



*Luther Speight & Company, LLC*  
*Certified Public Accountants and Consultants*

**ARTS COUNCIL OF NEW ORLEANS**  
**AUDITED FINANCIAL STATEMENTS**  
**WITH INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Arts Council of New Orleans  
New Orleans, Louisiana

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the accompanying financial statements of Arts Council of New Orleans (a nonprofit organization) (Arts Council), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Arts Council as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Report on Summarized Comparative Information**

We have previously audited Arts Council's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 17, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

#### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Arts Council and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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## **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Arts Council's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* and will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements. In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Arts Council's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

Continued,

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Arts Council's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of compensation, benefits, and other payments to agency head 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 schedule of compensation, benefits, and other payments to agency head 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 June 20, 2023 on our consideration of the Arts Council's 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 solely 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 the effectiveness of the Arts Council's 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 the Arts Council's internal control over financial reporting and compliance.



Luther Speight & Company CPAs

New Orleans, Louisiana

June 20, 2023

**ARTS COUNCIL OF NEW ORLEANS  
STATEMENTS OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 787,765	\$ 628,687
Restricted Cash	1,527,903	421,638
Accounts Receivable	398,608	429,624
Grant Receivable	183,162	41,999
Investments	4,113,192	230,967
Deposits	1,900	500
<b>Total Current Assets</b>	<u>7,012,530</u>	<u>1,753,415</u>
<b>Non-Current Assets</b>		
Art Collection	27,075	27,652
Fixed Assets, net	103,165	28,815
<b>Total Non-Current Assets</b>	<u>130,240</u>	<u>56,467</u>
<b>TOTAL ASSETS</b>	<u>\$ 7,142,770</u>	<u>\$ 1,809,882</u>
<b>LIABILITIES &amp; NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 214,776	\$ 94,977
Accrued Expenses	3,503	3,123
Grants Payable	385,371	150,531
Refundable Advances	4,870,389	300,477
<b>Total Current Liabilities</b>	<u>5,474,039</u>	<u>549,108</u>
<b>TOTAL LIABILITIES</b>	<u>5,474,039</u>	<u>549,108</u>
<b>NET ASSETS</b>		
Without Donor Restrictions	1,241,509	830,854
With Donor Restrictions	427,222	429,920
<b>TOTAL NET ASSETS</b>	<u>1,668,731</u>	<u>1,260,774</u>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<u>\$ 7,142,770</u>	<u>\$ 1,809,882</u>

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

ARTS COUNCIL OF NEW ORLEANS  
 STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
 FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND OTHER SUPPORT</b>						
Grant Income	\$ 66,877	\$ 543,376	\$ 610,253	\$ 133,926	\$ 243,174	\$ 377,100
Contributions	310,237	244,648	554,885	26,478	246,969	273,447
Contracts	464,851	442,012	906,863	439,263	564,560	1,003,823
Earned Income	241,874	-	241,874	172,327	-	172,327
Other Income	102,755	-	102,755	162,741	-	162,741
Regranting Income	-	992,033	992,033	24,997	430,000	454,997
Released from Restriction	2,224,767	(2,224,767)	-	1,470,751	(1,470,751)	-
<b>Total Revenues and Other Support</b>	<b>3,411,361</b>	<b>(2,698)</b>	<b>3,408,663</b>	<b>2,430,483</b>	<b>13,952</b>	<b>2,444,435</b>
<b>EXPENSES</b>						
Program Services:						
Artist Services	1,162,433	-	1,162,433	609,215	-	609,215
Luna Fete/Ball	613,432	-	613,432	323,176	-	323,176
Public Art	877,107	-	877,107	994,012	-	994,012
Supporting Services:						
Management and General	255,071	-	255,071	193,324	-	193,324
Fundraising	92,663	-	92,663	50,775	-	50,775
<b>Total Expenses</b>	<b>3,000,706</b>	<b>-</b>	<b>3,000,706</b>	<b>2,170,502</b>	<b>-</b>	<b>2,170,502</b>
<b>CHANGE IN NET ASSETS</b>	<b>410,655</b>	<b>(2,698)</b>	<b>407,957</b>	<b>259,981</b>	<b>13,952</b>	<b>273,933</b>
Net assets, beginning of year	830,854	429,920	1,260,774	570,873	415,968	986,841
<b>Net assets, end of year</b>	<b>\$ 1,241,509</b>	<b>\$ 427,222</b>	<b>\$ 1,668,731</b>	<b>\$ 830,854</b>	<b>\$ 429,920</b>	<b>\$ 1,260,774</b>

