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North Central Louisiana Arts Council
Financial Statements
For the Year Ended December 31, 2003

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 9-15-04

North Central Louisiana Arts Council
Financial Statements
For the Year Ended December 31, 2003

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EDWARDS & WADE


Certified Public Accountants
A Professional Accounting Corporation
Members: AICPA / Society of LCPA's

Board of Directors
North Central Louisiana Arts Council
Ruston, Louisiana

We have compiled the accompanying statement of financial position of the North Central Louisiana Arts Council as of December 31, 2003, and the related statements of activities and cash flows for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management of North Central Louisiana Arts Council. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

In accordance with the Louisiana Governmental Audit Guide and the provisions of state law, we have issued a report dated June 22, 2004, on the results of our agreed-upon procedures.


Ruston, Louisiana
June 22, 2004

North Central Louisiana Arts Council
Statement of Financial Position
As of December 31, 2003

Assets	
Current Assets:	
Cash and equivalents	\$28,430
Accounts receivable	<u>625</u>
Total current assets	29,055
Noncurrent Assets:	
Property, plant, and equipment	25,121
Less: accumulated depreciation	<u>(13,640)</u>
Total noncurrent assets	<u>11,481</u>
Total Assets	<u>\$40,536</u>
Liabilities and Net Assets	
Accounts Payable	\$104
Payroll taxes payable	<u>602</u>
Total liabilities	706
Net Assets:	
Unrestricted	28,349
Temporarily restricted	11,481
Permanently restricted	<u>0</u>
Total net assets	<u>39,830</u>
Total Liabilities and Net Assets	<u>\$40,536</u>

See accompanying accountant's compilation report.

North Central Louisiana Arts Council
Statement of Activities - Budget and Actual - GAAP Basis
For the year ended December 31, 2003

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues			
Membership Dues	\$8,500	\$5,355	(\$3,145)
Fundraisers	31,200	28,760	(2,440)
Services Rendered	5,000	13,711	8,711
Performance	23,800	3,793	(20,007)
Grants	34,200	37,851	3,651
Piney Hills Art Gallery income	1,100	6,904	5,804
Meet the Composer income	12,000	33,759	21,759
Summer arts camp income	9,500	10,050	550
Miscellaneous		25,573	25,573
Total Operating Revenues	<u>125,300</u>	<u>165,756</u>	<u>40,456</u>
Expenses			
Program	66,550	99,137	(32,587)
Fundraising Expenses	51,130	46,014	5,116
Management & General	10,620	10,694	(74)
Total Expenses	<u>128,300</u>	<u>155,845</u>	<u>(27,545)</u>
Total Operating Income (Loss)	(3,000)	9,911	12,911
Nonoperating Revenue			
Interest income	0	0	0
Total Nonoperating Income	<u>0</u>	<u>0</u>	<u>0</u>
Change in net assets	(3,000)	9,911	12,911
Net assets as of beginning of year	<u>29,919</u>	<u>29,919</u>	<u>0</u>
Net assets as of end of year	<u>\$26,919</u>	<u>\$39,830</u>	<u>\$12,911</u>

See accompanying accountant's compilation report.

North Central Louisiana Arts Council
Statement of Cash Flows
For the Year Ended December 31, 2003

Cash Flows from Operating Activities		
Operating Income	\$9,911	
Adjustments to Reconcile Operating Income to Net		
Cash Provided by Operating Activities:		
Depreciation	4,725	
Decrease in accounts receivable	2,633	
Increase in payroll liabilities	460	
Increase in accounts payable	<u>(139)</u>	
Net Cash Provided (Used) By Operating Activities		17,590
Net Cash Provided (Used) By Financing Activities		0
Cash Provided (Used) By Investing Activities		
Additions to property and equipment	(1,723)	
Net Cash Provided by Investing Activities		<u>(1,723)</u>
Net Increase in Cash		15,867
Cash at Beginning of Year		<u>12,563</u>
Cash at End of Year		<u><u>\$28,430</u></u>
 SUMMARY		
Cash in bank		<u><u>\$28,430</u></u>
Expenditures for interest - cash basis		<u><u>\$0</u></u>
Expenditures for taxes - cash basis		<u><u>\$0</u></u>

See accompanying accountant's compilation report.

North Central Louisiana Arts Council
Notes to the Financial Statements
For the Year Ended December 31, 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

The North Central Louisiana Arts Council (the Council) is a private, nonprofit corporation governed by a board of directors and administered by a professional staff. The Council's purpose is to enhance and promote participation in and awareness of the arts and humanities in north central Louisiana. The Council's services, therefore, include providing cultural programming, scheduling and coordination for cultural activities and other professional services directed toward its stated goal.

