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**CONTEMPORARY ARTS CENTER**

**FINANCIAL STATEMENTS**

**JUNE 30, 2022**

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**CONTEMPORARY ARTS CENTER**

**FINANCIAL STATEMENTS**

**JUNE 30, 2022**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Trustees of the  
Contemporary Arts Center  
New Orleans, Louisiana

### **Opinion**

We have audited the accompanying financial statements of the Contemporary Arts Center (a nonprofit organization) (the “Center”) which comprise the statements of financial position as of June 30, 2022 and 2021, the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Contemporary Arts Center as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Contemporary Arts Center and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center’s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2023, on our consideration of Contemporary Arts Center’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of Contemporary Arts Center’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Contemporary Arts Center’s internal control over financial reporting and compliance.

*Postlethwaite & Netterville*

Metairie, Louisiana  
March 31, 2023

**CONTEMPORARY ARTS CENTER**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2022 AND 2021**

	<b>2022</b>	<b>2021</b>
<b><u>ASSETS</u></b>		
<b><u>CURRENT ASSETS</u></b>		
Cash and cash equivalents	\$ 1,247,860	\$ 1,210,891
Accounts receivable	2,798	2,279
Grants receivable	252,015	61,062
Promises to give	5,000	20,000
Prepaid expenses	-	2,050
Total current assets	1,507,673	1,296,282
<b><u>NONCURRENT ASSETS</u></b>		
Property and equipment, net	5,280,101	5,618,862
Art collection	93,626	93,626
Investments	2,061,306	2,331,996
Other assets	459,605	389,537
Total noncurrent assets	7,894,638	8,434,021
<b><u>TOTAL ASSETS</u></b>	<b>\$ 9,402,311</b>	<b>\$ 9,730,303</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b><u>LIABILITIES</u></b>		
Accounts payable and accrued expenses	\$ 173,477	\$ 308,730
Notes payable and lines of credit	507,358	182,174
Deferred revenue	128,052	84,940
Total current liabilities	808,887	575,844
Notes payable, less current portion	150,000	870,958
Total liabilities	958,887	1,446,802
<b><u>NET ASSETS</u></b>		
Without donor restrictions	5,932,424	5,302,747
With donor restrictions	2,511,000	2,980,754
Total net assets	8,443,424	8,283,501
<b><u>TOTAL LIABILITIES AND NET ASSETS</u></b>	<b>\$ 9,402,311</b>	<b>\$ 9,730,303</b>

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

**CONTEMPORARY ARTS CENTER**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	<b><u>Without Donor</u></b> <b><u>Restrictions</u></b>	<b><u>With Donor</u></b> <b><u>Restrictions</u></b>	<b><u>Total</u></b>
<b><u>SUPPORT AND REVENUE</u></b>			
Contributions	\$ 184,803	\$ 365,000	\$ 549,803
In-kind contributions	18,758	-	18,758
Federal grants	687,731	-	687,731
Program services grants	193,863	3,016	196,879
Rental income	1,065,543	-	1,065,543
Membership dues	71,841	-	71,841
Admissions, workshop fees, meetings, and conferences	50,286	-	50,286
Special fundraising events and admissions	97,470	-	97,470
Beverage, food, and hospitality services	132,801	-	132,801
Investment loss, net	-	(208,876)	(208,876)
Gain on forgiveness of debt	218,600	-	218,600
Other revenues	5,457	-	5,457
Total support and revenue before net assets released from restrictions	2,727,153	159,140	2,886,293
Net assets released from restrictions	628,894	(628,894)	-
Total support and revenue	3,356,047	(469,754)	2,886,293
<b><u>EXPENSES</u></b>			
Program services	1,627,336	-	1,627,336
Fundraising	167,808	-	167,808
Management and general	931,226	-	931,226
Total expenses	2,726,370	-	2,726,370
Change in net assets	629,677	(469,754)	159,923
<b><u>NET ASSETS</u></b> , beginning of period	5,302,747	2,980,754	8,283,501
<b><u>NET ASSETS</u></b> , end of period	\$ 5,932,424	\$ 2,511,000	\$ 8,443,424

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



**CONTEMPORARY ARTS CENTER**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
<b><u>SUPPORT AND REVENUE</u></b>			
Contributions	\$ 383,304	\$ 643,500	\$ 1,026,804
In-kind contributions	6,000	-	6,000
Program services grants	18,749	55,062	73,811
Rental income	787,555	-	787,555
Membership dues	102,810	-	102,810
Admissions, workshop fees, meetings, and conferences	14,394	-	14,394
Special fundraising events and admissions	77,070	-	77,070
Beverage, food, and hospitality services	8,871	-	8,871
Investment income, net	-	482,698	482,698
Settlement proceeds	409,116	-	409,116
Gain on forgiveness of debt	218,600	-	218,600
Other revenues	73,111	-	73,111
Total support and revenue before net assets released from restrictions	2,099,580	1,181,260	3,280,840
Net assets released from restrictions	303,629	(303,629)	-
Total support and revenue	<u>2,403,209</u>	<u>877,631</u>	<u>3,280,840</u>
<b><u>EXPENSES</u></b>			
Program services	1,183,611	-	1,183,611
Fundraising	156,991	-	156,991
Management and general	976,375	-	976,375
Total expenses	<u>2,316,977</u>	<u>-</u>	<u>2,316,977</u>
Change in net assets	86,232	877,631	963,863
<b><u>NET ASSETS</u></b> , beginning of period	<u>5,216,515</u>	<u>2,103,123</u>	<u>7,319,638</u>
<b><u>NET ASSETS</u></b> , end of period	<u>\$ 5,302,747</u>	<u>\$ 2,980,754</u>	<u>\$ 8,283,501</u>

