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ARTS COUNCIL OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

FINANCIAL STATEMENTS

DECEMBER 31, 1999 AND 1998

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date **JUL 12 2000**



Postlethwaite & Netterville
A Professional Accounting Corporation

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Independent Auditors' Report

To the Board of Directors
Arts Council of New Orleans

We have audited the accompanying statement of financial position of the Arts Council of New Orleans (the Council—a Louisiana nonprofit corporation), as of December 31, 1999, and the related statements of activities and changes in net assets and cash flows for the year then ended. These financial statements and the schedule referred to below are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits. The financial statements of the Council as of December 31, 1998, were audited by other auditors whose opinion dated April 16, 1999, expressed an unqualified opinion on those statements before restatement. As discussed in Notes 3 and 5, the Council has restated its 1998 financial statements during the current year to properly reflect the restrictions on net assets as of December 31, 1998, in conformity with generally accepted accounting principles, and the merger of the Arts Business Center of Arts Council.

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

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

In our opinion, except for not presenting consolidated financial statements, the financial statements referred to above present fairly, in all material respects, the financial position of the Arts Council of New Orleans, as of December 31, 1999, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

We also audited the adjustments described in Notes 3 and 5 that were applied to restate the 1998 financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of the Council's compliance and internal control over financial reporting dated May 5, 2000.



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

Postlethwaite & Netterville

Metairie, Louisiana
May 5, 2000



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

**STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 1999**

WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 1998

	<u>ASSETS</u>			1999	1998
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total (Restated)
<u>CURRENT ASSETS</u>					
Cash	\$ 58,192	\$ 800,334	\$ -	\$ 858,526	\$ 473,239
Investments	45,355	23,549	450,633	519,537	911,957
Grants and pledges receivable	154,728	155,068	-	309,796	651,169
Total current assets	<u>258,275</u>	<u>978,951</u>	<u>450,633</u>	<u>1,687,859</u>	<u>2,036,365</u>
<u>DUE FROM LOUISIANA ARTISTS GUILD</u>	546,339	-	-	546,339	268,662
<u>ART COLLECTION</u>	25,452	-	-	25,452	25,452
<u>EQUIPMENT, FURNITURE AND FIXTURES</u> , net of accumulated depreciation of \$151,659 in 1999 and \$129,663 in 1998	25,768	-	-	25,768	42,198
<u>LEASEHOLD IMPROVEMENTS</u> , net of accumulated amortization of \$9,587 in 1999 and \$6,637 in 1998	5,163	-	-	5,163	8,113
<u>TOTAL ASSETS</u>	<u>\$ 860,997</u>	<u>\$ 978,951</u>	<u>\$ 450,633</u>	<u>\$ 2,290,581</u>	<u>\$ 2,380,790</u>
<u>LIABILITIES AND NET ASSETS</u>					
<u>CURRENT LIABILITIES</u>					
Refundable advances	\$ -	\$ 344,236	\$ -	\$ 344,236	\$ 558,859
Grants payable	-	602,388	-	602,388	608,778
Accrued expenses	37,426	11,488	-	48,914	49,650
Total current liabilities	<u>37,426</u>	<u>958,112</u>	<u>-</u>	<u>995,538</u>	<u>1,217,287</u>
<u>NET ASSETS</u>	<u>823,571</u>	<u>20,839</u>	<u>450,633</u>	<u>1,295,043</u>	<u>1,163,503</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 860,997</u>	<u>\$ 978,951</u>	<u>\$ 450,633</u>	<u>\$ 2,290,581</u>	<u>\$ 2,380,790</u>

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



ARTS COUNCIL OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 1999
WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 1998

