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The Strand Theatre of Shreveport Corporation



Financial Statements Years Ended May 31, 2004 and 2003

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The Strand Theatre of Shreveport Corporation

Financial Statements
Years Ended May 31, 2004 and 2003

The Strand Theatre of Shreveport Corporation

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Independent Auditors' Report

The Executive Committee
The Strand Theatre of Shreveport Corporation
Shreveport, Louisiana

We have audited the accompanying statements of financial position of The Strand Theatre of Shreveport Corporation (a nonprofit organization) as of May 31, 2004 and 2003, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Strand Theatre of Shreveport Corporation as of May 31, 2004 and 2003, and the results of its activities and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our reports dated August 13, 2004 on our consideration of The Strand Theatre of Shreveport Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts.

Robertson, Bailes & McClelland LLP

August 13, 2004

The Strand Theatre of Shreveport Corporation

Statements of Financial Position

<i>May 31,</i>	2004	2003
Assets		
Current assets:		
Cash (Notes 1 and 8)	\$ 31,255	\$ 17,927
Grants receivable	16,101	21,100
Prepaid expenses	38,243	29,950
Total current assets	85,599	68,977
Property and equipment (Note 2)	4,598,141	4,741,126
	\$4,683,740	\$4,810,103
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 33,913	\$ 40,266
Accrued expenses	17,732	23,892
Notes payable (Note 3)	90,000	39,983
Deferred revenue	63,185	45,597
Total current liabilities	204,830	149,738
Net assets – Unrestricted	4,478,910	4,660,365
	\$4,683,740	\$4,810,103

See accompanying summary of accounting policies and notes to financial statements.

The Strand Theatre of Shreveport Corporation

Statements of Activities

<i>Years Ended May 31,</i>	2004	2003
Changes in unrestricted net assets:		
Support and revenues:		
Ticket sales	\$ 525,743	\$ 597,674
Other income	208,377	168,504
Fund raising	204,119	205,815
Business sponsorships	137,500	109,000
Grants for program services	78,653	82,981
Program advertising	27,664	28,564
Total support and revenues	1,182,056	1,192,538
Expenses:		
Program services and theatrical:		
Artist fees	342,491	332,271
Advertising	134,982	103,686
Part-time wages	75,715	93,867
Production cost	36,670	34,316
Payroll taxes and benefits	26,262	31,419
Printing	19,770	13,600
Bank fees	15,788	21,441
Janitorial expense	15,405	13,373
Security	12,179	11,589
Box office	9,459	11,734
Theatre supplies	286	1,348
Total program services and theatrical	689,007	668,644
Supporting services:		
Management and general:		
Salaries and wages	226,156	230,114
Depreciation and amortization	154,361	156,957
Occupancy expense	85,291	89,939

(Continued)

The Strand Theatre of Shreveport Corporation

Statements of Activities (Concluded)

<i>Years Ended May 31,</i>	2004	2003
Insurance	76,174	55,423
Payroll taxes and benefits	46,713	51,037
Professional fees	24,020	40,018
Telephone	14,013	10,899
Miscellaneous	12,862	14,807
Postage	11,905	8,300
Office supplies and equipment	6,366	12,554
Conference and travel	5,499	8,173
Dues and subscriptions	2,893	3,072
Interest	2,006	883
Total management and general	668,259	682,176
Fund raising:		
Friends expense	6,245	13,349
Miscellaneous	-	1,087
Total fund raising	6,245	14,436
Decrease in unrestricted net assets	(181,455)	(172,718)
Net assets, beginning of year	4,660,365	4,833,083
Net assets, end of year	\$4,478,910	\$4,660,365

See accompanying summary of accounting policies and notes to financial statements.

The Strand Theatre of Shreveport Corporation

Statements of Cash Flows

<i>Years Ended May 31,</i>	2004	2003
Cash Flows from Operating Activities:		
Decrease in unrestricted net assets	\$(181,455)	\$(172,718)
Adjustments to reconcile decrease in unrestricted net assets to net cash provided by (used in) operating activities:		
Depreciation	154,361	156,957
Change in operating assets and liabilities:		
Grants receivable	4,999	(5,210)
Prepaid expenses	(8,293)	(15,918)
Accounts payable	(6,353)	18,455
Accrued expenses	(6,160)	7,970
Deferred revenue	17,588	22,298
Net cash provided by (used in) operating activities	(25,313)	11,834
Cash Flows From Investing Activities -		
Expenditures for property and equipment	(11,376)	(12,459)
Cash Flows From Financing Activities:		
Proceeds from line-of-credit	90,000	100,000
Payments on line-of-credit	(39,983)	(100,017)
Payments on long-term debt	-	(2,337)
Net cash provided by (used in) financing activities	50,017	(2,354)
Net increase (decrease) in cash	13,328	(2,979)
Cash, at beginning of year	17,927	20,906
Cash, at end of year	\$ 31,255	\$ 17,927

See accompanying summary of accounting policies and notes to financial statements.

