

**ATTESTATION REPORT
OF THE
NEBRASKA ARTS COUNCIL**

JULY 1, 2019, THROUGH JUNE 30, 2020

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Issued on August 31, 2020

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We will provide this information, as required by statute, to all policymakers and taxpayers through written reports and our Internet-based Budget and Audit databases.

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Audit Staff Working On This Examination

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NEBRASKA ARTS COUNCIL

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NEBRASKA ARTS COUNCIL

BACKGROUND

The Nebraska Arts Council (Council) was created in 1965; however, its present form is largely the result of LB 121 (1973), which was passed close to a decade later. Codified at Neb. Rev. Stat. §§ 82-309 to 82-315 (Reissue 2014), those laws provide for a Council of 15 members appointed by the Governor and approved by the Legislature. To ensure diversity, five members are appointed from each of Nebraska's three congressional districts. The members of the Council are known for their professional competence and experience or longstanding interest in the arts. The Council oversees all agency policy and makes final decisions on grant awards, as recommended by review panels. The Council meets four times annually to conduct its business. Members receive no pay for their services, but they are reimbursed for expenses.

Section 82-312 sets out the duties of the Council, as follows:

(1) To stimulate and encourage throughout the state the study and presentation of the performing and fine arts and public interest and participation therein;

(2) To make such surveys as may be deemed advisable of public and private institutions within the state engaged in artistic and cultural activities, including, but not limited to, music, theatre, dance, painting, sculpture, architecture, and allied arts and crafts, and to make recommendations concerning appropriate methods to encourage participation in and appreciation of the arts to meet the legitimate needs and aspirations of persons in all parts of the state;

(3) To take such steps as may be necessary and appropriate to encourage public interest in the cultural heritage of our state and to expand the state's cultural resources; and

(4) To encourage and assist freedom of artistic expression essential for the well-being of the arts.

State and Federal sources provide the majority of the Council's funding, which it allocates in the form of matching grants to Nebraska nonprofit organizations and schools to fulfill the above mandates.

In addition to its grant programs, the Council provides nonprofit administrative research and advisory services to the State's cultural community, maintains an extensive database of information concerning the arts as a component of economic development, and undertakes activities to support and enhance arts education in Nebraska schools. The Council also conducts the biennial Governor's Arts Awards and manages several exhibition programs at the Governor's Residence and the Fred Simon Gallery in the Council's Omaha office.

In 1978, legislation was passed directing the Council to administer the acquisition of artworks for public buildings. Codified at Neb. Rev. Stat. §§ 82-317 to 82-329 (Reissue 2014, Cum. Supp. 2018), those laws are known collectively as the "1% for Art" program, and they provide for purchasing or commissioning art as enhancements for State-owned buildings constructed or renovated through funds allocated by the Legislature. The Council maintains the inventory for the State's collection of public art and facilitates the administration of the collection.

Through the adoption of LB 779 (1998), along with subsequent legislation, which is codified at Neb. Rev. Stat. §§ 82-331 to 82-333 (Reissue 2014, Cum. Supp. 2018), the Legislature established both the Nebraska Cultural Preservation Endowment Fund and the Nebraska Arts and Humanities Cash Fund. Those funds play an integral role, per Neb. Rev. Stat. § 82-330 (Reissue 2014), in ensuring "a stable cultural climate . . . for future generations" and establishing "a financial partnership between the public and private sectors" to encourage the arts and humanities in Nebraska.

Earnings from the Nebraska Cultural Preservation Endowment Fund are transferred periodically to the Nebraska Arts and Humanities Cash Fund, from which disbursements are made, per § 82-332(3), "in a ratio of seventy percent to projects, endowments, or programs designated by the Nebraska Arts Council and thirty percent to projects, endowments, or programs designated by the Nebraska Humanities Council." Prior to such disbursements, however, documentation must be provided of a dollar-for-dollar match by sources other than State funds.

NEBRASKA ARTS COUNCIL

KEY OFFICIALS AND AGENCY CONTACT INFORMATION

Nebraska Arts Council Members

Name	Title	Term Ending
Mark Laughlin	Council Member	January 2022
Alec Gorynski	Council Member	September 2021
Dr. Amy Haddad	Council Member	September 2021
Joyce Hasselbalch	Council Member	September 2021
Sarah Peetz	Council Member	September 2021
Wally Seiler	Council Member	September 2021
Ellen Hornady	Council Member	December 2020
Heather Schneider	Council Member	September 2020
Darrel Huenergardt	Council Member	September 2020
Steven Anderson	Council Member	September 2020
Sue Roush	Council Member	January 2020
Stephen Bader	Council Member	September 2019*
Melissa Marvin	Council Member	September 2019*
Paula Pflueger	Council Member	September 2019*
Reven Wright	Council Member	September 2019*
Candy Henning	Council Chairperson	September 2019*

*Note: Council Members whose terms ended September 2019 are listed, as they were members during the attestation period and are still performing Council duties until their replacements are appointed. Mark Laughlin was subsequently appointed as a replacement for Melissa Marvin.

