

TWIN CITY ART FOUNDATION, INC.
MONROE, LOUISIANA

FINANCIAL STATEMENTS
AND
ACCOUNTANTS' REPORT

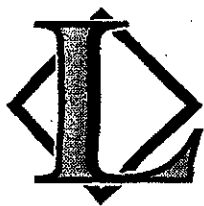
APRIL 30, 2004.

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the 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 11-10-04

TWIN CITY ART FOUNDATION, INC.
MONROE, LOUISIANA
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LITTLE & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

Wm. TODD LITTLE, CPA
CHARLES R. MARCHBANKS, JR., CPA

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Twin City Art Foundation, Inc.
(A Nonprofit Foundation)
Monroe, Louisiana

We have audited the accompanying statement of financial position of Twin City Art Foundation, Inc. (the Foundation) as of April 30, 2004, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and standards applicable to 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 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 Twin City Art Foundation, Inc. as of April 30, 2004, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2004, on our consideration of Twin City Art Foundation, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Little & Associates, L.P.C.

Monroe, Louisiana
October 26, 2004

TWIN CITY ART FOUNDATION, INC.
(A Nonprofit Foundation)
STATEMENT OF FINANCIAL POSITION
APRIL 30, 2004

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$	176,360
Interest Receivable		1,489
Investments		<u>457,141</u>

Total Current Assets		<u>634,990</u>
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PROPERTY AND EQUIPMENT

Furniture & Equipment		18,562
Less accumulated depreciation		<u>(17,029)</u>

Net Property and Equipment		<u>1,533</u>
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TOTAL ASSETS	\$	<u>636,523</u>
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LIABILITIES AND NET ASSETS

LIABILITIES	\$	-
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NET ASSETS

Unrestricted:		
Operating		634,990
Fixed Assets		1,533

Total Net Assets		<u>636,523</u>
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TOTAL LIABILITIES AND NET ASSETS	\$	<u>636,523</u>
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The accompanying notes are an integral part of these financial statements.

TWIN CITY ART FOUNDATION, INC.
(A Nonprofit Foundation)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED APRIL 30, 2004

PUBLIC SUPPORT AND REVENUE

Art School	\$	8,015
Memberships		25,275
Sales, Art		9,433
Fundraisers		27,647
Adult Education		780
Miscellaneous		2,259
Grants		17,254
Juried Exhibit		8,493
Corporate, Inkind		300
Special Events		2,760
Sponsors, Exhibits		7,500
Interest Income		4,843
Total Public Support and Revenue		114,559

PROGRAM EXPENSES

Art School	7,841
Capital Outlay - Architect Fees	314
Decentralized Grants	7,500
Education Outreach	10
Entertainment - Museum & Exhibits	2,293
<i>Fundraisers</i>	9,247
Gallery and Artists	7,370
Insurance	7,553
Juried Competition	8,408
Lectures and Presentations	1,801
Library	223
Memberships and Subscriptions	506
Miscellaneous	2,994
Office Supplies and Postage	7,212
Permanent Collection	15,050
Printing and Publications	5,495
Public Relations	12,208
Show Productions	6,672
Special Events	4,220
Storage	2,222
Legal and Professional	2,900
Depreciation	2,102
Total Program Expenses	114,141

OTHER REVENUE (EXPENSE)

Gain on Sale of Securities - Argent	28,091
Unrealized Gain on Investments - Argent	16,890
Investment Income - Argent	146
Dividend Income - Argent	11,012
Fiduciary Fees - Argent	(4,241)
Total Other Revenue (Expense)	51,898

Change in Net Assets	52,316
Net Assets, Beginning of Year	584,207
Net Assets, End of Year	\$ 636,523

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

TWIN CITY ART FOUNDATION, INC.
(A Nonprofit Foundation)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED APRIL 30, 2004

**CASH FLOWS FROM OPERATING ACTIVITIES:
RECONCILIATION OF CHANGE IN NET ASSETS TO NET
CASH PROVIDED BY OPERATING ACTIVITIES:**

