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**CERVANTES FUNDACION  
HISPANOAMERICANA DE ARTE**

**ACCOUNTANT'S COMPILATION REPORT, FINANCIAL  
STATEMENTS ,NOTES AND AGREED UPON PROCEDURES REPORT**

**Kenner, LA**

**For the Year Ended December 31, 2003**

As required by state law, this report is a public document. A copy of the report has been submitted to the Governor 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 9.1.04

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**EILEEN  
SHANKLIN  
ANDRUS  
CERTIFIED  
PUBLIC  
ACCOUNTANT**  
A LIMITED LIABILITY  
COMPANY

Member of the  
American Institute  
of Certified Public  
Accountants

Member of the  
Louisiana Society  
of Certified Public  
Accountants

## ACCOUNTANT'S COMPILATION REPORT

Mr. Guillermo DeBango and  
The Board of Directors of  
Cervantes Fundacion  
Hispanoamericana De Arte  
70 Normandy Dr.  
Kenner, LA 70065

I have compiled the accompanying statement of financial position of Cervantes Fundacion Hispanoamericana De Arte, Inc. as December 31, 2003 and the related statements of activities and cash flows for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. I have not audited or reviewed the accompanying financial statements, and accordingly, do not express an opinion or any other form of assurance on them.

In accordance with the *Louisiana Governmental Audit Guide* and the provisions of state law, I have issued a report dated June 30, 2004, on the results of my agreed-upon procedures.

Eileen Shanklin Andrus  
CERTIFIED PUBLIC ACCOUNTANT  
A LIMITED LIABILITY COMPANY

June 30, 2004

210 Belle Meade Blvd.  
Thibodaux, LA 70301  
(985) 209-3067  
Eileen@esacpa.com

CERVANTES FUNDACION HISPANOAMERICANA DE ARTE  
, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2003

ASSETS

Current Assets		
Cash	\$	198
Net Fixed Assets		
( Less Accumulated Depreciation of \$ 984)		<u>1,983</u>
Total Assets	\$	<u>2,181</u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts Payable	\$	<u>4,384</u>
Total Current Liabilities		<u>4,384</u>
Net Assets		
Unrestricted Net Assets		(4,186)
Temporarily Restricted Net Assets		<u>1,983</u>
Total Net Assets		<u>(2,203)</u>
Total Liabilities and Net Assets	\$	<u>2,181</u>

See Accompanying Compilation Report and Notes.

CERVANTES FUNDATION HISPANOAMERICANA DE ARTES  
INC.

STATEMENT OF ACTIVITY AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2003

	UNRE - <u>STRICTED</u>	TEMPORARILY <u>RESTRICTED</u>	<u>TOTAL</u>
<b>Increases In Net Assets:</b>			
Support:			
Federal Financial Assistance			
Louisiana Department of Education - TANF	--	\$ 34,863	\$ 34,863
Other Financial Assistance			
The Arts Council of New Orleans	--	<u>13,359</u>	<u>13,359</u>
Total Support	--	<u>48,222</u>	<u>48,222</u>
Other Income:			
Fees and Donations	\$ 15,139	--	15,139
Total Other Income	<u>15,139</u>	--	<u>15,139</u>
Total Support and Income	<u>15,139</u>	<u>48,222</u>	<u>63,361</u>
Assets Released From Restrictions	<u>38,727</u>	<u>(38,727)</u>	--
Total Increase in Net Assets	<u>53,866</u>	<u>9,495</u>	<u>63,361</u>
 <b>Decreases In Unrestricted Net Assets:</b>			
Program Expenses			
Contractual Fees	55,128	--	55,128
General & Administrative			
Office Supplies	2,688	--	2,688
Telephone	2,734	--	2,734
Repairs & Maintenance	280	--	280
Professional Fees	1,360	--	1,360
Miscellaneous	548	--	548
Depreciation	492	--	492
Fund ) Music-Special Events			
Supplies - Special Events	500	--	500
Other Expenses - Special Events	191	--	191
Total Decreases in Unrestricted Net Assets	<u>64,106</u>	--	<u>64,106</u>
Net Increase (Decrease) in Net Assets	<u>(10,240)</u>	<u>9,495</u>	<u>(745)</u>
Net Assets			
Beginning Net Assets 12/31/02	<u>5,825</u>	<u>(7,283)</u>	<u>(1,458)</u>
Ending Net Assets at 12/31/03	\$ <u>(4,415)</u>	\$ <u>2,212</u>	\$ <u>(2,203)</u>

See Accompanying Compilation Report and Notes.

CERVANTES FUNDATION HISPANOAMERICANA DE ARTES  
, INC.