	Unrestricted	Temporarily Restricted	Permanently Restricted	1999 Total	1998 Total (Restated)
REVENUE, GAINS AND OTHER SUPPORT					
Contracts	\$ 78,843	\$ 879,524	\$ -	\$ 958,367	\$ 756,865
Grants	122,600	673,330	-	795,930	822,123
Contributions	183,674	-	-	183,674	249,270
Investment and interest income	32,586	3,429	34,967	70,982	54,698
Other income	76,238	-	-	76,238	88,943
Total revenue, gains and other support	<u>493,941</u>	<u>1,556,283</u>	<u>34,967</u>	<u>2,085,191</u>	<u>1,971,899</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>1,553,791</u>	<u>(1,553,791)</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENSES					
Grant programs	907,272	-	-	907,272	962,209
Youth arts programs	168,793	-	-	168,793	136,251
Public art programs	396,412	-	-	396,412	179,891
Arts Business Center	181,575	-	-	181,575	202,790
Louisiana Artists Guild	78,338	-	-	78,338	188,000
Advocacy	34,349	-	-	34,349	28,882
Other	7,580	-	-	7,580	12,700
Arts tourism	1,890	-	-	1,890	116,645
Development/fundraising	177,442	-	-	177,442	135,738
Total expenses	<u>1,953,651</u>	<u>-</u>	<u>-</u>	<u>1,953,651</u>	<u>1,963,106</u>
CHANGE IN NET ASSETS	94,081	2,492	34,967	131,540	8,793
NET ASSETS AT BEGINNING OF YEAR - RESTATED	<u>729,490</u>	<u>18,347</u>	<u>415,666</u>	<u>1,163,503</u>	<u>1,154,710</u>
NET ASSETS AT END OF YEAR	<u>\$ 823,571</u>	<u>\$ 20,839</u>	<u>\$ 450,633</u>	<u>\$ 1,295,043</u>	<u>\$ 1,163,503</u>

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



ARTS COUNCIL OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

	<u>1999</u>	<u>1998</u> <u>(Restated)</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Change in net assets	\$ 131,540	\$ 8,793
Depreciation and amortization	25,435	27,806
Net noncash gains on investments	(55,868)	-
Purchase of art	-	(1,500)
Loss on retirement of assets	695	-
Changes in operating assets and liabilities		
Grants and pledges receivable	341,373	(35,904)
Due from Louisiana Artists Guild	(277,677)	(169,970)
Refundable advances	(214,623)	332,456
Grants payable	(6,390)	3,060
Accrued expenses	(736)	(6,259)
Net cash (used by) provided by operating activities	<u>(56,251)</u>	<u>158,482</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Acquisitions of equipment, furniture and fixtures	(6,750)	(9,368)
Purchase of investment securities, net	-	(64,860)
Maturity of investment securities, net	448,288	-
Net cash used by investing activities	<u>441,538</u>	<u>(74,228)</u>
 <u>NET INCREASE IN CASH</u>	 385,287	 84,254
 <u>CASH AT BEGINNING OF YEAR</u>	 <u>473,239</u>	 <u>388,985</u>
 <u>CASH AT END OF YEAR</u>	 <u>\$ 858,526</u>	 <u>\$ 473,239</u>

The accompanying notes are an integral part of this statement.



ARTS COUNCIL OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. Organization and Operations

The Arts Council of New Orleans (ACNO), a nonprofit organization, is the city's officially designated arts agency. ACNO was formed in 1981 as a result of a merger of the Arts Council of Greater New Orleans and the Mayor's Committee for Arts and Cultural Development. ACNO's efforts are directed toward enhancing the cultural and artistic environment in the New Orleans metropolitan area.

2. Summary of Significant Accounting Policies

Method of Accounting

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

Use of Estimates

Generally accepted accounting principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of 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 prior year amounts have been reclassified to conform with current year presentation.

Description of Net Assets Classification

Financial Accounting Standards Board (FASB) Statement No. 117 entitled "Financial Statements of Not-For-Profit Organizations" requires that net assets and changes in net assets be reported for three classifications – permanently restricted, temporarily restricted and unrestricted – based on the existence or absence of donor imposed restrictions. ACNO reports gifts of cash and other assets as restricted support if they are received with donor imposed restrictions or requirements that limit the use of the donation. A donor restriction ends when a time restriction is met or a purpose restriction is accomplished. As restrictions are met, assets are reclassified to unrestricted net assets or permanently restricted net assets and reported as net assets released from restrictions in the statement of activities.

Gifts, Grants, and Bequests

Gifts, grants, and bequests are recorded as revenues in the period received and as assets, decreases in liabilities or expenses depending on the form of benefits received. Non-cash gifts, grants, and bequests are recorded as revenue at the fair market value at the date contributed, if an objective valuation is determinable.