The Strand Theatre of Shreveport Corporation

Summary of Accounting Policies

Nature of Business

The Strand Theatre of Shreveport Corporation (the "Strand") is a nonprofit corporation organized under the laws of the State of Louisiana. The Strand was incorporated September 17, 1976 and operates primarily to provide live entertainment attractions for Shreveport and the surrounding community and to promote the performing arts.

Substantially all of the Strand's revenue is from the sale of admissions to the Strand sponsored events, fundraising and sponsorships, rentals and grant income.

Method of Accounting

The financial statements of the Strand have been prepared utilizing the accrual basis of accounting.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. Significant estimates in the financial statements are depreciation and amortization of property and equipment.

Contributed Services

The Strand receives donated services from many unpaid volunteers who donate their time and perform a variety of tasks that assist the organization. No amounts have been recognized in the accompanying statements of activities because the criteria for recognition of such volunteer efforts under SFAS No. 116 has not been satisfied.

Concentrations of Credit Risk

The Strand serves as a limited geographic area. Due to the nature of its operations, the Strand is dependent upon the local community and the health of the local economy in which it operates.

The Strand Theatre of Shreveport Corporation

Summary of Accounting Policies (Concluded)

Property and Equipment	Property and equipment are stated at cost, or if donated, at the fair market value at the date of donation. Depreciation is calculated on the <i>straight-line method</i> over the estimated useful lives of the assets, which range from 5 to 40 years. Maintenance and repairs which do not improve or extend the life of the respective assets are expensed as incurred.
Deferred Revenue	Deferred revenue consist of <i>ticket sales and payments received in advance</i> for theatrical productions to be performed in the following fiscal year and proceeds from fund raising efforts related to the following fiscal year.
Income Taxes	The Strand is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and exempt from state income tax under appropriate provisions in the laws of the State of Louisiana. The Strand is not a private foundation within the meaning of Section 509(a) and there was no unrelated business income for the years ended May 31, 2004 and 2003. Accordingly, no provision for income taxes has been made in the financial statements.
Functional Expenses	Expenses are charged directly to program services, management and general and fund raising expenses in general categories based on specific identification.
Collective Bargaining Agreement	Approximately 40% of wages paid by the Strand are covered by a collective bargaining agreement. The agreement sets wage rates for various job classifications along with other terms and conditions and is effective through August 15, 2004. The Strand is currently in negotiations regarding a new collective bargaining agreement.
Statements of Cash Flows	For purposes of the statements of cash flows, the Strand considers all cash in bank accounts and highly liquid debt instruments purchased with original maturities of three months or less, to be cash equivalents.

The Strand Theatre of Shreveport Corporation

Notes to Financial Statement

1. Cash Included in cash as of May 31, 2004 and 2003 are interest-bearing accounts totaling \$28,945 and \$14,817 respectively.

2. Property and Equipment Major classes of property and equipment consist of the following:

	2004	2003
Land	\$ 96,000	\$ 96,000
Theatre and improvements	5,101,871	5,101,871
Theatrical equipment	211,083	203,321
Office furniture and equipment	74,076	70,463
	5,483,030	5,471,655
Less accumulated depreciation and amortization	884,889	730,529
	\$4,598,141	\$4,741,126

3. Notes Payable The Organization has a \$100,000 unsecured variable rate (6.0% at May 31, 2004) line-of-credit to bank due February 2005. The outstanding balance at May 31, 2004 and 2003 was \$90,000 and \$39,983, respectively.

Interest expense was \$2,006 and \$883 for the years ended May 31, 2004 and 2003, respectively.

4. Operating Lease The Strand leases office space to another nonprofit entity. The lease is currently on a month-to-month basis. Rental income received for the years ended May 31, 2004 and 2003 was \$19,729 and \$16,523, respectively.

