

NEW ORLEANS OPERA ASSOCIATION
REPORT ON AUDIT OF FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2004 AND 2003

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 2-16-05

NEW ORLEANS OPERA ASSOCIATION

JUNE 30, 2004 AND 2003

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
New Orleans Opera Association
New Orleans, Louisiana

We have audited the accompanying statements of financial position of the New Orleans Opera Association (a non-profit organization) as of June 30, 2004 and June 30, 2003, and the related statements of activities, and cash flows for the years then ended. These financial statements are the responsibility of the Association'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 *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.

As more fully described in Note B to the financial statements, the Association has not reported a contribution and expense for the use of certain facilities donated to the Association. In addition and as further discussed in Note B, we were unable to satisfy ourselves concerning the basis at which certain real estate is recorded in the financial statements.

In our opinion, except for the effects of accounting for the use of certain facilities donated to the Association and for the effects of accounting, if any, that might have been required had we been able to determine the basis of certain real estate as discussed in the preceding paragraph and in Note B, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position as of June 30, 2004 and 2003, and the changes in its net assets and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2004, on our consideration of internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral report of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Bain, Freibaum, Sagona & Co., L.L.P.

Certified Public Accountants
December 16, 2004

NEW ORLEANS OPERA ASSOCIATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 1,227,427	\$ 790,495
Investments	269	298
Accounts receivable	25,985	135,709
Prepaid expenses	13,349	159,182
Property and equipment, net of accumulated depreciation	<u>362,460</u>	<u>331,101</u>
TOTAL ASSETS	\$ <u>1,629,490</u>	\$ <u>1,416,785</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 645	\$ 4,568
Deferred income	<u>557,250</u>	<u>540,772</u>
TOTAL LIABILITIES	<u>557,895</u>	<u>545,340</u>
NET ASSETS:		
Unrestricted	1,071,595	759,933
Temporarily restricted	<u>-</u>	<u>111,512</u>
TOTAL NET ASSETS	<u>1,071,595</u>	<u>871,445</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>1,629,490</u>	\$ <u>1,416,785</u>

See notes to financial statements

NEW ORLEANS OPERA ASSOCIATION

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2004 AND 2003

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2004 Total</u>	<u>2003 Total</u>
REVENUES AND SUPPORT:				
Revenues:				
Opera ticket sales	\$ 748,498	\$ -	\$ 748,498	\$ 872,656
Scenery rental, net of load costs	164,030	-	164,030	64,276
Opera education revenue	10,059	-	10,059	16,963
Guild Home revenue, net of related expenses	(21,680)	-	(21,680)	(25,064)
Investment income (loss)	(495)	-	(495)	2,008
Gain (loss) on disposal of assets	-	-	-	(1,177)
Other income	<u>74,721</u>	<u>-</u>	<u>74,721</u>	<u>81,330</u>
TOTAL REVENUES	<u>975,133</u>	<u>-</u>	<u>975,133</u>	<u>1,010,992</u>
Support:				
Contributions	1,260,459	-	1,260,459	849,724
Grants	320,195	-	320,195	119,373
Special event fundraising revenue, net of direct costs of benefits provided	<u>186,791</u>	<u>-</u>	<u>186,791</u>	<u>163,480</u>
TOTAL SUPPORT	<u>1,767,445</u>	<u>-</u>	<u>1,767,445</u>	<u>1,132,577</u>
Net assets released from restrictions	<u>111,512</u>	<u>(111,512)</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES AND SUPPORT	<u>2,854,090</u>	<u>(111,512)</u>	<u>2,742,578</u>	<u>2,143,569</u>
EXPENSES				
Opera production costs	1,516,389	-	1,516,389	1,163,934
Studio costs	150,515	-	150,515	133,566
Opera education costs	25,361	-	25,361	31,440
General and administrative	657,862	-	657,862	663,198
Development	22,563	-	22,563	39,705
Marketing	91,398	-	91,398	23,574
Advertising	45,126	-	45,126	22,771
Fundraising	<u>33,214</u>	<u>-</u>	<u>33,214</u>	<u>30,162</u>
TOTAL EXPENSES	<u>2,542,428</u>	<u>-</u>	<u>2,542,428</u>	<u>2,108,350</u>
INCREASE IN NET ASSETS	311,662	(111,512)	200,150	35,219
NET ASSETS AT BEGINNING OF YEAR	<u>759,933</u>	<u>111,512</u>	<u>871,445</u>	<u>836,226</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,071,595</u>	<u>\$ -</u>	<u>\$ 1,071,595</u>	<u>\$ 871,445</u>

See notes to financial statements

NEW ORLEANS OPERA ASSOCIATION

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in Net Assets	\$ 200,150	\$ 35,219
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operations:		
Depreciation	65,622	57,836
Loss on sale of securities	-	1,177
Unrealized loss on investments	29	14
Realized gain on investments	-	(38)
Change in operating assets and liabilities:		
Accounts receivable	109,724	(105,954)
Prepaid expenses	145,833	(76,452)
Accounts payable and accrued expenses	(3,923)	(4,862)
Deferred income	<u>16,478</u>	<u>11,539</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>533,913</u>	<u>(81,521)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of stock	-	44
Purchases of property and equipment	(96,981)	(17,441)
Proceeds from disposal of property and equipment	<u>-</u>	<u>10,000</u>
NET CASH USED (PROVIDED) BY INVESTING ACTIVITIES	<u>(96,981)</u>	<u>(7,397)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase (decrease) in line of credit	-	(50,000)
Principal payments on notes payable	<u>-</u>	<u>-</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>-</u>	<u>(50,000)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>436,932</u>	<u>(138,918)</u>
CASH AND CASH EQUIVALENTS - BEGINNING	<u>790,495</u>	<u>929,413</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$1,227,427</u>	<u>\$790,495</u>
Supplemental Disclosures:		
Interest paid	\$ <u>-</u>	\$ <u>653</u>

See notes to financial statements

NEW ORLEANS OPERA ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2004 AND 2003

A. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The New Orleans Opera Association (the Association), was chartered in 1943 to own, control, engage, employ, manage and direct a company of artists to give performances in order to encourage and foster the love, study and performance of music and dancing and to do any and all things to promote and develop New Orleans as a recognized music, dancing, dramatic and opera center.