Method of Accounting - The financial statements of the Council are prepared on the accrual basis. Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Council is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations. Some unrestricted net assets may be designated by the Board for specific purposes.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met by actions of the Council, and/or by the passage of time.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Council. Generally, donors permit all or part of the income earned on these assets to be used for general or specific purposes.

The statement of activities presents expenses of the Council's operations functionally between various programs of the Council and general administrative.

The Council had adopted SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor-imposed restrictions. Contributions are recognized when the donor makes a promise to give to the Council that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

North Central Louisiana Arts Council
Notes to the Financial Statements
For the Year Ended December 31, 2003

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 those estimates.

Federal Income Taxes - A provision has not been made for federal income taxes since the Council is an exempt organization under Section 501(c)(3) of the Internal Revenue Code.

Fixed Assets - Fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method. Equipment is depreciated over an estimated useful life of seven years.

Cash and cash equivalents - For purposes of the statement of cash flows, the Council considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Donated services - During the year the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the organization. Other donated materials and equipment are recorded as contributions in the financial statements at their estimated values at the date of receipt.

2. CASH AND CASH EQUIVALENTS

At December 31, 2003, the council has cash and cash equivalents (book balances) totaling \$28,430 as follows:

Cash in bank	\$22,748
Certificates of deposit	<u>5,682</u>
Total	<u>\$28,430</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At December 31, 2003, the council has \$31,915 in deposits (collected bank balances). These deposits are secured from risk by \$31,915 of federal deposit insurance and \$0 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

North Central Louisiana Arts Council
Notes to the Financial Statements
For the Year Ended December 31, 2003

3. AGREEMENTS FOR SERVICES

During the year ended December 31, 1998, the Council took on the administration of a regional arts center facility. The old Dixie movie theater in downtown Ruston was acquired and renovated to become the Dixie Center for the Arts, home to the Council and two other arts organizations, Ruston Community Theater and the Ruston Civic Symphony. The Council has office space in the Dixie and moved the Piney Hills Gallery there. The Council is to use the building for any programs in Ruston. Ruston Community Theater has agreed to contract with the Council for administrative services, as has the Dixie Center for the Arts itself. With some of the contract funds from those two organizations, the Council hired an administrative assistant, whose office is housed in the Dixie. The Council also agreed to provide certain programming services under the agreement.

4. COMMITMENTS AND CONTINGENCIES

The Council is a recipient of certain government grants which require the fulfillment of conditions as set forth in the instrument of grant. Failure to fulfill the conditions could result in the return of the funds to grantors. Although that is a possibility, the Council deems the contingency remote, since by accepting the grants and their terms, it has accommodated the objectives of the organization to the provisions of the grant. These conditions include the right to audit the grant usage by the grantor or its designee.

5. STATEMENT OF FUNCTIONAL EXPENSES

The costs of program services, fund raising expenses, and management and general expenses have been summarized on a functional basis in the schedule of functional expenses.

North Central Louisiana Arts Council
 Schedule of Functional Expenses
 For the year ended December 31, 2003

	<u>Program</u>	<u>Management and general</u>	<u>Fund- raising</u>	<u>Total</u>
Salaries and related benefits		\$26,904		\$26,904
Payroll Taxes		2,058		2,058
Promotion and awards	\$3,435			3,435
Production	216			216
Miscellaneous	617	2,160		2,777
Fees	12,769	295		13,064
Travel and lodging	474	770		1,244
Supplies	412	1,548		1,960
Audit		2,648		2,648
Meet the Composer expenses	54,359			54,359
Leaf Men Expenses	782			782
Summer Arts Camp Expenses	10,201			10,201
Studio Tour Expenses	15,872			15,872
Office expenses		4,906		4,906
Fund-raising expenses			\$10,694	10,694
Depreciation		4,725		4,725
	<u>\$99,137</u>	<u>\$46,014</u>	<u>\$10,694</u>	<u>\$155,845</u>
TOTAL				

EDWARDS & WADE

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors of
North Central Louisiana Arts Council
Ruston, Louisiana

We have performed the procedures included in the *Louisiana Government Audit Guide* and enumerated below, which were agreed to by the management of North Central Louisiana Arts Council and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about North Central Louisiana Arts Council's compliance with certain laws and regulations during the year ended December 31, 2003 included in the accompanying *Louisiana Attestation Questionnaire*. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Public Bid Law

1. Select all expenditures made during the year for material and supplies exceeding \$15,000, or public works exceeding \$100,000, and determine whether such purchases were made in accordance with LSA-RS 38:2211-2251 (the public bid law).

