

5925

RECEIVED  
LEGISLATIVE AUDITOR  
03 DEC 31 AM 11:08

OFFICIAL  
FILE COPY  
DO NOT SEND OUT  
(Xerox industry  
copies from this  
copy and PLACE  
BACK in FILE)

## The Louisiana Alliance For Arts Education

---

Baton Rouge, Louisiana

*Financial Statements  
and Supplementary Information*

Year Ended June 30, 2003

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 2.11.04

Johnston & Hayden, LLC  
CERTIFIED PUBLIC ACCOUNTANTS

## CONTENTS

	<u>Page</u>
Independent Auditors' Report	3
Statement of Financial Position	4
Statement of Activities	5
Statement of Cash Flows	6
Notes to the Financial Statements	7 - 14
Auditors' Report on Compliance and Internal Control in Accordance with Government Auditing Standards	15 - 16
Supplementary Information: Schedule of Functional Expenses	18

Johnston & Hayden, LLC  
CERTIFIED PUBLIC ACCOUNTANTS

13360 Coursey Boulevard, Suite A  
Baton Rouge, Louisiana 70816

MICHAEL D. JOHNSTON, CPA (P.C.)

RICHARD E. HAYDEN, CPA (P.C.)

WILLIAM D. MERCER, CPA

TELEPHONE (225) 755-0300

TOLL FREE (800) 755-7869

FAX (225) 755-0303

MEMBERS OF:  
AMERICAN INSTITUTE  
AND SOCIETY OF LOUISIANA  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
The Louisiana Alliance for Arts Education  
Baton Rouge, Louisiana

We have audited the accompanying statement of financial position of The Louisiana Alliance for Arts Education (a nonprofit organization) as of June 30, 2003, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Alliance's management. Our responsibility is to express an opinion on these financial statements based on our audit.

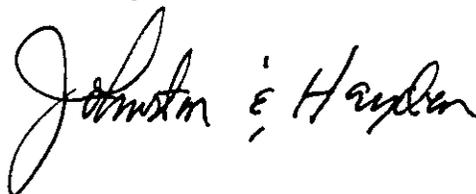
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 audit provides 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 Alliance for Arts Education as of June 30, 2003, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of functional expenses on page 18 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2003, on our consideration of The Louisiana Alliance for Arts Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. This report is an integral part of the audits performed in accordance with *Government Auditing Standards* and should be read in conjunction with the auditors' report on the financial statements.

October 24, 2003



THE LOUISIANA ALLIANCE FOR ARTS EDUCATION  
Baton Rouge, Louisiana

STATEMENT OF FINANCIAL POSITION

June 30, 2003

---

ASSETS

CURRENT:

Cash and cash equivalents	\$	252
Grants receivable		49,914
Accounts receivable		<u>8,848</u>
Total Current Assets		<u>59,014</u>

PROPERTY AND EQUIPMENT:

Office furniture and equipment		4,614
Less accumulated depreciation		<u>2,023</u>
Net Property and Equipment		<u>2,591</u>

TOTAL ASSETS \$ 61,605

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

---

LIABILITIES

CURRENT:

Draws against future deposits	\$	3,400
Accounts payable		47,129
Payroll taxes payable		1,311
Unearned grant revenues		<u>34,771</u>

TOTAL LIABILITIES (all current) 86,611

NET ASSETS

Permanently restricted	-
Temporarily restricted	-
Unrestricted	<u>( 25,006)</u>

TOTAL NET ASSETS ( 25,006)

