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ACADIANA ARTS COUNCIL, INC.
INDEPENDENT AUDITOR'S REPORT
JUNE 30, 1997

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Release Date MAR 04 1998

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Pat Baham Dought

A Professional Accounting Corporation

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INDEPENDENT AUDITOR'S REPORT

December 29, 1997

Board of Directors
Acadiana Arts Council, Inc.

Gentlemen:

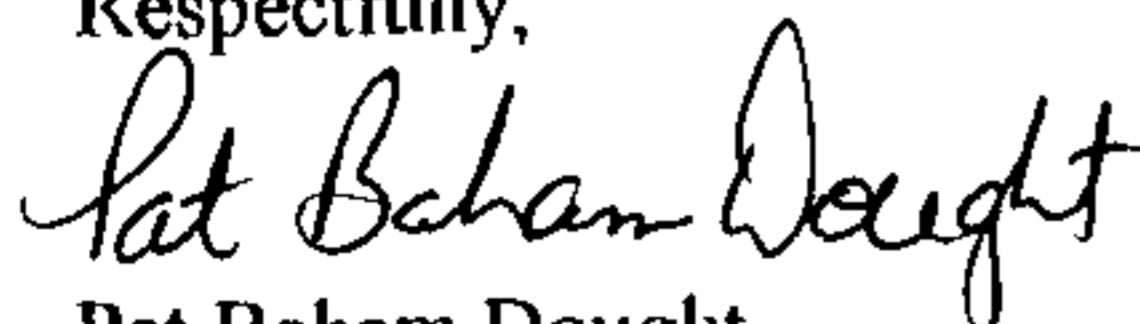
I have audited the accompanying statement of financial position of the Acadiana Arts Council, Inc. as of June 30, 1997, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit. The financial statements of Acadiana Arts Council, Inc. as of June 30, 1996, were audited by other auditors whose report dated March 21, 1997, expressed an unqualified opinion on those statements.

I conducted my 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 I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Acadiana Arts Council, Inc. as of June 30, 1997, and the changes in its net assets and its cash flows for the year ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued a report dated December 29, 1997, on my consideration of Acadiana Arts Council, Inc.'s internal control structure and a report dated December 29, 1997, on its compliance with laws and regulations.

Respectfully,



Pat Baham Dought

A Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

December 29, 1997

Board of Directors
Acadiana Arts Council, Inc.

Gentlemen:

I have audited the financial statements of Acadiana Arts Council, Inc. as of and for the year ended June 30, 1997, and have issued my report thereon dated December 29, 1997.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of Acadiana Arts Council, Inc. is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing my audit of the financial statements of Acadiana Arts Council, Inc. for the year ended June 30, 1997, I obtained an understanding of the internal control structure. With respect to the internal control structure, I obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and I assessed control risk in order to determine my auditing procedures for the purpose of expressing my opinion on the

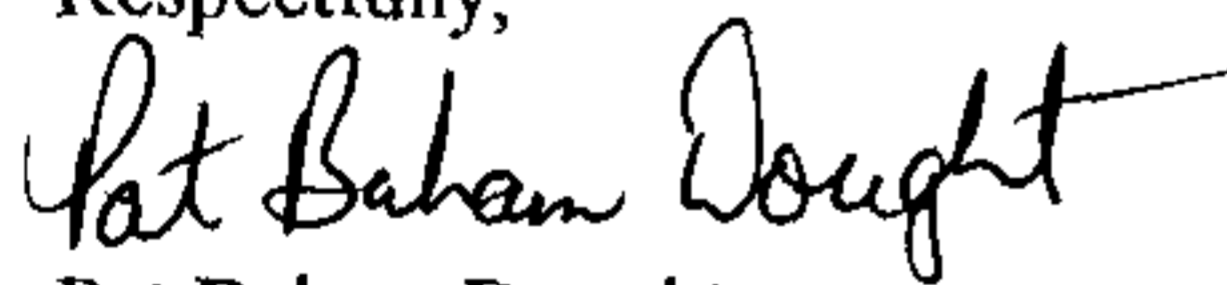
financial statements and not to provide an opinion on the internal control structure. Accordingly, I do not express such an opinion.

My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control structure and its operation that I consider to be material weaknesses as defined above.

