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Alexandria Museum of Art

Alexandria, Louisiana

April 30, 1999

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 10 1999

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KNIGHT < > MASDEN

Certified Public Accountants

A PROFESSIONAL ACCOUNTING CORPORATION

Coan I. Knight, Jr., CPA
K. Martin Masden, CPA

August 12, 1999

Associates:

John E. Theriot II, CPA
Kathleen S. Belgard, CPA

Independent Auditors' Report

To the Board of Trustees
Alexandria Museum of Art
Alexandria, Louisiana

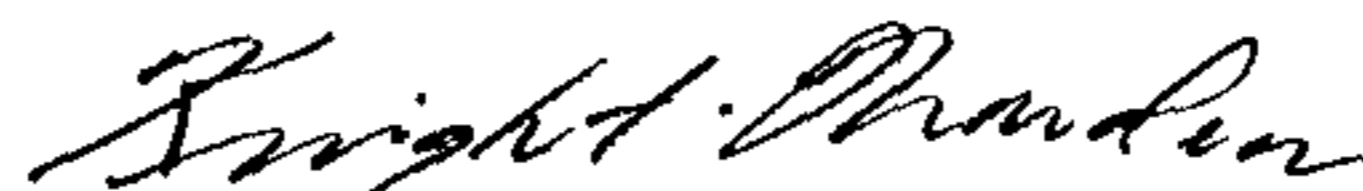
We have audited the accompanying statement of financial position of the Alexandria Museum of Art (a non-profit organization) as of April 30, 1999, and the related statements of activity and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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 the Alexandria Museum of Art as of April 30, 1999, and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules of administrative expenses and fund raising activities are presented for purposes of additional analysis and are 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.

The accompanying financial statements have been prepared assuming that the Museum will continue as a going concern. As discussed in Note 12 to the financial statements, the Museum has suffered recurring losses from operations and has a projected deficit for the fiscal year ending April 30, 2000 that raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 12. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.



**Alexandria Museum of Art
Statement of Financial Position
April 30, 1999**

Assets	
Current assets	
Cash and cash equivalents	\$ 28,797
Accounts receivable	287
Unconditional promises to give, less allowance for uncollectible	139,911
Inventory	<u>12,410</u>
Total current assets	181,405
Property and equipment, net of depreciation	3,778,551
Art collection	431,718
Endowment investments	
Cash and cash equivalents	150,996
Investments, at fair value	1,538,772
Development expenses, net of amortization	32,195
Long-term unconditional promises to give	<u>82,993</u>
Total Assets	<u><u>\$6,196,630</u></u>
Liabilities and Net Assets	
Current liabilities	
Accounts payable	\$ 18,001
Other accrued expenses	5,268
Note payable - line of credit	71,008
Deferred revenues	<u>9,925</u>
Total Current Liabilities	<u>104,202</u>
Net assets	
Unrestricted	4,096,035
Temporarily restricted	32,002
Permanently restricted	<u>1,964,391</u>
Total Net Assets	<u><u>6,092,428</u></u>
Total Liabilities and Net Assets	<u><u>\$6,196,630</u></u>

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

**Alexandria Museum of Art
Statement of Activity
For the Year Ended April 30, 1999**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public Support and Revenues				
Contributions	\$ 78,127	\$ 7,000	\$ 14,473	\$ 99,600
Grants - private	4,000	8,280		12,280
Grants - governmental	50,378			50,378
Personal memberships	17,301			17,301
Corporate memberships	9,000			9,000
Fund raising	48,901			48,901
Interest & dividends	53,651	7,895		61,546
Gallery admissions	12,073			12,073
Museum shop sales	8,596			8,596
Less: cost of sales	(8,884)			(8,884)
Exhibits	13,811			13,811
Classes & workshops	9,505			9,505
Rentals	20,640			20,640
Realized and unrealized gains			91,223	91,223
Miscellaneous	13,010			13,010
Total Public Support and Revenues	<u>330,109</u>	<u>23,175</u>	<u>105,696</u>	<u>458,980</u>
Reclassifications				
Net assets released from restrictions	<u>21,877</u>	<u>(21,877)</u>		
Total Public Support, Revenues and Reclassifications	<u>351,986</u>	<u>1,298</u>	<u>105,696</u>	<u>458,980</u>
Expenses				
Program Services				
Exhibits	55,118			55,118
Education	36,745			36,745
Collection	3,025			3,025
Total Program Services	<u>94,888</u>			<u>94,888</u>
Administration	445,081	4,127		449,208
Fundraising	25,475			25,475
Total Expenses	<u>565,444</u>	<u>4,127</u>		<u>569,571</u>
Change in net assets	(213,458)	(2,829)	105,696	(110,591)
Net assets - beginning of year	<u>4,309,493</u>	<u>34,831</u>	<u>1,858,695</u>	<u>6,203,019</u>
Net assets - end of year	<u><u>\$4,096,035</u></u>	<u><u>\$ 32,002</u></u>	<u><u>\$1,964,391</u></u>	<u><u>\$6,092,428</u></u>

