

ARTHUR ANDERSEN LLP

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CONTEMPORARY ARTS CENTER

**FINANCIAL STATEMENTS
AS OF JUNE 30, 1999
TOGETHER WITH AUDITORS' REPORT**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, 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 DEC 08 1999

CONTEMPORARY ARTS CENTER

FINANCIAL STATEMENTS

AS OF JUNE 30, 1999

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Contemporary Arts Center:

We have audited the accompanying statement of financial position of the Contemporary Arts Center (the "Center" - a Louisiana not-for-profit corporation) as of June 30, 1999, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements and supplemental schedules based on our audit.

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. 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 the Center as of June 30, 1999, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated September 24, 1999 on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and grants.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Center taken as a whole. The Supplemental Schedule of Departmental Activity is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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.

Arthur Andersen LLP

New Orleans, Louisiana,
September 24, 1999

CONTEMPORARY ARTS CENTER
STATEMENT OF FINANCIAL POSITION

JUNE 30, 1999

<u>ASSETS</u>	<u>Unrestricted Fund</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
CURRENT ASSETS:				
Cash and cash equivalents	\$ 7,951	\$ 108,286	\$ 124,422	\$ 240,659
Pledges and grants receivable	33,661	70,000	40,000	143,661
Due from other funds	-	-	89,223	89,223
Prepaid expenses	<u>1,906</u>	<u>-</u>	<u>-</u>	<u>1,906</u>
Total current assets	43,518	178,286	253,645	475,449
FIXED ASSETS, net of depreciation	1,587,499	-	9,000,000	10,587,499
ART COLLECTION	96,826	-	-	96,826
INVESTMENTS	-	-	105,584	105,584
LONG-TERM RECEIVABLE	-	23,042	23,041	46,083
OTHER ASSETS	<u>17,108</u>	<u>-</u>	<u>-</u>	<u>17,108</u>
Total assets	<u>\$1,744,951</u>	<u>\$ 201,328</u>	<u>\$9,382,270</u>	<u>\$11,328,549</u>
 <u>LIABILITIES AND FUND BALANCES</u>				
CURRENT LIABILITIES:				
Accounts payable and accrued expenses	\$ 157,212	\$ -	\$ -	\$ 157,212
Notes payable (Note 3)	47,000	-	-	47,000
Due to other funds	<u>89,223</u>	<u>-</u>	<u>-</u>	<u>89,223</u>
Total current liabilities	<u>293,435</u>	<u>-</u>	<u>-</u>	<u>293,435</u>
LONG-TERM NOTES PAYABLE	<u>31,768</u>	<u>-</u>	<u>-</u>	<u>31,768</u>
FUND BALANCES:				
Permanently restricted	-	-	9,382,270	9,382,270
Temporarily restricted	-	201,328	-	201,328
Unrestricted	<u>1,419,748</u>	<u>-</u>	<u>-</u>	<u>1,419,748</u>
Total fund balances	<u>1,419,748</u>	<u>201,328</u>	<u>9,382,270</u>	<u>11,003,346</u>
Total liabilities and fund balances	<u>\$1,744,951</u>	<u>\$ 201,328</u>	<u>\$9,382,270</u>	<u>\$11,328,549</u>

