

**ARTS and HUMANITIES COUNCIL OF  
SOUTHWEST LOUISIANA  
Lake Charles, Louisiana**

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**Financial Statements  
August 31, 2003 and 2002**

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Founded in 1978

# BROUSSARD & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS, L.L.C.

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Arts and Humanities Council of  
Southwest Louisiana  
Lake Charles, Louisiana

We have audited the accompanying statement of financial position of Arts and Humanities Council of Southwest Louisiana (a nonprofit organization), as of August 31, 2003 and 2002, and the statements of activity, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Arts and Humanities Council of Southwest Louisiana (a nonprofit organization), as of August 31, 2003 and 2002, and the changes in its net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 8, 2003, on our consideration of Arts and Humanities Council of Southwest Louisiana of Calcasieu Parish, Louisiana's internal control structure and compliance with laws and regulations. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Broussard & Company*

Lake Charles, Louisiana  
December 8, 2003

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**ARTS and HUMANITIES COUNCIL OF SOUTHWEST LOUISIANA**  
**Lake Charles, Louisiana**  
**Statements of Financial Position**  
**August 31,**

	<b>2003</b>	<b>2002</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 69,457	\$ 132,287
Grants receivable	39,000	-
Prepaid expenses	993	483
Inventory	1,835	1,835
Total Current Assets	111,285	134,605
<b>Noncurrent Assets</b>		
Office furniture and equipment	19,055	21,797
Accumulated depreciation	(16,194)	(17,162)
Total Noncurrent Assets	2,861	4,635
<b>TOTAL ASSETS</b>	<b>\$ 114,146</b>	<b>\$ 139,240</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ -	\$ 12,581
Regrants payable	40,094	64,799
Payroll taxes payable	1,974	4,079
Accrued payroll payable	231	106
Total Liabilities	42,299	81,565
<b>Net Assets</b>		
Unrestricted	71,847	57,675
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 114,146</b>	<b>\$ 139,240</b>

**ARTS and HUMANITIES COUNCIL OF SOUTHWEST LOUISIANA**  
**Lake Charles, Louisiana**  
**Statements of Activity**  
**For the Years Ended August 31,**

	<u>2003</u>	<u>2002</u>
<b>REVENUES AND OTHER SUPPORT</b>		
Memberships	\$ 8,780	\$ 14,175
Contributions	2,337	2,798
Management fee	11,878	13,290
Fund raising	10,009	-
Arts camp	66,845	61,682
Grants	277,469	273,181
Interest income	464	550
Special projects	14,553	10,159
Gift shop sales	713	1,745
Less-Gift shop costs of sales	(683)	(318)
Miscellaneous income	2,361	4,075
	<u>394,726</u>	<u>381,337</u>
<b>PROGRAM SERVICES</b>		
Arts & Humanities Program	137,229	131,755
Decentralized Arts Program	170,816	147,086
Special projects	17,096	11,451
	<u>325,141</u>	<u>290,292</u>
<b>SUPPORT SERVICES</b>		
General and administrative	44,707	51,084
Fund raising	10,706	9,144
	<u>55,413</u>	<u>60,228</u>
<b>Total Support Services</b>	<u>55,413</u>	<u>60,228</u>
Increase (Decrease) in Unrestricted Net Assets	14,172	30,817
<b>NET ASSETS, BEGINNING</b>	<u>57,675</u>	<u>26,858</u>
<b>NET ASSETS, ENDING</b>	<u><u>\$ 71,847</u></u>	<u><u>\$ 57,675</u></u>

**ARTS and HUMANITIES COUNCIL OF SOUTHWEST LOUISIANA**  
**Lake Charles, Louisiana**  
**Statement of Functional Expenses**  
**Years Ended August 31,**

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fund Raising</u>	<u>2003 Total</u>	<u>2002 Total</u>
Salaries	\$ 45,473	\$ 18,888	\$ 5,597	\$ 69,958	\$ 86,211
Payroll taxes	3,472	1,443	427	5,342	6,374
Employee Benefits	1,706	709	210	2,625	3,774
Arts camp	70,779	-	-	70,779	57,263
Bank charges	-	594	-	594	40
Depreciation	-	1,775	-	1,775	1,777
Fund raising	-	-	3,342	3,342	402
Insurance	-	2,706	-	2,706	3,338
Legal and professional	745	6,704	-	7,449	4,000
Marketing	-	1,282	-	1,282	2,547
Membership/subscription	1,573	524	-	2,097	2,409
Miscellaneous	-	-	-	-	490
Panel meetings	470	-	-	470	2,027
Printing	4,027	224	224	4,475	2,244
Professional development	281	31	-	312	565
Postage	1,808	453	-	2,261	2,470
Regrants	170,816	-	-	170,816	147,086
Rent expense	-	6,144	-	6,144	6,144
Repairs and maintenance	875	438	438	1,751	1,482
Special projects	17,096	-	-	17,096	11,451
Supplies	469	937	468	1,874	1,844
Telephone	1,856	1,855	-	3,711	3,780
Travel	2,750	-	-	2,750	2,603
Workshop/training	945	-	-	945	199
<b>Total Expense</b>	<b>\$ 325,141</b>	<b>\$ 44,707</b>	<b>\$ 10,706</b>	<b>\$ 380,554</b>	<b>\$ 350,520</b>