However, I noted certain matters involving the internal control structure and its operation that I have reported to the management of Acadiana Arts Council, Inc. in a separate letter dated December 29, 1997.

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

Respectfully,



Pat Baham Dought

A Certified Public Accountant

Pat Baham Dought

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

December 29, 1997

Board of Directors
Acadiana Arts Council, Inc.

Gentlemen:

I have audited the financial statements of Acadiana Arts Council, Inc. as of and for the year ended June 30, 1997, and have issued my report thereon dated December 29, 1997.

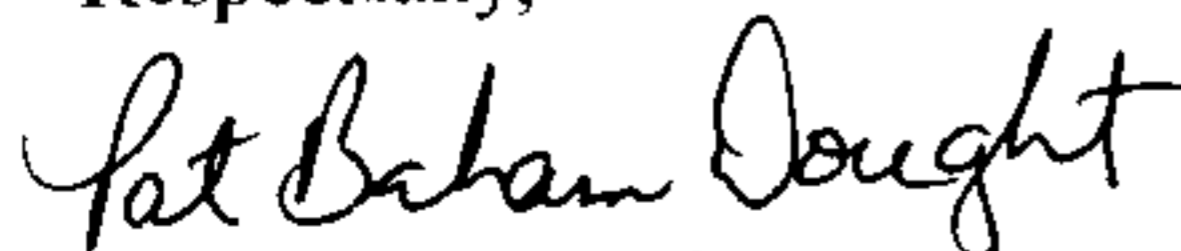
I conducted my audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to Acadiana Arts Council, Inc. is the responsibility of Acadiana Arts Council, Inc.'s management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed tests of Acadiana Arts Council, Inc.'s compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of my audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, I do not express such an opinion.

The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards

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

Respectfully,



Pat Baham Dought
A Certified Public Accountant

ACADIANA ARTS COUNCIL, INC.
BALANCE SHEET
JUNE 30, 1997

ASSETS

CURRENT ASSETS

CASH-RESTRICTED	\$226,162
CASH-UNRESTRICTED	83,315
ACCOUNTS RECEIVABLE	<u>14,248</u>
TOTAL CURRENT ASSETS	<u>323,725</u>

PROPERTY & EQUIPMENT

FURNITURE & EQUIPMENT	31,604
LEASEHOLD IMPROVEMENTS	51,820
ACCUMULATED DEPRECIATION & AMORTIZATION	<u>(\$78,702)</u>
TOTAL PROPERTY & EQUIPMENT	<u>4,722</u>

OTHER ASSETS

MARKETABLE SECURITIES- STOCKS	<u>15,751</u>
TOTAL OTHER ASSETS	<u>\$344,198</u>

LIABILITIES & NET ASSETS

CURRENT LIABILITIES

ACCOUNTS PAYABLE	<u>\$ 2,200</u>
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NET ASSETS

NET ASSETS-UNRESTRICTED	176,500
NET ASSETS-TEMPORARILY RESTRICTED	<u>165,498</u>

TOTAL NET ASSETS	<u>341,998</u>
TOTAL LIABILITIES & NET ASSETS	<u>\$344,198</u>

SEE NOTES TO FINANCIAL STATEMENTS

ACADIANA ARTS COUNCIL, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 1997

CHANGES IN UNRESTRICTED NET ASSETS

GRANTS

PROGRAM SUPPORT GRANTS	\$267,446
GENERAL SUPPORT GRANTS	101,040
TOTAL GRANTS	<u>368,486</u>

CONTRIBUTIONS & REVENUE

GENERAL CONTRIBUTIONS	4,015
CORPORATE	5,000
DONATED FACILITIES	25,920
FACILITY RENTALS	12,295
PROGRAMS & WORKSHOPS	30,962
WREATH AUCTION	6,471
CONCESSIONS	2,415
INTEREST INCOME	12,892
UNREALIZED APPRECIATION IN MARKETABLE SECURITIES	4,382
TOTAL CONTRIBUTIONS & REVENUE	<u>104,352</u>

NET ASSETS RELEASED FROM RESTRICTIONS

SATISFACTION OF PROGRAM RESTRICTIONS	<u>161,930</u>
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TOTAL GRANTS, CONTRIBUTIONS & REVENUE	<u>634,768</u>
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EXPENSES

