

6. Accrued Absences

The Council's policy is to pay employees upon termination for vacation time accrued up to 240 hours maximum per employee. An accrued liability for vacation time is reflected in the financial statements at June 30, 1996.

7. Cumulative Effect of a Change in Accounting Principle

The Council previously recorded as deferred revenue amounts received or receivable from governmental bodies or other donors that were in excess of qualifying reimbursable expenses of programs for which those amounts were given. As a result of the adoption of SFAS 116 and SFAS 117, such amounts are required to be reported as temporarily restricted support at the time they are received. Accordingly, an adjustment of \$419,160 has been made to net assets as of June 30, 1995, to reclassify this deferred revenue to temporarily restricted net assets.

8. Operating Lease

The Council leases warehouse space under a month-to-month agreement at \$200 per month.

9. Designated Net Assets

The Board of Directors designated cash and investments totaling \$355,821 to insure that the Council's resources will remain stable regardless of potential changes in public or private funding. It is the intent of the Board to establish a fund totaling \$1,000,000 by the year 2004.

2. Summary of Significant Accounting Policies (Continued)

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 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.

Federal Income Taxes - A provision has not been made for federal income taxes since the Council is an exempt organization under Section 501(c)(3) of the Internal Revenue Code.

Fixed Assets - Fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method. Equipment is depreciated over an estimated useful life of seven years.

Cash and Cash Equivalents - For purposes of the statement of cash flows, the Council considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Donated Services - During the year the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the organization. Other donated materials and equipment are recorded as contributions of in-kind services in the financial statements at their estimated values at the date of receipt.

3. Agreements for Services

Under a formal agreement for services between the City of Shreveport (the City) and the Shreveport Regional Arts Council, the City agrees to provide technical assistance in the planning and implementation of programs, use of certain facilities, office space and personnel and funding for programming. The fair value of the technical assistance received and the use of the facilities, office space and personnel is not reasonably determinable and is not recorded as revenue. The Council also agrees to provide certain programming services under the agreement.

4. Commitments and Contingencies

The Council is a recipient of certain government grants which require the fulfillment of conditions as set forth in the instrument of grant. Failure to fulfill the conditions could result in the return of the funds to grantors. Although that is a possibility, the Board deems the contingency remote, since by accepting the grants and their terms, it has accommodated the objectives of the organization to the provisions of the grant. These conditions include the right to audit the grant usage by the grantor or its designee.

5. Cash and Investments

At June 30, 1996, cash and investments consisted of the following:

	<u>Cost</u>	<u>Market Value</u>
Cash	732,563	732,563
Mutual Funds	<u>355,821</u>	<u>361,063</u>
	<u>1,088,384</u>	<u>1,093,626</u>

The Council had demand deposits in two banks in excess of federally insured limits of \$565,704. The investment in mutual funds was also uninsured, making a total of \$921,525 in off-balance sheet risk. The possibility of loss exists if the banks or investment fund holding excess deposits were to fail. Realized gains were \$2,420 and unrealized losses were \$6,881 for the year.

SHREVEPORT REGIONAL ARTS COUNCIL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1996

1. Nature of Business

The Shreveport Regional Arts Council (the Council) is a private, nonprofit corporation governed by a board of directors and administered by a professional staff. The Council's goal is to serve as an umbrella organization to enrich the quality of life within the region through the promotion of the Arts. The Council's services, therefore, include providing cultural programming, scheduling and coordination for cultural activities and other professional services directed toward its stated goal.

2. Summary of Significant Accounting Policies

Basis of Presentation - The financial statements of the Council are prepared on the accrual basis. Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its 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 its financial position and activities according to three classes of net assets:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations. Some unrestricted net assets may be designated by the Board for specific purposes.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met by actions of the Council, and/or by the passage of time.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Council. Generally, donors permit all or part of the income earned on these assets to be used for general or specific purposes.

The statement of activities presents expenses of the Council's operations functionally between various programs of the Council, general and administrative, and fund-raising activities.

*Adoption of SFAS No. 117 required an accounting change from the financial statements of the prior year. This accounting change is presented in Note 7.*

The Council also adopted SFAS No. 116, "Accounting for Contributions Received and Contributions Made," in 1996. 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-imposed 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 or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

SHREVEPORT REGIONAL ARTS COUNCIL

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 1996

Cash flows from operating activities:

Change in net assets	679,868
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation expense	9,496
Loss on disposal of assets	13,450
Cumulative effect of a change in accounting principle	(419,160)
Contribution of fixed assets	(5,000)
Decrease in grants receivable	171,478
Decrease in other receivables	25,941
Decrease in prepaid insurance	1,214
(Increase) in prepaid expenses-other	(4,051)
Increase in grants payable	17,285
Increase in accrued expenses	4,624
(Decrease) in accounts payable	<u>(27,792)</u>
Total adjustments	<u>(212,515)</u>
Net cash provided by operating activities	467,353

