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**THE NEW ORLEANS CENTER FOR CREATIVE ARTS INSTITUTE**  
**NEW ORLEANS, LOUISIANA**

**FINANCIAL STATEMENTS**

**JUNE 30, 2004**

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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 1-26-05

**THE NEW ORLEANS CENTER FOR CREATIVE ARTS INSTITUTE**

**NEW ORLEANS, LOUISIANA**

**FINANCIAL STATEMENTS**

**JUNE 30, 2004**

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**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
The New Orleans Center for Creative Arts Institute  
New Orleans, Louisiana

We have audited the accompanying statement of financial position of the New Orleans Center for Creative Arts Institute (a nonprofit organization) (the Institute) as of June 30, 2004, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Institute's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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. 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 New Orleans Center for Creative Arts Institute at June 30, 2004, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 15, 2004 on our consideration of the New Orleans Center for Creative Arts Institute'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.

Metairie, Louisiana  
December 15, 2004

**THE NEW ORLEANS CENTER FOR CREATIVE ARTS INSTITUTE**  
**NEW ORLEANS, LOUISIANA**

**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2004**

**ASSETS**

Current assets:	
Cash and cash equivalents, unrestricted	\$ 133,622
Receivables:	
Promises to give	48,750
Other	6,827
Prepaid expenses	<u>6,901</u>
Total current assets	196,100
Donated art work	46,650
Promises to give, long-term, net of discount of \$38,097	118,774
Property and equipment, net	685,816
Investments, funds held by the Greater New Orleans Foundation	<u>574,201</u>
Total Assets	<u><u>\$ 1,621,541</u></u>

**LIABILITIES AND NET ASSETS**

Current liabilities:	
Accounts payable and accrued expenses	\$ 2,029
Line of credit	<u>25,000</u>
Total current liabilities	<u>27,029</u>
Total liabilities	<u>27,029</u>
Net assets:	
Unrestricted	860,792
Temporarily restricted	169,518
Permanently restricted	<u>564,202</u>
Total net assets	<u>1,594,512</u>
Total Liabilities and Net Assets	<u><u>\$ 1,621,541</u></u>

The accompanying notes are an integral part of this statement.

**THE NEW ORLEANS CENTER FOR CREATIVE ARTS INSTITUTE**  
**NEW ORLEANS, LOUISIANA**

**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2004**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and Revenues				
Support:				
Special events	\$ 303,006	\$ -	\$ -	\$ 303,006
Concert series	70,749	-	-	70,749
Membership	84,246	-	-	84,246
Contributions and grants	296,318	85,191	177,703	559,212
Revenues:				
Interest	652	-	-	652
Investment income including realized and unrealized gains on funds held by the Greater New Orleans Foundation	-	-	51,747	51,747
Grants/allocations received from GNOF funds	-	14,069	(14,069)	-
Facility rental income	31,637	-	-	31,637
Other income	70,894	-	-	70,894
Total support and revenues	857,502	99,260	215,381	1,172,143
Net assets released from restriction	208,391	(208,391)		-
Total support, revenues and other support	1,065,893	(109,131)	215,381	1,172,143

(Continued)

