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Alexandria Museum of Art

Alexandria, Louisiana

April 26, 1987

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Release Date: 8/2/88

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KNIGHT  MAsDEN
Certified Public Accountants
A PROFESSIONAL ACCOUNTING CORPORATION

Case E. Knight, Jr., CPA
K. Martin Masden, CPA

September 13, 1990

Associate:
John R. Theibert II, CPA

Independent Auditor's Report

To the Board of Trustees
Alexandria Museum of Art
Alexandria, Louisiana

We have audited the accompanying statement of financial position of the Alexandria Museum of Art (a non-profit organization) as of April 30, 1989, and the related statements of activity 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 statements 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 Alexandria Museum of Art as of April 30, 1989, and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules of support and revenue and functional expenses 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.

As discussed in Note 1 to the financial statements, for the fiscal year ended April 30, 1989, the Museum changed its method of accounting for contributions, investments, the art collection and its method of financial reporting and financial statement presentation.


KNIGHT  MAsDEN

**Alexandria Museum of Art
Statement of Financial Position
April 30, 1997**

Assets	
Current assets	
Cash and cash equivalents	\$1,090,417
Accounts receivable	3,777
Unconditional promises to give, less allowance for uncollectible	1,215,766
Prepaid expenses	1,449
Inventory	9,894
Total current assets	<u>2,531,303</u>
Fixed assets, net of depreciation	380,119
Construction in process	301,500
Art collection	149,718
Endowment investments	
Cash and cash equivalents	54,474
Mutual funds, at fair value	158,775
Long-term unconditional promises to give	<u>752,191</u>
Total Assets	<u>\$5,066,425</u>
Liabilities and Net Assets	
Current liabilities	
Accounts payable	\$ 37,170
Other accrued expenses	15,496
Notes payable - line of credit	18,478
Notes payable, current	9,308
Total Current Liabilities	<u>80,452</u>
Notes payable, net of current portion	<u>7,376</u>
Total Liabilities	87,828
Net Assets	
Unrestricted	1,034,637
Temporarily restricted	3,270,172
Permanently restricted	815,748
Total Net Assets	<u>5,200,557</u>
Total Liabilities and Net Assets	<u>\$5,066,425</u>

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

Alexandria Museum of Art
Statement of Activity
For the Year Ended April 30, 1997

	Unclassified	Temporarily Restricted	Permanently Restricted	Total
Public Support, Revenues and Reclassifications				
Contributions	\$ 30,153	\$1,211,085		\$2,281,238
Grants - private		18,590		18,590
Grants - governmental		65,648		65,648
Personal memberships	12,082			12,082
Corporate memberships	9,787			9,787
Spectrums	18,480			18,480
Interest & dividends	35,915	34,993		41,808
Endowts	12,184			12,184
Gallery admissions	1,276			1,276
Museum shop sales	2,424			2,424
Classes & workshops	12,183			12,183
Realized and unrealized gains			14,062	14,062
Miscellaneous	5,767			5,767
Net assets released from restrictions	423,151	(403,151)		
Total Public Support, Revenues and Reclassifications	665,602	2,885,005	14,062	3,564,709
Expenses and Losses				
Program Services				
Endowts	18,808			18,808
Education	15,828			15,828
Collection	712			712
Total Program Services	35,357			35,357
Administration	212,647			212,647
Fundraising				
Spectrums	22,624			22,624
Capital campaigns	7,819			7,819
Loss on assets abandoned	328,733			328,733
Total Expenses and Losses	604,979			604,979
Change in net assets	66,623	2,881,856	14,062	2,962,541
Net assets - beginning of year	663,167		791,258	1,454,425
Restatements under SFAS 116, 117 & 124	368,818	689,877	9,225	1,067,920
Net assets - end of year	\$1,031,985	\$3,571,732	\$80,505	\$4,684,222