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

**Alexandria Museum of Art
Statement of Cash Flows
For the Year Ended April 30, 1999**

Change in net assets	(\$110,591)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	162,105
Decrease in unconditional promises to give	664,408
Decrease in accounts receivable	8,267
Decrease in other current assets	6,721
Decrease in accounts payable and accrued liabilities	(245,084)
Decrease in deferred revenues	<u>(3,090)</u>
Net cash provided by operating activities	<u>482,736</u>
Investing Activities	
Purchase of equipment	(44,283)
Accession of art - by donation	(28,500)
Accession of art - by purchase	(14,000)
Increase in investments	<u>(432,959)</u>
Net cash provided (used) by investing activities	<u>(519,742)</u>
Financing activities	
Repayment of short-term borrowing	<u>(9,338)</u>
Net decrease in cash and cash equivalents	(46,344)
Cash and cash equivalents as of beginning of year	<u>75,141</u>
Cash and cash equivalents as of the end of year	<u><u>\$ 28,797</u></u>
Supplemental Disclosure of Cash Flow Information:	
Cash paid for interest during the year	<u><u>\$ 5,609</u></u>

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

The Alexandria Museum of Art
Notes to Financial Statements
April 30, 1999

Note 1 - Summary of Significant Accounting Policies

Organization - The Alexandria Museum of Art, (the Museum) is a non-profit corporation formed in 1977. Its purpose is to encourage appreciation, education and active participation in artistic expression and the promotion of art and culture.

The Museum qualifies as a tax-exempt organization (an "other than private foundation") under Section 501(c)(3) of the Internal Revenue Code.

Basis of Accounting - The Museum maintains its accounting records on the accrual basis. The Museum, in conformity with generally accepted accounting principles, adopted the following Statements of the Financial Accounting Standards Board (SFAS); Statement Number 116, "Accounting for Contributions Received and Contributions Made"; Statement number 117, "Financial Statements of Not-for-Profit Organizations"; and Statement Number 124, "Accounting for Certain Investments Held by Not-for Profit Organizations".

Contributions - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Temporarily restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions.

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at their net realizable value discounted to present value, using risk-free interest rates applicable to the years in which the promises are to be received. The discount rate used on long-term promises to give was 7% in 1999. An allowance for uncollectible promises is provided based on management's evaluation of potential uncollectible promises receivables at year end.

Financial statement presentation - The Museum reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. In addition, the Museum is required to present a statement of cash flows.

Investments - Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. The cost basis of marketable securities is reflected in Note 2. There are no known material unrecorded permanent market value declines in marketable securities.

Art Collection - In 1997, the Museum elected to capitalize its collection retroactively in conformity with SFAS Statement No. 116. Items purchased are capitalized at their cost; items contributed are capitalized at their fair or appraised value at the accession date.

The Alexandria Museum of Art
Notes to Financial Statements
April 30, 1999

Note 1 - Summary of Significant Accounting Policies, Continued

Public Support and Revenue - Membership dues and general contributions are generally available for unrestricted use in the related campaign year unless specifically restricted by the donor. An allowance for uncollectible promises is provided based on management's evaluation of potential uncollectible promises receivable at year-end.

Grants and other contributions of cash or other assets are reported as temporarily restricted support if they are received with stipulation that limit the use of the grant or donated assets. When donor restrictions expire, 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.

Endowment contributions and investments are permanently restricted by the donor. Investment earnings available for use in operations are recorded in unrestricted net assets. Investment earnings dedicated to specific purposes are recorded as temporarily restricted assets until the purpose is fulfilled, at which time they are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Gains and losses on investments are added to or subtracted from the endowment principal.