Change in net assets	\$	52,316
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization		2,102
Unrealized Gain on Investments		(16,890)
Decrease (Increase) in:		
Gain on Sale of Securities		(28,091)
Fiduciary Fees		4,241
Interest Receivable		(1,489)
NET CASH PROVIDED BY OPERATING ACTIVITIES		<u><u>12,189</u></u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Decrease (Increase) In:		
<i>Reinvestment of Investment Earnings</i>		(11,158)
Purchases of Furniture and Equipment		(746)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		<u><u>(11,904)</u></u>

Net Increase (Decrease) in Cash and Cash Equivalents		285
Cash and Cash Equivalents at Beginning of Year		<u>176,075</u>
Cash and Cash Equivalents at End of Year	\$	<u><u>176,360</u></u>

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

TWIN CITY ART FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2004

NOTE I - NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Twin City Art Foundation, Inc. was incorporated in 1974 as a nonprofit corporation based in Monroe, Louisiana. It was organized exclusively for charitable, educational and scientific purposes and particularly, the teaching, development, and promotion of the visual arts through the operation of museums and schools, including the development and presentation of a permanent collection of works of art for periodic display to the public. The Foundation is operated by a committee and no one on the committee receives compensation. It has a membership of approximately 500 and is co-sponsored by the City of Monroe, Louisiana, which acts as a Friend to the Foundation.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Public Support and Revenue

Contributions are recorded when received and are generally available for unrestricted use unless specifically restricted by the donor.

Grants and other contributions are recorded when received and are generally available for unrestricted use unless specifically restricted by the donor.

Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial 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.

TWIN CITY ART FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2004

NOTE 1 - NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES.
CONTINUED

Estimates

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

Cash and Cash Equivalents

Cash in checking, savings and certificates of deposits are considered cash and cash equivalents for the purposes of the statement of cash flows.

Concentrations of Credit Risk

The Twin City Art Foundation has checking accounts at a local financial institution. The accounts, in total, are insured by the Federal Deposit Insurance Corporation up to \$100,000.

Except for liens filed for contractual services, The Twin City Art Foundation, Inc. does not require collateral to support financial instruments subject to credit risk.

Income Taxes

The Foundation is exempt from Federal and State income taxes under Section 501 (c) 3 of the Internal Revenue Code. Therefore, no provision for income taxes has been made in these financial statements.

Property and Equipment

Assets have been recorded at cost when cost could be determined, and at estimated cost when cost records could not be located. All donated assets have been recorded at estimated fair value on the date of donation. Fixed assets are depreciated over estimated useful lives of five to ten years using the straight line method.

TWIN CITY ART FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2003

NOTE 2 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following at April 30, 2004.

Bank One - Checking	\$ 29,472
Bank One - Checking (Petty Cash)	2,886
Bank One - Money Market	44,002
Hibernia Bank - CD	<u>100,000</u>
<u>TOTAL CASH AND CASH EQUIVALENTS</u>	<u>\$176,360</u>

NOTE 3 - SALARIES AND PENSION PLAN

The City of Monroe pays the employees of the Foundation. Thus no salaries or pensions are recognized as a Foundation expense.

NOTE 4 - DONATED SERVICES AND FACILITIES

The Foundation receives donated services from a variety of unpaid volunteers. No amounts have been recognized in the accompanying statement of activities because the criteria for recognition of such volunteer effort under SFAS No. 116 have not been satisfied.

The Foundation occupies without charge the Masur Museum. The estimated fair rental value of the premises is not included as support or expense.

NOTE 5 - ART COLLECTION

In conformity with the practice followed by most museums, art objects purchased and donated are not included in the balance sheet.

The amount of objects purchased for the year ended April 30, 2004 total \$15,050 as reflected as an expense in the Statement of Activity.

TWIN CITY ART FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2003

NOTE 6 – INVESTMENTS

The investments held at April 30, 2004 are stated at their fair value in the statement of financial position.