Nebraska Arts Council Executive Management

Name	Title
Suzanne Wise	Director
Michael Markey	Deputy Director

Nebraska Arts Council
1004 Farnam St.
Omaha, NE 68102
www.artscouncil.nebraska.gov

NEBRASKA ARTS COUNCIL

SUMMARY OF COMMENTS

During our examination of the Nebraska Arts Council (Council), we noted certain deficiencies and other operational matters that are presented here.

These comments and recommendations are intended to improve the internal control over financial reporting or result in operational efficiencies in the following areas:

1. ***Internal Controls Over Fixed Assets:*** A number of issues related to the fixed asset processes were noted, including a lack of segregation of duties, no review of Fixed Asset Integrity Reports, and an asset that was unable to be located.
2. ***Federal Cash Draws Not Expended Timely:*** Two of three Federal advanced cash draws tested were not expended within the required 30 days. The draws were 41 and 29 days over the 30-day Federal guidelines.
3. ***Accounts Receivable Detail with Aging Report Items Not Pursued:*** The Council did not review adequately its Accounts Receivable Detail with Aging Report and pursue outstanding items therein timely, resulting in the need for financial statement adjustments.

More detailed information on the above items is provided hereinafter. It should be noted that this report is critical in nature, containing only our comments and recommendations on the areas noted for improvement and does not include our observations on any accounting strengths of the Council.

Draft copies of this report were furnished to the Council to provide its management with an opportunity to review and to respond to the comments and recommendations contained herein. All formal responses received have been incorporated into this report. Responses that indicate corrective action has been taken were not verified at this time, but they will be verified in the next examination.

NEBRASKA ARTS COUNCIL

COMMENTS AND RECOMMENDATIONS

1. **Internal Controls Over Fixed Assets**

The Auditor of Public Accounts (APA) found the following issues with the Nebraska Arts Council's (Council) controls over its fixed assets:

- There was a lack of segregation of duties over the fixed asset process, as one individual was responsible for processing fixed asset transactions in the accounting system from beginning to end. There was no separate review of the Additions and Retirements Report by an individual without fixed asset security access to the accounting system.
- The Council does not review the Additions and Retirements Report or the Fixed Assets Integrity Reports.
- The Council was unable to locate one of the assets selected for APA testing.

The Deputy Director is responsible for performing fixed asset transactions in the accounting system from beginning to end, as well as reviewing the Unposted Fixed Assets Transaction Report and the Fixed Asset No Cost Reports at year end. The Deputy Director prepares necessary correcting journal entries to correct any exceptions noted. There is no review of the Additions and Retirements Report by another employee without fixed asset access.

Furthermore, the Council noted that they do not have a process to review Fixed Asset Integrity Reports, including the Fixed Asset with No Attachment, Business Unit Fund Integrity, and Item Code Object Account Integrity reports.

Finally, during a "List to Floor" test, an asset on the Council's fixed asset listing could not be located. This was due to the asset listing not being updated to reflect the fact that the asset had been surplused in a prior year.

Good internal controls require procedures to ensure the following: 1) a proper segregation of duties over the fixed asset process, so nobody is in a position both to perpetrate and to conceal errors or irregularities; 2) the timely and documented review of fixed asset reports; 3) the prompt removal of surplused assets from the fixed asset listings; and 4) more than one employee conducting and documenting the physical inventory review.

Without such procedures, there is an increased risk for the loss or misappropriation of Council assets.

We recommend the Council implement procedures to ensure a proper segregation of duties over the fixed asset process, so nobody is in a position both to perpetrate and to conceal errors or irregularities. Those same procedures should ensure also the timely and documented review of fixed asset reports and the prompt removal of surplused assets from the fixed asset listings. Finally, such procedures should provide for more than one employee conducting and documenting the physical inventory review.

Council Response: The asset in question had been surplused. Our understanding was that by surplusing the asset, it would be removed from the inventory report. We should have recognized that the asset was still on the inventory, and we should have addressed the issue.

We have added review of the Additions and Retirements Report and review of the Fixed Assets Integrity Reports to our monthly report process. Each report will be generated and reviewed by the deputy director and then reviewed again by a second staff member.

2. **Federal Cash Draws Not Expended Timely**

During testing of Federal cash draws, we noted that two of three draws tested were not expended within the required 30 days from the date the authorizing official signed the request.

NEBRASKA ARTS COUNCIL

COMMENTS AND RECOMMENDATIONS

(Continued)

2. **Federal Cash Draws Not Expended Timely** (Continued)

- For one cash draw tested, \$119,500 was requested on February 26, 2020, and was required to be spent by March 26, 2020. The Council received the funds on March 3, 2020, but did not fully expended them until May 6, 2020, 41 days past the 30-day deadline.
- For a second cash draw tested, \$285,017 was requested on April 20, 2020, and was required to be spend by May 20, 2020. The Council received the funds on April 21, 2020, but did not fully expended them until June 18, 2020, 29 days past the 30-day deadline.

In neither case did the Council staff contact the National Endowment for the Arts Grants Office for advice on how to proceed.

31 CFR § 205.33(a) (July 1, 2018) states, in relevant part, the following:

A State must minimize the time between the drawdown of Federal funds from the Federal government and their disbursement for Federal program purposes. A Federal Program Agency must limit a funds transfer to a State to the minimum amounts needed by the State and must time the disbursement to be in accord with the actual, immediate cash requirements of the State in carrying out a Federal assistance program or project.