Cash and Cash Equivalents - The Museum considers cash in checking accounts, certificates of deposit and money market mutual funds as cash and cash equivalents. Cash and cash equivalents for purposes of the statement of cash flows exclude permanently restricted cash and cash equivalents.

Inventories - Inventory consist of items held for resale in the Museum gift shop and is carried in the financial statements at cost, on a first-in, first-out basis.

Property, Equipment and Depreciation - Purchased property and equipment is recorded at acquisition cost; donated property and equipment is recorded at its fair value as of the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Repairs, maintenance and minor replacements are charged to operations as incurred. Major replacements and improvements are capitalized at cost.

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.

Note 2 - Investments

Investments consist of stock and bond mutual funds, which are presented in the financial statements at fair value. At April 30, 1999, the cost basis of the investments was \$1,422,358. During the year, the Museum paid \$5,757 of custodial fees on its investment accounts.

The Alexandria Museum of Art
Notes to Financial Statements
April 30, 1999

Note 3 - Fixed Assets and Depreciation

The following schedule summarizes estimated useful life, cost and accumulated depreciation of property, plant and equipment as of April 30, 1999:

<u>Description</u>	<u>Life</u>	<u>Balance</u>
Land		\$ 276,979
Building and improvements	40 years	3,439,337
Furniture and equipment	5 - 7 years	319,876
Vehicles	5 years	<u>5,600</u>
		4,041,792
Less: Accumulated Depreciation		<u>(263,241)</u>
Net Property and Equipment		<u>\$3,778,551</u>

Depreciation expense for 1999 was \$144,540.

Note 4 – Unconditional Promises to Give

Receivable in less than one year	\$ 147,274
Receivable in one to five years	<u>100,066</u>
Total unconditional promises to give	247,340
Less discounts to net present value	12,716
Less allowance for uncollectible promises	<u>11,720</u>
Net unconditional promises to give at April 30, 1999	<u>\$ 222,904</u>

Note 5 – Permanent Restricted Net Assets

Net assets were permanently restricted for the following purposes at April 30, 1999:

Endowment for collection	\$ 262,523
Endowment for operations	<u>1,701,868</u>
Total Permanently Restricted Net Assets	<u>\$1,964,391</u>

The Alexandria Museum of Art
Notes to Financial Statements
April 30, 1999

Note 6 - Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purpose:

Accession of Art	\$ 24,599
Available for catalog and travel	<u>7,403</u>
Total	<u>\$ 32,002</u>

Net assets were released from temporary restrictions during the year as follows:

Accession of art	\$ 14,000
Art Express expenditures	3,000
Museum Loan Network	1,877
Pyramid Gallery	<u>3,000</u>
Total	<u>\$ 21,877</u>

Note 7 - Note Payable - Line of Credit

As of April 30, 1999, the Museum owed Bank One \$71,008 on a revolving line of credit. The scheduled maturity is May 24, 1999 with interest rate at 8.00%. The line of credit is secured by a first mortgage on Museum real estate.

Note 8 - Contributed Services

A substantial number of unpaid volunteers have made significant contributions of their time to develop the Museum's programs. No amounts have been recognized in the statement of activities because the criteria for recognition under SFAS No. 116 have not been satisfied.

Donated property when received is reflected as a contribution in the accompanying statements at its estimated fair market values. The value of donated fund raising items is not recorded as contributions because there is not a fair basis for valuing them.

The Museum received donated art with a fair value of \$28,500 during the year. These donations are reflected as unrestricted donations in the Statement of Activity.

Note 9 - Concentration of Credit Risk

Financial instruments that potentially subject the Museum to credit risk include investments in mutual funds. Future changes in economic conditions may make the investments less valuable.

The Museum's unconditional promises to give are concentrated among the general population of Central Louisiana; unfavorable changes in economic conditions of the region could pose a credit risk to the Museum.

The Alexandria Museum of Art
Notes to Financial Statements
April 30, 1999

Note 10 - Capital Grant

The Rapides Foundation made a five-year funding grant of \$2,800,000 to the Museum for the construction of and furnishings for the new Museum facilities.

Special conditions of the grant agreement require the Museum to conduct a community-wide campaign to increase its Operating Endowment Fund to a level of \$2,000,000. The Operating Endowment Fund shall be restricted to support the on-going operating expenses of the Museum.