**THE NEW ORLEANS CENTER FOR CREATIVE ARTS INSTITUTE**  
**NEW ORLEANS, LOUISIANA**

**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2004**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Expenses</b>				
Concert series expenses	101,699	-	-	101,699
Depreciation	349,249	-	-	349,249
Dues and subscriptions	2,618	-	-	2,618
Facility rental expenses	10,198	-	-	10,198
Financial aid and visiting artists' expenses	181,637	-	-	181,637
Fundraising expenses	49,656	-	-	49,656
Gifts to State	7,495	-	-	7,495
In-kind office rent	29,400	-	-	29,400
Insurance	21,340	-	-	21,340
Interest expense	2,703	-	-	2,703
Miscellaneous	8,392	-	-	8,392
NOCCA/Riverfront department expenses	92,146	-	-	92,146
Office expenses	14,457	-	-	14,457
Parking lot	48,618	-	-	48,618
Postage	1,107	-	-	1,107
Professional fees	23,289	-	-	23,289
Repairs and maintenance	785	-	-	785
Salaries and benefits	251,305	-	-	251,305
Student supplies	28,561	-	-	28,561
Telephone	1,391	-	-	1,391
	<u>1,226,046</u>	<u>-</u>	<u>-</u>	<u>1,226,046</u>
<b>Total expenses</b>	<b>1,226,046</b>	<b>-</b>	<b>-</b>	<b>1,226,046</b>
<b>Changes in net assets</b>	<b>(160,153)</b>	<b>(109,131)</b>	<b>215,381</b>	<b>(53,903)</b>
<b>Net assets</b>				
Beginning of the year	<u>1,020,945</u>	<u>278,649</u>	<u>348,821</u>	<u>1,648,415</u>
End of the year	<u>\$ 860,792</u>	<u>\$ 169,518</u>	<u>\$ 564,202</u>	<u>\$ 1,594,512</u>

The accompanying notes are an integral part of this statement.

**THE NEW ORLEANS CENTER FOR CREATIVE ARTS INSTITUTE**  
**NEW ORLEANS, LOUISIANA**

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Change in net assets	\$ (53,903)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:	
Depreciation	349,249
Adjustment for noncash donation	(800)
Unrealized gain on investments at Greater New Orleans Foundation	(10,098)
Changes in operating assets and liabilities:	
Promises to give and other receivables	35,000
Other assets	25,543
Prepaid expenses	(5,797)
Long term promises to give	38,755
Accounts payable and accrued expenses	(18,534)
Deferred grants	(5,317)
Other liabilities	(10,840)
Net cash provided by operating activities	<u>343,258</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Purchases of investments	(215,281)
Purchases of property and equipment	(18,046)
Net cash used in investing activities	<u>(233,327)</u>

**CASH FLOWS FROM FINANCING ACTIVITIES:**

Payments on line of credit	(45,000)
Net cash used in financing activities	<u>(45,000)</u>

**NET INCREASE IN CASH AND CASH EQUIVALENTS**

64,931

**CASH AND CASH EQUIVALENTS**

Beginning of the year	<u>68,691</u>
End of the year	<u>\$ 133,622</u>

**RECONCILIATION OF CASH AND CASH EQUIVALENTS**

Cash and cash equivalents, unrestricted	<u>\$ 133,622</u>
Total	<u>\$ 133,622</u>

**DISCLOSURE OF NON-CASH ITEMS**

Donations of art work	800
In kind rent revenue and expense	29,000
Total non-cash items	<u>\$ 29,800</u>

**OTHER DISCLOSURES:**

Interest paid	<u>\$ 2,703</u>
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The accompanying notes are an integral part of this statement.



**NEW ORLEANS CENTER FOR CREATIVE ARTS INSTITUTE**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**1. Nature of Activities**

The New Orleans Center for Creative Arts Institute (the Institute) is a nonprofit corporation which provides supplemental funding and community support for the New Orleans Center for Creative ArtsIRiverfront (a program funded and administered by the State of Louisiana) (NOCCAIRiverfront). The Institute funds various classes and workshops and provides financial aid to certain disadvantaged young artists enrolled in the program. The Institute has acted as the planner, facilitator, developer and fund-raiser to provide a new facility, including furniture and equipment, for NOCCAIRiverfront. The facility has been completed and was transferred to and is owned and operated by the State of Louisiana for regional arts education. The Institute continues to provide furniture and equipment to NOCCAIRiverfront and oversees third party use of the facility.

**2. Summary of Significant Accounting Policies**

**Organization and Income Taxes**

*The Institute is a nonprofit corporation organized under the laws of the State of Louisiana. The Institute is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code, and qualifies as an organization that is not a private foundation as defined in Section 509(a) of the Code. It is exempt from Louisiana income tax under the authority of R.S. 47:121(5).*

**Basis of presentation**

The financial statements of the Institute are presented on the accrual basis of accounting. Net assets, support and revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Institute and changes therein are classified and reported as follows:

- Unrestricted net assets - Net assets not subject to donor-imposed stipulations.
- Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Institute and/or the passage of time.
- Permanently restricted net assets - Net assets subject to donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled and removed by actions of the Institute pursuant to those stipulations.

