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Financial Report
*The New Orleans Center
for Creative Arts Institute*

June 30, 1999

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the auditor, or reviewed, entity and other appropriate public officials. This 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 1-12-2000

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The New Orleans Center for Creative Arts Institute

June 30, 1999

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FINANCIAL SECTION



Bourgeois Bennett

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statement of financial position of The New Orleans Center for Creative Arts Institute (a nonprofit organization) (formerly known as Friends of the New Orleans Center for Creative Arts) as of June 30, 1999, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the The New Orleans Center for Creative Arts Institute's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The New Orleans Center for Creative Arts Institute as of June 30, 1999, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated October 15, 1999 on our consideration of the The New Orleans Center for Creative Arts Institute's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Bourgeois Bennett, L.L.C.

Certified Public Accountants

New Orleans, La.,
October 15, 1999.

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STATEMENT OF FINANCIAL POSITION

The New Orleans Center for Creative Arts Institute

June 30, 1999

Assets

Cash and cash equivalents	\$ 455,892
Due from State of Louisiana	332,783
Prepaid expenses	4,249
Donated art work	24,620
Property and equipment, net	142,436
Unconditional promises to give:	
Capital Campaign	555,934
Other	81,894
Construction in progress	18,350,316
Land held by the Greater New Orleans Foundation	<u>385,346</u>
Total assets	\$ 20,383,380

Liabilities

Accounts payable and accrued expenses	\$ 439,813
Gift due to others	<u>19,199,517</u>
Total liabilities	<u>19,639,330</u>

Commitments (Note 17)**Net Assets**

Unrestricted	217,578
Temporarily restricted	131,125
Permanently restricted	<u>305,347</u>
Total net assets	<u>654,050</u>
Total liabilities and net assets	\$ 20,383,380

See notes to financial statements.

STATEMENT OF ACTIVITIES

The New Orleans Center for Creative Arts Institute

For the year ended June 30, 1999

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenues				
Support:				
Special events	\$ 188,308			\$ 188,308
Membership	13,470			13,470
Contributions and grants	68,293	\$ 44,544		112,836
Capital Campaign		85,461		85,461
Revenues:				
Interest	14,854			14,854
Investment income including realized and unrealized gains on funds held by the Greater New Orleans Foundation		17,885	\$ 7,064	24,949
Total support and revenues	284,924	147,890	7,064	439,878
Net assets released from restriction:				
Satisfaction of purpose restriction	115,190	(115,190)		-
Satisfaction of time restriction	11,301	(11,303)		-
Total support, revenues and other support	411,424	21,297	7,064	439,785

Exhibit B
(Continued)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Expenses				
Advertising and promotion	336			336
Depreciation	17,649			17,649
Dues and subscriptions	1,798			1,710
Fundraising expenses	27,796			27,716
Insurance	8,165			8,108
Miscellaneous	8,268			8,268
Office expenses	13,246			13,246
Parking and automobile	3,857			3,857
Postage	2,230			2,230
Professional fees	23,918			23,918
Rent	9,182			9,182
Repairs and maintenance	1,626			1,626
Salaries and benefits	75,228			75,228
Scholarships and visiting artists' expenses	37,369			37,369
Telephone	3,728			3,728
Total expenses	<u>253,460</u>	-	-	<u>253,460</u>
Increase in Net Assets	177,968	21,380	7,064	206,418
Net Assets				
Beginning of the year	<u>39,614</u>	<u>169,735</u>	<u>368,283</u>	<u>577,632</u>
End of the year	<u>\$ 217,578</u>	<u>\$ 191,125</u>	<u>\$ 395,347</u>	<u>\$ 744,050</u>

See notes to the financial statements.

