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CONTEMPORARY ARTS CENTER

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2004 and 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 2-9-05

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of the Contemporary Arts Center

We have audited the accompanying statements of financial position of the Contemporary Arts Center (the "Center" – a Louisiana not-for-profit corporation) as of June 30, 2004 and 2003, and the related statements of activities 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to 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 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 Center as of June 30, 2004 and 2003, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated November 8, 2004 on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and grants.

Our audits were performed for the purpose of forming an opinion on the basic financial statements of the Center taken as a whole. The Supplemental Schedule of Departmental Activity on pages 13 and 14 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.

Legier + Materne, CPAs

November 8, 2004

CONTEMPORARY ARTS CENTER
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2004

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<u>ASSETS</u>				
CURRENT ASSETS				
Cash and cash equivalents	\$ 60,185	\$ 141,682	\$ 499,026	\$ 700,893
Pledges and grants receivable	76,770	150,000	-	226,770
Due from other funds	-	-	100,738	100,738
Total current assets	136,955	291,682	599,764	1,028,401
Fixed assets, net of accumulated depreciation	56,170	-	8,650,712	8,706,882
Art collection	144,326	-	-	144,326
Investments	-	-	974	974
Long-term receivables	-	150,000	-	150,000
Other assets	30,582	-	-	30,582
Total assets	<u>\$ 368,033</u>	<u>\$ 441,682</u>	<u>\$ 9,251,450</u>	<u>\$ 10,061,165</u>
<u>LIABILITIES AND NET ASSETS</u>				
CURRENT LIABILITIES				
Accounts payable and accrued expenses	\$ 262,742	\$ -	\$ -	\$ 262,742
Notes payable, current portion	57,079	100,000	-	157,079
Line of credit	148,376	-	-	148,376
Deferred Revenue	9,331	-	-	9,331
Due to other funds	100,738	-	-	100,738
Total current liabilities	578,266	100,000	-	678,266
Notes payable, less current portion	117,432	300,496	-	417,928
NET ASSETS	(327,665)	41,186	9,251,450	8,964,971
Total liabilities and net assets	<u>\$ 368,033</u>	<u>\$ 441,682</u>	<u>\$ 9,251,450</u>	<u>\$ 10,061,165</u>

The accompanying notes are integral part of these financial statements.

CONTEMPORARY ARTS CENTER
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2003

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<u>ASSETS</u>				
CURRENT ASSETS				
Cash and cash equivalents	\$ 53,021	\$ 7,578	\$ 330,300	\$ 390,899
Pledges and grants receivable	95,566	210,000	-	305,566
Due from other funds	-	221,000	155,571	376,571
Prepaid expenses	9,184	-	-	9,184
Total current assets	157,771	438,578	485,871	1,082,220
Fixed assets, net of accumulated depreciation	28,143	-	8,867,147	8,895,290
Art collection	144,326	-	-	144,326
Investments	-	-	32,994	32,994
Long-term receivables	-	300,000	-	300,000
Other assets	38,286	-	-	38,286
Total assets	<u>\$ 368,526</u>	<u>\$ 738,578</u>	<u>\$ 9,386,012</u>	<u>\$ 10,493,116</u>
<u>LIABILITIES AND NET ASSETS</u>				
CURRENT LIABILITIES				
Accounts payable and accrued expenses	\$ 197,990	\$ -	\$ -	\$ 197,990
Notes payable, current portion	50,574	100,000	-	150,574
Line of credit	100,000	-	-	100,000
Deferred revenue	(36,515)	104,864	-	68,349
Due to other funds	376,571	-	-	376,571
Total current liabilities	688,620	204,864	-	893,484
Notes payable, less current portion	-	400,496	-	400,496
NET ASSETS	(320,094)	133,218	9,386,012	9,199,136
Total liabilities and net assets	<u>\$ 368,526</u>	<u>\$ 738,578</u>	<u>\$ 9,386,012</u>	<u>\$ 10,493,116</u>

The accompanying notes are integral part of these financial statements.

