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The Louisiana Alliance
For Arts Education

Baton Rouge, Louisiana

Compiled Financial Statements

Year Ended June 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 2-9-05

Johnston & Hayden, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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Johnston & Hayden, LLC
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ACCOUNTANT'S COMPILATION REPORT

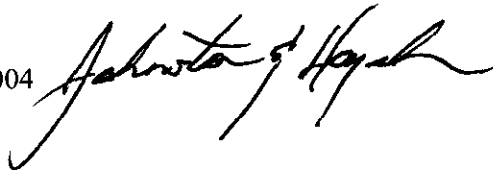
To the Board of Directors
The Louisiana Alliance for Arts Education
Baton Rouge, Louisiana

We have compiled the accompanying statement of financial position of The Louisiana Alliance for Arts Education (a nonprofit organization) as of June 30, 2004, and the related statements of activities and cash flows for the years then ended, and the accompanying supplementary information contained in Schedule I, which is presented only for supplementary analysis purposes, 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 and supplementary schedules information that is the representation of management. We have not audited or reviewed the accompanying financial statements and supplementary schedules, 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, we have issued our report, dated December 13, 2004, on the results of our agreed-upon procedures.

December 13, 2004



THE LOUISIANA ALLIANCE FOR ARTS EDUCATION
Baton Rouge, Louisiana

STATEMENT OF FINANCIAL POSITION

June 30, 2004

ASSETS

CURRENT:

Cash and cash equivalents	\$ 21,503
Grants receivable	<u>26,494</u>
Total Current Assets	<u>47,997</u>

PROPERTY AND EQUIPMENT:

Office furniture and equipment	4,614
Less accumulated depreciation	<u>2,970</u>
Net Property and Equipment	<u>1,644</u>

TOTAL ASSETS \$ 49,641

UNAUDITED – See accountants' compilation report.

LIABILITIES

CURRENT:

Accounts payable	\$	34,433
Payroll taxes payable		408
Unearned grant revenues		<u>30,272</u>

TOTAL LIABILITIES (all current)		<u>65,113</u>
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NET ASSETS

Permanently restricted		-
Temporarily restricted		-
Unrestricted		<u>(15,472)</u>

TOTAL NET ASSETS		<u>(15,472)</u>
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TOTAL LIABILITIES AND NET ASSETS	\$	<u>49,641</u>
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THE LOUISIANA ALLIANCE FOR ARTS EDUCATION
Baton Rouge, Louisiana

STATEMENT OF ACTIVITIES

Year Ended June 30, 2004

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
REVENUES AND SUPPORT:		
State grants	\$ 150,959	\$ -
Federal grants	21,754	-
Public support	9,595	-
Program service fees	1,110	-
Investment income	63	-
Other revenues	6,846	-
Net assets released from restriction	<u>-</u>	<u>-</u>
 Total Support and Revenues	 <u>190,327</u>	 <u>-</u>
EXPENSES:		
Program services:		
Advocacy	20,000	-
Assessment	-	-
Louisiana Folklife	123,345	-
Professional development	804	-
Resource directory	<u>-</u>	<u>-</u>
 Total program services	 <u>144,149</u>	 <u>-</u>
Support services:		
Management and general	<u>36,644</u>	<u>-</u>
 Total Expenses	 <u>180,793</u>	 <u>-</u>
 INCREASE (DECREASE) IN NET ASSETS	 9,534	 -
NET ASSETS, beginning of year	(<u>25,006</u>)	<u>-</u>
 NET ASSETS, end of year	 \$(<u>15,472</u>)	 \$ <u>-</u>

UNAUDITED – See accountants' compilation report.

THE LOUISIANA ALLIANCE FOR ARTS EDUCATION
Baton Rouge, Louisiana

STATEMENT OF CASH FLOWS

Year Ended June 30, 2004

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets:		
Temporarily restricted	\$	-
Unrestricted		9,534
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation		947
(Increase) decrease in:		
Grants receivable		23,420
Other receivables		8,848
Increase (decrease) in:		
Accounts payable	(12,696)
Payroll taxes payable	(903)
Unearned grant revenues	(4,499)
Other current liabilities	(<u>3,400</u>)
 NET INCREASE IN CASH		 21,251
 CASH AND CASH EQUIVALENTS, beginning of year		 <u>252</u>
 CASH AND CASH EQUIVALENTS, end of year	\$	 <u><u>21,503</u></u>

UNAUDITED – See accountants' compilation report.

