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*River Oaks Square Arts and Craft Center, Inc.
Financial Statements*

As of and For the Two Years Ended December 31, 1998

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 7-24-99

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ROZIER, HARRINGTON & MCKAY
CERTIFIED PUBLIC ACCOUNTANTS

1407 PETERMAN DRIVE
ALEXANDRIA, LOUISIANA 71301

DAVID B. BROWN, IV, C.P.A.
W. CRAIG HARRINGTON, C.P.A.
JAMES S. MCKAY, C.P.A.
JAY W. SMITH, C.P.A.

LAWRENCE E. MARRAS, C.F.A.

MAILING ADDRESS
POST OFFICE BOX 10010
ALEXANDRIA, LOUISIANA 71311-0110

TELEPHONE (504) 482-1000
TELEFAX (504) 482-6671

INDEPENDENT AUDITORS' REPORT

June 18, 1999

To the Board of Directors
River Oaks Square Arts & Craft Center, Inc.
Alexandria, Louisiana

We have audited the accompanying statement of financial position of River Oaks Square Arts & Craft Center, Inc. (a nonprofit organization) as of December 31, 1998, and the related statements of activities and cash flows for the two years ended December 31, 1998. 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 the River Oaks Square Arts & Craft Center, Inc. as of December 31, 1998, and the changes in its net assets and its cash flows for the two years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated June 18, 1999, on our consideration of the River Oaks Square Arts & Craft Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

ROZIER, HARRINGTON & MCKAY
CERTIFIED PUBLIC ACCOUNTANTS

River Oaks Square Arts & Craft Center, Inc.

Statement of Financial Position

December 31, 1998

Assets

Current assets:

Cash and cash equivalents	\$	358,817
Grants receivable		4,980
Contributions receivable		288,013
Total current assets		<u>651,810</u>

Fixed assets:

Construction in progress		571,847
Equipment, furnishings and fixtures		8,898
Less: accumulated depreciation		<u>(6,368)</u>
Total fixed assets		<u>574,377</u>

Endowment investments:

Cash and cash equivalents		<u>56,400</u>
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Total assets	\$	<u>1,282,587</u>
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Liabilities and Net Assets

Liabilities:

Accounts payable		<u>1,034</u>
Total liabilities		<u>1,034</u>

Net Assets:

Unrestricted		658,800
Temporarily restricted		488,490
Permanently restricted		<u>14,297</u>

Total net assets		<u>1,204,587</u>
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Total liabilities and net assets	\$	<u>1,282,587</u>
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The accompanying notes are an integral part of these financial statements.

River Oaks Square Arts & Craft Center, Inc.

Statement of Activities

For the Year Ended December 31, 1997

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and other support:				
Studio rentals	\$ 12,250	\$ -	\$ -	\$ 12,250
Exhibit sales	-	-	-	-
Fundraising	26,235	-	-	26,235
Grants & contributions	-	174,580	26,408	408,088
Membership	19,680	-	-	19,680
Sponsorship	21,238	-	-	21,238
Investment income	4,320	-	-	4,320
Other income	2,625	-	-	2,625
Net assets released from restrictions	293,261	(245,783)	-	-
Total revenue and other support	<u>741,295</u>	<u>128,822</u>	<u>26,408</u>	<u>918,817</u>
Expenses:				
Program expenses:				
Art sales & exhibitions	3,886	-	-	3,886
Membership & fundraising	11,272	-	-	11,272
IFE	8,552	-	-	8,552
Perch sales	2,658	-	-	2,658
General and administrative	51,968	-	-	51,968
Other	2,884	-	-	2,884
Total supporting services	<u>89,220</u>	<u>-</u>	<u>-</u>	<u>89,220</u>
Changes in net assets	<u>260,875</u>	<u>128,822</u>	<u>26,408</u>	<u>418,005</u>
Net assets - beginning	<u>54,636</u>	<u>644,204</u>	<u>-</u>	<u>738,840</u>
Net assets - ending	<u>\$ 315,511</u>	<u>\$ 773,026</u>	<u>\$ 26,408</u>	<u>\$ 1,114,945</u>

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

River Oaks Square Arts & Craft Center, Inc.