TOTAL LIABILITIES AND NET ASSETS \$ 61,605

THE LOUISIANA ALLIANCE FOR ARTS EDUCATION  
Baton Rouge, Louisiana

STATEMENT OF ACTIVITIES

Year Ended June 30, 2003

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
<b>REVENUES AND SUPPORT:</b>		
State grants	\$ 153,616	\$ -
Federal grants	113,297	-
Public support	29,810	-
Program service fees	29,575	-
Investment income	141	-
Other revenues	1,073	-
Net assets released from restrictions	<u>1,555</u>	<u>(1,555)</u>
 Total Support and Revenues	 <u>329,067</u>	 <u>(1,555)</u>
<b>EXPENSES:</b>		
Program services:		
Advocacy	18,500	-
Assessment	70,474	-
Louisiana Folklife	111,842	-
Professional development	116,583	-
Resource directory	<u>-</u>	<u>-</u>
 Total program services	 <u>317,399</u>	 <u>-</u>
Support services:		
Management and general	<u>61,035</u>	<u>-</u>
 Total Expenses	 <u>378,434</u>	 <u>-</u>
 INCREASE (DECREASE) IN NET ASSETS	 ( 49,367)	 ( 1,555)
NET ASSETS, beginning of year	<u>24,361</u>	<u>1,555</u>
 NET ASSETS, end of year	 <u>\$(25,006)</u>	 <u>\$ -</u>

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

THE LOUISIANA ALLIANCE FOR ARTS EDUCATION  
Baton Rouge, Louisiana

STATEMENT OF CASH FLOWS

Year Ended June 30, 2003

---

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets:	
Temporarily restricted	\$( 1,555)
Unrestricted	( 49,367)
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	932
(Increase) decrease in:	
Grants receivable	( 3,905)
Accounts receivable	( 8,848)
Increase (decrease) in:	
Accounts payable	44,120
Payroll taxes payable	167
Unearned grant revenues	( 2,890)
Other current liabilities	<u>1,143</u>
Net cash used by operating activities	( <u>20,203</u> )
CASH FLOWS FROM INVESTING ACTIVITIES:	
Acquisition of property and equipment	( <u>2,079</u> )
NET DECREASE IN CASH	( 22,282)
CASH AND CASH EQUIVALENTS, beginning of year	<u>22,534</u>
CASH AND CASH EQUIVALENTS, end of year	\$ <u><u>252</u></u>

Payments for income taxes and interest:

Income taxes	\$ <u><u>-</u></u>
Interest	\$ <u><u>-</u></u>

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

THE LOUISIANA ALLIANCE FOR ARTS EDUCATION  
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

---

NOTE A - NATURE OF BUSINESS AND ORGANIZATION

The Louisiana Alliance for Arts Education ("Alliance") is a non-profit, non-stock corporation that was formed in March, 1979, to secure ongoing, quality education in the arts (visual art, music, theatre, and dance) for all Louisiana students. The Alliance's goals are:

To increase its role as a strong, unified and proactive organization in the advancement of arts education for all Louisiana children

To increase access to educators, school administrators, and policy makers to comprehensive information on arts education

To help develop and strengthen other arts education support systems at the local and state levels

To increase public awareness of the importance of arts education, and

To increase the visibility of outstanding accomplishments as a result of strong arts education programs.

The Alliance is supported primarily through grants from the State of Louisiana's Department of Culture, Recreation, and Tourism, Office of Cultural Development, Division of the Arts, and the Louisiana State Board of Elementary and Secondary Education.

The Alliance's activities are comprised of five major programs:

**Advocacy** – This program seeks ways to improve the environment for the arts in Louisiana schools. The Alliance has assumed the lead role to coordinate a coalition of state agencies for the purpose of developing a state plan for arts education. The Alliance gathers and disseminates information and supports activities to secure arts in education for all Louisiana students. The Alliance also cultivates relationships with other professional arts education associations to advance arts education and increase public awareness about the importance of arts education.

**Professional Development** – This program trains teachers about how to integrate the arts of music, theatre, dance, and visual art into school curricula based on the Arts Content Standards. Regional workshops and a week-long summer institute are held during the year as the means to professionally develop teachers by improving their knowledge and skills.