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

**Alexandria Museum of Art
Statement of Cash Flows
For the Year Ended April 30, 1997**

Change in net assets	\$2,864,508
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation and amortization	14,408
Loss on abandoned assets	328,271
Increase in unconditional promises to give	(1,515,516)
Increase in accounts receivable	(2,519)
Decrease in other current assets	2,112
Increase in accounts payable and accrued liabilities	16,415
Decrease in deferred support and revenues	(9,190)
	<hr/>
Net cash provided by operating activities	2,774,640
Investing Activities	
Purchase of equipment	(11,112)
Accession of art - by donation	(41,580)
Accession of art - by purchase	(2,480)
Increase in construction in process	(946,554)
Change in permanently restricted cash and cash equivalents	5,025
Increase in investments	(24,729)
	<hr/>
Net cash provided (used) by investing activities	(1013,356)
Financing activities	
Repayment of notes payable	(15,180)
	<hr/>
Net increase in cash and cash equivalents	1,556,104
Cash and cash equivalents as of beginning of year	158,266
	<hr/>
Cash and cash equivalents as of the end of year	\$1,480,470
Supplemental Disclosures of Cash Flow Information:	
Cash paid for interest during the year	\$6,713
	<hr/>

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

The Alexandria Museum of Art
Notes to Financial Statements
April 30, 1997

Note 1 - Summary of Significant Accounting Policies

Organization - The Alexandria Museum of Art, (the Museum) is a non-profit corporation formed in 1977. Its purpose is to encourage appreciation, education and active participation in artistic expression and the promotion of art and culture.

The Museum qualifies as a tax-exempt organization (an "other than private foundation") under Section 501(c)(3) of the Internal Revenue Code.

Basic of accounting - The Museum maintains its accounting records on the accrual basis. For the year ended April 30, 1997, the Museum, in conformity with generally accepted accounting principles, adopted the following Statements of the Financial Accounting Standards Board (FASB): Statement Number 116, "Accounting for Contributions Received and Contributions Made"; Statement number 117, "Financial Statements of Not-for-Profit Organizations"; and Statement Number 134, "Accounting for Certain Investments Held by Not-for-Profit Organizations". The effects of adopting these statements are discussed in subsequent paragraphs.

Contributions - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the evidence and/or nature of any donor restrictions. Temporarily restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions. The effect of adopting SFAS No. 116 on the Museum's change in net assets for 1997 was a increase of \$683,767 from what would have been reported under prior accounting principles.

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at their net realizable value discounted by present value, using risk-free interest rates applicable to the years in which the promises are to be received. The discount rate used on long-term promises to give was 7% in 1997.

Financial statement presentation - The Museum reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. In addition, the Museum is required to present a statement of cash flows. Under the prior accounting method, a separate fund was maintained for fixed assets. These assets are now included with unrestricted net assets, this resulted in an increase of \$729,264 to unrestricted net assets as of May 1, 1996.

Investments - Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. The effect of adopting SFAS No. 124 on the Museum's change in net assets for 1997 was an increase of \$29,654 from what would have been reported under prior accounting principles. These effects are included in changes in restricted net assets. The purchases of marketable securities are reflected in Note 2. There are no losses material unrecorded permanent market value declines in marketable securities.

Art Collection - The Museum elected to capitalize its collection retroactively. The capitalization of the collection resulted in an increase in unrestricted net assets of \$399,518.

The Alexandria Museum of Art
Notes to Financial Statements
April 30, 1997

Note 1 - Summary of Significant Accounting Policies, Continued

Public Support and Revenue. - Membership dues and general contributions are generally available for unrestricted use in the related campaign year unless specifically restricted by the donor. An allowance for uncollectible promises is provided based on management's evaluation of potential uncollectible promises receivable at year-end.

Grants and other contributions of cash or other assets are reported as temporarily restricted support if they are received with stipulations that limit the use of the grant or donated assets. When donor restriction expires, that is, when a stipulated time restriction ends or 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.

The donor permanently restricts endowment contributions and investments. Investment earnings available for use in operations are recorded in unrestricted net assets. Investment earnings dedicated to specific purposes are recorded as temporarily restricted assets until the purpose is fulfilled, at which time they are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Gains and losses on investments are added to or subtracted from the endowment principal.

Cash and Cash Equivalents. - The Museum considers cash in checking accounts, certificates of deposit and money market mutual funds as cash and cash equivalents.