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

**CONTEMPORARY ARTS CENTER**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	<b>Supporting Services</b>			<b>Total Expenses</b>
	<b>Program</b>	<b>Management &amp; General</b>	<b>Fundraising</b>	
<b>Expenses</b>				
Employment and wages	\$ 623,597	\$ 311,752	\$ 126,941	\$ 1,062,290
Contracts and services	150,270	54,657	9,206	214,133
Artist fees	181,602	-	6,406	188,008
Supplies, maintenance, and equipment	29,703	136,541	1,867	168,111
Advertising, promotion, and printing	42,196	1,283	162	43,641
Hospitality, meetings, and events	75,081	5,682	19,679	100,442
Interest and administrative expense	-	53,843	-	53,843
Insurance, taxes, and licensure	3,375	104,108	-	107,483
Computers, software, and subscriptions	4,647	32,882	-	37,529
Utilities	158,587	8,347	-	166,934
Rentals	36,455	205,193	3,547	245,195
Depreciation	321,823	16,938	-	338,761
Total expenses	<u>\$ 1,627,336</u>	<u>\$ 931,226</u>	<u>\$ 167,808</u>	<u>\$ 2,726,370</u>

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

**CONTEMPORARY ARTS CENTER**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Supporting Services</u>			<u>Total Expenses</u>
	<u>Program</u>	<u>Management &amp; General</u>	<u>Fundraising</u>	
<b>Expenses</b>				
Employment and wages	\$ 557,699	\$ 276,301	\$ 137,673	\$ 971,673
Contracts and services	55,961	120,687	-	176,648
Artist fees	86,121	-	4,148	90,269
Supplies, maintenance, and equipment	6,542	94,303	888	101,733
Advertising, promotion, and printing	7,536	12,453	1,644	21,633
Hospitality, meetings, and events	394	8,199	9,479	18,072
Interest and administrative expense	-	36,852	-	36,852
Insurance, taxes, and licensure	3,155	127,466	-	130,621
Computers, software, and subscriptions	5,396	27,968	2,675	36,039
Utilities	153,692	8,089	-	161,781
Rentals	555	200,486	484	201,525
Loss on disposal	-	47,437	-	47,437
Depreciation	306,560	16,134	-	322,694
Total expenses	<u>\$ 1,183,611</u>	<u>\$ 976,375</u>	<u>\$ 156,991</u>	<u>\$ 2,316,977</u>

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

**CONTEMPORARY ARTS CENTER**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

	<b>2022</b>	<b>2021</b>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Change in net assets	\$ 159,923	\$ 963,863
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	338,761	322,694
Investment loss (income), net	208,876	(482,698)
Loss on disposal of assets	-	47,437
Gain on forgiveness of debt	(218,600)	(218,600)
Changes in operating assets and liabilities:		
(Increase) Decrease in grants and pledges receivable	(176,472)	105,884
Decrease (Increase) in prepaid expenses	2,050	(2,050)
Increase in other assets	(70,068)	(61,815)
Decrease in accounts payable and accrued expenses	(135,253)	(148,653)
Increase in deferred revenue	43,112	2,486
Net cash provided by operating activities	152,329	528,548
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Proceeds from sales of investments	61,814	90,075
Net cash provided by investing activities	61,814	90,075
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Borrowings on notes payable	-	218,600
Principal payments on notes payable	(177,174)	(38,309)
Net cash used in financing activities	(177,174)	180,291
<b><u>NET CHANGE IN CASH AND CASH EQUIVALENTS</u></b>	36,969	798,914
Cash and cash equivalents at beginning of year	1,210,891	411,977
<b><u>CASH AND CASH EQUIVALENTS AT END OF YEAR</u></b>	\$ 1,247,860	\$ 1,210,891
<b><u>SUPPLEMENTAL DISCLOSURE</u></b>		
Cash paid during the year for:		
Interest	\$ 53,843	\$ 36,852
<b><u>Non-Cash Transactions</u></b>		
In-kind contributions	\$ 18,758	\$ 6,000

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

**CONTEMPORARY ARTS CENTER**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**1. Summary of Significant Accounting Policies**

The Contemporary Arts Center (the Center) is a multi-disciplinary organization dedicated to presenting the works of local, national, and international artists. The Center offers a year round calendar of exhibitions, performances, and educational programs designed to engage diverse public audiences of all ages, while providing technical and developmental support for local artists.

The following program and supporting services are included in the accompanying financial statements:

Visual Arts – A year round calendar of curated visual art exhibits by local, national, and international artists.

Performing Arts – A year round calendar of theatrical and musical presentations by local, national, and international artists. Community theater support program provides low cost presentation space and technical assistance to local performing artists/organizations.

Education and Community Outreach – School field trips, a summer camp, adult lectures, and presentations. Building relationships with community-based organizations to increase audience diversity and bring arts programming to the many communities of New Orleans.

**Basis of Accounting and Presentation**

The financial statements of the Center have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

In accordance with GAAP, net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

*Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

**CONTEMPORARY ARTS CENTER**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

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

**Cash and Cash Equivalents**

All cash related items with original maturities of three months or less, which are neither held for nor restricted by donors for long term purposes, are classified as cash equivalents in the accompanying financial statements. Cash equivalents are comprised solely of money market accounts.