The accompanying notes are an integral part of these financial statements

**ARTS COUNCIL OF NEW ORLEANS  
STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	<u>Program Services</u>			<u>Supporting Services</u>		<u>2022 Total</u>	<u>2021 Total</u>
	<u>Artist Services</u>	<u>Luna Fete/Ball</u>	<u>Public Art</u>	<u>Management and General</u>	<u>Fundraising</u>		
Salaries and Wages	\$ 90,971	\$ 73,500	\$ 230,180	\$ 106,040	\$ 62,271	\$ 562,962	\$ 338,020
Payroll Taxes and Benefits	17,074	23,936	47,657	33,411	13,981	136,059	90,154
Artist Fees and Services	7,945	196,261	482,951	920	722	688,799	856,125
Professional and Event Fees	7,715	160,014	23,398	9,958	5,445	206,530	176,187
Occupancy	20,929	20,797	23,339	10,207	1,554	76,826	54,799
Travel, Meetings, Conferences, and Courses	191	9,364	11,197	2,449	500	23,701	4,737
Supplies	2,072	46,172	25,838	585	2,244	76,911	48,298
Advertising	5,573	19,716	-	3,039	-	28,328	3,306
Insurance	1,807	6,375	4,940	2,333	1,276	16,731	15,186
Postage, Printing, and Duplicating	65	5,134	1,723	1,217	1,435	9,574	10,792
Depreciation	-	-	-	16,359	-	16,359	4,978
Bad Debt Expense	-	-	-	33,972	-	33,972	800
Other Expenses	5,429	4,397	1,362	6,546	138	17,872	16,713
Regranting Expense	992,533	-	-	-	-	992,533	465,497
Repairs and Maintenance	-	-	476	-	-	476	8,858
Equipment Rental	3,246	23,823	8,376	881	546	36,872	20,504
Catering and Food	1,341	23,943	9,672	468	2,551	37,975	25,788
Computer Fees	5,542	-	5,998	26,686	-	38,226	29,760
<b>Total Expenses</b>	<b>\$ 1,162,433</b>	<b>\$ 613,432</b>	<b>\$ 877,107</b>	<b>\$ 255,071</b>	<b>\$ 92,663</b>	<b>\$ 3,000,706</b>	<b>\$ 2,170,502</b>

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

**ARTS COUNCIL OF NEW ORLEANS  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

	<b>2022</b>	<b>2021</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 407,957	\$ 273,933
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	16,359	4,978
Donation of Computers	(90,709)	-
(Increase)/Decrease in operating assets:		
Account Recievable	31,016	147,883
Grants Receivable	(141,163)	167,065
Prepaid Expense	(1,400)	9,305
Art Collection	577	-
Increase/(Decrease) in operating liabilities:		
Accounts Payable	119,799	53,865
Grants Payable	234,840	(130,544)
Accrued Expenses	380	(3,157)
<b>Net Cash Provided by Operating Activities</b>	<b>577,656</b>	<b>523,328</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Investments	(3,882,225)	(226,311)
Purchases of Fixed Assets	-	(22,341)
<b>Net Cash Used by Investing Activities</b>	<b>(3,882,225)</b>	<b>(248,652)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Refundable Advances	4,569,912	(88,100)
<b>Net Cash Provided/(Used) by Financing Activities</b>	<b>4,569,912</b>	<b>(88,100)</b>
<b>NET CHANGE IN CASH AND EQUIVALENTS AND RESTRICTED CASH</b>	1,265,343	186,576
<b>CASH AND CASH EQUIVALENTS AND RESTRICTED CASH - BEGINNING OF PERIOD</b>	<b>1,050,325</b>	<b>863,749</b>
<b>CASH AND CASH EQUIVALENTS AND RESTRICTED CASH - END OF PERIOD</b>	<b>\$ 2,315,668</b>	<b>\$ 1,050,325</b>

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

**ARTS COUNCIL OF NEW ORLEANS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**NOTE 1 – ORGANIZATION AND BACKGROUND**

The Arts Council of New Orleans, dba Arts New Orleans (the Organization), a Louisiana non-profit corporation, is the City of New Orleans' officially designated arts agency. The Organization was formed in 1975 as a result of a merger of the Arts Council of Greater New Orleans and the Mayor's Committee for Arts and Cultural Development. The Organization's efforts are directed toward enhancing the cultural and artistic environment in the New Orleans metropolitan area.

Now in its fourth decade, the Organization improves the quality of life in New Orleans by supporting, activating, and investing in our city's greatest natural resource: our artists, cultural producers, and creative community. The Organization advocates for the arts economy and supports a more equitable, joyful, and resilient city through its programs and services.

Building on the community's abundant cultural wealth and creativity, the Organization envisions a New Orleans in which arts and culture play a pivotal role in all areas of policy, planning, and placemaking. They believe art and artists should be central to all community and economic development efforts – from public health to public safety, education to infrastructure.

**NOTE 2 –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Principles of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. The financial statements of the Organization are prepared on the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred.

Basis of Reporting

The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-210-50-3, Financial Statements of Not-for-Profit Organizations. Under the provisions of the Codification, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors. The revenues received in conducting the mission of the Organization are included in this category.

**ARTS COUNCIL OF NEW ORLEANS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby, the donor has stipulated the funds be maintained in perpetuity.

Revenue Recognition

***Contributions***

Contributions are reported as increases in net assets with donor restrictions or net assets without donor restrictions depending on the existence and/or nature of any donor restrictions. Grants and contributions without donor restrictions are recorded as revenue when received or unconditionally pledged. Contributions with donor restrictions are recognized as revenues with donor restrictions and reported as releases from restrictions when a stipulated time restriction ends, or purpose restriction is accomplished.

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, 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. During the year ended December 31, 2022 and 2021, there were no non-financial assets donated.