In carrying out its charter, the Association generally provides the community with four operas of two performances each during the opera season (generally October through March). Additionally, in conjunction with various grants and other sponsors, student performances are held each year both at the Theater of Performing Arts and the schools themselves. In order to support the services provided, the Association seeks contributions from the community as well as from ticket sales of opera performances. The Association also maintains a scenic studio for the building and maintenance of opera sets for its own use and as rentals to other opera companies.

Standing Committees

In order to facilitate the Association's objectives, standing committees were formed which operate under the Association's Charter to promote and provide additional resources for the Association. These committees are legally a part of the Association, operate under the Association's Charter and are subject to control by the Association's management. Accordingly, the accompanying financial statements include the accounts of the Women's Guild, the Junior Committee of the Women's Guild, the New Orleans Opera Club and the Opera Ball.

Basis of Accounting

The Association prepares its financial statements in accordance with generally accepted accounting principles, which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Financial Statement Presentation

The Association prepares its financial statements under the accrual basis of accounting in accordance with the provisions of Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations". Under SFAS No. 117, the Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. As permitted by the statement, the Association does not use fund accounting.

NEW ORLEANS OPERA ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2004 AND 2003

(Continued)

A. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Revenue Recognition

Donated materials and equipment are recorded as contributions at their estimated values at date of receipt. Donated services have not been reflected in the financial statements since no objective basis is available to measure the value of such services. Nevertheless, a substantial number of volunteers donate significant amounts of their time in the Association's program and supporting services.

Contributed Services

During the years ended June 30, 2004 and 2003, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

Estimates

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

Accounts Receivable

All receivables at June 30, 2004 and 2003 are considered collectible by management; accordingly, an allowance for doubtful accounts is not presented. As of June 30, 2004 there was \$25,000 over ninety days old.

Property and Equipment

Property and equipment are valued at cost less accumulated depreciation. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Depreciation is computed utilizing the straight-line method over the assets' estimated useful lives (3 to 20 years). Expenditures for maintenance, repairs and minor renewals are charged against earnings as incurred. Major expenditures for renewals and betterments are capitalized.

Income Taxes

The Association, a non-profit organization operating under section 501(c)(3) of the Internal Revenue Code, is generally exempt from federal and state income taxes and accordingly, no provision for income taxes is included in the financial statements.

NEW ORLEANS OPERA ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2004 AND 2003

(Continued)

A. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Advertising

The Association follows the policy of charging the costs of advertising to expense as incurred. Advertising expense was \$45,126 and \$22,771 for the years ended June 30, 2004 and 2003, respectively.

Cash Equivalents

For purposes of the statements of cash flows, the Association considers all highly liquid debt instruments, including the certificates of deposit, to be cash equivalents.

Investments

Investments are measured at fair value in the statement of financial position. Income or loss is included in the statement of activities as increases or decreases in unrestricted net assets.

B. DEPARTURES FROM GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

Certain improvements were made to the Association's office space in excess of the allowance granted by the landlord. These additional costs were expended by the landlord in the summer of 1996, but have not yet been billed to the Association. Management believes the landlord may donate these additional improvements to the Association. Therefore, the estimated fair rental has not been determined and the contribution of the use of the facilities has not been reported as support and expense in the accompanying financial statements nor has any liability been recognized by the Association for the additional improvements that is expected to be absorbed by the landlord.

The Women's Guild of the New Orleans Opera Association recognizes revenue from the rental of a certain house located in New Orleans. The Women's Guild also uses this facility for various other functions. This house, along with the land and contents, was donated in 1966 and recognized in the financial statements with an estimated original basis of \$150,000 less accumulated depreciation of \$120,000 resulting in a net book value of \$30,000. The original basis of this real estate and contents should be equal to their fair value at time of donation. No appraisals or other information is available to confirm this estimated value.

NEW ORLEANS OPERA ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2004 AND 2003

(Continued)

C. CASH AND CASH EQUIVALENTS

At June 30, 2004 and 2003, the Association's cash and cash equivalents are as follows:

	<u>2004</u>	<u>2003</u>
Cash	\$1,170,194	\$790,495
Certificates of deposit	<u>57,233</u>	<u>-</u>
	<u>\$1,227,427</u>	<u>\$790,495</u>

D. INVESTMENTS

Investments, none of which are held for trading purposes, are comprised of marketable equity securities. The investments are recorded at fair value. The estimated fair value amount has been determined by the Association using market valuation provided by the investments' broker. Summary information about the investments at June 30, 2004 and June 30, 2003 is as follows:

	<u>2004</u>			<u>2003</u>		
	<u>Cost</u>	<u>Market</u>	<u>Unrealized Gain (Loss)</u>	<u>Cost</u>	<u>Market</u>	<u>Unrealized Gain (Loss)</u>
Stock	\$ <u>109</u>	\$ <u>269</u>	\$ <u>160</u>	\$ <u>109</u>	\$ <u>298</u>	\$ <u>189</u>

Investment income (loss) consists of the following for the year ended June 30:

	<u>2004</u>	<u>2003</u>
Interest income	\$ 1,356	\$ 2,937
Dividend income	361	-
Unrealized losses on certificate of deposit and stock	(1,910)	(667)
Realized gain on sale of stock	-	38
Investment expenses	<u>(300)</u>	<u>(300)</u>
Total Investment income (loss)	<u>\$ (493)</u>	<u>\$ 2,008</u>

E. PREPAID EXPENSES

Prepaid expenses consist of the following:

	<u>2004</u>	<u>2003</u>
Prepaid opera costs	<u>\$ 13,349</u>	<u>\$ 159,182</u>

NEW ORLEANS OPERA ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2004 AND 2003

(Continued)

F. PROPERTY AND EQUIPMENT

A summary of property and equipment at June 30, 2004 is as follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>	<u>Estimated Useful Life</u>
Land	\$ 166,690	\$ -	\$166,690	N/A
Building	638,751	638,751	-	20 years
Furniture and fixtures	123,969	102,354	21,615	5 - 20 years
Production equipment	62,888	54,409	8,479	3 - 20 years
Scenery	937,683	779,177	158,506	4 - 10 years
Studio equipment	63,255	63,199	56	5 - 10 years
Trucks	54,422	51,678	2,744	3 - 10 years
Leasehold improvements	<u>5,505</u>	<u>1,135</u>	<u>4,370</u>	20 years
TOTAL	<u>\$2,053,163</u>	<u>\$1,690,703</u>	<u>\$362,460</u>	