Additionally, the “Grants Terms and Conditions” guideline for the National Endowment for the Arts provides the following:

You must have written procedures to minimize the time elapsing between the receipt and the disbursement of Federal award funds to avoid having excessive Federal funds on hand. Requests for advance payment are limited to your immediate cash needs and are not to exceed anticipated expenditures for a 30-day period.

Finally, the Council’s own “Cash Draws Policy” contains the following:

Federal Funds must be disbursed within 30 days of receipt. If that is not possible, the NAC staff will contact the Grants Office at the National Endowment for the Arts for advice on how to proceed.

Good internal controls require procedures to ensure that funds are expended within the allotted time frame.

Without such procedures, there is an increased risk of the Council being noncompliant with both Federal regulations and guidelines, as well as its own administrative requirements.

We recommend that the Council implement procedures to ensure that advanced cash draws are expended within the required 30-day period.

Council Response:

\$119,500 Cash Draw

The agency is well aware of Federal rules and its own Cash Draws Policy. In normal times, the agency adheres to them. The decision to draw additional funds was made due to the uncertainties brought on by the coronavirus. This was a precautionary measure to ensure that adequate funds were available to pay employees supported with federal dollars. The pandemic also affected scheduled grant payments. As the state initiated pandemic guidelines and restrictions, grantees began notifying the agency that projects supported by the federal grant funds were being cancelled or rescheduled for an undetermined future date. Therefore, the agency did not distribute them in the timeframe required.

NEBRASKA ARTS COUNCIL

COMMENTS AND RECOMMENDATIONS

(Continued)

2. Federal Cash Draws Not Expended Timely (Concluded)

\$285,017 Cash Draw

The cash draw included federal CARES Act funds allocated to the agency by the National Endowment for the Arts. The agency had established a distribution policy for CARES Act funds, however the NEA simultaneously announced all direct grantees of the NEA were eligible to apply directly to the NEA for support. Several Nebraska organizations met this criteria. In order to ensure that these organizations did not receive two distributions, the agency was forced to withhold their allotments until they received word from the NEA regarding their award status. The NEA's grant administration and announcement process was beyond the control of the agency.

Unless further complications caused by the pandemic require emergency decision making, the agency will resume adhering to federal and agency policies regarding federal drawdowns.

3. Accounts Receivable Detail with Aging Report Items Not Pursued

The Council did not review adequately the Accounts Receivable (AR) Detail with Aging Report and, therefore, did not pursue outstanding items therein timely. This resulted in two financial schedule adjustments for \$120,000 and \$6,000, which were proposed by the APA and accepted by the Council.

During a review of the Council's AR Detail with Aging report, it was noted that the Council had an outstanding accounts receivable balance of \$120,000 from the National Endowment for the Arts (NEA) dated August 3, 2018. After further discussion with the Council, it appears that the Council made its initial request to the NEA on July 24, 2018, for \$120,000 and proceeded to record an accounts receivable for this amount into the accounting system on August 3, 2018. However when the \$120,000 was received on August 23, 2018, the receipt was not applied against the previously recorded August 3, 2018, accounts receivable. Therefore, the \$120,000 accounts receivable has not been removed from the accounting system. While indicating to review periodically the AR Detail with Aging report, the Council has not pursued and removed this item.

Additionally, during testing of fees charged for the "1% for the Arts" program, it was noted that the Council recorded an accounts receivable due from the University of Nebraska – Kearney (UNK) for \$6,000 on August 6, 2019. However, when UNK utilized a different means than anticipated to pay the Council on October 3, 2019, the payment was not applied against the previously recorded August 6, 2019, accounts receivable. Therefore, the \$6,000 accounts receivable has not been removed from the accounting system.

Because the \$120,000 and \$6,000 were still reflected as accounts receivable in the accounting system at June 30, 2020, despite not being current accounts receivable, they were reflected inaccurately as overstatements in fund balances on the Council's schedule. Therefore, we proposed adjustments of \$120,000 and \$6,000 to ensure fair presentation of the financial schedule. The Council agreed, and the adjustments are reflected properly in the financial schedule presented.

Good internal controls require procedures to ensure that a documented review of the AR Detail with Aging Reports is completed to confirm that receipts and invoices are posted correctly, and proper follow-up procedures are taken when necessary.

Without such procedures, there is an increased risk of errors in the Council's financial schedules.

We recommend the Council implement procedures to ensure completion of a documented review of the AR Detail with Aging report and the taking of appropriate follow-up procedures when necessary.

NEBRASKA ARTS COUNCIL

COMMENTS AND RECOMMENDATIONS

(Concluded)

3. Accounts Receivable Detail with Aging Report Items Not Pursued (Concluded)

Council Response: Agency procedure was to send an invoice and then monitor the Fund Trial Balance to verify that funds had arrived. In both instances in the report, the Trial Balance indicated that funds were received, so the agency concluded that no additional monitoring was required. It is clear, however, that for the state's balance sheet, we need to address outstanding receivables.

We will correct the issues mentioned in the report, and we have added the monitoring of the Accounts Receivables Report to our monthly report process.



