



Luther Speight & Company, LLC
Certified Public Accountants and Consultants

ARTS COUNCIL OF NEW ORLEANS
AUDITED FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2021

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Luther Speight & Company, LLC
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Arts Council of New Orleans

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Arts Council of New Orleans (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Arts Council of New Orleans as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Arts Council of New Orleans and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Arts Council of New Orleans' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Arts Council of New Orleans' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Arts Council of New Orleans' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of compensation, benefits, and other payments to agency head is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of compensation, benefits and payments to agency head is presented for purposes of additional analysis and is not a required part of the financial statements.

Continued,

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 17, 2022 on our consideration of the Arts Council of New Orleans' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Arts Council of New Orleans's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Arts Council of New Orleans' internal control over financial reporting and compliance.



Luther Speight & Company CPAs
New Orleans, Louisiana

June 17, 2022

**ARTS COUNCIL OF NEW ORLEANS
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2021**

ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 628,687
Restricted Cash	421,638
Accounts Receivable	429,624
Grant Receivable	41,999
Investments	230,967
Deposit	500
Total Current Assets	1,753,415
Non-Current Assets	
Art Collection	27,652
Fixed Assets, net	28,815
Total Non-Current Assets	56,467
TOTAL ASSETS	\$ 1,809,882
LIABILITIES & NET ASSETS	
Current Liabilities	
Accounts Payable	\$ 94,977
Accrued Expenses	3,123
Grants Payable	150,531
Refundable Advances	300,477
Total Current Liabilities	549,108
Total Liabilities	549,108
NET ASSETS	
Without Donor Restrictions	830,854
With Donor Restrictions	429,920
Total Net Assets	1,260,774
TOTAL LIABILITIES & NET ASSETS	\$ 1,809,882

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

ARTS COUNCIL OF NEW ORLEANS
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>REVENUE AND OTHER SUPPORT</u>			
Grant Income	\$ 133,926	\$ 243,174	\$ 377,100
Contributions	26,478	246,969	273,447
Contracts	439,263	564,560	1,003,823
Earned Income	172,327	-	172,327
Other Income	162,741	-	162,741
Regranting Income	24,997	430,000	454,997
Released from Restriction	1,470,751	(1,470,751)	-
Total Revenues and Other Support	<u>2,430,483</u>	<u>13,952</u>	<u>2,444,435</u>
<u>EXPENSES</u>			
Program Services:			
Artist Services	609,215	-	609,215
Public Art	1,317,188	-	1,317,188
Supporting Services:			
Management and General	193,324	-	193,324
Fundraising	50,775	-	50,775
Total Expenses	<u>2,170,502</u>	<u>-</u>	<u>2,170,502</u>
CHANGE IN NET ASSETS	259,981	13,952	273,933
Net assets, beginning of year	570,873	415,968	986,841
Net assets, end of year	<u>\$ 830,854</u>	<u>\$ 429,920</u>	<u>\$ 1,260,774</u>

The accompanying notes are an integral part of these financial statements

**ARTS COUNCIL OF NEW ORLEANS
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Program Services		Supporting Services		Total
	Artist Services	Public Art	Management and General	Fundraising	
Salaries	\$ 70,617	\$ 145,973	\$ 87,000	\$ 34,430	\$ 338,020
Payroll taxes and benefits	18,834	38,933	23,204	9,183	90,154
Artist fees and services	10,707	832,573	12,845	-	856,125
Professional and event fees	8,983	151,756	11,068	4,380	176,187
Occupancy	14,916	24,442	14,918	523	54,799
Travel, meetings, conferences, and courses	543	4,017	177	-	4,737
Supplies	3,315	43,067	1,337	579	48,298
Advertising	625	1,573	1,108	-	3,306
Insurance	2,328	8,855	2,868	1,135	15,186
Postage, printing, and duplicating	240	9,909	643	-	10,792
Depreciation	-	-	4,978	-	4,978
Bad Debt Expense	-	-	800	-	800
Other Expenses	1,710	2,905	12,098	-	16,713
Regranting Expense	465,497	-	-	-	465,497
Repairs and Maintenance	-	8,858	-	-	8,858
Equipment Rental	2,707	16,126	1,197	474	20,504
Catering and Food	746	24,791	180	71	25,788
Computer Fees	7,447	3,410	18,903	-	29,760
Total Expenses	\$ 609,215	\$ 1,317,188	\$ 193,324	\$ 50,775	\$ 2,170,502