A summary of property and equipment at June 30, 2003 is as follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>	<u>Estimated Useful Life</u>
Land	\$ 166,690	\$ -	\$166,690	N/A
Building	638,751	601,824	36,927	20 years
Furniture and fixtures	115,400	98,136	17,264	5 - 20 years
Production equipment	62,888	50,645	12,243	3 - 20 years
Scenery	849,271	761,875	87,396	4 - 10 years
Studio equipment	63,255	63,198	57	5 - 10 years
Trucks	54,422	48,409	6,013	3 - 10 years
Leasehold improvements	<u>5,505</u>	<u>994</u>	<u>4,511</u>	20 years
TOTAL	<u>\$1,956,182</u>	<u>\$1,625,081</u>	<u>\$331,101</u>	

Depreciation expense for the years ended June 30, 2004 and 2003, was \$65,622 and \$57,836, respectively.

NEW ORLEANS OPERA ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2004 AND 2003

(Continued)

H. DEFERRED INCOME

Deferred income consists primarily of the ticket sales and contributions for the upcoming opera season as well as advance deposits on future scenery rentals.

I. RENTAL OF FACILITIES

The Association occupies office space, owned by an unrelated party, for which it did not pay fair rental value. As required under generally accepted accounting principles, the fair rental value, determined to be \$25,330 and \$42,000, respectively, which has been reported as contributed support and as an expense for the years ended June 30, 2004 and 2003.

Effective May 2004, the Association began paying rent for their office space. Rental expense is included in general and administrative expenses and amounted to \$5,066 for the year ended June 30, 2004. There is no lease on the office space and the rental arrangement is on a month to month basis.

J. SPECIAL EVENT FUNDRAISERS

The Association had the following revenues and expenses from special events held during the years ended June 30, 2004 and 2003.

	<u>2004</u>			<u>2003</u>		
	Revenues	Direct Costs of Donor Benefits	Net	Revenues	Direct Costs of Donor Benefits	Net
Opera Ball	\$186,569	\$60,442	\$ 126,127	\$136,800	\$42,131	\$ 94,669
Promenade del' Opera	31,648	14,140	17,508	29,710	12,320	17,390
Mad Hatters Luncheon	43,844	19,079	24,765	39,780	15,261	24,519
Wine Auction	22,603	4,847	17,756	23,880	3,547	20,333
Other	<u>8,973</u>	<u>8,338</u>	<u>635</u>	<u>11,521</u>	<u>4,952</u>	<u>6,569</u>
	<u>\$293,637</u>	<u>\$106,846</u>	<u>\$186,791</u>	<u>\$241,691</u>	<u>\$78,211</u>	<u>\$163,480</u>

NEW ORLEANS OPERA ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2004 AND 2003

(Continued)

K. CONTINGENCIES

Grants and bequests require the fulfillment of certain conditions as set forth in the instrument of grant. Failure to fulfill these conditions could result in the return of the funds to grantors. Although this is a possibility, the Board deems the contingency remote, since by accepting the gifts and their terms, it has accommodated the objectives of the organization to the provisions of the gifts.

As discussed in Footnote A above, in order to support the services provided, the Association seeks contributions from the community as well as from ticket sales of opera performances. Contributions are from both the public and private sectors. Changes in the level of such support could adversely affect the ability of the Association to continue providing services.

L. CONCENTRATION OF CREDIT RISK

The Association maintains its cash in secured deposit accounts at various banks located in New Orleans, Louisiana and in a money market deposit account with a national securities broker. Accounts at the institutions are insured by the Federal Deposit Insurance Corporation and the Securities Investors Corporation, respectively, up to \$100,000. The uninsured balance is approximately \$582,015 at June 30, 2004.

M. EMPLOYMENT CONTRACT

The Association has entered into a employment contract with its Artistic Director that ends on June 30, 2005. Under the terms of this contract the Association is to pay the Artistic Director an annual salary of \$60,000 plus conducting fees of \$5,000 per performance with a guarantee of at least two performances each opera season.

N. RETIREMENT BENEFITS

The Association agreed to pay retirement benefits to two previous Presidents of the Association. There is no formal contract or agreement in effect. Payments in the years ending June 30, 2004 and 2003 amounted to \$30,000 and have been included in salary expense in general and administrative expenses in the Statement of Activities.



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NEW ORLEANS OPERA ASSOCIATION

AUDITOR'S REPORT ON ADDITIONAL INFORMATION

Our examination was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The following information on pages 13 through 19 is presented for purposes of additional analysis and is not a required part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bain, Freibaum, Sagona & Co., L.L.P.

Certified Public Accountants
December 16, 2004

NEW ORLEANS OPERA ASSOCIATION

SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENSES

YEARS ENDED JUNE 30, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
Bank and credit card charges	\$ 26,180	\$ 17,562
Business entertainment	70	302
Bad debt expense	5,550	-
Computer expense	5,623	5,717
Depreciation	65,623	57,836
Dues and subscriptions	9,740	8,230
Insurance	48,112	63,835
Interest	-	653
Miscellaneous	19,271	12,563
Office expense	21,074	23,382
Parking	8,818	10,425
Postage	9,664	10,149
Printing and stationery	1,618	1,714
Professional fees	6,900	5,735
Rent	30,396	42,000
Salaries	317,917	313,040
Taxes – payroll	72,599	78,461
Telephone	8,462	11,272
Travel	<u>245</u>	<u>322</u>
TOTAL	<u>\$657,862</u>	<u>\$663,198</u>

