Exhibit B

STATEMENT OF ACTIVITIES

Friends of the New Orleans Center for Creative Arts

For the year ended June 30, 1996

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenues				
Support:				
Special events	$ 38,428			$ 38,428
Membership	20,540			20,540
Contributions and grants		$ 23,931	$ 11,964	35,895
Capital Campaign		101,605		101,605
Revenues:				
Interest	5,449			5,449
Investment income including realized and unrealized gains on funds held by the Greater New Orleans Foundation		11,105	36,318	47,423
Miscellaneous income	2,335			2,335
Total support and revenues	66,752	136,641	48,282	251,675
Net assets released from restriction:				
Satisfaction of purpose restriction	150,594	(150,594)		-
Total support and revenues	217,346	(13,953)	48,282	251,675

Note 8 - FUNCTIONAL ALLOCATION OF EXPENSES

Expenses have been reported on the statement of activities by natural classification for the year ended June 30, 1996. To present the total expenses by functional classifications, expenses are charged to program services and supporting services (management and general expenses and fundraising expenses) on the basis of management's estimate of periodic time and expense evaluations. Management and general expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the Organization.

Total expenses for the year ended June 30, 1996 are allocated as follows:

Program services	$ 48,989
Supporting services:	
Management and general	78,429
Fundraising	92,920
Total expenses	$220,338

Note 9 - STATEMENT OF CASH FLOWS

As required by generally accepted accounting principles, cash flows related to the funding and construction of the building to benefit the Orleans Parish School Board have been reported as operating activities.

Note 10 - CONCENTRATION OF CREDIT RISK

The Organization maintains its cash accounts and cash equivalents in various financial institutions where the accounts are insured by Federal Deposit Insurance Corporation up to $100,000 per bank. At June 30, 1996, the Organization had approximately $120,000 in excess of the insured limits.

Note 6 - CAPITAL CAMPAIGN (Continued)

Total amount raised through June 30, 1996	$2,877,431
Amounts recognized as support and expenses on the statement of activities to the extent certain building related costs were not allowable for capitalization:	
Year ended June 30, 1996	(101,605)
Prior periods	(346,547)
Unamortized discount on unconditional promises to give	(87,343)
Amount reported as a component of amount due to Orleans Parish School Board	$2,341,936

Note 7 - DUE TO ORLEANS PARISH SCHOOL BOARD

As discussed in Note 11, the Organization has entered into a cooperative endeavor agreement for the construction of a new facility for the New Orleans Center for Creative Arts and the Orleans Parish School Board. The agreement provides that upon completion of construction, ownership of the building will be transferred to the Orleans Parish School Board which agrees to own and operate the New Orleans Center for Creative Arts. Under the terms of this agreement, the Organization functions in an agency/intermediary capacity. All monies received or pledged under the Capital Campaign and any reimbursements from State of Louisiana have been recorded as a liability, due to the Orleans Parish School Board.

This liability has been reduced by that portion of the Capital Campaign contributions which have been recognized as support on the statement of activities to the extent that building related costs were deemed unallowable for capitalization and recognized as expenses.

The amount due to Orleans Parish School Board is comprised of the following:

Capital Campaign	$2,341,936
State of Louisiana reimbursements	1,135,417
Total	$3,477,353

Note 5 - FUNDS HELD BY THE GREATER NEW ORLEANS FOUNDATION

The Organization maintains two endowment funds at the Greater New Orleans Foundation. These funds are in an investment pool managed by the Greater New Orleans Foundation. A fee of 3/4 of 1% is charged on the value of the funds to cover the cost of management, investment reporting and record keeping. Annually, the Greater New Orleans Foundation determines the amounts available for distribution. The amount available for distribution is equal to five percent of the previous twelve quarters average fund balance. Any unexpended income is reinvested in the endowment and is classified as permanently restricted.

Note 6 - CAPITAL CAMPAIGN

In 1992, the Organization began a Capital Campaign to raise funds to assist with the construction of a building located on the New Orleans river front which will be the new facility of the New Orleans Center for Creative Arts. As of June 30, 1996, $2,877,431, has been raised, including cash received through that date, in-kind donations, and promises to give in subsequent periods.