The Center places its cash and cash equivalents at several financial institutions. The balances, at times, may exceed federally insured limits. The Center has not experienced any losses and does not believe that significant credit risk exists as a result of this practice.

**Promises to Give and Grants Receivable**

Unconditional promises to give and grants receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give and grants receivable expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. The allowance for uncollectable promises to give or grants receivable is based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give and grants receivable are written off when deemed uncollectable. Management has recorded an allowance of \$0 at June 30, 2022 and 2021 as they anticipate collection of all outstanding balances.

**Investments**

Investment are recorded at cost when purchased, or if donated, fair value at the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment income/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

**Property and Equipment**

Property and equipment are stated at acquisition cost or, in the case of gifts, fair value at the date of donation. Major additions are capitalized. Cost of maintenance and repairs that do not improve or extend the life of the respective asset are expensed currently. Depreciation is computed using the straight-line method over the assets' estimated useful lives of 3 to 5 years for equipment and 30 years for the building. Building improvements are depreciated over the lesser of 15 years or the remaining life of the building. The Center's capitalization policy is to capitalize purchases over \$500.

The carrying values of property and equipment are reviewed for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. Management has determined that no long-lived assets were impaired during the years ended June 30, 2022 and 2021.

**CONTEMPORARY ARTS CENTER**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

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

Art Collection

The Center commissioned several works of art that are housed in the building at 900 Camp Street and are carried in the accompanying financial statements at cost. The Center does not record depreciation on the art collection, as depreciation is not required to be recognized under GAAP on individual works of art or historical treasures whose economic benefit or service potential is used up so slowly that their estimated useful lives are extraordinarily long.

Revenue and Revenue Recognition

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. At June 30, 2022 and 2021, the Center had no conditional promises to give.

Rental income is recognized as the rent becomes due. Rental payments received in advance are deferred until earned. All leases between the Center and the tenants of the property are operating leases. Tenant rent charges for the current month are generally due on the first of the month.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to the Center's program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by GAAP. Contributed goods and recognizable services are recorded at fair value at the date of donation.

Income Taxes

The Center is exempt from income tax under Internal Revenue Code (IRC) section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Center has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Center has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

The Center is subject to income tax on net income that is derived from business activities that is unrelated to its exempt purposes. The Center files an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS to report its unrelated business taxable income.

**CONTEMPORARY ARTS CENTER**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

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

Functional expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and are reconciled to the natural classifications in the statement of functional expenses. Accordingly, certain costs which benefit more than one functional area have been allocated among the Center's programs and supporting services benefited. Such allocations are determined by management on an equitable basis. Salaries, payroll taxes, and related benefits have been allocated based on time and effort. Occupancy and other office related costs have been allocated based upon consideration of square footage and full time equivalent.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly actual results could differ from those estimates.

Recent Accounting Pronouncements – Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, *Leases*. This accounting standard requires lessees to recognize assets and liabilities related to lease arrangements longer than 12 months on the statement of financial position as well as additional disclosures. In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, to simplify the lease standard's implementation. The amended guidance relieves businesses and other organizations of the requirement to present prior comparative years' results when they adopt the new lease standard. Instead of recasting prior year results using the new accounting when they adopt the guidance, entities can choose to recognize the cumulative effect of applying the new standard to leased assets and liabilities as an adjustment to the opening balance of net assets. The ASU will be effective for the Center for its year ending June 30, 2023. The Center is currently assessing the impact of this pronouncement on its financial statements.



**CONTEMPORARY ARTS CENTER**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**2. Liquidity**

The following represents the Center's financial assets and those available to meet general expenditures within twelve months as of June 30:

	<u>2022</u>	<u>2021</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 1,247,860	\$ 1,210,891
Accounts receivable and promises to give	7,798	22,279
Grants receivable	252,015	61,062
Investments	<u>2,061,306</u>	<u>2,331,996</u>
Total financial assets	3,568,979	3,626,228
Less amounts not available to be used within one year:		
Net assets with donor restrictions	<u>2,511,000</u>	<u>2,980,754</u>
	2,511,000	2,980,754
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,057,979</u>	<u>\$ 645,474</u>

The Center's liquidity management plan includes adopting a balanced operating budget and a goal of maintaining operating reserves equal to approximately 25% of annual operating expenses. The Center invests excess cash in money market accounts.

**3. Property and Equipment**

Property and equipment as of June 30, consisted of the following:

	<u>2022</u>	<u>2021</u>
Land	\$ 3,150,000	\$ 3,150,000
Buildings and improvements	7,592,770	7,592,770
Furniture and equipment	<u>781,881</u>	<u>781,881</u>
	11,524,651	11,524,651
Less: accumulated depreciation	<u>6,244,550</u>	<u>5,905,789</u>
	<u>\$ 5,280,101</u>	<u>\$ 5,618,862</u>

**4. Investments: Fair Value Measurements and Disclosures**

Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) 820, Fair Value Measurements and Disclosures, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 Measurements) and the lowest priority to unobservable inputs (Level 3 Measurements). The three levels of the fair value hierarchy under ASC 820 are described as follows:

**CONTEMPORARY ARTS CENTER**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**4. Investments: Fair Value Measurements and Disclosures (continued)**

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Center has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the investment has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Valuation methodology inputs are unobservable and significant to fair value measurement.

