

**ARTS COUNCIL OF NEW ORLEANS**  
**FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEARS ENDED**  
**DECEMBER 31, 2018 AND 2017**



**ERICKSEN KRENTEL**<sup>LLP</sup>  
CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

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## **INDEPENDENT ACCOUNTANTS' REVIEW REPORT**

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

We have reviewed the accompanying financial statements of Arts Council of New Orleans (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of entity management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### **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.

### **Accountants' Responsibility**

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### **Accountants' Conclusion**

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.



To the Board of Directors of  
Arts Council of New Orleans

**Change in Accounting Principle**

As described in Note 1 to the financial statements, Arts Council of New Orleans, Inc. adopted the Financial Accounting Standards Board's ASU 2016-14, "*Not-for-Profit Entities*" for the year ended December 31, 2018. Our conclusion is not modified with respect to that matter.

**Supplementary Information**

The supplementary information included with the basic financial statements is presented for purposes of additional analysis and is not a required part of the basic 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 supplementary information has been subjected to the review procedures applied in our review of the basic financial statements. We are not aware of any material modifications that should be made to the supplementary information. We have not audited the supplementary information and do not express an opinion on such information.

July 1, 2019  
New Orleans, Louisiana

A handwritten signature in black ink that reads "Erickson Krentel".

Certified Public Accountants

**ARTS COUNCIL OF NEW ORLEANS**  
**STATEMENTS OF FINANCIAL POSITION**  
AS OF DECEMBER 31, 2018 AND DECEMBER 31, 2017

	<u>2018</u>	<u>2017</u>
<b><u>CURRENT ASSETS:</u></b>		
Cash and cash equivalents	\$ 460,762	\$ 548,100
Restricted cash	16,736	172,212
Accounts receivable	9,447	14,696
Pledges receivable	20,500	2,500
Grants receivable	306,664	206,882
Investments	105,313	105,383
Deposits	<u>18,000</u>	<u>6,000</u>
 Total current assets	 <u>937,422</u>	 <u>1,055,773</u>
<b><u>NON-CURRENT ASSETS:</u></b>		
Art collection	27,652	27,652
Capital assets, net	<u>12,118</u>	<u>16,430</u>
 Total non-current assets	 <u>39,770</u>	 <u>44,082</u>
 Total assets	 <u>\$ 977,192</u>	 <u>\$ 1,099,855</u>
<b><u>CURRENT LIABILITIES:</u></b>		
Accounts payable	\$ 116,548	\$ 117,940
Accrued expenses	8,510	29,359
Grants payable	219,611	221,773
Refundable advances	<u>16,736</u>	<u>172,212</u>
 Total liabilities	 <u>361,405</u>	 <u>541,284</u>
<b><u>NET ASSETS:</u></b>		
Net assets without donor restrictions	391,445	400,326
Net assets with donor restrictions	<u>224,342</u>	<u>158,245</u>
 Total net assets	 <u>615,787</u>	 <u>558,571</u>
 Total liabilities and net assets	 <u>\$ 977,192</u>	 <u>\$ 1,099,855</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

**ARTS COUNCIL OF NEW ORLEANS**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b><u>SUPPORT AND OTHER REVENUES:</u></b>			
Grant income	\$ 279,226	\$ 766,717	\$ 1,045,943
Contributions	65,830	143,275	209,105
Contracts	240,992	179,575	420,567
Interest and investment income, net	994	-	994
Earned income	188,688	-	188,688
Other income	29,608	-	29,608
	<u>805,338</u>	<u>1,089,567</u>	<u>1,894,905</u>
Net assets released from restrictions	<u>1,023,470</u>	<u>(1,023,470)</u>	<u>-</u>
	<u>1,828,808</u>	<u>66,097</u>	<u>1,894,905</u>
<b><u>EXPENSES:</u></b>			
Program services:			
Artist services	635,981	-	635,981
Public art	860,480	-	860,480
Supporting services:			
Management and general	285,507	-	285,507
Fundraising	55,721	-	55,721
	<u>1,837,689</u>	<u>-</u>	<u>1,837,689</u>
Change in net assets	(8,881)	66,097	57,216
Net assets, beginning of year	<u>400,326</u>	<u>158,245</u>	<u>558,571</u>
Net assets, end of year	<u>\$ 391,445</u>	<u>\$ 224,342</u>	<u>\$ 615,787</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