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

**ARTS COUNCIL OF NEW ORLEANS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021**

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	\$ 273,933
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	4,978
Decrease in operating assets:	
Account Recievable	147,883
Grants Receivable	167,065
Prepaid Expense	9,305
Increase (decrease) in operating liabilities:	
Accounts Payable	53,865
Grants Payable	(130,544)
Accrued Expenses	(3,157)
Net Cash Provided by Operating Activities	<u>523,328</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of Investments	(226,311)
Purchases of Fixed Assets	(22,341)
Net Cash Used by Investing Activities	<u>(248,652)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Refundable Advances	(88,100)
Net Cash Used by Financing Activities	<u>(88,100)</u>
NET CHANGE IN CASH AND EQUIVALENTS	186,576
Cash and cash equivalents - beginning of period	<u>863,749</u>
Cash and cash equivalents - end of period	<u><u>\$ 1,050,325</u></u>

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

**ARTS COUNCIL OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 – ORGANIZATION AND BACKGROUND

The Arts Council of New Orleans d/b/a Arts New Orleans (Organization), a Louisiana non-profit corporation, is the City of New Orleans' officially designated arts agency. The Organization was formed in 1975 as a result of a merger of the Arts Council of Greater New Orleans and the Mayor's Committee for Arts and Cultural Development. The Organization's efforts are directed toward enhancing the cultural and artistic environment in the New Orleans metropolitan area and are as follows:

People – Inspiring and Connecting: Supporting participatory arts, youth arts education, and events that inspire and connect.

Place – Transforming Landscape: Emphasizing design solutions and a heightened awareness of the built environment.

Artists – Investing in our Cultural Assets: Professionalizing the capabilities of local artists and organizations while seeking markets and exchange opportunities.

NOTE 2 –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. The financial statements of the Organization are prepared on the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred.

Basis of Reporting

The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-210-50-3, Financial Statements of Not-for-Profit Organizations. Under the provisions of the Codification, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors. The revenues received in conducting the mission of the Organization are included in this category.

**ARTS COUNCIL OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby, the donor has stipulated the funds be maintained in perpetuity.

Revenue Recognition

Contributions

Contributions are reported as increases in net assets with donor restrictions or net assets without donor restrictions depending on the existence and/or nature of any donor restrictions. Grants and contributions without donor restrictions are recorded as revenue when received or unconditionally pledged. Contributions with donor restrictions are recognized as revenues with donor restrictions and reported as releases from restrictions when a stipulated time restriction ends, or purpose restriction is accomplished.

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial 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.

Earned Income

The Organization receives concession and ticket sales during its special events. Also, the Organization rents space for its monthly arts markets. These amounts are recognized into revenue on the date of the events, which is when the relevant performance obligations are fulfilled. The Organization has applied the newly adopted revenue recognition standard, ASU Topic 606, to the earned income revenue.

Contracted Services

The Organization provides public art services through contracts with municipalities, nonprofit organizations, and private companies. Because the primary beneficiary of the contracts are the general public and various artists, the contracted services are accounted for as non-exchange transactions. Advanced receipts of funds with contractual stipulations are treated as conditional contributions until the contracted services have been performed.

**ARTS COUNCIL OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Board Designated Net Assets

The Organization's governing board has designated \$299,468 from net assets without donor restrictions to serve as an emergency reserve as of December 31, 2021.

Use of Estimates

Accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents including bank repurchase agreements. For the year ended December 31, 2021, the Organization did not have any cash equivalents.

Restricted Cash

The City of New Orleans made it a requirement that the Organization hold cash restricted for the Community Arts Grants, State of Louisiana Grants, and the Percent of Art program (Note 8) in a designated bank account. At December 31, 2021, the Organization held \$421,638 in separate bank accounts in connection with this agreement.

Accounts and Grants Receivable and Allowance for Doubtful Accounts

Grants and accounts receivable consist of amounts due to the Organization for services provided through December 31st that have not yet been collected. Management monitors the receivables and assesses the collectability of accounts on a monthly basis. The Organization records an allowance for uncollectible accounts based on an assessment of the receivables, taking into consideration the nature of the account and aging of the balance. For the year ended December 31, 2021, management has determined that all amounts were collectible, and no allowance was necessary.