The investment's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

There have been no changes in the methodologies used at June 30, 2022 and 2021. Following is a description of the valuation methodologies used for assets measured at fair value:

Greater New Orleans Foundation (GNOF): Investments held in pooled accounts managed by the Greater New Orleans Foundation are valued based on information provided by GNOF and include the use of NAV as a practical expedient to measure fair value. As such, these investments have not been classified in the fair value hierarchy table.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Center believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**CONTEMPORARY ARTS CENTER**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**5. Endowments**

The Center's endowment consists of donor restricted funds held with GNOF. The Center's Board of Trustees has interpreted the State of Louisiana enacted Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At June 30, 2022 and 2021, there were no such donor stipulations. As a result of this interpretation, the Center retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts, including promises to give at fair value) donated to the Endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Center in a manner consistent with the standard of prudence prescribed by UPMIFA. The following factors are considered in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

GNOF follows a Total Return Spending Policy for its component funds and they are invested for maximum total return (within acceptable risk parameters), without distinction between interest, dividends, and realized and unrealized gains and losses. The market value of the funds is measured over the past 12 quarters, and a percentage of the average of those values is made available for grants. This method appropriately puts the focus on the long-term growth of the fund. This, in turn, encourages the appropriate use of equities in the fund, helping the fund to grow at a rate greater than inflation. The annual percentage for both 2022 and 2021 distributions is 4%. This percentage is evaluated each year and adjusted as necessary. Component funds where the fair market value of the fund, at the time of implementation of this policy is below the historic gift balance, will not apply the methodology described above. Those funds will be required to suspend grant making until such time the fair market value exceeds the historic gift balance.

In accordance with the Center's policy, the Center spends annually between 2.5% and 6% of the latest three year fair market value average for general endowments for the endowments.

**CONTEMPORARY ARTS CENTER**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**5. Endowments (continued)**

Changes in endowment net assets (which are all with donor restrictions) for the year ended June 30, 2022 and 2021 were as follows:

Endowment net assets, July 1, 2021	\$ 1,939,373
<u>Investment return</u>	
Investment income, net	<u>482,698</u>
Subtotal	2,422,071
Allocation to unrestricted	<u>(90,075)</u>
Endowment net assets, June 30, 2021	<u>\$ 2,331,996</u>
<u>Investment return</u>	
Investment income, net	<u>(208,876)</u>
Subtotal	2,123,120
Allocation to unrestricted	<u>(61,814)</u>
Endowment net assets, June 30, 2022	<u>\$ 2,061,306</u>

**6. Net Assets with Donor Restrictions**

Net assets with donor restrictions are available for the following purposes or periods at June 30:

	<u>2022</u>	<u>2021</u>
Endowment income - time restricted	\$ 434,602	\$ 705,292
Endowment in perpetuity	1,626,704	1,626,704
	<u>2,061,306</u>	<u>2,331,996</u>
Mellon Foundation - purpose restricted	226,678	443,855
Ford Foundation - purpose restricted	150,000	-
Helis Foundation - purpose restricted	25,000	-
Individual donor - purpose restricted	-	20,000
Other - purpose restricted	43,016	164,903
Pledges receivable - time restricted	5,000	20,000
	<u>\$ 2,511,000</u>	<u>\$ 2,980,754</u>

**CONTEMPORARY ARTS CENTER**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**7. Notes Payable**

Notes payable consisted of the following at June 30:

	<b>2022</b>	<b>2021</b>
Short-term related party loans bearing interest at 5.25%, uncollateralized and repayable on demand.	5,000	126,100
Note payable to a bank dated April 20, 2018, bearing interest at 5.75%, payable in monthly installments of \$5,010 with outstanding balance due on April 20, 2023, secured by real estate.	490,703	521,631
Emergency Injury Disaster Loan administered by the U.S. Small Business Association, bearing interest at 2.75%, payable in 360 monthly installments of \$641 beginning in June 2021, secured by property.	150,000	150,000
Paycheck Protection Program Loan administered by the U.S. Small Business Association, bearing interest at 1.00%. The loan is uncollateralized. The loan was forgiven in its entirety on December 8, 2021.	-	218,600
Capital lease dated October 3, 2017, bearing interest at 11.6% payable in sixty monthly installments of \$2,317, secured by equipment.	11,655	36,801
Total notes payable and line of credit	657,358	1,053,132
Less: current portion	507,358	182,174
Total long-term notes payable	\$ 150,000	\$ 870,958

Annual scheduled maturities of long-term debt for the five fiscal years subsequent to June 30, 2022 were as follows:

2023	\$	507,358
2024		7,692
2025		7,692
2026		7,692
2027		7,692
Thereafter		119,232
Total	\$	657,358

**CONTEMPORARY ARTS CENTER**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**8. Related-Party Transactions**

Members of the Center's Board and parties related to them made contributions of approximately \$46,850 and \$68,655 during fiscal years 2022 and 2021, respectively. These contributions represent 8% and 7% of contributions received for the years ended June 30, 2022 and 2021, respectively.

During the years ended June 30, 2022 and 2021, members of the Center's Board made short term loans to the Center. The outstanding amounts are presented in Note 7.

**9. Paycheck Protection Program**

During the year ended June 30, 2020, the Center applied for and was approved for a \$218,600 loan under the Paycheck Protection Program (PPP) and administered by the Small Business Administration as part of the relief efforts related to COVID-19.

In accounting for the terms of the PPP Loan, the Center is guided by ASC 470. The outstanding balance of the loan was fully forgiven on February 3, 2021 and the Center recorded a gain on forgiveness of debt in the statement of activities for the year ended June 30, 2021.