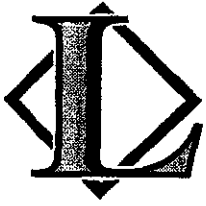
The Foundation has appointed Argent Capital Management as investment manager and custodian.

Investments at April 30, 2004 consist of the following:

	<u>Cost</u>	<u>Market Value</u>
PIF Temp Fund. #24	\$20,594	\$ 20,594
Loomis Sayles Bond Institutional Fund #1162	37,408	35,595
Pimco Global Bond Inst. Fund #102	37,408	35,637
Pimco High Yield Fund #108	26,536	27,423
Pimco Total Return Fund #35	63,606	64,378
Vanguard Short Term Corporate Fund	92,990	92,512
Legg Mason Inst'l Value Fund #1347	26,534	31,318
Oakmark Fund	28,056	27,353
Selected American Shares Fund #205	23,237	27,285
T. Rowe Midcap Equity Growth Fund #116	28,056	27,148
Vanguard Growth & Income Fund #93	34,806	41,172
Templeton Institutional Foreign Equity Fund	21,019	26,726
	<u>\$440,250</u>	<u>\$457,141</u>

Argent Trust investment return is summarized as follows for the year ended April 30, 2004.

	<u>2004</u>
Interest and dividend income	\$ 11,158
Net realized and unrealized gains/(losses)	<u>44,981</u>
TOTAL	<u>\$ 56,139</u>



LITTLE & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

Wm. TODD LITTLE, CPA
CHARLES F. MARCHBANKS, JR., CPA

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

To the Board of Directors of
Twin City Art Foundation, Inc.
Monroe, Louisiana

We have audited the financial statements of Twin City Art Foundation, Inc. (a Nonprofit Foundation) as of and for the year ended April 30, 2004, and have issued our report thereon dated October 26, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Twin City Art Foundation, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Twin City Art Foundation, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, agreements, 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 and other matters that are required to be reported under *Government Auditing Standards*

We also noted certain additional matters involving internal control that we reported to the management of Twin City Art Foundation, Inc. in a separate letter dated October 26, 2004.

This report is intended solely for the information and use of the members of the Board of Directors, management of Twin City Art Foundation, Inc. and the Legislative Auditor of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Little & Associates, L.L.C.

Monroe, Louisiana
October 26, 2004

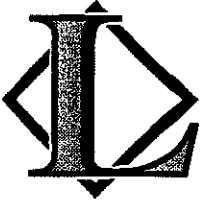
TWIN CITY ART FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED APRIL 30, 2004

PART I - SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of Twin City Art Foundation, Inc.
2. No reportable conditions or material weaknesses, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
3. No instances of noncompliance material to the financial statements of Franciscan Apartments, Inc., which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

PART II - FINDINGS - FINANCIAL STATEMENT AUDIT AND MAJOR FEDERAL AWARD PROGRAM AUDIT

No findings or questioned costs are applicable.



LITTLE & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

Wm. TODD LITTLE, CPA
CHARLES R. MARCHBANKS, JR., CPA

October 26, 2004

To the Board of Directors of
Twin City Art Foundation, Inc.
Monroe, Louisiana

In planning and performing our audit of the financial statements of Twin City Art Foundation, Inc. for the year ended April 30, 2004, we considered Twin City Art Foundation, Inc.'s internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. We reported on Twin City Art Foundation, Inc.'s compliance and internal control over financial reporting in our report dated October 26, 2004. This letter does not affect our report dated October 26, 2004, on the financial statements of Twin City Art Foundation, Inc.

We will review the status of these comments during our next audit engagement. We have already discussed some of these comments and suggestions with various members of management, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Sincerely,

LITTLE & ASSOCIATES, L.L.C.
Certified Public Accountants

Little & Associates, L.L.C.

