

MULTICULTURAL CENTER OF THE SOUTH, INC.

SHREVEPORT, LOUISIANA

DECEMBER 31, 2006

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 8/29/07

MULTICULTURAL CENTER OF THE SOUTH, INC.

SHREVEPORT, LOUISIANA

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REVIEWED FINANCIAL STATEMENTS

**HEARD
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June 29, 2007

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, 2006 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 29, 2007, on the results of our agreed-upon procedures.

Heard, McElroy & Vestal, LLP

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MULTICULTURAL CENTER OF THE SOUTH, INC.

STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2006

ASSETS

Current assets:

Cash and cash equivalents	223,397
Certificates of deposit	267,865
Accounts receivable	55,197
Inventory	<u>6,703</u>
Total current assets	553,162

Fixed assets:

Office furniture and equipment	93,174
Collection items	91,703
Library books	2,822
Signs	2,507
Less-accumulated depreciation	<u>(18,911)</u>
Total fixed assets	141,265

Other assets:

Deposits	340
Gift certificates	<u>250</u>
Total other assets	<u>590</u>

Total assets 695,017

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	10,518
Taxes payable	4,734
Unearned revenue	50,000
Deferred rent	<u>300</u>
Total current liabilities	65,552

Net assets:

Unrestricted 629,465

Total liabilities and net assets 695,017

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, 2006

Support and revenue:

City of Shreveport	200,000
Grants	8,034
Training	21,738
Contributions	12,170
Rent	36,595
Interest income	16,685
Admissions	5,992
Miscellaneous	<u>11,691</u>
Total support and revenue	312,905

Expenses:

Administrative:

Salaries	131,444
Payroll taxes	10,653
Insurance	<u>35,509</u>
Total administrative expenses	177,606

Operating:

Advertising	2,140
Contract labor	14,405
Depreciation	11,357
Dues and subscriptions	2,236
Equipment rental	4,404
Grants	13,034
Maintenance	21,787
Meetings	247
Miscellaneous	4,007
Interest expense	1,421
Office supplies	6,892
Postage and delivery	2,934
Printing and reproduction	6,327
Program	11,602
Rent	1,480
Repairs and maintenance	2,643
Security	550
Telephone	8,829

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, 2006

Operating: (Continued)

Training	9,909
Travel	1,344
Trust management fees	21
Utilities	62,688
Waste management	<u>532</u>
Total operating expenses	190,789

Professional expenses:

Accounting	9,350
Consulting	400
Public relations	<u>204</u>
Total professional expenses	9,954

Other expenses:

Calendar of events	14,944
Catering/luncheons	2,220
Fundraising	<u>4,213</u>
Total other expenses	<u>21,377</u>

Total expenses 399,726

Change in net assets (86,821)

Net assets-beginning of year 716,286

Net assets-end of year 629,465

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, 2006

<u>Cash flows from operating activities:</u>	
Change in net assets	(86,821)
Adjustments to reconcile change in net assets to net cash (used) by operating activities:	
Depreciation	11,357
(Increase) in accounts receivable	(54,973)
(Increase) in inventory	(4,763)
Increase in deferred rent	300
Increase in unearned revenue	50,000
Increase in accounts payable	10,359
(Decrease) in taxes payable	(596)
Total adjustments	<u>11,684</u>
Net cash (used) by operating activities	(75,137)
<u>Cash flows from investing activities:</u>	
Net redemption of certificate of deposit	147,879
Purchase of certificate of deposit	(150,000)
Purchase of office equipment	<u>(3,097)</u>
Net cash provided by investing activities	(5,218)
<u>Cash flows from financing activities:</u>	
Payments on line of credit	<u>(125,217)</u>
<u>Net (decrease) in cash and cash equivalents</u>	<u>(205,572)</u>
<u>Cash and cash equivalents at beginning of year</u>	<u>428,969</u>
<u>Cash and cash equivalents at end of year</u>	<u>223,397</u>
<u>Supplemental disclosure:</u>	
Interest paid	1,421

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, 2006

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, 2006 amounted to \$2,140.