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NEBRASKA ARTS COUNCIL

INDEPENDENT ACCOUNTANT'S REPORT

Nebraska Arts Council
Lincoln, Nebraska

We have examined the accompanying Schedule of Revenues, Expenditures, and Changes in Fund Balances of the Nebraska Arts Council (Council) for the fiscal year ended June 30, 2020. The Council's management is responsible for the Schedule of Revenues, Expenditures, and Changes in Fund Balances based on the accounting system and procedures set forth in Note 1. Our responsibility is to express an opinion on the Schedule of Revenues, Expenditures, and Changes in Fund Balances based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Schedule of Revenues, Expenditures, and Changes in Fund Balances is based on the accounting system and procedures set forth in Note 1, in all material respects. An examination involves performing procedures to obtain evidence about the Schedule of Revenues, Expenditures, and Changes in Fund Balances. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the Schedule of Revenues, Expenditures, and Changes in Fund Balances, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the Schedule of Revenues, Expenditures, and Changes in Fund Balances for the fiscal year ended June 30, 2020, is based on the accounting system and procedures prescribed by the State of Nebraska's Director of Administrative Services, as set forth in Note 1, in all material respects.

In accordance with *Government Auditing Standards*, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; fraud and noncompliance with provisions of laws or regulations that have a material effect on the Schedule of Revenues, Expenditures, and Changes in Fund Balances; and any other instances that warrant the attention of those charged with governance; noncompliance with provisions of contracts or grant agreements, and abuse that has a material effect on the subject matter or an assertion about the subject matter of the examination engagement. We are also required to obtain and report the views of management concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. We performed our examination to express an opinion on whether the Schedule of Revenues, Expenditures, and Changes in Fund Balances is presented in accordance with the criteria described above and not for the purpose of expressing an opinion on the internal control over the Schedule of Revenues, Expenditures, and Changes in Fund Balances or on compliance and other matters; accordingly, we express no such opinions. Our examination disclosed no findings that are required to be reported under *Government Auditing Standards*.

The purpose of this report is to express an opinion on the Schedule of Revenues, Expenditures, and Changes in Fund Balances, as described in paragraph one above. Accordingly, this report is not suitable for any other purpose. This report is a matter of public record, and its distribution is not limited.

A handwritten signature in black ink, appearing to read "C. J. Janssen", with a long horizontal flourish extending to the right.

August 26, 2020

Charlie Janssen
Auditor of Public Accounts
Lincoln, Nebraska

NEBRASKA ARTS COUNCIL
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2020

	General Fund 10000	Nebraska Arts Council Cash Fund 26900	Nebraska Arts & Humanities Cash Fund 26920	Fine Arts Federal Fund 46910	Totals (Memorandum Only)
REVENUES:					
Appropriations	\$ 1,495,404	\$ -	\$ -	\$ -	\$ 1,495,404
Intergovernmental	-	-	-	1,212,600	1,212,600
Sales & Charges	-	18,000	-	-	18,000
Miscellaneous	288	1,743	1,314	-	3,345
TOTAL REVENUES	1,495,692	19,743	1,314	1,212,600	2,729,349
EXPENDITURES:					
Personal Services	440,874	-	26,441	204,978	672,293
Operating	142,634	-	3,559	13,114	159,307
Travel	11,591	223	-	-	11,814
Government Aid	900,305	-	681,107	886,446	2,467,858
TOTAL EXPENDITURES	1,495,404	223	711,107	1,104,538	3,311,272
Excess (Deficiency) of Revenues Over (Under) Expenditures	288	19,520	(709,793)	108,062	(581,923)
OTHER FINANCING SOURCES (USES):					
Adjustment to Fund Balance	-	-	-	(120,000)	(120,000)
Deposit to General Fund	(288)	-	-	-	(288)
Operating Transfers In	-	-	711,107	-	711,107
TOTAL OTHER FINANCING SOURCES (USES)	(288)	-	711,107	(120,000)	590,819
Net Change in Fund Balances	-	19,520	1,314	(11,938)	8,896
FUND BALANCES, JULY 1, 2019	539	76,880	5,448	172,534	255,401
FUND BALANCES, JUNE 30, 2020	<u>\$ 539</u>	<u>\$ 96,400</u>	<u>\$ 6,762</u>	<u>\$ 160,596</u>	<u>\$ 264,297</u>
FUND BALANCES CONSIST OF:					
General Cash	\$ -	\$ 82,595	\$ 6,762	\$ 165,096	\$ 254,453
Petty Cash	250	-	-	-	250
Deposits with Vendors	289	-	-	-	289
Accounts Receivable Invoiced	-	14,000	-	-	14,000
Due From Other Government	-	(195)	-	-	(195)
Due to Vendors	-	-	-	(4,500)	(4,500)
TOTAL FUND BALANCES	\$ 539	\$ 96,400	\$ 6,762	\$ 160,596	\$ 264,297

The accompanying notes are an integral part of the schedule.

NEBRASKA ARTS COUNCIL

NOTES TO THE SCHEDULE

For the Fiscal Year Ended June 30, 2020

1. Criteria

The accounting policies of the Nebraska Arts Council (Council) are on the basis of accounting, as prescribed by the Department of Administrative Services (DAS).

