

ACADIANA CENTER FOR THE ARTS, INC.

Lafayette, Louisiana

Financial Report
Year Ended June 30, 2018

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**Darnall, Sikes
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(A Corporation of Certified Public Accountants)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
 Acadiana Center for the Arts, Inc.
 Lafayette, Louisiana

We have audited the accompanying financial statements of Acadiana Center for the Arts, Inc. (a nonprofit corporation) which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Acadiana Center for the Arts, Inc. as of June 30, 2018, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 5 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 4, 2018, on our consideration of the Acadiana Center for the Arts, Inc. internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Acadiana Center for the Arts, Inc.'s internal control over financial reporting and compliance.

Darnall, Sikes & Frederick

A Corporation of Certified Public Accountants

Lafayette, Louisiana
September 4, 2018

ACADIANA CENTER FOR THE ARTS, INC.

Statement of Financial Position
June 30, 2018

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 108,671
Accounts receivable	27,023
Grants receivable	16,789
Prepaid expenses	<u>23,375</u>
Total current assets	<u>175,858</u>

PROPERTY AND EQUIPMENT

Art work	78,000
Furniture and equipment	<u>58,763</u>
	136,763
Less: accumulated depreciation	<u>(20,564)</u>
Net property and equipment	<u>116,199</u>

OTHER ASSETS

Investments, unrestricted	85,317
Investments, restricted for endowment	<u>1,000,000</u>
Total other assets	<u>1,085,317</u>
TOTAL ASSETS	<u>\$ 1,377,374</u>

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts payable	\$ 87,104
Accrued payroll liabilities	31,695
Accrued expenses	9,759
Deferred revenue	137,640
Current maturities of capital lease	<u>4,661</u>
Total current liabilities	<u>270,859</u>

NON-CURRENT LIABILITIES

Capital lease obligation, less current maturities	<u>-</u>
Total liabilities	<u>270,859</u>

NET POSITION

Unrestricted	101,565
Temporarily restricted	4,950
Permanently restricted	<u>1,000,000</u>
Total net position	<u>1,106,515</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 1,377,374</u>

See independent auditor's report and notes to financial statements.

ACADIANA CENTER FOR THE ARTS, INC.

Statement of Activities
Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue:				
Grants:				
Direct public grants	\$ 108,310	\$ -	\$ -	\$ 108,310
Government grants	<u>70,633</u>	<u>-</u>	<u>-</u>	<u>70,633</u>
Total grants	178,943	-	-	178,943
Contributions and support:				
Direct public support	101,729	-	-	101,729
Direct sponsorship support	366,074	-	-	366,074
Donated goods and services	214,100	-	-	214,100
Government contracts	525,631	-	-	525,631
Program income	882,938	-	-	882,938
Rental income	97,977	-	-	97,977
Special events	61,374	-	-	61,374
Concession sales	86,009	-	-	86,009
Pass-through income	337,374	-	-	337,374
Interest and dividend income	65,546	-	-	65,546
Other and miscellaneous	18,942	-	-	18,942
Net realized and unrealized gains (losses) on investments	<u>(29,355)</u>	<u>-</u>	<u>-</u>	<u>(29,355)</u>
Total contributions and revenue	<u>2,728,339</u>	<u>-</u>	<u>-</u>	<u>2,728,339</u>
Total revenue	2,907,282	-	-	2,907,282
Expenses:				
Program services	2,149,587	3,000	-	2,152,587
Administrative	<u>934,722</u>	<u>-</u>	<u>-</u>	<u>934,722</u>
Total expenses	<u>3,084,309</u>	<u>3,000</u>	<u>-</u>	<u>3,087,309</u>
DECREASE IN NET POSITION	(177,027)	(3,000)	-	(180,027)
NET POSITION, beginning	<u>278,592</u>	<u>7,950</u>	<u>1,000,000</u>	<u>1,286,542</u>
NET POSITION, ending	<u>\$ 101,565</u>	<u>\$ 4,950</u>	<u>\$ 1,000,000</u>	<u>\$ 1,106,515</u>

See independent auditor's report and notes to financial statements.

ACADIANA CENTER FOR THE ARTS, INC.