***Earned Income***

The Organization receives concession and ticket sales during its special events. Also, the Organization rents space for its monthly arts markets. These amounts are recognized into revenue on the date of the events, which is when the relevant performance obligations are fulfilled. The Organization has applied the newly adopted revenue recognition standard, ASU Topic 606, to the earned income revenue.

***Contracted Services***

The Organization provides public art services through contracts with municipalities, nonprofit organizations, and private companies. Because the primary beneficiary of the contracts are the general public and various artists, the contracted services are accounted for as non-exchange transactions. Advanced receipts of funds with contractual stipulations are treated as conditional contributions until the contracted services have been performed.

**ARTS COUNCIL OF NEW ORLEANS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Board Designated Net Assets

The Organization's governing board has designated \$263,424 and \$299,468 from net assets without donor restrictions to serve as an emergency reserve as of December 31, 2022 and 2021, respectively.

Use of Estimates

Accounting principles generally accepted in the United States of America require 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.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents including bank repurchase agreements. For the years ended December 31, 2022 and 2021, the Organization did not have any cash equivalents.

Restricted Cash

The City of New Orleans made it a requirement that the Organization hold cash restricted for the Community Arts Grants and the Percent of Art program (Note 8) in a designated bank account. At December 31, 2022 and 2021, the Organization held \$1,527,903 and \$421,638 in separate bank accounts in connection with this agreement.

Accounts and Grants Receivable and Allowance for Doubtful Accounts

Grants and accounts receivable consist of amounts due to the Organization for services provided through December 31st that have not yet been collected. Management monitors the receivables and assesses the collectability of accounts on a monthly basis. The Organization records an allowance for uncollectible accounts based on an assessment of the receivables, taking into consideration the nature of the account and aging of the balance. For the years ended December 31, 2022 and 2021, management has determined that all amounts were collectible, and no allowance was necessary.

**ARTS COUNCIL OF NEW ORLEANS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Pledges Receivable

The Organization records unconditional promises to give as pledges receivable on the statements of financial position. Unconditional promises to give expected to be collected within one year are recorded at estimated net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at the present value of their net realizable value, using discount rates applicable to the years in which the promises are to be received. At December 31, 2022 and 2021, there were no outstanding pledges receivable.

Investments

Investments in marketable securities and mutual funds with readily determinable fair values and all investments in debt securities are reported at fair value in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities as increases or decreases in net assets without donor restrictions unless their use is with restrictions by explicit donor stipulations or law. Dividend, interest, and other investment income are recorded as increases in net assets without donor restriction unless the use is restricted by the donor.

FASB ASC topic 820, *Fair Value Measurements and Disclosures* emphasizes market-based measurement and, in doing so, stipulates a fair value hierarchy. The hierarchy is based on the type of inputs, or data used, to measure fair value. The fair value hierarchy is summarized below:

Level 1 lies at the top of the hierarchy; inputs are quoted prices in active markets.

Level 2 inputs are in the middle of the hierarchy, where data is adjusted from similar items traded in markets that are active markets or from identical or similar items in markets that are not active. Level 2 inputs do not stem directly from quoted prices.

Level 3 inputs are unobservable and require the entity to develop its own assumptions.

Investments other than mutual funds are valued at the fair value of the trust investments as reported to the Organization by the trustees and include the use of Net Asset Values (NAV) as the primary input to measure fair value.

Contributed Artwork

The Organization has paintings and sculptures in its possession. This artwork is recorded at its appraised value at the time of donation. The carrying value of the artwork at December 31, 2022 and 2021 was \$27,075 and \$27,652, respectively.

**ARTS COUNCIL OF NEW ORLEANS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Capital Assets

The Organization follows the practice of capitalizing, at cost, all expenditures for assets with an economic life greater than one year in excess of \$1,000. Depreciation is computed using the straight-line method over the estimated useful life of each asset.

Furniture and equipment - 5 Years  
Leasehold improvements - 5 Years

Impairment of Long-lived assets

The Organization reviews long-lived assets, consisting of property and equipment and contributed artwork, and cost in excess of net assets acquired, for impairment and determines whether an event or change in facts and circumstances indicates that their carrying amount may not be recoverable. The Organization determines the recoverability of the assets by comparing the carrying value of the asset to net future undiscounted cash flows that the asset is expected to generate. The impairment recognized is the amount by which the carrying amount exceeds the fair market value of the asset. There were no asset impairments recorded for the years ended December 31, 2022 or 2021.

Advertising

The Organization expenses advertising as incurred. Advertising expense was \$28,328 and \$3,306 for the years ended December 31, 2022 and 2021, respectively and is recorded as advertising expense in the statements of activities.

Functional Allocation of Expenses

The costs of providing various program and supporting services have been reported on a functional basis in the Statement of Functional Expenses. Expenses that are identified with a specific program or support service are charged directly according to the natural classification. Other shared costs have been allocated among the various program and supporting services based on usage or other estimates made by management.

**ARTS COUNCIL OF NEW ORLEANS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and from state income tax under Section 121(5) of Title 47 of the Louisiana Revised Statutes of 1950. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

The Organization's evaluation as of December 31, 2022 and 2021 revealed no tax positions that would have a material impact on the financial statements. The Organization does not believe that any reasonably possible changes will occur within the next twelve months that will have a material impact on the financial statements.