**ARTS COUNCIL OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pledges Receivable

The Organization records unconditional promises to give as pledges receivable on the statements of financial position. Unconditional promises to give expected to be collected within one year are recorded at estimated net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at the present value of their net realizable value, using discount rates applicable to the years in which the promises are to be received. There were no outstanding pledges receivable as of December 31, 2021.

Investments

Investments in marketable securities and mutual funds with readily determinable fair values and all investments in debt securities are reported at fair value in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities as increases or decreases in net assets without donor restrictions unless their use is with restrictions by explicit donor stipulations or law. Dividend, interest, and other investment income are recorded as increases in net assets without donor restriction unless the use is restricted by the donor.

FASB ASC topic 820, *Fair Value Measurements and Disclosures* emphasizes market-based measurement and, in doing so, stipulates a fair value hierarchy. The hierarchy is based on the type of inputs, or data used, to measure fair value. The fair value hierarchy is summarized below:

Level 1 lies at the top of the hierarchy; inputs are quoted prices in active markets.

Level 2 inputs are in the middle of the hierarchy, where data is adjusted from similar items traded in markets that are active markets or from identical or similar items in markets that are not active. Level 2 inputs do not stem directly from quoted prices.

Level 3 inputs are unobservable and require the entity to develop its own assumptions.

Investments other than mutual funds are valued at the fair value of the trust investments as reported to the Organization by the trustees and include the use of Net Asset Values (NAV) as the primary input to measure fair value.

Contributed Artwork

The Organization has paintings and sculptures in its possession. This artwork is recorded at its appraised value at the time of donation. The carrying value of the artwork at December 31, 2021 was \$27,652.

**ARTS COUNCIL OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

The Organization follows the practice of capitalizing, at cost, all expenditures for assets with an economic life greater than one year in excess of \$1,000. Depreciation is computed using the straight-line method over the estimated useful life of each asset.

Furniture and equipment - 5 Years
Leasehold improvements - 5 Years

Impairment of Long-lived assets

The Organization reviews long-lived assets, consisting of property and equipment and contributed artwork, and cost in excess of net assets acquired, for impairment and determines whether an event or change in facts and circumstances indicates that their carrying amount may not be recoverable. The Organization determines the recoverability of the assets by comparing the carrying value of the asset to net future undiscounted cash flows that the asset is expected to generate. The impairment recognized is the amount by which the carrying amount exceeds the fair market value of the asset. There were no asset impairments recorded for the year ended December 31, 2021.

Advertising

The Organization expenses advertising as incurred. Advertising expense was \$3,306 for the year ended December 31, 2021 and is recorded as advertising expense in the statements of activities.

Functional Allocation of Expenses

The costs of providing various program and supporting services have been reported on a functional basis in the Statement of Functional Expenses. Expenses that are identified with a specific program or support service are charged directly according to the natural classification. Other shared costs have been allocated among the various program and supporting services based on usage or other estimates made by management.

**ARTS COUNCIL OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and from state income tax under Section 121(5) of Title 47 of the Louisiana Revised Statutes of 1950. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

The Organization's evaluation as of December 31, 2021 revealed no tax positions that would have a material impact on the financial statements. The Organization does not believe that any reasonably possible changes will occur within the next twelve months that will have a material impact on the financial statements.

New Accounting Pronouncements

In 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which is intended to improve financial reporting on leasing transactions. ASU No. 2016-02 will require lessees to recognize right of use assets and lease obligations for operating and finance leases under terms greater than 12 months. ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2020, with early adoption permitted. ASU No. 2016-02 must be applied modified retrospectively. On June 3, 2020, FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)* that extended the effective date for certain entities, including the Organization, to annual periods beginning after December 15, 2021. The Organization is currently evaluating the effects of this ASU.

NOTE 3 - LIQUIDITY AND AVAILIBLTY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of December 31, 2021, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. Amounts not available also include amounts set aside by the Board of Directors that could be drawn upon if the board approves that action.

Financial assets	\$ 1,838,970
Less those unavailable for general expenditures within one year due to:	
Board designated net assets	<u>(729,388)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,109,582</u>

**ARTS COUNCIL OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 - LIQUIDITY AND AVAILIBLTY OF FINANCIAL ASSETS (CONTINUED)

As part of the Organization’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in certificates of deposit or an investment fund with a community foundation. Although the Organization does not intend to spend from its certificates of deposit or investment fund other than amounts appropriated for general expenditure as part of its annual budget approval process, amounts from those sources could be made available if necessary.