Under the terms of the grant, the Museum should raise an additional \$449,000 for its operating endowment.

Note 11 - Development Expenses

The Museum, in connection with the grand opening of its new building in 1998, spent \$52,700 to promote the new facility and to create an awareness of the Museum's value to the community. These expenditures are expected to have a benefit beyond the year incurred. Therefore, the expenditures were capitalized and are being amortized over a 36 month period. Amortization during the current year amounted to \$17,565.

Note 12 - Going Concern

As shown in the financial statements the Museum has recurring losses from operations and has projected operating deficits for the subsequent year. These factors raise substantial doubt about its ability to continue as a going concern.

Management has taken measures to reduce operating expenses and to increase revenues through fund raising activities and increased memberships. Museum Trustees recognize the need for a larger endowment and have initiated a campaign to raise an additional three million dollars for the operating endowment.

Supplementary Data

**Alexandria Museum of Art
Schedule of Administrative Expenses
For the Year Ended April 30, 1999**

Office supplies	\$ 4,388
General	2,041
Public relations	6,408
Dues	2,505
Library	399
Conference and training	1,118
Postage & freight	6,998
Payroll taxes & benefits	19,491
Telephone	7,578
Wages	128,811
Professional fees	10,186
Trustee fees	7,027
Contract labor	7,297
Repairs and maintenance	4,704
Computer and equipment	2,932
Membership programs	8,204
Auto expense	616
Utilities	45,327
Insurance	8,491
Printing	404
Security	2,907
Interest	5,609
Depreciation	144,540
Amortization	17,565
Travel & entertainment	<u>3,662</u>
 Total	 <u><u>\$449,208</u></u>

**Alexandria Museum of Art
Schedule of Fund Raising Activities
For the Year Ended April 30, 1999**

Spectrum	
Revenues	
Ticket sales	\$ 3,950
Tables	14,000
Silent auction	6,439
Raffle	11,260
Miscellaneous	<u>2,773</u>
 Total Revenues	 <u>38,422</u>
 Expenses	
Food & beverages	7,038
Contract labor	2,423
Decorations	2,947
Rental and miscellaneous	1,494
Entertainment	3,750
Printing	<u>2,576</u>
 Total Expenses	 <u>20,228</u>
 Spectrum - Net Revenues	 <u>18,194</u>
Spring Swing	
Revenues	<u>10,479</u>
 Expenses	
Entertainment	2,127
Decorations	407
Printing and publicity	1,455
Food and beverage	<u>1,258</u>
 Total Expenses	 <u>5,247</u>
 Spring Swing - Net Revenues	 <u>5,232</u>
 Net Fund Raising Revenues	 <u><u>\$23,426</u></u>

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August 12, 1999

Associates:
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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
STRUCTURE BASED ON AN AUDIT OF BASIC FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees
Alexandria Museum of Art
Alexandria, Louisiana

We have audited the financial statements of the Alexandria Museum of Art (a nonprofit organization) as of and for the year ended April 30, 1999, and have issued our report thereon dated August 12, 1999.

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 and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the Alexandria Museum of Art 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 procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of the Alexandria Museum of Art for the year ended April 30, 1999, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our 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. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

PRIOR FINDINGS:

In the preceding year we commented that the Museum's procedures for receipting, depositing and recording cash receipts were not being followed. The Museum during the current year corrected that weakness in internal control.

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


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Associates:
John E. Theriot II, CPA
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August 12, 1999

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE BASED
ON AN AUDIT OF BASIC FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Trustees
Alexandria Museum of Art
Alexandria, Louisiana

We have audited the financial statements of the Alexandria Museum of Art (a nonprofit organization) as of and for the year ended April 30, 1999, and have issued our report thereon dated August 12, 1999.

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.

Compliance with laws, regulations, contracts, and grants applicable to the Alexandria Museum of Art is the responsibility of the Alexandria Museum of Art's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Alexandria Museum of Art's compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on overall compliance with such provisions was not an objective of our audit of the financial statements. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under *Government Auditing Standards*.

This report is intended for the information of the trustees, management and the Legislative Auditor for the State of Louisiana. However, this report is a matter of public record, and its distribution is not limited.


KNIGHT \diamond MASDEN