Details of the Capital Campaign are as follows:

Activity through June 30, 1995:	
Cash received	$1,149,041
In-kind building donation	125,000
In-kind services	82,257
Art object donated	7,500
Cash received during the year ended June 30, 1996	536,142
Unconditional promises to give at June 30, 1996	977,491
Total	$2,877,431

Note 3 - RESTRICTIONS ON ASSETS (Continued)

Temporarily restricted net assets at June 30, 1996 are available for the following purposes or periods:

Artists in residence	$16,686
Scholarships	16,777
Total	$33,463

Permanently restricted net assets consist of funds held by the Greater New Orleans Foundation which are restricted for endowment purposes, the interest from which are available for the artists in residence and scholarship programs.

Note 4 - PROMISES TO GIVE

At June 30, 1996, unconditional promises to give from the Capital Campaign consist of the following:

Restricted for building construction	$977,491
Less unamortized discount	(87,343)
Net unconditional promises to give	$890,148
Amounts due in:	
Less than one year	$389,444
One to five years	500,704
Total	$890,148

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

l) Financial Statement Presentation

On July 1, 1995, the Organization adopted Statement of Financial Accounting Standards, (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

m) Transfers of Net Assets

In accordance with the Organization's policy, required matching contributions to donor contributions to the endowment funds are transferred from current contributions in the temporarily restricted net assets.

Note 3 - RESTRICTIONS ON ASSETS

Temporarily restricted net assets are restricted by donors for specific purposes. Cash, investments and promises to give raised through the Capital Campaign are restricted for the construction of a facility which will be transferred to the Orleans Parish School Board upon completion. Those restrictions are considered to expire when construction payments are made. Restricted assets and liabilities related to the Capital Campaign and cooperative endeavor agreement at June 30, 1996 are summarized as follows:

Cash and cash equivalents	$ 140,391
Donated art work held for sale	7,500
Unconditional promises to give - Capital Campaign	890,148
Construction in progress	2,439,314
Total assets	3,477,353
Less liability - due to Orleans Parish School Board	3,477,353
Net assets	$ -

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Property and Equipment

Property and equipment acquisitions are recorded at cost except for those donated to the Organization, which are recorded at estimated value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

Depreciation is determined using the straight-line method and is intended to allocate the cost of the assets over their estimated useful lives. Depreciation expense for the year ended June 30, 1996 was $1,639.

i) Construction in Progress

Construction in progress includes all costs incurred by the Organization relative to the new facility for the New Orleans Center for Creative Arts. Costs incurred to date include land acquisition, planning and architectural services, site preparation and demolition services, and various indirect costs.

j) Capitalized Interest

The Organization follows the policy of capitalizing interest as a component of construction in progress (Note 1i). For the year ended June 30, 1996, the total interest cost incurred and capitalized as a component of construction in progress was $15,578.

k) Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments in money market funds to be cash equivalents.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Contributions and Revenue Recognition (Continued)

Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Capital Campaign support is reported as a liability under the agency/intermediary relationship described in the cooperative endeavor agreement. Certain costs related to the construction project are not allowable for capitalization under generally accepted accounting principles. These costs are reported as expenses on the statement of activities, and Capital Campaign support is recognized on the statement of activities to the extent of these costs, which were $101,605 for the year ended June 30, 1996.

f) Reimbursements Due From the State of Louisiana

Reimbursements due from the State of Louisiana for certain construction costs allowable under the cooperative endeavor agreement (Note 11) are recognized as a receivable and liability (due to Orleans Parish School Board) when an application for reimbursement is submitted to the State. There were no applications for reimbursement outstanding at June 30, 1996.

g) Donated Art Work Held For Sale

The Organization intends to sell donated art work which is valued at management's best estimate of net realizable value.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

d) Promises to Give

Contributions are recognized when a donor makes a promise to give to the Organization that is, in substance, unconditional. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

For the year ended June 30, 1996, all promises to give to the Organization were related to the Capital Campaign which was conducted to raise funds to assist with the construction of a new facility for the New Orleans Center for Creative Arts. As described in Notes 7 and 11, the Organization has entered into a cooperative endeavor agreement for the construction of this new facility. Under this agreement, the Organization is acting in an agency/intermediary capacity. Promises to give were recognized as assets and a corresponding liability (due to Orleans Parish School Board) under this relationship.

