

ARTHUR ANDERSEN LLP

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CONTEMPORARY ARTS CENTER
FINANCIAL STATEMENTS
AS OF JUNE 30, 1997
TOGETHER WITH AUDITORS' REPORT

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 NOV 12 1997

CONTEMPORARY ARTS CENTER

FINANCIAL STATEMENTS

AS OF JUNE 30, 1997

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ARTHUR ANDERSEN LLP

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors of the
Contemporary Arts Center:

We have audited the accompanying statement of financial position of the Contemporary Arts Center (the "Center" - a Louisiana not-for-profit corporation) as of June 30, 1997, and the related statements of activities and cash flows for the year then ended. These financial statements and the supplemental schedules referred to below are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements and supplemental schedules 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 Center as of June 30, 1997, 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 September 19, 1997 on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and grants.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Center taken as a whole. The Supplemental Schedule of Departmental Activity is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in our 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, the Center changed its method of accounting for investments in 1997 to comply with provisions of Statement No. 124 of the Financial Accounting Standards Board.



New Orleans, Louisiana,
September 19, 1997

CONTEMPORARY ARTS CENTER
STATEMENT OF FINANCIAL POSITION

JUNE 30, 1997

<u>ASSETS</u>	<u>Unrestricted Fund</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
CURRENT ASSETS:				
Cash and cash equivalents	\$ 17,632	\$ 21,720	\$ 20,233	\$ 59,585
Pledges and grants receivable	18,926	70,000	30,000	118,926
Due from other funds	-	72,768	-	72,768
Prepaid expenses	<u>14,222</u>	<u>-</u>	<u>-</u>	<u>14,222</u>
Total current assets	<u>50,780</u>	<u>164,488</u>	<u>50,233</u>	<u>265,501</u>
FIXED ASSETS, net of depreciation	1,685,635	-	-	1,685,635
ART COLLECTION	91,276	-	-	91,276
INVESTMENTS	-	-	98,186	98,186
LONG-TERM RECEIVABLE	-	46,083	46,083	92,166
OTHER ASSETS	<u>7,557</u>	<u>-</u>	<u>-</u>	<u>7,557</u>
Total assets	<u>\$1,835,248</u>	<u>\$ 210,571</u>	<u>\$ 194,502</u>	<u>\$2,240,321</u>
 <u>LIABILITIES AND FUND BALANCES</u>				
CURRENT LIABILITIES:				
Accounts payable and accrued expenses	\$ 146,625	\$ -	\$ -	\$ 146,625
Notes payable (Note 3)	112,984	-	-	112,984
Due to other funds	<u>72,768</u>	<u>-</u>	<u>-</u>	<u>72,768</u>
Total current liabilities	<u>332,377</u>	<u>-</u>	<u>-</u>	<u>332,377</u>
FUND BALANCES:				
Permanently restricted	-	-	194,502	194,502
Temporarily restricted	-	210,571	-	210,571
Unrestricted	<u>1,502,871</u>	<u>-</u>	<u>-</u>	<u>1,502,871</u>
Total fund balances	<u>1,502,871</u>	<u>210,571</u>	<u>194,502</u>	<u>1,907,944</u>
Total liabilities and fund balances	<u>\$1,835,248</u>	<u>\$ 210,571</u>	<u>\$ 194,502</u>	<u>\$2,240,321</u>