**CONTEMPORARY ARTS CENTER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Contributions	\$ 820,171	\$ -	\$ 38,328	\$ 858,499
Contributions in-kind	241,979	-	-	241,979
Restricted and program services grants	202,990	-	-	202,990
Membership dues	223,489	-	-	223,489
Admissions, workshop fees, meetings and conferences	461,396	-	-	461,396
Special fund-raising events and admissions	97,206	-	-	97,206
Sales of art, catalogs and subscriptions	44,111	-	-	44,111
Beverage, food, and hospitality services	628,307	-	-	628,307
Investment income	367	-	5,280	5,647
Other	79,594	-	-	79,594
Total support and revenue before net assets released from restrictions	2,799,610	-	43,608	2,843,218
Net assets released from restrictions	92,032	(92,032)	-	-
Total support and revenue	2,891,642	(92,032)	43,608	2,843,218
EXPENSES				
Salaries	920,363	-	-	920,363
Payroll taxes	80,872	-	-	80,872
Employee benefits	38,170	-	-	38,170
Value of in-kind contributions	241,979	-	-	241,979
Artist fees	272,283	-	-	272,283
Advertising	50,479	-	-	50,479
Telephone and utilities	112,434	-	-	112,434
Supplies, maintenance and equipment	164,174	-	-	164,174
Professional, technical and contract services	235,258	-	(17,219)	218,039
Beverage, food and hospitality	183,532	-	-	183,532
Equipment rental	96,418	-	-	96,418
Printing, publications, films, etc.	86,458	-	-	86,458
Security and insurance	95,026	-	-	95,026
Cost of goods sold	1,548	-	-	1,548
Postage and shipping	67,247	-	-	67,247
Meetings, conferences and travel	37,080	-	-	37,080
Entertainment	46,790	-	-	46,790
Interest expense	27,609	-	(72)	27,537
Bad debt expense	9,710	-	-	9,710
Program and royalty fees	11,127	-	-	11,127
Other	89,404	-	5,942	95,346
Total expenses before depreciation	2,867,961	-	(11,349)	2,856,612
Excess (deficiency) of support and revenue over (under) expenses before depreciation	23,681	(92,032)	54,957	(13,394)
Depreciation expense	31,323	-	233,653	264,976
Change in net assets	(7,642)	(92,032)	(178,696)	(278,370)
NET ASSETS, beginning of period	(320,094)	133,218	9,386,012	9,199,136
Unrealized gain on investments	71	-	44,134	44,205
NET ASSETS, end of period	<u>\$ (327,665)</u>	<u>\$ 41,186</u>	<u>\$ 9,251,450</u>	<u>\$ 8,964,971</u>

The accompanying notes are integral part of these financial statements.