**ARTS and HUMANITIES COUNCIL OF SOUTHWEST LOUISIANA**  
**Lake Charles, Louisiana**  
**Statement of Cash Flows**  
**Years Ended August 31,**

	<u>2003</u>	<u>2002</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from supporters, grants, programs, and retail sales	\$ 343,385	\$ 377,815
Cash received from management fees	11,878	13,290
Interest income	464	550
<b>Cash Provided By Operating Activities</b>	<u>355,727</u>	<u>391,655</u>
Cash paid to employees, suppliers, and for programs	(223,035)	(200,884)
Regrants paid	(195,522)	(130,742)
<b>Cash Disbursed For Operating Activities</b>	<u>(418,557)</u>	<u>(331,626)</u>
<b>Net Cash Provided by Operating Activities</b>	<u>(62,830)</u>	<u>60,029</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of equipment	-	(1,395)
<b>Net Cash Provided by Investing Activities</b>	<u>-</u>	<u>(1,395)</u>
<b>Net Increase In Cash</b>	(62,830)	58,634
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning	<u>132,287</u>	<u>73,653</u>
Ending	<u><u>69,457</u></u>	<u><u>132,287</u></u>
<b>RECONCILIATION OF REVENUE AND OTHER SUPPORT OVER EXPENSES TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Increase (decrease) in unrestricted net assets	14,172	30,817
Adjustments to reconcile changes in excess of revenue and support over expenses to net cash provided by operating activities:		
Depreciation	1,775	1,777
(Increase) decrease in receivables	(39,000)	10,000
(Increase) decrease in inventory	-	(310)
Decrease (increase) in prepaid expenses	(510)	1,003
Increase (decrease) in accounts and payroll taxes payable	(14,561)	(3,018)
Increase (decrease) in grants payable	(24,706)	19,760
Increase (decrease) in deferred revenue	<u>-</u>	<u>-</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ (62,830)</u>	<u>\$ 60,029</u>

**ARTS and HUMANITIES COUNCIL OF SOUTHWEST LOUISIANA**  
**Lake Charles, Louisiana**  
**Notes to Financial Statements**  
**August 31, 2003 and 2002**

*Note 1 - Organization and Purpose*

The Arts and Humanities Council of Southwest Louisiana (Council), is a nonprofit corporation organized under the laws of the State of Louisiana to coordinate, undertake, promote, develop, support, encourage, advance and conduct charitable, cultural, educational, leisure time, creative, historical and artistic activities; to unite those of the community who are members of the arts, or business and industry, and of the humanitarian and educational fields in the promotion, support, development and encouragement of these activities. The Council is exempt from federal and state income taxes as a charitable organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, contributions to the Council are qualified as charitable donations.

*Note 2 - Summary of Significant Accounting Policies*

The financial statements are prepared in accordance with generally accepted accounting principles utilizing the accrual basis of accounting.

The Council receives much of its revenues through grants from state agencies (Louisiana Division of the Arts), and community support for arts and humanities activities. All support is considered available for unrestricted use unless specifically restricted by the donor. Gifts of cash and other assets are presented as restricted support if they are received with donor stipulations that limit the use of the donated assets. When donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Pledges are recorded when the cash is received.

Funds that are required to be distributed to other organizations are classified under Decentralized Arts Program. Remainder of funds are classified as either Arts and Humanities Program or Special Projects.

Expenses are recorded as incurred.

All financial transactions have been recorded and reported as changes to net assets (restricted and unrestricted) with identification by activity and functional categories.

Current unrestricted net assets are funds presently available for use by the Council at the discretion of the Board of Directors. If the Board specifies a purpose where none has been stated by the original donor, such funds are classified as Board designated net assets.

The Council considers all short-term investments with an original maturity of three months or less to be cash equivalents.



**ARTS and HUMANITIES COUNCIL OF SOUTHWEST LOUISIANA**  
**Lake Charles, Louisiana**  
**Notes to Financial Statements (Continued)**  
**August 31, 2003 and 2002**

*Note 2 - **Summary of Significant Accounting Policies (Continued)***

Depreciation of property and equipment is provided for over the useful life of each asset based on the straight-line method of recording depreciation expense. The estimated useful lives of such assets are summarized below:

Furniture and equipment	3 - 7 years
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No amounts have been reflected in the statements for donated services because these contributed services do not meet the criteria for revenue recognition and there is not objective basis available to measure the value of such services. Nevertheless, a substantial number of volunteers donated significant amounts of their time in the Council's program services and its fund raising activities.