Statement of Functional Expenses
Year Ended June 30, 2018

PROGRAM SERVICES								
	Fundraising	Rentals	Community Development	Education	Exhibits	Programming	General and Admin	Total
Advertising	\$ 412	\$ 662	\$ -	\$ 139	\$ 171	\$ 9,107	\$ 412	\$ 10,903
Artist fees	1,400	-	-	76,776	5,690	778,994	100	862,960
Depreciation expense	431	-	-	298	327	988	4,919	6,963
Dues and subscriptions	12	-	-	1,056	12	1,491	6,873	9,444
Donated goods and services	15,288	481	123	3,140	3,830	15,113	176,125	214,100
Facilities and equipment	9,108	3,318	-	-	4,476	91,736	156,358	264,996
Food and beverages	4,243	310	972	3,582	402	31,220	31,334	72,063
Grant programs	-	-	183,929	12,369	-	-	-	196,298
Insurance	-	-	-	-	3,077	-	13,780	16,857
Interest expense	-	-	-	-	-	-	1,854	1,854
Licenses, fees and penalties	2,913	1,475	-	495	148	25,084	8,595	38,710
Pass-through sales and payments	1,110	54,370	-	-	5,236	67,792	15,068	143,576
Postage	992	40	213	431	7,930	2,128	1,622	13,356
Printing	466	191	767	1,578	974	8,685	1,026	13,687
Professional and contract services	7,547	6,561	9	1,636	12,065	76,579	51,355	155,752
Salaries, benefits and payroll taxes	87,892	25,871	59,581	83,540	50,114	214,382	360,227	881,607
Supplies	5,918	-	276	9,457	3,452	5,698	6,742	31,543
Telephone	-	-	-	-	-	40	24,482	24,522
Travel and meetings	1,963	9	2,039	6,247	1,129	42,881	4,336	58,604
Utilities	-	-	-	-	-	-	69,514	69,514
	<u>\$ 139,695</u>	<u>\$ 93,288</u>	<u>\$ 247,909</u>	<u>\$ 200,744</u>	<u>\$ 99,033</u>	<u>\$ 1,371,918</u>	<u>\$ 934,722</u>	<u>\$ 3,087,309</u>

See independent auditor's report and notes to financial statements.

ACADIANA CENTER FOR THE ARTS, INC.

Statement of Cash Flows
Year Ended June 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Decrease in net position	\$ (180,027)
Adjustments to reconcile change in net position to net cash used in operating activities:	
Depreciation expense	6,963
Investment activities	(32,039)
(Increase) decrease in:	
Accounts receivable	8,942
Grants receivable	10,294
Prepaid expenses	6,962
Increase (decrease) in:	
Accounts payable	25,058
Accrued payroll liabilities	(11,339)
Accrued expenses	(1,348)
Deferred revenue	9,576
	<u> </u>
Net cash used by operating activities	<u>(156,958)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Net purchases of fixed assets	(16,657)
Transfer of assets to/from endowment fund	<u>198,000</u>
Net cash provided by investing activities	<u>181,343</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Principal payments under capital lease obligations	<u>(6,079)</u>
Net cash used by financing activities	<u>(6,079)</u>
Net increase in cash	<u>18,306</u>
CASH, beginning of year	<u>90,365</u>
CASH, end of year	<u>\$ 108,671</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:	
Interest paid	<u>\$ 1,854</u>

See independent auditor's report and notes to financial statements.

ACADIANA CENTER FOR THE ARTS, INC.

Notes to Financial Statements

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Acadiana Center for the Arts, Inc. (the Organization) is a non-profit corporation that serves an eight-parish region of Southwestern Louisiana, known collectively as Acadiana. The Organization serves a pivotal role in promoting the arts of the eight-parish service area, enhancing the organizational development of the various cultural organizations, and creating new programs, projects, and opportunities for the arts to develop in southwest Louisiana. Serving as cultural environmentalists, the Organization seeks to foster and nurture an atmosphere where the arts and artists can flourish locally.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (FASB ASC) 958-205, *Financial Statements for Not-for-Profit Organizations*. Under FASB ASC 958-205, the Acadiana Center for the Arts, Inc. is required to report information regarding its financial position and activities according to three classes of net position: unrestricted net position, temporarily restricted net position, and permanently restricted net position. Net position, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net position of the Organization and changes therein are classified and reported as follows:

Unrestricted net position – Net position that is not subject to donor-imposed stipulations or grantor-imposed restrictions.