**CONTEMPORARY ARTS CENTER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2003**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Contributions	\$ 422,404	\$ 299,000	\$ 50,000	\$ 771,404
Contributions in-kind	42,626	-	-	42,626
Restricted and program services grants	230,567	(19,727)	-	210,840
Membership dues	222,349	-	-	222,349
Admissions, workshop fees, meetings and conferences	302,895	18,643	-	321,538
Special fund-raising events and admissions	80,249	8,550	-	88,799
Sales of art, catalogs and subscriptions	58,095	-	-	58,095
Beverage, food, and hospitality services	390,372	2,300	-	392,672
Investment income	5,343	-	370	5,713
Other	68,964	-	-	68,964
Total support and revenue before net assets released from restrictions	1,823,864	308,766	50,370	2,183,000
Net assets released from restrictions	574,455	(574,455)	-	-
Total support and revenue	2,398,319	(265,689)	50,370	2,183,000
EXPENSES				
Salaries	937,520	1,095	-	938,615
Payroll taxes	79,406	-	-	79,406
Employee benefits	34,340	-	-	34,340
Value of in-kind contributions	42,626	-	-	42,626
Artist fees	201,623	-	-	201,623
Advertising	57,103	-	-	57,103
Telephone and utilities	85,195	-	-	85,195
Supplies, maintenance and equipment	179,458	-	-	179,458
Professional, technical and contract services	133,494	-	-	133,494
Beverage, food and hospitality	121,436	-	-	121,436
Equipment rental	109,519	-	-	109,519
Printing, publications, films, etc.	94,498	-	-	94,498
Security and insurance	102,187	-	-	102,187
Cost of goods sold	15,476	-	-	15,476
Postage and shipping	24,305	-	-	24,305
Meetings, conferences and travel	57,338	-	-	57,338
Entertainment	27,567	-	-	27,567
Interest expense	37,643	-	-	37,643
Program and royalty fees	11,905	-	-	11,905
Other	48,000	-	1,550	49,550
Total expenses before depreciation	2,400,639	1,095	1,550	2,403,284
Excess (deficiency) of support and revenue over (under) expenses before depreciation	(2,320)	(266,784)	48,820	(220,284)
Depreciation expense	11,950	-	233,653	245,603
Change in net assets	(14,270)	(266,784)	(184,833)	(465,887)
NET ASSETS, beginning of period	(310,776)	400,002	9,575,401	9,664,627
Unrealized gain (loss) on investments	4,952	-	(4,556)	396
NET ASSETS, end of period	\$ (320,094)	\$ 133,218	\$ 9,386,012	\$ 9,199,136

The accompanying notes are integral part of these financial statements.

**CONTEMPORARY ARTS CENTER
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003**

	2004	2003
CASH FLOWS FROM OPERATING AND CAPITAL FUND-RAISING ACTIVITIES		
Change in net assets	\$ (278,370)	\$ (465,887)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	264,976	245,603
Unrealized gain on investments	44,205	396
Changes in operating assets and liabilities:		
Pledges and grants receivable	78,796	(25,754)
Long-term receivables	150,000	210,000
Prepaid expenses	9,184	13,316
Other assets	7,704	(1,288)
Accounts payable and accrued expenses	64,752	(12,669)
Deferred revenue	(59,018)	68,349
Net cash provided by operating activities	<u>282,229</u>	<u>32,066</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(17,218)	-
Proceeds from sales of investments	37,000	56,053
Purchases of investments	(4,980)	-
Net cash provided by investing activities	<u>14,802</u>	<u>56,053</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net borrowings on line of credit	48,376	100,000
Proceeds from issuance of notes payable	120,000	-
Principal payments on notes payable	(155,413)	(244,652)
Net cash provided by (used in) financing activities	<u>12,963</u>	<u>(144,652)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	309,994	(56,533)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>390,899</u>	<u>447,432</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 700,893</u>	<u>\$ 390,899</u>
Supplemental disclosures:		
Cash paid during the year for:		
Interest	<u>\$ 27,537</u>	<u>\$ 37,643</u>
Noncash investing and financing activities:		
Financed purchases of fixed assets	<u>\$ 59,350</u>	<u>\$ -</u>

The accompanying notes are integral part of these financial statements.

**CONTEMPORARY ARTS CENTER
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Contemporary Arts Center (the “Center”) is a multi-disciplinary organization dedicated to presenting the works of local, national and international artists. The Center offers a year round calendar of exhibitions, performances and educational programs designed to engage diverse public audiences of all ages, while providing technical and development support for local artists.

The following program and supporting services are included in the accompanying financial statements:

Visual Arts – A year round calendar of curated visual art exhibits by local, national and international artists.

Performing Arts – A year round calendar of theatrical and musical presentations by local, national, and international artists. Community theater support program provides low cost presentation space and technical assistance to local performing artists/organizations.

Education – School field trips, a summer camp, adult lectures and presentations.

Community Outreach – Building relationships with community-based organizations to increase audience diversity and bring arts programming to the many communities of New Orleans.

