 Total	1996 Total
CURRENT ASSETS					
Cash	\$ 16,006	\$ 238,054	\$ 20,665	\$ 274,725	\$ 247,448
Investments (Note 2)	494,813	68,868	373,249	936,930	881,258
Grants and pledges receivable (Note 2)	38,488	568,271	-	606,759	575,888
Debtless Arts Business Center (Note 2)	18,144	-	-	18,144	18,174
Debtless Louisiana Artists Guild (Note 2)	78,882	-	-	78,882	-
Total current assets	656,333	865,193	393,914	1,515,440	1,632,868
ART COLLECTION (Note 2)	25,082	-	-	25,082	25,082
EQUIPMENT, FURNITURE AND FIXTURES					
Net of accumulated depreciation of \$189,127 in 1997 and \$128,000 in 1996	37,328	-	-	37,328	36,889
LEASEHOLD IMPROVEMENTS (net of accumulated amortization of \$2,688 in 1997 and \$270 in 1996)					
	11,000	-	-	11,000	14,811
Total assets	\$ 730,771	\$ 865,193	\$ 393,914	\$ 1,519,874	\$ 1,693,650
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Refundable advance	\$ -	\$ 20,495	\$ -	\$ 20,495	\$ 138,446
Due to Louisiana Artists Guild (Note 2)	-	-	-	-	76,842
Accounts payable	-	493,718	-	493,718	598,249
Accrued expenses	38,222	31,188	-	69,410	40,882
Total current liabilities	38,222	545,391	-	583,613	854,419
CONTRACTS IN (Note 2)					
	70,125	31,800	54,600	156,525	1,190,806
NET ASSETS	662,424	288,992	344,314	1,305,730	838,425
Total liabilities and net assets	\$ 730,771	\$ 865,193	\$ 344,314	\$ 1,519,874	\$ 1,693,650

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

ARTS COUNCIL OF NEW ORLEANS

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 1987

WITH SUPPLEMENTAL FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 1986

	1987	1986	1987	1986
	Local	Federal	Federal	Local
REVENUE, GAINS AND OTHER SUPPORT				
Contracts	\$ 17,600	\$ 477,000	\$ -	\$ 950,000
Grants	284,454	359,940	-	760,000
Contributions	227,004	22,450	-	480,000
Investment and interest income	54,000	80	14,000	49,000
Other income	44,000	20,000	-	50,000
Total revenue, gains and other support	<u>667,058</u>	<u>879,470</u>	<u>14,000</u>	<u>2,289,000</u>
EXPENSES				
Grant projects	180,779	400,000	-	940,000
Youth arts programs	71,000	299,000	-	147,000
Public art programs	42,000	90,000	-	100,000
Arts Station-Center	-	390,000	-	204,000
Louisiana Artists Guild	180,000	50,000	-	190,000
Advocacy	20,000	-	-	10,000
Other	20,000	-	-	20,000
Art location	40,000	124,000	-	200,000
Development	200,000	-	-	124,000
Total expenses	<u>1,273,779</u>	<u>1,493,000</u>	<u>0</u>	<u>2,895,000</u>
CHANGE IN NET ASSETS	393,279	-	14,000	394,000
NET ASSETS AT BEGINNING OF YEAR	1,000,000	1,000,000	1,000,000	1,000,000
NET ASSETS AT END OF YEAR	<u>\$ 1,393,279</u>	<u>\$ 1,000,000</u>	<u>\$ 1,014,000</u>	<u>\$ 1,394,000</u>

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

ARTS COUNCIL OF NEW ORLEANS

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2007

WITH COMPARATIVE FINANCIAL INFORMATION

FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 74,298	\$ 74,148
Depreciation and amortization	17,842	15,993
Purchase of art	(258)	(2,188)
Decrease in grants and pledges receivable	68,990	141,378
(Increase)-decrease in due from Arts Business Center	34,411	(86,676)
Change in due from/due to Louisiana Arts Guild	(171,258)	73,087
Increase (decrease) in refundable advances	67,957	(16,116)
Increase in grants payable	7,428	44,588
Increase (decrease) in accrued expenses	11,229	(58,177)
Net cash provided by operating activities	<u>122,732</u>	<u>128,728</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of equipment, furniture and fixtures	(26,401)	(21,442)
Landfield improvement additions	-	(14,735)
Net cash used for investing activities	<u>(26,401)</u>	<u>(36,177)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Purchase of investment securities	(2,322,678)	(2,329,248)
Maturity of investment securities	2,329,337	2,329,233
Net cash used for financing activities	<u>(16,829)</u>	<u>(16,829)</u>
NET INCREASE IN CASH	40,482	115,578
CASH at beginning of year	<u>207,440</u>	<u>35,862</u>
CASH at end of year	<u>\$ 247,922</u>	<u>\$ 251,440</u>

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

ARTS COUNCIL OF NEW ORLEANS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1987 AND 1986

1. ORGANIZATION AND OPERATIONS

The Arts Council of New Orleans (ACNO), a publicly supported nonprofit organization, is the city's officially designated arts agency. ACNO was formed in 1981 as a result of a merger of the Arts Council of Greater New Orleans and the Mayor's Committee for Arts and Cultural Development. ACNO's efforts are directed toward enhancing the cultural and artistic environment in the New Orleans metropolitan area.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting

The financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Generally accepted accounting principles require 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. Certain prior year numbers have been reclassified to conform with current year presentation.