THE LOUISIANA ALLIANCE FOR ARTS EDUCATION  
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

---

NOTE A -- NATURE OF BUSINESS AND ORGANIZATION (continued)

**Assessment** – This program is designed to develop tests that can be administered to students in the 5th and 9th grades to determine their level of knowledge about the four primary arts categories.

**Resource Directory** – This program produces a directory containing the names, addresses, and phone numbers of arts agencies, associations, and state agencies that can provide information of interest or pertaining to arts education. This program has also developed an Internet website so that anyone can access the information contained in the resource directory at any time.

**Louisiana Folklife** – This is a multi-faceted program wherein the Alliance plays the role of a fiscal agent in assisting the Louisiana Department of Culture, Recreation and Tourism, and Tourism's Division of the Arts in implementing Phase III of its Louisiana Folk Arts in Education Infrastructure Development Project. In Phase III of this project, the Division of Arts will offer workshops, institutes, and support to teachers who use *Louisiana Voices* and to build infrastructure through collaborations with other organizations.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The accompanying financial statements have been prepared using the accrual basis of accounting, in accordance with generally accepted accounting principles.

Basis of presentation

Net assets of the Organization and changes therein are classified and reported as follows:

*Unrestricted net assets* – Net assets that are not subject to donor-imposed stipulations.

*Temporarily restricted net assets* – Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time.

*Permanently restricted net assets* – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Alliance. Generally, the donors of these assets permit the Alliance to use all or part of the income earned on related investments for general or specific purposes.

THE LOUISIANA ALLIANCE FOR ARTS EDUCATION  
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

---

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of presentation (continued)

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed stipulations. Expenses are recorded as decreases in unrestricted net assets. Gains and losses on assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated passage of time has elapsed) are reported as net assets released from restrictions.

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 liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Alliance regularly assesses these estimates and, while actual results may differ, management believes that the estimates are reasonable.

Significant estimates included in or affecting the presentation of the accompanying financial statements include provision for doubtful accounts, allocations of certain operating costs between program activities and management and general functions, and estimated useful lives of property and equipment.

Cash and cash equivalents

For the purposes of the statement of cash flows, the Alliance considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Receivables

Grants receivable represent amounts due to the Alliance because the Alliance has earned the right to receive additional funds under the terms of the grant. Accounts receivable represents amounts due to the Alliance for providing program services.

No provision for doubtful accounts is maintained, as management believes all receivables will be fully collectible.

THE LOUISIANA ALLIANCE FOR ARTS EDUCATION  
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

---

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Promises to Give

Unconditional promises to give are recognized as receivables and as revenues in the period in which the Alliance is notified by the donor of their commitment to make a contribution. Conditional promises to give are recognized when the conditions on which they depend are met.

Property and equipment

All property and equipment is stated at cost. Expenditures for maintenance, repairs and minor renewals are charged to earnings as incurred. Major expenditures for renewals and improvements are capitalized.

Donated property and equipment are recorded at their estimated fair values at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

As a general rule, when items are retired or otherwise disposed of, the accumulated depreciation is reduced by the amount of accumulated depreciation applicable thereto. Any gain or loss from such retirement or disposal is credited or charged to income.

Depreciation

Depreciation is computed on the straight-line method over the estimated useful lives of the various classes of depreciable assets, ranging from five to seven years.

Revenue Recognition

The Alliance reports contributions as restricted support if they are received with donor or grantor restrictions that limit the use of the contributions. When a restriction expires (i.e., when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions are considered to be available for unrestricted use and recorded as such, unless specifically restricted by the donor.

Most of the Alliance's support and revenues consist of cost reimbursement type grants. As such, the Alliance does not recognize revenue from such grants until it has incurred allowable expenses under the terms of the grants. Accordingly, any funds received in advance of the Alliance incurring allowable costs are recorded as unearned grant revenue until the conditions are met.