New Accounting Pronouncements

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842), which is intended to improve financial reporting on leasing transactions. ASU No. 2016-02 will require lessees to recognize right of use assets and lease obligations for operating and finance leases under terms greater than 12 months. ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2020, with early adoption permitted. ASU No. 2016-02 must be applied modified retrospectively. On June 3, 2020, FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)* that extended the effective date for certain entities, including the Organization, to annual periods beginning after December 15, 2021. The Organization's leases are short-term, with terms of less than 12 months, which results in no changes to the financial statements.

On September 17, 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The Update is expected to increase transparency around contributed nonfinancial assets (also known as "gifts-in-kind) received by not-for-profit organizations, including transparency on how those assets are used and how they are valued. The Update requires that contributed nonfinancial assets be presented as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. It also requires additional disclosures. The ASU is applicable for periods beginning after June 15, 2021. During the Years ended December 31, 2022 and 2021, the Organization did not receive any contributed nonfinancial assets so no changes to the financial statements were needed.

**ARTS COUNCIL OF NEW ORLEANS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**NOTE 3 - LIQUIDITY AND AVAILIBLTY OF FINANCIAL ASSETS**

The following reflects the Organization’s financial assets as of December 31, 2022 and 2021, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. Amounts not available also include amounts set aside by the Board of Directors that could be drawn upon if the board approves that action.

	<u>2022</u>	<u>2021</u>
Financial assets	\$ 7,012,530	\$ 1,838,970
Less those unavailable for general expenditures within one year due to:		
Board designated net assets	<u>(690,646)</u>	<u>(729,388)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 6,321,884</u>	<u>\$ 1,109,582</u>

As part of the Organization’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in certificates of deposit or an investment fund with a community foundation. Although the Organization does not intend to spend from its certificates of deposit or investment fund other than amounts appropriated for general expenditure as part of its annual budget approval process, amounts from those sources could be made available if necessary.

**NOTE 4 – INVESTMENTS**

The Organization maintains an unrestricted fund at the Greater New Orleans Foundation (GNOF). This fund is in an investment pool managed by GNOF and consists of equity, fixed income, money market funds and other investments determined by GNOF. The balance of the fund as of December 31, 2022 and 2021 was \$201,696 and \$230,967, respectively. The Organization has also invested in fixed income securities. The balance of the fixed securities as of December 31, 2022 was \$3,911,496.

**ARTS COUNCIL OF NEW ORLEANS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**NOTE 4 – INVESTMENTS (CONTINUED)**

The following table sets forth by level, within the fair value hierarchy, the Organizations’ assets at fair value as of December 31, 2022 and 2021:

	<b><u>2022</u></b>			
	<b><u>Level 1</u></b>	<b><u>Level 2</u></b>	<b><u>Level 3</u></b>	<b><u>Fair Value</u></b>
Fixed Income - Government Bonds	\$ 3,911,496	\$ -	\$ -	\$ 3,911,496
GNOF Investment Pool	<u>-</u>	<u>201,696</u>	<u>-</u>	<u>201,696</u>
Total Investments	<u>\$ 3,911,496</u>	<u>\$ 201,696</u>	<u>\$ -</u>	<u>\$ 4,113,192</u>

	<b><u>2021</u></b>			
	<b><u>Level 1</u></b>	<b><u>Level 2</u></b>	<b><u>Level 3</u></b>	<b><u>Fair Value</u></b>
GNOF Investment Pool	<u>\$ -</u>	<u>\$ 230,967</u>	<u>\$ -</u>	<u>\$ 230,967</u>
Total Investments	<u>\$ -</u>	<u>\$ 230,967</u>	<u>\$ -</u>	<u>\$ 230,967</u>

**NOTE 5- CAPITAL ASSETS**

Capital Assets are recorded at cost and are summarized as follows by major classification:

	<b><u>2022</u></b>	<b><u>2021</u></b>
Equipment, Furniture and Fixtures	\$ 155,498	\$ 64,789
Less: Accumulated Depreciation	<u>(52,333)</u>	<u>(35,974)</u>
Net Capital Assets	<u>\$ 103,165</u>	<u>\$ 28,815</u>

Depreciation expense was \$16,359 and \$4,978 during the years ended December 31 2022 and 2021, respectively.

**NOTE 6- GRANTS PAYABLE**

Grants payable represent amounts owed to recipients of arts grants awarded by the Organization but not yet paid. Final payments are made upon receipt of final reports from the recipients. Grants payable totaled \$385,371 and \$150,531 for the years ended December 31, 2022 and 2021, respectively.