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

CONTEMPORARY ARTS CENTER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

	Fund	Restricted	Restricted	Total
SUPPORT AND REVENUE:				
Contributions (Note 4)	\$ 607,130	\$ 124,583	\$ 106,083	\$ 837,796
Contributions in kind (Note 4)	221,548	-	-	221,548
Restricted and program services grants	45,179	-	-	45,179
Membership dues	158,000	-	-	158,000
Admissions, workshop fees, meetings and conferences	178,354	-	-	178,354
Special fund-raising events, admissions	113,860	-	-	113,860
Sales of art, catalogs and subscriptions	67,403	-	-	67,403
Refreshment sales	37,447	-	-	37,447
Investment income	1,115	-	4,413	5,528
Other	20,440	500	-	20,940
Total support and revenue before net assets released from restrictions	1,450,476	125,083	110,496	1,686,055
NET ASSETS RELEASED FROM RESTRICTIONS	36,138	(40,275)	4,137	-
Total support and revenue	<u>1,486,614</u>	<u>84,808</u>	<u>114,633</u>	<u>1,686,055</u>
EXPENSES:				
Salaries	520,326	-	-	520,326
Payroll taxes	49,577	-	-	49,577
Employee benefits	30,043	-	-	30,043
Value of in kind contributions	221,548	-	-	221,548
Artist fees	52,525	-	-	52,525
Telephone and utilities	81,687	-	-	81,687
Supplies	63,411	-	-	63,411
Printing, publications, films, etc.	81,523	-	-	81,523
Security and insurance	52,579	-	-	52,579
Cost of goods sold	46,733	-	-	46,733
Postage and shipping	44,390	-	-	44,390
Refreshment expense	23,375	-	-	23,375
Information processing and other services and rentals	29,361	-	-	29,361
Meetings and conferences, including related travel	24,602	-	-	24,602
Interest expense	21,400	-	-	21,400
Program and royalty fees	6,063	-	-	6,063
Bad debt expense	88,908	-	-	88,908
Other expenses	60,810	-	-	60,810
	<u>96,959</u>	<u>-</u>	<u>466</u>	<u>97,425</u>
Total expenses before depreciation	1,595,820	-	466	1,596,286
Excess of support and revenue over expenses before depreciation	(109,206)	84,808	114,167	89,769
DEPRECIATION EXPENSE	78,252	-	-	78,252
Excess (deficiency) of support and revenue over expenses	(187,458)	84,808	114,167	11,517
CHANGE IN UNREALIZED GAINS ON INVESTMENTS	-	-	6,693	6,693
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE (Note 1)	-	-	26,280	26,280
Net change in fund balance	(187,458)	84,808	147,140	44,490
FUND BALANCES, beginning of period	1,690,329	125,763	47,362	1,863,454
FUND BALANCES, end of period	<u>\$1,502,871</u>	<u>\$ 210,571</u>	<u>\$194,502</u>	<u>\$1,907,944</u>

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

CONTEMPORARY ARTS CENTER

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 1997

	1997
CASH FLOWS FROM OPERATING AND CAPITAL FUND-RAISING ACTIVITIES:	
Excess of revenues over expenses	\$ 11,517
Charges to operations not using cash-	
Depreciation	78,252
(Increase) in pledges, grants and contributions receivable	(92,614)
(Increase) in long-term receivables	(92,166)
Decrease in prepaid expenses	12,084
Decrease in other assets	61,060
Increase in accounts payable and accrued expenses	7,112
Net cash provided by operating and capital fund-raising activities	(14,755)
CASH FLOWS FOR INVESTING ACTIVITIES:	
Purchase of equipment	(8,023)
Increase in endowment fund and other investments	(17,851)
Net cash used in investing activities	(25,874)
CASH FLOWS FOR FINANCING ACTIVITIES:	
Payments on notes payable	(48,937)
Net cash provided by financing activities	(48,937)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(89,566)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	149,151
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 59,585

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

CONTEMPORARY ARTS CENTER

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 1997

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Contemporary Arts Center (the "Center") is a multi-disciplinary organization dedicated to presenting the works of local, regional, national and international artists. The Center offers a year-round calendar of exhibitions, performances and educational programs designed to engage diverse public audiences of all ages, while providing technical and development support for local artists.

The financial statements of the Center have been prepared on the accrual basis of accounting. Significant accounting policies are summarized below.

Fund Accounting

The Center provides for funds according to three classes of net assets - permanently restricted, temporarily restricted and unrestricted to comply with limitations and restrictions placed on the use of resources by the donor.

Equipment and Leasehold Improvements

Equipment and leasehold improvements are stated at acquisition cost or, in the case of gifts, fair value at the date of donation. Major additions are capitalized; maintenance and repairs which do not improve or extend the life of the respective asset are charged to expense. Contributions received in aid of construction are credited to contribution revenues and included in the cost of the assets acquired with such contributions. Depreciation is provided to relate the cost of depreciable assets to operations over their estimated service lives on a straight-line basis.