ARTS COUNCIL OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (continued)

Allowance for uncollectible accounts

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

Donated Services

Volunteers have given extensive amounts of time and services to ACNO. The value of this contributed time is not reflected in the accompanying financial statements since the volunteers' time does not meet the criteria necessary for recognition. In-kind contributions received by ACNO were not material in 1999 or 1998.

Allocation of Overhead

Professional and technical fees, supplies, office rent, utilities, telephone, and other administrative expenditures are allocated to projects based upon salary expenses of the project. Expenditures are not allocated to projects that prohibit such types of costs.

Investments

Investments are carried at fair value.

Interest Income

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

Depreciation of Equipment, Furniture and Fixtures

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

Amortization of Leasehold Improvements

ACNO's leasehold improvements are being amortized utilizing the straight-line method over five years.



ARTS COUNCIL OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (continued)

Concentration of Credit Risk

At December 31, 1999, the Council had cash deposits at in excess of federally insured limits totaling \$802,804 at a local institution.

Income Taxes

ACNO is exempt from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code and, accordingly, no provision for income taxes has been reflected in the accompanying financial statements.

Contributed Artwork

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

Statements of Cash Flows

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

Comparative Totals

The financial statements include prior-year summarized comparative information in total but not by net asset class. Accordingly, such information should be read in conjunction with ACNO's financial statements for the year ended December 31, 1998, from which summarized information was derived.

3. Pooling of Interest/Merger with Arts Business Center

On March 31, 1999, the board of directors for the Arts Council of New Orleans and the board of directors of the Arts Business Center of Arts Council of New Orleans (Center) agreed for the Center to merge with the Council and become one of the program services of the Council called the Entergy Arts Business Center. This merger is accounted for using the pooling-of-interests method. The income and expenses for the Center are included in the financial statements of the Arts Council beginning January 1, 1999. The prior year net assets and net loss of the Center were \$33,479 and \$9,332, respectively. The 1998 prior year summarized data has been restated to include the Center's assets, liabilities, net assets, revenues, expenses and cash flows.



ARTS COUNCIL OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

4. Investments

Investments consist of the following at December 31, 1999:

Certificates of deposit	\$ 25,000
Mutual funds	494,537
	<u>\$ 519,537</u>

Investment income consists of the following for the year ended December 31, 1999:

Interest income	\$ 15,114
Investment income reinvested	15,982
Unrealized gains	42,124
Investment fees	(2,238)
	<u>\$ 70,982</u>

5. Restrictions on Net Assets

At December 31, 1999, temporarily restricted net assets are available for the following purposes:

Louisiana Division of the Arts for administrative costs and community development coordinated costs	\$ 4,190
Stern Fund for an artist to work in schools and recreation and elderly centers	16,649
	<u>\$ 20,839</u>

Permanently restricted net assets consist of endowment fund assets held indefinitely by the Greater New Orleans Foundation. The Council receives 5% of the fair value of the average for the prior twelve quarters. However, the income from these funds is expendable as stipulated by the donor. The prior year permanently restricted net assets and temporarily restricted net assets have been increased by \$ 26,537 and \$ 13,547, respectively, and unrestricted net assets have been decreased by the same amount.



ARTS COUNCIL OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

6. Lease Obligations

ACNO leases its office space under an operating lease which began September 1, 1996 and expires August 31, 2001. Minimum lease payments under this operating lease as of December 31, 1999 are as follows:

2000	\$	79,992
2001		53,328

7. Commitments

Since 1986, ACNO has entered into annual agreements with the City of New Orleans (the City) relating to the establishment of the Percent For Art Program under which one percent of the cost of most City capital projects is to be used to fund certain works of art. ACNO's ongoing tasks include developing an Annual Art Plan to carry out the implementation of selected art projects, and short-term and long-term coordination and planning for the program. ACNO incurred expenditures of approximately \$57,300 in 1999 for administrative duties performed to accomplish the tasks provided in this contract.

8. Related Parties

Louisiana Artists Guild

Statement of Position 94-4 requires consolidation of interrelated not-for-profit organizations when they meet certain criteria. When an entity has control through a majority voting interest in the board of the other entity and has an economic interest then consolidation is required. The *Audit and Accounting Guide for Not-for-Profit Organizations* indicates that if the reporting entity upon dissolution of the other entity is entitled to the net assets of the other entity then there is an economic interest. In November 1998 as filed with the state on March 10, 1999 the Articles of Incorporation of the Louisiana Artists Guild (the Guild) were amended such that all members and the Board of Directors are selected by and serve at the pleasure of the Board of Directors of the Council. The amended Articles also provided that in the event of dissolution that all of the Guild's property goes to the Council. Generally accepted accounting principles require consolidation, however the Council has decided not to consolidate but to present separate financial statements and disclose related party transactions.