Inventory is stated at the lower cost (first-in, first-out) or market value.

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.

Certain reclassifications may have been made to the 2002 balances to conform to the 2003 presentation.

*Note 3 - **Comparative Financial Information***

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. With respect to the statement of activities, such prior year information is not presented by net asset class, and in the statement of functional expenses, 2002 expenses by object are presented in total rather than by functional category. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Council's financial statements for the year ended August 31, 2002, from which the summarized information was derived.

*Note 4 - **Office Furniture and Equipment***

Furniture and equipment acquisitions are capitalized at cost, if purchased, or at estimated fair market value if donated. Depreciation expense for the year ended August 31, 2003 and 2002 totaled \$1,775 and \$1,777, respectively. Expenditures for repairs and maintenance are charged to expense as incurred. Major improvements are capitalized.

**ARTS and HUMANITIES COUNCIL OF SOUTHWEST LOUISIANA**  
**Lake Charles, Louisiana**  
**Notes to Financial Statements (Continued)**  
**August 31, 2003 and 2002**

***Note 5 - Functional Allocation of Expenses***

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activity. Accordingly, certain costs have been allocated among the programs benefited and supporting activities based on management's analysis of the benefit received by supporting and program services. Direct program expenses are allocated 100% to program services.

***Note 6 - Contingencies***

The Council receives a significant portion of its revenue from local and State grants which are subject to final review and approval by the respective grantor agencies as to allowability of expenditures. Any settlements or expenses arising out of a final review are recognized in the period in which agreed upon by the grantor agency and the Council. It is management's opinion that any audits by the grantor agencies would not produce disallowed program costs and liabilities to such an extent that they would affect the Council's financial position.

***Note 7 - Economic Dependency***

As noted above, the Council receives much of its revenue from funds provided through grants administered by State agencies. The underlying funding is appropriated each year by the State government. If significant budget cuts are made at the State level, the amount of funding the Council receives could be reduced significantly and have an adverse impact on the Council's operations.

***Note 8 - Concentrations of Credit Risk***

The Organization maintains several bank accounts at one bank. Accounts at an institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. Cash at the institution did not exceed federally insured limits as of the year ended August 31, 2003. Cash at the institution exceeded federally insured limits by \$34,869 as of the year ended August 31, 2002.



Founded in 1978

# BROUSSARD & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS, L.L.C.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors  
Arts and Humanities Council of  
Southwest Louisiana  
Lake Charles, Louisiana

We have audited the financial statements of the Arts and Humanities Council of Southwest Louisiana as of and for the years ended August 31, 2003 and 2002, and have issued our report thereon dated December 8, 2003. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Compliance

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

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Arts and Humanities Council of Southwest Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted

Board of Directors  
Arts and Humanities Council of  
Southwest Louisiana

no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of Arts and Humanities Council of Southwest Louisiana, the Legislative Auditor of the State of Louisiana, and the Department of Culture, Recreation & Tourism and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

A handwritten signature in black ink, reading "Bransford J. Campbell". The signature is written in a cursive style with a large, prominent initial "B".

Lake Charles, Louisiana  
December 8, 2003

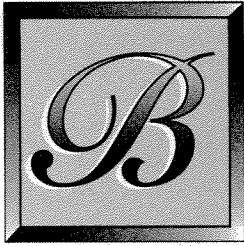
**ARTS and HUMANITIES COUNCIL OF SOUTHWEST LOUISIANA**  
**Lake Charles, Louisiana**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended August 31, 2003**

**A. Summary of Independent Auditor's Results:**

1. Unqualified opinion on general purpose financial statements.
2. The audit did not disclose any reportable conditions in internal control.
3. The audit did not disclose any noncompliance which is material to the financial statements.

**ARTS and HUMANITIES COUNCIL OF SOUTHWEST LOUISIANA**  
**Lake Charles, Louisiana**  
**Summary of Prior Year Findings**  
**For the Year Ended August 31, 2003**

A. None disclosed per audit.



**BROUSSARD & COMPANY**  
**CERTIFIED PUBLIC ACCOUNTANTS, L.L.C.**

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*Founded in 1978*

January 26, 2004

Arts and Humanities Council of Southwest Louisiana  
Post Office Box 1437  
Lake Charles, LA 70602

Dear Board:

In planning and performing the audit of the financial statements of the Arts and Humanities Council of Southwest Louisiana for the year ended August 31, 2003, we noted the following issues that management may need to address.

Bank Reconciliations: It was discovered that when the bank reconciliation are performed unusual reconciling items and old outstanding checks are not dealt with in a timely manner. Additionally, the bank reconciliations were not always reviewed by a board member or the director.

Very truly yours,

STEVEN M. DEROUEN, CPA