Statement of Activities

For the Year Ended December 31, 1998

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and other support:				
Studio rentals	\$ 12,863	\$ -	\$ -	\$ 12,863
Exhibit sales	4,771	-	-	4,771
Fundraising	24,189	-	-	24,189
Grants & contributions	20,000	7,215	-	27,215
Membership	14,788	-	-	14,788
Sponsorship	14,250	-	-	14,250
Investment income	24,724	-	-	24,724
Net assets released from restrictions	<u>282,549</u>	<u>(283,549)</u>	<u>-</u>	<u>-</u>
Total revenue and other support	<u>484,604</u>	<u>(176,334)</u>	<u>-</u>	<u>308,270</u>
Expenses:				
Program expenses:				
Art sales & exhibitions	7,805	-	-	7,805
Membership & fundraising	8,039	-	-	8,039
DPG	3,949	-	-	3,949
Facility sales	2,737	-	-	2,737
General and administrative	74,217	-	-	74,217
Other	-	-	-	-
Total supporting services	<u>96,747</u>	<u>-</u>	<u>-</u>	<u>96,747</u>
Change in net assets	<u>304,493</u>	<u>(256,334)</u>	<u>-</u>	<u>28,159</u>
Net assets - Beginning	<u>152,589</u>	<u>764,826</u>	<u>56,680</u>	<u>1,974,135</u>
Net assets - ending	<u>\$ 457,082</u>	<u>\$ 508,492</u>	<u>\$ 56,680</u>	<u>\$ 1,022,254</u>

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

River Oaks Square Arts & Craft Center, Inc.

Statements of Cash Flows

For the Years Ended December 31, 1997 and 1998

	<u>1997</u>	<u>1998</u>
Cash flows from operating activities:		
Change in net assets	\$ 438,095	\$ 28,168
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,427	1,185
Change in operating assets and liabilities:		
(Increase) decrease in grants receivable	141,453	77,166
(Increase) decrease in prepaid expenses	(76)	237
Increase (decrease) in accounts payable	(5)	(49)
	<u>580,894</u>	<u>106,087</u>
Net cash provided (used) by operating activities		
Cash flows from investing activities:		
Construction of buildings	<u>(253,361)</u>	<u>(282,093)</u>
	<u>(253,361)</u>	<u>(282,093)</u>
Net cash provided (used) by investing activities		
Cash flows from financing activities:		
	<u>-</u>	<u>-</u>
Net increase (decrease) in cash	327,139	(276,004)
Beginning cash balance	<u>764,088</u>	<u>991,321</u>
Ending cash balance (deficit)	<u>\$ 1,091,227</u>	<u>\$ 715,317</u>
Current cash and cash equivalents	<u>\$ 1,044,821</u>	<u>\$ 718,817</u>
Endowment cash and cash equivalents	<u>\$ 46,406</u>	<u>\$ 96,500</u>

Supplemental Disclosures:

For the years ended December 31, 1997 and 1998, there were no investing, capital, and financing activities that did not result in cash receipts or payments.

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

RIVER OAKS SQUARE ARTS & CRAFT CENTER
NOTES TO FINANCIAL STATEMENTS
FOR THE TWO YEARS ENDED DECEMBER 31, 1999

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

River Oaks Square Arts and Crafts Center, Inc. (the Center) is Central Louisiana's official arts agency. The Center serves the citizens of Central Louisiana by providing funding and services to support and foster an environment in which the arts can thrive. The Center's support comes primarily from individual donors' contributions and various government and arts agency grants.

The Center is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision or liability for taxes has been recognized in these financial statements.

Method of Accounting

The Center prepares its financial statements on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. The financial statements are prepared in accordance with Statement of Financial Accounting Standards No. 117, *Financial Statements of Not-for-Profit Organizations*, which requires the Center 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.

Grants and other contributions of cash and other assets are reported as temporarily restricted or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Endowment contributions and investments are permanently restricted by the donor. Investment earnings available for distribution are recorded in unrestricted net assets. Investment earnings with donor restrictions are recorded in temporarily or permanently restricted net assets based on the nature of the restrictions.

Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their values in the period received.

Income Taxes

The Center is a not-for-profit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Furthermore, the Center is not classified as a "private foundation" by the Internal Revenue Service.

