

ARTHUR ANDERSEN LLP

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LOUISIANA ARTISTS GUILD

FINANCIAL STATEMENTS
AS OF DECEMBER 31, 1998 AND 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 JUN 9 1999

LOUISIANA ARTISTS GUILD
FINANCIAL STATEMENTS
AS OF DECEMBER 31, 1998 AND 1997

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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, 1998 and 1997, 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 audits.

We conducted our audits in accordance with generally accepted auditing standards and the standards for 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 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, 1998 and 1997, and the changes in its net assets and its cash flows for the years then ended in conformity with generally accepted accounting principles.

The Year 2000 supplementary information on page 7 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board (GASB), and we did not audit and do not express an opinion on such information. Further, we were unable to apply to the information certain procedures prescribed by professional standards because disclosure criteria specified by GASB Technical Bulletin 98-1 as amended are not sufficiently specific to permit meaningful results from the prescribed procedures. In addition, we do not provide assurance that the Guild is or will become Year 2000 compliant, that the Guild's Year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Guild does business are or will be Year 2000 compliant.

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 16, 1999.

Arthur Andersen LLP

New Orleans, Louisiana
April 16, 1999

LOUISIANA ARTISTS GUILD

STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 1998 AND 1997

<u>ASSETS</u>	<u>1998</u>	<u>1997</u>
CURRENT ASSETS:		
Cash	\$ 98,190	\$ 985
Pledges receivable, current portion	573,859	-
Investments	<u>10,182</u>	<u>-</u>
Total current assets	682,231	985
Pledges receivable, noncurrent	600,000	-
BUILDINGS	1,288,000	-
CONSTRUCTION IN PROGRESS	<u>337,385</u>	<u>178,692</u>
Total assets	<u>\$2,907,616</u>	<u>\$ 179,677</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Due to Arts Council of New Orleans	\$ 268,662	\$ 98,692
Accrued liabilities	2,000	40
Notes payable	<u>789,440</u>	<u>-</u>
Total current liabilities	<u>1,060,102</u>	<u>98,732</u>
NET ASSETS - UNRESTRICTED	<u>1,847,514</u>	<u>80,945</u>
Total liabilities and net assets	<u>\$2,907,616</u>	<u>\$ 179,677</u>

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

LOUISIANA ARTISTS GUILD

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

	<u>1998</u>	<u>1997</u>
SUPPORT AND REVENUE:		
Support - Grants	\$ 40,000	\$ -
- Other contributions	2,104,030	194,700
Revenue - Interest income	<u>1,326</u>	<u>197</u>
Total support and revenue	<u>2,145,356</u>	<u>194,897</u>
EXPENSES:		
Development	245,705	157,866
Administration	<u>133,082</u>	<u>90,376</u>
Total expenses	<u>378,787</u>	<u>248,242</u>
CHANGES IN UNRESTRICTED NET ASSETS	1,766,569	(53,345)
UNRESTRICTED NET ASSETS AT BEGINNING OF YEAR	<u>80,945</u>	<u>134,290</u>
UNRESTRICTED NET ASSETS AT END OF YEAR	<u>\$1,847,514</u>	<u>\$ 80,945</u>

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

LOUISIANA ARTISTS GUILD

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

	<u>1998</u>	<u>1997</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets for the period	\$1,766,569	\$ (53,345)
Donation of investment securities	(10,182)	-
Change in pledges receivable	(1,173,859)	-
Increase in support due Arts Council of New Orleans	169,970	173,235
Increase (decrease) in accrued liabilities	<u>1,960</u>	<u>(2,956)</u>
Net cash provided by operating activities	754,458	116,934
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Payments for buildings and construction-in-progress	<u>(657,253)</u>	<u>(127,682)</u>
Net increase (decrease) in cash	97,205	(10,748)
CASH, beginning of year	<u>985</u>	<u>11,733</u>
CASH, end of year	<u>\$ 98,190</u>	<u>\$ 985</u>

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

LOUISIANA ARTISTS GUILD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1998 AND 1997

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 \$16 million to cover the estimated cost of construction, development and startup costs.

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 two buildings acquired in 1998 and capitalized architect's fees related to a planned construction project. (See Note 4.)

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. 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. As of December 31, 1998 the Guild owed ACNO approximately \$269,000. No interest is charged on the Due to Arts Council balance.