During the year ended June 30, 2021, the Center applied for and was approved for a second-round PPP Loan for the same amount (\$218,600) and under the same terms as the first round. The outstanding balance of the loan was fully forgiven on December 8, 2021 and the gain on forgiveness was recognized in the statement of activities for the year ended June 30, 2022.

**10. Shuttered Venue Operators Grant**

During the ended June 30, 2022, the Center applied for and was award a Shuttered Venue Operators Grant by the U.S. Small Business Administration in the amount of \$687,731. The Grant funds could be used on allowable expenditures incurred from March 1, 2020 through December 31, 2021. The Center recognized the amount awarded as federal grant income in the statement of activities for the year ended June 30, 2022.

**11. Subsequent Events**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, March 31, 2023, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

**INDEPENDENT AUDITORS' REPORT 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 Trustees of the  
Contemporary Arts Center  
New Orleans, Louisiana

We have audited, in accordance with the 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, the financial statements of the Contemporary Arts Center (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 31, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Contemporary Arts Center internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Contemporary Arts Center's internal control. Accordingly, we do not express an opinion on the effectiveness of Contemporary Arts Center's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-01 through 2022-04 that we consider to be significant deficiencies.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Contemporary Arts Center’s financial statements are free from 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 financial statements. 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*.

## **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Postlethwaite & Netterville*

Metairie, Louisiana  
March 31, 2023



**SUPPLEMENTARY INFORMATION,**  
**AS REQUIRED BY R.S. 24:513(A)(3), AS AMENDED**

**CONTEMPORARY ARTS CENTER**  
**NEW ORLEANS, LOUISIANA**

**Schedule of Findings and Questioned Costs**

**Year Ended June 30, 2022**

(1) Summary of Results

- (a) The type of report issued on the financial statements: Unmodified
- (b) Internal control over financial reporting:  
Material weakness(es) identified: None reported  
Significant deficiency(ies) identified: Yes
- (c) Noncompliance which is material to the financial statements: none reported

(2) Findings Relating to the Financial Statements Reported in Accordance with Louisiana Legislative Auditor Requirements

**Finding 2022-01 Establish Supervisory Review**

Criteria: A critical element of internal control is to create and maintain a financial control system to ensure proper financial reporting on a timely basis. Currently, the Center does not have a full-time director of finance and accounting or equivalent to oversee this function.

Condition: The current accounting department for the Center performs adequately in the basic accounting and recordkeeping function. However, we feel the process is lacking a higher-level supervisory or review function typically performed by a director of finance and accounting or equivalent. Many of the special accounting issues for not-for-profits have become increasingly complex and require extensive expertise to ensure that the accounting and reporting are accurate and in accordance with applicable standards. A director of finance and accounting either hired or contracted, would provide the needed higher-level accounting supervisory role consistently throughout the year. This situation has allowed errors to exist within the books of account for some time, and without subsequent correction they will continue to grow in magnitude.

Cause: This accounting function inefficiency will cause the financial records and financial statements to be misrepresentative as well as allow possible irregularities, including fraud, to exist and continue without notice.

Effect: The Center does appear to have adequate internal controls related to the supervisory review function.

Recommendation: We recommend that based upon the current size and complexity of the Center, a full-time director of finance and accounting or equivalent be employed.

Management's Response: Management and the Board of Trustees will review all findings and recommendations and take steps to ensure CAC is in compliance.

**CONTEMPORARY ARTS CENTER**  
**NEW ORLEANS, LOUISIANA**

**Schedule of Findings and Questioned Costs**

**Year Ended June 30, 2022**

**Finding 2022-02 General Ledger**

Criteria: The definition of internal control over financial reporting includes ensuring that policies and procedures exist that pertain to an entity's ability to initiate, record, process, and report financial data consistent with the assertion embodied in the annual financial statements, which for the Center, is that financial statements are prepared in accordance with generally accepted accounting principles (GAAP).

Condition: A significant number of account balances require extensive reconciliation and outside corroboration to finalize reliable financial information. These include donor restricted net assets, cash, fixed assets, investments, and other transaction classes.

Cause: The lack of periodic reconciliation of the general ledger has caused significant delays in producing financial statements at the end of each accounting period. This lack of periodic reconciliation and the need for corroboration will continue to cause delays in the financial statements as well as allow for possible irregularities, including fraud, to exist and continue without notice.

Effect: The Center does not appear to have adequate internal controls relating to reconciliation of the general ledger on a timely basis.

Recommendation: The Center should reconcile all accounts to the general ledger at least quarterly and make future reconciliations of accounts on a consistent basis. This will facilitate more accurate and timely financial information, that will allow for better management oversight and review.

Management's Response: Management and the Board of Trustees will review all findings and recommendations and take steps to ensure CAC is in compliance.

**Finding 2022-03 Grants Reporting Compliance**

Criteria: The Louisiana Legislative Auditor requires nonprofit institutions that receive greater than \$500,000, either directly or indirectly, of state and federal funds to conduct a detailed organization wide audit as well as submitting a statewide agreed upon procedures report to the Louisiana Legislative Auditor that complies with the criteria established by the Louisiana Legislature and Government Audit Standards.

Condition: The Center was not aware of the reporting requirements related to the grants received during the period.

Cause: The Center did not have properly designed internal controls necessary to maintain proper grant reporting compliance

Effect: Failure to comply with such audit and other reporting requirements could jeopardize the availability of such funding in future periods.