Description of Net Assets Classification

Financial Accounting Standards Board (FASB) Statement No. 117 entitled "Financial Statements of Non-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. ACNO reports gifts of cash and other assets as restricted support if they are received with donor imposed restrictions or requirements that limit the use of the donation. A donor restriction ends when a time restriction is met or a purpose restriction is accomplished. As restrictions are met, assets are reclassified to unrestricted net assets or permanently restricted net assets and reported as net assets released from restriction in the statement of activities.

Gifts, Grants, and Bequests

Gifts, grants, and bequests are recorded as revenues in the period received and as assets, decreases in liabilities or expenses depending on the form of benefits received. 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.

Grants and Pledges Receivable

Grants and pledges receivable of \$988,371 at December 31, 1987 are restricted for grant programs.

Donated Services

Volunteers have given extensive amounts of time and services to ACNO; however, no amounts are reflected in the financial statements since no objective basis is available to measure the value of such services. In-kind contributions received by ACNO in 1997 were not material.

Allocation of Overhead

Professional and technical fees, supplies, office rent, utilities, telephone, and other administrative expenditures are allocated to projects based upon salary expenses of the project. Expenditures are not allocated to projects that prohibit such types of costs.

Investments

Investments are carried at fair value and consist of the following as December 31, 1997:

Treasury bills	\$414,767
Certificates of deposit	15,600
Mutual funds	<u>405,116</u>
	\$835,483

FASB Statement No. 124, "Accounting for Certain Investments Held by Not-For-Profit Organizations," issued in November 1995, requires investments in equity securities with readily determinable fair values and all investments in debt securities to be reported at fair value with gains and losses included in the statement of activities. This statement was adopted by ACNO in 1996 and did not have a material impact on the financial position of ACNO.

Interest Income

Interest income is allocated to restricted programs to fund certain costs when specifically required by applicable contracts or grants.

Depreciation of Equipment, Furniture and Fixtures

ACNO's equipment, furniture and fixtures consist of office equipment and furnishings which are being depreciated utilizing the straight-line method over their useful lives of three to five years.

Amortization of Leasehold Improvements

ACNO's leasehold improvements are being amortized utilizing the straight-line method over five years.

Income Taxes

ACNO 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.

Contributed Artwork

ACNO has paintings and sculptures on display in its offices. This artwork is recorded on the balance sheet in the unrestricted fund at its appraised value at the time of donation.

Statements of Cash Flows

For purposes of the reporting cash flows, ACNO considers all investments with an original maturity of ninety days or less to be cash equivalents.

Comparative Data

The financial statements include prior-year summarized comparative information in total but not by net asset class. Accordingly, such information should be read in conjunction with ACNO's financial statements for the year ended December 31, 1996, from which summarized information was derived.

3. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets of December 31, 1997 are restricted in perpetuity; however the income from these funds is expendable as stipulated by the donor.

4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for all-budget uses.

5. LEASE OBLIGATIONS

ACNO leases its office space under an operating lease which began September 1, 1996 and expires August 31, 2001. Minimum lease payments under this operating lease as of December 31, 1997 are as follows:

1998	\$ 64,164
1999	73,208
2000	78,000
2001	83,208
2002 and thereafter	<u> </u>
	\$300,580

6. COMMITMENTS

Since 1996, ACNO has entered into annual agreements with the City of New Orleans (the City) relating to the establishment of the Percent For Art Program under which one percent of the cost of most City capital projects is to be used to fund certain works of art. ACNO's ongoing tasks include developing

an Annual Art Plan to carry out the implementation of selected art projects, and short-term and long-term coordination and planning for the program. ACNO incurred expenditures of approximately \$42,000 in 1997 for administrative duties performed to accomplish the tasks provided in this contract.

7. RELATED PARTIES:

Arts Business Center of Arts Council of New Orleans

The Arts Business Center of Arts Council of New Orleans (the Center) was incorporated in February 1992 to provide management, technical and administrative services and office space to local arts organizations. The Center shares office space with ACNO and rent expense is allocated based on the square footage utilized. Certain employees of ACNO also serve as employees of the Center. Salary expense, supplies, utilities, insurance, and certain other administrative expenses are allocated to the Center (approximately \$122,000 in 1997) based on the percentage of time the employee dedicated to the Center. Center expenses incurred prior to the receipt of funding are paid by ACNO and accounted for in the Due From Arts Business Center Account.

The Center is primarily funded through state and local government grant contracts between ACNO and the respective party with the funds designated for the Center. As funds are received, ACNO reports the funds to the Center. Total grants to the Center were approximately \$112,000 in 1997.