Fixed assets consist of the following:

	<u>Unrestricted</u>
Equipment	\$ 189,353
Building	2,183,988
Accumulated depreciation	<u>(687,706)</u>
Net	<u>\$ 1,685,635</u>

Art Collection

The Center commissioned several works of art which are housed in the building at 900 Camp Street and are carried in the accompanying financial statements at cost. The Center does not record depreciation on the art collection as depreciation is not required to be recognized under generally accepted accounting principles on individual works of art or historical treasures whose economic benefit or service potential is used up so slowly that their estimated useful lives are extraordinarily long.

Gifts, Grants and Pledges

Gifts, grants and pledges are recorded in the three classes of net assets in accordance with the restriction of the donors. Non-cash gifts and grants are recorded as revenue at fair market value at the date contributed, if an objective valuation is determinable. Pledged contributions are recorded as receivables when a firm pledge is made and collectibility is reasonably determinable. If a pledge is to be received over a period of more than a year, the respective non-current amount is recorded as a non-current receivable.

Donated Materials and Services

Certain donated materials and services are reflected as contributions in the accompanying statements at their estimated fair values at the date of receipt. In addition, a substantial number of unpaid volunteers have donated significant amounts of their time to the development of the Center's program services and in its fund-raising campaigns; these services have not been recorded as contributions since there is no objective basis to measure their value.

Investments

Effective July 1, 1996, the Center changed its accounting for investments to fair value in accordance with Financial Accounting Standards Board Statement No. 124 entitled "Accounting for Certain Investments held by Not-for-Profit Organizations." The cumulative effect of the change as of July 1, 1996 is shown in the current year Statement of Activities. Changes in unrealized gains and losses are included in the change in fund balance in the accompanying Statement of Activities.

Gains and losses from the sale or other disposition of investments and other noncash assets are accounted for in the classification that reported the assets. Ordinary income from investments is accounted for in the classification reporting the assets.

Interfund Receivables and Payables

Use of unrestricted or restricted funds for building or operating purposes is accounted for through due to and due from accounts in the respective funds. Advances between funds which are not expected to be repaid are accounted for as transfers. When repayment is expected, the advances are accounted for through the due to and due from accounts.

Income Taxes

The Center is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and, accordingly, no provision for income taxes has been reflected in the financial statements.

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 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.

2. PERMANENTLY RESTRICTED FUND:

During 1987, the Center was awarded a restricted challenge grant of \$25,000. Under the terms of the grant, the Center was required to deposit the funds for investment with the Greater New Orleans Regional Foundation. In addition, the Center was originally required to match the grant by 150%, or \$37,500, through its own fund-raising efforts. The original deadline for this match was July 1, 1989. As of June 30, 1997, the Center has met the matching fund requirements. Future earnings from the combined grant will become unrestricted funds available to the Center and the principal balance will be irrevocably endowed. The grant earned \$11,106 in 1997 which is comprised of realized and unrealized gains and is recorded in Permanently Restricted Assets.

3. NOTES PAYABLE:

Notes payable consist of the following:

Note payable to a bank dated May 16, 1996, bearing interest at 1% above the prime rate (9.5% at June 30, 1997), interest payable monthly, due August 14, 1997	\$ 51,484
Note payable to a corporation, dated November 28, 1995, bearing no interest, due on demand	50,000
Note payable to a corporation, dated August 7, 1995, bearing no interest, due on demand	<u>11,500</u>
Total notes payable	\$112,984

The notes dated November 28, 1995 and August 7, 1995, are payable to an entity controlled by a member of the Board of Directors. Although the due dates for the notes have expired, no demand for payment has been made.

4. RELATED-PARTY TRANSACTIONS:

A company controlled by a member of the Center's Board of Directors leases a portion of the building at 900 Camp Street to the Center pursuant to a lease which initially expired in December 1992. Monthly rentals began in January 1993 and the lease provides the Center with the option to renew the lease for three successive five-year periods beginning in 1993. The first renewal option (January 1993 to December 1997) calls for annual rentals of \$45,820, the second option (January 1998 to December 2002) calls for annual rentals of \$91,640, and the final renewal option (January 2003 to December 2007) calls for annual rentals of \$137,460. The Center exercised its first renewal option in fiscal year 1993. On December 2, 1994, the lease was amended such that no rent, other than \$1,185 monthly for maintenance and insurance, is due from the Center until January 1998.