**CONTEMPORARY ARTS CENTER**  
**NEW ORLEANS, LOUISIANA**

**Schedule of Findings and Questioned Costs**

**Year Ended June 30, 2022**

Recommendation: To ensure that all such requirements are completely fulfilled, we suggest the Center closely review obligations under any programs in which state and federal funds are received.

Management's Response: Management and the Board of Trustees will review all findings and recommendations and take steps to ensure CAC is in compliance.

**Finding 2022-04 Written Policies and Procedures**

Criteria: The Louisiana Legislative Auditor requires that certain policies and procedures be formalized in writing and adhered to when accepting state funding or funding that flows through the State of Louisiana.

Condition: The Center did not have in writing policies and procedures related to adhering to public bid law, contracting procedures, maintaining documentation for all bids and price quotes, the types of services requiring written contracts, standard terms and conditions, legal review, and the monitoring process.

Cause: The lack of formalized policies and procedures is required when accepting state funding and the failure to implement and adhere to such requirements could jeopardize the Center's ability to qualify for such funding in future periods. However, it was noted that no contracts or services were obtained that would have required the Center to advertise and solicit public bids.

Effect: The Center did not have formalized written policies and procedures required when accepting state funding requirements resulting in noncompliance.

Recommendation: The Center should implement all policies and procedures required by the Louisiana Legislative Auditor.

Management's Response: Management and the Board of Trustees will review all findings and recommendations and take steps to ensure CAC is in compliance.

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**CONTEMPORARY ARTS CENTER**

**REPORT ON STATEWIDE**  
**AGREED-UPON PROCEDURES ON COMPLIANCE**  
**AND CONTROL AREAS**

**FOR THE YEAR ENDED JUNE 30, 2022**

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**CONTEMPORARY ARTS CENTER**  
**REPORT ON STATEWIDE**  
**AGREED-UPON PROCEDURES ON COMPLIANCE**  
**AND CONTROL AREAS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

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**INDEPENDENT ACCOUNTANT’S REPORT**  
**ON APPLYING AGREED-UPON PROCEDURES**

To the Members of the Board of Directors  
Contemporary Arts Center and the  
Louisiana Legislative Auditor:

We have performed the procedures enumerated in Schedule A on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor’s (LLA’s) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2021 through June 30, 2022. The Contemporary Arts Center’s management is responsible for those C/C areas identified in the SAUPs.

The Contemporary Arts Center has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA’s SAUPs for the fiscal period July 1, 2021 through June 30, 2022. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures performed and the results thereof are set forth below. The procedure is stated first, followed by the results of the procedure presented in italics. If the item being subjected to the procedures is positively identified or present, then the results will read “*no exception noted*” or for step 25 “*we performed the procedure and discussed the results with management*”. If not, then a description of the exception ensues.

We were engaged by the Contemporary Arts Center to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the Contemporary Arts Center and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

*Postlethwaite & Netterville*

Metairie, Louisiana  
March 31, 2023



**CONTEMPORARY ARTS CENTER**  
**AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS**  
**JUNE 30, 2022**

SCHEDULE A

***A - Written Policies and Procedures***

---

1. Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):

a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.

*No exceptions noted.*

b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the Public Bid Law; and (5) documentation required to be maintained for all bids and price quotes.

*The Entity does have written policies for Purchasing; however, the policies over disbursements do not contain attribute (4) controls to ensure compliance with the Public Bid Law or attribute (5) documentation required to be maintained for all bids and price quotes.*

c) ***Disbursements***, including processing, reviewing, and approving.

*No exceptions noted.*

d) ***Receipts/Collections***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

*No exceptions noted.*

e) ***Payroll/Personnel***, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.

*No exceptions noted.*

f) ***Contracting***, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

*The Entity does not have written policies specific to Contracting; however, the policy over disbursements does contain attribute (4) approval process. The Center's Executive Director has the authority to approve all purchases deemed necessary, including any contracts for services.*

g) ***Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)***, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).

*No exceptions noted.*

**CONTEMPORARY ARTS CENTER**  
**AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS**  
**JUNE 30, 2022**

SCHEDULE A

- h) **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

*No exceptions noted.*

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.

*The prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121 are specific to governmental entities, therefore these attributes are not applicable for this not-for-profit entity.*

- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

*The Entity does not have written policies for Debt Service; however, the Entity does not issue bonds, therefore these attributes are not applicable for this not-for-profit entity.*

- k) **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

*No exceptions noted.*

- l) **Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

*The requirements as defined in Louisiana Revised Statute (R.S.) 42:342-344 are specific to governmental entities, therefore these attributes are not applicable for this not-for-profit entity.*

***B - Board or Finance Committee***

---

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

- a) Observe whether the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

*The Entity's bylaws dictate that "The Board of Directors shall meet not less than bimonthly." No meetings were held between the dates of 6/12/2021 and 9/22/2021. One exception noted.*

**CONTEMPORARY ARTS CENTER**  
**AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS**  
**JUNE 30, 2022**

SCHEDULE A

- b) For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds. *Alternately, for those entities reporting on the nonprofit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*

*No exceptions noted.*

- c) For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.