Basis of Presentation

The financial statements of the Center have been prepared on the accrual basis of accounting.

Fund Accounting

The Center provides for funds according to three classes of net assets – permanently restricted, temporarily restricted and unrestricted to comply with limitations and restrictions placed on the use of resources by the donor.

Cash and Cash Equivalents

The Center places its cash and cash equivalents with high credit quality institutions in the greater New Orleans area. Accounts at each financial institution are insured by the Federal Deposit Insurance Corporation up to \$100,000. Amounts on deposit in excess of insured limits were approximately \$74,000 and \$58,000 at June 30, 2004 and 2003, respectively.

**CONTEMPORARY ARTS CENTER
FOR THE YEARS ENDED JUNE 30, 2004 and 2003
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Fixed Assets

Fixed assets are stated at acquisition cost or, in the case of gifts, fair value at the date of donation. Major additions are capitalized. Maintenance and repairs that do not improve or extend the life of the respective asset are charged to expense. Depreciation is computed using the straight-line method over the assets' estimated useful lives of 5 years for equipment and 30 years for the building. Building improvements are depreciated over the lesser of 30 years or the remaining life of the building.

Art Collection

The Center commissioned several works of art that are housed in the building at 900 Camp Street and are carried in the accompanying financial statements at cost. The Center does not record depreciation on the art collection as depreciation is not required to be recognized under accounting principles generally accepted in the United States of America on individual works of art or historical treasures whose economic benefit or service potential is used up so slowly that their estimated useful lives are extraordinarily long.

Net Assets

Permanently restricted net assets are amounts set aside due to the endowment fund. Temporarily restricted net assets are restricted for use until the donor imposed restrictive event takes place and primarily consist of pledges receivable related to the capital campaign, summer camp and composer-in-residence programs.

Gifts, Grants and Pledges

Gifts, grants and pledges are recorded in the three classes of net assets in accordance with the restriction of the donors. Non-cash gifts and grants are recorded as revenue at fair market value at the date contributed, if an objective valuation is determinable. Pledged contributions are recorded as receivables when a firm pledge is made and collectibility is reasonably determinable. If a pledge is to be received over a period of more than a year, the respective non-current amount is recorded as a non-current receivable.

Donated Materials and Services

Certain donated materials and services are reflected as contributions in the accompanying statements at their estimated fair values at the date of receipt. In addition, a substantial number of unpaid volunteers have donated significant amounts of their time to the development of the Center's program services and in its fund-raising campaigns; these services have not been recorded as contributions since there is no objective basis to measure their value.

**CONTEMPORARY ARTS CENTER
FOR THE YEARS ENDED JUNE 30, 2004 and 2003
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Investments

Investments are carried at fair market value in the accompanying statements of financial position. Changes in unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

Gains and losses from the sale or other disposition of investments and other non-cash assets are accounted for in the classification that reported the assets. Ordinary income from investments is accounted for in the classification reporting the assets.

Interfund Receivables and Payables

Use of unrestricted or restricted funds for building or operating purposes is accounted for through due to and due from accounts in the respective funds, as repayment is expected.

Income Taxes

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts 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.

NOTE 2 – FIXED ASSETS

Fixed assets as of June 30, 2004 consisted of the following:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Land	\$ -	\$ 3,150,000	\$ 3,150,000
Building and improvements	-	6,579,519	6,579,519
Equipment	<u>330,021</u>	<u>-</u>	<u>330,021</u>
	330,021	9,729,519	10,059,540
Less accumulated depreciation	<u>273,851</u>	<u>1,078,807</u>	<u>1,352,658</u>
	<u>\$ 56,170</u>	<u>\$ 8,650,712</u>	<u>\$ 8,706,882</u>

**CONTEMPORARY ARTS CENTER
FOR THE YEARS ENDED JUNE 30, 2004 and 2003
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 – FIXED ASSETS (cont'd)