**ARTS COUNCIL OF NEW ORLEANS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are available for the following purposes at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
<b>Purpose Restrictions:</b>		
Airport Project	\$ 100,000	100,000
Convention Center	92,821	55,000
Carrollton Courthouse	32,015	500
Touro Murals	7,965	148,900
New Orleans East Project	25,718	55,972
Young Artist Movement Project	46,829	42,330
Apple Corporation	121,874	27,218
	<u>\$ 427,222</u>	<u>\$ 429,920</u>

Net assets are released from restrictions by meeting the time restrictions or by incurring expenses satisfying the restricted purposes. Net assets were released from the following restrictions during the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
<b>Released from Restrictions:</b>		
Apple	\$ 122,774	\$ -
Carrollton Courthouse	62,735	-
Convention Center	15,000	335,000
Young Artist Movement Project	154,093	73,545
Ida Relief	500	11,819
LUNA Fete Event	543,376	309,650
Murals	160,935	29,574
New Orleans East Project	75,170	11,028
Project Heal Program	-	2,179
Regrant Programs	992,033	565,174
Sierra Club	30,933	-
Unframed	67,218	132,782
	<u>\$ 2,224,767</u>	<u>\$ 1,470,751</u>

**ARTS COUNCIL OF NEW ORLEANS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**NOTE 8 – EMPLOYEE BENEFIT PLAN**

The Organization has a 403(b)-thrift plan that covers all employees. Participants can contribute a percentage of their compensation to the Plan and receive a 50% matching employer contribution up to 4% of their deferral. Employees are immediately fully vested in both employee and employer contributions. The Organization's retirement contributions for the years ended December 31, 2022 and 2021 were \$7,503 and 5,362, respectively. The expense for these contributions is included in salaries and benefits on the statements of functional expenses.

**NOTE 9 – CONCENTRATIONS**

The Organization maintains its cash and cash equivalent balances in local financial institutions, which may, at times, exceed amounts covered by Federal Deposit Insurance Corporation (FDIC) insurance of up to \$250,000 per financial institution. The Organization's cash balance exceeded the FDIC insurance limit by \$2,001,579 for the year ended December 31, 2022 and \$820,897 for the year ended December 31, 2021. The Organization has not experienced any losses in these accounts and management believes they are not exposed to any significant credit risk.

**NOTE 10 – COMMITMENTS**

**Operating Leases**

The Organization leases office premises with base monthly payments of \$1,400, plus a varying usage fee on a lease expiring in December 2022, which includes a repair and maintenance service agreement. The rental expense under this lease totaled \$26,291 for the year ended December 31, 2022 and \$4,653 for the year ended December 31, 2021, and is included in occupancy expense on the statements of functional expenses. Upon the expiration date of the lease, the Organization will be paying on a month-to-month basis.

The Organization also rents equipment and space for its programming events on a short-term basis. The event and equipment rental expense incurred for short-term rentals totaled \$107,672 and \$24,541 for the years ended December 31, 2022 and 2021, respectively, and is included in professional and event fees on the statements of functional expenses.

The Organization entered into a month-to-month rental agreement starting in September 2022 for five storage units with a base monthly payment of \$1,926, plus an additional \$100 insurance fee. The total rental expense under this lease for the years ended December 31, 2022 and 2021 was \$20,640 and \$13,678, respectively, and is included in occupancy expense on the statements of functional expenses. Since the Organization is paying rent on a month-to-month basis, future minimum lease payments on the leases as of December 31, 2022 would just include one month of rent. The Organization's leases did not fall under the new lease accounting in Accounting Standards Codification 842, *Leases*, due to none of the agreements being over a year long.

**ARTS COUNCIL OF NEW ORLEANS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**NOTE 11 – CONTRACTS WITH CITY OF NEW ORLEANS**

Since 1986, the Organization has entered into annual agreements with the City of New Orleans (the city) relating to the establishment of the Percent for Art Program under which one percent of the cost of eligible city capital projects is used to fund certain works of art. The Organization’s ongoing tasks include developing an Annual Art Plan to carry out the implementation of selected art projects, and short-term and long-term coordination and planning for the program.

The Organization records grant funds received in excess of expenditures as a refundable advance until they are expended for the purpose of the contract or until the funds are returned to the appropriate funding source. The Organization incurred expenditures of \$212,500 in 2022 and 2021 for administrative duties performed to accomplish the agreed upon tasks. Refundable advances totaled \$4,870,389 in 2022 and \$300,477, all of which were related to the Percent for Art Program.

The Cooperative Endeavor Agreement (CEA) between the City of New Orleans and the Arts Council of New Orleans will provide up to \$7,500,000 of funding in order to carry out the purpose of the CEA. The full maximum amount authorized by the agreement will not be made available to the Organization at once. Instead, only the appropriate portion (1.5%) of the applicable fund funds received by the City shall be made available. The purpose of the agreement is to promote public art in public spaces in the City of New Orleans. The Organization must submit invoices monthly to the City electronically, for goods or services provided under the CEA. As noted above, any funding received in advance of incurring eligible expenses are recorded as refundable advances.

**NOTE 12 – ENDOWMENT FUNDS**

Annually, the Organization receives distributions from several endowment funds established at the Greater New Orleans Foundation (GNOF). These funds are in an investment pool managed by GNOF. The funds were donated to GNOF for the benefit of the Organization. GNOF utilizes an endowed spending policy to determine the amount available for distributions. Future distributions are subject to that policy. As such, these funds are not recorded as assets on the Organization's financial statements.