*This attribute is not applicable for this not-for-profit entity.*

***C - Bank Reconciliations***

---

3. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:

*A listing of bank accounts was provided and included a total of 6 bank accounts. Management identified the entity's main operating account. No exceptions were noted as a result of performing this procedure.*

*From the listing provided, we selected 5 bank accounts (1 main operating and 4 randomly) and obtained the bank reconciliations for the month ending June 30, 2022, resulting in 5 bank reconciliations obtained and subjected to the below procedures.*

- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

*Of the 5 bank accounts selected, 5 bank reconciliations do not include any evidence of when they were prepared.*

- b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

*Of the 5 bank accounts selected, 5 bank reconciliations do not include written evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation*

**CONTEMPORARY ARTS CENTER**  
**AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS**  
**JUNE 30, 2022**

SCHEDULE A

- c) Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

*Of the 5 bank accounts selected, 4 bank reconciliation had reconciling items that have been outstanding for more than 12 months. There was no documentation evidencing that these reconciling items were researched for proper disposition.*

**D - Collections (excluding electronic funds transfers)**

---

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

*A listing of deposit sites was provided and included a total of 1 deposit site. No exceptions were noted as a result of performing this procedure.*

*From the listing provided, we selected all deposit sites (1) and performed the procedures below.*

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

*A listing of collection locations for each deposit site selected in procedure #4 was provided and included a total of 2 collection locations. No exceptions were noted as a result of performing this procedure.*

*From each of the listings provided, we randomly selected one collection location for each deposit site. Review of the Entity's written policies and procedures or inquiry with employee(s) regarding job duties was performed in order to perform the procedures below.*

- a) Employees responsible for cash collections do not share cash drawers/registers.

*For the 1 location selected for our procedures, the employees responsible for cash collections share cash drawers/registers.*

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

*No exceptions noted.*

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

*No exceptions noted.*

**CONTEMPORARY ARTS CENTER**  
**AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS**  
**JUNE 30, 2022**

SCHEDULE A

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

*No exceptions noted.*

- e) Procedures tested at attributes a) - d) are included in entity's written policies and procedures (i.e. P&P noting employees responsible for cash collections do not share cash drawers / registers)

*The Entity's policies and procedures do not include provisions that employees responsible for cash collections do not share cash registers.*

6. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe the bond or insurance policy for theft was enforced during the fiscal period.

*The Entity did not provide documentation the employees who have access to cash are bonded and/or covered under the Entity's insurance policy.*

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

*We randomly selected two deposit dates for each of the 5 bank accounts selected in procedure #3. We obtained supporting documentation for each of the 10 deposits and performed the procedures below.*

- a) Observe that receipts are sequentially pre-numbered.

*The Entity does not maintain sequentially pre-numbered receipts.*

- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

*The Entity does not maintain sequentially pre-numbered receipts, however, the non-numbered cash receipts were traced to the deposit slips without exception.*

- c) Trace the deposit slip total to the actual deposit per the bank statement.

*No exceptions noted.*

- d) Observe the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).

*No exceptions noted.*

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- e) Trace the actual deposit per the bank statement to the general ledger.

*No exceptions noted.*

***E - Non-payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)***

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8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

*The listing of locations that process payments for the fiscal period was provided. No exceptions were noted as a result of performing this procedure.*

*From the listing provided, we selected the only (1) disbursement location and performed the procedures below.*

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

*The listing of employees involved with non-payroll purchasing and payment functions for each payment processing location selected in procedure #8 was provided. No exceptions were noted as a result of performing this procedure.*

*Review of the Entity's written policies and procedures or inquiry with employee(s) regarding job duties was performed in order to perform the procedures below.*

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

*No exceptions noted.*

- b) At least two employees are involved in processing and approving payments to vendors.

*No exceptions noted.*

- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

*No exceptions noted.*

- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

*No exceptions noted.*

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10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

*A listing of non-payroll disbursements for each payment processing location selected in procedures #8 was provided related to the reporting period. No exceptions were noted as a result of performing this procedure.*

*From each of the listings provided, we randomly selected 5 disbursements and performed the procedures below.*

- a) Observe whether the disbursement matched the related original itemized invoice, and that supporting documentation indicates deliverables included on the invoice were received by the entity.

*No exceptions noted.*

- b) Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

*No exceptions noted.*

***F - Credit Cards/Debit Cards/Fuel Cards/P-Cards***

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11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

*A listing of cards was provided. No exceptions were noted as a result of performing this procedure.*

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

*From the listing provided, we selected all cards (2 credit cards) used in the fiscal period. We randomly selected one monthly statement for each of the 2 cards selected and performed the procedures noted below.*

- a) Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]]

*For the 2 credit cards tested, the monthly statement provided did not contain evidence of review by someone other than the card holder. Supporting documentation was provided for each individual transaction listed on the monthly statement. We obtained supporting Purchase Orders for each transaction, issued after each individual purchase was made and evidencing subsequent approval by someone other than the card holder.*

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- b) Observe that finance charges and late fees were not assessed on the selected statements.

*No exceptions noted.*

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions. For each transaction, observe it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a “missing receipt statement” that is subject to increased scrutiny.

*We randomly selected 10 transactions for 1 of the 2 cards selected in procedure #12, and all of the transactions (2 in total) for the second card due to there being less than 10 transactions for the month selected for testing, and performed the specified procedures. No exceptions noted.*

**G - Travel and Travel-Related Expense Reimbursements (excluding card transactions)**

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14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management’s representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

*The listing of travel and travel-related expense reimbursements was provided for the fiscal period. No exceptions were noted as a result of performing this procedure.*

*From the listing provided, we selected all reimbursements (2 in total) and performed the procedures below.*

- a) If reimbursed using a per diem, observe the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)).