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INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors
The Louisiana Alliance for Arts Education
Baton Rouge, Louisiana

We have performed the procedures included in the Louisiana Governmental Auditing Guide and enumerated below, which were agreed to by the management of The Louisiana Alliance for Arts Education and the Legislative Auditor of the State of Louisiana solely to assist the users in evaluating management's assertions about The Louisiana Alliance for Arts Education's compliance with certain laws and regulations during the year ended June 30, 2004, included in the accompanying Louisiana Attestation Questionnaire. Management is responsible for The Louisiana Alliance for Arts Education's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the applicable standards of Government Auditing Standards. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested of for any other purpose.

Federal, State, and Local Awards

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

The Louisiana Alliance for Arts Education had no local grants. Federal and state grants were as follows:

<u>Source of Grant and Grant Name</u>	<u>Grant Period</u>	<u>Grant Number</u>	<u>Amount Expended</u>
Federal Grants:			
Dept. of Education – Arts in Education (KCAAEN)	7/1/03 – 6/30/04	None	\$ 20,000
Folklife in Education Project – NEH	7/1/03 – 6/30/04	ED-22345-02	1,754
State Grants:			
Folklife in Education Project	7/1/02 – 6/30/03	03-512	34,771
Folklife in Education Project – LASIP	7/1/03 – 6/30/04	1422TUL	40,108
Louisiana Division of Arts – General Operating Grant	7/1/03 – 6/30/04	04-364	29,190
Louisiana Division of Arts - Folklife	7/1/03 – 6/30/04	04-612	45,890
FY04 Director’s Grant and Aid	7/1/03 – 6/30/04	04-496-1	<u>1,000</u>
Total Expenditures			\$ <u>172,713</u>

2. For each Federal, state, and local award, we selected 6 disbursements from each award administered during the period under examination, provided that no more than 30 disbursements would be selected.

Because the Organization administered seven grants during the period under examination, we randomly selected six disbursements from the following five grants:

- Dept. of Education – Arts in Education (KCAAEN)
- Folklife in Education Project
- Folklife in Education Project – LASIP
- Louisiana Division of Arts – Folklife
- Louisiana Division of Arts – General Operating Grant

3. For the items selected in procedure 2, we traced the disbursements to supporting documentation as to proper amount and payee.

We 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 for each of the disbursements that could be located. However, supporting documentation could not be located for disbursements under three grants as follows:

- Grant:* Louisiana Division of Arts – General Operating Grant (grant number 04-364)
- Disbursement for Outside Services: Presenter in the amount of \$ 1,000.00 – no supporting documentation or copy of the disbursement could be located
- Disbursement for Travel: Lodging in the amount of \$ 1,186.50 – supporting documentation was provided by the payee subsequent to our examination, but no copy of the disbursement could be located

Grant: Folklife in Education Project (grant number 03-512)

Disbursement for Outside Services: Folklife Designer in the amount of \$ 600.00 – no supporting documentation or copy of the disbursement could be located

Grant: Louisiana Division of the Arts – Folklife (grant number 04-612)

Disbursement for Outside Services: Folklife Coordinator in the amount of \$ 4,692.96 – no supporting documentation could be located

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

Based on the supporting documentation, all of the disbursements examined were coded to their correct fund (program) and general ledger account.

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

For the Dept. of Education – Arts in Education (KCAAEN) grant, approval for one disbursement was made by the Organization’s treasurer, and approval for two other disbursements were made by the Organization’s Executive Director. For one of the remaining disbursements, no formal approval was noted in the supporting documentation, but the check was signed by the Organization’s treasurer. For the remaining two disbursements, no formal approval was noted in the supporting documentation, and the check was signed by the Organization’s acting Executive Director.

For the Folklife in Education Project grant number 03-512, three disbursements were approved by an appropriate representative of the Louisiana Division of the Arts, and two disbursements were approved by the Organization’s Executive Director.