Temporarily restricted net position – Net position subject to donor-imposed stipulations or grantor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net position - Net position subject to donor-imposed stipulations or grantor-imposed stipulations that must be maintained permanently by the Organization. Generally, the donors of these assets permit the Association to use all or part of the income earned on any related investments for general or specific purposes.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

ACADIANA CENTER FOR THE ARTS, INC.

Notes to Financial Statements

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Public Support and Revenue

Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net position is reclassified to unrestricted net position and reported in the Statement of Activities as "Net Position Released from Restrictions." Restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted.

Revenue Recognition

The Organization recognizes revenue when services are performed. Prior to the service date, all collections are recorded as deferred revenue on the statement of net position. After the concert is performed or once the grant stipulations are fulfilled, the Organization realizes and records the revenue. In the event any of the productions are not presented, the advance ticket collections for that concert will be available for refund to the ticket holders. At June 30, 2018, the Organization had deferred revenue of \$137,640.

Donated Assets and Services

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. For the year ended June 30, 2018, \$162,000 of donated facilities rent and \$52,100 of donated advertising and marketing costs are reflected in the statement of functional expenses and the statement of activities.

No amounts have been reflected on the statements for volunteer services because no objective basis is available to measure the value of such services. Nevertheless, a substantial number of volunteers have donated significant amounts of their time in the Organization's program services and its fundraising activities.

Income Taxes

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore has no provision for federal income taxes. In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the code. It is also exempt from Louisiana income tax. However, should the Organization engage in activities unrelated to its exempt purpose, taxable income could result. The Organization had no material unrelated business income for the fiscal year under audit. The Organization's management believes it is no longer subject to income tax examinations for fiscal years prior to June 30, 2015.

ACADIANA CENTER FOR THE ARTS, INC.

Notes to Financial Statements

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents exclude permanently restricted cash and cash equivalents.

Accounts Receivable

Accounts receivable is primarily made up of government grants. The financial statements for the Organization do not contain an allowance for uncollectible receivables because management believes all amounts will be collected. However, if management becomes aware of information that would change its assessment about the collectability of any receivable, management would write off the receivable as bad debt at that time.

Investments

The Organization has adopted FASB ASC Subtopic 958-320, "Not-for-Profit Entities-Investments-Debt and Equity Securities." Under FASB ASC Subtopic 958-320, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Fair Values of Financial Instruments

Fair value accounting standards define fair value, establish a framework for measuring fair value, outline a fair value hierarchy based on inputs used to measure fair value and enhance disclosure requirements for fair value measurements. The fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Level 1 or 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

- Level 1 inputs are quoted prices in active markets for identical investments that the investment manager has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the investment, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the investment.

ACADIANA CENTER FOR THE ARTS, INC.

Notes to Financial Statements

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Organization's statement of financial position includes the following financial instruments that are required to be measured at fair value on a recurring basis:

- Investments in mutual funds and common stock are considered Level 1 assets and are reported at fair value based on quoted prices in active markets for identical assets at the measurement date.

Property and Equipment

Property and equipment are stated at cost for assets purchased and at fair value at the date of donation for contributed assets. Donations of property and equipment are recorded as support at their estimated fair market value and are reported as unrestricted unless the donor has restricted the donated assets for a specific purpose. Depreciation is computed using the straight-line method over the estimated useful lives of the assets which range from 5 to 10 years. All acquisitions of property and equipment in excess of \$1,000 are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed.

Advertising

Advertising costs are expensed as incurred. Advertising expense was \$10,903 for the year ended June 30, 2018. The Organization also received an additional \$2,489 of donated advertising services which are shown as donated goods and services on the statement of functional expenses.