THE LOUISIANA ALLIANCE FOR ARTS EDUCATION  
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

---

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenues from fees, such as tuition charges to attend the summer institute and regional workshops or from providing contractual services, are recognized in the period in which the Alliance provides the service. Interest income and revenues from the sales of the Folklife Resource Guide and other merchandise are recognized as revenue in the period earned.

Membership dues are recognized in the period to which the membership applies. The Alliance's annual membership period runs from August 1 to July 31. There are no special membership requirements; any person can "belong" to the Alliance. No special benefits are provided to members, except that they receive a copy of the Alliance's Arts Resource Directory. Membership dues are considered unrestricted public support.

Expense allocation

The costs of providing the Alliance's programs and activities have been summarized on a functional basis in the accompanying financial statements. Accordingly, certain costs have been allocated between the programs and supporting services benefited.

Expenses specifically identifiable to a particular program or supporting service are charged directly to the program or service. Management and general expenses include those expenses that are not identifiable with any specific function, but provide for the overall support and direction of the Alliance.

Advertising

The Alliance expenses the production cost of advertising the first time the advertising takes place, except for direct-response advertising, which is capitalized and amortized over its expected period of future benefits. As of June 30, 2003, the Alliance had no direct-response advertising classified as assets, and all other advertising was expensed as incurred.

Income taxes

The Alliance is a not-for-profit organization that 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. Accordingly, no provision or liability for federal or state income taxes has been included in the accompanying financial statements.

THE LOUISIANA ALLIANCE FOR ARTS EDUCATION  
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

---

NOTE C - CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30, 2003, consist of the following:

Cash on hand	\$	-
Cash in bank - checking account		<u>252</u>
	\$	<u>252</u>

As of June 30, 2003, the Alliance had overdrawn cash totaling \$ 3,400, which is included in the accompanying financial statements as a component of current liabilities.

NOTE D - RELATED PARTY TRANSACTIONS

As of June 30, 2003, the Alliance owed \$ 18,892 to various members of its Board of Directors for contractual services rendered to or expenses incurred on behalf of the Alliance. Amounts payable under these contracts as of June 30, 2003, were as follows:

Dollie Barkum	\$	6,000
James A. Goodman		750
Jan Grace		6,000
Glenda Percival		<u>6,142</u>
	\$	<u>18,892</u>

The Alliance had no other related party payables or receivables as of June 30, 2003.

THE LOUISIANA ALLIANCE FOR ARTS EDUCATION  
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

---

NOTE D – RELATED PARTY TRANSACTIONS (continued)

For the year ended June 30, 2003, various members of the Alliance’s Board of Directors provided contractual services to the Alliance as part of its various programs. Amounts paid to these Directors under such contracts for the year ended June 30, 2003, were as follows:

Dollie Barkum	\$	6,000
Amy Baskin		4,500
Beverly Cook		6,000
James A. Goodman		750
Jan Grace		6,000
Glenda Percival		<u>6,000</u>
	\$	<u>29,250</u>

The Alliance had no other related party revenues or expenses for the year ended June 30, 2003.

NOTE E – DONATED AND IN-KIND SERVICES

The Alliance received at no charge approximately 100 square feet of office space, along with related utilities and other occupancy-services, at its headquarters in Baton Rouge, Louisiana. No amounts have been reported in the accompanying financial statements as revenue as objective information was not obtained to permit the recording of these in-kind donations in accordance with Statements of Financial Accounting Standards No. 116, *Accounting for Contributions Made and Contributions Received*. However, management estimates the approximate annual value of the free office space and related costs to be \$ 1,200.

NOTE F – BOARD OF DIRECTORS’ COMPENSATION

The Alliance’s Board of Directors is a voluntary board. Therefore, no compensation or per diem has been paid to any member for serving as a Board member.

NOTE G – SUPPLEMENTARY CASH FLOW INFORMATION

During the year ended June 30, 2003, the Alliance disposed of fully depreciated office equipment having an original cost of \$ 4,123. No gain or loss was recognized on this disposal.