The Guild was incorporated in June 1995 as a nonprofit organization to provide management and administrative services and studio and retail space to visual artists and craftsmen. The Guild is not yet operational, but has begun a capital campaign to raise \$16 million to cover the estimated cost of construction, development and startup costs for an arts complex located at Howard Avenue and Carondelet Street.



ARTS COUNCIL OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

8. Related Parties (continued)

Louisiana Artists Guild (continued)

The Guild shares office space with ACNO. Certain employees of ACNO also serve as employees of the Guild. Salary expense, supplies, utilities, insurance and certain other administrative expenses are allocated to the Guild based on the percentage of time the employee dedicated to the Guild. As of December 31, 1999, ACNO has advanced the Guild approximately \$546,000. No interest is earned on the advances to the Guild. In addition to the advances, ACNO has funded pre-development costs of the Guild of \$343,000 prior to 1997. Re grants to the Guild were approximately \$74,000 in 1999 and \$188,000 in 1998.

ACNO provides an open line of credit up to \$400,000 for Guild cash needs for property acquisition and development costs. This loan is to be repaid as Capital Campaign pledges are collected together with 8% per annum simple interest. There was no balance outstanding under this line of credit at December 31, 1999.

Summarized financial information for the Guild as of December 31, 1999 is as follows:

Total assets	\$ 7,226,533
Total liabilities	<u>1,108,992</u>
Net assets	<u>\$ 6,117,541</u>
Revenues	<u>\$ 4,808,909</u>
Expenses	<u>\$ 465,584</u>

Other

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



ACCOMPANYING INFORMATION





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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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

To the Board of Directors
 Arts Council of New Orleans

We have audited the financial statements of the Arts Council of New Orleans (the Council) as of and for the year ended December 31, 1999, and have issued our report thereon dated May 5, 2000. 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 Council'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 statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Council's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements, but not to provide 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 defined as a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board of Directors and management and is not intended to be and should not be used by anyone other than these specified parties.

Postlethwaite & Netterville

Metairie, Louisiana

May 5, 2000



ARTS COUNCIL OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

SCHEDULE OF SUPPORT AND EXPENSES FOR STATE AND PASSED THROUGH GRANTS
FOR THE YEAR ENDED DECEMBER 31, 1999

	U.S. Department of Labor Passed Through Orleans Private Industry Council	U.S. Department of Housing and Urban Development Passed Through the City of New Orleans	Grant # FY99-249	Louisiana Division of the Arts Grant # FY00-252	Grant # FY00-226	Grant # FY00-079
SUPPORT:						
Grants received or receivable	\$ 158,349	\$ 99,956	\$ 10,000	\$ 647,523	\$ 122,600	\$ 15,807
EXPENSES:						
Salaries and salary related expenses	119,449	60,371	41,312	18,237	56,969	6,000
Regrants	-	28,481	-	569,046	-	-
Professional and technical fees	200	-	100	-	820	9,500
Operating expenses - general	38,700	11,104	16,335	7,094	53,811	307
Total expenses	\$ 158,349	\$ 99,956	\$ 57,747	\$ 594,377	\$ 111,600	\$ 15,807





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May 5, 2000

To the Board of Directors
Arts Council of New Orleans

We have audited the financial statements of Arts Council of New Orleans for the year ended December 31, 1999, and have issued our report thereon dated May 5, 2000. We want to provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated January 25, 2000, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of Arts Council of New Orleans. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Arts Council of New Orleans's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Arts Council of New Orleans are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 1999.