Fixed assets as of June 30, 2003 consisted of the following:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Land	\$ -	\$ 3,150,000	\$ 3,150,000
Building and improvements	-	6,562,300	6,562,300
Equipment	<u>270,671</u>	<u>-</u>	<u>270,671</u>
	270,671	9,712,300	9,982,971
Less accumulated depreciation	<u>242,528</u>	<u>845,153</u>	<u>1,087,681</u>
	<u>\$ 28,143</u>	<u>\$ 8,867,147</u>	<u>\$ 8,895,290</u>

NOTE 3 – LINE OF CREDIT AND NOTES PAYABLE

The Company had amounts outstanding of \$148,376 under a line of credit at June 30, 2004. These amounts consisted of advances under a \$150,000 line of credit agreement with a bank maturing January 13, 2005. The line of credit bears interest at 4.00% per annum and is collateralized by a \$325,000 demand collateral mortgage note affecting certain of the Center's land dated September 13, 2000.

Notes payable consisted of the following at June 30:

	<u>2004</u>	<u>2003</u>
Note payable to a bank dated February 4, 2002, bearing interest at 4.00%, payable in annual installments of \$100,000 through February 4, 2008, secured by a personal guarantee of a member of the Center's board of directors and the demand collateral mortgage note described above	\$ 400,496	\$ 500,496
Note payable to a bank dated March 18, 2004, bearing interest at 4.00%, payable on March 18, 2007, collateralized by the demand collateral mortgage note described above	120,000	-
Note payable to a financing company dated July 31, 2003 bearing no interest, payable on July 31, 2007	41,215	-
Note payable to a bank dated September 13, 2000, payable in monthly installments of principal and interest (4.25% at June 30, 2003) of \$1,153 through January 1, 2008, collateralized by the demand collateral mortgage note described above	-	36,807
Other	<u>13,296</u>	<u>13,767</u>
Total notes payable	575,007	551,070
Less: current portion	<u>157,079</u>	<u>150,574</u>
Total long-term notes payable	<u>\$ 417,928</u>	<u>\$ 400,496</u>

**CONTEMPORARY ARTS CENTER
FOR THE YEARS ENDED JUNE 30, 2004 and 2003
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 – LINE OF CREDIT AND NOTES PAYABLE (cont'd)

The aggregate maturities of long-term debt are as follows for the years subsequent to June 30, 2004:

2005	\$ 157,079
2006	143,783
2007	173,649
2008	100,496

NOTE 4 – RELATED-PARTY TRANSACTIONS

A company controlled by a member of the Center's board of directors leased a portion of the building at 900 Camp Street to the Center pursuant to a lease, which initially expired in December 1992. On December 2, 1994, the lease was amended such that no rent was due from the Center. The lessor made a pledge to donate the building and land to the Center on July 1, 1999. Therefore, the Center recorded the donation of the building as of June 30, 1999 based on the \$9,000,000 valuation specified in the act of donation. In addition, the act of donation stated that each of the terms, conditions, restrictions and covenants therein were to remain in effect for a period of 20 years from the effective date of the donation of the property.

Related entities, also controlled by the same board member, contributed approximately \$105,000 and \$130,000 to the Center during fiscal years 2004 and 2003, respectively. Other members of the Center's board of directors and parties related to them made contributions of approximately \$85,000 and \$116,000 during fiscal years 2004 and 2003, respectively.

NOTE 5 – COMMITMENTS AND CONTINGENCIES

In the ordinary course of business, the Center is involved in certain threatened or pending legal proceedings. While the ultimate resolution of these matters cannot be predicted with certainty, in the opinion of management and based on the advice of legal counsel, these actions will be resolved with no material adverse affect on the financial position, results of operations or cash flows of the Center.



