
ARTS COUNCIL OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

FINANCIAL STATEMENTS

DECEMBER 31, 2004

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 7-13-05

ARTS COUNCIL OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

FINANCIAL STATEMENTS

DECEMBER 31, 2004

CONTENTS

	<u>Page</u>
<u>INDEPENDENT AUDITORS' REPORT</u>	1
<u>FINANCIAL STATEMENTS</u>	
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Cash Flows	5
Notes to Financial Statements	6
<u>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</u>	12
<u>ACCOMPANYING INFORMATION</u>	
Schedule of Support and Expenses for State and Passed Through Grants	14



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Independent Auditors' Report

To the Board of Directors
Arts Council of New Orleans

We have audited the accompanying statement of financial position of the Arts Council of New Orleans (ACNO - a Louisiana nonprofit corporation), as of December 31, 2004, and the related statements of activities and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of ACNO's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audit.

We conducted our audit 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 audit 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 audit provides a reasonable basis for our opinion.

ACNO presents its separate financial statements and does not consolidate with a financially interrelated not-for-profit organization which it controls through majority voting interest and in which it has an economic interest. In our opinion, accounting principles generally accepted in the United States of America require consolidation.

In our opinion, except for not presenting consolidated financial statements, the financial statements referred to above present fairly, in all material respects, the financial position of the Arts Council of New Orleans, as of December 31, 2004, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2005 on our consideration of ACNO's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance reporting. 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 audit.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The schedule of support and expenses for state and passed through grants is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Pastelthwaite & Nettewille

Metairie, Louisiana
June 24, 2005



ARTS COUNCIL OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2004

WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2003

ASSETS

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2004 Total</u>	<u>2003 Total</u>
<u>CURRENT ASSETS</u>					
Cash	\$ 51,138	\$ 602,755	\$ -	\$ 653,893	\$ 712,861
Investments	1,823	-	420,040	421,863	410,676
Grants and pledges receivable	117,067	143,432	-	260,499	161,288
Prepaid expenses	831	-	-	831	831
Deposit on equipment	114,611	-	-	114,611	-
Total current assets	<u>285,470</u>	<u>746,187</u>	<u>420,040</u>	<u>1,451,697</u>	<u>1,285,656</u>
<u>DUE FROM LOUISIANA ARTISTS GUILD</u>	612,228	-	-	612,228	589,777
<u>ART COLLECTION</u>	25,452	-	-	25,452	25,452
<u>EQUIPMENT, FURNITURE AND FIXTURES</u> , net of accumulated depreciation of \$222,655 and \$177,454, respectively in 2004 and 2003					
	<u>118,305</u>	<u>-</u>	<u>-</u>	<u>118,305</u>	<u>50,034</u>
<u>TOTAL ASSETS</u>	<u>\$ 1,041,455</u>	<u>\$ 746,187</u>	<u>\$ 420,040</u>	<u>\$ 2,207,682</u>	<u>\$ 1,950,919</u>

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES</u>					
Refundable advances	\$ -	\$ 493,649	\$ -	\$ 493,649	\$ 442,259
Grants payable	-	215,587	-	215,587	209,058
Accrued expenses	86,199	-	-	86,199	55,630
Notes payable	26,336	-	-	26,336	-
Total current liabilities	<u>112,535</u>	<u>709,236</u>	<u>-</u>	<u>821,771</u>	<u>706,947</u>
<u>NOTES PAYABLE, LESS CURRENT PORTION</u>	39,911	-	-	39,911	-
<u>NET ASSETS</u>	<u>889,009</u>	<u>36,951</u>	<u>420,040</u>	<u>1,346,000</u>	<u>1,243,972</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 1,041,455</u>	<u>\$ 746,187</u>	<u>\$ 420,040</u>	<u>\$ 2,207,682</u>	<u>\$ 1,950,919</u>

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

ARTS COUNCIL OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2004
WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2004 Total</u>	<u>2003 Total</u>
<u>REVENUE, GAINS AND OTHER SUPPORT</u>					
Contracts	\$ 50,000	\$ 421,085	\$ -	\$ 471,085	\$ 566,245
Grants	103,003	637,320	-	740,323	898,556
Contributions	622,214	20,000	-	642,214	317,685
Investment and interest income	14,978	2,607	28,863	46,448	74,033
Other income	96,983	-	-	96,983	62,740
Total revenue, gains and other support	<u>887,178</u>	<u>1,081,012</u>	<u>28,863</u>	<u>1,997,053</u>	<u>1,919,259</u>
<u>NET ASSETS RELEASED FROM RESTRICTIONS</u>					
	<u>1,078,616</u>	<u>(1,078,616)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>EXPENSES</u>					
Grant programs	899,672	-	-	899,672	905,848
Public art programs	147,262	-	-	147,262	198,725
Arts Business Center	193,889	-	-	193,889	187,900
Louisiana Artists Guild	309,844	-	-	309,844	173,863
Advocacy	25,420	-	-	25,420	48,325
Development/fundraising	300,318	-	-	300,318	301,962
Other	18,620	-	-	18,620	24,822
Total expenses	<u>1,895,025</u>	<u>-</u>	<u>-</u>	<u>1,895,025</u>	<u>1,841,445</u>
<u>CHANGE IN NET ASSETS</u>					
	70,769	2,396	28,863	102,028	77,814
<u>NET ASSETS AT BEGINNING OF YEAR</u>					
	<u>818,240</u>	<u>34,555</u>	<u>391,177</u>	<u>1,243,972</u>	<u>1,166,158</u>
<u>NET ASSETS AT END OF YEAR</u>					
	<u>\$ 889,009</u>	<u>\$ 36,951</u>	<u>\$ 420,040</u>	<u>\$ 1,346,000</u>	<u>\$ 1,243,972</u>