NOTE 4 – INVESTMENTS

The Organization maintains an unrestricted fund at the Greater New Orleans Foundation (GNOF). This fund is in an investment pool managed by GNOF and consists of equity, fixed income, money market funds and other investments determined by GNOF. The balance of the fund as of December 31, 2021 was \$230,967.

The following table sets forth by level, within the fair value hierarchy, the Organizations’ assets at fair value as of December 31, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
GNOF Investment Pool	\$ -	\$ 230,967	\$ -	\$ 230,967
Total Investments	<u>\$ -</u>	<u>\$ 230,967</u>	<u>\$ -</u>	<u>\$ 230,967</u>

NOTE 5- CAPITAL ASSETS

Capital Assets are recorded at cost and are summarized as follows by major classification:

Equipment, Furniture and Fixtures	\$ 64,789
Less: Accumulated Depreciation	<u>(35,974)</u>
Net Capital Assets	<u>\$ 28,815</u>

Depreciation expense was \$ 4,978 in fiscal year 2021.

**ARTS COUNCIL OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 6- GRANTS PAYABLE

Grants payable represent amounts owed to recipients of arts grants awarded by the Organization but not yet paid. Final payments are made upon receipt of final reports from the recipients. Grants payable totaled \$150,531 for the year ended December 31, 2021.

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at December 31, 2021:

Purpose Restrictions:

Airport Project	100,000
Convention Center	55,000
Digital Equity Program	42,330
Ida Relief	500
Murals	148,900
New Orleans East Project	55,972
Unframed	27,218
	<u>\$ 429,920</u>

Net assets are released from restrictions by meeting the time restrictions or by incurring expenses satisfying the restricted purposes. Net assets were released from the following restrictions during the year ended December 31, 2021:

Released from Restrictions:

Convention Center	\$ 335,000
New Orleans East Project	11,028
Murals	29,574
Community Arts program	400,000
Decentralized Arts program	165,174
Unframed	132,782
Ida Relief	11,819
Digital Equity program	73,545
LUNA Fete event	309,650
Project Heal program	2,179
	<u>\$ 1,470,751</u>

**ARTS COUNCIL OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 8 – EMPLOYEE BENEFIT PLAN

The Organization has a 403(b)-thrift plan that covers all employees. Participants can contribute a percentage of their compensation to the Plan and receive a 50% matching employer contribution up to 4% of their deferral. Employees are immediately fully vested in both employee and employer contributions. The Organization's retirement contributions for the year ended December 31, 2021 were \$5,362. The expense for these contributions is included in salaries and benefits on the statements of functional expenses.

NOTE 9 – CONCENTRATIONS

The Organization maintains its cash and cash equivalent balances in local financial institutions, which may, at times, exceed amounts covered by Federal Deposit Insurance Corporation (FDIC) insurance of up to \$250,000 per financial institution. The Organization's cash balance exceeded the FDIC insurance limit by \$820,897 for the year ended December 31, 2021. The Organization has not experienced any losses in these accounts and management believes they are not exposed to any significant credit risk.

Revenues from one source represents approximately 32% of total revenues for the year ended December 31, 2021. That source also represented 55% of receivables at December 31, 2021.

NOTE 10 – COMMITMENTS

Operating Leases

The Organization leases office equipment with base monthly payments of \$289, plus a varying usage fee on a lease expiring in 2022, which includes a repair and maintenance service agreement. The rental expense under this lease totaled \$4,653 for the year ended December 31, 2021, and is included in occupancy expense on the statements of functional expenses.

The Organization also rents equipment and space for its programming events on a short-term basis. The event and equipment rental expense incurred for short-term rentals totaled \$24,541 for the year ended December 31, 2021, and is included in professional and event fees on the statements of functional expenses.

The Organization entered into a month-to-month rental agreement starting in September 2020 for four storage units with a base monthly payment of \$860, plus an additional \$100 insurance fee. The total rental expense under this lease for the year ended December 31, 2021 was \$13,678 and is included in occupancy expense on the statements of functional expenses.

