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SHREVEPORT REGIONAL ARTS COUNCIL

SHREVEPORT, LOUISIANA

JUNE 30, 1998

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SHREVEPORT REGIONAL ARTS COUNCIL

SHREVEPORT, LOUISIANA

TABLE OF CONTENTS

AUDITED FINANCIAL STATEMENTS

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements:	
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Notes to Financial Statements	5-7

OTHER FINANCIAL INFORMATION

Schedule of Changes in Net Assets by Program	8
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	9
Schedule of Findings and Questioned Costs	10
Schedule of Prior Year Findings	11

AUDITED FINANCIAL STATEMENTS

September 3, 1998

The Board of Directors
Shreveport Regional Arts Council
Shreveport, Louisiana

Independent Auditors' Report

We have audited the statement of financial position of the Shreveport Regional Arts Council at June 30, 1998, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of Shreveport Regional Arts Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Shreveport Regional Arts Council at June 30, 1998, and the results of its operations and its cash flows for the year then ended, in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements of Shreveport Regional Arts Council taken as a whole. The accompanying Schedule of Changes in Net Assets by Program on Page 8 for the year ended June 30, 1998, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 3, 1998, on our consideration of the Council's internal control structure and on its compliance with laws and regulations.

Heard, McElroy + Vestal, LLP

SHREVEPORT REGIONAL ARTS COUNCIL

STATEMENT OF FINANCIAL POSITION

AT JUNE 30, 1998

A S S E T S

Current assets:

Cash and cash equivalents-Notes 5 and 9	329,404
Investments-Notes 5 and 9	<u>773,691</u>
Total cash and investments	1,103,095
Grants receivable	331,785
Other receivables	147,424
Prepaid insurance	10,669
Prepaid expenses-Christmas in the Sky	<u>24,115</u>
Total current assets	1,617,088

Equipment (less accumulated depreciation of \$56,145) 79,154

Other assets:

Deposits	700
Investment in auction items	<u>9,500</u>
Total other assets	<u>10,200</u>

Total assets 1,706,442

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	38,020
Grants payable	36,371
Accrued expenses-Note 6	<u>9,580</u>
Total current liabilities	83,971

Net assets:

Unrestricted:	
Designated-Note 9	789,072
Undesignated	<u>467,899</u>
Total unrestricted	1,256,971
Temporarily restricted	<u>365,500</u>
Total net assets	<u>1,622,471</u>

Total liabilities and net assets 1,706,442

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

SHREVEPORT REGIONAL ARTS COUNCIL

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 1998

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>Support and revenue:</u>			
Admission sales and concessions, net of expenses of \$83,965	120,172	-	120,172
Tuition and fees	58,595	-	58,595
Individual contributions:			
Memberships	14,237	-	14,237
Other	7,675	28,750	36,425
Business and industry contributions	59,250	235,510	294,760
Foundation grants	13,750	5,000	18,750
Government grants:			
City of Shreveport	131,250	258,750	390,000
Louisiana Division of the Arts	126,495	299,833	426,328
National Endowment for the Arts	-	155,000	155,000
Other	870	-	870
In-kind donations	10,800	26,000	36,800
Investment income	66,936	5,384	72,320
Unrealized gains on investments	46,501	-	46,501
Miscellaneous income	21,694	-	21,694
Total support and revenue	<u>678,225</u>	<u>1,014,227</u>	<u>1,692,452</u>
<u>Net assets released from restrictions</u>	1,101,307	(1,101,307)	-
<u>Expenses:</u>			
Program services:			
Artbreak	122,556	-	122,556
Arts in Education	60,391	-	60,391
Community Cultural Plan	53,658	-	53,658
Downtown Neon Saturday Nights	111,632	-	111,632
Decentralized Arts Funding	293,285	-	293,285
NEA programs	428,853	-	428,853
Other programs	153,488	-	153,488
Supporting services:			
Administrative and general	364,368	-	364,368
Total expenses	<u>1,588,231</u>	<u>-</u>	<u>1,588,231</u>
<u>Change in net assets</u>	191,301	(87,080)	104,221
<u>Net assets-beginning of year</u>	<u>1,065,670</u>	<u>452,580</u>	<u>1,518,250</u>
<u>Net assets-end of year</u>	<u>1,256,971</u>	<u>365,500</u>	<u>1,622,471</u>