Louisiana Artists Guild

The Louisiana Artists Guild (the Guild) was incorporated in June 1989 to provide management and administrative services and studio and retail space to visual artists and craftsmen. 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 other 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 in the Due From Louisiana Artists Guild Account. Seven of the nine members of the Guild's Board of Directors are also members of ACNO's Board of Directors.

The Guild was initially funded by a \$182,000 grant from ACNO. Payments to the Guild in 1997 were approximately \$175,000.

Other

In the normal course of its operations, ACNO conducts business with certain members of its Board of Directors. These transactions were conducted at arm's length and were not material to ACNO for the year ended December 31, 1997.

ARIZONA COUNCIL OF N.Y.C. RELEASES

SCHEDULE OF SUPPORT AND EXPENSES FOR STATE AND PASSED THROUGH GRANTS

FOR THE YEAR ENDED DECEMBER 31, 1997

	US Department of Labor Passed Through Citizens Economic Incentives Council	US Department of Housing and Urban Development Passed Through the City of Phoenix, Arizona	Lenders Process of the State	
			Grant # E-11-71*	Grant # E-11-12*
SUPPORT:				
Grants received or payable	\$ 121,221	\$ 114,210	121,221	114,210
EXPENSES:				
Salaries and salary related expenses	\$ 20,607	\$ -	\$ 20,607	\$ 20,750
Expenses	-	124,568	124,568	-
Professional and technical fees	-	-	-	1,200
Operating expenses - general	35,213	-	35,213	35,213
Total expenses	\$ 55,820	\$ 124,568	\$ 80,388	\$ 57,163

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

REPORT 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 of the Arts Council of New Orleans:

We have audited the financial statements of the Arts Council of New Orleans (the Council) as of and for the year ended December 31, 1997, and have issued our report thereon dated April 17, 1998. 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 Council's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with these 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 non-compliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Council'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. However, this report is a matter of public record and its distribution is not limited.

Arthur Andersen LLP

New Orleans, Louisiana
April 17, 1998

April 17, 1998

Arthur Andersen LLP

To the Board of Directors of the
Arts Council of New Orleans
225 Bienville Street
Suite 1712
New Orleans, Louisiana 70112

Suite 4000
201 St. Charles Avenue
New Orleans, LA 70170-4000
504 581-5454

Ladies and Gentlemen:

As part of our audits of the financial statements of the Arts Council of New Orleans (the "Council"), the Louisiana Artists Guild (the "Guild") and the Entergy Arts Business Center (the "Business Center") for the year ended December 31, 1997, we considered the Council's internal control structure to the extent we felt necessary to provide a basis for reliance thereon in determining the nature, timing, and extent of the audit tests applied in connection with our audits of the 1997 statements.

Our consideration of the internal control structure did not entail a detailed study and evaluation of any of its elements and was not made for the purpose of making detailed recommendations or evaluating the adequacy of the Council's internal control structure to prevent or detect errors and irregularities. Because of inherent limitations in any internal control structure, errors or irregularities may occur and not be detected. Furthermore, projection of any evaluation of the internal control structure to future periods is subject to the risk that the structure may become inadequate because of changes in conditions or deterioration in its operating effectiveness. While we designed our audits to provide reasonable assurance of detecting errors or irregularities that would be material to the financial statements, the scope of our work was not designed for the purpose of detecting fraudulent acts by employees, except to the extent that such acts would have resulted in a material misstatement of the 1997 financial statements. Moreover, because of the inherent limitations of the audits, the possibility remains that material fraud may exist and not be detected.

While we did not note any significant deficiencies in the design or operation of the internal control structure that adversely affect the Council's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements, we did note certain matters that we want to report to you. These matters, which were considered by us during our audits and do not modify the opinion expressed in our auditors' reports dated April 17, 1998, along with our recommendations, are described below.

Arts Council Patronship (ATP)

During our review of Council receipt and disbursement procedures, we noted that all ATP mail is received and opened by ATP personnel rather than an independent third party. All mail received by the Council and related entities should be received, sorted and distributed by a receiptist or other independent third party. The receiptist or third party should also prepare a log of all



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April 17, 1998

checks received and restrictively endorse the checks before forwarding them for deposit. These procedures would provide additional controls to ensure proper disposition of all Council and related entity receipts.

Executive Committee Meetings

During our brief of the minutes of the Council board of directors meetings, we noted minutes are not kept for the meetings of the executive committee of the Board of Directors. To ensure that all actions of the board and committees of the board are recorded and properly executed, minutes of all meetings should be recorded.

ACNO Funding of LAG

ACNO made grants of \$180,800 in the current year, which were not supported by written grant agreements. Such grants should be supported by documented approval and approved in the Board of Directors or Executive Committee minutes.

Status of Prior Year Recommendations

	<u>Implemented</u>	<u>Partially Implemented</u>	<u>Not Implemented</u>
Cash Disbursements (Council)	X		
ATP Cash Receipts (Council)			X
Outstanding Checks		X	
Minutes of the Executive Committee meetings			X

Very truly yours,

Arthur Andersen LLP