All promises to give are deemed by management to be collectible.

e) Contributions and Revenue Recognition

Contributions received are classified as unrestricted, temporarily restricted, or permanently restricted support based on the existence or nature of any donor restrictions.

NOTES TO FINANCIAL STATEMENTS

Friends of the New Orleans Center for Creative Arts

June 30, 1996

Note 1 - NATURE OF ACTIVITIES

Friends of the New Orleans Center for Creative Arts (the Organization) is a nonprofit corporation which provides supplemental funding and community support for the New Orleans Center for Creative Arts (a program funded and administered by the Orleans Parish School Board). The Organization funds various classes and workshops and provides financial aid to certain disadvantaged young artists enrolled in the program. The Organization is acting as the planner, facilitator, and developer to provide the new facility for the New Orleans Center for Creative Arts, to be owned and operated by the Orleans Parish School Board.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Organization and Income Taxes

Friends of the New Orleans Center for Creative Arts is a nonprofit corporation organized under the laws of the State of Louisiana. It is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986, and qualifies as an organization that is not a private foundation as defined in Section 509(a) of the Code. It is exempt from Louisiana income tax under the authority of R.S. 47:121(5).

b) Basis of Accounting

The financial statements of the Organization are prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Note 11 - COMMITMENTS

The Organization has entered into a cooperative endeavor agreement with the State of Louisiana and the Audubon Park Commission for the construction of a new facility for The New Orleans Center for Creative Arts, which upon completion will be owned and operated by the Orleans Parish School Board. According to the terms of the agreement, the Organization will be responsible for the administration of the construction project including land acquisition, building design and construction oversight.

The estimated project cost is $22,064,800, per the first amended cooperative endeavor agreement dated April 25, 1995. The State of Louisiana has agreed to provide $16,500,000 of funding derived from the sale of general obligation bonds of the State. The Organization is responsible for the remaining portion of $5,564,800. As of March 14, 1997, the Organization has not received a determination from the State of Louisiana as to how much of the $5,564,800 has been satisfied by prior capitalized expenditures paid by the Organization which are included in construction in progress. The construction in progress balance of $2,439,314 at June 30, 1996 has been funded by $1,135,417 from State of Louisiana reimbursements and $1,303,897 from the Organization's funds.

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Expenses				
Advertising and promotion	8,409			8,409
Depreciation	1,639			1,639
Dues and subscriptions	1,986			1,986
Fundraising expenses	9,731			9,731
Insurance	8,492			8,492
Miscellaneous	3,692			3,692
Office expenses	12,708			12,708
Parking and automobile	3,315			3,315
Postage	2,688			2,688
Professional fees	30,322			30,322
Rent	9,148			9,148
Salaries and benefits	74,934			74,934
Scholarships	48,989			48,989
Telephone	4,285			4,285
Total expenses	220,338	-	-	220,338
Increase (Decrease) in Net Assets	(2,992)	(13,953)	48,282	31,337
Transfer of Net Assets to Satisfy Donor Match Requirement		(6,500)	6,500	-
Net Assets (Deficit)				
Beginning of the year	(36,871)	53,916	280,293	297,338
End of the year	$ (39,863)	$ 33,463	$ 335,075	$ 328,675

See notes to the financial statements.

3. **Condition** - The Organization currently does not have a policy regarding capitalization of cost incurred for the construction of the new facility for the New Orleans Center for Creative Arts.

   Recommendation - The Organization should adopt a specific policy regarding what expenses should be capitalized as the cost of the building.

   Response - We agree. A policy will be developed and adopted regarding capitalization of construction costs.

A material weakness is a reportable 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.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe none of the reportable conditions described above is a material weakness.

We also noted other matters involving the internal control structure and its operation that we have reported to the management of the Organization in a separate letter dated March 14, 1997.

This report is intended for the information of the board of directors, management, State of Louisiana and Legislative Auditor, State of Louisiana. However, this report is a matter of public records, and its distribution is not limited.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, La.,
March 14, 1997.