Promises to Give

As required by generally accepted accounting principles, unconditional promises to give are reported as revenue when the promise is made. Conditional promises to give are recognized as revenue when the necessary conditions are fulfilled.

RIVER OAKS SQUARE ARTS & CRAFT CENTER
NOTES TO FINANCIAL STATEMENTS
FOR THE TWO YEARS ENDED DECEMBER 31, 1998

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. This will affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Cash and cash equivalents

For purposes of the statement of cash flows, cash and cash equivalents are considered to be all cash in banks, cash on hand, and all unencumbered highly liquid investments with maturities of three months or less at the time of acquisition. The carrying value approximates fair value at December 31, 1998.

Receivables and bad debts

Receivables consist of amounts due from various grantor agencies and amounts pledged for construction of a new building by individual contributors. Management records bad debts using the direct write-off method, and recognizes the expense when a specific receivable is determined to be uncollectible. The effects of using this method approximate those of the allowance method.

Investments

Investments in marketable securities with readily determinable fair values are valued at their fair values in the statement of financial position. Carrying values approximate fair values.

Fixed assets and depreciation

Property and equipment are carried at cost, or if donated, at the estimated fair market value at the date of donation. Depreciation is calculated using the straight-line method at various rates calculated to allocate the cost of the respective items over their estimated useful lives.

NOTE 1: CASH AND CASH EQUIVALENTS

Cash and cash equivalents at December 31, 1998 consist of checking account balances of \$96,567 and certificates of deposit totaling \$279,000, all held in local financial institutions. Balances exceeded insured limits established by the Federal Deposit Insurance Corporation by \$208,221 at December 31, 1998.

NOTE 2: GRANTS AND CONTRIBUTIONS RECEIVABLE

Receivables at December 31, 1998 totaled \$212,555 and consisted of amounts due from governmental agencies, other nonprofit agencies, and various other groups. Management believes these amounts will be fully collectible, and accordingly, no bad debt expense has been recognized.

NOTE 3: ENDOWMENT INVESTMENTS

The Endowment Account was established to account for donations that are donor restricted. These restrictions require that the endowment be maintained in an amount at least equal to the value of the original donation; however, any amounts earned could be used for such purposes as designated by the Board of the Center. Presently, the endowments are invested in various mutual fund shares and shares of stock. The

RIVER OAKS SQUARE ARTS & CRAFT CENTER

NOTES TO FINANCIAL STATEMENTS

FOR THE TWO YEARS ENDED DECEMBER 31, 1998

investment is carried at fair market value. At December 31, 1998 the fair market value of the investments is based upon quoted market prices of those investments.

NOTE 5: PROPERTY AND EQUIPMENT

Property and equipment at December 31, 1997 consists of the following:

Description	Cost	Accumulated Depreciation	Estimated Useful Life
Construction in progress	\$ 291,497	\$ - 0 -	
Equipment	8,347	4,983	10 years
	<u>\$ 299,844</u>	<u>\$ 4,983</u>	

Property and equipment at December 31, 1998 consists of the following:

Description	Cost	Accumulated Depreciation	Estimated Useful Life
Construction in progress	\$ 335,047	\$ - 0 -	
Furnishings and fixtures	551	20	3 - 10 years
Equipment	8,347	6,148	10 years
	<u>\$ 343,945</u>	<u>\$6,168</u>	

Depreciation expense totaled \$1,185 for the year ended December 31, 1998 and totaled \$1,427 for the year ended December 31, 1997.

The Center is currently constructing a new building to house its activities. The funds used for construction have been provided by a capital outlay grant totaling \$250,000 from the State of Louisiana Office of Cultural Affairs and funds raised from various private sources. The funds provided by the State of Louisiana Office of Cultural Affairs were being fully expended in 1997 in accordance with the terms provided for in the intergovernmental agreement between the State and the Center.

