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**LOUISIANA ARTISTS GUILD**  
**NEW ORLEANS, LOUISIANA**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2002**

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**LOUISIANA ARTISTS GUILD**  
**NEW ORLEANS, LOUISIANA**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2002**

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**Independent Auditors' Report**

To the Board of Directors  
Louisiana Artists Guild

We have audited the accompanying statements of financial position of the Louisiana Artists Guild (the Guild, a Louisiana nonprofit corporation), as of December 31, 2002 and 2001, and the related statements of activities and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Guild's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Louisiana Artists Guild, as of December 31, 2002 and 2001, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of the Guild's compliance and internal control over financial reporting dated April 8, 2003. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

*Postlethwaite & Netterville*

Metairie, Louisiana  
April 8, 2003

**LOUISIANA ARTISTS GUILD**  
**NEW ORLEANS, LOUISIANA**

**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2002**

**ASSETS**

	Unrestricted	Temporarily Restricted	2002 Total
<b><u>CURRENT ASSETS</u></b>			
Cash	\$ 345,724	\$ -	\$ 345,724
Pledges receivable, current portion	-	5,443,844	5,443,844
Total current assets	345,724	5,443,844	5,789,568
<b><u>PLEDGES RECEIVABLE, NONCURRENT</u></b>	-	180,200	180,200
<b><u>CONSTRUCTION ACCOUNT</u></b>	6,194,792	-	6,194,792
<b><u>DEBT SERVICE RESERVE ACCOUNT</u></b>	651,609	-	651,609
<b><u>CONSTRUCTION IN PROGRESS</u></b>	6,749,017	-	6,749,017
<b><u>TOTAL ASSETS</u></b>	<u>\$ 13,941,142</u>	<u>\$ 5,624,044</u>	<u>\$ 19,565,186</u>

**LIABILITIES AND NET ASSETS**

<b><u>CURRENT LIABILITIES</u></b>			
Accrued liabilities	\$ 219,245	\$ -	\$ 219,245
Loans payable	352,862	-	352,862
Refundable advances	27,000	-	27,000
Total current liabilities	599,107	-	599,107
<b><u>DUE TO ARTS COUNCIL OF NEW ORLEANS</u></b>	655,292	-	655,292
<b><u>LOAN PAYABLE</u></b>	7,047,138	-	7,047,138
<b><u>NET ASSETS</u></b>	5,639,605	5,624,044	11,263,649
<b><u>TOTAL LIABILITIES AND NET ASSETS</u></b>	<u>\$ 13,941,142</u>	<u>\$ 5,624,044</u>	<u>\$ 19,565,186</u>

The accompanying notes are an integral part of this financial statement.

**LOUISIANA ARTISTS GUILD**  
**NEW ORLEANS, LOUISIANA**

**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2001**

**ASSETS**

	Unrestricted	Temporarily Restricted	2001 Total
<b><u>CURRENT ASSETS</u></b>			
Cash	\$ 46,806	\$ -	\$ 46,806
Pledges receivable, current portion	-	3,540,138	3,540,138
Total current assets	46,806	3,540,138	3,586,944
<b><u>PLEDGES RECEIVABLE, NONCURRENT</u></b>	-	3,057,341	3,057,341
<b><u>CONSTRUCTION IN PROGRESS</u></b>	4,526,826	-	4,526,826
<b><u>TOTAL ASSETS</u></b>	<u>\$ 4,573,632</u>	<u>\$ 6,597,479</u>	<u>\$ 11,171,111</u>

**LIABILITIES AND NET ASSETS**

<b><u>CURRENT LIABILITIES</u></b>			
Accrued liabilities	\$ 292,308	\$ -	\$ 292,308
Refundable advances	27,000	-	27,000
Total current liabilities	319,308	-	319,308
<b><u>DUE TO ARTS COUNCIL OF NEW ORLEANS</u></b>	803,129	-	803,129
<b><u>NET ASSETS</u></b>	3,451,195	6,597,479	10,048,674
<b><u>TOTAL LIABILITIES AND NET ASSETS</u></b>	<u>\$ 4,573,632</u>	<u>\$ 6,597,479</u>	<u>\$ 11,171,111</u>