Related entities, also controlled by the same Board member, contributed approximately \$54,650 to the Center during fiscal year 1997.

Other members of the Center's Board of Directors and parties related to them made contributions of approximately \$277,610 during fiscal year 1997.

ARTHUR ANDERSEN LLP

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Board of Directors
of Contemporary Arts Center Incorporated:

We have audited the financial statements of the Contemporary Arts Center (the "Center" - a Louisiana not-for-profit corporation) as of and for the year ended June 30, 1997, and have issued our report thereon dated September 19, 1997. 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 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 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 the 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 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, Board members and the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.

Arthur Andersen LLP

New Orleans, Louisiana,
September 19, 1997

SCHEDULE A

CONTEMPORARY ARTS CENTER

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

FOR THE YEAR ENDED JUNE 30, 1997

<u>Federal Grant Number</u>	<u>Total Grant Award</u>	<u>Accrued Grant Revenue At June 30, 1995</u>	<u>Cash Received</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued Grant Revenue At June 30, 1996</u>
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NATIONAL ENDOWMENT FOR THE ARTS:
Visual Arts Grant
Total Federal Grants

95-4121-0076 \$ 25,000 \$ 4,302 \$ 4,302 \$ - \$ -

 \$ 25,000 \$ 4,302 \$ 4,302 \$ - \$ -

CONTEMPORARY ARTS CENTER

SUPPLEMENTAL SCHEDULE OF DEPARTMENTAL ACTIVITY

FOR THE YEAR ENDED JUNE 30, 1997

	Program Services		Supporting Services				Temporarily Restricted	Permanently Restricted	Total
	Performing Arts	Education	Visual Arts	Management and General	Fund Raising	Marketing			
SUPPORT AND REVENUE:									
Contributions	\$ 57,428	\$ 13,500	\$ 151,826	\$ 42,225	\$ 340,641	\$ -	\$ 1,510	\$ 837,796	
Contributions in kind	-	-	-	221,548	-	-	-	221,548	
Restricted and program services grants	-	-	6,000	5,000	34,179	-	-	45,179	
Membership dues	-	-	-	-	158,000	-	-	158,000	
Admissions, workshop fees, meetings and conferences	67,723	37,704	31,923	20	40,984	-	-	178,354	
Special fund-raising events, net	-	-	3,185	40	110,305	-	330	113,860	
Sales of art, catalogs and subscriptions	307	-	54,922	2,917	9,257	-	-	67,403	
Refreshment sales	1,422	-	-	4,637	30,945	-	443	37,447	
Investment income	-	-	-	861	-	-	254	5,528	
Other	37,133	-	3,941	1,458	11,246	2,800	-	4,413	
	<u>164,013</u>	<u>51,204</u>	<u>251,797</u>	<u>278,706</u>	<u>735,557</u>	<u>2,800</u>	<u>2,537</u>	<u>4,137</u>	<u>20,940</u>
Total support and revenue									<u>1,686,055</u>
EXPENSES:									
Salaries	48,696	36,390	78,145	210,822	120,979	25,166	128	-	520,326
Payroll taxes	4,728	3,783	7,863	19,432	11,419	2,338	14	-	49,577
Employee benefits	2,824	1,686	3,945	12,689	7,042	1,857	-	-	30,043
Value of in-kind contributions	-	-	-	221,548	-	-	-	-	221,548
Artist fees	23,335	-	7,600	17,250	4,040	-	300	-	52,525
Telephone and utilities	701	163	505	79,536	462	320	-	-	81,687
Supplies	4,715	604	13,553	35,171	8,763	22	583	-	63,411
Professional fees	7,701	311	11,706	39,249	10,806	10,899	851	-	81,523
Printing, publications, films, etc.	3,680	-	16,086	2,853	26,222	3,705	33	-	52,579
Security and insurance	1,831	311	8,566	29,495	5,778	178	574	-	46,733
Cost of goods sold	-	-	42,337	-	2,053	-	-	-	44,390
Postage and shipping	2,523	103	12,051	502	7,177	1,019	-	-	23,375
Refreshment expense	1,532	-	811	765	23,844	-	2,409	-	29,361
Information processing and other services and rentals	4,041	-	7,206	2,495	5,426	5,434	-	-	24,602
Meetings and conferences, including related travel	3,419	-	16,650	97	1,220	-	14	-	21,400
Interest expense	-	-	-	6,063	-	-	-	-	6,063
Program and royalty fees	9,508	-	78,400	-	-	-	-	-	88,908
Depreciation	-	-	-	3,114	-	-	75,138	-	78,252
Other expenses	7,523	43	5,978	79,375	59,000	659	4,991	466	158,235
	<u>126,757</u>	<u>43,394</u>	<u>312,402</u>	<u>760,656</u>	<u>294,231</u>	<u>51,597</u>	<u>85,035</u>	<u>466</u>	<u>1,674,538</u>
Total expenses									
EXCESS (DEFICIENCY) OF SUPPORT AND REVENUE OVER (UNDER) EXPENSES	\$ 37,256	\$ 7,810	\$ (66,605)	\$ (481,950)	\$ (441,326)	\$ (48,797)	\$ (82,498)	\$ 114,167	\$ 11,517