Cash flows used by investing activities:

Fixed asset purchases	(32,830)
-----------------------	----------

Cash flows used by financing activities:

Principal payments under capital lease obligation	<u>(2,980)</u>
---	----------------

Net increase in cash and cash equivalents 431,543

Cash and cash equivalents at beginning of year 656,841

Cash and cash equivalents at end of year 1,088,384

Supplemental disclosure:

    Cash paid for interest 309

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

SHREVEPORT REGIONAL ARTS COUNCIL

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 1996

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>Cumulative effect of a change in accounting principle-Note 7</u>	<u>-</u>	<u>419,160</u>	<u>419,160</u>
<u>Change in net assets</u>	<u>134,358</u>	<u>545,510</u>	<u>679,868</u>
<u>Net assets-beginning of year</u>	<u>573,138</u>	<u>-</u>	<u>573,138</u>
<u>Net assets-end of year</u>	<u>707,496</u>	<u>545,510</u>	<u>1,253,006</u>

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

SHREVEPORT REGIONAL ARTS COUNCIL

SHREVEPORT, LOUISIANA

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AUDITED FINANCIAL STATEMENTS

SHREVEPORT REGIONAL ARTS COUNCIL

STATEMENT OF FINANCIAL POSITION

AT

JUNE 30, 1996

A S S E T S

Current assets:

Cash-Notes 5 and 9	732,563
Investments	<u>355,821</u>
Total cash and cash equivalents	1,088,384
Grants receivable	103,396
Other receivables	39,524
Prepaid insurance	6,882
Prepaid expenses-other	<u>8,780</u>
Total current assets	1,246,966

Equipment (less accumulated depreciation of \$23,387) 58,343

Other assets:

    Deposits 200

Total assets 1,305,509

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	14,386
Grants payable	20,827
Accrued expenses-Note 6	<u>17,290</u>
Total current liabilities	52,503

Net assets:

Unrestricted:	
Designated-Note 9	355,821
Undesignated	<u>351,675</u>
Total unrestricted	707,496
Temporarily restricted	<u>545,510</u>
Total net assets	<u>1,253,006</u>

Total liabilities and net assets 1,305,509

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



HEARD, McELROY & VESTAL, L.L.P.

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August 29, 1996

The Board of Directors  
Shreveport Regional Arts Council  
Shreveport, Louisiana

Independent Auditors' Report

We have audited the statement of financial position of the Shreveport Regional Arts Council at June 30, 1996, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of Shreveport Regional Arts 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 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 Shreveport Regional Arts Council at June 30, 1996, and the results of its operations and its cash flows for the year then ended, in conformity with generally accepted accounting principles.

As discussed in Notes 2 and 7 to the financial statements, the Arts Council changed its method of financial reporting and financial statement presentation, and its method of accounting for contributions in 1996.

Our audit was made for the purpose of forming an opinion on the basic financial statements of Shreveport Regional Arts Council taken as a whole. The accompanying Schedule of Changes in Net Assets by Program on Page 9 and the Schedule of Federal Awards on Page 10 for the year ended June 30, 1996, are presented for purposes of additional analysis and are 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.

In accordance with Government Auditing Standards, we have also issued a report dated August 29, 1996, on our consideration of the Council's internal control structure and a report dated August 29, 1996, on its compliance with laws and regulations.

*Heard, McElroy & Vestal, LLP*

OTHER FINANCIAL INFORMATION

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities 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 structure and its operation that we consider to be material weaknesses as defined above.

This report is intended for the information of the Board of Directors, management, and the National Endowment for the Arts. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Heard, McElroy + Vestal, LLP

SHREVEPORT REGIONAL ARTS COUNCIL

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 1996

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>Support and revenue:</u>			
Admission sales and concessions, net of expenses of \$45,829	34,373	43,158	77,531
Tuition and fees	6,200	58,489	64,689
Individual contributions:			
Memberships	16,380	-	16,380
Other	9,075	-	9,075
Business and industry contributions	64,693	42,700	107,393
Foundation grants	12,100	-	12,100
Government grants:			
City of Shreveport	187,500	462,248	649,748
Louisiana Division of the Arts	119,344	355,364	474,708
Other	5,679	50,000	55,679
In-kind donations	5,000	-	5,000
Interest income	35,379	5,878	41,257
Miscellaneous income	4,729	15,695	20,424
Total support and revenue	<u>500,452</u>	<u>1,033,532</u>	<u>1,533,984</u>
<u>Net assets released from restrictions</u>	907,182	(907,182)	-
<u>Expenses:</u>			
Program services:			
Artbreak	119,058	-	119,058
Arts in Education	69,787	-	69,787
Public Art	84,291	-	84,291
Community Cultural Plan	226,234	-	226,234
Louisiana Partnership	35,181	-	35,181
Decentralized Arts Funding	308,641	-	308,641
Other programs	183,048	-	183,048
Supporting services:			
Administrative and general	235,227	-	235,227
Fundraising	11,809	-	11,809
Total expenses	<u>1,273,276</u>	<u>-</u>	<u>1,273,276</u>
<u>Change in net assets before cumulative effect of a change in accounting principle</u>	134,358	126,350	260,708

