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ARTS COUNCIL OF GREATER BATON ROUGE, INC.
Baton Rouge, Louisiana
FINANCIAL REPORT

June 30, 1999

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 01 1999

ARTS COUNCIL OF GREATER BATON ROUGE, INC.
Baton Rouge, Louisiana

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Arts Council of Greater Baton Rouge, Inc.
Baton Rouge, Louisiana

We have audited the accompanying statement of financial position of the **ARTS COUNCIL OF GREATER BATON ROUGE, INC.** (a non-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 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 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 **ARTS COUNCIL OF GREATER BATON ROUGE, INC.** 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 our report dated September 17, 1999, on our consideration of the Council's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Faulk & Winkler LLC

Certified Public Accountants

Baton Rouge, Louisiana
September 17, 1999

ARTS COUNCIL OF GREATER BATON ROUGE, INC.

Baton Rouge, Louisiana

STATEMENT OF FINANCIAL POSITION

June 30, 1999

(with comparative amounts for 1998)

	<u>1999</u>	<u>1998</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 676,952	\$ 836,286
Certificates of deposit	506,048	454,675
Receivables:		
CFA Campaign, net of allowances for uncollected pledges (\$35,870 and \$46,653 for 1999 and 1998, respectively)	144,610	154,333
Grants and other	279,102	227,090
Prepaid expenses	7,423	9,478
Total current assets	<u>1,614,135</u>	<u>1,681,863</u>
EQUIPMENT AND LEASEHOLD IMPROVEMENTS, net	<u>41,411</u>	<u>32,643</u>
Total assets	<u>\$ 1,655,546</u>	<u>\$ 1,714,506</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 15,242	\$ 11,656
Due to grant recipients	598,000	598,000
Accrued expenses and other liabilities	33,775	21,152
Deferred revenues	254,952	252,172
Total current liabilities	<u>901,969</u>	<u>882,980</u>
NET ASSETS		
Unrestricted:		
Designated:		
Operations	391,988	350,626
Multicultural arts	50,065	45,065
Equipment	59,348	59,348
Create Baton Rouge	83,387	83,387
Undesignated	97,000	97,000
Total unrestricted net assets	<u>681,788</u>	<u>635,426</u>
Temporarily restricted: Community Fund for the Arts	<u>71,789</u>	<u>196,100</u>
Total net assets	<u>753,577</u>	<u>831,526</u>
Total liabilities and net assets	<u>\$ 1,655,546</u>	<u>\$ 1,714,506</u>

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

ARTS COUNCIL OF GREATER BATON ROUGE, INC.

Baton Rouge, Louisiana

STATEMENT OF ACTIVITIES

For the year ended June 30, 1999
(with comparative amounts for 1998)

SUPPORT, REVENUES, AND RECLASSIFICATIONS	Unrestricted	Temporarily Restricted	Totals	
			1999	1998
Contributions				
CFA Campaign and Workplace Giving	\$ -	\$ 592,092	\$ 592,092	\$ 626,291
Individual	22,911	-	22,911	27,926
Corporate	-	-	-	6,000
CFAC Gala, net of expenses	-	940	940	5,122
In-kind	9,611	-	9,611	560
	32,522	593,032	625,554	665,899
Grants and Contractual Services				
Municipal/parish	215,585	-	215,585	239,158
State of Louisiana	542,106	-	542,106	541,176
Community Fund for the Arts	95,700	-	95,700	95,700
School System and other	92,867	-	92,867	106,002
	946,258	-	946,258	982,036
Other				
Interest	32,429	20,444	52,873	56,100
Special events, net of expenses	4,677	-	4,677	5,377
Miscellaneous	630	-	630	1,550
Net assets released from restrictions	737,787	(737,787)	-	-
	775,523	(717,343)	58,180	63,027
Total support, revenue and reclassifications	1,754,303	(124,311)	1,629,992	1,710,962
EXPENSES				
Grants to CFA - recipient organizations	598,000	-	598,000	598,000
Designated CFA sponsorships	-	-	-	5,000
General and administrative	379,040	-	379,040	321,938
Programs and development	730,901	-	730,901	774,241
	1,707,941	-	1,707,941	1,699,179
Total expenses	1,707,941	-	1,707,941	1,699,179
Change in net assets	46,362	(124,311)	(77,949)	11,783
NET ASSETS				
Beginning of period	635,426	196,100	831,526	819,742
End of period	\$ 681,788	\$ 71,789	\$ 753,577	\$ 831,526

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

ARTS COUNCIL OF GREATER BATON ROUGE, INC.

Baton Rouge, Louisiana

STATEMENT OF CASH FLOWS

For the year ended June 30, 1999
(with comparative amounts for 1998)

	<u>1999</u>	<u>1998</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (77,949)	\$ 11,783
Adjustments to changes in net assets:		
Depreciation	14,758	8,337
Changes in operating assets and liabilities:		
CFA campaign receivable	9,723	31,861
Prepaid expenses, grants and other assets	(49,956)	(3,876)
Accounts payable	3,586	(23,487)
Amounts due to grant recipients	-	(16,498)
Accrued expenses and other liabilities	12,623	(27,984)
Deferred revenues	2,780	3,668
	<u>(84,435)</u>	<u>(16,196)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments in fixed assets	(23,526)	(13,975)
Net changes in investments	<u>(51,373)</u>	<u>(23,602)</u>
	<u>(74,899)</u>	<u>(37,577)</u>
Net cash used by investing activities		
	<u>(159,334)</u>	<u>(53,773)</u>
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>836,286</u>	<u>890,059</u>
End of year	<u>\$ 676,952</u>	<u>\$ 836,286</u>

The accompanying notes to financial statements
are an integral part of this statement

ARTS COUNCIL OF GREATER BATON ROUGE, INC.
Baton Rouge, Louisiana

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of activities

The Arts Council of Greater Baton Rouge, Inc. (the Council) was founded in 1973 to serve the City of Baton Rouge and East Baton Rouge Parish. The mission of the Council is to enhance the quality of life of the community through the arts. In addition, the Council conducts an annual united fund drive for participating arts organizations.