**ARTS COUNCIL OF NEW ORLEANS**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b><u>SUPPORT AND OTHER REVENUES:</u></b>			
Grant income	178,638	859,297	1,037,935
Contributions	71,199	286,500	357,699
Contracts	250,092	52,500	302,592
Interest and investment income, net	4,234	-	4,234
Earned income	130,284	-	130,284
Other income	7,070	-	7,070
	<u>641,517</u>	<u>1,198,297</u>	<u>1,839,814</u>
Net assets released from restrictions	<u>1,123,161</u>	<u>(1,123,161)</u>	<u>-</u>
	<u>1,764,678</u>	<u>75,136</u>	<u>1,839,814</u>
<b><u>EXPENSES:</u></b>			
Program services:			
Artist services	575,951	-	575,951
Public art	1,085,518	-	1,085,518
Supporting services:			
Management and general	232,092	-	232,092
Fundraising	-	-	-
	<u>1,893,561</u>	<u>-</u>	<u>1,893,561</u>
Change in net assets	(128,883)	75,136	(53,747)
Net assets, beginning of year	<u>529,209</u>	<u>83,109</u>	<u>612,318</u>
Net assets, end of year	<u>\$ 400,326</u>	<u>\$ 158,245</u>	<u>\$ 558,571</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

**ARTS COUNCIL OF NEW ORLEANS**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	Program Services		Supporting Services		Total
	Artist Services	Public Art	Management and General	Fundraising	
Salaries and benefits	\$ 92,002	\$ 191,981	\$ 119,667	\$ 50,407	\$ 454,057
Artist fees and services	7,300	256,768	-	-	264,068
Professional and event fees	46,984	326,836	73,667	1,224	448,711
Occupancy	6,930	2,249	61,364	240	70,783
Travel, meetings, conferences, and courses	1,781	3,888	3,526	390	9,585
Supplies	2,768	34,057	3,245	1,452	41,522
Advertising	2,446	21,592	1,793	1,200	27,031
Insurance	-	3,490	8,994	-	12,484
Postage, printing, and duplicating	238	14,083	2,837	544	17,702
Depreciation	2,044	2,044	2,046	-	6,134
Bad debt expense	-	-	500	-	500
Other expenses	2,191	3,492	7,868	264	13,815
Regrants	471,297	-	-	-	471,297
	\$ 635,981	\$ 860,480	\$ 285,507	\$ 55,721	\$ 1,837,689
Total functional expenses	\$ 635,981	\$ 860,480	\$ 285,507	\$ 55,721	\$ 1,837,689

See accompanying NOTES TO FINANCIAL STATEMENTS

**ARTS COUNCIL OF NEW ORLEANS**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	Program Services		Supporting Services		Total
	Artist Services	Public Art	Management and General	Fundraising	
Salaries and benefits	\$ 63,760	\$ 329,049	\$ 144,750	\$ -	\$ 537,559
Artist fees and services	-	221,168	-	-	221,168
Professional and event fees	21,271	354,049	31,860	-	407,180
Occupancy	12,996	52,006	18,496	-	83,498
Travel, meetings, conferences, and courses	3,893	13,092	3,234	-	20,219
Supplies	670	60,393	1,135	-	62,198
Advertising	-	21,650	(200)	-	21,450
Insurance	1,161	18,327	2,789	-	22,277
Postage, printing, and duplicating	404	8,827	5,355	-	14,586
Depreciation	-	-	4,886	-	4,886
Bad debt expense	-	-	8,648	-	8,648
Other expenses	499	6,957	11,139	-	18,595
Regrants	471,297	-	-	-	471,297
<b>Total functional expenses</b>	<b>\$ 575,951</b>	<b>\$ 1,085,518</b>	<b>\$ 232,092</b>	<b>\$ -</b>	<b>\$ 1,893,561</b>