ARTHUR ANDERSEN

Arthur Andersen LLP

September 19, 1997

Suite 4500
201 St Charles Avenue
New Orleans LA 70170
504 581 5454

To the Board of Directors of
the Contemporary Arts Center:

As part of our audit of the financial statements of the Contemporary Arts Center (the "Center") for the year ended June 30, 1997, we considered the Center's internal control structure to the extent we felt necessary for the purpose of providing a basis for reliance thereon in determining the nature, timing and extent of the audit tests applied in connection with our audit of the Center's 1997 statements.

Our consideration of the internal control structure did not entail a detailed study and evaluation of any of its elements and was not made for the purpose of making detailed recommendations or evaluating the adequacy of the Center's internal control structure to prevent or detect errors and irregularities. In this regard, it should be recognized that, because of inherent limitations in any internal control structure, errors or irregularities may occur and not be detected. Furthermore, projection of any evaluation of the internal control structure to future periods is subject to the risk it may become inadequate because of changes in conditions or deterioration in its operating effectiveness.

While the purpose of our consideration of the internal control structure was not to provide assurances thereon, we noted certain matters that we want to report to you. These matters, which were considered by us during our audit and do not modify the opinion expressed in our auditors' report dated September 19, 1997, along with our recommendations, are described in the accompanying memorandum.

We appreciate the courtesies and cooperation extended to our representatives during the course of their work. We would be pleased to discuss these recommendations in greater detail or otherwise assist in their implementation.

Very truly yours,

Arthur Andersen LLP

CONTEMPORARY ARTS CENTER

MEMORANDUM OF SUGGESTIONS FOR IMPROVEMENT OF ACCOUNTING

PROCEDURES AND INTERNAL ACCOUNTING CONTROLS

JUNE 30, 1997

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CURRENT YEAR ISSUES

Review of Outstanding Checks

We noted that checks were included on the outstanding check list that have been outstanding for over one year. We suggest that any checks outstanding for over six months be written off to simplify the preparation of bank reconciliations.

Expense Review by Department Manager

In performing our testing, we noted one department expense that had not been properly initialed by the department manager indicating authorization. The Center, like all not-for-profit organizations, must always be conscious of expenses incurred due to budgetary constraints and governmental regulation. Because of this, every department manager should approve the department's expenses before they are paid. The person responsible for paying the expense should review for proper approval before a check is cut.

We also noted that the Center does not maintain an official approved vendor list. Maintaining an official approved vendor list is a control which can help ensure that problem vendors are not utilized by the Center. The Center should consider developing and utilizing a vendor list which is approved and updated annually.

STATUS OF PRIOR YEAR SUGGESTIONS

AS OF JUNE 30, 1997

	<u>Implemented</u>	<u>Partially Implemented</u>	<u>Not Implemented</u>
Proper Authorization of Payroll Checks	X		
Expense Review by Department Manager		X (1)	
Budget	X		

- (1) As in the prior year, we noted during the course of our testing that a departmental expense had not been properly initialed by the department head indicating authorization. Management has indicated that they are aware of the need for proper authorization and has made and will continue to make an effort to stress to department heads the need for proper documentation of authorization for expenses.