PROGRAM-ARTS EDUCATION	237,510
PROGRAM-SUBGRANTS	297,501
ADMINISTRATION	33,262
TOTAL EXPENSES	<u>568,273</u>

INCREASE IN UNRESTRICTED NET ASSETS	\$ 66,495
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SEE NOTES TO FINANCIAL STATEMENTS

ACADIANA ARTS COUNCIL, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 1997

CHANGES IN TEMPORARILY RESTRICTED ASSETS

GRANTS & ALLOCATIONS	\$165,498
NET ASSETS RELEASED FROM RESTRICTIONS: SATISFACTION OF PROGRAM RESTRICTIONS	<u>161,930</u>
INCREASE IN TEMPORARILY RESTRICTED ASSETS	<u>3,568</u>
INCREASE IN NET ASSETS	70,063
NET ASSETS, BEGINNING OF YEAR	263,865
PRIOR PERIOD ADJUSTMENT	<u>8,070</u>
NET ASSETS, BEGINNING OF YEAR-RESTATE	271,935
NET ASSETS, END OF YEAR	<u><u>\$341,998</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

ACADIANA ARTS COUNCIL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 1997

	<u>PROGRAM SERVICES</u>		<u>SUPPORTING SERVICES</u>
	<u>ARTS</u>		
	<u>EDUCATION</u>	<u>SUBGRANTS</u>	<u>ADMINISTRATIVE</u>
SALARIES, BENEFITS & PAYROLL TAXES	\$ 56,481	\$ 51,117	\$22,099
ACCOUNTING & AUDITING			1,050
TRAVEL, MEALS & PROMOTIONS		728	2,627
BAD DEBT			600
BRIGHT NEW WORLD	9,022		
DEPRECIATION	945		
DUES & SUBSCRIPTIONS			3,142
FACILITIES RENT	25,920		
INSURANCE	2,520		
MISCELLANEOUS		812	
OFFICE EXPENSE			2,111
POSTAGE		814	651
PRINTING	2,847		585
REPAIRS & MAINTENANCE	12,346		
STAFF DEVELOPMENT			397
SUBGRANTS - CDC		169,513	
SUBGRANTS - OTHER		71,820	
SUPPLIES	3,707	2,438	
TELEPHONE	3,500	259	
TOURING COMPANIES	47,502		
UTILITIES	12,622		
WORKSHOPS & SPECIAL EVENTS	60,098		
	<u>60,098</u>	<u> </u>	<u> </u>
TOTAL EXPENSES	<u>\$237,510</u>	<u>\$297,501</u>	<u>\$33,262</u>

SEE NOTES TO FINANCIAL STATEMENTS

ACADIANA ARTS COUNCIL, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 1997

CASH FLOWS FROM OPERATING ACTIVITIES:	
INCREASE IN NET ASSETS	\$ 70,063
<i>ADJUSTMENTS TO RECONCILE INCREASE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES-</i>	
(INCREASE) DECREASE IN RECEIVABLES	63,428
(INCREASE) DECREASE IN PREPAID EXPENSES	533
(INCREASE) DECREASE IN OTHER ASSETS	(4,382)
INCREASE (DECREASE) IN ACCOUNTS PAYABLE	2,200
DEPRECIATION	945
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>62,724</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:	
PURCHASE OF PROPERTY & EQUIPMENT	<u>(5,441)</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS	127,346
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>182,131</u>
 CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$309,477</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

ACADIANA ARTS COUNCIL, INC.

Notes to Financial Statements

June 30, 1997

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

The Acadiana Arts Council, (AAC) serves an 8-parish region of southwestern Louisiana, known collectively as Acadiana. The Acadiana Arts Council serves a pivotal role in promoting the arts of the 8 Parish service area, enhancing the organizational development of the various cultural organizations, and creating new programs, projects, and opportunities for the arts to develop in southwest Louisiana. Serving as cultural environmentalists, the Acadiana Arts Council seeks to foster and nurture an atmosphere where the arts and artists can flourish locally.

The Council is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes.

Public Support and Revenue

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

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial 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 fair values in the period received.