See accompanying NOTES TO FINANCIAL STATEMENTS

**ARTS COUNCIL OF NEW ORLEANS**  
**STATEMENTS OF CASH FLOWS**  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<b><u>CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES:</u></b>		
Change in net assets	\$ 57,216	\$ (53,747)
Adjustments to reconcile change in net assets to net cash from (used for) operating activities:		
Depreciation	6,134	4,886
Bad debt expense	500	8,648
Unrealized loss on investments	175	(465)
Loss from disposal of property and equipment	-	2,400
Decrease (increase) in:		
Accounts receivable	4,749	(17,103)
Pledges receivable	(18,000)	(164,453)
Grants receivable	(99,782)	(2,500)
Deposits	(12,000)	(472)
Increase (decrease) in:		
Accounts payable	(1,392)	5,841
Accrued expenses	(20,849)	(2,300)
Grants payable	(2,162)	(7,895)
Refundable advances	(155,476)	36,242
Net cash (used for) operating activities	<u>(240,887)</u>	<u>(190,918)</u>
<b><u>CASH FLOWS FROM (USED FOR) INVESTING ACTIVITIES:</u></b>		
Purchases of fixed assets	(1,822)	(17,550)
Purchases of investments	(105)	(1,507)
Net cash (used for) investing activities	<u>(1,927)</u>	<u>(19,057)</u>
<b><u>CASH FLOWS FROM (USED FOR) FINANCING ACTIVITIES:</u></b>		
Repayment of line of credit	-	(50,000)
Net cash (used for) financing activities	<u>-</u>	<u>(50,000)</u>
Net (decrease) in cash, cash equivalents and restricted cash	(242,814)	(259,975)
Cash, cash equivalents and restricted cash at beginning of year	<u>720,312</u>	<u>980,287</u>
Cash, cash equivalents and restricted cash at end of year	<u>\$ 477,498</u>	<u>\$ 720,312</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

**ARTS COUNCIL OF NEW ORLEANS**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities**

The Arts Council of New Orleans (ACNO), a Louisiana non-profit corporation, is the City of New Orleans' officially designated arts agency. ACNO 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. ACNO's efforts are directed toward enhancing the cultural and artistic environment in the New Orleans metropolitan area and are as follows:

*People – Inspiring and Connecting:* Supporting participatory arts, youth arts education, and events that inspire and connect.

*Place – Transforming Landscape:* Emphasizing design solutions and a heightened awareness of the built environment.

*Artists – Investing in our Cultural Assets:* Professionalizing the capabilities of local artists and organizations while seeking markets and exchange opportunities.

**Basis of Accounting**

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

**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.

**Basis of Presentation**

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) 958-210-50-3, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958-210-50-3, ACNO is required to report information regarding its financial position and activities according to two classes of net assets:

Net assets with donor restrictions - The part of net assets of a not-for-profit entity that is subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants).

**ARTS COUNCIL OF NEW ORLEANS**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2018 AND 2017

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation (continued)**

Net assets without donor restrictions - The part of net assets of a not-for-profit entity that is not subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants).

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, ACNO considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents including bank repurchase agreements.

**Restricted Cash**

The City of New Orleans made it a requirement that ACNO hold cash restricted for the Percent of Art program (Note 9) in a designated bank account. At December 31, 2018 and 2017, ACNO held \$16,736 and \$172,212 in a separate bank account in connection with this agreement.

**Accounts and Grants Receivable and Allowance for Doubtful Accounts**

Grants and contract receivable consist of amounts due to ACNO for services provided through December 31<sup>st</sup> that have not yet been collected. Management monitors the receivables and assesses the collectability of accounts on a monthly basis. ACNO 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 year ended December 31, 2018 and 2017, management has determined that all amounts were collectible and no allowance was necessary.

**Pledges Receivable**

ACNO 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. Pledges receivable were \$20,500 and \$2,500 as of December 31, 2018 and 2017, respectively.

**ARTS COUNCIL OF NEW ORLEANS**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2018 AND 2017

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 statement 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.