NEW ORLEANS OPERA ASSOCIATION
STATEMENT OF TICKET SALES AND COST OF OPERAS
FOR THE YEAR ENDED JUNE 30, 2004

TICKET SALES, SURCHARGES AND SPONSORSHIPS:	Average per Opera	Total	Puntaiba	Das Rheinglod	Cavalleria Rusticana / Pagliacci
Season subscriptions	\$ 171,186	\$ 513,559	\$ 171,175	\$ 171,192	\$ 171,192
Box office sales	78,313	234,938	114,443	49,890	70,605
Dinner	-	-	-	-	-
Parking	3,318	9,955	3,293	3,321	3,341
TOTAL	<u>252,817</u>	<u>758,452</u>	<u>288,911</u>	<u>224,403</u>	<u>245,138</u>
COST OF OPERAS:					
Artists	72,421	217,262	68,910	87,557	60,795
Artists' housing and travel	19,897	59,691	18,603	24,942	16,146
Auditions	221	662	300	(62)	424
Box Office Expense & Staff	1,849	5,548	1,949	1,799	1,799
Chorus	24,428	73,283	34,502	-	38,781
Commissioned opera expenses	64,536	193,607	193,607	-	-
Conductors	5,000	15,000	5,000	5,000	5,000
Conductors- Housing and Travel	316	948	948	-	-
Costumes	18,592	55,775	25,508	10,433	19,834
Costumer	3,967	11,900	4,500	4,200	3,200
Director - Housing and Travel	2,076	6,228	3,999	-	2,229
Dryage	1,172	3,517	1,603	706	1,208
Insurance	7,600	22,800	7,600	7,600	7,600
Janitorial	1,108	3,325	1,425	950	950
Lighting-design and equipment	7,987	23,962	9,000	11,277	3,685
Lighting - Housing & Travel	912	2,737	1,245	832	660
Lighting-designer	4,132	12,395	4,800	4,095	3,500
Misc. Expense	1,906	5,718	2,416	2,030	1,272
Musical instrument rental and arrangements	967	2,901	767	2,134	-
Orchestra	61,336	184,008	61,336	61,336	61,336
Parking	3,308	9,925	3,310	3,307	3,308
Production costs	13,022	39,067	35,222	3,146	699
Props	1,013	3,038	86	1,073	1,879
Rehearsal accompanist	4,400	13,200	6,800	3,200	3,200
Rehearsal accompanist - Housing and Travel	1,459	4,376	3,603	-	773
Rent - Music	1,866	5,597	1,217	3,598	782
Rent - Theater	15,693	47,078	15,184	16,360	15,534
Rent Rehearsal Space	2,107	6,320	2,405	1,450	2,465
Scenery & scenery construction	21,603	64,808	43,176	21,446	186
Security	820	2,461	1,120	-	1,341
Scenic Designer / Technical Coordinator	1,778	5,333	5,333	-	-
Scenic Designer / Technical Coordinator Travel	242	725	725	-	-
Stage directors	9,765	29,295	14,610	8,000	6,685
Stage managers & Assistants	7,141	21,423	7,827	9,376	4,220
Stage managers - Housing & Travel	4,105	12,314	3,635	5,143	3,536
Stagehands	71,366	214,097	81,600	75,747	56,750
Super Coordinators	500	1,500	500	500	500
Supers	1,308	3,925	975	1,100	1,850
Supertitle Coordinator	367	1,100	600	-	500
Supertitles	1,132	3,397	-	1,946	1,451
Threats and rehearsal	5,056	15,167	5,999	4,766	4,402
Transportation	874	2,621	885	1,167	569
Union Benefits	13,512	40,535	20,405	12,390	7,740
Wardrobe-salaries	16,385	49,156	20,206	11,315	17,635
Wig & Make Up	3,183	9,550	3,500	3,000	3,050
Wig & Make Up - Rent and Supplies	3,038	9,114	4,674	2,149	2,291
TOTAL COST OF OPERAS	<u>505,466</u>	<u>1,516,389</u>	<u>731,615</u>	<u>415,008</u>	<u>369,765</u>
COST OF OPERAS IN EXCESS OF TICKET SALES	<u>(252,649)</u>	<u>(757,937)</u>	<u>(442,704)</u>	<u>(190,605)</u>	<u>(124,627)</u>
GENERAL AND ADMINISTRATIVE EXPENSES	<u>(219,287)</u>	<u>(657,862)</u>	<u>(219,288)</u>	<u>(219,288)</u>	<u>(219,287)</u>
COST OF OPERAS AND ADMINISTRATIVE EXPENSES IN EXCESS OF TICKET SALES	<u>\$ (471,936)</u>	<u>\$ (1,415,799)</u>	<u>\$ (661,992)</u>	<u>\$ (409,893)</u>	<u>\$ (343,914)</u>