Exhibit A

STATEMENT OF FINANCIAL POSITION

Friends of the New Orleans Center for Creative Arts

June 30, 1996

Assets	
Cash and cash equivalents	$ 200,892
Prepaid expenses	1,212
Donated art work held for sale	7,500
Property and equipment, net of accumulated depreciation of $9,377	2,720
Unconditional promises to give - Capital Campaign	890,148
Construction in progress	2,439,314
Funds held by the Greater New Orleans Foundation	335,075
Total assets	$ 3,876,861
Liabilities	
Accounts payable	$ 70,833
Due to Orleans Parish School Board	3,477,353
Total liabilities	3,548,186
Commitment (Note 11)	-
Net Assets (Deficit)	
Unrestricted	(39,863)
Temporarily restricted	33,463
Permanently restricted	335,075
Total net assets	328,675
Total liabilities and net assets	$ 3,876,861

See notes to financial statements.

Significant difficulties were encountered during the audit in analyzing and implementing accounting policies and procedures. These included capitalization of costs as construction in progress, recording funds received from the Capital Campaign and State of Louisiana as a liability or support and revenue, analyzing the schedule of unconditional promises to give for the Capital Campaign, and researching the accounting treatment of the endowment funds held at Greater New Orleans Foundation. The beginning balances for assets, liabilities, and net assets at July 1, 1995, had to be reconstructed because the amounts reported on the Organization's Return of Organization Exempt From Income Tax (Form 990) for the year ended June 30, 1995, were inaccurate.

During our audit, the following items were noted which we believe are deserving of your attention:

General Accounting

The general ledger of the Organization is currently maintained on the cash basis of accounting. For the year ended June 30, 1996, management decided to employ the accrual basis of accounting for financial reporting purposes to comply with state laws and regulations. We suggest that the general ledger be maintained on the accrual basis of accounting by recording all accounts payable when expenses are incurred, capital campaign contributions receivable when new pledges are made, and other receivables, prepaid expenses and liabilities as incurred on the accrual basis.

As discussed earlier, the general ledger was maintained during the year on the cash basis, and converted to the accrual basis. The accounting process would be greatly improved by maintaining the general ledger on the accrual basis during the year.

Payroll

The Organization records salary expense net of payroll tax and other withholdings in the general ledger. Payment of the payroll tax and other withholdings is recorded as an expense. We recommend that the Organization begin recording salaries at gross amounts and payroll tax and other withholding liabilities when wages are paid each pay period.

We also recommend that the Organization develop and system to document the level of effort performed on various types of services by all employees. A weekly or bi-weekly time report for each employee which notes what the employee did on a daily basis would suffice. This is extremely important to document the hours worked relative to the construction project for the State of Louisiana to allow payroll costs to be eligible as part of the Organization's matching requirement under the cooperative endeavor agreement.

In planning and performing our audit of the financial statements of the Organization 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.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

1. **Condition** - Blank check stock is stored in an office to which all employees have access.

   Recommendation - Blank check stock should be stored in a secure location that only those persons responsible for check preparation have access to. This will assist in assuring that only authorized disbursements are made from the organization checking account.

   Response - We agree. Blank check stock will be stored in a location accessible only to persons responsible for check preparation.

2. **Condition** - The Organization does not use time cards or attendance records to support payroll disbursements. Failure to have time sheets to document payroll expensed and related changes could result in the Organization paying employees for time not worked. It also makes accounting for overtime, sick and vacation leave difficult.

   Recommendation - The Organization should begin requiring employees to prepare time sheets or attendance records.

   Response - We agree. All employees will begin preparing time sheets to support payroll expenses.

In accordance with Government Auditing Standards, we have also issued a report dated March 14, 1997, on our consideration of the internal control structure of Friends of the New Orleans Center for Creative Arts and a report dated March 14, 1997, on its compliance with laws and regulations.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, La.,
March 14, 1997.

Bourgeois Bennett

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Friends of the New Orleans Center for Creative Arts,
New Orleans, Louisiana.

We have audited the accompanying statement of financial position of Friends of the New Orleans Center for Creative Arts (a nonprofit organization) as of June 30, 1996 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization'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 Friends of the New Orleans Center for Creative Arts as of 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.

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June 30, 1996

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LEGISLATIVE AUDITOR

Financial Report

Friends of the New Orleans Center for Creative Arts

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

Release Date APR 09 1997

Bourgeois Bennett

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
Friends of the New Orleans Center for Creative Arts,
New Orleans, Louisiana.