No Level 2 or Level 3 inputs were used by ACNO.

ACNO maintains an unrestricted fund at the Greater New Orleans Foundation (GNOF). This fund is in an investment pool managed by GNOF. The balance of the fund as of December 31, 2018 and 2017 was \$3,701 and \$3,876, respectively.

ACNO invests in certificates of deposit with local financial institutions. The maturity dates of these certificates of deposit are generally one year or greater. It is ACNO's intention to hold these certificates of deposit to maturity. The balance of certificates of deposit as of December 31, 2018 and 2017 was \$101,612 and \$101,507, respectively. The certificate of deposit was held as collateral for the line of credit at a financial institution and its stated rate of interest is 1.5%. The certificate of deposit was released from being held as collateral upon maturity of the line of credit in 2017. See Note 4 for detail on the line of credit.

**Capital Assets**

ACNO follows the practice of capitalizing, at cost, all expenditures for assets with an economic life greater than one year. Depreciation is computed using the straight-line method over the estimated useful life of each asset.

**ARTS COUNCIL OF NEW ORLEANS**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2018 AND 2017

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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. In-kind contributions received by ACNO for the year ended December 31, 2018 were \$12,645. There were no in-kind contributions received by ACNO for the year ended December 31, 2017.

**Board Designated Net Assets**

ACNO's governing board has designated \$391,445 and \$400,326 from net assets without donor restrictions to serve as a reserve as of December 31, 2018 and 2017, respectively.

**Interest Income**

Interest income is allocated to restricted programs to fund certain costs when specifically required by applicable contracts or grants.

**Advertising**

ACNO expenses advertising as incurred. Advertising expense was \$27,031 and \$21,450 for the years ended December 31, 2018 and 2017, respectively, and is recorded as advertising expense in the statement of activities.

**Expense Allocation**

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of ACNO.

**ARTS COUNCIL OF NEW ORLEANS**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2018 AND 2017

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Income Taxes**

ACNO 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 ACNO's tax-exempt purpose is subject to taxation as unrelated business income. In addition, ACNO 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).

ACNO's evaluation as of December 31, 2018 revealed no tax positions that would have a material impact on the financial statements. ACNO 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.

**Contributed Artwork**

ACNO has paintings and sculptures on display in its office. This artwork is recorded at its appraised value at the time of donation. The carrying value of the artwork at December 31, 2018 and 2017 was \$27,652.

**Impairment of Long-lived assets**

ACNO 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. ACNO 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, 2018 and 2017.

**New Accounting Pronouncement**

On August 18, 2016, FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources and the lack of consistency in the type of information provided about expenses and investment return. ACNO has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

**ARTS COUNCIL OF NEW ORLEANS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
DECEMBER 31, 2018 AND 2017

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Subsequent Events**

Subsequent events have been evaluated through July 1, 2019, which is the date the financial statements were available to be issued.

**(2) LIQUIDITY AND AVAILIBLTY OF FINANCIAL ASSETS**

The following reflects ACNO's financial assets as of December 31, 2018, 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.

	2018	2017
Financial assets	\$ 919,422	\$ 1,049,773
Less those unavailable for general expenditure within one year due to:		
Board designated net assets	(391,445)	(400,326)
Net assets with donor restrictions	(224,342)	(158,245)
Financial assets available to meet cash needs for general expenditures within one year	\$ 303,635	\$ 491,202

As part of ACNO'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, ACNO invests cash in excess of daily requirements in certificates of deposit or an investment fund with a community foundation. Although ACNO 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.

**(3) CAPITAL ASSETS**

Capital Assets are summarized as follows by major classification:

	2018	2017
Equipment, furniture and fixtures	\$ 29,243	\$ 27,420
Leasehold improvements	6,680	6,681
Less: accumulated depreciation	(23,805)	(17,671)
Net capital assets	\$ 12,118	\$ 16,430

Depreciation expense was \$6,134 and \$4,886 in 2018 and 2017, respectively.