Statement of Cash Flows

December 31, 2003

Cash flows from Operating Activiites:		
Decrease in Net Assets	\$	(745)
Less: Depreciation Expense		(492)
(Increase) Decrease in Assets:		
Decrease in Grant Receivables		2,491
Increase (Decrease) in Liabilities:		
Accounts Payable		<u>(1,259)</u>
Net Cash Provided (used) provided by Operating Activities		<u>(5)</u>
Cash Flows from Investing Activities		
Net Cash Provided (Used) in Investing Activities		<u>==</u>
Cash Flows from Financing Activities		
Net Cash Provided (Used) by Financing Activities		<u>==</u>
Net (Decrease) in Cash and Cash Equivalents		(5)
Cash and Cash Equivalents at Beginning of Year		<u>203</u>
Cash and Cash Equivalents at End of Year	\$	<u>198</u>

See Accompanying Compilation Report and Notes.

Cervantes Fundacion Hispanoamericana De Arte

Notes to the Financial Statements

For the Year Ended December 31, 2003

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cervantes Fundacion Hispanoamericana De Arte is a non-profit entity located in Kenner, LA. Cervantes offers classes in theater/acting, piano, guitar and dancing. Classes are offered to the general public; however the school has a Hispanic cultural focus.

Cervantes is currently funded by grants from the following entities:

The Department of Education of the State of Louisiana  
Temporary Assistance to Needy Families - TANF  
The Arts Council of New Orleans

A. Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of Cervantes and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets- Net Assets subject to donor-imposed stipulation that may or will be met, either by actions of the Organization and/or the passage of time.

When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets - Net Assets subject to donor-imposed stipulations that must be maintained. These restrictions do not expire with the passage of time.

Cervantes Fundacion Hispanoamericana De Arte, Inc.

Notes to the Financial Statements (continued)

For the Year Ended December 31, 2003

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Presentation (continued)

Presently, Cervantes only has unrestricted and temporarily restricted net assets.

B. Contributions

Contributions are recognized when a donor makes a promise to give. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized.

Contributed Services meeting the requirements for recognition in the financial statements were not material and have not been recorded by Cervantes in these financial statements.

C. Property and Equipment

Cervantes' furniture and equipment are donated by the teachers and the general community. The value of the furniture and equipment is believed to be negligible; therefore, no assets have been recorded in these financial statements for donated assets. Assets purchased with donated funds are recorded in these financial statements and depreciated over a three year period.

D. Tax Exempt Status

Cervantes is a nonprofit organization under Internal Revenue Code Sections 501(c) (3); therefore, no provision has been made for federal or state income taxes. This nonprofit organization has been classified as an organization that is not a private foundation under Sec 509 (A).



Cervantes Fundacion Hispanoamericana De Arte, Inc.

Notes to the Financial Statements (continued)

For the Year Ended December 31, 2003

E. Cash Equivalents

For purposes of the statement of cash flows, Cervantes considers all unrestricted cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

All of Cervantes deposits are fully insured by Federal Deposit Insurance.

F. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual amounts may differ from those estimates.

NOTE 2- IMPROVEMENTS FURNITURE & FIXTURES

Cervantes' furniture and fixtures consist of the following:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u> <u>Balance</u>
Theater				
Improvements	\$ 2,137	--	--	\$ 2,137
Equipment	830	--	--	830
Total	\$ <u>2,967</u>			\$ <u>2,967</u>
Less: Accumulated Depreciation				<u>(984)</u>
Net Fixed Assets				\$ <u>1,983</u>

Total depreciation expense totals \$ 492 at December 31, 2003.

NOTE 3 - CONCENTRATIONS

The majority of support received by Cervantes comes from the State of Louisiana Governor's Office.

Cervantes Fundacion Hispanoamericana De Arte, Inc.

Notes to the Financial Statements (continued)

For the Year Ended December 31, 2003

NOTE 4 - CONTINGENCIES

Amounts received from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Governors Office. Any disallowed claims including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although Cervantes considers such amounts to be immaterial.



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## ACCOUNTANT'S ATTESTATION REPORT

Mr. Guillermo DeBango and  
The Board of Directors of  
Cervantes Fundacion  
Hispanoamericana De Arte  
70 Normandy Dr.  
Kenner, LA 70065

I have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by the management of Cervantes Fundacion Hispanoamericana De Arte, the Legislative Auditor, State of Louisiana, and applicable state grantor agency/agencies solely to assist the users in evaluating management's assertions about Cervantes' compliance with certain laws and regulations during the year ended December 31, 2003 included in the accompanying *Louisiana Attestation Questionnaire*. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants and applicable standards of *Governmental Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, I make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

### *Federal, State, and Local Awards*

1. Determined the amount of federal, state and local award expenditures for the fiscal year, by grant and grant year.

Cervantes federal award expenditures for all federal programs for the fiscal year follow:

Louisiana Department of Education – TANF 93.558 \$ 34,863 October 2002 through September 2003 and October 2003 through September 2004.