The accompanying notes are an integral part of this financial statement

**LOUISIANA ARTISTS GUILD**  
**NEW ORLEANS, LOUISIANA**

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2002 Total</u>
<b><u>SUPPORT AND REVENUE</u></b>			
Support			
Contributions	\$ 4,530	\$ 1,995,635	\$ 2,000,165
Grants	-	26,336	26,336
Revenue			
Interest and other income	45,904	10,250	56,154
Total support and revenue	<u>50,434</u>	<u>2,032,221</u>	<u>2,082,655</u>
<b><u>NET ASSETS RELEASED FROM RESTRICTIONS</u></b>	<u>3,005,656</u>	<u>(3,005,656)</u>	<u>-</u>
<b><u>EXPENSES</u></b>			
Development	341,891	-	341,891
Master artist workshop	44,992	-	44,992
Administration	480,797	-	480,797
Total expenses	<u>867,680</u>	<u>-</u>	<u>867,680</u>
<b><u>CHANGE IN NET ASSETS</u></b>	2,188,410	(973,435)	1,214,975
<b><u>NET ASSETS AT BEGINNING OF YEAR</u></b>	<u>3,451,195</u>	<u>6,597,479</u>	<u>10,048,674</u>
<b><u>NET ASSETS AT END OF YEAR</u></b>	<u>\$ 5,639,605</u>	<u>\$ 5,624,044</u>	<u>\$ 11,263,649</u>

The accompanying notes are an integral part of this financial statement

**LOUISIANA ARTISTS GUILD**  
**NEW ORLEANS, LOUISIANA**

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2001 Total</u>
<b><u>SUPPORT AND REVENUE</u></b>			
Support			
Contributions	\$ -	\$ 1,877,754	\$ 1,877,754
Revenue			
Interest income	1,450	-	1,450
Total support and revenue	<u>1,450</u>	<u>1,877,754</u>	<u>1,879,204</u>
<b><u>NET ASSETS RELEASED FROM RESTRICTIONS</u></b>	<u>1,883,618</u>	<u>(1,883,618)</u>	<u>-</u>
<b><u>EXPENSES</u></b>			
Development	407,266	-	407,266
Master artist workshop	28,647	-	28,647
Administration	380,415	-	380,415
Total expenses	<u>816,328</u>	<u>-</u>	<u>816,328</u>
<b><u>CHANGE IN NET ASSETS</u></b>	1,068,740	(5,864)	1,062,876
<b><u>NET ASSETS AT BEGINNING OF YEAR</u></b>	<u>2,382,455</u>	<u>6,603,343</u>	<u>8,985,798</u>
<b><u>NET ASSETS AT END OF YEAR</u></b>	<u>\$ 3,451,195</u>	<u>\$ 6,597,479</u>	<u>\$ 10,048,674</u>

The accompanying notes are an integral part of this financial statement.



**LOUISIANA ARTISTS GUILD**  
**NEW ORLEANS, LOUISIANA**

**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMEBR 31, 2002 AND 2001**

	<u>2002</u>	<u>2001</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>		
Change in net assets	\$ 1,214,975	\$ 1,062,876
Net change in operating assets and liabilities		
Pledges receivable	973,435	5,864
Due to Arts Council of New Orleans	(147,837)	278,802
Accrued liabilities	(73,063)	195,688
Refundable advances	-	10,000
Net cash provided by operating activitie:	<u>1,967,510</u>	<u>1,553,230</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>		
Payments for construction in progress	(2,222,191)	(1,640,203)
Investment in restricted debt funds, ne	(6,846,401)	-
Net cash used by investing activitie:	<u>(9,068,592)</u>	<u>(1,640,203)</u>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES:</u></b>		
Proceeds from loans	<u>7,400,000</u>	<u>-</u>
<b><u>NET INCREASE (DECREASE) IN CASH</u></b>	298,918	(86,973)
<b><u>CASH AT BEGINNING OF YEAR</u></b>	<u>46,806</u>	<u>133,779</u>
<b><u>CASH AT END OF YEAR</u></b>	<u><u>\$ 345,724</u></u>	<u><u>\$ 46,806</u></u>

