

MULTICULTURAL CENTER OF THE SOUTH, INC.**SHREVEPORT, LOUISIANA****DECEMBER 31, 2005**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 8-9-06

MULTICULTURAL CENTER OF THE SOUTH, INC.

SHREVEPORT, LOUISIANA

TABLE OF CONTENTS

REVIEWED FINANCIAL STATEMENTS

	<u>Page</u>
Accountant's Review Report	1
Financial Statements:	
Statement of Financial Position	2
Statement of Activities	3-4
Statement of Cash Flows	5
Notes to Financial Statements	6-9

OTHER REPORTS

Report on Applying Agreed-Upon Procedures	10-12
---	-------

REVIEWED FINANCIAL STATEMENTS

**HEARD
McELROY
& VESTAL**
LLP
CERTIFIED PUBLIC ACCOUNTANTS

333 TEXAS STREET
15TH FLOOR
SHREVEPORT, LA 71101
318 429-1525
318 429-2070 FAX
POST OFFICE BOX 1607
SHREVEPORT, LA
71165-1607

PARTNERS
J. PETER GAFFNEY, CPA, APC
SPENCER BERNARD, JR., CPA
H.Q. GAHAGAN, JR., CPA, APC
GERALD W. HEDGCOCK, JR., CPA, APC
TIM B. NIELSEN, CPA, APC
JOHN W. DEAN, CPA, APC
MARK D. ELDREDGE, CPA
ROBERT L. DEAN, CPA
STEPHEN W. CRAIG, CPA

ROY E. PRESTWOOD, CPA
A. D. JOHNSON, JR., CPA
RON W. STEWART, CPA, APC

OF COUNSEL
GILBERT R. SHANLEY, JR., CPA
C. CODY WHITE, JR., CPA, APC
WILLIAM L. HIGHTOWER, CPA

June 27, 2006

To the Board of Directors
Multicultural Center of the South, Inc.
Shreveport, Louisiana

We have reviewed the accompanying statement of financial position of the Multicultural Center of the South, Inc. as of December 31, 2005 and the related statements of activities and cash flows for the year then ended, in accordance with *Statements on Standards for Accounting and Review Services* issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of the Multicultural Center of the South, Inc.

A review consists principally of inquiries of Company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the object of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

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 generally accepted accounting principles.

In accordance with the *Louisiana Governmental Audit Guide* and the provisions of state law, we have issued a report, dated June 27, 2006, on the results of our agreed-upon procedures.

Heard, McElroy & Vestal, LLP

MULTICULTURAL CENTER OF THE SOUTH, INC.

STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2005

ASSETS

<u>Current assets:</u>	
Cash and cash equivalents	428,969
Certificates of deposit	265,826
Accounts receivable	224
Inventory	<u>1,940</u>
Total current assets	696,959
<u>Fixed assets:</u>	
Office furniture and equipment	90,077
Collection items	91,703
Library books	2,822
Signs	2,507
<u>Less-accumulated depreciation</u>	<u>(37,584)</u>
Total fixed assets	149,525
<u>Other assets:</u>	
Deposits	340
Gift certificates	<u>250</u>
Total other assets	<u>590</u>
Total assets	<u>847,074</u>

LIABILITIES AND NET ASSETS

<u>Current liabilities:</u>	
Accounts payable	459
Taxes payable	5,330
Line of credit	<u>125,000</u>
Total current liabilities	130,789
<u>Net assets:</u>	
Unrestricted	<u>716,285</u>
Total liabilities and net assets	<u>847,074</u>

See Accountant's Review Report

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

MULTICULTURAL CENTER OF THE SOUTH, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2005

<u>Support and revenue:</u>	
City of Shreveport	200,000
State of Louisiana	32,645
Sponsorships	4,500
Contributions	8,076
Membership dues	1,955
Rent	7,705
Interest income	19,692
Admissions	1,708
Special events	3,625
Miscellaneous	<u>1,643</u>
Total support and revenue	281,549
 <u>Expenses:</u>	
<u>Administrative:</u>	
Salaries	147,061
Payroll taxes	12,149
Insurance	<u>31,333</u>
Total administrative expenses	190,543
 <u>Operating:</u>	
Advertising	2,586
Contract labor	18,246
Delivery service	575
Depreciation	11,529
Dues and subscriptions	2,096
Equipment rental	3,164
Maintenance	19,218
Meetings	1,507
Minor equipment	3,788
Miscellaneous	4,839
Moving and storage	9,598
Interest expense	2,475
Office supplies	11,147
Parking	540
Postage and delivery	2,112
Printing and reproduction	4,125