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

SHREVEPORT REGIONAL ARTS COUNCIL

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 1998

<u>Cash flows from operating activities:</u>	
Change in net assets	104,221
Adjustments to reconcile change in net assets to net cash (used) by operating activities:	
Depreciation expense	17,911
Realized gain on sale of investments	(4,818)
Unrealized gains on investments	(46,501)
Contribution of fixed assets and auction items	(10,800)
(Increase) in grants receivable	(225,433)
(Increase) in other receivables	(97,271)
(Increase) in prepaid insurance	(691)
(Increase) in prepaid expenses-Christmas in the Sky	(24,115)
Increase in grants payable	9,276
Increase in accrued expenses	1,757
Increase in accounts payable	<u>18,264</u>
Total adjustments	<u>(362,421)</u>
Net cash (used) by operating activities	(258,200)
<u>Cash flows used by investing activities:</u>	
Fixed asset purchases	(26,020)
Proceeds from sale of investments	120,191
Purchase of investments	(225,444)
Payment of deposit	<u>(500)</u>
Net cash (used) by investing activities	<u>(131,773)</u>
<u>Net (decrease) in cash and cash equivalents</u>	(389,973)
<u>Cash and cash equivalents at beginning of year</u>	<u>719,377</u>
<u>Cash and cash equivalents at end of year</u>	<u><u>329,404</u></u>

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

SHREVEPORT REGIONAL ARTS COUNCIL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1998

1. Nature of Business

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

2. Summary of Significant Accounting Policies

Basis of Presentation - The financial statements of the Council are prepared on the accrual basis. Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Council is required to report information regarding its financial position and activities according to three classes of net assets:

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

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

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

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

The Council has adopted SFAS No. 116, Accounting for Contributions Received and Contributions Made. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor-imposed restrictions. Contributions are recognized when the donor makes a promise to give to the Council that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Investments - Investments are stated at fair market value, based on quoted market prices.

2. Summary of Significant Accounting Policies (Continued)

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

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

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

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

3. Agreements for Services

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

4. Commitments and Contingencies

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

5. Cash and Investments

At June 30, 1998, cash and investments consisted of the following:

	<u>Cost</u>	<u>Market Value</u>
Cash and cash equivalents	329,404	329,404
Investments: Fixed income mutual funds	394,681	401,838
Equity mutual funds	293,352	371,853
	<u>1,017,437</u>	<u>1,103,095</u>

The Council had demand deposits in a bank in excess of federally insured limits of \$124,959. The investment in mutual funds (\$789,072) was also uninsured, making a total of \$914,031 in off-balance sheet risk. Realized gains were \$4,818 and unrealized gains were \$46,501 for the year.

6. Accrued Absences

The Council's policy is to pay employees upon termination for vacation time accrued up to 80 hours maximum per employees with ten years experience and 120 hours for employees with over ten years experience. An accrued liability for vacation time is reflected in the financial statements at June 30, 1998.

7. Change in Accounting Principle

In 1997, the Council began recording investments at fair value, in accordance with Statement of Financial Accounting Standards No. 124, Accounting for Certain Investments Held by Not-for-Profit Organizations. Unrealized gains or losses are recorded in the Statement of Activities, if applicable. For 1997, the cumulative effect of the accounting change was \$5,242.

8. Operating Lease

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

The Council also leases a copier under a 60-month lease with monthly payments of \$558. Following is a summary of future minimum lease payments as of June 30, 1998:

Year Ending June 30,

1999	6,696
2000	6,696
2001	6,135
2002	-
2003	-
	<u>19,527</u>

9. Designated Net Assets

The Board of Directors designated cash and investments totaling \$789,072 to insure that the Council's resources will remain stable regardless of potential changes in public or private funding. It is the intent of the Board to establish a fund totaling \$1,000,000 by the year 2004.

10. Employees' Retirement Plan

Shreveport Regional Arts Council has established a Simple Retirement Account plan as of June 1, 1997, for its full and part-time employees. An employee is eligible to participate in any calendar year if he or she received at least \$5,000 of compensation during each of the two preceding calendar years and is reasonably expected to receive at least \$5,000 in compensation during the current calendar year. Participation is voluntary, and the employee may contribute up to \$6,000 per year. The Council matches the employee's contribution up to 3% of his annual compensation, or \$6,000 whichever is less. The contribution charged to expense for the year ended June 30, 1998 was \$8,650.