Basis of presentation

The financial statements of the Council have been prepared on the accrual basis. The significant accounting policies are described below to enhance the usefulness of the financial statements.

Financial statement presentation complies with the Financial Accounting Standards Board's *Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Council is required to report information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Council does not have permanently restricted net assets.

The statement of activities presents expenses of the Council's operations functionally between program services and general and administrative.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates are used primarily when accounting for the allowance for uncollected pledges, prepaid assets, depreciation and deferred revenues. Actual results could differ from those estimates.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Promises to give

The Council complies with the Financial Accounting Standards Board's *Statement of Financial Accounting Standards (SFAS) No. 116, Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Contributions are recognized when the donor makes a promise to give to the Council that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Grant revenue recognition

Grants that represent exchange transactions are recorded as a receivable when the grant is formally committed. Grants committed at year end which are applicable to the subsequent fiscal period are included in grants receivable and deferred income.

The Council receives grants during the year which apply to programs whose duration extends into the subsequent year. Revenue is recognized on these grants based upon a ratio of expenses incurred in connection with the program to the total projected expenses of the program. At June 30, the unexpended portion of the grant is deferred. In the case of grants received for general operations that apply to a designated time period, income is recognized on a pro-rata basis.

Grants that represent contributed support are recognized in the same manner as promises to give.

Cash and cash equivalents

The Council considers all highly liquid investments, money market funds and certificates of deposit with a maturity of three months or less at the date of acquisition to be cash equivalents.

The Council has an agreement with its bank for automatic investment service, whereby excess operating funds are invested daily at a competitive rate of return. The investment is a repurchase agreement with the bank and the investments are in certain securities of the United States Government or agencies, thereof.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for uncollectible pledges

An allowance for uncollectible pledges is provided based on the Board of Directors' best estimate of uncollectible pledges.

Equipment and leasehold improvements

Equipment and leasehold improvements are recorded at cost.

Depreciation of equipment and leasehold improvements is computed using the straight-line method over the estimated useful lives of the assets.

Contractual services

The Council contracts with local municipalities and school systems to provide educational services and cultural development to residents and school children, organizations and the community as a whole. The Council records contractual services as receivables at the time the services are provided to the recipients.

Vacation Leave

Vacation leave is earned at varying rates for 2 to 3 weeks per year depending on length of service. A maximum of five days of unused leave can be carried over at December 31. Accordingly, amounts related to such leave have been accrued at June 30, 1999.

Income taxes

The Council is a non-profit organization and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Restricted and designated net assets

The Board of Directors has designated certain amounts of unrestricted net assets for operations, a multicultural arts program, equipment, and Create Baton Rouge.

All temporarily restricted net assets are contributions, generated by an annual campaign for support, which are designated to fund operations of participating arts organizations. When the funds are committed to each arts organization, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donated facilities and furniture

The Council utilizes, without charge, certain premises owned by the City-Parish government. The annual fair rental value of the premises and the furniture is estimated to be \$100,000. This item is not reflected as support and expense in the financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Volunteer services

During the year ended June 30, 1999, the value of volunteer services meeting the requirement for recognition in the financial statements was not material and has not been recorded.

Reclassifications

Certain amounts in the 1998 financial statements have been reclassified to conform with the 1999 financial statement presentation.

NOTE 2 - EQUIPMENT AND LEASEHOLD IMPROVEMENTS

A summary of equipment and leasehold improvements, related service lives and accumulated depreciation at June 30, 1999, is as follows:

	<u>Estimated Service Lives</u>	<u>1999</u>
Equipment and furnishings	5 years	\$ 105,233
Leasehold improvements	5 years	<u>1,525</u>
		106,758
Less accumulated depreciation		<u>(65,347)</u>
		<u>\$ 41,411</u>

Depreciation expense was \$14,758 for the year ended June 30, 1999.

NOTE 3 - RETIREMENT PLAN

The Council sponsors a tax-sheltered annuity program that allows full-time employees to defer a portion of their salary. No contributions are made by the Council.

NOTE 4 - GALA INCOME AND EXPENSES

The Council has an annual Gala kick-off for the Community Fund for the Arts Campaign. The income and expenses attributable to the Gala were \$11,624 and \$10,684, respectively.

NOTE 5 - CONCENTRATIONS OF CREDIT RISK

Financial instruments which subject the Council to concentrations of credit risk consist primarily of cash and cash equivalents and certificates of deposits. The Council typically maintains these balances in local banks which may, at times, exceed the FDIC limits.

NOTE 6 - GRANTS TO PARTICIPATING AGENCIES

For the year ended June 30, 1999, grants were committed to the following recipient organizations.

	<u>Amount</u>
Baton Rouge Symphony	\$ 128,500
Arts Council of Greater Baton Rouge	95,700
Louisiana Arts and Science Center	95,500
Playmakers of Baton Rouge	61,500
Baton Rouge Little Theater	46,500
Foundation for Historical Louisiana	30,000
WRKF Public Radio	36,300
Swine Palace	38,000
Baton Rouge Ballet Theater	18,500
Baton Rouge Gallery	16,500
Louisiana Sinfonietta	9,500
In the Company of Dancers	8,000
Baton Rouge Gilbert & Sullivan Society	7,000
Tourgee DeBose National Piano Competition	<u>6,500</u>
	<u>\$ 598,000</u>

Special Independent Auditors' Reports
ARTS COUNCIL OF GREATER BATON ROUGE, INC.