STATEMENT OF CASH FLOWS

The New Orleans Center for Creative Arts Institute

For the year ended June 30, 1999

Cash Flows From Operating Activities	
Increase in net assets	\$ 206,418
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	17,949
Income reinvested at Greater New Orleans Foundation	(7,864)
Capital Campaign collections (net of parties recorded as support)	590,338
Amounts received from State of Louisiana (increase in gift due to others)	7,441,457
Construction in progress additions	(6,558,488)
Increase in unconditional promises to give - other	(77,931)
Increase in prepaid expenses	(1,868)
Increase in donated art	(17,129)
Decrease in accounts payable and accrued expenses	<u>1828,419</u>
Net cash provided by operating activities	345,622
Cash Flows From Investing Activities	
Purchase of property and equipment	<u>(138,356)</u>
Net Increase in Cash and Cash Equivalents	86,273
Cash and Cash Equivalents	
Beginning of the year	<u>369,620</u>
End of the year	<u>\$ 455,893</u>

See notes to the financial statements.

NOTES TO FINANCIAL STATEMENTS**The New Orleans Center for Creative Arts Institute**

June 30, 1999

Note 1 - NATURE OF ACTIVITIES

The New Orleans Center for Creative Arts Institute (the NOCCA Institute) (formerly known as Friends of the New Orleans Center for Creative Arts) 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 NOCCA Institute funds various classes and workshops and provides financial aid to certain disadvantaged young artists enrolled in the program. The NOCCA Institute is acting as the planner, facilitator, developer and fund raiser to provide a new facility for the New Orleans Center for Creative Arts, to be gifted to and owned and operated by the Orleans Parish School Board and/or the State of Louisiana for regional arts education.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**a) Organization and Income Taxes**

The New Orleans Center for Creative Arts Institute 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, 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. 47:134(5).

b) Basis of Accounting

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

Note 1- 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 these estimates.

d) Promises to Give

Contributions are recognized when a donor makes a promise to give to the NOCCA Institute 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, 1999, promises to give include amounts due to the NOCCA Institute 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 8 and 12, the NOCCA Institute has entered into a cooperative endeavor agreement for the construction of this new facility. Under this agreement, the NOCCA Institute is acting in an agency/intermediary capacity. Promises to give were recognized as assets and a corresponding liability (gift due to others) under this relationship. Other promises to give relate to a donation of office space and a legacy described in Note 3.

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.

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.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) **Contributions and Revenue Recognition (Continued)**

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 \$85,461 for the year ended June 30, 1999.

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 12) are recognized as a receivable and liability (gift due to others) when an application for reimbursement is submitted to the State. Reimbursements totaling \$332,363 were outstanding at June 30, 1999.

g) **Donated Art**

The NOCCA Institute capitalized donated art work which is valued at management's best estimate of net realizable value. Works of art are not depreciated by the NOCCA Institute.

h) **Property and Equipment**

Property and equipment acquisitions are recorded at cost except for those donated to the NOCCA Institute, 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.

Due to the terms of a line of credit entered into with Bank One, all future fixtures and equipment purchased for the New Orleans Center for Creative Arts will remain the property of the NOCCA Institute until such time as the credit line is paid in full.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Property and Equipment (Continued)

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, 1999 was \$17,949. Accumulated depreciation at June 30, 1999 was \$22,579.

i) In-kind Support

The NOCCA Institute recorded the value of in-kind support related to the free use of its office facilities, which amounted to \$23,819 for the period from April 1, 1997 to March 31, 1998. The portion related to the fiscal year ended June 30, 1999 of \$8,324 has been reported as a release from restriction, satisfaction of time restriction on the reinvestment of activities. As of April 1999, the lease changed to a month-to-month basis. Additional in-kind rent revenue received from April to June was \$2,977.

j) Construction in Progress

Construction in progress includes all costs incurred by the NOCCA Institute 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.

k) Capitalized Interest

The NOCCA Institute follows the policy of capitalizing interest as a component of construction in progress (Note 3j).

l) Cash and Cash Equivalents

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

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Financial Statement Presentation

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 NOCCA Institute 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.