There were no expenditures made during the year for materials and supplies exceeding \$15,000, and no expenditures were made for public works exceeding \$100,000. We examined each cash disbursement record which indicated no purchases which would require public bidding requirements.

Code of Ethics for Public Officials and Public Employees

2. Obtain from management a list of the immediate family members of each board member as defined by LSA-RS 42:1101-1124 (the code of ethics), and a list of outside business interest of all board members and employees, as well as their immediate families.

Management provided us with the required list including the noted information.

3. Obtain from management a listing of all employees paid during the period under examination.

Management provided us with the required list including the noted information.

4. Determine whether any of those employees included in the listing obtained from management in agreed-upon procedure (3) were also included on the listing obtained from management in agreed-upon procedure (2) as immediate family members.

None of the employees included on the list of employees provided by management in agreed-upon procedure (3) appeared on the list provided by management in agreed-upon procedure (2).

Budgeting

5. Obtain a copy of the legally adopted budget and all amendments.

Management provided us with the required a copies of the budget.

6. Trace the budget adoption and amendments to the minute book.

The budget for the year ending December 31, 2003, could not be traced to minutes. It was discussed but never finalized per the board. The amended budget could be traced to minutes.

7. Compare the revenues and expenditures of the budget to actual revenues and expenditures to determine if actual revenue or expenditures exceed budgeted amounts by more than 5%.

For the year ended December 31, 2003, actual expenditures exceeded budgeted expenditures by more than 5%. According to LRS 39:1310, failing to amend the budget when necessary is a violation of the local government budget act.

Accounting and Reporting

8. Randomly select six disbursements made during the period under examination and:

- a) trace payments to supporting documentation as to proper amount and payee;

We examined supporting documentation for five of the six selected disbursements but one of the six disbursements was not supported by documentation.

- b) determine if payments were properly coded to the correct fund and general ledger account; and

Five of the six payments were properly coded to the correct fund or general ledger account.

- c) determine whether payments received approval from proper authorities.

A reading of the minutes indicated approval from the board members for all monthly bills.

Meetings

9. Examine evidence indicating that agendas for meetings recorded in the minute book were posted or advertised as required by LSA-RS 42:1 through 42:12 (the open meetings law).

North Central Louisiana Arts Council is only required to post a notice of each meeting and the accompanying agenda on the door of the office building. Although management has asserted that such documents were properly posted for most of the meetings, we could find no evidence supporting such assertion other than an unmarked copy of the notices and agendas.

Debt

10. Examine bank deposits for the period under examination and determine whether any such deposits appear to be proceeds of bank loans, bonds, or like indebtedness.

We inspected copies of bank deposit slips for the accounts provided for the period under examination and noted no deposits which appeared to be proceeds of bank loans, bonds, or like indebtedness.

Advances and Bonuses

11. Examine payroll records and minutes for the year to determine whether any payments have been made to employees which may constitute bonuses, advances, or gifts.

Examined payroll records and minutes for the year ended December 31, 2003 and determined that the minutes indicate that there were Christmas bonuses made to the staff which constitute bonuses, advances, or gifts. The staff consists of two people who are considered contract labor. The minutes stated that "envelopes were being passed around so board members could contribute for Christmas bonuses for the staff."

During the course of our fieldwork, we noted a lack of internal control that we cited in the Management Corrective Action Plan on page 14.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Council and any interested state agencies and is not intended to be and should not be used by anyone other than these specified parties.

Edward S. Wade

Ruston, Louisiana
June 22, 2004

North Central Louisiana Arts Council
Summary of Prior Year Findings
For the Year Ended December 31, 2003

A. INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS

02-1. Due to the lack of a centralized accounting system, the council has inadequate internal controls. For example, Piney Hills Art Gallery bank account was not included in the general ledger.

Recommendation: The council keep all financial activity in one general ledger so the board can make educated decisions.

Conclusion: Unresolved - see 03-1.

02-2. The Council failed to adopt a budget for the fiscal year ended December 31, 2002.

Recommendation: The Council properly adopt a budget by December 31 for the subsequent fiscal year, and amend when necessary.

Conclusion: Resolved

02-3. For the year ended December 31, 2002 actual expenditures exceeded budgeted expenditures by more than 5%. According to LRS 39:1310, failing to amend the budget when necessary is a violation of the local government budget act.

Recommendation: The Council analyze interim budget and actual comparisons and amend the budget as needed.