NEW ORLEANS OPERA ASSOCIATION
STATEMENT OF TICKET SALES AND COST OF OPERAS
FOR THE YEAR ENDED JUNE 30, 2003

TICKET SALES, SURCHARGES AND SPONSORSHIPS:	Average per Opera	Total	Tosca	Salome	Don Giovanni	Rigoletto
Season subscriptions	\$ 171,729	\$ 686,915	\$ 172,855	\$ 172,200	\$ 170,930	\$ 170,930
Box office sales	46,435	185,741	50,822	40,592	65,118	29,209
Dinner	5,424	21,695	-	21,695	-	-
Parking	4,033	16,132	4,029	4,023	4,037	4,042
TOTAL	227,621	910,483	227,706	238,510	240,085	204,181
COST OF OPERAS:						
Accompianist - Travel	78	311	-	-	-	311
Artists	50,102	200,409	46,606	54,100	50,811	48,892
Artists' housing and travel	13,143	52,571	9,158	16,078	11,796	15,539
Auditions	65	260	65	65	65	65
Ballet	750	3,000	-	-	-	3,000
Box Office Staff	300	1,200	300	300	300	300
Chorus	13,934	55,735	27,214	-	11,634	16,887
Choreographer	150	600	-	600	-	-
Conductors	5,063	20,250	5,000	5,000	5,000	5,250
Conductors- Housing and Travel	552	2,208	-	-	-	2,208
Costumes	12,147	48,586	16,259	4,753	12,636	14,938
Director - Housing and Travel	1,552	6,206	2,132	2,473	1,601	-
Dryage	353	1,413	-	-	791	622
Head Usher	200	800	200	200	200	200
Insurance	467	1,868	467	467	467	467
Jazitorial	950	3,800	950	874	1,026	950
Lighting-design and equipment	7,071	28,282	5,910	7,590	9,068	5,714
Lighting - Housing & Travel	844	3,376	857	970	702	847
Lighting-designer	3,859	15,435	3,955	3,955	3,500	4,025
Misc. Expense	849	3,397	459	991	774	1,173
Musical instrument rental and arrangements	1,108	4,431	80	377	3,677	297
Orchestra	51,595	206,380	51,595	51,595	51,595	51,595
Parking	4,000	16,000	4,000	4,000	4,000	4,000
Production costs	1,002	4,006	736	1,059	951	1,240
Props	445	1,779	194	167	996	422
Rehearsal accompanist	2,400	9,600	3,200	3,200	-	3,200
Rehearsal accompanist - Housing and Travel	1,025	4,100	1,348	1,400	-	1,352
Rent - Music	1,838	2,829	1,838	-	762	229
Rent - Theater	13,351	53,402	13,815	13,768	13,819	12,000
Rent Rehearsal Space	2,049	8,195	2,559	1,698	1,465	2,473
Scenery	1,286	5,145	2,456	1,771	717	201
Security	525	2,100	780	-	480	840
Sound Equipment	336	1,345	-	606	739	-
Stage directors	7,159	28,634	7,000	7,332	6,802	7,500
Stage managers & Assistants	6,798	27,191	6,306	7,100	7,100	6,685
Stage managers - Housing & Travel	2,973	11,893	1,718	3,404	2,911	3,860
Stagehands	55,985	223,939	53,698	44,768	58,071	67,402
Super Coordinators	250	1,000	-	-	500	500
Supers	1,034	4,135	1,530	1,110	445	1,050
Supertitle Coordinator	250	1,000	-	-	500	500
Supertitles	1,580	6,318	1,858	1,844	1,336	1,280
Theatre and rehearsal	3,739	14,957	3,502	2,942	3,734	4,779
Transportation	1,305	5,220	1,306	1,553	984	1,377
Union Benefits	3,724	14,895	7,811	7,084	-	-
Wardrobe-salaries	9,466	37,863	16,541	8,395	5,165	7,762
Wig & Make Up	2,625	10,500	2,600	2,700	2,600	2,600
Wig & Make Up - Rent and Supplies	1,843	7,370	1,667	1,529	2,950	1,224
TOTAL COST OF OPERAS	292,120	1,163,934	307,690	267,818	282,670	305,756
COST OF OPERAS IN EXCESS OF TICKET SALES	(64,499)	(253,451)	(79,984)	(29,308)	(42,585)	(101,575)
GENERAL AND ADMINISTRATIVE EXPENSES	(165,800)	(663,198)	(165,800)	(165,800)	(165,799)	(165,799)
COST OF OPERAS AND ADMINISTRATIVE EXPENSES IN EXCESS OF TICKET SALES	\$ (230,299)	\$ (916,649)	\$ (245,784)	\$ (195,108)	\$ (208,384)	\$ (267,374)

NEW ORLEANS OPERA ASSOCIATION
COMBINING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2004

	N.O. OPERA ASSOCIATION	OPERA BALL	WOMEN'S GUILD	JUNIOR COMMITTEE	MEN'S CLUB	ADJUSTMENTS/ ELIMINATIONS	COMBINED
ASSETS							
Cash and cash equivalents	\$ 983,026	\$ 1,984	\$ 212,606	\$ 12,063	\$ 17,748	\$	\$ 1,227,427
Investments	-	-	269	-	-	-	269
Accounts receivable	26,684	985	26,219	-	-	(27,903)	25,985
Prepaid expenses	13,349	-	-	-	-	-	13,349
Property and equipment, net of accumulated depreciation	362,460	-	-	-	-	-	362,460
TOTAL ASSETS	\$ 1,385,519	\$ 2,969	\$ 239,094	\$ 12,063	\$ 17,748	\$ (27,903)	\$ 1,629,490
LIABILITIES AND NET ASSETS							
LIABILITIES:							
Accounts payable and accrued expenses	\$ 26,850	1,698	-	-	-	(27,903)	\$ 645
Deferred income	529,750	-	27,500	-	-	-	557,250
TOTAL LIABILITIES	556,600	1,698	27,500	-	-	(27,903)	557,895
NET ASSETS:							
Unrestricted	828,919	1,271	211,594	12,063	17,748	-	1,071,595
Temporarily restricted	-	-	-	-	-	-	-
TOTAL NET ASSETS	828,919	1,271	211,594	12,063	17,748	-	1,071,595
TOTAL LIABILITIES AND NET ASSETS	\$ 1,385,519	\$ 2,969	\$ 239,094	\$ 12,063	\$ 17,748	\$ (27,903)	\$ 1,629,490

NEW ORLEANS OPERA ASSOCIATION
COMBINING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2003

	<u>N.O. OPERA ASSOCIATION</u>	<u>OPERA BALL</u>	<u>WOMEN'S GUILD</u>	<u>JUNIOR COMMITTEE</u>	<u>MEN'S CLUB</u>	<u>ADJUSTMENTS/ ELIMINATIONS</u>	<u>COMBINED</u>
ASSETS							
Cash and cash equivalents	\$ 533,127	\$ 55,172	\$ 187,265	\$ 7,306	\$ 7,625	\$	\$ 790,495
Investments	-	-	298	-	-	-	298
Accounts receivable	167,617	13,790	17,650	1,276	-	(64,624)	135,709
Prepaid expenses	158,484	-	-	698	-	-	159,182
Property and equipment, net of accumulated depreciation	331,101	-	-	-	-	-	331,101
TOTAL ASSETS	<u>\$ 1,190,329</u>	<u>\$ 68,962</u>	<u>\$ 205,213</u>	<u>\$ 9,280</u>	<u>\$ 7,625</u>	<u>\$ (64,624)</u>	<u>\$ 1,416,785</u>
LIABILITIES AND NET ASSETS							
LIABILITIES:							
Accounts payable and accrued expenses	\$ 15,352	52,823	-	1,017	-	(64,624)	\$ 4,568
Deferred income	524,943	-	15,829	-	-	-	540,772
TOTAL LIABILITIES	<u>540,295</u>	<u>52,823</u>	<u>15,829</u>	<u>1,017</u>	<u>-</u>	<u>(64,624)</u>	<u>545,340</u>
NET ASSETS:							
Unrestricted	538,522	16,139	189,384	8,263	7,625	-	759,933
Temporarily restricted	111,512	-	-	-	-	-	111,512
TOTAL NET ASSETS	<u>650,034</u>	<u>16,139</u>	<u>189,384</u>	<u>8,263</u>	<u>7,625</u>	<u>-</u>	<u>871,445</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,190,329</u>	<u>\$ 68,962</u>	<u>\$ 205,213</u>	<u>\$ 9,280</u>	<u>\$ 7,625</u>	<u>\$ (64,624)</u>	<u>\$ 1,416,785</u>