Baton Rouge, Louisiana

June 30, 1999



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 Council of Greater Baton Rouge, Inc.
Baton Rouge, Louisiana

We have audited the financial statements of the **ARTS COUNCIL OF GREATER BATON ROUGE, INC.** (Council) as of and for the year ended June 30, 1999, and have issued our report thereon dated September 17, 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 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 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 Council's internal control over financial reporting 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. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting, that, in our judgment, could adversely affect the Council's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses.

However, the reportable condition described below involving internal control over financial reporting is also considered to be a material weakness as defined above.

SEGREGATION OF DUTIES

Observation: There is not sufficient segregation of duties to have effective internal control. The findings result from the small size of the organization. These limitations allow no opportunity for meaningful segregation of duties

Recommendation: No action recommended.

Management response: We concur with the finding.

This report is intended for the information of management of the Council and the Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.



Certified Public Accountants

Baton Rouge, Louisiana
September 17, 1999



**INDEPENDENT AUDITORS' REPORT ON
STATISTICAL INFORMATION**

Board of Directors
Arts Council of Greater Baton Rouge, Inc.
Baton Rouge, Louisiana

Our audit was made for the purpose of forming an opinion on the basic financial statements for the year ended June 30, 1999, taken as a whole. The following Statistical Information 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.