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Statement of Position 94-4 requires consolidation of interrelated not-for-profit organizations when they meet certain criteria. When an entity has control through a majority voting interest in the board of the other entity, and has an economic interest, then consolidation is required. The *Audit and Accounting Guide for Not-for-Profit Organizations* indicates that if the reporting entity upon dissolution of the other entity is entitled to the net assets of the other entity then there is an economic interest. In November 1998 as filed with the state on March 10, 1999, the Articles of Incorporation of the Louisiana Artists Guild were amended such that all members and the Board of Directors are selected by and serve at the pleasure of the Board of Directors of the Council. The amended Articles also provided that in the event of dissolution that all of the Guild's property is to go to the Council. Generally accepted accounting principles (GAAP) require consolidation however the Council has decided not to consolidate but to present separate financial statements and disclose related party transactions. The report on the financial statements was qualified for the non-GAAP presentation.

We noted no other transactions entered into by the Council during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were: accounts receivable allowance, depreciation and amortization.

Management's estimates are based on their historical collection experience, and their historical use of assets. We evaluated the key factors and assumptions used to develop the accounting estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Council's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Council, either individually or in the aggregate, indicate matters that could have a significant effect on the Council's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that other than the non-consolidation of the Louisiana Artists Guild no such disagreements arose during the course of our audit.



Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Council's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Council's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

This information is intended solely for the use of the Board of Directors, and management of Arts Council of New Orleans and is not intended to be and should not be used by anyone other than these specified parties.

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May 5, 2000

To the Board of Directors
Arts Council of New Orleans
New Orleans, Louisiana

We have audited the financial statements of Arts Council of New Orleans (the Council) for the year ended December 31, 1999, and have issued our report thereon dated May 5, 2000. In planning and performing our audit of the Council's financial statements, we considered its internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of a couple of matters that present an opportunity for strengthening internal controls and operating efficiency. The following paragraphs summarize our comments and suggestions regarding these matters. This letter does not affect our report dated May 5, 2000, on the financial statements of Arts Council of New Orleans.

Inventory

The last inventory of Arts Council of New Orleans artwork was taken in March, 1997. We recommend that inventories of artwork, and furniture and equipment be done on an annual basis.

Sales Taxes

With regard to fund raising events such as the upcoming "Fresh Arts Festival" the Council should apply for an exemption for each such event. Sales of items such as crafts may still be subject to sales tax by the vendor/Council who actually sells the items, however we believe the sale of food and rental of booths will be excluded by the exemption.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various Council personnel, and we will be pleased to further discuss, perform any additional studies, or to assist you in implementing the recommendations at your convenience.

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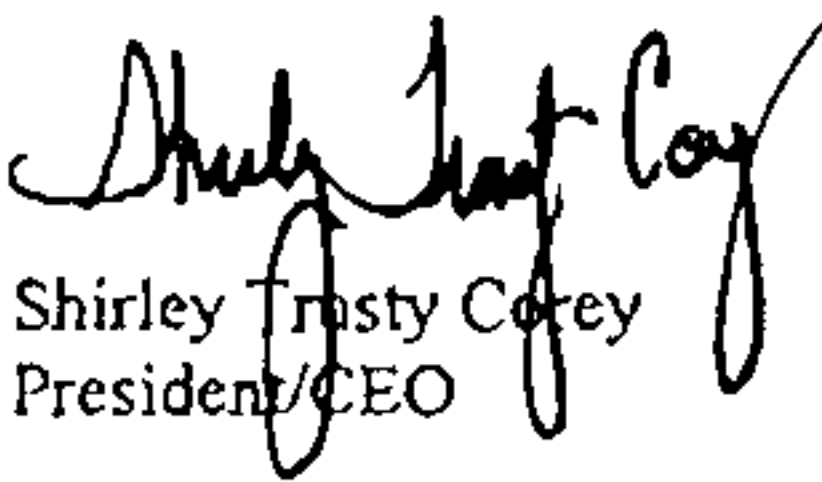
June 26, 2000

Postlethwaite & Netterville
2324 Severn Avenue, Suite A
Metairie, Louisiana 70001

We have received your Report to Management, dated May 5, 2000, for the Arts Council of New Orleans for the year ended December 31, 1999.

We have reviewed your comments and we will consider taking inventories of art work and furniture and equipment. We will also consider the sales tax issue prior to the "Fresh Arts Festival."

Sincerely,


Shirley Trusty Corey
President/CEO

Community Arts Grants • Entergy Arts Business Center • Louisiana ArtWorks • Public Art • Youth Arts Programs

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- The Honorable Lindy Boggs

Shirley Trusty Corey
President/CEO