See Accountant's Review Report

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

MULTICULTURAL CENTER OF THE SOUTH, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2005

<u>Operating: (Continued)</u>	
Rent	5,625
Repairs and maintenance	5,660
Security	1,059
Telephone	9,425
Travel	2,914
Trust management fees	275
Utilities	48,823
Waste management	<u>598</u>
Total operating expenses	171,924
<u>Professional expenses:</u>	
Accounting	8,650
Consulting	20,825
Public relations	<u>4,916</u>
Total professional expenses	34,391
<u>Other expenses:</u>	
Calendar of events	8,727
Catering/luncheons	7,199
Cost of direct benefits to donors	2,090
Fundraising	5,323
Grant writing	5,311
Membership development	<u>53</u>
Total other expenses	<u>28,703</u>
Total expenses	<u>425,561</u>
<u>Change in net assets</u>	(144,012)
<u>Net assets-beginning of year</u>	<u>860,297</u>
<u>Net assets-end of year</u>	<u>716,285</u>

See Accountant's Review Report

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

MULTICULTURAL CENTER OF THE SOUTH, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2005

<u>Cash flows from operating activities:</u>	
Change in net assets	(144,012)
Adjustments to reconcile change in net assets to net cash (used) by operating activities:	
Depreciation	11,529
Decrease in accounts receivable	1,772
(Increase) in inventory	(1,940)
Decrease in prepaids/other	2,245
(Decrease) in accounts payable	(3,246)
Increase in taxes payable	<u>2,155</u>
Total adjustments	<u>12,515</u>
Net cash (used) by operating activities	(131,497)
<u>Cash flows from investing activities:</u>	
Net redemption of certificate of deposit	50,741
Purchase of office furniture	(47,585)
Purchase of collection items	<u>(44,100)</u>
Net cash (used) by investing activities	(40,944)
<u>Cash flows from financing activities:</u>	
Proceeds from line of credit	<u>125,000</u>
<u>Net (decrease) in cash and cash equivalents</u>	(47,441)
<u>Cash and cash equivalents at beginning of year</u>	<u>476,410</u>
<u>Cash and cash equivalents at end of year</u>	<u>428,969</u>
<u>Supplemental disclosure:</u>	
Interest paid	2,475

See Accountant's Review Report

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

MULTICULTURAL CENTER OF THE SOUTH, INC.

NOTES TO FINANCIAL STATEMENTS

AT DECEMBER 31, 2005

1. Nature of Business

The Multicultural Center of the South, Inc. (the Center) is a nonprofit corporation governed by a board of directors and administered by a professional staff. The Center's goal is to provide a resource by which the area youth can become better and more successful citizens of the twenty-first century through enhanced knowledge of the peoples of the world with whom they live and work. The Center further exists to promote the understanding and awareness of the many cultures, which have been a part of the heritage of the City of Shreveport, the State of Louisiana and surrounding states and the South in general.

2. Summary of Significant Accounting Policies

Basis of Presentation - The financial statements of the Center are prepared on the accrual basis. Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Center is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations. Some unrestricted net assets may be designated by the Board for specific purposes.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met by actions of the Center, and/or by the passage of time.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Center. Generally, donors permit all or part of the income earned on these assets to be used for general or specific purposes.

The Center has adopted SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor-imposed restrictions. Contributions are recognized when the donor makes a promise to give to the Center that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles 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.

See Accountant's Review Report

2. Summary of Significant Accounting Policies (Continued)

Federal Income Taxes - A provision has not been made for federal income taxes since the Center is an exempt organization under Section 501(c)(3) of the Internal Revenue Code.

Fixed Assets - Fixed assets are stated at cost less accumulated depreciation or amortization. Depreciation and amortization are calculated using the straight-line method. Office furniture is depreciated over an estimated useful life of seven years. Equipment is depreciated over an estimated useful life of five years. Collection items are stated at cost and are not depreciated. See Note 6 for a further discussion of the Center's collection items.

Cash and Certificates of Deposit - For purposes of the statement of cash flows, the Center considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Donated Services - During the year the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. However, many individuals volunteer their time and perform a variety of tasks that assist the organization. Other donated materials and equipment are recorded as contributions in the financial statements at their estimated values at the date of receipt.