We have audited the financial statements of Friends of the New Orleans Center for Creative Arts, (the Organization), a nonprofit organization as of and for the year ended June 30, 1996, and have issued our report thereon dated March 14, 1997.

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 Organization 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 polices 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 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.

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Exhibit C

STATEMENT OF CASH FLOWS

Friends of the New Orleans Center for Creative Arts

For the year ended June 30, 1996

Cash Flows From Operating Activities	
Increase in net assets	$ 31,337
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation and amortization	1,639
Contribution restricted for endowment purposes	(11,964)
Income reinvested at Greater New Orleans Foundation	(36,318)
Capital Campaign collections (net of portion recorded as support)	434,537
Decrease in amounts due from State of Louisiana	370,745
Construction in progress additions	(298,509)
Decrease in prepaid expenses	696
Decrease in accounts payable and accrued expenses	(40,672)
Net cash provided by operating activities	451,491
Cash Flows From Financing Activities	
Payments on notes payable	(365,277)
Contribution to endowment fund held by Greater New Orleans Foundation to satisfy matching requirement	(6,500)
Net cash used in financing activities	(371,777)
Net Increase In Cash and Cash Equivalents	79,714
Cash and Cash Equivalents	
Beginning of the year	121,178
End of the year	$ 200,892

See notes to the financial statements.

Effective July 1, 1995, the Organization adopted Statement of Financial Accounting Standards No. 116 "Accounting for Contributions Received" and No. 117 "Financial Statements of Not-for-Profit Organizations." SFAS No. 116 requires contributions to be recorded as support when a donor makes an unconditional promise to give. SFAS No. 117 requires organizations to report information about its activities and financial position according to three classes of net assets - unrestricted, temporarily restricted and permanently restricted. The Organization changed its method of accounting from cash basis to accrual basis due to requirements of state laws and regulations for entities receiving state funding. Under the accrual method, all relevant receivables and payables are recorded, including unconditional promises to give from the capital campaign which is recorded as a receivable and due to Orleans Parish School Board. The Organization serves in an agency/intermediary capacity under the cooperative endeavor agreement for the construction of the new facility for the New Orleans Center for Creative Arts, which upon completion will be owned and operated by the Orleans Parish School Board. As an agent, funding received from the Capital Campaign and State of Louisiana reimbursements are required to be recorded as a liability, due to Orleans Parish School Board. In prior years, the organization recorded these amounts as support and revenue. No other new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Organization 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 current judgments. 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 management's current judgments.

Management's estimate of the collectibility of unconditional promises to give from the Capital Campaign is based on past history and the aging of the receivables. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Bourgeois Bennett

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
Friends of the New Orleans Center for Creative Arts,
New Orleans, Louisiana.

We have audited the financial statements of Friends of the New Orleans Center for Creative Arts, (the Organization), a nonprofit organization as of and for the year ended June 30, 1996, and have issued our report thereon dated March 14, 1997.

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 Organization is the responsibility of the Organization's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Organization's compliance with laws regulation, 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 the following instances of noncompliance that are required to be reported herein under Government Auditing Standards for which the ultimate resolution cannot presently be determined. Accordingly, no provision for any liability that may result has been recognized in the Organization's 1996 financial statements.

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Capital Campaign

The Organization maintains a file for each individual or corporation who has made a promise to give for the capital campaign. This file includes donor information and an agreement to donate to the capital campaign. In most cases, copies of the donors' checks are included in the file, but we noticed that some check copies were not in the files. We recommend that all donor checks be copied and retained in the donors' files.

Return of Organization Exempt From Income Tax (Form 990)

For the year ended June 30, 1995, the Organization's internal financial statements, prepared on the cash basis, did not agree to the Organization's Return of Organization Exempt From Income Tax (Form 990), due to error corrections made to the internal financial statements. At the start of the audit, the asset, liability, and net asset accounts at June 30, 1995, were reconstructed on the cash basis as additional errors were found in the beginning balances for the year ended June 30, 1996. We recommend that the Form 990 for the year ended June 30, 1995 be amended to correct the errors.