Per Neb. Rev. Stat. § 81-1107(2) (Reissue 2014), the duties of the State of Nebraska's Director of DAS include:

The keeping of general accounts and the adoption and promulgation of appropriate rules, regulations, and administrative orders designed to assure a uniform and effective system of accounts and accounting, the approval of all vouchers, and the preparation and issuance of warrants for all purposes[.]

In accordance with Neb. Rev. Stat. § 81-1111(1) (Reissue 2014), the State Accounting Administrator has prescribed the system of accounts and accounting to be maintained by the State and its departments and agencies and has developed necessary accounting policies and procedures. The prescribed accounting system currently utilizes EnterpriseOne, an accounting resource software, to maintain the general ledger and all detailed accounting records. Policies and procedures are detailed in the Nebraska State Accounting Manual published by DAS State Accounting Division (State Accounting) and are available to the public.

The financial information used to prepare the Schedule of Revenues, Expenditures, and Changes in Fund Balances was obtained directly from the general ledger and fund balance information maintained on EnterpriseOne. EnterpriseOne is not an accrual accounting system; instead, accounts are maintained on a modified cash basis. As revenue transactions occur, the agencies record the accounts receivable and related revenues in the general ledger. As such, certain revenues are recorded when earned, regardless of the timing of related cash flows. State Accounting does not require the Council to record all accounts receivable and related revenues in EnterpriseOne; as such, the Council's schedule does not include all accounts receivable and related revenues. In a like manner, expenditures and related accounts payable are recorded in the general ledger as transactions occur. As such, the schedule includes those expenditures and related accounts payable posted in the general ledger as of June 30, 2020, and not yet paid as of that date. The amount recorded as expenditures on the schedule, as of June 30, 2020, **does not** include amounts for goods and services received before June 30, 2020, which had not been posted to the general ledger as of June 30, 2020.

Other liabilities are recorded in accounts entitled Due to Vendors, and Due from Other Government for the Council. The assets in these funds are being held by the State as an agent and will be used to pay those liabilities to individuals, private organizations, other governments, and/or other funds. The recording of those liabilities reduces the fund balance/equity.

The Council had no accounts receivable at June 30, 2020, that were not included in the Schedule. Liabilities for accrued payroll and compensated absences are not recorded in the general ledger.

The following fund types are established by the State and used by the Council:

10000 – General Fund – accounts for activities funded by general tax dollars and related expenditures and transfers.

20000 – Cash Funds – account for revenues generated by specific activities from sources outside of State government and the expenditures directly related to the generation of the revenues. Cash funds are established by State statutes and must be used in accordance with those statutes.

NEBRASKA ARTS COUNCIL

NOTES TO THE SCHEDULE

(Continued)

1. **Criteria** (Concluded)

40000 – Federal Funds – account for the financial activities related to the receipt and disbursement of funds generated from the Federal government as a result of grants and contracts. Expenditures must be made in accordance with applicable Federal requirements.

The following major revenue account classifications are established by State Accounting and used by the Council:

Appropriations – Appropriations are granted by the Legislature to make expenditures and to incur obligations. The amount of appropriations reported as revenue is the amount of expenditures.

Intergovernmental – Revenue from other governments in the form of grants, entitlements, shared revenues, payments in lieu of taxes, or reimbursements.

Sales & Charges – Income derived from sales of merchandise and commodities, compensation for services rendered, and charges for various licenses, permits, and fees.

Miscellaneous – Revenue from sources not covered by other major categories, such as investment income and purchase card rebates.

The following major expenditure account classifications are established by State Accounting and used by the Council:

Personal Services – Salaries, wages, and related employee benefits provided for all persons employed by the Council.

Operating – Expenditures directly related to a program's primary service activities.

Travel – All travel expenses for any State officer, employee, or member of any commission, council, committee, or board of the State.

Government Aid – Payment of Federal and/or State money to governmental subdivisions, State agencies, local health and welfare offices, individuals, etc., in furtherance of local activities and accomplishment of State programs.

Other significant accounting classifications and procedures established by State Accounting and used by the Council include the following:

Assets – Resources owned or held by a government that have monetary value. Assets include cash accounts, deposits with vendors, and accounts receivable. Accounts receivable are recorded as an increase to revenues resulting in an increase to fund balance on the schedule. Cash accounts and deposits with vendors are also included in fund balance and are reported as recorded in the general ledger.

Liabilities – Legal obligations arising out of transactions in the past that must be liquidated, renewed, or refunded at some future date. Accounts payable transactions are recorded as expenditures, resulting in a decrease to fund balance. Other liabilities recorded in the general ledger for the Council's funds at June 30, 2020, included amounts recorded in Due to Vendors and Due from Other Government. The activity of these accounts is not recorded through revenue and expenditure accounts on the Schedule of Revenues, Expenditures, and Changes in Fund Balances.

Other Financing Sources – Operating Transfers In and deposits to the General Fund.

NEBRASKA ARTS COUNCIL

NOTES TO THE SCHEDULE

(Continued)

2. Reporting Entity

The Council is a State agency established under and governed by the laws of the State of Nebraska. As such, the Council is exempt from State and Federal income taxes. The schedule includes all funds of the Council included in the general ledger.

The Council is part of the primary government for the State of Nebraska.