**INDEPENDENT AUDITORS' 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 Contemporary Arts Center

We have audited the financial statements of the Contemporary Arts Center (the "Center" – a Louisiana not-for-profit corporation) as of and for the year ended June 30, 2004, and have issued our report thereon dated November 8, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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. However, we noted certain immaterial instances of noncompliance, which we have reported to management of the Center in a separate letter dated November 8, 2004.

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 and 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 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 solely for the information and use of management, board members, others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Legier & Matern, CPAs

November 8, 2004

SUPPLEMENTAL SCHEDULE

**CONTEMPORARY ARTS CENTER
SUPPLEMENTAL SCHEDULE OF DEPARTMENTAL ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2004**

	Program Services			
	Sponsored Projects	Performance	Education	Visual Arts
SUPPORT AND REVENUE				
Contributions	\$ -	\$ 112,250	\$ 55,000	\$ 131,281
Contributions in-kind	-	-	-	-
Restricted and program services grants	-	35,415	5,000	58,395
Membership dues	-	-	-	-
Admissions, workshop fees, meetings and conferences	2,361	134,138	40,442	42,960
Special fund-raising events and admissions	-	-	-	-
Sales of art, catalogs and subscriptions	-	-	1,735	26,444
Beverage, food and hospitality services	-	-	-	-
Investment income	-	-	-	-
Other	-	2,745	-	7,470
Net assets released from restrictions	-	(3,700)	(2,674)	1,398
Total support and revenue	2,361	280,848	99,503	267,948
EXPENSES				
Salaries	-	57,663	47,508	158,401
Payroll taxes	-	4,729	4,044	12,547
Employee benefits	-	5,022	-	6,184
Value of in-kind contributions	-	-	-	-
Artist fees	2,250	223,107	23,168	7,720
Advertising	-	12,403	325	9,225
Telephone and utilities	-	23,815	23,178	23,178
Supplies, maintenance and equipment	-	24,223	25,960	33,938
Professional, technical and contract services	-	7,748	4,562	5,164
Printing, publications, films, etc.	-	3,341	4,726	40,808
Security and insurance	-	16,630	14,384	22,778
Cost of goods sold	-	-	1,188	-
Postage and shipping	-	3,236	1,963	53,189
Beverage, food and hospitality	-	381	381	296
Meetings, conferences and travel	-	16,470	1,156	5,694
Interest expense	-	1,908	1,908	1,908
Bad debts expense	-	150	150	150
Program and royalty fees	-	397	-	10,700
Depreciation	-	6,265	6,265	6,265
Other	-	19,773	11,645	57,389
Total expenses	2,250	427,261	172,511	455,534
EXCESS (DEFICIENCY) OF SUPPORT AND REVENUE OVER (UNDER) EXPENSES	\$ 111	\$ (146,413)	\$ (73,008)	\$ (187,586)