Faulk + Winkler LLC

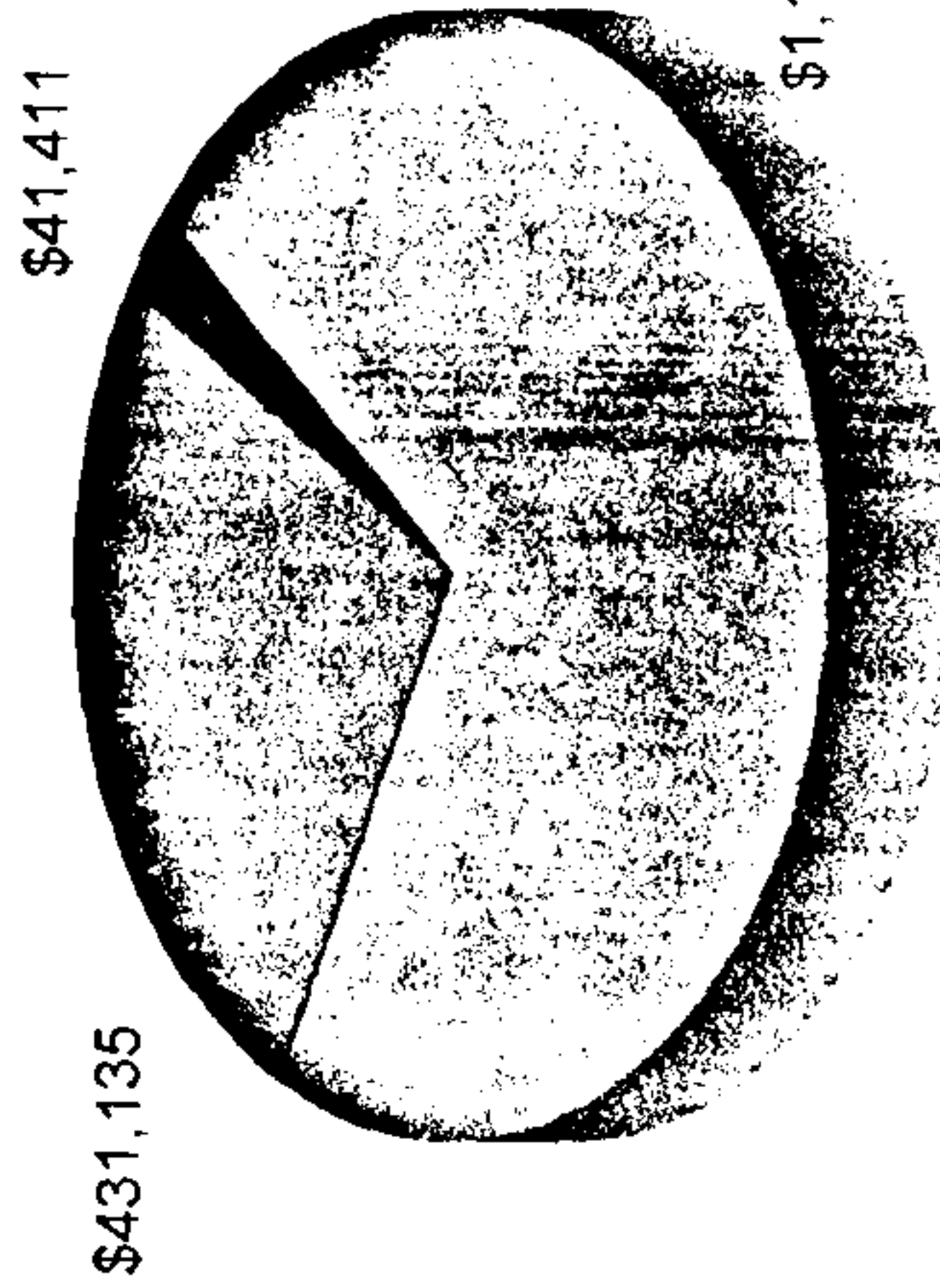
Certified Public Accountants

Baton Rouge, Louisiana
September 17, 1999

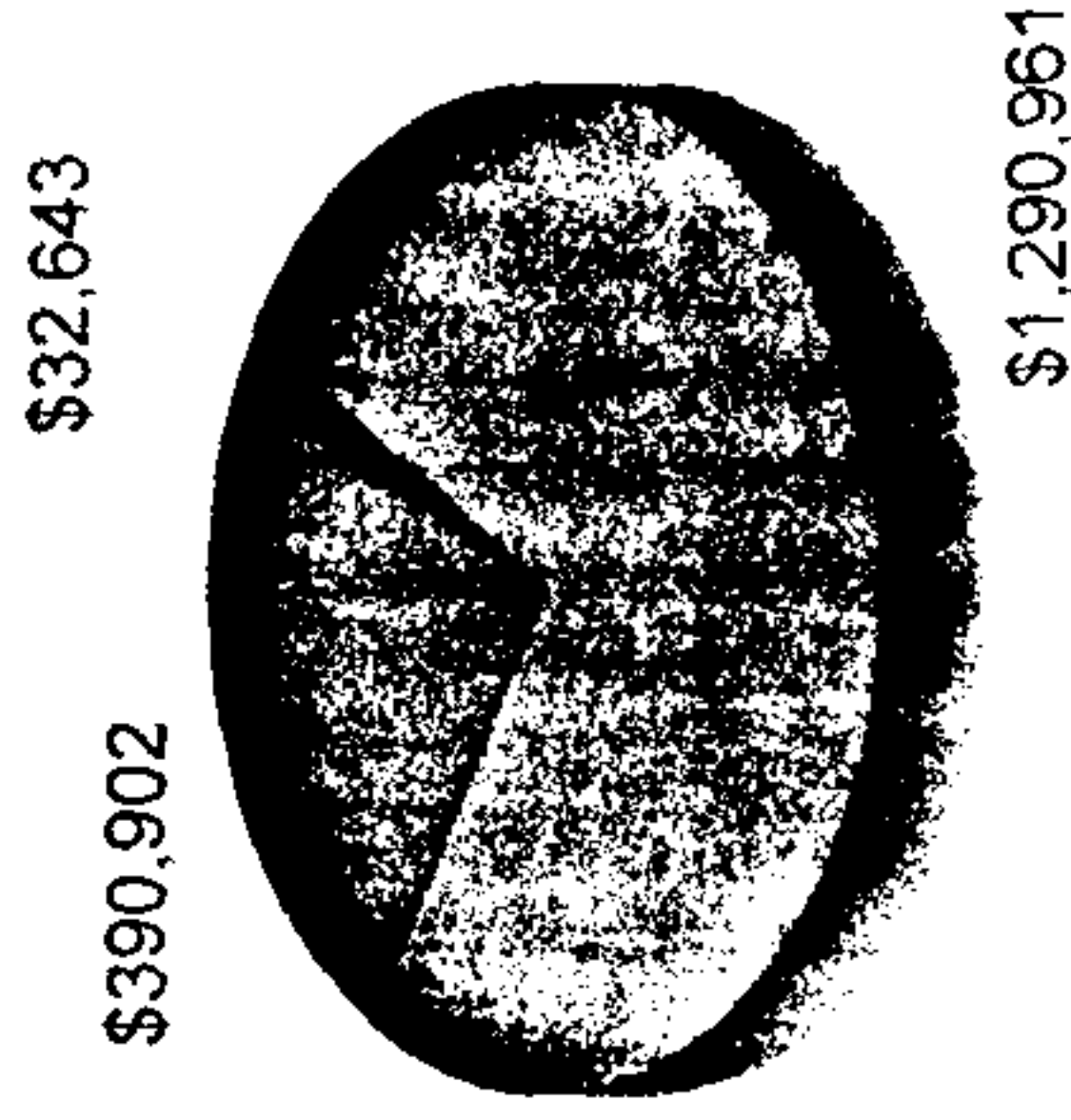
STATISTICAL INFORMATION

ARTS COUNCIL OF GREATER BATON ROUGE, INC.

TOTAL ASSETS



JUNE 30, 1999



JUNE 30, 1998

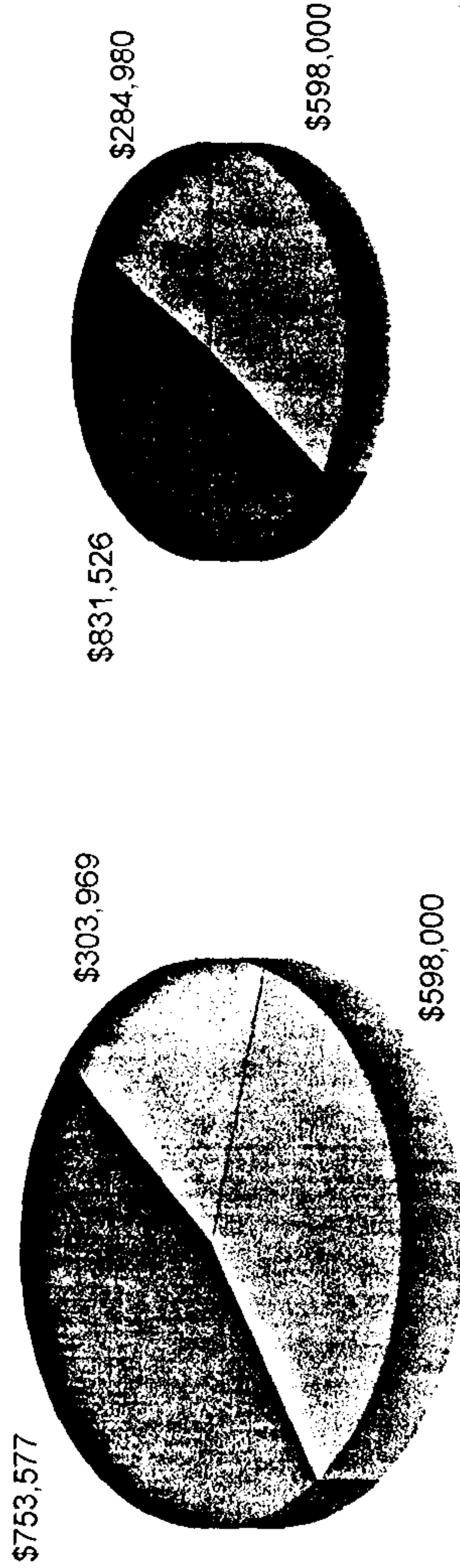
■ CASH & INVESTMENTS	■ RECEIVABLES	■ FIXED ASSETS
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TOTAL ASSETS = \$1,655,546