NEW ORLEANS OPERA ASSOCIATION
COMBINING STATEMENT OF ACTIVITIES
JUNE 30, 2004

	N.O. OPERA ASSOCIATION	OPERA BALL	WOMEN'S GUILD	JUNIOR COMMITTEE	MEN'S CLUB	ADJUSTMENTS/ ELIMINATIONS	COMBINED
REVENUES AND SUPPORT:							
Revenues:							
Opera ticket sales	\$ 748,498	-	-	-	-	-	\$ 748,498
Secretary rental, net of local costs	164,030	-	-	-	-	-	164,030
Opera education revenue	10,059	-	-	-	-	-	10,059
Guild Home revenue, net of related expenses	-	-	(21,680)	-	-	-	(21,680)
Investment income (loss)	16	-	(579)	6	62	-	(495)
Gain (loss) on disposal of assets	-	-	-	-	-	-	-
Other income	67,118	-	3,564	4,039	-	-	74,721
TOTAL REVENUES	<u>989,721</u>	<u>-</u>	<u>(18,695)</u>	<u>4,045</u>	<u>62</u>	<u>-</u>	<u>975,133</u>
Support:							
Contributions	1,359,535	26,386	23,914	3,365	33,968	(186,709)	1,260,459
Grants	320,195	-	-	-	-	-	320,195
Special event fundraising revenue, net of direct costs of benefits provided	-	126,127	43,528	17,136	-	-	186,791
TOTAL SUPPORT	<u>1,679,730</u>	<u>152,513</u>	<u>67,442</u>	<u>20,501</u>	<u>33,968</u>	<u>(186,709)</u>	<u>1,767,445</u>
TOTAL REVENUES AND SUPPORT	<u>2,669,451</u>	<u>152,513</u>	<u>48,747</u>	<u>24,546</u>	<u>34,030</u>	<u>(186,709)</u>	<u>2,742,578</u>
EXPENSES:							
Opera production costs	1,516,389	-	-	-	-	-	1,516,389
Studio costs	150,515	-	-	-	-	-	150,515
Opera education costs	25,361	-	-	-	-	-	25,361
General and administrative	639,214	5,550	1,993	10,746	359	-	657,862
Development	22,563	-	-	-	-	-	22,563
Marketing	136,524	5,647	4,019	-	23,548	-	136,524
Fundraising	-	156,184	20,525	10,000	-	(186,709)	33,214
Contributions to New Orleans Opera Assn.	-	-	-	-	-	-	-
TOTAL EXPENSES	<u>2,490,566</u>	<u>167,381</u>	<u>26,537</u>	<u>20,746</u>	<u>23,907</u>	<u>(186,709)</u>	<u>2,542,428</u>
INCREASE (DECREASE) IN NET ASSETS	<u>178,885</u>	<u>(14,868)</u>	<u>22,210</u>	<u>3,800</u>	<u>10,123</u>	<u>-</u>	<u>200,150</u>
NET ASSETS AT BEGINNING OF YEAR	<u>\$ 650,034</u>	<u>\$ 16,139</u>	<u>\$ 189,384</u>	<u>\$ 8,263</u>	<u>\$ 7,625</u>	<u>\$ -</u>	<u>\$ 871,445</u>
NET ASSETS AT END OF YEAR	<u>\$ 828,919</u>	<u>\$ 1,271</u>	<u>\$ 211,594</u>	<u>\$ 12,063</u>	<u>\$ 17,748</u>	<u>\$ -</u>	<u>\$ 1,071,595</u>

NEW ORLEANS OPERA ASSOCIATION
COMBINING STATEMENT OF ACTIVITIES
JUNE 30, 2003

	N.O. OPERA ASSOCIATION	OPERA BALL	WOMEN'S GUILD	JUNIOR COMMITTEE	MEN'S CLUB	ADJUSTMENTS/ ELIMINATIONS	COMBINED
REVENUES AND SUPPORT:							
Revenues:							
Opera ticket sales	\$ 872,656	-	-	-	-	-	\$ 872,656
Scenery rental, net of load costs	64,276	-	-	-	-	-	64,276
Opera education revenue	16,963	-	-	-	-	-	16,963
Guild Home revenue, net of related expenses	76	-	(25,064)	-	-	-	(25,064)
Investment income (loss)	(1,177)	-	1,910	22	-	-	2,008
Gain (loss) on disposal of assets	74,372	-	558	-	-	107	(1,177)
Other income	-	-	-	6,293	-	-	81,330
TOTAL REVENUES	<u>1,027,166</u>	<u>-</u>	<u>(22,596)</u>	<u>6,315</u>	<u>-</u>	<u>107</u>	<u>1,010,992</u>
Support:							
Contributions	996,704	10,000	14,725	2,240	39,136	(213,081)	849,724
Grants	119,373	-	-	-	-	-	119,373
Special event (fundraising revenue, net of direct costs of benefits provided)	-	94,669	48,066	20,745	-	-	163,480
TOTAL SUPPORT	<u>1,116,077</u>	<u>104,669</u>	<u>62,791</u>	<u>22,985</u>	<u>39,136</u>	<u>(213,081)</u>	<u>1,132,577</u>
TOTAL REVENUES AND SUPPORT	<u>2,143,243</u>	<u>104,669</u>	<u>40,195</u>	<u>29,300</u>	<u>39,136</u>	<u>(212,974)</u>	<u>2,143,569</u>
EXPENSES:							
Opera production costs	1,163,934	-	-	-	-	-	1,163,934
Studio costs	133,566	-	-	-	-	-	133,566
Opera education costs	31,440	-	-	-	-	-	31,440
General and administrative	653,561	-	1,296	7,764	577	-	663,198
Development	39,705	-	-	-	-	-	39,705
Marketing	46,345	-	-	-	-	-	46,345
Fundraising	-	6,532	3,649	-	19,981	-	30,162
Contributions to New Orleans Opera Assn.	-	96,974	65,000	20,000	31,000	(212,974)	-
TOTAL EXPENSES	<u>2,068,551</u>	<u>103,506</u>	<u>69,945</u>	<u>27,764</u>	<u>51,558</u>	<u>(212,974)</u>	<u>2,108,350</u>
INCREASE (DECREASE) IN NET ASSETS	<u>74,692</u>	<u>1,163</u>	<u>(29,750)</u>	<u>1,536</u>	<u>(12,422)</u>	<u>-</u>	<u>35,219</u>
NET ASSETS AT BEGINNING OF YEAR	<u>\$ 575,342</u>	<u>\$ 14,976</u>	<u>\$ 219,134</u>	<u>\$ 6,727</u>	<u>\$ 20,047</u>	<u>\$ -</u>	<u>\$ 836,226</u>
NET ASSETS AT END OF YEAR	<u>\$ 650,034</u>	<u>\$ 16,139</u>	<u>\$ 189,384</u>	<u>\$ 8,263</u>	<u>\$ 7,625</u>	<u>\$ -</u>	<u>\$ 871,445</u>