**ARTS COUNCIL OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Future minimum lease payments on the long-term leases in effect as of December 31, 2021 are as follows:

2022 \$ 3,179

NOTE 11 – CONTRACTS WITH CITY OF NEW ORLEANS

Since 1986, the Organization has entered into annual agreements with the City of New Orleans (the city) relating to the establishment of the Percent for Art Program under which one percent of the cost of eligible city capital projects is used to fund certain works of art. The Organization’s ongoing tasks include developing an Annual Art Plan to carry out the implementation of selected art projects, and short-term and long-term coordination and planning for the program.

The Organization records grants funds received in excess of expenditures as a refundable advance until they are expended for the purpose of the contract or until the funds are returned to the appropriate funding source. The Organization incurred expenditures of \$212,500 in 2021 for administrative duties performed to accomplish the agreed upon tasks. Refundable advances totaled \$300,477 in 2021, all of which was related to the Percent for Art Program.

NOTE 12 – ENDOWMENT FUNDS

Annually, the Organization receives distributions from several endowment funds established at the Greater New Orleans Foundation (GNOF). These funds are in an investment pool managed by GNOF. The funds were donated to GNOF for the benefit of the Organization. GNOF utilizes an endowed spending policy to determine the amount available for distributions. Future distributions are subject to that policy. As such, these funds are not recorded as assets on the Organization’s financial statements.

The balances of these funds are as follows:

<u>Fund</u>	<u>Initial Donation</u>	<u>Net Appreciation</u>	<u>Balance at December 31, 2021</u>
Koch	210,000	158,330	368,330
Billion	50,000	64,977	114,977
Stern	25,000	67,808	92,808

Distributions received from these funds totaled \$21,035 for the year ended December 31, 2021, and are included in contributions on the statements of activities.

**ARTS COUNCIL OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 13 - PAYCHECK PROTECTION PROGRAM

The Organization received an initial Paycheck Protection Program (PPP) loan administered by the Small Business Administration totaling \$89,896 during the 2020 year. The Organization applied for loan forgiveness within the program guidelines and was granted forgiveness by the SBA during the 2020 year. The initial PPP loan was subsequently reclassified and recorded as grant revenue as a result of the loan forgiveness.

During 2021 the Organization received a second PPP loan totaling \$99,460. The Organization applied for and received loan forgiveness from the SBA during year ended December 31, 2021. The loan was recorded as grant revenue during the current year.

NOTE 14 – COMPENSATED ABCENSES

Compensated absences for sick pay and personal time have not been accrued since they cannot be reasonably estimated. The Organization’s policy is to recognize these costs when actually paid.

NOTE 15 – RISKS AND UNCERTAINTIES

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) spread across multiple countries, including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the United States have declared a state of emergency. It is anticipated that these impacts will continue for some time. Future potential impacts may include disruptions to operations and the ability for employees to perform their duties. The Organization obtained an additional PPP Loan during the year ended December 31, 2021 in response to challenges faced because of COVID-19.

NOTE 16 – SUBSEQUENT EVENTS

Management evaluated subsequent events as of June 17, 2022, which is the date of these financial statements. Management has noted that there are no additional disclosures or adjustments required to these financial statements.



Luther Speight & Company, LLC
Certified Public Accountants and Consultants

INDEPENDENT AUDITOR'S 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
Arts Council of New Orleans

We have audited, in accordance with the 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, the financial statements of Arts Council of New Orleans (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 17, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Arts Council of New Orleans' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Arts Council of New Orleans' internal control. Accordingly, we do not express an opinion on the effectiveness of the Arts Council of New Orleans' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

New Orleans Office: 1100 Poydras Street, Suite 1225/New Orleans, LA 70163/(504) 561-8600

Memphis Office: 1661 International Drive, Suite 400/Memphis, TN 38120/(901) 202-4688

Atlanta Office: Five Concourse Pkwy/Atlanta, GA 30328/(770) 399-8808

Continued,

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Arts Council of New Orleans' financial statements are free from 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 financial statements. 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.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Luther Speight & Company CPAs
New Orleans, Louisiana

June 17, 2022

ARTS COUNCIL NEW ORLEANS

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2021**

SECTION I SUMMARY OF AUDITORS' REPORTS

1. The auditors' report expresses an unmodified opinion on the financial statements of Arts Council of New Orleans.
2. No significant deficiencies or material weaknesses disclosed during the audit of the financial statements are reported in the Independent Auditors' 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.
3. No instances of noncompliance material to the financial statements were reported in the Independent Auditors' 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.
4. A management letter was not issued for the year ended December 31, 2020.