3. Totals

The Totals “Memorandum Only” column represents an aggregation of individual account balances. The column is presented for overview informational purposes and does not present consolidated financial information because interfund balances and transactions have not been eliminated.

4. General Cash

General cash accounts are under the control of the State Treasurer or other administrative bodies, as determined by law. All cash deposited with the State Treasurer is initially maintained in a pooled cash account. On a daily basis, the State Treasurer invests cash not needed for current operations with the State’s Investment Council, which maintains an operating investment pool for such investments. Interest earned on those investments is allocated to funds based on their percentage of the investment pool.

5. Capital Assets

Capital assets include land, buildings, equipment, improvements to buildings, construction in progress, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items). Under State Accounting policies, expenditures for such capital assets are not capitalized as an asset in the funds used to acquire or construct them. Rather, costs of obtaining the capital assets are reflected as expenditures in the general ledger and are reported as such on the Schedule.

However, State Accounting does adjust such expenditures and reports the capital assets as assets for the State of Nebraska in the Comprehensive Annual Financial Report (CAFR). In addition, the Council takes an annual inventory, recording in the State Accounting System all equipment that has a cost of \$5,000 or more at the date of acquisition, and all computers.

For the CAFR, the State requires the Council to value all capital assets at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. Generally, equipment that has a cost of \$5,000 or more at the date of acquisition and has an expected useful life of more than one year is capitalized. Depreciation expenses are reported in the CAFR in the funds used to acquire or construct them for the State of Nebraska. The cost of normal maintenance and repairs that does not add to the value of the asset or extend the asset’s life is not capitalized.

Equipment is depreciated in the CAFR using the straight-line method with estimated useful lives of 3 to 10 years.

Capital asset activity of the Council recorded in the State Accounting System for the fiscal year ended June 30, 2020, was as follows:

NEBRASKA ARTS COUNCIL

NOTES TO THE SCHEDULE
(Concluded)

5. Capital Assets (Concluded)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets				
Equipment	\$ 20,213	\$ -	\$ -	\$ 20,213
Less accumulated depreciation for:				
Equipment				<u>19,964</u>
Total capital assets, net of depreciation				<u>\$ 249</u>

6. Transfers

The Council received \$711,107 of operating transfers into the Nebraska Arts and Humanities Cash Fund (Cash Fund) from the Nebraska Cultural Preservation Endowment Fund (Endowment Fund) in accordance with Neb. Rev. Stat. § 82-331 (Cum. Supp. 2018). Only earnings from the Endowment Fund can be transferred for use by the Council in the Cash Fund.

7. Adjustments to Fund Balance

Adjustments to Fund Balance transactions are those recorded directly to a fund's asset or equity account rather than through a revenue or expenditure account.

8. Component Units

The Nebraska Cultural Endowment and the Nebraska Arts Council (NAC) Development Corporation are component units of the Council, as defined by the Government Accounting Standards Board (GASB). Financial information for these component units was not included in the financial schedule of the Council. Additional information on the component units is available from the Council. During the fiscal year, the Council remitted \$681,107 to the Nebraska Cultural Endowment and \$75,000 to the NAC Development Corporation.