Advertising Costs - The Center expenses advertising costs as incurred. Total advertising recorded for the year ended December 31, 2005 amounted to \$2,586.

3. Commitments and Contingencies

The Center is a recipient of certain government grants which require the fulfillment of conditions as set forth in the instrument of grant. Failure to fulfill the conditions could result in the return of the funds to grantors. Although that is a possibility, the Board deems the contingency remote, since by accepting the grants and their terms, it has accommodated the objectives of the organization to the provisions of the grant. These conditions include the right to audit the grant usage by the grantor or its designee.

4. Cash and Certificates of Deposit

At December 31, 2005, cash and certificates of deposit consisted of the following:

	<u>Cost</u>	<u>Market Value</u>
Cash and cash equivalents	428,969	428,969
Certificates of deposit-maturity greater than 3 months	<u>265,826</u>	<u>265,826</u>
	<u>694,795</u>	<u>694,795</u>

The Center had demand deposits in banks of \$285,086 in excess of federally insured limits.

See Accountant's Review Report

5. Major Source of Funding

For the fiscal year 2005, the Center executed a Cooperative Endeavor Agreement with the City of Shreveport. The agreement stipulates that, in consideration of \$200,000 from the City of Shreveport, the Center shall utilize the funds to maintain and operate a multi-cultural center in downtown Shreveport. The Agreement, and the monies received from the City, mirrors that of the prior year; however, the Agreement is reviewed for approval on an annual basis. The Center's ability to operate is dependent upon the annual renewal and approval of this agreement with the City of Shreveport.

During 2003, the City of Shreveport purchased a building in downtown Shreveport to house the Multicultural Center of the South on a permanent basis. Throughout 2004, the City expended approximately \$1.3 million in renovating the facility. The renovations were completed in early 2005, at which point the Center began operations in the new facility. The stipulations of the Center's use of the said building are governed by the *Agreement to Lease, Manage and Operate the Multicultural Center of the South*, as executed by the Center and the City of Shreveport, on November 18, 2004. The Agreement provides that the Center pay the City a nominal rental fee of ten dollars (\$10) per year. The primary term of the lease is ten years, beginning on the date the Center is issued a Certificate of Occupancy. The Agreement further provides that the said lease term may be extended for four (4) additional five-year (5) terms upon the mutual agreement of the parties.

The Agreement stipulates that the Center is responsible for the cost of maintaining the facility, including, but not limited to, utilities and general, routine maintenance, as required to maintain the Center in a good and habitable condition. The Center has the right to request that the City of Shreveport provide additional funding for the said costs, but the City is under no contractual obligation to do so. During the first four months of 2005, the City provided reimbursements to the Center for certain utilities. The total amount reimbursed to the Center during 2005 amounted to \$12,010, for which the corresponding expenses have been eliminated. At December 31, 2005, the Center had cash in banks and certificates of deposit totaling \$694,795 to be used for funding operational expenses, as well as future rental income and other sources of funding. The Center expects operating expenses to decrease in 2006, due to nonrecurring costs associated with the initial occupancy of the building.

It should be noted that the State Legislature has cut the funding from hotel/motel taxes the Center was receiving, effective the beginning of 2006. The amount received in 2005 totaled \$32,645. The Center will now rely even more on the Agreement with the City of Shreveport and search for other sources of funding.

6. Collection Items

To further promote the understanding of the cultures of the area, the Center has acquired a diverse collection of art and artifacts for public display. During 2003, the City of Shreveport reimbursed the Center for artifacts purchased; however, upon the decision of the City to expend the monies to renovate the Center's new permanent location, the Center was notified that, beginning in 2004, the City would no longer provide reimbursements for such acquisitions. As of December 31, 2003, the Center had purchased, and been subsequently reimbursed by the City, for acquisitions totaling \$118,811. Per the contractual agreement of both parties, the City of Shreveport maintains full rights of ownership in these items and has granted the Center the exclusive right to use and display the items. The Center has no rights in these items and, accordingly, may not sell, transfer, modify, or exchange the items without the expressed, written consent of the City of Shreveport. Thus, these items are not reflected in the Center's financial statements.

See Accountant's Review Report

6. Collection Items (Continued)

As of December 31, 2005, the Center had acquired \$91,703 of collection items, for which the City provided no reimbursement. The Center has full rights in these items, including the right to sell, modify, or exchange. In the event an item is sold, the Center is under no obligation to use the proceeds for the acquisition of other collection items. Accordingly, the Center considers these collection items to be assets and have capitalized as such.