Pre-development costs of \$343,000 prior to 1997 were funded by grants from ACNO. ACNO has provided additional funds through regrants to the Guild. Regrants to the Guild were approximately \$188,000 in 1998 and \$190,000 in 1997, which are included in "Other Contributions" in the accompanying financial statements.

ACNO provides an open line of credit up to \$400,000 for Guild cash needs for property acquisition and development costs. This loan is to be repaid as Capital Campaign pledges are collected together with 8% per annum simple interest. There was no balance outstanding under this line of credit at December 31, 1998.

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, 1998 and 1997.

4. PROPERTY ACQUISITION:

On August 28, 1998, the Guild purchased a building for \$828,000, making a partial payment of \$39,000 and executing a promissory note for \$789,000. The building is being leased to the seller for payment of expenses of occupancy such as taxes, utilities, maintenance and repair expenses for an expected term of one year from the date of sale. The promissory note is payable when the seller vacates the premises and bears interest at 8% per annum from maturity until paid. The Guild has received pledges and grants to support the purchase of this building; however, some of these pledges are contingent upon future events and have therefore not been included in revenues for 1998 and 1997. The contingent pledges and grants received to date include:

<u>Grantor</u>	<u>Amount</u>	<u>Contingency</u>
State of Louisiana	\$ 517,000	Funding provisions of the Cooperative Endeavor Agreement with the State
Louisiana Capital Outlay Bill	5,175,000	Funding provisions of the Capital Outlay Bill
Entergy	1,100,000	Financial situation of Entergy
Downtown Development District	750,000	Achieve specific funding minimums
Rosamary Foundation	<u>500,000</u>	Location of Guild in a specific area, with a contract to build/renovate by March 31, 2000
	<u>\$8,042,000</u>	

SUPPLEMENTAL INFORMATION

YEAR 2000 DISCLOSURE

The Guild does not own any electronic data-processing systems and other equipment. Electronic data-processing for the Guild is done by the Arts Council of New Orleans (The Council).

The Year 2000 issue is the result of shortcomings in many electronic data-processing systems and other equipment that may adversely affect operations in the year 1999 and beyond. For many years, programmers eliminated the first two digits from a year when writing programs. For example, some programmers would designate January 1, 1985 as "01/01/85" instead of "01/01/1985." Other programmers, including the programmer who wrote the Council's financial reporting system, designated January 1, 1985 as "850101" rather than "19850101." In 1999 the Council received an update to its financial reporting system which allows dates to be designated with four digits for the year. On January 1, 2000 at 12:00:01 a.m., the internal clock in some computers and some other equipment will roll over from "12/31/99" to "01/01/00." Other computers whose internal clock counts the number of seconds elapsed from a specific date will just add another second to the elapsed time. Unfortunately, some programs (if not corrected) will not be able to distinguish between the Year 2000 and the Year 1900. This may cause problems in programs in the leap-year calculation. Some programs are unable to detect the Year 2000 as a leap year. The Council's financial reporting system properly recognizes the Year 2000 as a leap year. Problems affecting a wide range of governmental activities will likely result if computers and other electronic equipment that are dependent upon date-sensitive coding are not corrected. These problems have the potential for causing a disruption to operations and may temporarily increase the cost of those operations.

The Council is taking the steps needed to ensure that it is prepared for the Year 2000 problem. The Council is evaluating hardware and software that could be impacted by the Year 2000 problem. This assessment process will continue into 1999, though such assessments are complete with respect to mission critical systems. The Council replaced or upgraded virtually all of its computers and software in 1998 and 1999 with hardware or software that is, according to the hardware or software vendors, Year 2000 compliant. The Council's limited testing of the new hardware and software has not indicated any instances of non-compliance. Additional replacement or remediation activities may result from the 1999 survey work.

Due to the unprecedented nature of the Year 2000 issue and its projected effects, the success of related remediation and replacement efforts will not be fully determinable until the Year 2000 and thereafter. Management cannot provide complete assurance that the Guild's operations will not be adversely impacted or interrupted.

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, 1998 and have issued our report thereon dated April 16, 1999. 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 16, 1999

LOUISIANA ARTISTS GUILD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 1998

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: *Unqualified*

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Reportable condition(s) identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control:

- Material weakness(es) identified? yes no
- Reportable condition(s) identified that are not considered to be material weakness(es)? yes none reported

Type of auditors' report issued on compliance for major programs: *Unqualified*

Any findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? yes no

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.