The balances of these funds are as follows:

<u>Fund</u>	<u>Initial Donation</u>	<u>Net Appreciation</u>	<u>Balance at December 31, 2022</u>	<u>Balance at December 31, 2021</u>
Koch	210,000	203,223	413,223	368,330
Billion	50,000	78,990	128,990	114,977
Stern	25,000	79,119	104,119	92,808

**ARTS COUNCIL OF NEW ORLEANS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**NOTE 12 – ENDOWMENT FUNDS (CONTINUED)**

Distributions received from these funds totaled \$21,837 for the year ended December 31, 2022 and \$21,035 for the year ended December 31, 2021, and are included in contributions on the statements of activities.

**NOTE 13 – PAYCHECK PROTECTION PROGRAM**

During the year ended December 31, 2021, the Organization received a PPP Loan from the Small Business Administration (SBA) totaling \$99,460. The Organization applied for and received loan forgiveness from the SBA during the year ended December 31, 2021. The loan amount was recorded as grant revenue during the year ended December 31, 2021. The Organization did not obtain additional PPP funding during the year ended December 31, 2022.

**NOTE 14 – RISKS AND UNCERTAINTIES**

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) spread across multiple countries, including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. However, the state of Louisiana COVID-19 emergency declaration expired in March 2022. Moreover, as of May 2022, Orleans Parish (in which the Organization is located) was categorized as having Low COVID-19 Community Level. As a result, the Organization does not anticipate any significant future impacts or disruptions to operations due to COVID-19.

**NOTE 15 – SUBSEQUENT EVENTS**

Management evaluated subsequent events as of June 20, 2023, which is the date of these financial statements. Management has noted that there are no additional disclosures or adjustments required to these financial statements.



*Luther Speight & Company, LLC*  
*Certified Public Accountants and Consultants*

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*

To the Board of Directors of  
Arts Council of New Orleans

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 Arts Council of New Orleans (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 20, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Arts Council of New Orleans's internal control over financial reporting (internal control) as a basis for designing 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 Arts Council of New Orleans's internal control. Accordingly, we do not express an opinion on the effectiveness of Arts Council of New Orleans'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.

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 or significant deficiencies may exist that were not identified.

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### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Arts Council of New Orleans'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 financial statements. 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.

A handwritten signature in blue ink, appearing to read "Luther Speight", is written over a faint, illegible printed name.

Luther Speight & Company CPAs

New Orleans, Louisiana

June 20, 2023

**ARTS COUNCIL NEW ORLEANS  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2022**

**SECTION I SUMMARY OF AUDITORS' REPORTS**

1. The auditors' report expresses an unmodified opinion on the financial statements of Arts Council of New Orleans.
2. No significant deficiencies or material weaknesses disclosed during the audit of the financial statements are reported in the Independent Auditors' 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*.
3. No instances of noncompliance material to the financial statements were reported in the Independent Auditors' 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*.
4. A separate management letter was not issued for the year ended December 31, 2022.

**SECTION II FINANCIAL STATEMENT FINDINGS**

Not Applicable

**ARTS COUNCIL NEW ORLEANS  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

**SECTION I - FINDINGS RELATED TO THE FINANCIAL STATEMENTS**

Not Applicable

**SECTION II - MANAGEMENT LETTER COMMENTS**

Not Applicable

**ARTS COUNCIL OF NEW ORLEANS  
SCHEDULE OF COMPENSATION, BENEFITS, AND  
OTHER PAYMENTS TO AGENCY HEAD  
FOR THE YEAR ENDED DECEMBER 31, 2022**

**Total compensation, benefits,  
and other payments**

**\$ 0**

There were no compensation, benefits or payments to the agency head that were derived from public funds, including state, local and federal pass-through.



*Luther Speight & Company, LLC*  
*Certified Public Accountants and Consultants*

**ARTS COUNCIL OF NEW ORLEANS**

**AGREED UPON PROCEDURES REPORT**

**FOR THE YEAR ENDED DECEMBER 31, 2022**



*Luther Speight & Company, LLC*  
*Certified Public Accountants and Consultants*

## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Governing Board of Arts Council of New Orleans and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2022 through December 31, 2022. Arts Council of New Orleans' management is responsible for those C/C areas identified in the SAUPs.

Arts Council of New Orleans has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period January 1, 2022 through December 31, 2022. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

### *Written Policies and Procedures*

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1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
  - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget

*Results: The policies and procedures appropriately address the required elements 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.

*Results: Per review of the Financial Management Manual PBC document, we noted information pertaining to how purchases are initiated, how vendors are added to the vendor list, and the preparation and approval process of purchase requisitions and purchase orders, but the PBC document did not include information pertaining to controls to ensure compliance with the public bid law and related documentation.*

*Management's Response: We are a private, nonprofit organization with 501 (c)(3) status and do not have to comply with bids as do governmental agencies.*

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

*Results: The policies and procedures appropriately address the required elements above.*

- d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

*Results: The policies and procedures appropriately address the required elements above.*

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

*Results: The policies and procedures appropriately address the required elements 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

*Results: No information regarding types of services requiring written contracts, standard terms and conditions, legal review, approval process, and monitoring process noted in the Financial Management Manual PBC document.*

*Management's Response: Most contracts are with local artists to create artworks. We have a set of standard contracts developed by Americans for the Arts and lawyers that we use. Staff develops contracts, and they are reviewed by the CEO before execution.*

- 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 of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)

**Results:** *No information regarding allowable business uses, documentation requirements, required approvers of statements, and monitoring card usage noted in the Financial Management Manual PBC document.*

**Management's Response:** *Staff are required to submit credit card receipts to Aaron and the President and CEO outlining what funds were spend for and what program to charge this charge. We are a small staff but will develop written policies this year.*

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

**Results:** *Information regarding allowable expenses, dollar thresholds by category of expense, and documentation requirements was not mentioned in the Financial Management Manual PBC document.*

**Management's Response:** *Since our agency is small, we prepare for travel and reimburse staff for meals not covered at conferences or events. We need to define allowable expenses in our handbook clearly.*

- 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.