Conclusion: Unresolved

B. INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS

None

C. MANAGEMENT LETTER

None

North Central Louisiana Arts Council
P. O. Box 911
Ruston, LA 71273-0911

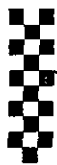
CORRECTIVE ACTION PLAN
For the Year Ended December 31, 2003

North Central Louisiana Arts Council hereby submits the following corrective action plan regarding the findings in the attestation for the year ending December 31, 2003:

03-1. Due to the lack of a centralized accounting system, the council has inadequate internal controls. For example, Leafmen and Meet the Composer bank accounts were not included in the general ledger during the year but were included at year end for attestation purposes by journal entry. These accounts are maintained throughout the year without sufficient management control. A result of this situation is that the board cannot monitor budget to actual data throughout the year. In addition management does not review documentation of receipts or disbursements throughout the year.

Recommendation: The council keep all financial activity in one general ledger so the board can make decisions with more complete and accurate data.

Response: We agree with the recommendation. Immediate action will be taken to record all activity into one general ledger.



Sep. 8. 2004 2:27PM

No. 2871 P. 2

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**LOUISIANA ATTESTATION QUESTIONNAIRE
(For Attestation Engagements of Government)**

_____ (Date Transmitted)

Edwards & Wade, CPAs APAC
200 Reynolds Drive, Suite 6-2
Ruston, LA 71272

(Auditors)

In connection with your compilation of our financial statements as of [date] and for the year then ended, and as required by Louisiana Revised Statute 24:513 and the *Louisiana Governmental Audit Guide*, we make the following representations to you. We accept full responsibility for our compliance with the following laws and regulation and the internal controls over compliance with such laws and regulations. We have evaluated our compliance with the following laws and regulations prior to making these representations.

These representations are based on the information available to us as of (date of completion/representations).

Public Bid Law

It is true that we have complied with the public bid law, LSA-RS Title 38:2212, and, where applicable, the regulations of the Division of Administration, State Purchasing Office..

Yes No

Code of Ethics for Public Officials and Public Employees

It is true that no employees or officials have accepted anything of value, whether in the form of a service, loan, or promise, from anyone that would constitute a violation of LSA-RS 42:1101-1124.

Yes No

It is true that no member of the immediate family of any member of the governing authority, or the chief executive of the governmental entity, has been employed by the governmental entity after April 1, 1980, under circumstances that would constitute a violation of LSA-RS 42.1119.

Yes No

Budgeting

We have complied with the state budgeting requirements of the Local Government Budget Act (LSA-RS 39:1301-14) or the budget requirements of LSA-RS 39:34.

Yes No

Sep 8, 2004 2:28PM

No. 2871 P. 3

Accounting and Reporting

All non-exempt governmental records are available as a public record and have been retained for at least three years, as required by LSA-RS 44:1, 44:7, 44:31, and 44:36.

Yes No

We have filed our annual financial statements in accordance with LSA-RS 24:514, 33:483, and/or 39:92, as applicable.

Yes No

We have had our financial statements audited or compiled in accordance with LSA-RS 24:513.

Yes No

Meetings

We have complied with the provisions of the Open Meetings Law, provided in RS 42:1 through 42:12.

Yes No

Debt

It is true we have not incurred any indebtedness, other than credit for 90 days or less to make purchases in the ordinary course of administration, nor have we entered into any lease-purchase agreements, without the approval of the State Bond Commission, as provided by Article VII, Section 8 of the 1974 Louisiana Constitution, Article VI, Section 33 of the 1974 Louisiana Constitution, and LSA-RS 39:1410.60-1410.65.

Yes No

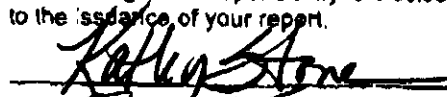

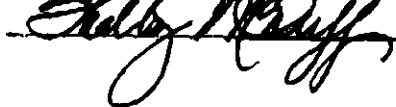
Advances and Bonuses

It is true we have not advanced wages or salaries to employees or paid bonuses in violation of Article VII, Section 14 of the 1974 Louisiana Constitution, LSA-RS 14:138, and AG opinion 78-729.

Yes No

We have disclosed to you all known noncompliance of the foregoing laws and regulations, as well as any contradictions to the foregoing representations. We have made available to you documentation relating to the foregoing laws and regulations.

We have provided you with any communications from regulatory agencies or other sources concerning any possible noncompliance with the foregoing laws and regulations, including any communications received between the end of the period under examination and the issuance of this report. We acknowledge our responsibility to disclose to you any known noncompliance which may occur subsequent to the issuance of your report.

	Secretary	<u>9-9-04</u>	Date
	Treasurer	<u>9-9-04</u>	Date
	Director President	<u>9-10-04</u>	Date