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

CONTEMPORARY ARTS CENTER

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 1999

	<u>Unrestricted Fund</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE:				
Contributions (Note 4)	\$ 664,674	\$ 110,012	\$9,004,939	\$ 9,779,625
Contributions in kind (Note 4)	221,035	-	-	221,035
Restricted and program services grants	91,989	-	66,667	158,656
Membership dues	191,800	-	-	191,800
Admissions, workshop fees, meetings and conferences	196,997	14,780	-	211,777
Special fund-raising events, admissions	153,538	-	-	153,538
Sales of art, catalogs and subscriptions	77,206	-	-	77,206
Refreshment sales	168,491	-	-	168,491
Investment income	2,840	-	10,261	13,101
Recovery of bad debts	-	500	-	500
Other	<u>58,221</u>	<u>-</u>	<u>-</u>	<u>58,221</u>
Total support and revenue before net assets released from restrictions	1,826,791	125,292	9,081,867	11,033,950
NET ASSETS RELEASED FROM RESTRICTIONS	<u>167,200</u>	<u>(167,200)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>1,993,991</u>	<u>(41,908)</u>	<u>9,081,867</u>	<u>11,033,950</u>
EXPENSES:				
Salaries	763,839	-	-	763,839
Payroll taxes	64,104	-	-	64,104
Employee benefits	37,586	-	-	37,586
Value of in kind contributions	221,034	-	-	221,034
Artist fees	126,794	-	-	126,794
Telephone and utilities	88,748	-	-	88,748
Supplies	92,705	-	-	92,705
Professional fees	117,079	-	-	117,079
Printing, publications, films, etc.	59,713	-	-	59,713
Security and insurance	43,840	-	-	43,840
Cost of goods sold	36,810	-	-	36,810
Postage and shipping	24,384	-	-	24,384
Refreshment expense	82,862	-	-	82,862
Information processing and other services and rentals	28,100	-	-	28,100
Meetings and conferences, including related travel	22,357	-	-	22,357
Interest expense	5,913	-	-	5,913
Bad debt expense	5,000	-	-	5,000
Program and royalty fees	669	-	-	669
Other expenses	<u>132,027</u>	<u>-</u>	<u>504</u>	<u>132,531</u>
Total expenses before depreciation	<u>1,953,564</u>	<u>-</u>	<u>504</u>	<u>1,954,068</u>
Excess of support and revenue over expenses before depreciation	40,427	(41,908)	9,081,363	9,079,882
DEPRECIATION EXPENSE	<u>84,255</u>	<u>-</u>	<u>-</u>	<u>84,255</u>
Excess (deficiency) of support and revenue over expenses	(43,828)	(41,908)	9,081,363	8,995,627
EXTRAORDINARY GAIN ON EARLY EXTINGUISHMENT OF DEBT (Note 3)	<u>61,500</u>	<u>-</u>	<u>-</u>	<u>61,500</u>
Net excess (deficiency) of support and revenue over expenses	17,672	(41,908)	9,081,363	9,057,127
TRANSFERS IN AND OUT OF FUND BALANCES	<u>77,259</u>	<u>(72,768)</u>	<u>(4,491)</u>	<u>-</u>
Net change in fund balance	94,931	(114,676)	9,076,872	9,057,127
FUND BALANCES, Beginning of Period	<u>1,324,817</u>	<u>316,004</u>	<u>305,398</u>	<u>1,946,219</u>
FUND BALANCES, End of Period	<u>\$ 1,419,748</u>	<u>\$ 201,328</u>	<u>\$9,382,270</u>	<u>\$11,003,346</u>

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

CONTEMPORARY ARTS CENTER

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 1999

	<u>1999</u>
CASH FLOWS FROM OPERATING AND CAPITAL FUND-RAISING ACTIVITIES:	
Net change in fund balance	\$ 9,057,127
Charges to operations not using cash-	
Depreciation	84,255
Decrease in pledges, grants and contributions receivable	77,243
Decrease in long-term receivables	88,556
(Increase) in prepaid expenses	(987)
(Increase) in other assets	(9,801)
(Decrease) in accounts payable and accrued expenses	<u>(66,677)</u>
Net cash provided by operating and capital fund-raising activities	<u>9,229,716</u>
CASH FLOWS FOR INVESTING ACTIVITIES:	
Donation of building	(9,000,000)
Donation of Artwork	(3,700)
Purchase of equipment	(2,050)
(Increase) in endowment fund and other investments	<u>(2,168)</u>
Net cash (used in) investing activities	(9,007,918)
CASH FLOWS FOR FINANCING ACTIVITIES:	
Net proceeds from notes payable	<u>(53,500)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	168,298
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>72,361</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 240,659</u>

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

CONTEMPORARY ARTS CENTER

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Contemporary Arts Center (the "Center") is a multi-disciplinary organization dedicated to presenting the works of local, regional, 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 development support for local artists.