**ARTS COUNCIL OF NEW ORLEANS**  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2018 AND 2017

**(4) LINE OF CREDIT**

During the year ended December 31, 2017, ACNO held a line of credit with a financial institution. The line of credit had a \$100,000 limit with a 3.5% fixed interest rate. The line of credit was backed by a certificate of deposit. The line of credit expired in 2017 and was not subsequently renewed. The certificate of deposit was released as collateral from this obligation.

**(5) NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are available for the following purposes at December 31<sup>st</sup>:

	<u>2018</u>	<u>2017</u>
Purpose restrictions:		
Duncan Plaza program	\$ 34,661	97,637
Digital Equity program	10,271	50,608
Future Project program	13,575	-
LUNA Fête event	-	10,000
Unframed program	51,475	-
Project Heal program	14,360	-
Timing restrictions:		
2019 operations	<u>100,000</u>	<u>-</u>
Total	<u>\$ 224,342</u>	<u>\$ 158,245</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<sup>st</sup>:

	<u>2018</u>	<u>2017</u>
Restrictions accomplished:		
Arts Market	\$ 3,500	\$ 4,000
Digital Equity program	64,977	1,892
Duncan Plaza program	112,976	52,363
LUNA Fête event	324,055	520,500
Project Heal program	10,632	-
Regrant programs	471,297	471,297
Unframed program	36,033	-
Broad + Water program	-	10,000
Equipment	-	12,582
In Our Back-Yard program	-	14,264
Mural project	-	3,723
Youth solutions	<u>-</u>	<u>32,540</u>
Total	<u>\$ 1,023,470</u>	<u>\$ 1,123,161</u>

**ARTS COUNCIL OF NEW ORLEANS**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2018 AND 2017

**(6) EMPLOYEE BENEFIT PLAN**

ACNO 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. ACNO's retirement contributions for the years ended December 31, 2018 and 2017 were \$5,588 and \$7,576, respectively. The expense for these contributions is included in salaries and benefits on the statements of functional expenses.

**(7) CONCENTRATIONS**

ACNO 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. ACNO's cash balance exceeded the FDIC insurance limit by \$239,890 and \$698,520 for the years ended December 31, 2018 and 2017, respectively. ACNO has not experienced any losses in these accounts and management believes they are not exposed to any significant credit risk.

Revenues from two sources represented approximately 41% and 26% of total revenues earned for the years ended December 31, 2018 and 2017, respectively. Grants receivable from these grantors represented substantially all of grants receivable at December 31, 2018 and 2017.

**(8) COMMITMENTS**

**Operating Leases**

ACNO leased office space under a five-year lease agreement, which commenced on July 1, 2011. Upon expiration in 2016, the lease was extended through August 2017 with monthly lease payments of \$6,281. For the year ended December 31, 2017, ACNO recorded rental expense of \$50,248 in under this lease.

Commencing on September 1, 2017, ACNO began leasing office space under a five-year agreement. Monthly lease payments through February 2020 are \$4,890 and from March 2020 through August 2022 are \$5,135. For the years ended December 31, 2018 and 2017, ACNO recorded rental expense of \$58,680 and \$19,560, respectively, under this lease.

ACNO leases office equipment with payments of \$289 due monthly on a lease expiring in 2022, which includes a repair and maintenance service agreement.

Total lease expense for the years ended December 31, 2018 and 2017 was \$63,214 and \$77,876, respectively. Lease expense is included in occupancy on the statements of activities.

**ARTS COUNCIL OF NEW ORLEANS**  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2018 AND 2017

**(8) COMMITMENTS (CONTINUED)**

**Operating Leases (continued)**

Future minimum lease payments on the leases in effect as of December 31, 2018 are as follows:

	2019	\$	63,504	
	2020		65,954	
	2021		66,444	
	2022		44,296	
Total		\$	240,198	

**(9) CONTRACTS WITH CITY OF NEW ORLEANS**

Since 1986, ACNO 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. ACNO'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.

ACNO incurred expenditures of \$130,000 per year in 2018 and 2017 for administrative duties performed to accomplish the agreed upon tasks. Refundable advances totaled \$16,736 and \$172,212 in 2018 and 2017, respectively, all of which was related to the Percent for Art Program.