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

ARTS COUNCIL OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2004

<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	
Change in net assets	\$ 102,028
Depreciation and amortization	45,200
Unrealized gain on investments	(28,489)
Changes in operating assets and liabilities	
Grants and pledges receivable	(99,211)
Deposits on equipment	(114,611)
Refundable advances	51,390
Grants payable	6,529
Accrued expenses	30,569
Net cash used in operating activities	<u>(6,595)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>	
(Advances) Repayments (to) from Louisiana Artists Guild	(22,451)
Acquisition of equipment, furniture and fixtures	(113,471)
Sale of investments	17,302
Net cash used in investing activities	<u>(118,620)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>	
Proceeds from issuance of notes payable	81,855
Payments on notes payable	<u>(15,608)</u>
Net cash provided by financing activities	<u>66,247</u>
<u>DECREASE IN CASH</u>	(58,968)
<u>CASH AT BEGINNING OF YEAR</u>	<u>712,861</u>
<u>CASH AT END OF YEAR</u>	<u>\$ 653,893</u>
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u>	
Cash paid during the year for:	
Interest	<u>\$ 4,219</u>

The accompanying notes are an integral part of this statement.

ARTS COUNCIL OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. Organization and Operations

The Arts Council of New Orleans (ACNO), a nonprofit organization, is the City of New Orleans' officially designated arts agency. ACNO was formed in 1981 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.

2. Summary of Significant Accounting Policies

Method of Accounting

The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

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 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 net assets and changes in net assets to be reported in three classifications – permanently restricted, temporarily restricted and unrestricted – based on the existence or absence of donor imposed restrictions. ACNO reports gifts of cash and other assets as restricted support if they are received with donor imposed restrictions or requirements that limit the use of the donation. A donor restriction ends when a time restriction is met or a purpose restriction is accomplished. As restrictions are met, assets are reclassified to unrestricted net assets and reported as net assets released from restrictions in the statement of activities. ACNO records 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, decreases in liabilities, or expenses depending on the form of benefits received. 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.

ARTS COUNCIL OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (continued)

Allowance for Uncollectible Accounts

There is no allowance for uncollectible receivables because management believes all amounts recorded are collectible.

Donated Services

Volunteers have given extensive amounts of time and services to ACNO. 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. In-kind contributions received by ACNO were not material in 2004.

Allocation of Overhead

Professional and technical fees, supplies, office rent, utilities, telephone, and other administrative expenditures are allocated to projects based upon staff hours of the project.

Investments

Investments are carried at fair value based on quoted market value.

Interest Income

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

Depreciation of Equipment, Furniture and Fixtures

ACNO's equipment, furniture and fixtures consist of office equipment and furnishings which are being depreciated utilizing the straight-line method over their useful lives of three to five years. Depreciable assets are valued at their cost if purchased or their estimated fair value at the time of donation if contributed.

Concentration of Credit Risk

Financial instruments that potentially expose ACNO to concentrations of credit and market risk consist primarily of cash equivalents and investments. Cash equivalents are maintained at high-quality financial institutions and credit exposure is limited at any one institution.

ACNO had cash deposits in excess of federally insured limits at a local institution totaling \$627,042 at December 31, 2004.

ARTS COUNCIL OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

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

Income Taxes

ACNO 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.

Contributed Artwork

ACNO has paintings and sculptures on display in its offices. This artwork is recorded at its appraised value at the time of donation.

Cash and Cash Equivalents

For purposes of reporting cash flows, ACNO considers all investments with an original maturity of ninety days or less to be cash equivalents.

3. **Investments**

Investments consist of the following at December 31, 2004:

Mutual funds	<u>\$ 421,863</u>
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Investment income consists of the following for the year ended December 31, 2004

Interest income	\$ 864
Investment income reinvested	19,043
Unrealized gain on securities	28,489
Investment fees	<u>(1,948)</u>
	<u>\$ 46,448</u>

ARTS COUNCIL OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

4. **Restrictions on Net Assets**

Temporarily restricted net assets are available for the following purposes at December 31, 2004:

Stern Fund for an artist to work in schools and recreation and elderly centers	\$ 32,251
Welch funds for the use of services and resources by and for artists for the community in future years	4,700
	<u>\$ 36,951</u>

Permanently restricted net assets consist of endowment fund assets held indefinitely by the Greater New Orleans Foundation. The Greater New Orleans Foundation uses the total return basis and quarterly ACNO receives 5% of the investment's average fair value for the prior twelve quarters. The income from these funds is expendable as stipulated by the donor.