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 and/or the State of Louisiana 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, 1999 are summarized as follows:

Cash and cash equivalents	\$ 243,767
Donated art work	7,500
Unconditional promises to give -	
Capital Campaign	585,934
Construction in progress	<u>18,138,216</u>
Total assets	19,188,217
Less liability - gift due to others	<u>19,188,217</u>
Net assets	\$ _____

Note 3 - RESTRICTIONS ON ASSETS (Continued)

Temporarily restricted net assets at June 30, 1999 are available for the following purposes or periods:

Artists in residence	\$ 33,941
Charitable remainder trust	39,289
Grants	19,808
Scholarships	...38,096
Total	\$131,134

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, 1999, unconditional promises to give consist of the following:

Capital Campaign restricted for building construction	\$654,354
Charitable remainder trust	20,000
Grants receivable	...42,524
Gross unconditional promises to give	716,878
Less unexercised discount	...(68,140)
Net unconditional promises to give	\$648,738
Amounts due in:	
Less than one year	\$133,378
One to five years	342,250
Over five years	...81,250
Total	\$746,878

Note 5 - LEGACY

The NOCCA Institute is a residuary principal beneficiary of a fractional interest of a charitable remainder trust of an anonymous donor. The Trustee has placed a value of approximately \$50,000 on the NOCCA Institute's fractional interest in trust's assets at June 30, 1999.

Note 6 - FUNDS HELD BY THE GREATER NEW ORLEANS FOUNDATION

The NOCCA Institute 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 5% of the previous twelve quarters average fund balance. Any unexpended income is reinvested in the endowment and is classified as permanently restricted.

Note 7 - CAPITAL CAMPAIGN

In 1992, the NOCCA Institute 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, 1999, \$4,272,854, has been raised, including cash realized 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, 1998:	
Cash received	\$2,775,544
In-kind building donation	125,000
In-kind services	82,257
Art object donated	7,500
In-kind furniture and fixture donation	12,000
Cash received during the year ended June 30, 1999	616,199
Unconditional promises to give at June 30, 1999	654,254
Total	\$4,272,854

Note 7 - CAPITAL CAMPAIGN (Continued)

Total amount raised through June 30, 1999	\$4,272,854
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, 1999	(85,461)
Prior periods	(615,740)
Unamortized discount on unconditional promises to give	—(38,420)
 Amount reported as a component of the gift due to others	 <u>\$3,513,233</u>

Note 8 - GIFT DUE TO OTHERS

As discussed in Note 13, the NOCCA Institute 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 gifted to the Orleans Parish School Board which agrees to own and operate the New Orleans Center for Creative Arts as a regional resource. Under the terms of this agreement, the NOCCA Institute 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, gift due to the others.

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 gift due to others is comprised of the following:

Capital Campaign	\$ 3,513,233
State of Louisiana reimbursements	_15,686,288
 Total	 <u>\$19,199,517</u>

Note 8 - GIFT DUE TO OTHERS (Continued)

The NOCCA Institute is currently operating under the existing cooperative endeavor as stated; however, there have been indications by the Commissioner of Administration for the State of Louisiana that the State may demand the facility be transferred to the State instead of to the Orleans Parish School Board. At this time, negotiations are underway between the State and the School Board as to final transfer and ownership stipulations.

Note 9 - FUNCTIONAL ALLOCATION OF EXPENSES

Expenses have been reported on the statement of activities by natural classification for the year ended June 30, 1999. 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 NOCCA Institute.

Total expenses for the year ended June 30, 1999 are allocated as follows:

Program services	\$ 27,616
Supporting services:	
Management and general	54,564
Fundraising	120,860
Total expenses	<u>\$203,040</u>

Note 10 - STATEMENT OF CASH FLOWS

As required by generally accepted accounting principles, cash flows related to the funding and construction of the building to be gifted to and for the benefit of the Orleans Parish School Board or the State of Louisiana as a regional resource have been reported as operating activities.

Note 11 - CONCENTRATION OF CREDIT RISK

The NOCCA Institute 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 or up to \$500,000 per investment brokerage firm (with a limit of \$100,000 for cash) by the Securities Investor Protection Corporation. At June 30, 1999, the NOCCA Institute had approximately \$294,000 in excess of the insured limits.