Compensated Absences

The obligation of accumulated paid time off is recorded in the Statement of Financial Position and Statement of Activities. Employees of the Organization are entitled to paid time off, depending on job classification, length of service, and other factors. The annual leave varies from 144 to 224 hours per fiscal year, based on the employee's length of service. Upon separation, employees are paid for any unused paid time off at the employee's current rate of pay. Compensated absences payable was \$29,011 for the year ended June 30, 2018, and is included in accrued payroll liabilities on the Statement of Financial Position.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

ACADIANA CENTER FOR THE ARTS, INC.

Notes to Financial Statements

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Uses 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 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.

Subsequent Events

Management has evaluated subsequent events through September 4, 2018, the date the financial statements were available to be issued.

NOTE 2 RECEIVABLES

As of June 30, 2018, grants receivable consisted of the following:

Lafayette Parish School Board	\$ 6,000
Louisiana Division of the Arts	<u>10,789</u>
	<u>\$ 16,789</u>

NOTE 3 PROPERTY AND EQUIPMENT

A summary of changes in property and equipment is as follows:

	Balance July 1, 2017	Additions	Disposals	Balance June 30, 2018
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Artwork	\$ 78,000	\$ -	\$ -	\$ 78,000
Furniture and equipment	<u>42,106</u>	<u>16,657</u>	<u>-</u>	<u>58,763</u>
Total	<u>120,106</u>	<u>16,657</u>	<u>-</u>	<u>136,763</u>
Accumulated depreciation	<u>(13,601)</u>	<u>(6,963)</u>	<u>-</u>	<u>(20,564)</u>
Property and equipment, net	<u>\$ 106,505</u>	<u>\$ 9,694</u>	<u>\$ -</u>	<u>\$ 116,199</u>

Depreciation expense was \$6,963 for the year ended June 30, 2018.

ACADIANA CENTER FOR THE ARTS, INC.

Notes to Financial Statements

NOTE 4 INVESTMENTS

Investment securities are carried at fair value based on quoted prices in active markets (all Level 1 Measurements) and consist of the following at June 30, 2018:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation</u>
Cash and cash equivalents	\$ 19,730	\$ 19,730	\$ -
Marketable equity securities	<u>1,039,350</u>	<u>1,065,587</u>	<u>26,237</u>
	<u>\$ 1,059,080</u>	<u>\$ 1,085,317</u>	<u>\$ 26,237</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended June 30, 2018:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest and dividends	\$ 1	\$ 65,190	\$ -	\$ 65,191
Net realized and unrealized gains	<u>(143)</u>	<u>(29,116)</u>	<u>-</u>	<u>(29,259)</u>
	<u>\$ (142)</u>	<u>\$ 36,074</u>	<u>\$ -</u>	<u>\$ 35,932</u>

NOTE 5 INVESTMENTS – DONOR-DESIGNATED ENDOWMENTS

The Organization’s endowment consists of funds that are to be used to support the mission of the Organization. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Per the donation agreement, the historical dollar amount of the endowment fund is to be preserved. The Organization classifies, as permanently restricted net assets, the original value of gifts donated to the permanent endowment and the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure. Under the Organization’s spending policy, in the absence of donor restrictions, the net appreciation on a donor-restricted endowment fund is spendable. The donors have not placed restrictions on the use of investment income or net appreciation resulting from the donor-restricted endowment fund. Appropriations for expenditures from endowment funds are to be approved by the Board of Directors.

Interpretation of Relevant Law. The Board of Directors of the Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the

ACADIANA CENTER FOR THE ARTS, INC.

Notes to Financial Statements

NOTE 5 INVESTMENTS – DONOR-DESIGNATED ENDOWMENTS (CONTINUED)

accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA.

*Interpretation of Relevant Law (continued).*In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment fund: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization’s investment policies.