NOTE 6: NET ASSETS

In accordance with the requirements of FASB No. 117, net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Center are classified and reported as follows:

Temporarily restricted net assets: Net assets subject to donor imposed restrictions that may or will be met, either by actions of the Center and/or the passage of time. At December 31, 1998, the Center had temporarily restricted net assets expiring in periods after December 31, 1998 totaling \$458,455; these amounts were available for the purposes of constructing a new arts center. Temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released

RIVER OAKS SQUARE ARTS & CRAFT CENTER
NOTES TO FINANCIAL STATEMENTS
FOR THE TWO YEARS ENDED DECEMBER 31, 1998

from restrictions as expenditures relating to construction are incurred. During the years ended December 31, 1997 and 1998, amounts released from restrictions due to the construction activity totaled \$253,761 and \$283,548, respectively.

Permanently restricted net assets. Net assets subject to donor imposed stipulations that they be maintained permanently by the Center are classified as permanently restricted. Generally, income earned on these assets may be used for general and/or specific purposes at the discretion of the Center. The Center is required to maintain the cost of the endowment investments totaling \$56,400. These balances are reported as permanently restricted at December 31, 1998.

ROZIER, HARRINGTON & MCKAY
CERTIFIED PUBLIC ACCOUNTANTS

1487 PETERMAN DRIVE
ALEXANDRIA, LOUISIANA 71301

ROSE B. BROWN, F.Y.C.P.A.
BO TRACY HARRINGTON, C.P.A.
ROSE B. MCKAY, C.P.A.
JIM W. MCKAY, C.P.A.
—-----
LAWRENCE E. MCKAY, C.P.A.

MEMPHIS OFFICE
100 FRENCH BLDG 1100
MEMPHIS, LOUISIANA 71501-1000

TELEPHONE (504) 421-1400
FACSIMILE (504) 421-1407

June 18, 1998

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT ACCOUNTING STANDARDS**

To the Board of Directors
River Oaks Square Arts & Craft Center
Alexandria, Louisiana

We have audited the financial statements of the River Oaks Square Arts & Craft Center, as of and for the two years ended December 31, 1998, and have issued our report thereon dated June 18, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether River Oaks Square Arts & Craft Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with these provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the River Oaks Square Arts & Craft Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving

internal control over financial reporting and its operation that we consider to be material weaknesses.

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

RODIER, HARRINGTON & McKAY
Certified Public Accountants

RIVER OAKS SQUARE ARTS & CRAFT CENTER

Summary of Findings and Questioned Cost For the Two Years Ended December 31, 1998

We were engaged to audit the financial statements of the River Oaks Square Arts & Craft Center as of and for the two years ended December 31, 1998, and have issued our report thereon dated June 18, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Governor's Auditing Standards*, issued by the Comptroller General of the United States. Our report expresses a *qualified* opinion on the financial statements for the two years ending December 31, 1998.

Section I - Summary of Auditor's Results:

- a. The report on internal control and compliance material to the financial statements reported the following items:
 - Internal Control – There were no reportable conditions.
 - Compliance – No noncompliance that is material to the financial statements.
- b. Federal Awards:
 - N/A, Federal Awards received during the years ended December 31, 1998 and 1997 were not sufficient in amount to require a single audit.
- c. Identification of Major Programs:
 - N/A

Section II - Findings Relating to the Financial Statements Which are Required to be Reported in Accordance with Generally Accepted Governmental Auditing Standards:

- None

Section III - Findings and Questioned Costs for Federal Awards Which Shall Include Audit Findings as Defined by OMB Circular A-133:

- None

RIVER OAKS SQUARE ARTS & CRAFT CENTER

**Management's Corrective Action Plan
For the Two Years Ended December 31, 1998**

SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS.	
N/A – No findings of this nature were reported.	Response – N/A
SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS	
N/A – No findings of this nature were reported.	Response – N/A
SECTION III MANAGEMENT LETTER	
N/A – No findings of this nature were reported.	Response – N/A

RIVER OAKS SQUARE ARTS & CRAFT CENTER

Summary of Prior Year Findings and Questioned Cost For the Two Years Ended December 31, 1998

<u>SECTION I</u> INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS	
N/A – No findings of this nature were reported.	Response – N/A
<u>SECTION II</u> INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS	
N/A – No findings of this nature were reported.	Response – N/A
<u>SECTION III</u> MANAGEMENT LETTER	
N/A – No findings of this nature were reported.	Response – N/A