**Results:** *Not applicable, as the Entity is a nonprofit.*

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

**Results:** *Not applicable, as the Entity is a nonprofit.*

- k) **Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

**Results:** *Information regarding disaster recovery and business continuity was not mentioned in the Financial Management Manual PBC document.*

**Management's Response:** *We need to update and include this information. We are working remotely. When a disaster happens, we continue to work after we are settled in other communities.*

- l) **Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

**Results:** *Not applicable, as the Entity is a nonprofit.*

### **Board or Finance Committee**

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- 2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

- a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

**Results:** *The Board met in January, April, September, October, and November of 2022. No exceptions noted.*

- b) For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds. *Alternately, for those entities reporting on the nonprofit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*

**Results:** *The Entity reports using the nonprofit model. Financial disclosures in the minutes were adequate and included financial activity related to public funds. No exceptions noted.*

- c) For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.

**Results:** *Not applicable, as the Entity is a nonprofit.*

- d) Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.

*Results:* Not applicable, as no audit finding was reported in the prior year audit report.

### ***Bank Reconciliations***

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3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:

- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

*Results:* Per review of the 5 bank reconciliations and bank statements, we noted that all 5 had evidence (date and time) of being reconciled. In addition, those 5 accounts were reconciled within 2 months of year-end.

- b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

*Results:* We noted there were no initials nor was there any evidence they were being reviewed by management.

*Management's Response:* As part of our monthly finance committee meeting, the bank register details are provided to the committee and reviewed at our regular meetings. Each member of management and the finance committee and executive committee receives detailed bank information. Because all our meetings are virtual, we do not get initials noting approval. However, review of the monthly finance package is noted in the finance committee and executive committee meeting minutes.

- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

*Results:* We noted no reconciling items outstanding for more than 12 months from year-end.

## ***Collections***

---

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

***Results:*** *Not applicable. Arts Council indicated it does not accept cash or checks. All transactions are executed electronically.*

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

***Results:*** *Not applicable. Arts Council indicated it does not accept cash or checks. All transactions are executed electronically.*

- a) Employees responsible for cash collections do not share cash drawers/registers.
  - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit.
  - c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
  - d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, are not responsible for collecting cash, unless another employee/official verifies the reconciliation.
6. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe the bond or insurance policy for theft was enforced during the fiscal period.

***Results:*** *Arts Council provided a copy of an insurance policy that was enforced during the fiscal period.*

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection*

log, daily revenue report, receipt book, etc. Obtain supporting documentation for each of the 10 deposits and:

**Results:** *Not applicable. Arts Council indicated it does not accept cash or checks. All transactions are executed electronically.*

- a) Observe that receipts are sequentially pre-numbered.
- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
- c) Trace the deposit slip total to the actual deposit per the bank statement.
- d) Observe the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).
- e) Trace the actual deposit per the bank statement to the general ledger.

***Non-Payroll Disbursements (excluding credit card purchases/payments, travel reimbursements, and petty cash purchases)***

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8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

**Results:** *Arts Council processes payments at 900 Camp Street, New Orleans, LA, 70130 and 4318 Annette Street, New Orleans, LA, 70122. All transactions are processed electronically.*

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

**Results:** *We have obtained a listing of the employees involved and the written policies and procedures relating to employee job duties at the locations mentioned above and observed that the job duties are properly segregated. The Entity's vendor disbursements are processed by an independent accountant. All disbursements are processed electronically via bill.com. The Accounting Manager and the COO maintain the vendor's file. Payments requested by staff members must be approved by the President & CEO before being paid. Signed checks are returned to the Accounting Manager for mailing.*

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

- b) At least two employees are involved in processing and approving payments to vendors.
  - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
  - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.
10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction, and:

**Results:** *Our examination of disbursements showed no exceptions.*

- a) Observe whether the disbursement matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity.
  - b) Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.
11. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3(a), randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy. Note: If no electronic payments were made from the main operating account during the month selected the practitioner should select an alternative month and/or account for testing that does include electronic disbursements

**Results:** *Our examination of disbursements showed no exceptions.*

### ***Credit Cards/Debit Cards/Fuel Cards/P-Cards***

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12. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

**Results:** *We obtained a listing of all active cards, which consisted of only credit cards, and management's representation that the listing is complete.*

13. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined

statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

- a) Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]

*Results:* We noted that the credit card statements did not show evidence that they were reviewed and approved by someone other than the authorized card holder.

*Management's Response:* Staff members must email receipts for credit card purchases to our accountant about what program that expense should be charged to. The Director routinely gets credit card statements from the accountant to review.

- b) Observe that finance charges and late fees were not assessed on the selected statements.