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

**LOUISIANA ARTISTS GUILD**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**1. Organization and Operations**

The Louisiana Artists Guild (the Guild), a nonprofit organization, was incorporated in June 1995 to provide management and administrative services and studio and retail space to visual artists and craftsmen. The Guild is not yet operational, but has begun a capital campaign to raise \$16 million to cover the estimated cost of construction, development and startup costs for an arts complex located in New Orleans, Louisiana. Construction of the complex is in progress.

**2. Summary of Significant Accounting Policies**

**Method of Accounting**

The financial statements are prepared on the accrual basis of accounting.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Description of Net Assets Classification**

Financial Accounting Standards Board (FASB) Statement No. 117 entitled "Financial Statements of Not-For-Profit Organizations" requires that net assets and changes in net assets be reported for three classifications – permanently restricted, temporarily restricted and unrestricted – based on the existence or absence of donor imposed restrictions. Unexpended funds solicited through the Capital Campaign are considered temporarily restricted. The Guild records receipts of contributions with donor-imposed conditions as refundable advances.

**Gifts, Grants, and Bequests**

Gifts, grants, and bequests are recorded as revenues in the period received and as assets, or as decreases in liabilities or expenses depending on the form of benefits received. Pledges receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using market interest rates. There is no allowance for uncollectible pledges because management believes all amounts recorded are collectible. Non-cash gifts, grants, and bequests are recorded as revenue at the fair market value at the date contributed, if an objective valuation is determinable.

**LOUISIANA ARTISTS GUILD**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**2. Summary of Significant Accounting Policies (continued)**

**Donated Services**

Volunteers have given extensive amounts of time and services to the Guild. The value of this contributed time is not reflected in the accompanying financial statements since the volunteers' time does not meet the criteria necessary for recognition.

**Construction in Progress**

The Guild's construction in progress consists primarily of two buildings and land acquired in 1998, capitalized architect's fees, capitalized interest, and construction costs related to the project. During the year ended December 31, 2002, the Guild capitalized interest of approximately \$135,000.

**Income Taxes**

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

**Advertising**

The Guild records advertising as expenses when the costs are incurred. Costs of producing advertisements such as the costs of idea development, writing advertising copy, artwork, printing, audio and video crews, and other costs are expensed as incurred during production. Costs of communicating advertisements that have been produced, such as the costs of magazine space, television airtime, billboard space and distribution are expensed when the item or service is received or provided. Advertising expenses in 2002 and 2001 were \$21,853 and \$171,410, respectively.

**Concentration of credit risk**

The Guild had cash deposits in excess of federally insured limits at a local institution totaling \$294,000 and \$282,000, respectively, at December 31, 2002 and 2001.

**LOUISIANA ARTISTS GUILD**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**3. Pledges Receivable**

Pledges receivable at December 31 are as follows:

	<u>2002</u>	<u>2001</u>
Receivable in less than one year	\$ 5,443,844	\$ 3,540,138
Receivable in one to five years	200,000	3,110,273
Total pledges receivable	5,643,844	6,650,411
Less discounts (1.25 %) to net present value	(19,800)	(52,932)
Net pledges receivable at year end	<u>\$ 5,624,044</u>	<u>\$ 6,597,479</u>

At December 31, 2001, The Guild had received other pledges and grants of \$1,800,000 which were contingent upon future events and therefore were not included in revenues for 2001. There are no conditional pledges at December 31, 2002.

**4. Loans Payable**

The Guild has a \$500,000 line of credit with a local financial institution. Interest is paid monthly at a rate of 4.75%. The loan will be paid in one payment of all outstanding principal plus all accrued unpaid interest on April 10, 2003. The amount outstanding at December 31, 2002 on the line of credit was \$300,000.