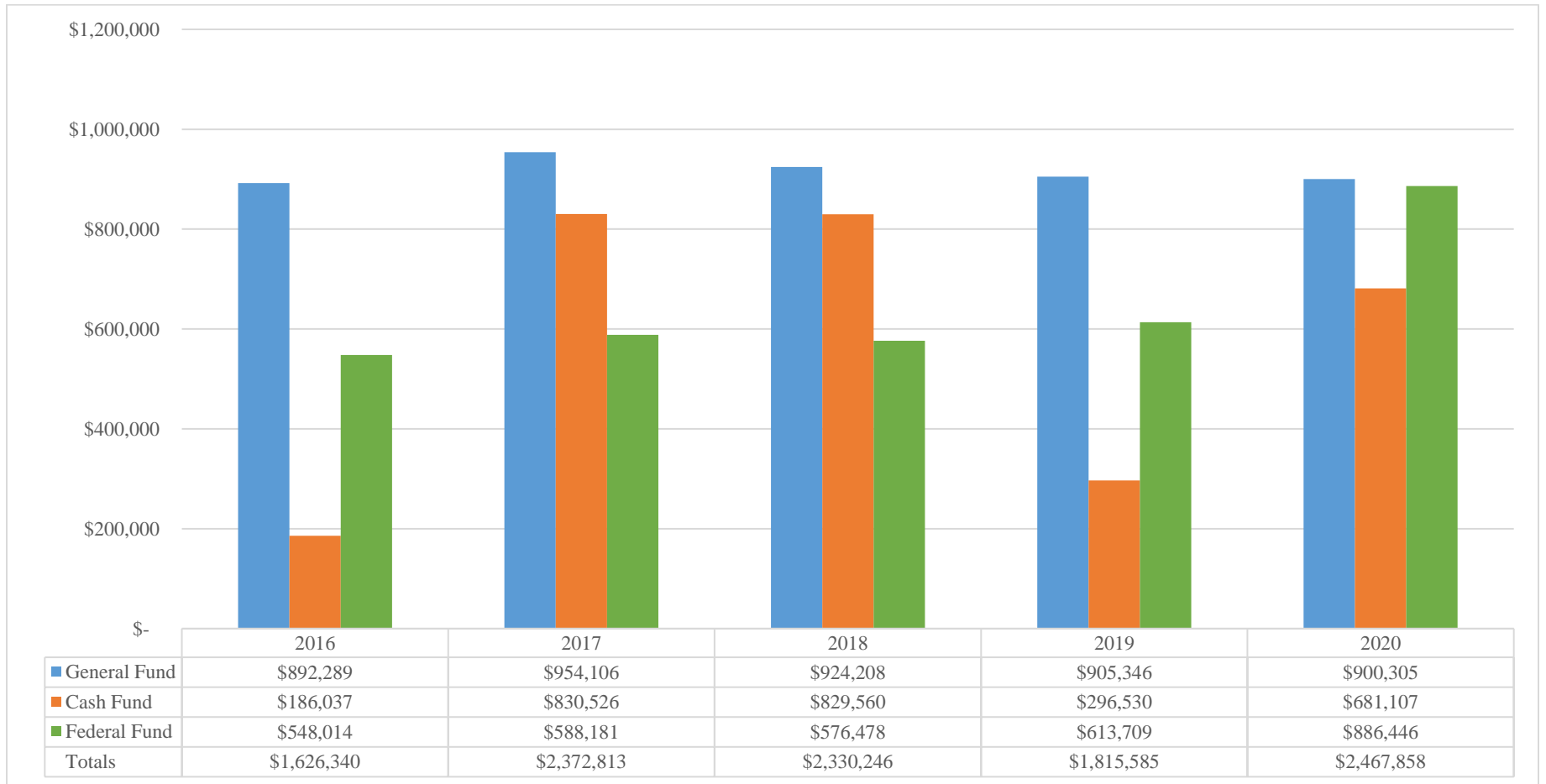
NEBRASKA ARTS COUNCIL

SUPPLEMENTARY INFORMATION

Our examination was conducted for the purpose of forming an opinion on the Schedule of Revenues, Expenditures, and Changes in Fund Balances. Supplementary information is presented for purposes of additional analysis. Such information has not been subjected to the procedures applied in the examination of the Schedule of Revenues, Expenditures, and Changes in Fund Balances, and, accordingly, we express no opinion on it.

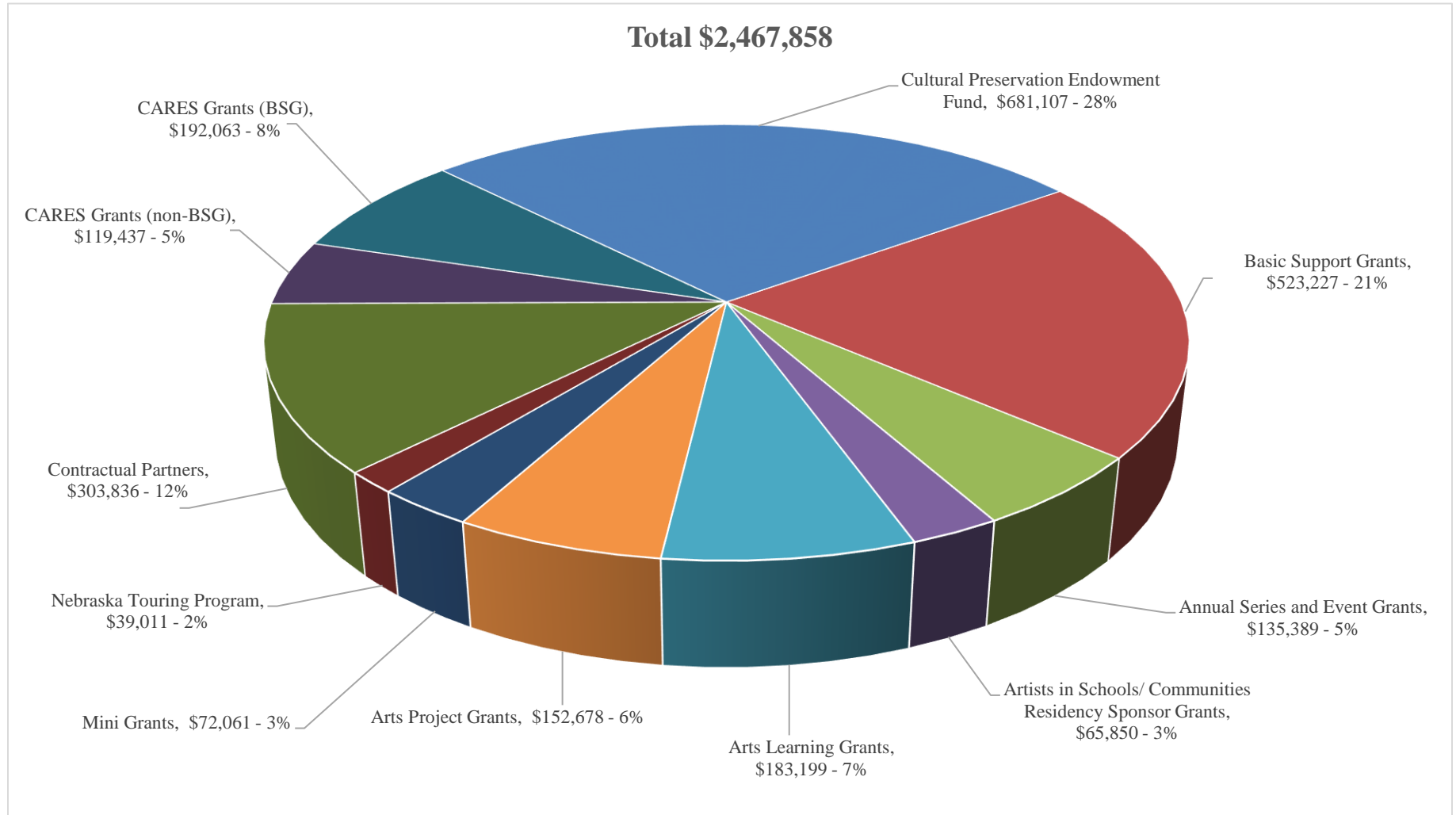
NEBRASKA ARTS COUNCIL
GOVERNMENT AID EXPENDITURES BY FUND TYPE
 For Fiscal Years Ended June 30, 2016, through 2020