Fair Values of Financial Instruments

The following methods and assumptions were used by the Council in estimating its fair value disclosures for financial instruments:

Cash, cash equivalents: The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

Short-term investments: The fair values of investments are based on quoted market prices for those or similar investments.

ACADIANA ARTS COUNCIL, INC.
Notes to Financial Statements
June 30, 1997

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates.

Cash and Cash Equivalents

The Council considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents for purposes of the statement of cash flows exclude permanently restricted cash and cash equivalents.

Marketable Securities

Marketable securities are composed of equity securities and are carried at fair value.

Depreciation and Amortization

Furniture and equipment are being depreciated over estimated useful lives of five to ten years using a straight-line method, with a half of a year's depreciation recognized in the years of acquisition and disposal. Leasehold improvements are being amortized over the shorter of the lease term or useful life.

NOTE 2: CHANGES IN ACCOUNTING PRINCIPLES

The Council adopted the provisions of Statement of Financial Accounting Standards No. 116, Accounting for Contributions Received and Contributions Made and No. 117, Financial Statements of Not-for-Profit Organizations by restating net assets as of June 30, 1996. Statement No. 116 requires the Council to distinguish between contributions that increase permanently restricted net assets, temporarily restricted net assets, and unrestricted net assets. It also requires recognition of contributions, including contributed services meeting certain criteria, at fair values. Statement No. 117 establishes standards for general purposes external financial statements of not-for-profit organizations and requires a statement of financial position, a statement of activities, and a statement of cash flows. The council adopted Statement No. 116 by restating net assets as of June 30, 1996. Temporarily restricted net assets as of June 30, 1996, were increased by \$161,930, which represents time or purpose restricted contributions previously reported as deferred income.

ACADIANA ARTS COUNCIL, INC.
Notes to Financial Statements
June 30, 1997

NOTE 3: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes or periods:

Program activities:

Annually funded grants for specific subrecipients and program support after June 30, 1997	<u>\$165,498</u>
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Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

Purpose restriction accomplished:	
Arts education & awareness grants	\$ 54,101
Decentralized Art funding program	<u>107,829</u>
Total restrictions released	<u>\$161,930</u>

NOTE 4: DONATED SERVICES & FACILITIES

The Council receives a significant amount of donated services from unpaid volunteers who assist in fund raising and special projects. No amounts have been recognized in the statement of activities because the criteria for recognition under SFAS No 116 have not been satisfied. The use of the Council's facilities has been donated. The estimated rental in the amount of \$25,920 has been reflected in the accompanying financial statements as contributions with a like amount shown as facilities rent.

NOTE 5: FUNCTIONAL ALLOCATION OF EXPENSES

The cost of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 6: PRIOR PERIOD ADJUSTMENT

Unrealized appreciation of \$8,070 in marketable securities was not recorded as unrestricted income in prior years.

Pat Baham Dought

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December 29, 1997

To the Board of Directors
Acadiana Arts Council, Inc.
Lafayette, Louisiana

In planning and performing my audit of the financial statements of Acadiana Arts Council, Inc. for the year ending June 30, 1997, I considered the organizations control structure in order to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during my audit, I noted certain matters involving the internal control structure and other operational matters that are presented for your consideration. These comments and recommendations, which have been discussed with appropriate members of management, are intended to improve the internal control structure or result in other operating efficiencies. I will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. My comments are summarized as follows:

INADEQUATE SEGREGATION OF DUTIES

An inadequate segregation of duties exists with respect to cash transactions that result in inadequate control over cash receipts and disbursements.

Due to the limited number of personnel, an adequate segregation of duties may not be achievable and the cost of correcting the weakness would exceed the benefits derived.

ACCOUNTING & PERSONNEL POLICIES & PROCEDURES MANUALS-


Although the organization follows certain set accounting and personnel policies and procedures, nothing is maintained in writing.

A written document will enable management of the organization to more efficiently and effectively communicate all policies and procedures to personnel

Management and/or the board finance committee should take steps to provide for written policies and procedures manuals.

Board of Directors
Acadiana Arts Council, Inc.
Page 2

This report is intended for the information and use of the Board of Directors and management of Acadiana Arts Council, Inc. However, this report is a matter of public record and its distribution is not limited.

Respectfully,

Pat Baham Dought, CPA