2. For each federal, state, and local award, we randomly selected 6 disbursements administered during the period under examination.
3. For the items selected in procedure 2, we traced the six disbursements to supporting documentation as to proper amount and payee.

I examined supporting documentation for each of the six selected disbursements and found that payment was for the proper amount and made to the correct payee. No exceptions were noted in my testing.

4. For the items selected in procedure 2, we determined if the six disbursements were properly coded to the correct general ledger account.

*I could not determine proper coding by fund due to the ledger not being separated by funds or grant categories.*

5. For the items selected in procedure 2, I determined whether the six disbursements received approval from proper authorities.

Inspection of documentation supporting each of the six selected disbursements indicated approvals from the board by authorization of the check signers.

6. For the items selected in procedure 2. For federal awards, I determined whether disbursements complied with the applicable specific program compliance requirements summarized in the *Compliance Supplement* (or contained in the grant agreement, if the program is not included in the *Compliance Supplement*) and for state and local awards, I determined whether the disbursements complied with the grant agreement, relating to:

Activities allowed or unallowed:

I reviewed the disbursements tested in 2. for types of services allowed or not allowed. No exceptions were found in my testing.

Eligibility

I reviewed the disbursements listed in 2 for eligibility requirements. No exceptions were found in my testing.

Reporting

I reviewed the disbursements in 2. for reporting requirements. No exceptions were found in my testing.

7. For the programs selected for testing in item (2) that had been closed out during the period under review, I compared the close-out report, when required, with the entity's financial records to determine whether the amounts agree.

### **Meetings**

8. I attempted to examine evidence indicating that agendas for meetings recorded in the minute book were posted as an open meeting as required by LSA-RS 42:1 through 42:12 (the open meetings law)

*Cervantes is required to post a notice of each meeting and the accompanying agenda on the door of Cervantes' administrative building. Although management has asserted that such documents were properly posted, I could find no evidence supporting such assertion. Further, I noted no evidence of written minutes of the meetings. Although management has asserted that meetings take place twice per year.*

## Comprehensive Budget

9. For all grants exceeding fifty thousand dollars, I determined that each applicable federal, state, or local grantor agency/agency was provided with a comprehensive budget of those grants that included the purpose and duration, and for state grants included specific goals and objectives and measures of performance.

## Prior Comments and Recommendations

10. I reviewed any prior-year suggestions, recommendations, and/or comments to determine the extent to which such matters have been resolved.

The following comments were noted in the prior year's agreed upon procedures report:

*Proper coding by fund = unresolved*

*Availability of Cancelled Checks = resolved*

*Timely submission of the compilation/attestation report = unresolved*

I was not engaged to, and did not; perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, I do not express such an opinion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

This report is intended solely for the use of management of Cervantes Fundacion Hispanoamericana De Arte, the Legislative Auditor (State of Louisiana), and the applicable state grantor agency/agencies and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



EILEEN SHANKLIN ANDRUS  
CERTIFIED PUBLIC ACCOUNTANT  
A LIMITED LIABILITY COMPANY

June 30, 2004

## MANAGEMENT'S RESPONSE

***#4. I could not determine proper coding by fund due to the ledger not being separated by funds or grant categories. (prior year comment)***

While we noted the comment from the prior year, we misunderstood the requirement. Our accountant did segregate the income in that grant income was segregated from contributions income; however, no such segregation was done on the expense side.

### ***#6. Reporting***

***Cervantes failed to submit its compilation and it's agreed upon procedures report within the six month time frame required by Louisiana law. The noncompliance per discussion with Carlos Solis was caused due to the school being closed in June and difficulty in getting documents from the school when closed and no longer in session.***

Cervantes will consult the CPA doing this compilation prior to yearend to make sure that the correct requirements are being followed and have this CPA (accountant) consult with the CPA (auditor) to insure that all requirements of presentation are being met by Cervantes.

### ***#8. Meetings***

***Cervantes posts a notice of each meeting and the accompanying agenda on the door of the Cervantes operating facilities. Although management has asserted that such documents were properly posted, I could find no evidence supporting such assertion. (prior period comment)***

We will make sure that copies of all meeting postings are kept on file and that the minutes of the meetings be kept in writing.

### **#10. Prior Period Comments and Recommendations**

Items # 4, # 6 and #8 were repeated from the prior year.

**LOUISIANA ATTESTATION QUESTIONNAIRE**  
**(For Attestation Engagements of Quasi-Public Entities)**

*Dear Chief Executive Officer:*

Attached is the *Louisiana Attestation Questionnaire* that is to be completed by you or your staff. This questionnaire is a required part of the compilation and attestation engagement of Louisiana quasi-public entities. Upon completion, the questionnaire must be presented to and adopted by the governing body, if any, of your organization by means of a formal resolution in an open meeting. Independently elected governmental officials should sign the document, in lieu of such a resolution. In all instances, this compliance questionnaire is to be given to the auditor at the start of the audit; it is not necessary to return the questionnaire to my office.