TOTAL ASSETS = \$1,714,506

ARTS COUNCIL OF GREATER BATON ROUGE, INC.

LIABILITIES AND NET ASSETS



JUNE 30, 1999

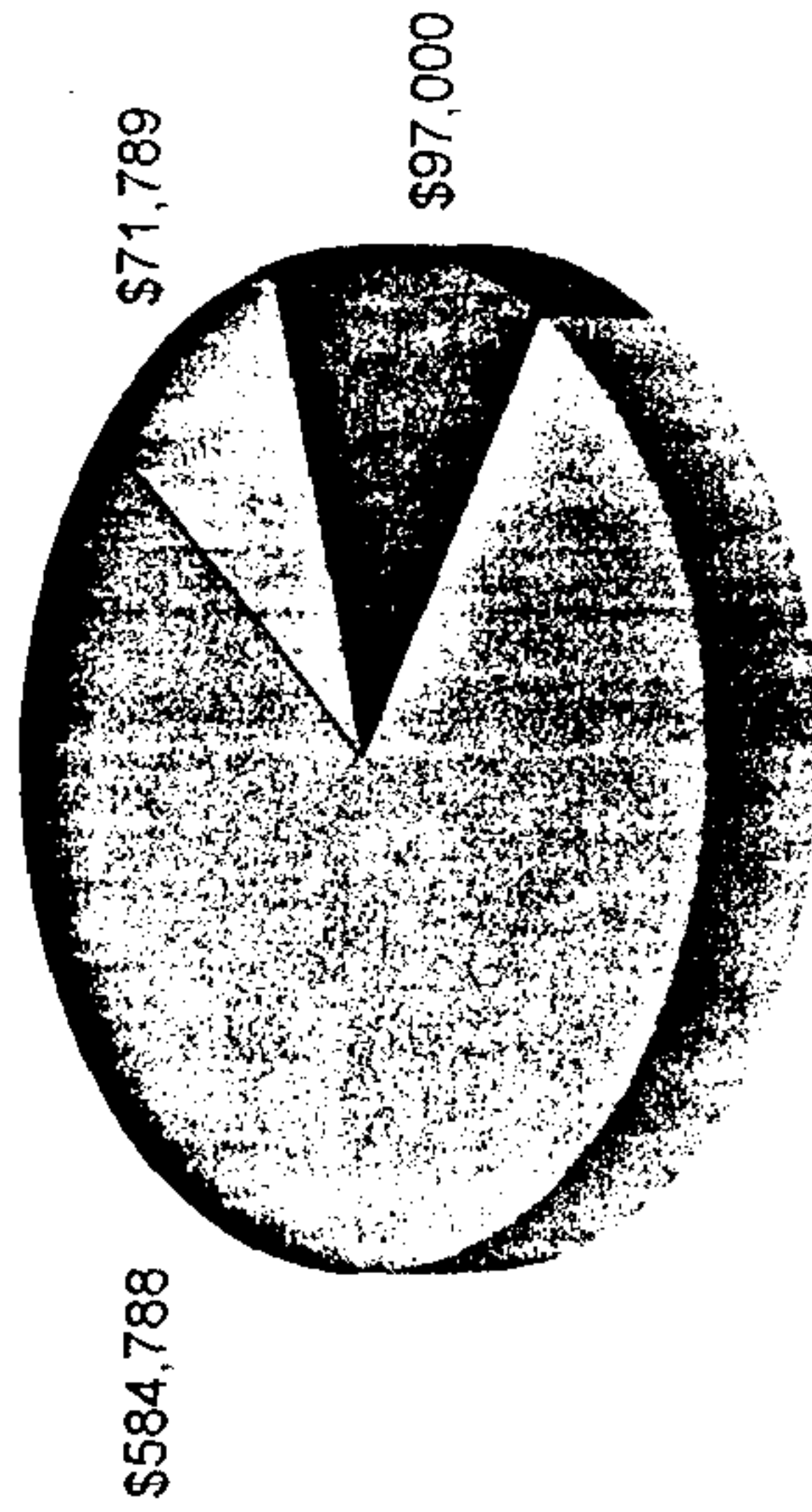
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OTHER LIABILITIES
 DUE TO GRANT RECIPIENTS
 NET ASSETS