SECTION II FINANCIAL STATEMENT FINDINGS

Not Applicable

ARTS COUNCIL NEW ORLEANS

**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2021**

SECTION I - FINDINGS RELATED TO THE FINANCIAL STATEMENTS

Not Applicable

SECTION II - MANAGEMENT LETTER COMMENTS

Not Applicable

ARTS COUNCIL OF NEW ORLEANS

**SCHEDULE OF COMPENSATION, BENEFITS, AND
OTHER PAYMENTS TO AGENCY HEAD
FOR THE YEAR ENDED DECEMBER 31, 2021**

**Total compensation, benefits,
and other payments**

\$ 0

There were no compensation, benefits or payments to the agency head that were derived from public funds, including state, local and federal pass-through.



Luther Speight & Company
Certified Public Accountants and Consultants

ARTS COUNCIL OF NEW ORLEANS
AGREED UPON PROCEDURES REPORT
FOR THE YEAR ENDED DECEMBER 31, 2021



Luther Speight & Company
Certified Public Accountants and Consultants

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors of Arts Council of New Orleans
and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by Arts Council of New Orleans (entity) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2021 through December 31, 2021. The Entity's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and 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 or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):

a) *Budgeting*, including preparing, adopting, monitoring, and amending the budget

Results: The policies and procedures appear to appropriately address the required elements above.

- b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

Results: Per review of the Entity's Financial Policies document, we noted information included adequately addressed the required procedures related to 1) how purchases are initiated, 2) how vendors are added to the vendor list, 3) the preparation and approval process of purchase requisitions and purchase orders. The documented procedures did not include adequate information related to controls to ensure compliance with the public bid law and documentation required.

Management's Response: While the Arts Council of New Orleans does not have a written Procurement Policy Manual, we contract with the City of New Orleans as a contractor for a federal grant and comply with all federal guidelines concerning procurement. We also comply with all City and State of Louisiana procurement guidelines, issuing open calls as required.

- c) **Disbursements**, including processing, reviewing, and approving

Results: The policies and procedures appear to appropriately address the required elements above.

- d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

Results: The policies and procedures appear to appropriately address the required elements above.

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

Results: The policies and procedures appear to appropriately address the required elements above.

- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process

Results: *No information regarding types of services requiring written contracts, standard terms and conditions, legal review, approval process, and monitoring process were provided.*

Management's Response: *We have contracts for all of the contracted services we provide for fees and we also have contracts with the artists that create the actual art.*

- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)

Results: *Documented procedures regarding how cards are to be controlled, allowable business uses, documentation requirements and monitoring card usage was not provided.*

Management's Response: *We have access to all transactions for every card via the bank login. We review all transactions monthly and request any missing receipts at that point. Charges are also assigned to programs for which purchase was made.*

- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers

Results: *Information regarding allowable expenses, dollar thresholds by category of expense, and documentation requirements were not included in the Financial Policies document.*

Management's Response: *We have some parking reimbursements, but these are rare. Most people use their card. Staff often used provided credit cards for travel-related parking and forward receipts.*

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

Results: *Not applicable, as the entity is a nonprofit.*

- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Results: Not applicable, as the entity is a nonprofit.

- k) **Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

Results: Information regarding disaster recovery and business continuity was not mentioned in Financial Policies document.

Management's Response: We contract with AC3 IT company. We have used cloud storage through Microsoft's One Drive to store all data. This is backed up via the cloud. Quickbooks Online is used for accounting, which is also backed up in the cloud. We have a contract with AC3 IT company. Cloud backup happens every few minutes.

- l) **Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Results: Information regarding annual employee training and annual reporting was not mentioned in the PBC Employee Handbook. Client stated employees worked from home. There is no annual reporting or employee annual training.

Management's Response: This is covered in our employee handbook that staff are given and have to sign that they have received.

Board or Finance Committee

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
- a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

Results: The Board met in January, April, September, and November of 2021. The Executive and Finance Committees met monthly.

- b) For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds. *Alternately, for those entities reporting on the nonprofit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*

Results: *The entity reports using the nonprofit model. Financial disclosures in the minutes were adequate.*

- c) For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.