The financial statements of the Center have been prepared on the accrual basis of accounting. Significant accounting policies are summarized below.

Fund Accounting

The Center provides for funds according to three classes of net assets - permanently restricted, temporarily restricted and unrestricted to comply with limitations and restrictions placed on the use of resources by the donor.

Equipment and Leasehold Improvements

Equipment and leasehold improvements are stated at acquisition cost or, in the case of gifts, fair value at the date of donation. Major additions are capitalized; maintenance and repairs which do not improve or extend the life of the respective asset are charged to expense. Contributions received in aid of construction are credited to contribution revenues and included in the cost of the assets acquired with such contributions. Depreciation is provided to relate the cost of depreciable assets to operations over their estimated service lives on a straight-line basis.

Fixed assets consist of the following:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Equipment	\$ 226,229	\$ -	\$ 226,229
Building	2,217,930	8,576,000	10,793,930
Land	-	424,000	424,000
Accumulated depreciation	<u>(856,660)</u>	<u>-</u>	<u>(856,660)</u>
Net	<u>\$ 1,587,499</u>	<u>\$ 9,000,000</u>	<u>\$10,587,499</u>

Art Collection

The Center commissioned several works of art which 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 generally accepted accounting principles 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.

Gifts, Grants and Pledges

Gifts, grants and pledges are recorded in the three classes of net assets in accordance with the restriction of the donors. Non-cash gifts and grants are recorded as revenue at fair market value at the date contributed, if an objective valuation is determinable. Pledged contributions are recorded as receivables when a firm pledge is made and collectibility is reasonably determinable. If a pledge is to be received over a period of more than a year, the respective non-current amount is recorded as a non-current receivable.

Donated Materials and Services

Certain donated materials and services are reflected as contributions in the accompanying statements at their estimated fair values at the date of receipt. In addition, a substantial number of unpaid volunteers have donated significant amounts of their time to the development of the Center's program services and in its fund-raising campaigns; these services have not been recorded as contributions since there is no objective basis to measure their value.

Investments

Changes in unrealized gains and losses are included in the change in fund balance in the accompanying Statement of Activities.

Gains and losses from the sale or other disposition of investments and other noncash assets are accounted for in the classification that reported the assets. Ordinary income from investments is accounted for in the classification reporting the assets.

Interfund Receivables and Payables

Use of unrestricted or restricted funds for building or operating purposes is accounted for through due to and due from accounts in the respective funds. Advances between funds which are not expected to be repaid are accounted for as transfers. When repayment is expected, the advances are accounted for through the due to and due from accounts.

Income Taxes

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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.

2. FEDERAL FUNDING:

The Center received \$8,000 in federal grant monies during fiscal year 1999. Therefore, the Schedule of Federal Financial Assistance and the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 is not applicable in the current year.

3. NOTES PAYABLE:

Notes payable consist of the following:

Note payable to a bank dated December 4, 1998, bearing interest at 8.25%, interest payable monthly through February 28, 2002	\$ 43,768
Note payable to a bank dated June 15, 1999, bearing interest at 7.75%, interest payable monthly through July 5, 1999	<u>35,000</u>
Total notes payable	78,768
Less: Current portion	<u>(47,000)</u>
Total long-term notes payable	<u>\$ 31,768</u>

The Center had notes payable to an entity controlled by a member of the Board of Directors. These notes were forgiven during the Center's fiscal year 1999, resulting in an extraordinary gain on the extinguishment of debt of \$61,500.

4. RELATED-PARTY TRANSACTIONS:

A company controlled by a member of the Center's Board of Directors leased a portion of the building at 900 Camp Street to the Center pursuant to a lease which initially expired in December 1992. On December 2, 1994, the lease was amended such that no rent, other than \$1,185 monthly for maintenance and insurance, was due from the Center. The lessor made a pledge to donate the building and land to the Center on July 1, 1999. Therefore, the Center recorded the donation of the building as of June 30, 1999 based on the \$9,000,000 valuation specified in the act of donation.