MANAGEMENT LETTER FINDINGS AND RECOMMENDATIONS

ML-04-01 Segregation of Duties

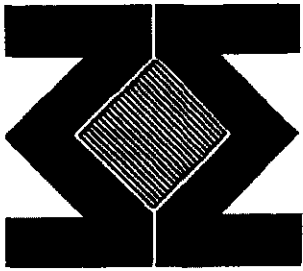
The size of the Art Foundation's office staff limits the extent of separation of duties. We believe certain steps could be taken to separate incompatible duties. The basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction.

One of the most critical areas of separation is cash, where we noted that the bookkeeper handles incoming checks, prepares the deposit slip, posts receipts to the general ledger, receives and reconciles the monthly bank statement, also writes checks, which require only the bookkeeper's signature, and posts disbursements to the general ledger. The result is the danger that intentional or unintentional errors could be made and not detected. We recommend that someone else open the mail, prepare a prelist of the cash received, and prepare the deposit slip. An appropriate manager should receive and review the bank statements and cancelled checks before turning them over to the bookkeeper to prepare the bank reconciliations. The manager might also review the reconciliations after they are prepared. These simple steps would not require the addition of any new employees or add significant time to the individual chosen to perform these tasks.

ML-04-02 Lack of Proper Documentation

Every year the Twin City Art Foundation promotes an art school for the public. According to the staff, a form is filled out by the individual that will be attending the school. This information along with the tuition submitted by the student is used to input the data into the computer. Once this information is entered into the computer, no record is kept of how many students attended the art school and at what rate they were charged. We recommend that a copy of the form that is filled out by the student be kept as supporting documentation.

Another instance where there is a lack of proper documentation is when the Twin City Art Foundation has an exhibit and someone buys an artist's painting. According to the staff, a price is negotiated and the painting is sold. No receipt is issued at the time of sale. Also, when the artist is paid by the Twin City Art Foundation, there is no documentation to support the amount paid to the artist. We recommend that a receipt be issued at the time a piece of art is sold and that some type of invoice or statement be prepared to support the amount paid to the artist.



MASUR
MUSEUM OF ART
TWIN CITY
ART FOUNDATION

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Masur Museum of Art

1400 South Grand Street
Monroe, Louisiana 71202
(318) 329-2237 fax (318) 329-2847
masur@ci.monroe.la.us
www.masurmuseum.org

November 5, 2004

Darrell Evans, CPA
Little & Associates
P.O. Box 4058
Monroe, LA 71211-4058

Re: Audit of Twin City Art Foundation, Inc.
For the Year Ended April 30, 2004

Dear Mr. Evans

This letter is in response to your firm's management letter findings and recommendations stemming from your recent audit of the Twin City Art Foundation. I have personally met with Sue Prudhomme, executive director of the Masur Museum of Art, and Regina Lynch, CPA, our treasurer, to go over your findings and develop a plan of action to address the issues presented. The findings along with our plan for addressing each are listed below:

I. ML-04-01 Segregation of Duties.

Finding: No one employee should have access to both physical assets and the related records or to all phases of a transaction.

Action. The Twin City Art Foundation proposes to implement the following actions to correct this situation:

- a. The office assistant will now be responsible for opening the mail, preparing a prelist of the day's receipts and preparing a deposit slip.
- b. The executive director will receive and review the bank statements and cancelled checks before turning them over to the bookkeeper to reconcile the bank statements.

2. ML-04-02 Lake of Proper Documentation.

Finding: Documentation has not been sufficient in the case of the art school or the sale of artists' paintings after exhibits.

Plan of Action. The Twin City Art Foundation proposes to implement the following actions to correct this situation:

- a. As has been done in prior years, the registration form that is filled out by students for the art school and class rosters will be kept on file as supporting documentation of the rate charged and how many students have attended during the sessions. These documents will not be thrown away as inadvertently happened during 2003 and through October 2004.
- b. A receipt book will be kept by the foundation and receipts issued when an artist's work is purchased.
- c. When an artist is paid, a copy of the letter which accompanies the check will be sent along with a return envelope to have the artist sign and return verifying his receipt of payment. These letters will be kept as supporting documentation.

Thank you for your time and assistance in this matter.

Sincerely,


Christian Creed, Esq.
President