We appreciate our relation with Friends of the New Orleans Center for Creative Arts and look forward to working with you in the future. Please call if you'd like to discuss these items or any other matters that come to your attention.

This information is intended solely for the use of the Board of Directors of Friends of the New Orleans Center for Creative Arts, its management, and the Legislative Auditor of the State of Louisiana. This report is a matter of public record and its distribution is not limited.

Sincerely,

Laurence Holmes CPA

For the Firm.

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Louisiana state law requires all governmental and quasi-governmental entities to have audit engagements completed within six months for the close of the entities fiscal year. The Organization was unable to meet this deadline as required by state law. In September 1996, the accountant for the Organization resigned her position. It has taken the new accountant for the Organization more time than previously anticipated to prepare for the audit. Due to the circumstances previously mentioned the Organization was unable to have the audit completed within six months of the close of its fiscal year.

According to the cooperative endeavor agreement between the Organization and the State of Louisiana, the Organization is required to comply with the public bid laws applicable to political subdivisions of the State. Louisiana revised statutes require that all contracts for public works exceeding the sum of $50,000 must be advertised in a daily newspaper three times 30 days prior to opening of bids and let to the lowest bidder. During the course of our audit we noted that a contract for certain demolition services in excess of $50,000 was let to the lowest of two bidders, but was not properly advertised as required by Louisiana revised statues.

We considered these instances of noncompliance in forming our opinion on whether the Organization's 1996 financial statement are present fairly, in all material respects, in conformity with generally accepted accounting principles, and this report does not affect our report dated March 14, 1997 on those financial statements.

We also noted other matters involving the internal control structure and its operation that we have reported to the management of the Organization in a separate letter dated March 14, 1997.

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

Bourgeois Bennett, L.L.C.

Certified Public Accountant.

New Orleans, La.,
March 14, 1997.

Bourgeois Bennett

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LEGISLATIVE AUDITOR

March 14, 1997

To the Board of Directors
Friends of the New Orleans
Center for Creative Arts

We have audited the financial statements of Friends of the New Orleans Center for Creative Arts as of and for the year ended June 30, 1996, and have issued our report thereon dated March 14, 1997. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards and Government Audit Standards

Our audit was conducted in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States which require that we plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As requested, separate letters have been issued on the internal control structure and compliance with laws and regulations.

As part of our audit, we considered the internal control structure of Friends of the New Orleans Center for Creative Arts (the Organization). Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control structure.

Significant Accounting Policies

Management of the Organization 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 the Organization are described in the notes to the financial statements.

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SPECIAL REPORTS OF INDEPENDENT AUDITORS

5) Recording the activity for the year ended June 30, 1996, for the endowment accounts held at Greater New Orleans Foundation.	48,283
6) Reclassification of items as expenses which were recorded as components of construction in progress.	(37,010)
7) Recording accounts payable at June 30, 1996.	(6,196)
8) Other.	3,989
Increase in net assets for the year ended June 30, 1996, as adjusted	$ 31,337

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 no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

To the best of our knowledge, management has not consulted with or obtained opinions from other independent accountants during the past year that are subject to the requirements of Statement on Auditing Standards No. 50.

Difficulties Encountered in Performing the Audit

The management, staff and Jodi Bozzelli were very cooperative during our audit. They responded to our questions and assisted us as requested. We had no disagreements with them concerning the scope of our audit, the accounting treatment of any of the Organization's transactions, or disclosures required in the financial statements.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures.

We proposed, and the Organization recorded, various audit adjustments. The details are as follows:

	Increase (Decrease) in the Net Assets for the Year Ended June 30, 1996
Increase in net assets for the year ended June 30, 1996, per the Organization's internal financial statements	$776,928
Adjustments:	
1) Reclassification of cash received from the Capital Campaign during the year ended June 30, 1996, as amounts due to Orleans Parish School Board from support and revenue.	(536,142)
2) Reclassification of State of Louisiana reimbursements received during the year ended June 30, 1996, as amounts due to Orleans Parish School Board from support and revenue.	(370,745)
3) Capital Campaign funds recorded as support on the statement of activities to the extent that costs related to the construction project were not allowable for capitalization as construction in progress.	101,605
4) Reduction of expenses capitalized as a component of construction in progress ($115,219 total less $64,595 remaining as expenses).	50,625