*Results:* We noted that in the months tested no finance charges or late fees were assessed.

14. Using the monthly statements or combined statements selected under #4 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e., each card should have 10 transactions subject to testing). For each transaction, observe it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

*Results:* We were unable to obtain the supporting documentation for three of the forty selected samples.

*Management Response:* One of the selected samples is a recurring charge for Adobe software regarding an account for our office on the CEO's ACNO credit card. A receipt cannot be found for the other two samples. The Youth Program Director lost those receipts. She remembers those charges were related to our LUNA Fete Festival in December 2022.

#### Travel and Travel-Related Expense Reimbursements (excluding card transactions)

15. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement

forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

- a) If reimbursed using a per diem, observe the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)).

*Results: We noted none of the selected samples were reimbursed using a per diem.*

- b) If reimbursed using actual costs, observe the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

*Results: Reimbursements using actual costs were supported by the original itemized receipts.*

- c) Observe each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

*Results: Entity was unable to provide supporting documentation showing business/public purpose of sample items above.*

*Management Response: Staff rarely use credit cards for meals during business meetings. When it is done, the director is aware of and approves these charges.*

- d) Observe each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

*Results: Each reimbursement was reviewed and approved by someone other than the person receiving the reimbursement.*

## ***Contracts***

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16. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

**Results:** *Per management, The Arts Council of New Orleans is not covered by this law as it is a private, nonprofit organization with 501(c)(3) status from the IRS.*

- b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).

**Results:** *Per management, The Arts Council of New Orleans provides the board with monthly updates concerning its programs and provides financial reports. Its governing policies do not require the board of directors to approve contracts.*

- c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.

**Results:** *We noted no contract amendments.*

- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

**Results:** *No exceptions noted.*

### ***Payroll and Personnel***

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17. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

**Results:** *We've obtained a listing of employees who were employed during the fiscal period and management's representation that the listing was complete. We noted variances between personnel files and the payroll register in the salaries of the selected employees.*

**Management's Response:** *The Creative Director's salary was increased in July 2022. After another employee quit, the Grants and Marketing Manager was paid to cover tasks which were not in her assigned role. The CEO's salary includes payment for a raise that she received in March 2022 that included back pay from December 2021 through March 2022. The Deputy Director's salary was increased in July 2022, but the register doesn't account for the entire year. The last selected employee's salary was \$42,432. The number in her personnel file is incorrect.*

18. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under #08 above, obtain attendance records and leave documentation for the pay period, and:

- a) Observe all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, officials are not eligible to earn leave and do not document their attendance and leave. However, if the official is earning leave according to a policy and/or contract, the official should document his/her daily attendance and leave.)
- b) Observe whether supervisors approved the attendance and leave of the selected employees or officials.
- c) Observe any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
- d) Observe the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.

***Results:** Arts Council did not maintain strict timesheets. Employees are fixed salaried and have clear roles but are not held to one project/task unless the individual is contracted. Employees are given unlimited PTO but must get approved by supervisor before using them. There are no compensated absences.*

***Management's Response:** That is correct.*

19. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee or officials' cumulative leave records, agree the pay rates to the employee or officials' authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy.

***Results:** No employees were terminated during the fiscal year.*

20. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

***Results:** The Entity confirmed employer and employee portions of third-party payroll related amounts have been paid, and any associated forms have been filed, by required deadlines.*

### *Ethics*

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*Results: Section is not applicable, as the Entity is a non-profit.*

### *Debt Service*

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*Results: Section is not applicable, as the Entity is a non-profit.*

### *Fraud Notice*

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21. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

*Results: No misappropriations of public funds were noted during the fiscal year.*

22. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

*Results: Website does not have required notice regarding the reporting of misappropriation, fraud, waste, or abuse of public funds posted on its website.*

*Management Responses: This flyer is posted at the Arts Council of New Orleans office/studio space. We will post it on our website.*

### *Information Technology Disaster Recovery/Business Continuity*

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23. Perform the following procedures, **verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."**

*Results: Management contracts an outside company for anything regarding IT. We obtained the Entity's contract with the IT company, AC3 IT.*

- a) Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.

*Results: After reading through the documentation provided by the client, we noted AC3 IT performed the most recent critical data backup on March 7, 2023.*

- b) Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.

*Results: After reading through the documentation provided by the client, we noted AC3 IT performed the most recent restoration of critical data backup on March 7, 2023.*

- c) Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

*Results: We noted no exceptions. We obtained a listing of the Entity's computers currently in use along with their locations. We selected 5 computers, all of which have current and active antivirus software and the operating system and accounting system software in use are currently supported.*

- d) Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in procedure #9C. Observe evidence that the selected terminated employees have been removed or disabled from the network.

*Results: There were no terminated employees for the fiscal year. Thus, this step is not applicable.*

### ***Sexual Harassment***

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***Results:*** Section is not applicable, as the Entity is a non-profit.

We were engaged by Arts Council of New Orleans to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, 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.

We are required to be independent of Arts Council of New Orleans and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended 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.

A handwritten signature in blue ink, appearing to read "Luther Speight & Co".

Luther Speight & Company CPAs  
New Orleans, Louisiana  
June 20, 2023