7. Line of Credit

The Center has a line of credit with a financial institution at December 31, 2005 that is due July 1, 2006 and bears interest at 5.20%. The total amount payable at December 31, 2005 is \$125,000. There was \$25,000 available on the line of credit at December 31, 2005.

OTHER REPORTS

**HEARD
McELROY
& VESTAL**
LLP
CERTIFIED PUBLIC ACCOUNTANTS

333 TEXAS STREET
15TH FLOOR
SHREVEPORT, LA 71101
318 429-1525
318 429-2070 FAX
POST OFFICE BOX 1607
SHREVEPORT, LA
71165-1607

PARTNERS
J. PETER GAFFNEY, CPA, APC
SPENCER BERNARD, JR., CPA
H. Q. GAHAGAN, JR., CPA, APC
GERALD W. HEDGCOCK, JR., CPA, APC
TIM B. NIELSEN, CPA, APC
JOHN W. DEAN, CPA, APC
MARK D. ELDRIDGE, CPA
ROBERT L. DEAN, CPA
STEPHEN W. CRAIG, CPA

ROY E. PRESTWOOD, CPA
A. D. JOHNSON, JR., CPA
RON W. STEWART, CPA, APC

OF COUNSEL
GILBERT R. SHANLEY, JR., CPA
C. CODY WHITE, JR., CPA, APC
WILLIAM L. HIGHTOWER, CPA

June 27, 2006

To the Board of Directors
Multicultural Center of the South, Inc.
Shreveport, Louisiana

Independent Accountant's Report
on Applying Agreed-Upon Procedures

We have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by the management of Multicultural Center of the South, Inc. and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about Multicultural Center of the South, Inc.'s compliance with certain laws and regulations during the year ended December 31, 2005 included in the accompanying *Louisiana Attestation Questionnaire*. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Federal, State and Local Awards

1. Determine the amount of federal, state and local award expenditures for the fiscal year, by grant and grant year.

Multicultural Center of the South Inc.'s local award expenditures for all local programs for the fiscal year follow:

Award	Grant Year	Amount
State of Louisiana-Act 14 Appropriation	2005	32,645
City of Shreveport-Cooperative Endeavor Agreement	2005	\$200,000
Total expenditures		\$232,645

2. For the above local award, we randomly selected six disbursements administered during the period under examination.

3. For the items selected in Procedure 2, we traced the six disbursements to supporting documentation as to proper amount and payee.

We examined supporting documentation for each of the six selected disbursements and found that payment was for the proper amount and made to the correct payee.

4. For the items selected in Procedure 2, we determined if the six disbursements were properly coded to the correct fund and general ledger account.

All of the payments were properly coded to the correct fund and general ledger account.

5. For the items selected in Procedure 2, we determined whether the six disbursements received approval from proper authorities.

All items were properly approved.

6. For the items selected in Procedure 2, for local awards, we determined whether the disbursements complied with the grant agreement, relating to:

Activities allowed or unallowed:

We reviewed the previously listed disbursements for types of services allowed or not allowed.

Eligibility

We reviewed the previously listed disbursements for eligibility requirements.

No exceptions were noted for either of the above tests.

Meetings

7. Examine evidence indicating that agendas for meetings recorded in the minute book were posted as required by LSA-RS 42:1 through 42:12.

The Center posts the appropriate advertisement giving notice of meetings where public funds will be discussed.

Comprehensive Budget

8. For all grants exceeding five thousand dollars, we determined that each applicable federal, state, or local grantor agency/agency was provided with a comprehensive budget of those grants that included the purpose and duration.

We determined that the Center did provide the City's Chief Administrative Officer with a report describing the activities of the organization which had been conducted so far, as required.

The Center is not required to send a copy of the budget to the City of Shreveport as part of the Cooperative Endeavor Agreement. However, the Center has adopted a budget.

Prior Comments and Recommendations

9. We reviewed any prior-year suggestions, recommendations, and/or comments to determine the extent to which such matters have been resolved.
 - a. We recommended a change in the process of recording expenses in the nonreimbursable organizational expense account to separate expense accounts. We noted a change was made during 2005.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management of Multicultural Center of the South, Inc. and the Legislative Auditor (State of Louisiana), and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Heard, McElroy & Vestal, LLP