Related entities, also controlled by the same Board member, contributed approximately \$171,200 to the Center during fiscal year 1999.

Other members of the Center's Board of Directors and parties related to them made contributions of approximately \$503,220 during fiscal year 1999.

ARTHUR ANDERSEN LLP

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Board of Directors
of Contemporary Arts Center

We have audited the financial statements of the Contemporary Arts Center (the "Center" - a Louisiana not-for-profit corporation) as of and for the year ended June 30, 1999, and have issued our report thereon dated September 24, 1999. 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 Center'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 the Center'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 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 management, Board members and the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.

Arthur Andersen LLP

New Orleans, Louisiana,
September 24, 1999

CONTEMPORARY ARTS CENTERSCHEDULE OF FINDINGS AND QUESTIONED COSTSYEAR ENDED JUNE 30, 1999

Section I - Summary of Auditor's Results

Financial Statements

Type of auditors' report issued:	Unqualified
Internal control over financial reporting-	
Material weaknesses identified	None
Reportable conditions identified	None
Noncompliance material to financial statements noted	None

Federal Awards

Internal control over major programs-	
Material weaknesses identified	None
Reportable conditions identified	None
Type of auditors' report issued on compliance for major programs	N/A
Audit findings disclosed that are required to be reported in accordance with circular A-133, Section 510(a)	None
Identification of Major Program:	None

CFDA No.Program

None

Dollar threshold used to distinguish between Type A and Type B programs	\$300,000
Auditee qualified as low-risk/not low-risk auditee	Low-risk

Section II - Financial Statement Findings	None
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Section III - Federal Award Findings and Questioned Costs	None
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CONTEMPORARY ARTS CENTER

SUPPLEMENTAL SCHEDULE OF DEPARTMENTAL ACTIVITY

FOR THE YEAR ENDED JUNE 30, 1999

	<u>Program Services</u>						
	<u>Sponsored Projects</u>	<u>Special Projects</u>	<u>Performing Arts</u>	<u>Education</u>	<u>Visual Arts</u>	<u>Music</u>	<u>Film and Video</u>
SUPPORT AND REVENUE:							
Contributions	\$ 7,000	-	\$ 136	\$ 82,977	\$ 48,321	\$ 150,013	\$ -
Contributions in kind	-	-	-	-	-	-	-
Restricted and program services grants	3,750	-	8,000	-	11,900	-	-
Membership dues	-	-	-	-	-	-	-
Admissions, workshop fees, meetings and conferences	-	61,893	20,434	28,996	30,637	7,381	375
Special fund-raising events, net	-	-	-	-	-	-	-
Sales of art, catalogs and subscriptions	-	-	-	-	22,430	222	-
Refreshment sales	-	-	-	-	-	-	-
Investment income	-	-	-	-	-	-	-
Other	-	-	4,274	25	1,717	922	-
Satisfy program restriction	-	-	-	5,000	16,500	15,000	-
Recovery of bad debt	-	-	-	-	-	-	-
Total support and revenue	<u>10,750</u>	<u>61,893</u>	<u>32,844</u>	<u>116,998</u>	<u>131,505</u>	<u>173,538</u>	<u>375</u>
EXPENSES:							
Salaries	-	5,650	36,115	69,095	98,830	1,104	-
Payroll taxes	-	399	2,385	6,836	9,413	-	-
Employee benefits	-	-	3,840	3,219	6,151	-	-
Value of in-kind contributions	-	-	-	-	-	-	-
Artist fees	10,213	28,705	-	7,040	15,133	57,158	-
Telephone and utilities	-	-	45	-	117	201	-
Supplies	-	3,410	809	2,742	6,707	756	-
Professional fees	112	15,120	205	15,568	19,148	6,242	-
Printing, publications, films, etc.	-	122	14	2,050	7,227	10,366	-
Security and insurance	-	651	824	395	5,651	-	-
Cost of goods sold	-	-	-	-	18,298	244	-
Postage and shipping	-	-	108	62	6,267	2,078	-
Refreshment expense	-	-	-	-	-	-	-
Information processing and other services and rentals	-	30	-	600	5,841	3,317	-
Meetings and conferences, including related travel	-	659	-	67	1,391	11,760	-
Interest expense	-	-	-	-	-	-	-
Program and royalty fees	-	-	-	-	300	232	-
Depreciation	-	-	-	-	-	-	-
Other expenses	425	780	2,805	593	4,025	4,943	-
Bad debts expense	-	-	-	-	-	5,000	-
Total expenses	<u>10,750</u>	<u>55,526</u>	<u>47,150</u>	<u>108,267</u>	<u>204,499</u>	<u>103,401</u>	<u>-</u>
EXCESS (DEFICIENCY) OF SUPPORT AND REVENUE OVER (UNDER) EXPENSES	<u>\$ -</u>	<u>\$ 6,367</u>	<u>\$ (14,306)</u>	<u>\$ 8,731</u>	<u>\$ (72,994)</u>	<u>\$ 70,137</u>	<u>\$ 375</u>