**(10) ENDOWMENT FUNDS**

Annually, ACNO receives distributions from several endowment funds established at the Greater New Orleans Foundation (GNOF). These funds are in an investment pool managed by the GNOF. The funds were donated to the GNOF for the benefit of ACNO. The 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 ACNO's financial statements. The balances of these funds are as follows:

<u>Fund</u>	<u>Initial</u> <u>Donation</u>	<u>Net</u> <u>Appreciation</u>	<u>Balance</u> <u>December 31,</u> <u>2018</u>	<u>Balance</u> <u>December 31,</u> <u>2017</u>
Koch	\$ 210,000	\$ 107,768	\$ 317,768	\$ 345,758
Billion	50,000	49,193	99,193	107,930
Stern	25,000	55,168	80,168	79,820

Distributions received from these funds totaled \$20,133 and \$20,239, for the years ended December 31, 2018 and 2017, respectively, and are included in contributions on the statements of activities.

## **SUPPLEMENTAL INFORMATION**

**ARTS COUNCIL OF NEW ORLEANS**  
 SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO AGENCY HEAD  
FOR THE YEAR ENDED DECEMBER 31, 2018

**(See Independent Accountants' Review Report)**

	Nick Stillman Executive Director	Heidi Schmalbach Executive Director
Time served	01/01/2018 - 3/31/2018	04/01/2018 - 12/31/2018
Total compensation, benefits, and other payments	\$ _____ -	\$ _____ -

There were no payments for the benefit of the Executive Director that were derived from the public funds (state and/or local governmental funds and/or federal funds passed through a state or local government agency) that ACNO receives.



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

To the Board of Directors of  
 Arts Council of New Orleans

We have performed the procedures enumerated below, which were agreed to by the management of Arts Council of New Orleans (the Organization) and the Louisiana Legislative Auditor (the specified parties) on the Organization's compliance with certain laws and regulations contained in the accompanying Louisiana Attestation Questionnaire during the year ended December 31, 2018, as required by Louisiana Revised Statute 24:513 and the *Louisiana Governmental Audit Guide*. Management of the Organization is responsible for its financial records and compliance with applicable laws and regulations. The sufficiency of these procedures is solely the responsibility of the specified parties. Consequently, we make no representation regarding the sufficiency of the procedures enumerated 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:

**Federal, State, and Local Awards**

1. Obtain the list of federal, state, and local government grant award expenditures for the fiscal year, by grant and grant year, from the Organization's management.

Results: The Organization's federal, state, and local award expenditures for all programs for the year ended December 31, 2018 are as follows:

Federal or State Grant Name	Grant Year	CFDA No.	Amount
Louisiana Decentralized Arts Funding Program	2018	n/a	\$ 161,664
National Endowment for the Arts Grant	2018	n/a	60,000
Edward Wisner Donation Grant	2018	n/a	100,000
Total expenditures			<u>\$ 321,664</u>



To the Board of Directors of  
Arts Council of New Orleans  
July 1, 2019

2. For each federal, state, and local grant award, randomly select six disbursements from each grant administered during the fiscal year, provided that no more than 30 disbursements are selected.

Results: Six selections were made for the Louisiana Decentralized Arts Funding Program. Only one transaction occurred for the National Endowment for the Arts Grant. That transaction was selected. Six selections were made for the Edward Wisner Donation Grant.

3. Obtain documentation for the disbursements selected in Procedure 2. Compare the selected disbursements to supporting documentation, and report whether the disbursements agree to the amount and payee in the supporting documentation.

Results: Each of the selected disbursements agreed to the amount and payee in the supporting documentation.

4. Report whether the selected disbursements were coded to the correct fund and general ledger account.

Results: All selected disbursements were properly coded to the correct fund and general ledger account.

5. Report whether the selected disbursements were approved in accordance with the Organization's policies and procedures.

Results: All selected disbursements indicated approval in accordance with the Organization's policies and procedures.

6. For each disbursement made for a state or local grant award, or for a federal program not included in the Compliance Supplement, obtain the grant agreement. Compare the documentation for each disbursement to the program compliance requirements or the requirements of the grant agreement relating to activities allowed or unallowed, eligibility, and reporting; and report whether the disbursements comply with these requirements.