The Guild has obtained a HUD Section 108 Loan in the amount of \$7,100,000 from the City of New Orleans (City) to be used solely for the development and construction of the ArtWorks project. The maturity date of the loan is July 15, 2022. Interest is payable quarterly starting October 15, 2002. The principal is payable in quarterly installments starting October 15, 2003. The specified interest rate is 6.62%, however the City has elected to defer collection of 1% interest for a nonspecified period. Quarterly principal payments range from approximately \$53,000 to \$150,000.

In order to secure the repayment of the loan and other amounts to the City, the Guild has deposited funds into the Debt Service Reserve Account and the Construction Account. These funds are held in escrow accounts at a local financial institution. All amounts held in the Debt Service Reserve Account and the Construction Account serve as security for amounts due to the City by the Guild pursuant to the Loan Agreement.

**LOUISIANA ARTISTS GUILD**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**4. Loans Payable (continued)**

The debt repayment (based on a 5.62% interest amortization schedule) is as follows:

Fiscal year ending December 31,	2003	\$	52,862
	2004		218,978
	2005		231,542
	2006		244,827
	2007 and thereafter		6,351,791
		\$	<u>7,100,000</u>

Collateral for the loan consists of substantially all assets of the Guild.

**5. Related Parties**

The Articles of Incorporation of the Guild specify that all Guild members and the Board of Directors are selected by and serve at the pleasure of the Board of Directors of the Arts Council of New Orleans (ACNO). The Articles also provide that in the event of dissolution, all of the Guild's property goes to ACNO.

The Guild shares office space with ACNO. Certain employees of ACNO also serve as employees of the Guild. Salary expense, supplies, utilities, insurance and certain administrative expenses are allocated to the Guild based on the percentage of time the employee dedicates to the Guild. Certain Guild expenses have been paid by ACNO and accounted for as Due to Arts Council of New Orleans. As of December 31, 2002 and 2001, the Guild owed ACNO approximately \$655,000 and \$803,000, respectively. No interest is charged on the Due to Arts Council of New Orleans balance.

In the normal course of its operations, the Guild conducts business with certain members of its Board of Directors.

**6. Commitments**

In September 1998, the Guild signed a contract for architectural and engineering service for the construction of the Louisiana Artist Guild building/complex. The amended contract is for approximately \$1,080,000 for basic services plus reimbursables and additional services on which approximately \$41,000 remains to be paid on the basic services at December 31, 2002.

In July 2002, the Guild signed a contract in the amount of \$10,476,000 for construction of the Louisiana ArtWorks building. Approximately \$10,363,000 remains to be paid on the contract. Substantial completion is expected in December 2003.

## **SUPPLEMENTAL SCHEDULES**



**Postlethwaite & Netterville**

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**INDEPENDENT AUDITORS' REPORT**  
**ON COMPLIANCE AND ON INTERNAL CONTROL OVER**  
**FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS**  
**PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
Louisiana Artists Guild

We have audited the financial statements of the Louisiana Artists Guild (the Guild) as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated April 8, 2003. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Guild's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Guild's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements, but not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is defined as a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to the Guild's management in a separate letter dated April 8, 2003.

This report is intended solely for the information and use of the Board of Directors, management, State of Louisiana Legislative Auditor's Office, federal awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Postlethwaite & Netterville*

Metairie, Louisiana  
April 8, 2003



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO THE MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors  
Louisiana Artists Guild

**Compliance**

We have audited the compliance of the Louisiana Artists Guild (the Guild) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2002. The Guild's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirement of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Guild's management. Our responsibility is to express an opinion on the Guild's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Guild's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Guild's compliance with those requirements.

In our opinion, the Guild complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2002.