**NEW ORLEANS CENTER FOR CREATIVE ARTS INSTITUTE**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**2. Summary of Significant Accounting Policies (continued)**

**Cash and cash equivalents**

For purposes of the statement of cash flows, the Institute considers all highly liquid investments in money market funds to be cash equivalents.

**Promises to Give**

Contributions are recognized when a donor makes an unconditional promise to give to the Institute. Conditional promises to give are recognized when the conditions on which they depend are substantially met. No conditional promises to give exist at June 30, 2004.

For the year ended June 30, 2004, promises to give include amounts due to the Institute related to the Capital Campaign which was conducted in prior years to raise funds to assist with the construction of the new facility and purchase of furniture and equipment for NOCCAIRiverfront. All promises to give are deemed by management to be collectible.

**Contributions and revenue recognition**

Contributions received are classified as unrestricted, temporarily restricted, or permanently restricted support based on the existence or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or a 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.

Gifts of long-lived operating assets such as land, buildings or equipment are reported as unrestricted support, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

**NEW ORLEANS CENTER FOR CREATIVE ARTS INSTITUTE**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**2. Summary of Significant Accounting Policies (continued)**

**Donated art**

The Institute capitalized donated works of art which are valued at management's best estimate of net realizable value. Works of art are not depreciated by the Institute.

**Property and equipment**

Property and equipment acquisitions are recorded at cost except for those donated to the Institute, which are recorded at estimated value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

The Institute also purchased, or acquired by means of donation, approximately \$1,452,000 of furniture and equipment for the NOCCA/Riverfront at June 30, 2001. The Institute formally gave NOCCA/Riverfront the right of use of the furniture and equipment in the Cooperative Endeavor Agreement at the beginning of fiscal year 2001.

Depreciation is determined using the straight-line method and is intended to allocate the cost of the assets over their estimated useful lives. Depreciation expense on the Institute's property and equipment for the year ended June 30, 2004 was \$349,249.

Property and equipment consists of the following at June 30, 2004:

Land	\$ 150,480
Land improvements	163,316
Furniture, fixtures and equipment (Institute)	65,177
Furniture, fixtures and equipment (State)	1,586,815
	<hr/> 1,965,788
Less: Accumulated depreciation and amortization	(1,279,972)
	<hr/> <b>\$ 685,816</b> <hr/>

The \$685,816 includes net property and equipment used by the State in the operation of NOCCA/Riverfront of \$399,142.

**NEW ORLEANS CENTER FOR CREATIVE ARTS INSTITUTE**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**2. Summary of Significant Accounting Policies (continued)**

**In-kind support**

The Institute records the value of in-kind support related to the free use of its office facilities, which amounted to approximately \$29,000 for the year ended June 30, 2004. This in-kind rental was received from NOCCAIRiverfront through an agreement described in the following paragraph.

The Institute and NOCCAIRiverfront have entered into a written agreement under which the Institute will rent office space from the school, in exchange for the services the Institute provides as part of its exempt purpose, including in-kind revenues, and the related expenses have been recorded for both transactions.

**Use of estimates**

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

**3. Restrictions on Assets**

Temporarily restricted net assets at June 30, 2004 are available for the following purposes or periods:

Charitable remainder trust	\$ 85,637
Promises to give, net of discount	83,881
Total	<u>\$ 169,518</u>

Permanently restricted net assets consist of funds held by the Greater New Orleans Foundation which are restricted for endowment purposes, the interest from which is available for the artists in residence and financial aid programs.

**4. Net Assets Released**

Net assets released of \$128,005 consist primarily of capital campaign contributions received and earnings on the endowment fund.