Results: *Not applicable, as the entity is a nonprofit.*

Bank Reconciliations

3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete.
4. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5).
5. Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:
 - a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

Results: *Per review of the 5 bank reconciliations and bank statements, we noted that all 5 had evidence (date and time) as being reconciled. In addition, those 5 accounts were reconciled within 2 months of year-end.*

- b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

Results: We also noted there were no initials nor was there any evidence they were reviewed by management.

Management's Response: Because of COVID, we do not meet physically to get initialed bank recs; however, bank details are provided to the finance committee each month with our monthly financial report. Any questions regarding bank details are discussed at the monthly finance committee meeting.

- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Results: We noted no reconciling items that have been outstanding for more than 12 months from year-end.

Collections

- 6. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

Results: Arts Council indicated they do not accept cash or checks. All transactions are executed electronically.

- 7. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

Results: Arts Council indicated they do not accept cash or checks. All transactions are executed electronically.

- a) Employees responsible for cash collections do not share cash drawers/registers.
- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit.

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
 - d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, are not responsible for collecting cash, unless another employee/official verifies the reconciliation.
8. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe the bond or insurance policy for theft was enforced during the fiscal period.

Results: Arts Council provided a copy of an insurance policy that was in force during the fiscal period.

9. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

Results: Arts Council indicated they do not accept cash or checks. All transactions are executed electronically.

- a) Observe that receipts are sequentially pre-numbered.
- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
- c) Trace the deposit slip total to the actual deposit per the bank statement.
- d) Observe the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).
- e) Trace the actual deposit per the bank statement to the general ledger.

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

10. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

Results: Arts Council indicated they do not prepare manual checks for vendor payments. All payments are electronically disbursed using bill.com.

11. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

Results: Arts Council's vendor disbursements are processed by an independent accountant. All disbursements are processed electronically via bills.com. The entity has a small staff and segregation of duties are not fully implemented.

Management's Response: No response provided

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
- b) At least two employees are involved in processing and approving payments to vendors.
- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

[Note: Exceptions to controls that constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality) should not be reported.]

12. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction, and:

Results: Our examination of disbursements showed no exceptions.

- a) Observe whether the disbursement matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity.
- b) Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

13. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

Results: LSC received a listing of active credit cards. Arts Council employees do not have bank debit, fuel, or P-cards.

14. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

- a) Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]

Results: There is evidence showing that the statements were reviewed or approved. Client's accountant has all employee transactions posted to the general ledger where they segregate charges by project.

- b) Observe that finance charges and late fees were not assessed on the selected statements.

Results: Finance charges and late fees were not assessed on any of the five cards.

15. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e., each card should have 10 transactions subject to testing). For each transaction, observe it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

Results: Client supplied receipts and documentation for transactions on selected employees' December 2021 statements. We noted no exceptions.

Travel and Travel-Related Expense Reimbursements (excluding card transactions)

16. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

- a) If reimbursed using a per diem, observe the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

Results: *Received a Transaction Report from client and noticed no reimbursements per diem.*

- b) If reimbursed using actual costs, observe the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

Results: *Reimbursements using actual costs were supported by the original itemized receipts.*

- c) Observe each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

Results: *Each reimbursement was supported by documentation detailing the business/public purchase for the charge.*

- d) Observe each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Results: *Each reimbursement was reviewed and approved in writing by someone other than the person receiving the reimbursement.*

Contracts

17. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

- a) Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

Results: We noted that none of the vendors selected were subject to Louisiana Public Bid Law.

- b) Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter).

Results: We noted that all contracts have supporting documentation that the Board has approved them.

- c) If the contract was amended (e.g., change order), observe the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, was approval documented).

Results: We noted that of the selected contracts, there were no amendments or change orders. All contracts mention amendments must be agreed by all parties.

- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe the invoice and related payment agreed to the terms and conditions of the contract.

Results: We obtained supporting invoice for each of the contracts and agreed the payment to the contract terms without exception.

Payroll and Personnel

18. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

Results: We were not provided with personnel files to complete the

Management's Response: Arts Council's independent accountant, has all salary rates for all employees. Key personnel for the Arts Council of New Orleans have been employed for many years so personnel files were not obtainable. However, a copy of the job offer of a more recent employee was received. It shows authorized salary and approval from management.

19. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

Management's Response: All employees are salaried and do not have sign-in sheets. All full-time employees work a minimum of 35 hours a week, but most employees work at least 40 hours +.