CONTEMPORARY ARTS CENTER
SUPPLEMENTAL SCHEDULE OF DEPARTMENTAL ACTIVITY
YEAR ENDED JUNE 30, 2004

Supporting Services									
Fund Raising	Marketing	Cybercafe	Rentals/ Hospitality	Management and General	Capital Campaign	Unrestricted Totals	Temporarily Restricted	Permanently Restricted	Total
\$ 350,773	\$ -	\$ -	\$ -	\$ 13,972	\$ 156,895	\$ 820,171	\$ -	\$ 38,328	\$ 858,499
241,979	-	-	-	-	-	241,979	-	-	241,979
104,180	-	-	-	-	-	202,990	-	-	202,990
223,489	-	-	-	-	-	223,489	-	-	223,489
52,138	-	79	189,278	-	-	461,396	-	-	461,396
97,206	-	-	-	-	-	97,206	-	-	97,206
14,578	-	1,354	-	-	-	44,111	-	-	44,111
59,123	-	48,648	520,536	-	-	628,307	-	-	628,307
-	-	-	-	367	-	367	-	5,280	5,647
58,320	4,253	2,804	3,770	232	-	79,594	-	-	79,594
69,150	-	-	-	-	27,858	92,032	(92,032)	-	-
<u>1,270,936</u>	<u>4,253</u>	<u>52,885</u>	<u>713,584</u>	<u>14,571</u>	<u>184,753</u>	<u>2,891,642</u>	<u>(92,032)</u>	<u>43,608</u>	<u>2,843,218</u>
161,658	37,462	40,067	144,663	228,230	44,711	920,363	-	-	920,363
12,651	3,209	3,571	18,437	18,215	3,469	80,872	-	-	80,872
6,624	2,288	-	2,501	16,433	(882)	38,170	-	-	38,170
241,979	-	-	-	-	-	241,979	-	-	241,979
-	12,860	117	2,398	313	350	272,283	-	-	272,283
978	25,442	-	1,925	-	181	50,479	-	-	50,479
1,213	-	516	17,356	23,178	-	112,434	-	-	112,434
8,173	3,770	12,515	23,692	20,509	11,394	164,174	-	-	164,174
15,870	72,832	500	47,245	4,577	76,760	235,258	-	(17,219)	218,039
11,179	21,258	-	2,062	2,937	147	86,458	-	-	86,458
7,262	225	1,204	18,348	13,899	296	95,026	-	-	95,026
-	-	360	-	-	-	1,548	-	-	1,548
2,091	4,580	18	291	1,813	66	67,247	-	-	67,247
45,328	-	35,598	101,367	181	-	183,532	-	-	183,532
3,651	3,631	-	52	1,156	5,270	37,080	-	-	37,080
-	-	-	-	1,908	19,977	27,609	-	(72)	27,537
2,300	-	-	6,811	149	-	9,710	-	-	9,710
-	-	-	30	-	-	11,127	-	-	11,127
6,264	-	-	-	6,264	-	31,323	-	233,653	264,976
52,100	1,354	538	79,378	6,967	3,468	232,612	-	5,942	238,554
<u>579,321</u>	<u>188,911</u>	<u>95,004</u>	<u>466,556</u>	<u>346,729</u>	<u>165,207</u>	<u>2,899,284</u>	<u>-</u>	<u>222,304</u>	<u>3,121,588</u>
<u>\$ 691,615</u>	<u>\$ (184,658)</u>	<u>\$ (42,119)</u>	<u>\$ 247,028</u>	<u>\$ (332,158)</u>	<u>\$ 19,546</u>	<u>\$ (7,642)</u>	<u>\$ (92,032)</u>	<u>\$ (178,696)</u>	<u>\$ (278,370)</u>



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To the Board of Directors of
Contemporary Arts Center

In planning and performing our audit of the financial statements of Contemporary Arts Center (“the Center”) for the year ended June 30, 2004, we considered the Center’s internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control.

However, during our audit, we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. We previously reported on the Center’s internal control in our report dated November 8, 2004. This letter does not affect our report dated November 8, 2004, on the financial statements of Contemporary Arts Center.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Center personnel, and we will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

Observation 04-1

Interfund Balances

While performing our procedures on the interfund balances, we noted that while the Center still maintains an interfund balance between the unrestricted and permanently restricted funds of approximately \$100,000, the balances have decreased significantly from prior year. Due to the restrictions placed on these monies, we recommend the Center continue to decrease the frequency of borrowings and repay amounts borrowed to date. This observation was also noted in the prior year audit.

Management’s Response

The interfund balance has been decreased by almost 50% since the commitment in FY02 by management to reduce the accumulated balance owed to the Center owned endowment funds. The Center is no longer borrowing from these funds and in light of new endowment commitments, we expect this balance to again be dramatically

reduced in the next fiscal year. This will be accomplished by donating back to the restricted funds the operating administrative fees which are allowed to be deducted from certain endowment receipts.

We appreciate the cooperation we have received from the Center's personnel and the opportunity to have been of service to you and the Center.

This report is intended solely for the information and use of the Board of Directors, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

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November 8, 2004