SCHEDULE B

<u>Supporting Services</u>					<u>Unrestricted Totals</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>Fund Raising</u>	<u>Marketing</u>	<u>Cybercafe and Shop</u>	<u>Management and General</u>	<u>Building</u>				
\$ 337,481	\$ 800	\$ 23,042	\$ 12,334	\$ 2,570	\$ 664,674	\$ 110,012	\$ 9,004,939	\$ 9,779,625
221,035	-	-	-	-	221,035	-	-	221,035
68,339	-	-	-	-	91,989	-	66,667	158,656
191,800	-	-	-	-	191,800	-	-	191,800
44,598	-	1,979	704	-	196,997	14,780	-	211,777
153,538	-	-	-	-	153,538	-	-	153,538
42,759	-	11,795	-	-	77,206	-	-	77,206
65,329	-	103,120	42	-	168,491	-	-	168,491
-	-	-	2,840	-	2,840	-	10,261	13,101
10,000	670	2,406	38,207	-	58,221	-	-	58,221
130,200	-	-	500	-	167,200	(167,200)	-	-
-	-	-	-	-	-	500	-	500
<u>1,265,079</u>	<u>1,470</u>	<u>142,342</u>	<u>54,627</u>	<u>2,570</u>	<u>1,993,991</u>	<u>(41,908)</u>	<u>9,081,867</u>	<u>11,033,950</u>
192,289	43,654	45,615	271,487	-	763,839	-	-	763,839
15,980	3,912	4,617	20,562	-	64,104	-	-	64,104
8,691	3,662	661	11,362	-	37,586	-	-	37,586
221,034	-	-	-	-	221,034	-	-	221,034
6,720	-	1,825	-	-	126,794	-	-	126,794
259	190	3,743	84,193	-	88,748	-	-	88,748
12,317	218	21,760	43,986	-	92,705	-	-	92,705
17,360	28,637	5,114	5,914	3,659	117,079	-	-	117,079
36,812	296	2,127	699	-	59,713	-	-	59,713
8,642	256	1,034	26,387	-	43,840	-	-	43,840
2,113	-	16,155	-	-	36,810	-	-	36,810
8,620	1,937	329	4,983	-	24,384	-	-	24,384
47,304	-	35,558	-	-	82,862	-	-	82,862
11,440	2,188	3,515	1,169	-	28,100	-	-	28,100
6,682	25	9	1,764	-	22,357	-	-	22,357
3	-	-	5,910	-	5,913	-	-	5,913
137	-	-	-	-	669	-	-	669
-	-	3,707	80,548	-	84,255	-	-	84,255
88,631	303	6,789	22,733	-	132,027	-	504	132,531
-	-	-	-	-	5,000	-	-	5,000
<u>685,034</u>	<u>85,278</u>	<u>152,558</u>	<u>581,697</u>	<u>3,659</u>	<u>2,037,819</u>	<u>-</u>	<u>504</u>	<u>2,038,323</u>
<u>\$580,045</u>	<u>\$ (83,808)</u>	<u>\$ (10,216)</u>	<u>\$ (527,070)</u>	<u>\$ (1,089)</u>	<u>\$ (43,828)</u>	<u>\$ (41,908)</u>	<u>\$ 9,081,363</u>	<u>\$ 8,995,627</u>