Investment Return Objectives, Risk Parameters and Strategies. The Organization has adopted an investment policy, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment fund while also seeking to maintain the purchasing power of these endowment assets over the long-term. Endowment assets are invested in a well-diversed asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Endowment net asset composition as of June 30, 2018 was as follows:

	Unrestricted	Permanently Restricted	Total Net Endowment Assets
Donor-restricted endowment funds	<u>\$ 85,317</u>	<u>\$ 1,000,000</u>	<u>\$ 1,085,317</u>

Changes in endowment net assets as of June 30, 2018 were as follows:

	Unrestricted	Permanently Restricted	Total Net Endowment Assets
Endowment net assets, beginning of year	\$ 247,236	\$ 1,000,000	\$ 1,247,236
Transfer of assets to endowment fund	-	-	-
Investment income	56,826	-	56,826
Net appreciation	(11,823)	-	(11,823)
Amounts appropriated for expenditure	<u>(206,922)</u>	-	<u>(206,922)</u>
Endowment net assets, end of year	<u>\$ 85,317</u>	<u>\$ 1,000,000</u>	<u>1,085,317</u>

ACADIANA CENTER FOR THE ARTS, INC.

Notes to Financial Statements

NOTE 6 CAPITAL LEASE

During 2014, the Organization entered into an agreement to lease equipment in the amount of \$30,395 through 2019. The asset and liability under the capital lease are recorded at the fair value of the asset. The asset is amortized over the estimated useful life. Amortization of the asset under the capital lease is included in depreciation expense for 2018. Leasing terms and future minimum lease payments under the capital lease are as follows:

Lease payable to Ascentium, dated April 2, 2014, original amount of \$30,395, bearing interest at a fixed rate of 6.99%, payable in 60 monthly installments of \$598, including principal and interest, maturing March 1, 2019, collateralized by the lighting equipment.	\$ 4,661
Less current maturities	<u>(4,661)</u>
Long-term debt, net	<u>\$ -</u>
Maturities of long-term debt:	
2019	<u>\$ 4,661</u>
	<u>\$ 4,661</u>

NOTE 7 RESTRICTED NET POSITION

The Organization has assets which are restricted in their application by virtue of the donor's intention or commitments already entered into by the Organization. Permanently restricted net assets are to be held in perpetuity and the earnings are to be used for the programs of the Organization. Details on the restricted balances are set out below:

PERMANENTLY RESTRICTED NET POSITION	
James D. Moncus Family Foundation	<u>\$ 1,000,000</u>
	<u>\$ 1,000,000</u>

NOTE 8 DONATED SERVICES AND FACILITIES

The Organization received a significant amount of donated services from unpaid volunteers who assist in fundraising and special projects. No amounts have been recognized in the Statement of Activities because the criteria for recognition under SFAS No. 116 has not been satisfied. On December 2, 2003, the Organization executed a lease with the Lafayette Consolidated Government to begin upon occupation of a newly constructed facility. The lease period was ten years with the right to renew for three consecutive periods of five years each. The lease was renewed for an additional five years in December 2013. Under the agreement, the Organization will pay rent at the rate of \$100 per year, as well as be responsible for payment of all insurance and maintenance, heating and cooling and elevator systems. The estimated rental in the amount of \$172,085 has been reflected in the accompanying financial statements as contributions with a like amount shown as donated goods and services.

ACADIANA CENTER FOR THE ARTS, INC.

Notes to Financial Statements

NOTE 9 FUNDRAISING EXPENSE

Each year, the Organization hosts several fundraising events. Fundraising costs are expensed as incurred. The total fundraising expense for the year ended June 30, 2018 was \$139,695, of this amount, \$15,288 represent in-kind donations.

NOTE 10 PENSION PLAN

On October 1, 1999, the Organization adopted a Simplified Employee Pension Plan. The plan covers all part-time and full-time employees who meet a specified earnings threshold within two consecutive years, and are age 21 or older. Contributions to the plan each year are determined by the Board of Directors. The contribution cannot exceed fifteen percent of the employees' compensation or \$30,000, whichever is less. No contributions were made to the plan for the year ended June 30, 2018.

NOTE 11 COMPENSATION OF BOARD OF DIRECTORS

Directors do not receive any compensation for their services as Directors of the Organization. Directors may be reimbursed for their expenses, if any, incurred in carrying out the purposes of the Organization, provided that such reimbursement does not adversely affect the Organization's qualification under Section 501(c)(3) of the Internal Revenue Code.

NOTE 12 CONCENTRATIONS

The Organization received a substantial portion of its revenues from City, Parish and State grants and contracts. Any substantial change in any of these components could have adverse effects on the Organization's financial condition.