Note 12 - COMMITMENTS

The NOCCA Institute 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 gifted to, owned, and operated by the Orleans Parish School Board or the State of Louisiana as a regional resource. According to the terms of the agreement, the NOCCA Institute will be responsible for the administration of the construction project including land acquisition, building design and construction oversight.

The estimated project cost is \$23,182,800, per the fourth amended cooperative endeavor agreement dated May 6, 1999. The State of Louisiana has agreed to provide \$17,918,000 of funding derived from the sale of general obligation bonds of the State. The NOCCA Institute is responsible for the remaining portion of \$5,264,800. As of October 15, 1999, the NOCCA Institute has not received a determination from the State of Louisiana as to how much of the \$5,264,800 has been satisfied by prior capitalized expenditures paid by the NOCCA Institute which are included in construction in progress. The construction in progress balance of \$18,250,316 at June 30, 1999 has been funded by \$15,686,264 from State of Louisiana reimbursements and \$2,664,052 from the NOCCA Institute's funds.

SPECIAL REPORT OF CERTIFIED PUBLIC ACCOUNTANT



BearingPoint Bennett

**REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF THE FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of
The New Orleans Center for Creative Arts Institute,
New Orleans, Louisiana

We have audited the financial statements of The New Orleans Center for Creative Arts Institute (a nonprofit organization) (the NOCCA Institute), as of and for the year ended June 30, 1999, and have issued our report thereon, dated October 15, 1999. We conducted our audit in accordance with generally accepted auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the NOCCA Institute's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, 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 audits, we considered the NOCCA Institute's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose 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 general purpose 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 over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board of Trustees, management, the State of Louisiana and the Legislative Auditor for the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.

Bouygis Bennett, L.L.C.

Certified Public Accountant.

New Orleans, La.,
October 15, 1999.

SCHEDULE OF FINDINGS

The New Orleans Center for Creative Arts Institute

For the year ended June 30, 1999

Section I - Summary of Auditor's Report

a) Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Reportable condition(s) identified that are not considered to be material weakness yes none reported

Noncompliance material to financial statements noted? yes no

b) Federal Awards

The New Orleans Center for Creative Arts Institute did not receive federal awards during the year ended June 30, 1999.

Section II - Financial Statement Findings

There were no financial statement findings noted during the audit for the year ended June 30, 1999.

Section III - Federal Award Findings and Questioned Costs

Not applicable.

REPORTS BY MANAGEMENT

SCHEDULE OF PRIOR YEAR FINDINGS

The New Orleans Center for Creative Arts Institute

For the year ended June 30, 1999

Section I - Internal Control and Compliance Material to the Financial Statements

Internal Control

No material weaknesses were noted during the audit for the year ended June 30, 1998.

No reportable conditions were reported during the audit for the year ended June 30, 1998.

Compliance

No compliance findings material to the general-purpose financial statements were noted during the audit for the year ended June 30, 1998.

Section II - Internal Control and Compliance Material To Federal Awards

The New Orleans Center for Creative Arts Institute did not receive federal awards during the year ended June 30, 1998.

Section III - Management Letter

A management letter was not issued in connection with the audit for the year ended June 30, 1998.

MANAGEMENT'S CORRECTIVE ACTION PLAN

The New Orleans Center for Creative Arts Institute

For the year ended June 30, 1999

Section I - Internal Control and Compliance Material to the Financial Statements

Internal Control

No material weaknesses were noted during the audit for the year ended June 30, 1999.

No reportable conditions were reported during the audit for the year ended June 30, 1999.

Compliance

No compliance findings material to the general-purpose financial statements were noted during the audit for the year ended June 30, 1999.

Section II - Internal Control and Compliance Material To Federal Awards

The New Orleans Center for Creative Arts Institute did not receive federal awards during the year ended June 30, 1999.

Section III - Management Letter

A management letter was not issued in connection with the audit for the year ended June 30, 1999.