The completed questionnaire and a copy of the adoption instrument, if appropriate, must be given to the auditor at the beginning of the engagement. The auditor will, during the course of his engagement, perform certain agreed-upon procedures to the responses in the questionnaire.

Certain portions of the questionnaire may not be applicable to your organization. In such cases, it is appropriate to mark the representation "not applicable." However, you must respond to each applicable representation. A 'yes' answer indicates that you have complied with the applicable law or regulation. A 'no' answer to any representation indicates a possible violation of law or regulation and, as such, should be fully explained. These matters will be reviewed by the auditor during the course of his engagement. Please feel free to attach a further explanation of any representation.

*Your cooperation in this matter will be greatly appreciated.*

Sincerely,

Daniel G. Kyle, CPA, CFE  
Legislative Auditor

LOUISIANA ATTESTATION QUESTIONNAIRE  
(For Attestation Engagements of Quasi-public Entities)

8/1/04 (Date Transmitted)

ESA CPA LLC  
1632 ENGLISH COLONY DR.  
LAPLACE, LA 70068  
(Auditors)

In connection with your compilation of our financial statements as of CERVANTES, FUNDACION HISPANOAMERICANA DE and for the period then ended, and as required by Louisiana Revised Statute 24:513 and the Louisiana Governmental Audit Guide, we make the following representations to you. We accept full responsibility for our compliance with the following laws and regulation and the internal controls over compliance with such laws and regulations. We have evaluated our compliance with the following laws and regulations prior to making these representations.

These representations are based on the information available to us as of (date of completion/representation).

**Federal, State, and Local Awards**

We have detailed for you the amount of Federal, state and local award expenditures for the fiscal year, by grant and grant year.

Yes  No

All transactions relating to federal, state, and local grants have been properly recorded within our accounting records and reported to the appropriate state, federal, and grantor officials.

Yes  No

The reports filed with federal, state, and local agencies are properly supported by books of original entry and supporting documentation.

Yes  No

We have complied with all applicable specific requirements of all federal, state, and local programs we administer, to include matters contained in the Compliance Supplement, matters contained in the grant awards, eligibility requirements, activities allowed and unallowed, and reporting and budget requirements.

Yes  No

**Open Meetings**

Our meetings, as they relate to public funds, have been posted as an open meeting as required by LSA-RS 42:1 through 42:12 (the open meetings law).

Yes  No

**Budget**

For each federal, state, and local grant we have filed with the appropriate grantor agency a comprehensive budget for those grants that included the purpose and duration, and for state grants included specific goals and objectives and measures of performance

Yes  No

**Prior Year Comments**

We have resolved all prior-year recommendations and/or comments.

Yes  No

We have disclosed to you all known noncompliance of the foregoing laws and regulations, as well as any contradictions to the foregoing representations. We have made available to you

*Jdh* - NOT FOUND TRUE  
SEE FINDING # 2



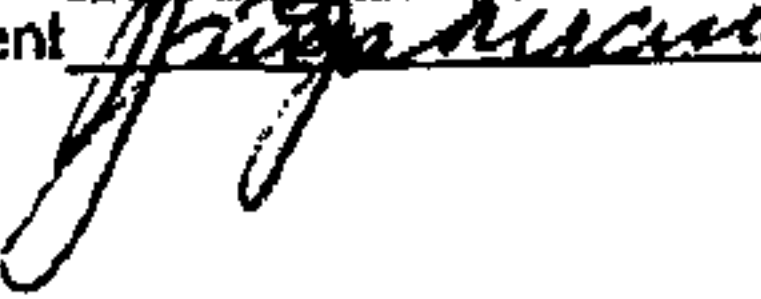
*Jdh* - NOT FOUND TRUE  
SEE FINDING # 8

*Jdh* - NOT FOUND TRUE  
SEE FINDING # 10



documentation relating to the federal, state, and local grants, to include the applicable laws and regulations.

We have provided you with any communications from regulatory agencies or other sources concerning any possible noncompliance with the foregoing laws and regulations, including any communications received between the end of the period under examination and the issuance of this report. We will also disclose to you, the Legislative Auditor, and the applicable state grantor agency/agencies any known noncompliance which may occur up to the date of your report.

<u>WALTER SOLOGAISTOA</u>	Secretary		Date <u>08/01/04</u>
<u>CARLOS SOLIS</u>	Treasurer		Date <u>08/01/04</u>
<u>GUILLERMO DE BANGO</u>	President		Date <u>08/01/04</u>