For the Folklife in Education Project – LASIP grant, all disbursements were approved by an appropriate representative of the Louisiana Division of the Arts.

For the Louisiana Division of the Arts – General Operating grant, approval for one disbursement was made by the Organization’s Executive Director. For two the remaining disbursements, no formal approval was noted in the supporting documentation, but the checks were signed by the Organization’s president or treasurer. For the remaining disbursement examined, no formal approval was noted in the supporting documentation, and the check was signed by the Organization’s acting Executive Director.

For the Louisiana Division of the Arts – Folklife grant number 04-612, approval for four disbursements was made by member of the Organization’s board of directors. For one of the remaining disbursements, approval was made by an appropriate representative of the Louisiana Division of the Arts. As noted in procedure 2 above, no supporting documentation was located for the remaining disbursement, and the check was signed by the Organization’s acting Executive Director.

6. For the items selected in procedure 2: For federal awards, we determined whether the disbursements complied with the applicable 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, we determined whether the disbursements complied with the grant agreement, relating to:

Activities allowed or unallowed

We reviewed the selected disbursements for types of services allowed or unallowed. Except for the instances noted above where some disbursements did not have sufficient documentation, all other disbursements complied with the allowability requirements of their grant agreements.

Eligibility

We reviewed the selected disbursements for eligibility requirements. None of the grants had eligibility requirements and, therefore, this procedure did not apply.

Reporting

We reviewed the selected disbursements for compliance with reporting requirements. All disbursements selected were properly reported to their grantors, except that no closeout reports were made available (see procedure 7, below).

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

The Organization's current Executive Director was unable to determine if closeout reports were prepared for any of the grants noted in item 1, above.

Meetings

8. We examined 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).

It appears that the Organization did not comply with the state law relating to the open meetings law. The Organization's current Executive Director could find no documentation regarding meeting notices or agendas being posted.

Comprehensive Budget

9. For all grants exceeding five thousand dollars, we 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.

For all grants included in procedure 1, the Organization specified the anticipated uses of the funds, estimates of the duration of the projects, and plans showing specific goals and objectives that included measures of performance.

Prior Comments and Recommendations

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

There were no suggestions, recommendations, or comments in the prior year.

Current Year Comments and Recommendations

1. The Louisiana Alliance for Arts Education Needs to Improve Documentation for Disbursements

We noted several instances where no supporting documentation was available to support the related disbursement. As a result, we could not adequately or objectively determine if the disbursement had been coded to the appropriate general ledger account or charged to the proper program and grant.

We recommend that management ensure that each disbursement has supporting documentation that would include a receipt or invoice as appropriate.

2. The Louisiana Alliance for Arts Education Needs to Improve Its Approval Process for Disbursements

We noted several instances in which no approval was obtained for disbursements under various programs and grants.

We recommend that the Organization develop an approval process for all disbursements. We recommend that the Organization set a dollar limit for disbursements that must be reviewed and approved by an officer. For disbursements under this dollar limit, we recommend that the Organization develop a process by which the Executive Director can periodically present disbursements paid to the Organization's board for review.

3. The Louisiana Alliance for Arts Education Needs to Comply with the Open Meetings Law

As reported above, we noted that the current Executive Director was unable to find documentation to show that the Organization complied with the state's open meetings laws, as required by law.

We recommend that management familiarize itself with the requirements of this law and make sure that the Organization is in compliance for all future board and committee meetings as required.

4. The Louisiana Alliance for Arts Education Lacks an Appropriate Segregation of Duties

During the period under examination, the Organization experienced turnover in the capacity of Executive Director. For a portion of the period under examination, the Organization had an individual who had previously served in a clerical position performing the duties of both the Executive Director and the clerical position. Subsequent to the period under examination, the individual in the clerical position resigned and the Organization has obtained a new Executive Director. The nature and size of the Organization make it difficult to achieve an adequate separation of duties and an appropriate system of internal control, which appears to have affected its compliance with the grants and laws mentioned above.