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, 2006, cash and certificates of deposit consisted of the following:

	<u>Cost</u>	<u>Market Value</u>
Cash and cash equivalents	223,397	223,397
Certificates of deposit-maturity greater than 3 months	<u>267,865</u>	<u>267,865</u>
	<u>491,262</u>	<u>491,262</u>

The Center had demand deposits in banks of \$192,650 in excess of federally insured limits.

See Accountant's Review Report

5. Major Source of Funding

For the fiscal year 2006, 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 fiscal year of 2005, the City provided reimbursements to the Center for certain expenditures. The total amount reimbursed to the Center during 2006 amounted to \$8,478, for which the corresponding expenses have been eliminated. At December 31, 2006, the Center had cash in banks and certificates of deposit totaling \$491,262 to be used for funding operational expenses, as well as future rental income and other sources of funding.

It should be noted that the State Legislature 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 now relies even more on the Agreement with the City of Shreveport and 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, 2006, 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, 2006 that has no balance. There was \$150,000 available on the line of credit at December 31, 2006.

See Accountant's Review Report

OTHER REPORTS

June 29, 2007

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, 2006 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
Cane River Creole National Historic Park	2006	8,034
Charles T. Beard Foundation	2006	5,000
City of Shreveport-Cooperative Endeavor Agreement	2006	\$200,000
Total expenditures		\$213,034

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

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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 2006.

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

LOUISIANA ATTESTATION QUESTIONNAIRE
(For Attestation Engagements of Quasi-public Entities)

7/2/07 (Date Transmitted)

Multicultural Center of the South

Heard, McElroy, & Vestal, LLP (Auditors)

In connection with your review of our financial statements as of 12-31-06 and for the period then ended, and as required by Louisiana Revised Statute 24:513 and the *Louisiana Governmental Audit Guide*, we make the following representations to you. We accept full responsibility for our compliance with the following laws and regulation and the internal controls over compliance with such laws and regulations. We have evaluated our compliance with the following laws and regulations prior to making these representations.

These representations are based on the information available to us as of (date of completion/representation).

Federal, State, and Local Awards

We have detailed for you the amount of Federal, state and local award expenditures for the fiscal year, by grant and grant year.

Yes No

All transactions relating to federal, state, and local grants have been properly recorded within our accounting records and reported to the appropriate state, federal, and grantor officials.

Yes No

The reports filed with federal, state, and local agencies are properly supported by books of original entry and supporting documentation.

Yes No

We have complied with all applicable specific requirements of all federal, state, and local programs we administer, to include matters contained in the OMB Compliance Supplement, matters contained in the grant awards, eligibility requirements, activities allowed and unallowed, and reporting and budget requirements.

Yes No

Open Meetings

Our meetings, as they relate to public funds, have been posted as an open meeting as required by LSA-RS 42:1 through 42:12 (the open meetings law).

Yes No

Budget

For each federal, state, and local grant we have filed with the appropriate grantor agency a comprehensive budget for those grants that included the purpose and duration, and for state grants included specific goals and objectives and measures of performance

Yes No

Prior Year Comments

We have resolved all prior-year recommendations and/or comments.

Yes No

We have disclosed to you all known noncompliance of the foregoing laws and regulations, as well as any contradictions to the foregoing representations. We have made available to you documentation relating to the federal, state, and local grants, to include the applicable laws and regulations.

We have provided you with any communications from regulatory agencies or other sources concerning any possible noncompliance with the foregoing laws and regulations, including any communications received between the end of the period under examination and the issuance of this report. We will also disclose to you, the Legislative Auditor, and the applicable state grantor agency/agencies any known noncompliance which may occur up to the date of your report.

<u>Valerie Gunn</u>	ED Secretary	<u>7/2/07</u>	Date
<u>Lucretia F. Ricchetti</u>	Pres	<u>7/2/07</u>	Date
_____	President	_____	Date