*Activities allowed or unallowed*

Results: All selected disbursements complied with allowability requirements.

*Eligibility*

Results: All selected disbursements complied with the eligibility requirements.

*Reporting*

Results: All selected disbursements complied with the reporting requirements.



To the Board of Directors of  
Arts Council of New Orleans  
July 1, 2019

7. Obtain the close-out reports, if required, for any program selected in Procedure 2 that was closed out during the fiscal year. Compare the close-out reports, if applicable, with the Organization's financial records; and report whether the amounts in the close-out reports agree with the Organization's financial records.

Results: The amounts reported on the close-out reports agreed to the Organization's financial records.

### **Open Meetings**

8. Obtain evidence from management that agendas for meetings recorded in the minute book were posted as required by Louisiana Revised Statute 42:11 through 42:28 (the open meetings law), and report whether there are any exceptions. Note: Please refer to Attorney General Opinion No. 13-0043 and the guidance in the publication "Open Meeting FAQs," available on the Legislative Auditor's website at <http://app1.la.state.la.us/lla.nsf>, to determine whether a non-profit agency is subject to the open meetings law.

Results: The Organization is not subject to the open meetings law. As such, compliance with open meetings law is not applicable.

### **Budget**

9. For each grant exceeding five thousand dollars, obtain the comprehensive grant budgets that the agency provided to the applicable federal, state or local grantor agency. Report whether the budgets for federal, state and local grants included the purpose and duration of the grants; and whether budgets for state grants also included specific goals, objectives, and measures of performance.

Results: A comprehensive budget that included the anticipated uses and duration was provided to the applicable state or local agency for grants listed in Procedure 1. In addition, the state grant included specific goals and objectives and measures of performance.

### **State Audit Law**

10. Report whether the agency provided for a timely report in accordance with R.S. 24:513.

Results: The Organization provided for a timely report in accordance with R.S. 24:513.

11. Inquire of management and report whether the agency entered into any contracts that utilized state funds as defined in R.S. 39:72.1 A. (2); and that were subject to the public bid law (R.S. 38:2211, et seq.), while the agency was not in compliance with R.S. 24:513 (the audit law).

Results: The Organization was in compliance with the audit law.



To the Board of Directors of  
Arts Council of New Orleans  
July 1, 2019

**Prior Comments and Recommendations**

12. We reviewed any prior-year suggestions, recommendations, and/or comments to determine the extent to which such matters have been resolved.

Results: The Organization's prior-year agreed-upon procedures report did not include suggestions, recommendations, and/or comments requiring matters to be resolved.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the United States Comptroller General. 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 the Organization's compliance with the foregoing matters. 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 the Organization's compliance with certain laws and regulations contained in the accompanying Louisiana Attestation Questionnaire, as required by Louisiana Revised Statute 24:513 and the Louisiana Governmental Audit Guide, 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 Louisiana Legislative Auditor as a public document.

July 1, 2019  
New Orleans, Louisiana

A handwritten signature in black ink that reads "Erickson Krentel".

Certified Public Accountants

**ARTS COUNCIL OF NEW ORLEANS**  
**SCHEDULE OF FINDINGS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

We have reviewed the financial statements of Arts Council of New Orleans as of and for the year ended December 31, 2018, and have issued our report thereon dated July 1, 2019. We conducted the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

During our engagement to review the financial statements, we did not become aware of any matters that we deemed reportable to the management of Arts Council of New Orleans.

**SECTION I FINANCIAL STATEMENT FINDINGS**

There were no findings for the year ended December 31, 2018.

**SECTION II MANAGEMENT LETTER**

There was no management letter issued for the year ended December 31, 2018.

**ARTS COUNCIL OF NEW ORLEANS**  
**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**SECTION I FINANCIAL STATEMENT FINDINGS**

There were no findings for the year ended December 31, 2017.

**SECTION II MANAGEMENT LETTER**

There was no management letter issued for the year ended December 31, 2017.