We recommend that the Organization's board of directors and management evaluate the sufficiency of their current system and determine how to modify procedures or obtain more involvement from board members, officers, or persons outside of the Organization to improve its overall internal control and minimize the risk of noncompliance with its grants.

5. The Louisiana Alliance for Arts Education Needs to Ensure That All Closeout Reports Are Filed Accurately and in a Timely Manner

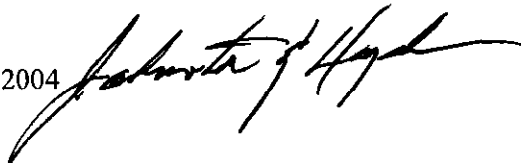
As noted in item 7 above, the Organization was unable to determine if closeout reports had been filed for any grants as applicable.

We recommend that the management review its documentation files to determine if closeout reports were prepared as needed and whether these reports, if prepared, were filed in a timely manner. Management should consider obtaining written acknowledgement from each grantor agency that closeout reports are prepared and filed in the future.

We were 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, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the management of The Louisiana Alliance for Arts Education, 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.

December 13, 2004



December, 2004

MANAGEMENT'S CORRECTIVE ACTION PLAN

To the Legislative Auditor of the State of Louisiana and applicable state grantor agencies:

The purpose of this letter is to respond to the recommendations included in the Agreed-Upon Procedures Report issued by Johnston & Hayden, LLC, dated December 13, 2004. In that report, several recommendations were made that resulted from their findings while performing agreed-upon procedures. The recommendations are as follows:

Recommendation 1: LAAE Needs to Improve Documentation for Disbursements

We concur with the recommendation regarding documentation for disbursements and acknowledge the need to ensure that supporting documentation is obtained for all disbursements. Management will work together with our board to develop procedures for obtaining supporting documentation, as well as procedures for approving such disbursements (see Recommendation 2, below).

Recommendation 2: LAAE Needs to Improve Its Approval Process for Disbursements

We acknowledge the recommendation regarding the improved disbursement approval process. Currently, our Executive Director handles all disbursements, and approval for Folklife grants are provided by the Louisiana Division of the Arts. As noted above, management will work together with our board to develop procedures for obtaining approval for all disbursements in the future. We will take the recommendation provided by Johnston & Hayden, LLC, under advisement in developing these procedures.

Recommendation 3: LAAE Needs to Comply with the Open Meetings Law

We concur with the recommendation regarding the open meetings laws. We will be more diligent in ensuring that the Organization complies by posting meetings and agendas for future board and committee meetings in accordance with state law.

Recommendation 4: LAAE Lacks an Appropriate Segregation of Duties



A Member of the
Kennedy Center Alliance
for Arts Education Network

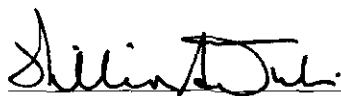
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Management acknowledges the recommendation made by the accountants and assumes the risks that accompany a lack of segregation of duties. Because the Organization has limited financial and human resources, management believes it will be difficult to achieve the appropriate segregation of duties normally associated with good systems of internal control. The Executive Director will submit a copy of the accountant's Agreed-Upon Procedures report at the next board meeting along with a recommendation that the Alliance's outside accounting firm, Gus Levy and Co. (in addition to its normal monthly accounting functions for the Alliance) be retained to post all invoices and maintain the Alliance's accounts payables on a bi-monthly basis. Additional recommendations will be solicited from board members in an effort to improve internal control and reduce the risks associated with a lack of segregation of duties.

Recommendation 5: LAAE Needs to Ensure That All Closeout Reports Are Filed Accurately and in a Timely Manner

Management will review the documentation files for all grants noted in the accountant's report to determine if closeout reports were required and to determine if all required closeout reports were prepared and filed. If a required closeout report was not filed, we will contact the appropriate grantor agency to advise us what actions should be taken.

As noted in the accountant's Agreed-Upon Procedures report, our Organization has experienced turnover in the Executive Director's position during the last year. We feel this turnover has contributed in part to the findings noted in the accountant's report. Our current Executive Director is committed to correcting the deficiencies noted and to working with our board to develop policies and procedures to ensure compliance with the applicable laws and grant regulations in the future.



William S. Dubois
Executive Director



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