*Of the 2 reimbursements selected for our procedures, none used a per diem. No exceptions noted.*

- a) If reimbursed using actual costs, observe the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

*No exceptions noted.*

- b) Observe each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

*No exceptions noted.*



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- c) Observe each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

*No exceptions noted.*

***H - Contracts***

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15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

*An active vendor list for the fiscal period was provided. No exceptions were noted as a result of performing this procedure.*

*From the listing provided, we randomly selected 5 contracts and performed the procedures below.*

- a) Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

*Of the 5 contracts selected for our procedures, none were subject to Louisiana Public Bid Law. No exceptions noted.*

- b) Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).

*Of the 5 contracts selected for our procedures, none were required to be approved by the governing body/board. No exceptions noted.*

- c) If the contract was amended (e.g., change order), observe the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, was approval documented).

*Of the 5 contracts selected for our procedures, none were amended. No exceptions noted.*

- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe the invoice and related payment agreed to the terms and conditions of the contract.

*We randomly selected 1 payment for each of the 5 contracts selected in procedure #15 and performed the specified procedures. No exceptions noted.*

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SCHEDULE A

***I - Payroll and Personnel***

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16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

*A listing of employees/elected officials employed during the fiscal year was provided. No exceptions were noted as a result of performing this procedure.*

*From the listing provided, we randomly selected 5 employees/officials and performed the specified procedures. No exceptions noted.*

17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

*We randomly selected 1 pay period during the fiscal period and performed the procedures below for the 5 employees/officials selected in procedure #16.*

- a) Observe all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.).

*Of the 5 employees selected for testing, all 5 were salaried employees. The Entity's salaried employees do not document their daily attendance and leave.*

- b) Observe whether supervisors approved the attendance and leave of the selected employees or officials.

*Of the 5 employees selected for testing, all 5 were salaried employees. The Entity's salaried employees do not document their daily attendance and leave.*

*Payroll reports are reviewed by the Accounts Manager for reasonableness; however, there is no formal evidence of review.*

- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

*No exceptions noted.*

- d) Observe the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.

*No exceptions noted.*

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18. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee or officials' cumulative leave records, agree the pay rates to the employee or officials' authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy.

*A listing of employees/officials receiving termination payments during the fiscal period was provided. No exceptions were noted as a result of performing this procedure.*

*From the listing provided, we randomly selected 2 employees and performed the specified procedures. No exceptions noted.*

19. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

*No exceptions noted.*

***J - Ethics***

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20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above obtain ethics documentation from management, and:

- a) Observe whether the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

*The prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121 are specific to governmental entities, therefore these attributes are not applicable for this not-for-profit entity.*

- b) Observe whether the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

*The entity did not have any changes to the ethics policy, so this step is not applicable.*

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AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS  
JUNE 30, 2022**

SCHEDULE A

***K - Debt Service***

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21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe State Bond Commission approval was obtained for each bond/note issued.

*Not applicable.*

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

*Not applicable.*

***L - Fraud Notice***

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23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

*The Entity had no instances of misappropriation of public funds or assets during the fiscal period.*

24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

*The notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds is specific to governmental agencies and is therefore not applicable for this not-for-profit entity.*

***M - Information Technology Disaster Recovery/Business Continuity***

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25. Perform the following procedures, **verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."**

- a) Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.

*We performed the procedure and discussed the results with management.*

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- b) Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.

*We performed the procedure and discussed the results with management.*

- c) Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

*We performed the procedure and discussed the results with management.*

***N - Sexual Harassment***

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26. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain sexual harassment training documentation from management, and observe the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.

*The Sexual Harassment requirements promulgated by LA RS 42:341 - 42:344 are specific to governmental entities; therefore this procedure is not applicable.*

27. Observe the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).

*The Sexual Harassment requirements promulgated by LA RS 42:341 - 42:344 are specific to governmental entities; therefore, this procedure is not applicable.*

28. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe it includes the applicable requirements of R.S. 42:344:

- a) Number and percentage of public servants in the agency who have completed the training requirements;
- b) Number of sexual harassment complaints received by the agency;
- c) Number of complaints which resulted in a finding that sexual harassment occurred;
- d) Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
- e) Amount of time it took to resolve each complaint.

*The Sexual Harassment requirements promulgated by LA RS 42:341 - 42:344 are specific to governmental entities; therefore, these procedures are not applicable.*

**CONTEMPORARY ARTS CENTER  
MANAGEMENT'S RESPONSE AND CORRECTIVE ACTION PLAN  
JUNE 30, 2022**

SCHEDULE B

***Corrective Action***

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27. Obtain management's response and corrective action plan for any exceptions noted in the above agreed-upon procedures.
- Hiring of a Director of Finance will be recommended to the Board of Directors.
  - The Development Director closely reviews obligations relating to use and reporting of state and federal funds. However, this Development director position was not filled when the SVO Grant was applied for and received.
  - The Facilities Manager maintains documentation of all bids and price quotes. P&N also noted in the Financial Statements finding 2022-04 that "However, it was noted that no contracts or services were obtained that would have required the Center to advertise and solicit public bids."
  - The Board of Directors meeting that was not held between the dates of 6/12/2021 and 9/22/2021 was rescheduled due to Hurricane Ida.
  - Our bank account reconciliations have been digitized in a secure cloud drive since FY19. The June 2022 reconciliation files each contain a version history that shows when they were created and when they were edited.
  - CAC will implement a process to properly dispose reconciling items over 12 months old on the bank reconciliation sheets.
  - There is only one cash drawer and one employee has access to it at a time. The drawer is counted before and after every shift and at shift change.