We have audited the financial statements of the New Orleans Opera Association as of and for the year ended June 30, 2004, and have issued our report thereon dated December 16, 2004. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our audit of the financial statements as of June 30, 2004 resulted in an unqualified opinion.

Section I Summary of Auditor's Reports

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses ___ Yes X No Reportable Conditions ___ Yes X No

Compliance

Compliance Issues Material to Financial Statements ___ Yes X No

b. Federal Awards - None

c. Identification of Major Programs - None

Section II Financial Statement Findings - No matters were reported.

Section III Federal Award Findings and Questioned Costs - None



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Certified Public Accountants and Consultants

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND
ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON
AN AUDIT OF GENERAL-PURPOSE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of the
New Orleans Opera Association
New Orleans, Louisiana

We have audited the general-purpose financial statements of the New Orleans Opera Association as of and for the year ended June 30, 2004, and have issued our report thereon dated December 16, 2004. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Association's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain opportunities for strengthening internal controls and operating efficiency, which we have reported to management of New Orleans Opera Association in a separate letter dated December 16, 2004.

To the Board of Directors of the
New Orleans Opera Association

This report is intended for the information of management and the legislative auditor. However, this report is a matter of public record and its distribution is not limited.

Bain, Freibaum, Sagona & Co

Certified Public Accountants
December 16, 2004



Bain, Freibaum, Sagona & Co., L.L.P.
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December 16, 2004

To the Board of Directors of the
New Orleans Opera Association
New Orleans, Louisiana

In planning and performing our audit of the financial statements of New Orleans Opera Association for the year ended June 30, 2004, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency (we reported on the Association's internal control in our separate report dated December 16, 2004). These opportunities were reported in our management letter of November 16, 2003. This letter does not affect our report dated December 16, 2004 on the financial statements of New Orleans Opera Association.

There are no new comments to report on this year. Management advised all of the comments reported in our prior year's letter and included in the attached schedule are in the process of being addressed, including the implementation of additional policies and procedures and the hiring of additional accounting resources. We have discussed many of these comments and suggestions with various Association personnel; however, none of the recommendations have been completely implemented at this date.

We will review the status of these comments during our next audit engagement.

This report is intended for the information and use of management and the state legislative auditor. However, this report is a matter of public record and its distribution is not limited.

Bain, Freibaum, Sagona & Co., L.L.P.

Certified Public Accountants

ATTACHED SCHEDULE OF PRIOR YEAR COMMENTS

STATUS OF PRIOR YEAR COMMENTS:

All comments are still relevant. Management advised all of the comments reported in our prior year's letter and included in this schedule are in the process of being addressed, including the implementation of additional policies and procedures and the hiring of additional accounting resources. However, none of the recommendations have been completely implemented.

1. Cash

One of the most critical areas for separation of duties is with respect to the handling and the accounting for cash receipts. We noted that both the customer service manager and the bookkeeper handle incoming checks and prepare the deposit slips. The bookkeeper also posts receipts to customer accounts, and receives and reconciles the monthly bank statement. This condition could result in errors being made in the handling and recording of cash receipts that may not be detected in a timely manner. We recommend that someone not entering receipts into the accounting system or preparing the cash receipts for deposit into the bank open the mail, prepare a list of the cash and checks received with indication as to whether receipt is for ticket sales or other and prepare the deposit slip. A manager, with no responsibility for the accounting for cash, should receive the bank statements unopened and review the bank statements and canceled checks before turning them over to the bookkeeper to prepare the monthly bank reconciliations. This manager should also review each reconciliation after it is prepared and should sign-off on each reconciliation as indication of having reviewed each reconciliation. These procedures should not require the addition of any new employees or require significant time of the personnel designated to perform these control functions, and such procedures would provide additional separation of duties regarding the handling and recording of cash receipts.

In order to facilitate reconciliations between the general ledger and Choice system that is used for ticket sales all cash receipts and invoices should be categorized in the Association's accounts receivable system, for example as mastersigner, subscriber, single ticket sales, corporate contributions, individual contributions, grants, etc.

To facilitate research of what accounts deposits have been coded to the general ledger, consider printing a cash receipts journal for each month to include in each month's cash receipts/deposit folder. The journal should include all receipts including date, payee, description, amount and general ledger coding.

2. Petty Cash

Checks to reimburse petty cash funds should be made payable to the petty cash custodian as opposed to payable to "Petty Cash". Additionally, consideration of surprise counts and audits of the petty cash funds by someone other than the petty cash custodian should be evaluated.

ATTACHED SCHEDULE OF PRIOR YEAR COMMENTS
(Continued)

3. Storage of Blank Check Stock, Backup Tapes and Personnel Files

It was observed that back-up tapes and unused checks are not stored in a locked safe, we recommend that management consider storing these items in a fireproof safe with limited access to the safe. Additionally, personnel files should also be kept in a locked filing cabinet with limited access.