### Internal Control Over Compliance

The management of the Guild is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Guild's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily describe all matters in the internal control that might be material weakness. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Directors, management, State of Louisiana Legislative Auditor's Office, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Postlethwaite & Netterville*

Metairie, Louisiana  
April 8, 2003

**LOUISIANA ARTISTS GUILD**  
**NEW ORLEANS, LOUISIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED DECEMBER 31, 2002**

(1) Summary of Auditors' Results

- (a) The type of report issued on the financial statements: unqualified opinion
- (b) Reportable conditions in internal control were disclosed by the audit of the financial statements: none reported; Material weaknesses: no
- (c) Noncompliance which is material to the financial statements: no
- (d) Reportable conditions in internal control over major programs: no; Material weaknesses: none reported
- (e) The type of report issued on compliance for major programs: unqualified opinion
- (f) Any audit findings which are required to be reported under Section 510(a) of OMB Circular A-133: no
- (g) Major program:

<u>Name of Federal Program</u>	<u>CFDA No.</u>
Community Development Block Grants	
Section 108 Loan Guarantees	14.248

- (h) Dollar threshold used to distinguish between Type A and Type B programs: \$300,000
  - (i) Auditee qualified as a low-risk auditee under Section 530 of OMB Circular A-133: no
- (2) Findings Relating to the Financial Statements Reported in accordance with *Government Auditing Standards*: None
- (3) Findings and Questioned Costs relating to Federal Awards: None

**LOUISIANA ARTISTS GUILD**  
**NEW ORLEANS, LOUISIANA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

<u>Federal Grantor/Pass through/Program Title</u>	<u>CFDA Number</u>	<u>Pass through Entity (identifying (number outstanding)</u>	<u>Amount of Loan and Guarantee at December 31, 2002 (Federal expenditure)</u>
<u>United States Department of Housing and Urban Development</u>			
Pass through from City of New Orleans			
Community Development Block Grant		Loan # BA Series 2002-A	
Section 108 Loan Guarantees	14.248	Note B-01-MC-22-0006-A	\$ 7,100,000
Total Federal Awards			<u>\$ 7,100,000</u>

**FOOTNOTES**

(1) Basis of Presentation

This schedule includes the activity of the federal awards of the Louisiana Artist Guild and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

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**ARTS COUNCIL OF NEW ORLEANS**

**AND**

**LOUISIANA ARTISTS GUILD**

**REPORT TO MANAGEMENT**

**SCHEDULE OF PRIOR YEAR FINDINGS**

**DECEMBER 31, 2002**

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**Postlethwaite & Netterville**

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April 8, 2003

To the Boards of Directors  
Arts Council of New Orleans and Louisiana Artists Guild  
New Orleans, Louisiana

We have audited the financial statements of Arts Council of New Orleans (ACNO) and Louisiana Artists Guild (the Guild) for the year ended December 31, 2002, and have issued our reports thereon dated April 8, 2003. In planning and performing our audits of ACNO and the Guild's financial statements, we considered their internal controls in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audits we became aware of the following matter. This letter does not affect our reports dated April 8, 2003, on the financial statements of ACNO and the Guild.

**Prior Year Comments**

We noted an accrued expense that had been outstanding over one year. This was resolved in 2002.

We recommended that a detailed schedule of Louisiana ArtWorks construction in progress records be maintained which identifies specific funding sources and documents matching compliance. There has been an effort to compile these records.

We noted a construction contract entered into by ACNO on behalf of the Guild. This matter has been resolved.

We have already discussed these comments with various ACNO and Guild personnel, and we will be pleased to further discuss.

*Postlethwaite & Netterville*

ARTS COUNCIL OF NEW ORLEANS  
LOUISIANA ARTISTS GUILD  
SCHEDULE OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2002

SECTION I—INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS

No matters were reported.

SECTION II—INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS

No matters were reported.

SECTION III—MANAGEMENT LETTER

<u>Finding</u>	<u>Resolution</u>
<u>Accrued Expenses---</u> Old outstanding payables should be reviewed on a periodic basis to determine the propriety of the accrual	<u>Resolved</u>
<u>Louisiana Artwork Records---</u> Prepare and maintain a detailed schedule of construction in progress to identify specific costs and funding sources	<u>Partially Resolved</u>
<u>Prior Year Comments---</u> Construction contracts entered into by ACNO on behalf of the Guild during 2000. One contract was amended to change contracting party to the Guild. The Council and the Guild should seek legal advice regarding potential risks relating to these contracts.	<u>Resolved</u>