5. Employee Benefit Plan Hourly employees of the Strand who belong to the International Alliance of Theatrical State Employees Union are covered under the IATSE National Benefit Funds pension plan. The Strand made regular contributions to the plan equal to 8% and 7% of the employees' gross wages for the periods ended May 31, 2004 and 2003, respectively. Total contributions to the plan for the years ended May 31, 2004 and 2003 were \$11,565 and \$15,522, respectively.

The Strand Theatre of Shreveport Corporation

Notes to Financial Statement (Concluded)

- 6. Employee Benefit Plan** Hourly employees of the Strand who belong to the International Alliance of Theatrical State Employees Union are covered under the IATSE National Benefit Funds pension plan. The Strand made regular contributions to the plan equal to 8% and 7% of the employees' gross wages for the periods ended May 31, 2004 and 2003, respectively. Total contributions to the plan for the years ended May 31, 2004 and 2003 were \$11,565 and \$15,522, respectively.
- 7. Related Party Transactions** The Strand paid professional fees to a partnership of which a board member is a partner. Fees paid in years ended May 31, 2004 and 2003, were \$11,528 and \$30,601, respectively.
- 8. Major Revenue Sources and Suppliers** The Strand had no one contributor or revenue source during the years ended May 31, 2004 and 2003 that accounted for 10% or more of total revenue. The Strand had no one supplier or vendor during the years ended May 31, 2004 and 2003, which accounted for 10% or more of total purchases.
- 9. Supplemental Cash Flows Information** At May 31, 2004, total cash consisted of the following: \$2,310 in petty cash and \$28,945 in demand deposits subject to FDIC insurance limits of \$100,000. Cash paid for interest was \$2,006 and \$883 for the years ended May 31, 2004 and 2003, respectively.
- 10. Prior Period Adjustment** The Strand had historically recognized unrestricted contribution income as received. Beginning with the year ended May 31, 2003 the Organization had changed its method of accounting for this income. Contribution income related to the annual fund drive received prior to year end was deferred. SFAS No. 116 requires that unrestricted contribution income be recognized as received. Accordingly, the prior year financial statements have been restated to reflect this requirement. The effect of this correction was a current period increase in unrestricted net assets for the year ended May 31, 2003 of \$9,277 and an increase in the unrestricted net asset balance of \$128,186 to reflect the cumulative effect of this correction.



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Independent Auditors' Report on Compliance Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

The Executive Committee
The Strand Theatre of Shreveport Corporation
Shreveport, Louisiana

We have audited the financial statements of The Strand Theatre of Shreveport Corporation as of and for the year ended May 31, 2004 and have issued our report thereon dated August 13, 2004.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts and grants applicable to The Strand Theatre of Shreveport Corporation is the responsibility of the Organization's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Organization's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests revealed one instance of noncompliance that is required to be reported under *Government Auditing Standards* and is described in the accompanying Schedule of Compliance Findings.

This report is intended solely for the information of the board of directors, executive committee, management and the Louisiana State Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

Robertson, Bailes & McClelland LLP

August 13, 2004



The Strand Theatre of Shreveport Corporation

Schedule of Compliance Findings

The results of our tests disclosed the following instance of noncompliance:

Failure to comply with state law

Instance of Noncompliance

The Strand Theatre of Shreveport Corporation failed to comply with state law (LA R.S. 24:513) since the annual report for the year ended May 31, 2004 was not submitted to the Louisiana Legislative Auditor's Office until after November 30, 2004, the statutory date.

Reason for Noncompliance

Management was requested by the independent auditors to provide certain supplemental information regarding selected account analysis in order to complete their examination. Due to personnel and work-load limitations at The Strand, this information was not provided within a time frame which would have allowed for the timely filing of the annual report. Additionally, discussions between members of the Board of Directors and the independent auditors regarding the presentation of certain accounting issues was not resolved within a time frame which would allowed for the timely filing of the annual report.

Management's Plan of Corrective Action

We agree with this finding and will ensure that all future required reports will be filed timely.



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Independent Auditor's Report on Internal Control Structure Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

The Executive Committee
The Strand Theatre of Shreveport Corporation
Shreveport, Louisiana

We have audited the financial statements of The Strand Theatre of Shreveport Corporation as of and for the year ended May 31, 2004 and have issued our report thereon dated August 13, 2004.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of The Strand Theatre of Shreveport Corporation is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of The Strand Theatre of Shreveport Corporation as of and for the year ended May 31, 2004 we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or





operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors and irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

This report is intended solely for the information of the board of directors, executive committee, management and the Louisiana State Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

Robertson, Bailor & McClelland LLP

August 13, 2004