The Association should review its procedures for backing up its data files in order to determine sufficient back-ups are on premises and offsite with which the Association's accounting and other records could be retrieved and permit the business of the Association to be carried on in the event of a disaster at its main office location.

4. Accounts Receivable

Consider using pre-numbered, or at least sequentially numbered, invoices. The invoices should all be generated by the accounts receivable system in order to maintain control over all invoices issued and eliminate the use of journal entries to record invoices.

5. Fixed Assets

The detailed fixed asset report should be reviewed at least annually and any assets that have been disposed of, abandoned or no longer in service should be removed. Additionally, a more realistic monthly depreciation expense amount, based on the detailed asset listing with projected annual depreciation, should be used to record a monthly depreciation expense entry. This practice would provide management with a more realistic indication of the monthly operating results.

6. Prepaid and Deferred Income

The Association should budget as well as keep their books on the accrual basis of accounting to better match revenues and expenses. The budget and budget versus actual reports could include cash flow statements, i.e. cash in/out, to provide an indication of the Association's cash position on an interim basis. To be consistent with accrual basis reporting and to match income and expenses with the periods benefited, significant audit adjustments were required to remove Louisiana Purchase related expenses and income from current year's operations and record those items prepaid expenses and deferred revenue for the subsequent year. Such items should be recorded as income and expenses in the year of the opera's production to match all revenues and expenses of an opera with the period it is produced and facilitate management's identification of the total revenues and costs of an opera.

ATTACHED SCHEDULE OF PRIOR YEAR COMMENTS
(Continued)

7. Accounts Payable – Standing Committees

We noted that the quick invoice feature of the accounting system is used when making payments to the standing committees. This feature allows a check to be printed to a specific vendor, in this case a standing committee, and produces a document or “invoice” detailing the party paid and the amount of the payment. A copy of the quick invoice and the original vendors’ statement or other support for the disbursement is not always maintained on file. As with all disbursements of funds, a copy of the quick invoice should be printed and all documentation supporting the payment to the standing committee should be attached and filed in a vendor file for that standing committee.

8. Ticket Sales

To better monitor and account for ticket sales and the ticket sales reporting processes as well as complimentary tickets, we recommend consideration be given to the following:

Create a reconciliation form to be used weekly (or short week in the case of a work week having days in two different months) in reconciling cash receipts from the mail log to the report from the Choice system and to the bank deposits. This form should provide for all ticket sales and complimentary tickets and include space for a preparer’s and an approver’s signature and date. These reconciliations should also be reconciled to a cash receipts report from the accounts receivable system each week. On a monthly basis, a ticket report should be printed from the Choice system. This report should be reconciled to the total cash receipts per general ledger and the total of the above reconciliation forms.

All complimentary ticket issued should have written approval. We recommend that a form be used that includes all pertinent information as well as area for approval signature and date. Complimentary tickets reports should be printed at least monthly from the Choice system and all signed approval forms attached thereto. The total complimentary tickets on this report should be reconciled to the total complimentary tickets in the monthly ticket report from the Choice system.

Ticket sales made at the box office should be recorded and a log or list of such attached to the deposit for box office ticket sales.

9. Scenery Rental

Association-owned scenery sets are often rented to other opera companies, generating a source of revenue for the Association. These sets are stored in a warehouse. The warehouse has an alarm system, which requires entering a code to turn the alarm system off. There are a limited number of persons who have access to the warehouse; however, there is currently no monitoring of who is going in and out of the warehouse and when.

To provide better control over the warehouse and its contents and further reduce the likelihood of unauthorized scenery rental, we recommend that the Association consider the economic feasibility of adding a card access system for entry to its warehouse security.

ATTACHED SCHEDULE OF PRIOR YEAR COMMENTS
(Continued)

9. Scenery Rental (Continued)

This type of system affords additional control over the access to this valuable asset of the Association. The control of card issuance should reside at the main office. Someone not involved with the warehouse or scenery rental functions should receive monthly reports from the security company and review those reports for any activity that appears out of the ordinary or suspect.

10. Use of Standard Journal Entries Form

Each month, numerous journal entries are written to update the general ledger and prepare monthly financial statements for management reporting purposes. We suggest that a photocopied journal entry form be developed and used for all journal entries. This form should include a space for the journal entry number, effective date, the preparer's initials and date as well as a space for a reviewer's initials and date. Every journal entry should have adequate supporting documentation attached thereto and be filed in numerical order. Implementing the use of such a journal entry form will allow a manager to review all entries together with their support prior to posting the entries to the accounting system. For these journal entries that are recurring entries made each month, use of this form can reduce the possibility of overlooking a recurring monthly journal entry. Using a form which contains the preparer's and the reviewer's approval along with adequate supporting documentation will reduce the time an auditor must spend determining the appropriateness of journal entries. Beginning with next year's audit, the auditor must review journal entries made by the Association to comply with auditing standards implemented with Statement on Auditing Standards No. 99, *Consideration of Fraud in a Financial Statement Audit*, in order to determine if journal entries are being used as a method of overriding internal controls.

11. Committee Financial Information

The standing committees provide valuable services to the Association and assist in raising much needed revenues for the Association. In performing audit procedures on committee financial information, it was necessary to contact committee treasurers in order to gather all information necessary to prepare accurate income statements and balance sheets for each committee. Each committee treasurer maintains the accounting records for his/her committee in a somewhat informal manner. Because this financial information is important to Association's financial statements, the Association's finance department should have this information in its accounting system and determine its accuracy prior to the annual audit. We recommend that each committee submit detailed information such as balance sheet, income statement, cash roll-forward as well as copies of bank statements and bank reconciliations to the finance department periodically.

It also seems prudent that the detailed accounting records for each committee be maintained in a general ledger for each committee on the Association's accounting system. This information could be entered by means of a monthly or quarterly journal entry. The resulting balances for cash and other critical accounts could be reconciled to appropriate supporting documentation. This would also allow the Association to prepare consolidated financial statements inclusive of the standing committees monthly or quarterly. The Board and its standing committees would have timely, accurate financial information regarding the Association, its committees and the organization as a whole.