Inventory. - Inventory consists of items held for resale in the Museum gift shop and are carried in the financial statements at cost, in a first-in, first-out basis.

Fixed Assets and Depreciation. - Purchased property and equipment is recorded at acquisition cost, donated property and equipment is recorded at its fair value as of the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Repairs, maintenance and minor replacements are charged to operations as incurred. Major replacements and improvements are capitalized at cost.

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 these estimates.

Note 2 - Investments

Investments consist of mutual funds, which are presented, in the financial statements at fair value. At April 30, 1997, the cost basis of the investments was \$128,112. During the year, the Museum paid \$1,508 of mutual fund fees on its investment accounts.

The Alexandria Museum of Art
Notes to Financial Statements
April 30, 1997

Note 3 - Fixed Assets and Depreciation

The following schedule summarizes estimated useful life, cost and accumulated depreciation of property, plant and equipment as of April 30, 1997:

<u>Description</u>	<u>Life</u>	<u>Balance</u>
Land - donated	-	\$ 33,151
Land	-	243,818
Building - donated	35 years	135,349
Furniture and equipment	3 - 7 years	53,666
Vehicles	3 years	3,900
Other assets - donated	25 years	<u>3,200</u>
		474,634
Less: Accumulated Depreciation		<u>(284,515)</u>
Net Property and Equipment		<u>\$ 190,119</u>

Depreciation expense for 1997 was \$14,606.

Note 4 - Unconditional Promises to Give

Receivables in less than one year	\$1,210,950
Receivables in one to five years	<u>818,432</u>
Total unconditional promises to give	2,029,382
Less discounts to net present value	110,193
Less allowance for uncollectible promises	<u>23,833</u>
Net unconditional promises to give at April 30, 1997	<u>\$2,095,356</u>

Note 5 - Permanent Restricted Net Assets

Net assets were permanently restricted for the following purposes at April 30, 1997:

Endowment for collection	\$ 301,314
Endowment for operations	<u>604,612</u>
Total Permanently Restricted Net Assets	<u>\$ 905,926</u>

The Alexandria Museum of Art
Notes to Financial Statements
April 30, 1997

Note 6 - Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

Accrual of art	\$ 20,000
Building Campaign	1,248,217
Total temporarily restricted net assets	<u>\$1,268,217</u>

Net assets were released from temporary restrictions during the year as follows:

Grants	\$ 82,188
Accrual of art	2,400
Building construction costs	<u>1,183,631</u>
Total restrictions released	<u>\$ 1,268,219</u>

Note 7 - Notes Payable

Debt obligations consist of the following note:

	Amount	Interest Rate
Note payable to Republic Bank due January 26, 1999	\$ 18,676	8%
Secured by 1 st mortgage on museum real estate.		

Scheduled maturity for the above note is as follows:

1998	\$ 8,380
1999	10,296
	<u>\$ 18,676</u>

Note 8 - Note Payable - Line of Credit

As of April 30, 1997, the Museum owed Republic Bank & Trust Company \$18,478 on an unsecured revolving line of credit. The scheduled maturity is December 3, 1997, with interest rate of 5.50%.

Note 9 - Contributed Services

A substantial number of unpaid volunteers have made significant contributions of their time to develop the Museum's programs. No amounts have been recognized in the statement of activities because the criteria for recognition under SFAS No. 118 have not been satisfied.

Donated property when received is reflected as a contribution in the accompanying statements at its estimated fair market value. The value of donated fund raising items is not recorded as contributions because there is not a fair basis for valuing them.

The Alexandria Museum of Art
Notes to Financial Statements
April 30, 1997

Note 10 - Concentration of Credit Risk

Financial instruments that potentially subject the Museum to credit risk include investments in mutual funds. Future changes in economic conditions may make the investments less valuable.

The Museum's unconditional promises to give are concentrated in one major donor. (See Note 11.) The balance of the unconditional promises to give is concentrated among the general population of Central Louisiana; unfavorable changes in economic conditions of the region could pose a credit risk to the Museum.

The Museum maintains cash accounts at banks and investment companies. The accounts are insured by the Federal Deposit Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC) up to \$100,000 per institution. Cash at April 30, 1997 exceeded insured limits by \$98,799.

