

JEFFERSON PERFORMING ARTS SOCIETY

METAIRIE, LOUISIANA

FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED

JUNE 30, 2018 AND 2017



ERICKSEN KRENTEL^{LLP}
CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

TABLE OF CONTENTS

	<u>PAGE</u>
<u>INDEPENDENT AUDITORS' REPORT</u>	1 – 2
 <u>FINANCIAL STATEMENTS:</u>	
Exhibit "A" Statements of Financial Position	3
Exhibit "B" Statements of Activities	4 – 5
Exhibit "C" Statements of Functional Expenses	6 – 7
Exhibit "D" Statements of Cash Flows.....	8
Notes to Financial Statements.....	9 – 22
 <u>SUPPLEMENTARY INFORMATION:</u>	
Schedule "1" Schedule of Compensation, Benefits, and Other Payments to Agency Head	23
 <u>OTHER REPORT REQUIRED BY GOVERNMENT AUDIT STANDARDS</u>	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	24 – 25
Schedule of Findings and Responses	26
Summary Schedule of Prior Year Findings	27



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Jefferson Performing Arts Society

Report on the Financial Statements

We have audited the accompanying financial statements of Jefferson Performing Arts Society (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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, the *Louisiana Governmental Audit Guide*, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



To the Board of Directors of
Jefferson Performing Arts Society
December 28, 2018

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jefferson Performing Arts Society as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of compensation, benefits, and other payments to agency head is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2018, on our consideration of Jefferson Performing Arts Society's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Jefferson Performing Arts Society's internal control over financial reporting and compliance.

December 28, 2018
New Orleans, Louisiana

A handwritten signature in cursive script that reads "Erickson Krentel CPA".

Certified Public Accountants

JEFFERSON PERFORMING ARTS SOCIETY
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>ASSETS:</u>		
Cash and cash equivalents	\$ 182,428	\$ 190,279
Accounts receivable	226,843	388,048
Prepaid expenses	62,454	76,906
Investments	201,317	185,835
Leasehold asset - net of amortization	43,565	87,130
Property and equipment - net of depreciation	<u>341,297</u>	<u>361,361</u>
 Total assets	 <u>\$ 1,057,904</u>	 <u>\$ 1,289,559</u>
 <u>LIABILITIES:</u>		
Accounts payable	\$ 61,624	\$ 11,109
Unearned revenue	199,548	134,044
Capital lease	<u>16,000</u>	<u>24,000</u>
 Total liabilities	 <u>277,172</u>	 <u>169,153</u>
 <u>NET ASSETS:</u>		
Unrestricted	535,850	847,441
Temporarily restricted	187,632	215,715
Permanently restricted	<u>57,250</u>	<u>57,250</u>
 Total net assets	 <u>780,732</u>	 <u>1,120,406</u>
 Total liabilities and net assets	 <u>\$ 1,057,904</u>	 <u>\$ 1,289,559</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

JEFFERSON PERFORMING ARTS SOCIETY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<u>SUPPORT AND OTHER REVENUES:</u>				
Contributions	\$ 299,481	\$ -	\$ -	\$ 299,481
Grant - Jefferson Parish	100,000	-	-	100,000
Grant - State of Louisiana	350,000	-	-	350,000
Grant - City of Westwego	250,000	-	-	250,000
Grant - City of New Orleans	18,750	-	-	18,750
Tax credits	113,696	-	-	113,696
Auto rental tax contribution	299,537	-	-	299,537
Program service and event revenue	1,162,290	-	-	1,162,290
Other income	7,295	-	-	7,295
Investment income, net	-	15,482	-	15,482
	<u>2,601,049</u>	<u>15,482</u>	<u>-</u>	<u>2,616,531</u>
Net assets released from restrictions	<u>43,565</u>	<u>(43,565)</u>	<u>-</u>	<u>-</u>
Total support and other revenues	<u>2,644,614</u>	<u>(28,083)</u>	<u>-</u>	<u>2,616,531</u>
 <u>EXPENSES:</u>				
Program services	2,264,734	-	-	2,264,734
Supporting services:				
Management and general	535,742	-	-	535,742
Fundraising	155,729	-	-	155,729
Total expenses	<u>2,956,205</u>	<u>-</u>	<u>-</u>	<u>2,956,205</u>
Change in net assets	<u>(311,591)</u>	<u>(28,083)</u>	<u>-</u>	<u>(339,674)</u>
Net assets, beginning of year	<u>847,441</u>	<u>215,715</u>	<u>57,250</u>	<u>1,120,406</u>
Net assets, end of year	<u>\$ 535,850</u>	<u>\$ 187,632</u>	<u>\$ 57,250</u>	<u>\$ 780,732</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