NOTE 13 CONCENTRATION OF CREDIT RISK

The Organization maintains cash balances at one financial institution. Accounts at the institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. The balance, at times, may exceed federally insured limits. At June 30, 2018, the Organization had no uninsured cash balances.

NOTE 14 INVESTMENT EXPENSES

Expenses relating to investment revenues, including custodial fees and investment advisory fees, amounted to \$9,078 and have been netted against investment revenues in the accompanying Statement of Activities.

ACADIANA CENTER FOR THE ARTS, INC.

Notes to Financial Statements

NOTE 15 CONTINGENCIES – GRANT PROGRAMS

The Organization participates in federal, state and local grant programs, which are governed by various rules and regulations. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Organization has not complied with the rules and regulations governing the grants, refunds of any money received and the collectability of any related receivable at year end may be impaired. In management’s opinion, there are no significant contingent liabilities relating to compliance with the rules and regulations governing state and local grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies. Any costs that would be disallowed would be recognized in the period agreed upon by the grantor agency and the Organization.

NOTE 16 COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO DIRECTOR

A detail of compensation, benefits, and other payments made to the executive directors Gerd Wuestemann, Breanne Sargent and Vicki Chrisman for the year ended June 30, 2018.

Purpose	Amount
Salary	\$ 118,438
Benefits - insurance and retirement	9,057
Paid time off	20,947
Total	<u>\$ 148,442</u>

NOTE 18 FAIR VALUE MEASUREMENTS

The following table summarizes assets measured at fair value by classification within the fair value hierarchy at June 30, 2018:

	Quoted Price in Active Markets for Identical Assets (Level 1)
Cash and sweep balances	\$ 19,730
Stocks, options and ETFs	321,010
Fixed income securities	222,708
Mutual funds	393,631
Preferreds/fixed rate cap secs	128,238
	<u>\$ 1,085,317</u>

INTERNAL CONTROL AND COMPLIANCE



**Darnall, Sikes
& Frederick**

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* (Emeritus)

**Independent Auditor's Report on
 Internal Control Over Financial Reporting and on Compliance
 and Other Matters Based on an Audit of Financial Statements
 Performed in Accordance with *Government Auditing Standards***

The Board of Directors
 Acadiana Center for the Arts, Inc.
 Lafayette, Louisiana

We have audited, in accordance with the 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, the financial statements of the Acadiana Center for the Arts, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 4, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Acadiana Center for the Arts, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Acadiana Center for the Arts, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Acadiana Center for the Arts, Inc.'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Acadiana Center for the Arts, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of the board of directors, management, others within the organization and is not intended to be and should not be used by anyone other than those specified parties. However, Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Darnall, Sikes & Frederick

A Corporation of Certified Public Accountants

Lafayette, Louisiana
September 4, 2018

ACADIANA CENTER FOR THE ARTS, INC.

Schedules of Findings and Questioned Costs
Year Ended June 30, 2018

Part I: Summary of Auditor's Results

FINANCIAL STATEMENTS

Auditor's Report - Financial Statements

An unmodified opinion has been issued on Acadiana Center for the Arts, Inc.'s financial statements as of and for the year ended June 30, 2018.

Deficiencies and Material Weaknesses in Internal Control – Financial Reporting

No deficiencies or material weaknesses in internal control over financial reporting were disclosed during the audit of the financial statements.

Material Noncompliance - Financial Reporting

There were no instances of noncompliance material to the financial statements noted during the audit of the financial statements.

FEDERAL AWARDS

This section is not applicable for the fiscal year ended June 30, 2018.

Part II: Findings Relating to an Audit in Accordance with *Government Auditing Standards*

This section is not applicable for the fiscal year ended June 30, 2018.

Part III: Findings and Questioned Costs Relating to Federal Programs

At June 30, 2018, the Acadiana Center for the Arts, Inc. did not meet the requirements to have a single audit in accordance with OMB Circular A-133, therefore, this section is not applicable.

Part IV: Management Letter

The auditor did not issue a management letter this year.

ACADIANA CENTER FOR THE ARTS, INC.