OTHER FINANCIAL INFORMATION

SHREVEPORT REGIONAL ARTS COUNCIL

SCHEDULE OF CHANGES IN NET ASSETS BY PROGRAM

FOR THE YEAR ENDED JUNE 30, 1998

	<u>General and Administrative</u>	<u>Artbreak</u>	<u>Arts in Education</u>
<u>Support and revenue:</u>			
Admission sales and concessions	243	25,217	-
Tuition and fees	2,790	600	53,948
<u>Individual contributions:</u>			
Memberships	14,237	-	-
Other	-	7,675	-
Business and industry contributions	-	59,250	-
Foundation grants	-	13,750	-
<u>Government grants:</u>			
City of Shreveport	131,250	-	-
National Endowment for the Arts	-	-	-
Louisiana Division of the Arts	122,495	4,000	-
Other	-	870	-
In-kind donations	10,800	-	-
Investment income	66,936	-	-
Unrealized gains on investments	46,501	-	-
Miscellaneous income	12,713	-	-
Total support and revenue	<u>407,965</u>	<u>111,362</u>	<u>53,948</u>
<u>Expenses:</u>			
Bank charges	330	-	-
Contract labor	6,976	-	-
Depreciation expense	17,911	-	-
Professional services	14,276	34,031	33,834
Salaries	153,290	27,580	18,720
Employee benefits	36,636	-	-
Payroll taxes	21,976	-	-
Taxes-other	3,015	-	-
Repair and maintenance	5,837	-	-
Equipment and facility rentals	11,295	6,872	-
Security	-	5,370	-
<u>Travel:</u>			
Staff and board	16,380	5,916	-
Program	-	-	5,009
Promotion and printing	17,583	8,752	-
Postage and telephone	14,890	1,314	651
Supplies and materials	3,152	19,868	1,268
Insurance expense	10,140	2,931	-
Interest expense	224	-	-
Grants to other agencies	-	-	-
Miscellaneous expense	3,560	632	-
Office	20,774	2,439	83
Awards	201	6,841	-
Dues and subscriptions	4,994	10	826
Utilities	928	-	-
Total expenses	<u>364,368</u>	<u>122,556</u>	<u>60,391</u>
<u>Change in net assets</u>	<u>43,597</u>	<u>(11,194)</u>	<u>(6,443)</u>

<u>Regrants, Panels and Other Programs</u>	<u>Community Cultural Plan</u>	<u>Downtown Neon Saturday Nights</u>	<u>Decentralized Arts Funding</u>	<u>NEA Programs</u>	<u>Total</u>
-	-	2,499	-	92,213	120,172
155	-	1,102	-	-	58,595
-	-	-	-	-	14,237
-	-	-	-	28,750	36,425
-	-	52,135	-	183,375	294,760
-	-	-	-	5,000	18,750
143,750	100,000	-	-	15,000	390,000
-	-	-	-	155,000	155,000
-	-	-	299,833	-	426,328
-	-	-	-	-	870
5,000	-	-	-	21,000	36,800
155	3,493	-	1,736	-	72,320
-	-	-	-	-	46,501
<u>7,919</u>	<u>1,062</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,694</u>
<u>156,979</u>	<u>104,555</u>	<u>55,736</u>	<u>301,569</u>	<u>500,338</u>	<u>1,692,452</u>
36	1,312	167	-	456	2,301
-	-	-	-	15,214	22,190
-	-	-	-	-	17,911
30,045	-	43,808	1,239	212,181	369,414
-	49,500	26,911	34,577	4,178	314,756
-	-	-	-	-	36,636
-	-	2,785	-	-	24,761
-	-	615	-	228	3,858
3,585	1,000	1,100	-	1,190	12,712
7,080	-	1,577	-	26,491	53,315
-	-	4,710	-	1,335	11,415
-	-	1,723	2,628	-	26,647
1,611	-	-	-	7,001	13,621
5,293	85	13,650	-	27,560	72,923
125	834	939	1,155	8,242	28,150
3,031	462	4,056	108	114,984	146,929
418	-	3,908	-	3,885	21,282
-	-	-	-	-	224
101,256	-	-	252,656	-	353,912
-	-	266	595	1,718	6,771
478	455	2,349	327	1,775	28,680
150	-	-	-	-	7,192
330	10	-	-	191	6,361
<u>50</u>	<u>-</u>	<u>3,068</u>	<u>-</u>	<u>2,224</u>	<u>6,270</u>
<u>153,488</u>	<u>53,658</u>	<u>111,632</u>	<u>293,285</u>	<u>428,853</u>	<u>1,588,231</u>
<u>3,491</u>	<u>50,897</u>	<u>(55,896)</u>	<u>8,284</u>	<u>71,485</u>	<u>104,221</u>

September 3, 1998

The Board of Directors
Shreveport Regional Arts Council
Shreveport, Louisiana

Report on Compliance and on Internal Control Over Financial
Reporting Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

We have audited the financial statements of Shreveport Regional Arts Council as of and for the year ended June 30, 1998, and have issued our report thereon dated September 3, 1998. 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 the financial statements of Shreveport Regional Arts Council 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 those 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 internal control over financial reporting of Shreveport Regional Arts Council 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 the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

Heard, McElroy & Vestal, LLP

SHREVEPORT REGIONAL ARTS COUNCIL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 1998

We have audited the financial statements of Shreveport Regional Arts Council as of and for the year ended June 30, 1998, and have issued our report thereon dated September 3, 1998. 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. Our audit of the financial statements as of June 30, 1998 resulted in an unqualified opinion.

Section I - Summary of Auditor's Reports

a. *Report on Internal Control and Compliance Material to the Financial Statements*

Internal Control - No material weakness or reportable condition was noted; no management letter was issued.

Compliance - no material noncompliance was noted.

b. *Federal Awards* - No major program.

Section II - Financial Statement Findings

No matters were reported.

SHREVEPORT REGIONAL ARTS COUNCIL

SCHEDULE OF PRIOR YEAR FINDINGS

YEAR ENDED JUNE 30, 1998

No prior year findings were reported.