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

# HEARD, McELROY & VESTAL, L.L.P.

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August 29, 1996

The Board of Directors  
Shreveport Regional Arts Council  
Shreveport, Louisiana

## Report on Compliance with the Specific Requirements

We have audited the financial statements of Shreveport Regional Arts Council as of and for the year ended June 30, 1996, and have issued our report thereon dated August 29, 1996.

We have also audited Shreveport Regional Art Council's compliance with the requirements governing types of services allowed or not allowed: eligibility, matching, reporting, special tests and provisions, financial reports and claims for advances and reimbursements, and amounts claimed or used for matching that are applicable to its major federal award programs, which are identified in the accompanying schedule of federal awards for the year ended June 30, 1996. The management of Shreveport Regional Arts Council is responsible for its compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit of compliance with those requirements in accordance with generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circular A-133, Audits of Institutions of Higher Education and Other Nonprofit Institutions. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Council's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Shreveport Regional Arts Council complied, in all material aspects, with the specific requirements referred to in the second paragraph that are applicable to its major federal award programs for the year ended June 30, 1996.

This report is intended for the information of the Board of Directors, management, and the National Endowment for the Arts. However, this report is a matter of public record and its distribution is not limited.

*Heard, McElroy + Vestal, LLP*

Fair Park Culture Series, Regrants, Panels and <u>Other Programs</u>	<u>Community Cultural Plan</u>	<u>Louisiana Partnership</u>	<u>Decentralized Arts Funding</u>	<u>Fund Raising</u>	<u>Total</u>
-	43,158	-	-	-	77,531
235	-	-	-	-	64,689
-	-	-	-	-	16,380
-	-	-	-	-	9,075
-	35,700	-	-	-	107,393
-	-	-	-	-	12,100
300,000	162,248	-	-	-	649,748
-	-	50,000	297,764	-	474,708
50,000	-	-	-	-	55,679
-	-	-	-	-	5,000
-	3,647	250	1,436	740	41,257
<u>13,320</u>	<u>2,375</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,424</u>
363,555	247,128	50,250	299,200	740	1,533,984
-	293	53	87	115	2,432
-	-	-	-	-	9,496
27,351	156,678	16,392	1,666	-	353,760
-	27,017	-	16,539	9,334	225,198
-	-	-	-	-	20,771
-	1,760	-	625	-	17,441
-	41	-	-	-	1,559
-	1,122	-	-	1,350	7,005
823	3,082	-	4,258	529	24,664
-	1,840	11,992	-	-	21,886
3,728	9,865	1,517	1,977	-	28,264
125	2,449	2,979	868	-	20,185
902	12,756	100	88	-	44,237
-	3,785	-	-	341	16,181
-	-	-	-	-	309
150,109	-	-	281,998	-	432,107
10	5,218	10	-	140	22,817
-	230	1,135	535	-	10,625
-	-	-	-	-	8,153
-	98	1,003	-	-	6,186
<u>183,048</u>	<u>226,234</u>	<u>35,181</u>	<u>308,641</u>	<u>11,809</u>	<u>1,273,276</u>
<u>180,507</u>	<u>20,894</u>	<u>15,069</u>	<u>(9,441)</u>	<u>(11,069)</u>	<u>260,708</u>

SHREVEPORT REGIONAL ARTS COUNCIL

SCHEDULE OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 1996

<u>Federal Grantor/ Pass-Through Grantor Name/ Program Title</u>	<u>CFDA Number/ DOA Number</u>	<u>Issues/ Expenditures</u>
<u>Major Program</u>		
<u>National Endowment for the Arts</u>		
Passed through Louisiana Division of the Arts:		
General support-Local Arts Agencies	45.023/96-170	104,444
<u>Nonmajor Programs</u>		
<u>National Endowment for the Arts:</u>		
Passed through Louisiana Division of the Arts:		
Arts in Education Artbreak	45.003/96-192	6,000
Arts in Education Residencies	45.003/96-193	<u>7,600</u>
Total nonmajor programs		<u>13,600</u>
Total federal awards		<u>118,044</u>

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August 29, 1996

The Board of Directors  
Shreveport Regional Arts Council  
Shreveport, Louisiana

## Compliance Report Based on an Audit of Basic Financial Statements Performed in Accordance with Government Auditing Standards

We have audited the financial statements of the Shreveport Regional Arts Council as of and for the year ended June 30, 1996, and have issued our report thereon dated August 29, 1996.