5. **Lease Obligations**

ACNO leases its office space under an operating lease which expires May 30, 2005. Minimum lease payments of \$45,833 are due in 2005. Rent expense for 2004 was \$110,000.

5. **Notes Payable**

ACNO has financed the purchase of fundraising and events tracking software equipment with two separate notes each payable over a three year period each at an interest rate of 9.68%. The principal balance at December 31, 2004 on each note is \$42,978 and \$23,269 respectively. Debt repayment is as follows:

2005	\$ 26,366
2006	28,826
2007	<u>11,085</u>
Total	<u>\$ 66,247</u>

7. **Commitments**

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 most City capital projects is to be 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 approximately \$112,000 in 2004 for administrative duties performed to accomplish the agreed upon tasks. Included in refundable deposits is approximately \$481,000 for the Percent for Art Program.

ARTS COUNCIL OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

8. Related Parties

Louisiana Artists Guild

Statement of Position 94-4 requires consolidation of interrelated not-for-profit organizations when they meet certain criteria. When an entity has control through a majority voting interest in the board of the other entity and has an economic interest, consolidation is required. The *Audit and Accounting Guide for Not-for-Profit Organizations* indicates that if the reporting entity upon dissolution of the other entity is entitled to the net assets of the other entity then there is an economic interest. The Articles of Incorporation of the Louisiana Artists Guild (the Guild) specify that all members and the Board of Directors are selected by and serve at the pleasure of the Board of Directors of the Council. The Articles also provide that, in the event of dissolution, all of the Guild's property goes to the Council. U. S. generally accepted accounting principles require consolidation; however, the Council has decided not to consolidate but to present separate financial statements and disclose related party transactions.

The Guild was incorporated in June 1995 as a nonprofit organization 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 cover the estimated cost of construction, development and startup costs for an arts complex located in New Orleans, Louisiana. Construction on the complex has started however in November 2004 construction was halted due to lack of funds.

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 other administrative expenses are allocated to the Guild based on the percentage of time the employee dedicates to the Guild. As of December 31, 2004, ACNO has advanced the Guild approximately \$612,000. No interest is earned on the advances to the Guild.

At December 31, 2004, the Guild had received a conditional promise to give of \$500,000 in matching funds from a local foundation on the condition that the Guild could raise \$500,000 by January 31, 2005 for the capital campaign. Subsequent to year end, the foundation guaranteed a \$500,000 loan from a local bank to ACNO. ACNO then advanced the \$500,000 to the Guild.

In 2004, the Guild contributed \$365,000 to ACNO for audio installation, video presentations, and audiovisual equipment. In 2004, ACNO gave approximately \$59,000 to the Guild in the form of grants.

ARTS COUNCIL OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

8. Related Parties (continued)

Louisiana Artists Guild (continued)

Summarized financial information for the Guild as of December 31, 2004 is as follows:

Total assets	\$ 27,662,975
Total liabilities	<u>13,397,275</u>
Net assets	<u>\$ 14,265,700</u>
Revenues	\$ 3,753,823
Expenses	<u>1,769,055</u>
Change in net assets	<u>\$ 1,984,768</u>

Guarantees

ACNO is the guarantor on three lines of credit held by the Guild with total available lines credit of \$2,350,000 of which \$2,090,053 has been drawn by the Guild at December 31, 2004.

Other

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



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**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Arts Council of New Orleans

We have audited the financial statements of the Arts Council of New Orleans (ACNO) as of and for the year ended December 31, 2004, and have issued our report thereon dated June 24, 2005. Our report was qualified because consolidated financial statements with an interrelated not-for-profit organization were not presented. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered ACNO'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 an opinion 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 reportable 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 caused by error or fraud 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether ACNO's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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 or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the Board of Directors, management and State of Louisiana Legislative Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

P. Stethwaite & McKeiville

Metairie, Louisiana
June 24, 2005



ACCOMPANYING INFORMATION

**ARTS COUNCIL OF NEW ORLEANS
NEW ORLEANS, LOUISIANA**

**SCHEDULE OF SUPPORT AND EXPENSES FOR STATE AND PASSED THROUGH GRANTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	U.S. Department of Housing and Urban Development Passed Through the City of New Orleans	National Enowment for the Arts 05-6200-1022	Louisiana Division of the Arts		
			Grant # FY04-365	Grant # FY05-334	
	\$ 78,758	\$ 12,199	\$ -	\$ 103,003	\$ 621,122
	\$ 73,342	\$ -	\$ 29,806	\$ 75,000	28,943
	-	12,199	-	-	545,814
	7,942	-	11,590	28,003	8,757
	\$ 81,284	\$ 12,199	\$ 41,396	\$ 103,003	\$ 583,514

SUPPORT:

Grants received or receivable

EXPENSES:

Salaries and salary related expenses

Regrants

Operating expenses - general

Total expenses