

# ARTHUR ANDERSEN

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Arthur Andersen LLP

April 17, 1998

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MAY 1997

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To the Board of Directors of the  
Acta Council of New Orleans  
225 Baronne Street  
Suite 3712  
New Orleans, Louisiana 70112

Ladies and Gentlemen:

As part of our audits of the financial statements of the Acta Council of New Orleans (the "Council"), the Louisiana Artists Guild (the "GAG") and the Pelagie Acta 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.

#### Acta Council Postmarking (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, opened and distributed by a receptionist or other independent third party. The receptionist or third party should also prepare a log of all

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checks received and meticulously review 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 review 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.

## ACTSO Funding of LAG

ACTSO made requests of \$890,000 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*

Under provisions of state law, this report is a public document. A copy of this report has been submitted to the auditor, or clerk, of the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge Office of the State Auditor and, upon request, at the office of the parish clerk of court.

Release Date: 2001 D E 1998

# ARTHUR ANDERSEN LLP

## ARTS BUSINESS CENTER OF THE ARTS COUNCIL OF NEW ORLEANS

### FINANCIAL STATEMENTS AS OF DECEMBER 31, 1997 AND 1996 TOGETHER WITH AUDITORS' REPORT

These statements of assets, liabilities, and net assets are prepared in accordance with the provisions of the Louisiana Revised Statutes (19:1501-1505) and are not intended to be audited. A copy of the report on these statements is available to the public, as required, and is available to the public, as required, and is available to the public, as required. The report is available for public inspection at the State House office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Released Pursuant to LSA-RS 17:28

ARTS BUSINESS CENTER OF THE  
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 Business Center of the  
Arts Council of New Orleans:

We have audited the accompanying statements of financial position of the Arts Business Center of the Arts Council of New Orleans (the Center - a Louisiana nonprofit corporation), as of December 31, 1997 and 1996, and the related statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements 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 (1994 Revision), issued by the Comptroller General of the United States. Those 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 aspects, the financial position of the Center as of December 31, 1997 and 1996, 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 Center's compliance and internal control over financial reporting dated April 17, 1998.

*Arthur Andersen LLP*

New Orleans, Louisiana  
April 17, 1998

ARTS BUSINESS CENTER OF THE  
ARTS COUNCIL OF NEW ORLEANS

STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 1992 AND 1990

WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 1989

ASSETS	Unrestricted	Temporarily Restricted	1997 Total	1990 Total
<b>CURRENT ASSETS:</b>				
Cash	\$ 51,063	\$ -	\$ 51,063	\$ 77,009
Accounts receivable	4,189	-	4,189	6,796
Total current assets	55,252	-	55,252	83,805
<b>EQUIPMENT, FURNITURE AND FIXTURES, net of accumulated depreciation of \$3,086 in 1997 and \$5,396 in 1990</b>				
	3,086	-	3,086	5,396
Total assets	\$ 58,338	\$ -	\$ 58,338	\$ 89,201
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES:</b>				
Due to Arts Council of New Orleans	\$ 19,163	\$ -	\$ 19,163	\$ 33,074
Accrued expenses	3,496	-	3,496	4,124
Total current liabilities	22,659	-	22,659	37,198
<b>COMMITMENTS:</b>				
NET ASSETS	35,679	-	35,679	52,003
Total liabilities and net assets	\$ 58,338	\$ -	\$ 58,338	\$ 89,201

The accompanying notes are an integral part of these statements.

**AFSA BUSINESS CENTER OF THE  
AFSA COUNCIL OF NEW ORLEANS**

**STATEMENT OF ACTIVITY AND CHANGES IN NET ASSETS**

**FOR THE YEAR ENDED DECEMBER 31, 1997 AND 1996**

**WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 1996**

	Unrestricted	Temporarily Restricted	1997 Total	1996 Total
<b>SUPPORT AND REVENUE:</b>				
<b>Support:</b>				
Contracts	\$ 2,080	\$ 312,245	\$ 314,325	\$ 98,745
Grants	-	-	-	3,600
Contributions	31,680	-	31,680	25,500
Total support	33,760	312,245	346,005	127,845
<b>Revenue:</b>				
Rent and utilities	25,340	-	25,340	19,110
Memberships	8,900	-	8,900	8,100
Interest and other income	3,829	-	3,829	2,959
Total revenue	38,069	-	38,069	30,169
Total support and revenue	71,829	312,245	384,074	158,014
<b>EXPENSES:</b>				
Workshops, forums, and member services	26,811	182,019	208,830	189,197
Administration	41,833	28,129	69,962	68,429
Total expenses	68,644	210,148	278,792	257,626
CHANGE IN NET ASSETS	3,185	-	3,185	(18,412)
NET ASSETS AT BEGINNING OF YEAR	26,555	-	26,555	44,967
NET ASSETS AT END OF YEAR	\$ 29,740	\$ -	\$ 29,740	\$ 26,555

The accompanying notes are an integral part of these statements.

## ARTS-BUSINESS CENTER OF ILL

## ARTS COUNCIL OF NEW ORLEANS

## STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 1992 AND 1991

WITH COMPARATIVE FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 1990

	<u>1992</u>	<u>1991</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets for the year	\$ 5,795	\$ (18,422)
Depreciation expense	400	900
Decrease (increase) in accounts receivable	2,688	(2,994)
Decrease in accrued expenses	(693)	(3,779)
Decrease (increase) in due to Arts Council of New Orleans	(24,833)	(8,676)
Net cash (used) in provided by operating activities	(26,743)	25,919
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of equipment, furniture and fixtures	(150)	---
Net increase (decrease) in cash	(26,893)	25,919
CASH, beginning of year	77,589	51,745
CASH, end of year	\$ 50,696	\$ 77,664

The accompanying notes are an integral part of these statements.

ARTS BUSINESS CENTER OF THE  
ARTS COUNCIL OF NEW ORLEANS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1997 AND 1996

**1. ORGANIZATION AND OPERATIONS**

The Arts Business Center of the Arts Council of New Orleans (the Center) is a publicly supported nonprofit organization. The Center was incorporated in February, 1992 to provide management, technical, and administrative services and office space to local arts organizations.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Method of Accounting**

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

**Legal 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 these estimates.

**Description of Net Assets Classification**

Financial Accounting Standards Board 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. The Center 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. No 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. There were no permanently restricted net assets during 1997 or 1996.

**Gifts, Grants and Bequests**

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

### Donated Services

Volunteers have given extensive amounts of time and services to the Center; however, no amounts are reflected in the financial statements since no objective basis is available to measure the value of such services.

### Depreciation of Fixed Assets

The Center's fixed assets consist of office equipment and furnishings being depreciated utilizing the straight-line method over their useful lives ranging from three to five years.

### Income Taxes

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

### Comparative Data

The financial statements include year-to-year summarized comparative information in total that fall by not exact class. Accordingly, any such information should be read in conjunction with the Center's financial statements for the year ended December 31, 1996, from which the summarized information was derived.

### 3. RELATED PARTIES

The Center shares office space with the Arts Council of New Orleans (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 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 as Due to Arts Council of New Orleans.

The Center is primarily funded through state and local grants. The grant contracts are between ACNO and the grantor with the funds designated for the Center. As funds are needed, ACNO requests the funds to the Center. Total grants to the Center were approximately \$434,000 during 1997.

# ARTHUR ANDERSON LLP

## 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 Business Center of the Arts Council  
of New Orleans

We have audited the financial statements of the Arts Business Center of the Arts Council of New Orleans (the Center) 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 Center'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 statement 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 Center'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.

The 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 Anderson LLP*

New Orleans, Louisiana  
April 17, 1998