The Alliance had no other noncash investing and financing activities for the year ended June 30, 2003.

THE LOUISIANA ALLIANCE FOR ARTS EDUCATION  
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

---

NOTE H – SIGNIFICANT CONCENTRATIONS OF CREDIT RISK

The Alliance receives a significant portion of its support and revenues from the Louisiana Department of Culture, Recreation and Tourism, Office of Cultural Development, Division of Arts and from the Louisiana State Board of Elementary and Secondary Education. A reduction in the amount of support and revenue provided by these agencies, should this occur, could have a significant impact on the Alliance's ability to carry out its activities and support services at current levels.

Johnston & Hayden, LLC  
CERTIFIED PUBLIC ACCOUNTANTS

13360 Coursey Boulevard, Suite A  
Baton Rouge, Louisiana 70816

MICHAEL D. JOHNSTON, CPA (P.C.)  
RICHARD E. HAYDEN, CPA (P.C.)  
WILLIAM D. MERCER, CPA

TELEPHONE (225) 755-0300  
TOLL FREE (800) 755-7869  
FAX (225) 755-0303

MEMBERS OF  
AMERICAN INSTITUTE  
AND SOCIETY OF LOUISIANA  
CERTIFIED PUBLIC ACCOUNTANTS

AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors  
The Louisiana Alliance for Arts Education  
Baton Rouge, Louisiana

We have audited the financial statements of The Louisiana Alliance for Arts Education as of and for the year ended June 30, 2003, and have issued our report thereon dated October 24, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

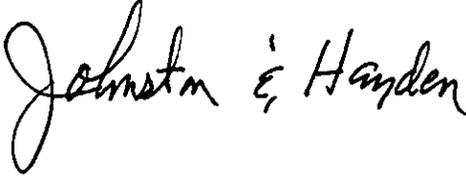
As part of obtaining reasonable assurance about whether The Louisiana Alliance for Arts Education's financial statements are free of material misstatement, we performed test of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered The Louisiana Alliance for Arts Education's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and 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 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.

This report is intended for the management and Board of Directors of The Louisiana Alliance for Arts Education and the Louisiana Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

October 24, 2003

A handwritten signature in black ink that reads "John E. Hayden". The signature is written in a cursive style with a large, looping initial "J".

**SUPPLEMENTARY INFORMATION**

THE LOUISIANA ALLIANCE FOR ARTS EDUCATION  
Baton Rouge, Louisiana

SCHEDULE OF FUNCTIONAL EXPENSES

Year Ended June 30, 2003

	<u>Advocacy</u>	<u>Assessment</u>	<u>Louisiana Folklife</u>	<u>Professional Development</u>	<u>Management and General</u>
Awards	\$ 563	\$ -	-	-	\$ -
Bank charges	-	-	-	-	12
Conferences/dues	-	-	-	-	935
Contracted services	4,665	52,222	86,313	74,490	11,050
Depreciation	-	-	-	-	932
Equipment expense	1,165	-	231	1,455	64
Event expense	1,500	-	361	4,738	1,888
Insurance	-	-	-	100	50
Interest	-	-	-	-	41
Internet and website expense	-	-	-	-	3,390
Licenses and permits	-	-	250	-	-
Lodging	-	-	284	-	-
Meals	-	-	183	-	-
Payroll expenses	7,269	1,035	4,767	11,103	23,450
Postage	307	-	1,344	850	2,008
Printing and copying	1,164	-	1,407	5,783	1,957
Rent expense	750	305	100	4,000	-
Resources	-	-	410	-	734
Scholarships	-	-	7,710	-	-
Supplies	841	2,107	4,255	1,572	2,210
Telephone	-	-	105	-	1,789
Travel	276	14,805	4,122	12,492	10,525
Totals	\$ 18,500	\$ 70,474	\$ 111,842	\$ 116,583	\$ 61,035

UNAUDITED - See auditors' disclaimer on supplementary information.