**NEW ORLEANS CENTER FOR CREATIVE ARTS INSTITUTE**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**5. Line of Credit**

In conjunction with the purchase of furniture and equipment for NOCCA Riverfront, the Institute obtained a line of credit of \$300,000 with a financial institution. As of June 30, 2004, the balance on the line of credit is \$25,000. The line of credit is due in quarterly installments of interest at a rate of 4.25% with all principal and interest due March 24, 2005 (see note 10). Future collections from Capital Campaign receipts are to be used to pay off the line of credit.

**6. Promises to Give**

At June 30, 2004, unconditional promises to give consist of the following:

Capital Campaign restricted for equipment or building	\$ 85,000
Charitable remainder trust	<u>120,290</u>
Gross unconditional promises to give	205,290
Less unamortized discount	<u>(38,096)</u>
Net unconditional promises to give	<u>\$ 167,194</u>
Pledges receivable:	
Less than one year	\$ 48,750
One to five years	<u>118,444</u>
	<u>\$ 167,194</u>

**7. Legacy**

The Institute is a residuary principal beneficiary of a fractional interest of two charitable remainder trusts from anonymous donors. The Trustees have placed a value of approximately \$120,290 on the Institute's fractional interest in the trusts' assets at June 30, 2004.

**NEW ORLEANS CENTER FOR CREATIVE ARTS INSTITUTE**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**8. Funds Held By the Greater New Orleans Foundation**

The Institute maintains several endowment funds at the Greater New Orleans Foundation. These funds are in an investment pool managed by the Greater New Orleans Foundation. Annually, the Greater New Orleans Foundation determines the amounts available for distribution. Currently, the amount available for distribution is equal to 5% of the previous twelve quarters average fund balance. Any unexpended income is reinvested in the endowment and is classified as permanently restricted.

**9. Functional Allocation of Expenses**

Expenses have been reported on the statement of activities by natural classification for the year ended June 30, 2004. To present the total expenses by functional classifications, expenses are charged to program services and supporting services (management and general expenses and fundraising expenses) on the basis of management's estimate of periodic time and expense evaluations. Management and general expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the Institute.

Total expenses for the year ended June 30, 2004 are allocated as follows:

Program services	\$919,602
Supporting services:	
Management and general	166,408
Fundraising	140,037
	<hr/>
Total expenses	\$1,226,046

**10. Commitments and Contributions**

The Institute entered into a Cooperative Endeavor Agreement with the State of Louisiana for the construction and furnishing of a new facility for NOCCA/Riverfront. In the year ended June 30, 2000, the facility was substantially completed and transferred to the State. In addition to the construction of the facility, the Institute continues to purchase furniture and equipment for the facility. The purchase of the furniture and equipment was funded by a line of credit as explained in note 5.

The Institute donated \$4,468 in 2003 and \$7,495 in 2004 toward the equipping of the recording studio for NOCCA/Riverfront.

**SPECIAL REPORT OF CERTIFIED PUBLIC ACCOUNTANT**



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**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  
The New Orleans Center for Creative Arts Institute  
New Orleans, Louisiana

We have audited the financial statements of The New Orleans Center for Creative Arts Institute (a nonprofit organization) (the Institute), as of and for the year ended June 30, 2004, and have issued our report thereon, dated December 15, 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 the Institute's internal control over financial reporting 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 over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control 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 the Institute's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant 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 or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management, the State of Louisiana and the Legislative Auditor for the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.

*Postlethwaite & Nettlesville*

Metairie, Louisiana  
December 15, 2004



**SCHEDULE OF FINDINGS**

**The New Orleans Center for Creative Arts Institute**

For the year ended June 30, 2004

**Section I – Summary of Auditors’ Report**

a) 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 weakness  yes  none reported

Noncompliance material to financial statements noted?  yes  No

b) Federal Awards

The New Orleans Center for Creative Arts Institute received federal awards of \$0 for the year ended June 30, 2004.

**Section II – Financial Statement Findings**

There were no financial statement findings noted during the audit for the year ended June 30, 2004.

**Section III – Federal Award Findings and Questioned Costs**

Not applicable.