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LOUISIANA ARTISTS GUILD

**FINANCIAL STATEMENTS
AS OF DECEMBER 31, 1997 AND 1996
TOGETHER WITH AUDITORS' REPORT**

Under provisions of state law, this report is a public document. A copy of this 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.

JUL 08 1998

Release Date _____

LOUISIANA ARTISTS GUILD
FINANCIAL STATEMENTS
AS OF DECEMBER 31, 1997 AND 1996

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ARTHUR ANDERSEN LLP

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors of the
Louisiana Artists Guild:

We have audited the accompanying statements of financial position of the Louisiana Artists Guild (the Guild - a Louisiana nonprofit corporation), as of December 31, 1997 and 1996, and the related statements of activities and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Guild's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with generally accepted auditing standards and the standards for financial audits contained in Government Auditing Standards (1994 Revision), issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 audits provide 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 Louisiana Artists Guild as of December 31, 1997 and 1996, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report on our consideration of the Guild's compliance and internal control over financial reporting dated April 17, 1998.

Arthur Andersen LLP

New Orleans, Louisiana
April 17, 1998

LOUISIANA ARTISTS GUILD

STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 1997 AND 1996

<u>ASSETS</u>	<u>1997</u>	<u>1996</u>
CURRENT ASSETS:		
Cash	\$ 985	\$ 11,733
Due from Arts Council of New Orleans (Note 3)	<u> -</u>	<u>74,543</u>
Total current assets	985	86,276
CONSTRUCTION IN PROGRESS	<u>178,692</u>	<u>51,010</u>
Total assets	<u>\$ 179,677</u>	<u>\$ 137,286</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
CURRENT LIABILITIES:		
Due to Arts Council of New Orleans	\$ 98,692	\$ -
Accrued liabilities	<u> 40</u>	<u>2,996</u>
Total current liabilities	<u>98,732</u>	<u>2,996</u>
NET ASSETS - UNRESTRICTED	<u>80,945</u>	<u>134,290</u>
Total liabilities and net assets	<u>\$ 179,677</u>	<u>\$ 137,286</u>

The accompanying notes are an integral part of these balance sheets.

LOUISIANA ARTISTS GUILD

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEARS ENDED DECEMBER 31, 1997 AND 1996

	<u>1997</u>	<u>1996</u>
SUPPORT AND REVENUE:		
Support - Grants	\$ -	\$ 72,181
- Other contributions	194,700	130,673
Revenue - Interest income	<u>197</u>	<u>108</u>
Total support and revenue	<u>194,897</u>	<u>202,962</u>
EXPENSES:		
Development	157,866	104,978
Administration	<u>90,376</u>	<u>117,272</u>
Total expenses	<u>248,242</u>	<u>222,250</u>
CHANGES IN UNRESTRICTED NET ASSETS	(53,345)	(19,288)
UNRESTRICTED NET ASSETS AT BEGINNING OF YEAR	<u>134,290</u>	<u>153,578</u>
UNRESTRICTED NET ASSETS AT END OF YEAR	<u>\$ 80,945</u>	<u>\$ 134,290</u>

The accompanying notes are an integral part of these statements.

LOUISIANA ARTISTS GUILD

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 1997 AND 1996

	<u>1997</u>	<u>1996</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets for the period	\$ (53,345)	\$ (19,288)
Change in support due to/ due from Arts Council of New Orleans	173,235	(12,043)
Increase in accrued liabilities	<u>(2,956)</u>	<u>2,996</u>
Net cash (used in) provided by operating activities	116,934	(28,335)
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Payments for construction-in-progress	<u>(127,682)</u>	<u>-</u>
Net decrease in cash	(10,748)	(28,335)
CASH, beginning of year	<u>11,733</u>	<u>40,068</u>
CASH, end of year	<u>\$ 985</u>	<u>\$ 11,733</u>

The accompanying notes are an integral part of these statements.

LOUISIANA ARTISTS GUILD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1997 AND 1996

1. ORGANIZATION AND OPERATIONS:

The Louisiana Artists Guild (the Guild) is a publicly supported nonprofit organization. The Guild was incorporated in June, 1995 to provide management and administrative services and studio and retail space to visual artists and craftsmen. The Guild is not yet operational, but has begun a capital campaign to raise \$15 million; of which \$12 million is to cover the estimated cost of construction and \$3 million is to establish an endowment fund.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Method of Accounting

The financial statements are prepared on the accrual basis of accounting.

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 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.

Description of Net Assets Classification

Financial Accounting Standards Board Statement No. 117 entitled "Financial Statements of Not-For-Profit Organizations" requires that net assets and changes in net assets be reported for three classifications, - permanently restricted, temporarily restricted and unrestricted - based on the existence or absence of donor imposed restrictions. None of the Guild's funds are temporarily or permanently restricted.

Gifts, Grants and Bequests

Gifts, grants and bequests are recorded as revenues in the period received and as assets, decreases in liabilities or expenses depending on the form of benefits received.

Non-cash gifts, grants and bequests are recorded as revenue at fair market value at the date contributed, if an objective valuation is determinable.

Donated Services

Volunteers have given extensive amounts of time and services to the Guild; however, no amounts are reflected in the financial statements since no objective basis is available to measure the value of such services.

Fixed Assets

The Guild's fixed assets consist primarily of capitalized architect's fees related to a planned construction project.