We conducted our audit in accordance with generally accepted auditing standards 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.

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

This report is intended for the information of the Board of Directors, management, and the National Endowment for the Arts. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

*Heard, McElroy & Vestal, LLP*



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August 29, 1996

The Board of Directors  
Shreveport Regional Arts Council  
Shreveport, Louisiana

Report on Compliance with Specific Requirements Applicable  
to Nonmajor Program Transactions

We have audited the financial statements of the Shreveport Regional Arts Council as of and for the year ended June 30, 1996, and have issued our report thereon, dated August 29, 1996.

In connection with our audit of the financial statements of the Shreveport Regional Arts Council, and with our consideration of the Council's internal control structure used to administer federal programs, as required by OMB Circular A-133, Audits of Institutions of Higher Education and Other Nonprofit Institutions, we selected certain transactions applicable to certain nonmajor federal programs for the year ended June 30, 1996.

As required by OMB Circular A-133, we performed auditing procedures to test compliance with the requirements governing types of services allowed or unallowed and eligibility that are applicable to those transactions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the Council's compliance with these requirements. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of our procedures disclosed no material instances of noncompliance with the requirements listed in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the Council had not complied, in all material respects, with those requirements.

This report is intended for the information of the Board of Directors, management, and the National Endowment for the Arts. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

*Heard, McElroy + Vestal, LLP*

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August 29, 1996

The Board of Directors  
Shreveport Regional Arts Council  
Shreveport, Louisiana

Report on the Internal Control Structure  
Used in Administering Federal Awards

We have audited the financial statements of Shreveport Regional Arts Council as of and for the year ended June 30, 1996, and have issued our report thereon dated August 29, 1996. We have also audited Shreveport Regional Arts Council's compliance with requirements applicable to major federal award programs, and have issued our report thereon dated August 29, 1996.

We conducted our audit in accordance with generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of Institutions of Higher Education and Other Nonprofit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and about whether Shreveport Regional Arts Council complied with laws and regulations, noncompliance with which would be material to a major federal program.

In planning and performing our audit for the year ended June 30, 1996, we considered the Council's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the Council's financial statements and on its compliance with requirements applicable to major programs and to report on the internal control structure in accordance with OMB Circular A-133. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal award programs. We have addressed policies and procedures relevant to our audit of the financial statements in a separate report dated August 29, 1996.

The management of Shreveport Regional Arts Council is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles, and that federal award programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the

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August 29, 1996

The Board of Directors  
Shreveport Regional Arts Council  
Shreveport, Louisiana

## Report on the Internal Control Structure in Accordance with Government Auditing Standards

We have audited the financial statements of the Shreveport Regional Arts Council as of and for the year ended June 30, 1996, and have issued our report thereon dated August 29, 1996.

We conducted our audit in accordance with generally accepted auditing standards 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.

The management of the Shreveport Regional Arts Council is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of the Shreveport Regional Arts Council, for the year ended June 30, 1996, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

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August 29, 1996

The Board of Directors  
Shreveport Regional Arts Council  
Shreveport, Louisiana

## Report on Compliance with the General Requirements

We have audited the financial statements of Shreveport Regional Arts Council as of and for the year ended June 30, 1996, and have issued our report thereon dated August 29, 1996.

We have applied procedures to test Shreveport Regional Arts Council's compliance with the following requirements applicable to its federal programs, which are identified in the accompanying schedule of federal awards, for the year ended June 30, 1996: political activity, civil rights, cash management, federal financial reports, allowable costs/cost principles, and administrative requirements.

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's Compliance Supplement for Audits of Institutions of Higher Learning and Other Nonprofit Institutions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on Shreveport Regional Arts Council's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that Shreveport Regional Arts Council had not complied, in all material respects, with those requirements.

This report is intended for the information of the Board of Directors, management, and the National Endowment for the Arts. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

*Heard, McElroy + Vestal, LLP*



structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering federal awards in the following categories: revenues/receipts, purchase/disbursements, payroll/personnel and grant administration. For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

During the year ended June 30, 1996 Shreveport Regional Arts Council expended 88.5% of its total federal awards under major federal award programs.

We performed tests of controls, as required by OMB Circular A-133, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements and amounts claimed or used for matching that are applicable to the organization's major federal award programs, which are identified in the accompanying schedule of federal awards. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure policies and procedures used in administering federal awards would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities 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 structure and its operations that we consider to be material weaknesses as defined above.

This report is intended for the information of the Board of Directors, management, and the National Endowment for the Arts. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

*Heard, McGray & Ventral, LLP*

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SHREVEPORT REGIONAL ARTS COUNCIL

SHREVEPORT, LOUISIANA

JUNE 30, 1996

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.

Reference Date JAN 29 1997