- a) Observe all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, officials are not eligible to earn leave and do not document their attendance and leave. However, if the official is earning leave according to a policy and/or contract, the official should document his/her daily attendance and leave.)

Management's Response: Per our personnel policies, annual days and sick leave are not accrued. Employees who work on Saturdays can take off a day the following week.

- b) Observe whether supervisors approved the attendance and leave of the selected employees or officials.

Management's Response: Per our personnel policies, annual days and sick leave are unlimited and not accrued. Employees who work on Saturdays can take off a day the following week.

- c) Observe any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

Management's Response: Per our personnel policies, annual days and sick leave are not accrued. Employees who work on Saturdays can take off a day the following week.

- d) Observe the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.

Management's Response: Key personnel for the Arts Council of New Orleans have been employed for many years so personnel files were not obtainable. However, a copy of the job offer of a more recent employee was received. It shows authorized salary and approval from management. The pay rate for this employee agrees with the authorized salary documentation.

20. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee or officials' cumulative leave records, agree the pay rates to the employee or officials' authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy.

Management's Response: Key personnel for the Arts Council of New Orleans have been employed for many years so personnel files were not obtainable. However, a copy of the job offer of a more recent employee was received. It shows authorized salary and approval from management. The pay rate for this employee agrees with the authorized salary documentation.

21. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

Results: No exceptions were noted. All payroll related amounts were paid by deadlines.

Ethics

Results: Section is not applicable, as the Organization is a non-profit.

Debt Service

Results: Section is not applicable, as the Organization is a non-profit.

Fraud Notice

22. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Results: No misappropriations of public funds and assets were noted.

8. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Results: Website does not mention any reporting of misappropriation, fraud, waste, or abuse of public funds.

Management's Response: The Arts Council of New Orleans has been audited since the 1990s and has never had any misappropriation, fraud, waste, or abuse of public or other funds.

Information Technology Disaster Recovery/Business Continuity

23. Perform the following procedures, **verbally discuss the results with management, and report “We performed the procedure and discussed the results with management.”**

Results: Management contracts an outside company for anything regarding IT. Client supplied contract with the company AC3 IT.

Management’s Response: We contract with AC3 IT which maintains our computers, software, and cloud backups. Attached is the contract with our AC3 IT company from 2020 – May 2022. We just updated this agreement in May 2022.

- a) Obtain and inspect the entity’s most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.

Results: After reading through contract provided by client, AC3 IT states that it will back up data to cloud. Agreement was updated in May 2022.

- b) Obtain and inspect the entity’s most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.

Results: After reading through contract provided by client, AC3 IT states that it will assist with restoring backups. Agreement was updated in May 2022.

- c) Obtain a listing of the entity’s computers currently in use and their related locations, and management’s representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

Results: After reading through contract provided by client, AC3 IT states that it will provide antivirus software to 5 computers. Agreement was updated in May 2022.

Sexual Harassment

24. Using the 5 randomly selected employees/officials from procedure #16 under “Payroll and Personnel” above, obtain sexual harassment training documentation from management, and observe the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.

Results: There is no annual employee training, but the subject of Sexual Harassment is covered in the personnel policy.

Management's Response: Sexual Harassment is covered in our personnel policy. We have never had a complaint to date. We are a small nonprofit art organization (currently) with nine full-time and two part-time employees.

25. Observe the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).

Results: Website does not mention sexual harassment policy or complaint procedure.

Management's Response: Sexual Harassment is covered in our personnel policy. We have never had a complaint to date.

26. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe it includes the applicable requirements of R.S. 42:344:

Results: There is no annual sexual harassment report, but client supplied answers to questions below.

Management's Response: Sexual Harassment is covered in our personnel policy. We have never had a complaint to date.

1. Number and percentage of public servants in the agency who have completed the training requirements;

Management's Response: None

2. Number of sexual harassment complaints received by the agency;

Management's Response: None

3. Number of complaints which resulted in a finding that sexual harassment occurred;

Management's Response: None

4. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and

Management's Response: None

5. Amount of time it took to resolve each complaint.

Management's Response: *No time because no complaints were received.*

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

A handwritten signature in blue ink, appearing to read "Luther Speight & Co.", written in a cursive style.

Luther Speight & Company CPAs
New Orleans, Louisiana