Exhibit A



NEBRASKA ARTS COUNCIL
EXPENDITURES BY GRANT PROGRAM
 For Fiscal Year 2020

Exhibit B



NEBRASKA ARTS COUNCIL
EXPENDITURES BY GRANT PROGRAM
(Continued)

Exhibit B

Programs for Organizations & Artists

Annual Series and Event Grants	\$135,389
Program provides annual program support to organizations that produce and/or present the same event or a series of arts events on a recurring basis.	
Artists in Schools/Communities Residency Sponsor Grants	\$65,850
Support NAC roster artist residencies that include at least 20 contact hours with participants. During residencies, artists share their expertise and work with teachers or staff to help participants engage creatively in the arts and achieve educational goals.	
Arts Project Grants	\$152,678
Support for arts programming, productions or events open to the general public. Support is limited to an arts project taking place within a defined period of time. The program or event may have multiple components and/or performances.	
Arts Learning Grants	\$183,199
Support for programs to promote education and lifelong learning for preK-12 schools or in community settings. Projects should involve a sequential arts education curriculum that addresses State or national educational learning standards or goals.	
Basic Support Grants	\$523,227
Provide annual operating support to eligible community, volunteer, and discipline-based Nebraska arts organizations. This category offers grants to organizations divided into three tiers, depending on annual budget.	
Mini Grants	\$72,061
This grant category is designed to provide quick access to funds supporting a variety of arts projects that use artists or arts activities as a key component. Examples of project types include exhibitions, performances, poetry readings, commissions and/or support of new work development, arts festivals, community murals, and cultural heritage projects.	
Nebraska Touring Program	\$39,011
Nebraska artists and performing arts organizations are reviewed for inclusion in the Council's Artist Directory, used by nonprofit organizations to select performances and exhibits.	
Contractual Partners	\$303,836
<i>Nebraska Cultural Endowment (NCE):</i> The NCE is a 501(c)(3) nonprofit corporation that exists solely to fundraise and invest the funds raised on behalf of the Nebraska Arts Council and the Nebraska Humanities Council.	
<i>Humanities Nebraska (HN):</i> The HN is a 501(c)(3) nonprofit corporation affiliated with the National Endowment for the Humanities, a Federal agency. Its mission is to cultivate an understanding of our history and culture.	
<i>NAC Development Corporation (NAC DC):</i> NAC DC is a 501(c)(3) nonprofit corporation that exists to support the mission, staff, and programs of the Nebraska Arts Council.	
<i>Nebraska Folklife Network (NFN):</i> NFN is a 501(c)(3) nonprofit corporation that exists to foster, sustain, and increase awareness of Nebraska's public folk and traditional arts.	

NEBRASKA ARTS COUNCIL
EXPENDITURES BY GRANT PROGRAM
(Concluded)

Exhibit B

Programs for Organizations & Artists
(Concluded)

Mid-America Arts Alliance (M-AAA): M-AAA is a nonprofit, regional arts organization that supports the work of the region's state arts agencies (Arkansas, Kansas, Missouri, Nebraska, Oklahoma, and Texas), strengthening communities and improving lives through extraordinary cultural experiences.

CARES Grants

The purpose of the CARES Grant is to provide financial aid to nonprofit arts organizations in Nebraska to help these entities and their employees endure the economic hardships caused by the forced closure of their operations due to COVID-19.

\$192,063

CARES Grants (BSG): Organizations in the Basic Support Grant category are eligible to apply. Funding will be based upon a set percentage of the organization's base grant award.

\$119,437

CARES Grants (non-BSG): Arts organizations funded by NAC through an independent review process, other than the Basic Support Grant category, within the last four years are eligible to apply for the limited funds.

Program 329 – Cultural Preservation Endowment Fund (CPEF)

\$681,107

This fund, as governed by Neb. Rev. Stat. §§ 82-330 to 82-333 (Reissue 2014, Cum. Supp. 2018), benefits the Nebraska Arts Council and the Nebraska Humanities Council. The revenue is distributed 70% for projects designated by the Nebraska Arts Council and 30% as designated by the Nebraska Humanities Council.