Summary Schedule of Prior Year Findings
Year Ended June 30, 2018

This section is not applicable for the year ended June 30, 2018.

ACADIANA CENTER FOR THE ARTS, INC.

Management's Corrective Action Plan for Current Year Findings
Year Ended June 30, 2018

This section is not applicable for the year ended June 30, 2018.

ACADIANA CENTER FOR THE ARTS, INC.

Lafayette, Louisiana

Agreed-Upon Procedures
Year Ended June 30, 2018



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**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES**

To the Board of Directors
Acadiana Center for the Arts, Inc.
Lafayette, Louisiana

We have performed the procedures enumerated below, which were agreed to by Acadiana Center for the Arts, Inc. and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2017 through June 30, 2018. The Entity's management is responsible for those C/C areas identified in the AUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this 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.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:

a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget:

Written policies and procedures were obtained and do address the functions noted above.

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- b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes:

Written policies and procedures were obtained and do address the functions noted above.

- c) **Disbursements**, including processing, reviewing, and approving:

Written policies and procedures were obtained and do address the functions noted above.

- d) **Receipts**, including receiving, recording, and preparing deposits:

Written policies and procedures were obtained and do address the functions noted above.

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked:

Written policies and procedures were obtained and do address the functions noted above.

- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process:

Written policies and procedures were obtained and do address the functions noted above.

- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage:

Written policies and procedures were obtained and do address the functions noted above.

- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers:

Written policies and procedures were obtained and do address the functions noted above.

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits:

The entity is a nonprofit; therefore, not applicable.

- j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements:

The entity is a nonprofit; therefore, not applicable.

Board (or Finance Committee, if applicable)

No exceptions were noted during the fiscal year ended June 30, 2017 AUP engagement; therefore, this section was excluded from testing this fiscal year.

Bank Reconciliations

No exceptions were noted during the fiscal year ended June 30, 2017 AUP engagement; therefore, this section was excluded from testing this fiscal year.

Collections

No exceptions were noted during the fiscal year ended June 30, 2017 AUP engagement; therefore, this section was excluded from testing this fiscal year.

Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)

No exceptions were noted during the fiscal year ended June 30, 2017 AUP engagement; therefore, this section was excluded from testing this fiscal year.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

No exceptions were noted during the fiscal year ended June 30, 2017 AUP engagement; therefore, this section was excluded from testing this fiscal year.

Travel and Expense Reimbursement

2. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete:

Obtained listing of travel and expense reimbursements by person and management provided representation that the listing is complete.

3. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates:

Written policies and procedures were obtained and no amounts listed in the policies regarding travel and expense reimbursements exceed GSA rates.

4. Using the listing or general ledger from above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

Expenses selected were reimbursed in accordance with written policies.

- a) Report whether each expense is supported by:

- An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]:

Expenses selected were reimbursed in accordance with established per diem amount.

- Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating):

Documentation of the business purpose was noted for each expense reimbursement selected.

- Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance):

Documentation required by written policy was noted for each expense reimbursement selected.

- b) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception:

No exceptions noted.

- c) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement:

Each expense reimbursement selected was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Contracts

No exceptions were noted during the fiscal year ended June 30, 2017 AUP engagement; therefore, this section was excluded from testing this fiscal year.

Payroll and Personnel

No exceptions were noted during the fiscal year ended June 30, 2017 AUP engagement; therefore, this section was excluded from testing this fiscal year.

Ethics (excluding nonprofits)

No exceptions were noted during the fiscal year ended June 30, 2017 AUP engagement; therefore, this section was excluded from testing this fiscal year.

Debt Service (excluding nonprofits)

No exceptions were noted during the fiscal year ended June 30, 2017 AUP engagement; therefore, this section was excluded from testing this fiscal year.

Other

- 5. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled:

Management has asserted that the entity did not have any misappropriations of public funds or assets during the reporting period.

6. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.lla.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds:

Required notices were noted on the premises or website.

7. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception:

No exceptions noted.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Dannall, Sikes & Frederick

A Corporation of Certified Public Accountants

Lafayette, Louisiana
September 4, 2018