Income Taxes

The Guild has received exemption from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code for a five-year probationary period; accordingly, no provision for income taxes has been reflected in the accompanying financial statements. After the probationary period, the entity will be re-evaluated to obtain final determination of tax exempt status.

3. RELATED PARTIES:

The Guild shares office space with the Arts Council of New Orleans (ACNO). Certain employees of ACNO also serve as employees of the Guild, and rent expense is allocated based on square footage utilized. Salary expense, supplies, utilities, insurance and certain administrative expenses are allocated to the Guild based on the percentage of time the employee dedicated to the Guild. Guild expenses incurred prior to the receipt of funding are paid by ACNO and accounted for as Due to Arts Council of New Orleans. Seven of the nine members of the Guild's Board of Directors are also members of the Board of Directors of the Arts Council of New Orleans.

The Guild was initially funded by a \$102,500 grant from ACNO. ACNO has provided additional funds through regrants to the Guild. Regrants to the Guild in 1997 were approximately \$175,000.

The Guild conducts business with certain members of its Board of Directors in the normal course of its operations. These transactions are conducted at arms length and were not material to the Guild for the years ended December 31, 1996 and 1997.

4. PROPERTY ACQUISITION:

On February 7, 1997, the Guild executed an option to purchase a building. The option is for a period of two years and can be terminated by the Guild if the appraised value of the property exceeds option specifications. The Guild has received pledges and grants to support the purchase of this building; however, these pledges are contingent upon future events and have therefore not been included in revenues for 1997. The contingent pledges and grants received to date include:

<u>Grantor</u>	<u>Amount</u>	<u>Contingency</u>
Louisiana Capital Outlay Bill:		
Priority 2	\$ 575,000	Signing a cooperative endeavor agreement between the City and the Guild and funding provisions of the Capital Outlay Bill
Priority 5	5,175,000	
Entergy	1,200,000	Receipt of funding from the State of Louisiana
Zemurray Foundation	1,000,000	Payment to be made at future date prior to December 31, 2002
Downtown Development District	750,000	Location of Guild at a specific site
Rosemary Foundation	500,000	Location of Guild in a specific area, with a contract to build/renovate by June 30, 1999
Ella West Freeman Foundation	<u>400,000</u>	Project site secured by June 30, 1998
	<u>\$9,600,000</u>	

ARTHUR ANDERSEN LLP

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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

To the Board of Directors of the Louisiana Artists Guild:

We have audited the financial statements of Louisiana Artists Guild (the Guild) as of and for the year ended December 31, 1997 and have issued our report thereon dated April 17, 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 Guild'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 Guild's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements, but 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 defined as 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 the Board of Directors and management, however, this report is a matter of public record and its distribution is not limited.

Arthur Andersen LLP

New Orleans, Louisiana
April 17, 1998

ARTHUR ANDERSEN

April 17, 1998

Arthur Andersen LLP

To the Board of Directors of the
Arts Council of New Orleans
225 Baronne Street
Suite 1712
New Orleans, Louisiana 70112

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

Ladies and Gentlemen:

As part of our audits of the financial statements of the Arts Council of New Orleans (the "Council"), the Louisiana Artists Guild (the "Guild") and the Entergy Arts Business Center (the "Business Center") for the year ended December 31, 1997, we considered the Council's internal control structure to the extent we felt necessary to provide a basis for reliance thereon in determining the nature, timing and extent of the audit tests applied in connection with our audits of the 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 Council's internal control structure to prevent or detect errors and irregularities. 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 that the structure may become inadequate because of changes in conditions or deterioration in its operating effectiveness. While we designed our audits to provide reasonable assurance of detecting errors or irregularities that would be material to the financial statements, the scope of our work was not designed for the purpose of detecting fraudulent acts by employees, except to the extent that such acts would have resulted in a material misstatement of the 1997 financial statements. Moreover, because of the inherent limitations of the audits, the possibility remains that material fraud may exist and not be detected.

While we did not note any significant deficiencies in the design or operation of the internal control structure that adversely affect the Council's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements, we did note certain matters that we want to report to you. These matters, which were considered by us during our audits and do not modify the opinion expressed in our auditors' reports dated April 17, 1998, along with our recommendations, are described below.

Arts Tourism Partnership (ATP)

During our review of Council receipt and disbursement procedures, we noted that all ATP mail is received and opened by ATP personnel rather than an independent third party. All mail received by the Council and related entities should be received, sorted and distributed by a receptionist or other independent third party. The receptionist or third party should also prepare a log of all

ARTHUR ANDERSEN

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checks received and restrictively endorse the checks before forwarding them for deposit. These procedures would provide additional controls to ensure proper disposition of all Council and related entity receipts.

Executive Committee Meetings

During our brief of the minutes of the Council board of directors meetings, we noted minutes are not kept for the meetings of the executive committee of the Board of Directors. To ensure that all actions of the board and committees of the board are recorded and properly executed, minutes of all meetings should be recorded.

ACNO Funding of LAG

ACNO made regrants of \$190,000 in the current year, which were not supported by written grant agreements. Such grants should be supported by documented approval and approved in the Board of Directors or Executive Committee minutes.

Status of Prior Year Recommendations

	<u>Implemented</u>	<u>Partially Implemented</u>	<u>Not Implemented</u>
Cash Disbursements (Council)	X		
ATP Cash Receipts (Council)			X
• Outstanding Checks		X	
Minutes of the Executive Committee meetings			X

Very truly yours,

Arthur Andersen LLP