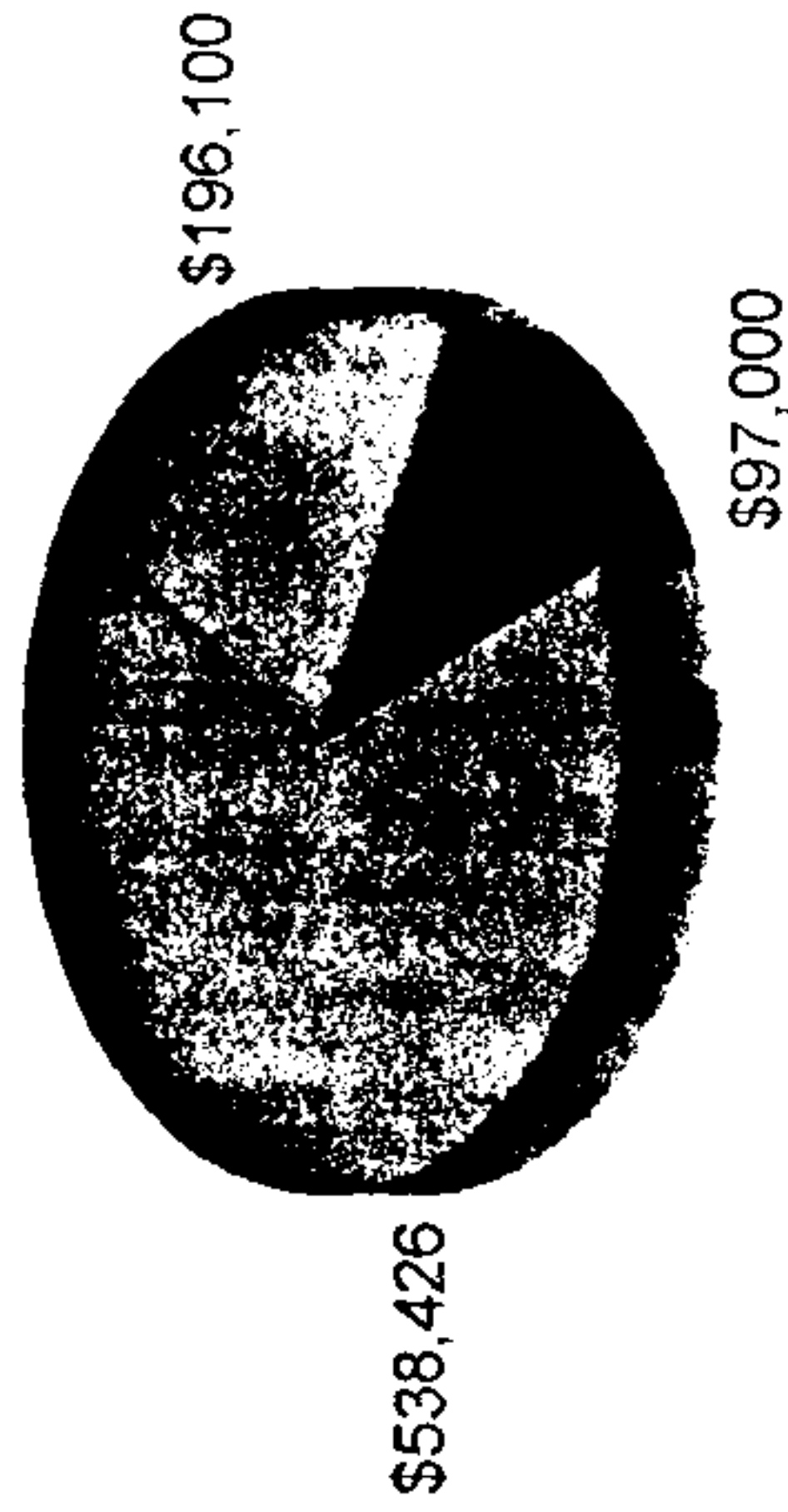
TOTAL LIABILITIES = \$ 901,969
 TOTAL NET ASSETS = \$ 753,577

TOTAL LIABILITIES = \$ 882,980
 TOTAL NET ASSETS = \$ 831,526

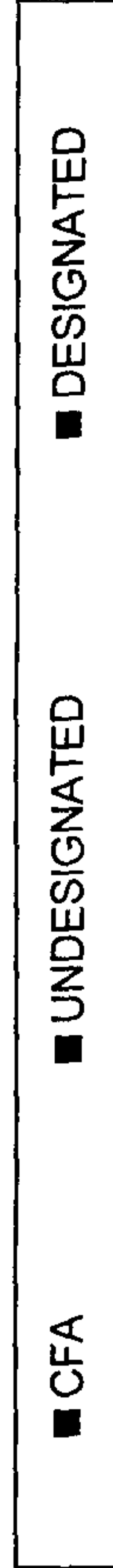
ARTS COUNCIL OF GREATER BATON ROUGE, INC. NET ASSETS