Note 11 - Construction in Progress

The Museum has entered into a construction contract to completely rebuild and furnish its physical facilities. The total construction cost, including land, is expected to cost \$3,456,000. Equipment and furnishings are estimated to cost \$199,000, and other associated costs are estimated at \$21,700.

Note 12 - Capital Grant

The Rapides Foundation made a five-year funding grant of \$2,880,000 to the Museum for the construction of and furnishings for the new Museum facilities. As of April 30, 1997, the Museum had received \$1,120,000 of the grant. The balance of the grant is reflected in unconditional promises to give, discounted to present value.

Future present value payments under the grant are as follows:

1998	1,120,000
1999	362,656

Special conditions of the grant agreement require the Museum to conduct a community-wide campaign to increase its Operating Endowment Fund to a level of \$2,800,000. The Operating Endowment Fund shall be restricted to support the on-going operating expenses of the Museum. Other requirements require interim reports be submitted to the grantor to include information on major pledge accounts, status of construction, and interim financing of construction.

Note 13 - Loan Commitment

A consortium of Rapides Bank and Trust Company, Ibernia National Bank and Security First National Bank have agreed to finance the final construction cost with a \$1,380,000 loan. The terms of the loan is anticipated to be for thirty (30) months at an interest rate of 7.75%. As of the date of this report, no money had been drawn against the loan commitment.

**Allegheny Museum of Art
Schedule of Administrative Expenses
For the Year Ended April 30, 1997**

Office supplies	\$ 4,123
General	2,090
Public relations	287
Conferences and training	7,207
Postage & freight	6,900
Payroll taxes & benefits	18,527
Telephone	5,386
Wages	102,059
Professional fees	8,258
Trustee fees	1,325
Contract labor	1,948
Repairs & maintenance	4,877
Membership program	23,641
Auto expense	2,526
Utilities	8,203
Insurance	9,340
Printing	841
Socialty	688
Interest	6,713
Depreciation	14,000
Travel & entertainment	<u>1,432</u>
Total	<u>\$213,667</u>

KNIGHT  MASNEN
Certified Public Accountants
A PROFESSIONAL ACCOUNTING CORPORATION

September 17, 1997

Case I. Knight, Jr., CPA
E. Marvin Masden, CPA

Associate:
John E. Theriot II, CPA

**INDEPENDENT AUDITORY REPORT ON INTERNAL CONTROL
STRUCTURE BASED ON AN AUDIT OF BASIC FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT ACCOUNTING STANDARDS**

To the Board of Trustees
Alexandria Museum of Art
Alexandria, Louisiana

We have audited the financial statements of the Alexandria Museum of Art (a nonprofit organization) as of and for the year ended April 30, 1997, and have issued our report thereon dated September 17, 1997.

We conducted our audit in accordance with generally accepted auditing standards and Government Accounting Standards, issued by the Comptroller General of the United States. Those standards and GAO 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.

The management of the Alexandria Museum of Art 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 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 Alexandria Museum of Art for the year ended April 30, 1997, 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.

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 trustees and management. However, this report is a matter of public record, and its distribution is not limited.


Dwight D. Martin

KNIGHT  MASNEN
Certified Public Accountants
A PROFESSIONAL, ACCREDITED CORPORATION

Case L. Knight, Jr., CPA
K. Martin Masden, CPA

Associates
John E. Theriot II, CPA

September 17, 1997

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE BASED
ON AN AUDIT OF BASIC FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees
Alexandria Museum of Art
Alexandria, Louisiana

We have audited the financial statements of the Alexandria Museum of Art (a nonprofit organization) as of and for the year ended April 30, 1997, and have issued our report thereon dated September 17, 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. These 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 Alexandria Museum of Art is the responsibility of the Alexandria Museum of Art's management. As part of our audit, we assessed the risk that noncompliance with certain provisions of laws, regulations, contracts, and grants could cause the financial statements to be materially misstated. We concluded that the risk of such material misstatement was sufficiently low that it was not necessary to perform tests of the Alexandria Museum of Art's compliance with such provisions of laws, regulations, contracts, and grants.

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


KNIGHT  MASNEN