ARTHUR ANDERSEN LLP

MEMORANDUM
DATE: 6/30/99
9200017 11 9:29

CONTEMPORARY ARTS CENTER

MEMORANDUM ON ACCOUNTING PROCEDURES
AND INTERNAL ACCOUNTING CONTROLS
JUNE 30, 1999

ARTHUR ANDERSEN

September 24, 1999

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To the Board of Directors of
the Contemporary Arts Center:

As part of our audit of the financial statements of the Contemporary Arts Center (the "Center") for the year ended June 30, 1999, we considered the Center's internal control structure to the extent we felt necessary for the purpose of providing a basis for reliance thereon in determining the nature, timing and extent of the audit tests applied in connection with our audit of the Center's 1999 statements.

Our consideration of the internal control structure did not entail a detailed study and evaluation of any of its elements and was not made for the purpose of making detailed recommendations or evaluating the adequacy of the Center's internal control structure to prevent or detect errors and irregularities. In this regard, it should be recognized that, because of inherent limitations in any internal control structure, errors or irregularities may occur and not be detected. Furthermore, projection of any evaluation of the internal control structure to future periods is subject to the risk it may become inadequate because of changes in conditions or deterioration in its operating effectiveness.

While the purpose of our consideration of the internal control structure was not to provide assurances thereon, we noted certain matters that we want to report to you. These matters, which were considered by us during our audit and do not modify the opinion expressed in our auditors' report dated September 24, 1999, along with our recommendations, are described in the accompanying memorandum.

We appreciate the courtesies and cooperation extended to our representatives during the course of their work. We would be pleased to discuss these recommendations in greater detail or otherwise assist in their implementation.

Very truly yours,

Arthur Andersen LLP

CONTEMPORARY ARTS CENTER

MEMORANDUM OF SUGGESTIONS FOR IMPROVEMENT OF ACCOUNTING

PROCEDURES AND INTERNAL ACCOUNTING CONTROLS

JUNE 30, 1999

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CURRENT YEAR ISSUES

Approved Vendor List

AA Finding

We noted that the Center does not maintain an official approved vendor list. Maintaining an official approved vendor list is a control which can help ensure that problem vendors are not utilized by the Center. The Center should consider developing and utilizing a vendor list which is approved and updated annually.

Management Response

Management feels that although they do not have an approved listing, there is a mitigating control in that the Center's budgets are very tight and that the lowest price must be consistently sought in order to meet budget.

Travel and Entertainment Receipts

AA Finding

We noted one business meal receipt did not have the business purpose documented on it. The business purpose for every business meal receipt should be clearly documented.

Management Response

The staff has been reminded of this and they won't be reimbursed without proper documentation.

Approval of Travel and Entertainment Expenses

AA Finding

We noted that expenses for travel and entertainment for the Executive Director are currently approved by Nicola Wolf, Director of Finance. The Executive Director's expense reimbursements should be reviewed and approved by the finance committee of the board of directors.

Management Response

This recommendation will be discussed at the next finance committee meeting.

STATUS OF PRIOR YEAR SUGGESTIONS

AS OF JUNE 30, 1999

	<u>Implemented</u>	<u>Partially Implemented</u>	<u>Not Implemented</u>
Missing Invoices for Disbursements	X		
Missing Minutes	X		
Approved Vendor List			X