JUNE 30, 1999



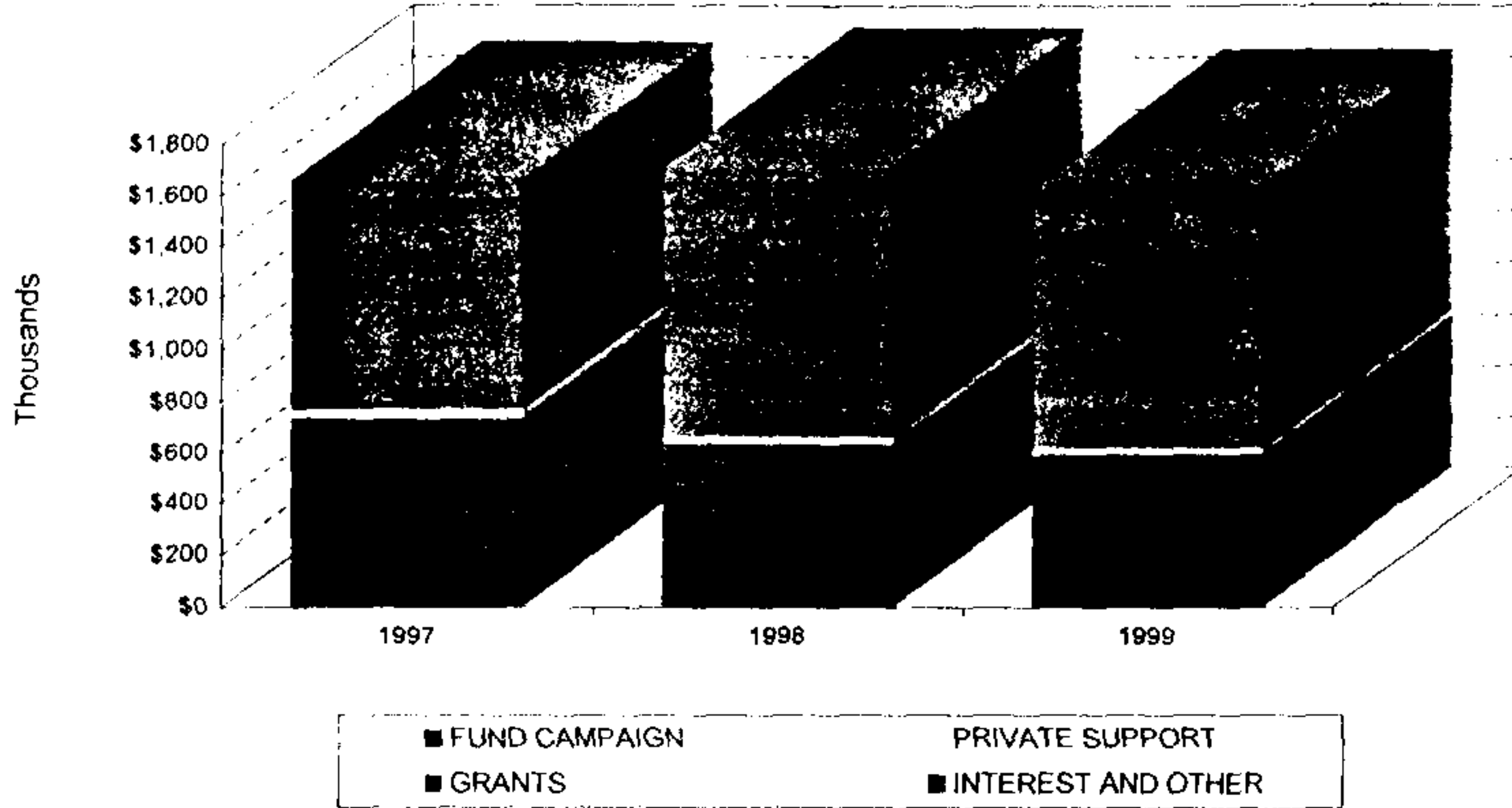
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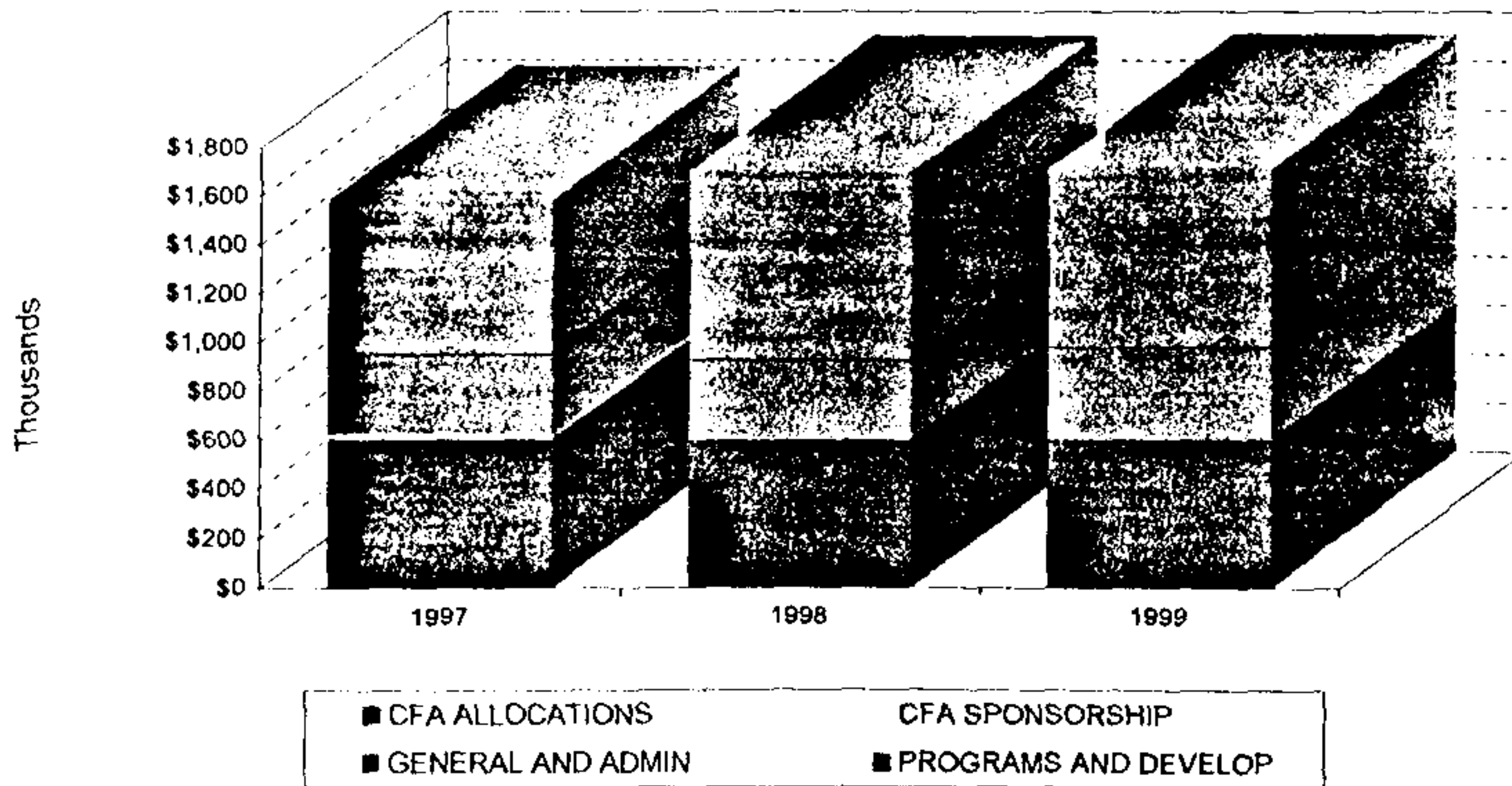
TOTAL NET ASSETS = \$ 753,577

TOTAL NET ASSETS = \$ 831,526

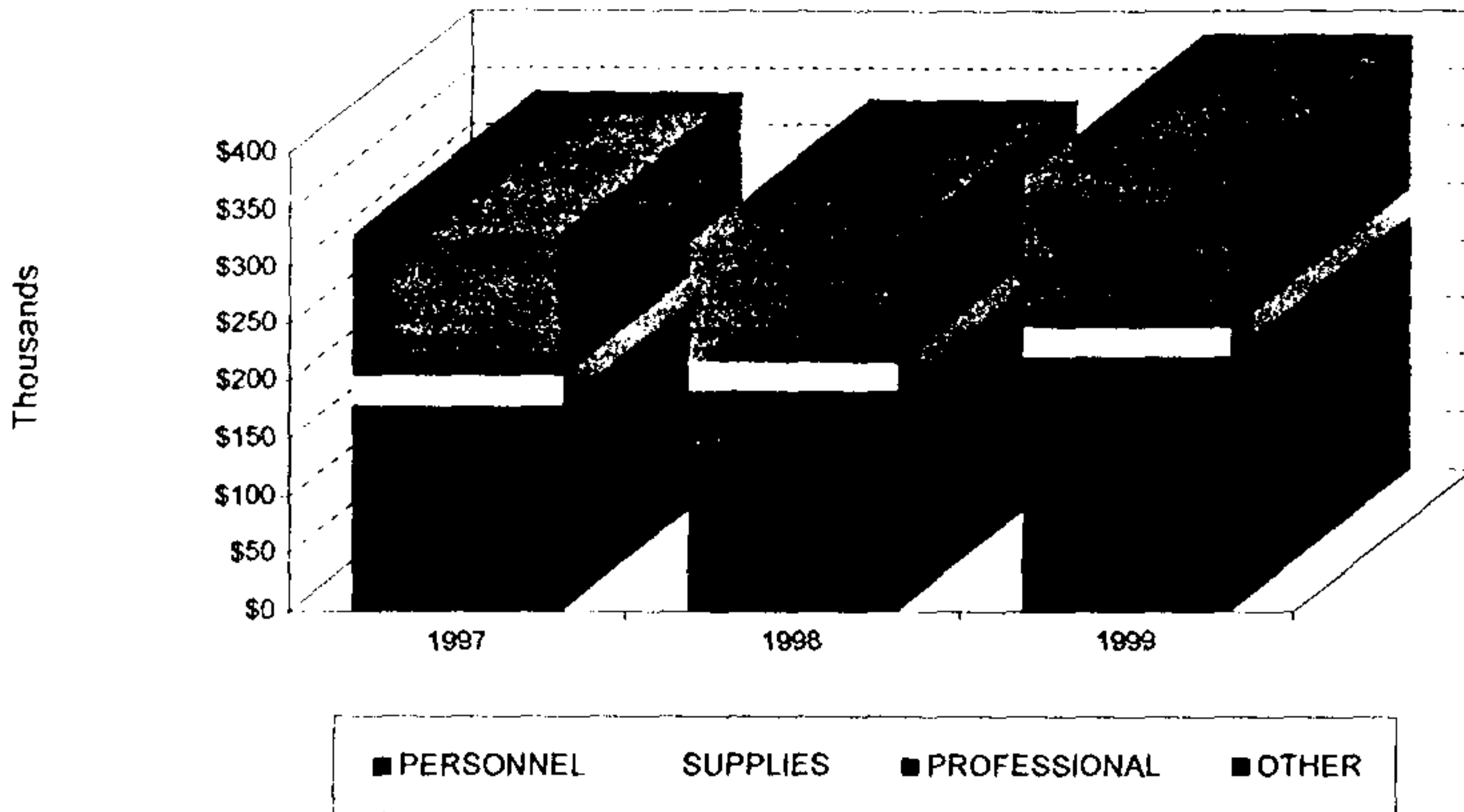
ARTS COUNCIL OF GREATER BATON ROUGE, INC. SUPPORT AND REVENUE



ARTS COUNCIL OF GREATER BATON ROUGE, INC. EXPENSES



ARTS COUNCIL OF GREATER BATON ROUGE, INC.
GENERAL AND ADMINISTRATIVE EXPENSES



ARTS COUNCIL OF GREATER BATON ROUGE, INC.
PROGRAM AND DEVELOPMENT EXPENSES