JEFFERSON PERFORMING ARTS SOCIETY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<u>SUPPORT AND OTHER REVENUES:</u>				
Contributions	\$ 348,490	\$ 87,130	\$ -	\$ 435,620
Grant - Jefferson Parish	100,000	-	-	100,000
Grant - State of Louisiana	350,000	-	-	350,000
Grant - City of Westwego	250,000	-	-	250,000
Auto rental tax contribution	224,592	-	-	224,592
Program service and event revenue	1,099,902	-	-	1,099,902
BP settlement	374,264	-	-	374,264
Other income	6,733	-	-	6,733
Investment income, net	-	11,616	-	11,616
	<u>2,753,981</u>	<u>98,746</u>	<u>-</u>	<u>2,852,727</u>
<u>EXPENSES:</u>				
Program services	1,953,171	-	-	1,953,171
Supporting services:				
Management and general	418,059	-	-	418,059
Fundraising	148,734	-	-	148,734
	<u>2,519,964</u>	<u>-</u>	<u>-</u>	<u>2,519,964</u>
Change in net assets	<u>234,017</u>	<u>98,746</u>	<u>-</u>	<u>332,763</u>
Net assets, beginning of year	<u>613,424</u>	<u>116,969</u>	<u>57,250</u>	<u>787,643</u>
Net assets, end of year	<u>\$ 847,441</u>	<u>\$ 215,715</u>	<u>\$ 57,250</u>	<u>\$ 1,120,406</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

JEFFERSON PERFORMING ARTS SOCIETY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Salaries	\$ 444,120	\$ 151,465	\$ 51,816	\$ 647,401
Payroll taxes and employee benefits	86,156	29,383	10,052	125,591
Total salaries and related expenses	530,276	180,848	61,868	772,992
Credit card fees	-	58,238	-	58,238
Depreciation	-	20,064	-	20,064
Donations	-	3,250	-	3,250
Miscellaneous	28,361	28,361	-	56,722
Occupancy	490,532	122,633	-	613,165
Operations expenses	156,934	99,867	73,221	330,022
Postage and shipping	5,692	-	5,692	11,384
Professional fees and contract services	548,121	13,646	-	561,767
Promotion and advertising	256,772	-	-	256,772
Supplies and materials for productions	167,825	-	14,948	182,773
Telephone	19,545	8,377	-	27,922
Travel, conferences and conventions	60,676	458	-	61,134
Total functional expenses	\$ 2,264,734	\$ 535,742	\$ 155,729	\$ 2,956,205

See accompanying NOTES TO FINANCIAL STATEMENTS

JEFFERSON PERFORMING ARTS SOCIETY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Salaries	\$ 450,481	\$ 139,308	\$ 61,812	\$ 651,601
Payroll taxes and employee benefits	74,869	23,153	10,272	108,294
Total salaries and related expenses	525,350	162,461	72,084	759,895
Credit card fees	-	30,483	-	30,483
Depreciation	-	21,521	-	21,521
Donations	-	1,452	-	1,452
Miscellaneous	17,919	17,919	531	36,369
Occupancy	395,483	115,133	-	510,616
Operations expenses	185,226	49,394	48,244	282,864
Postage and shipping	6,878	-	6,877	13,755
Professional fees and contract services	449,793	11,550	-	461,343
Promotion and advertising	160,859	-	5,417	166,276
Supplies and materials for productions	174,935	-	15,581	190,516
Telephone	18,717	8,021	-	26,738
Travel, conferences and conventions	17,716	125	-	17,841
Volunteer expenses	295	-	-	295
Total functional expenses	\$ 1,953,171	\$ 418,059	\$ 148,734	\$ 2,519,964

See accompanying NOTES TO FINANCIAL STATEMENTS

JEFFERSON PERFORMING ARTS SOCIETY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES:</u>		
Change in net assets	\$ (339,674)	\$ 332,763
Adjustments to reconcile change in net assets to net cash from (used for) operating activities:		
Depreciation	20,064	21,521
Amortization of leasehold asset	43,565	43,565
Donation of leasehold asset	-	(130,695)
Net unrealized and realized (gains) on investments	(15,482)	(11,616)
(Increase) decrease in:		
Accounts receivable	161,205	47,332
Prepaid expenses	14,452	(25,162)
Increase (decrease) in:		
Accounts payable	50,515	4,388
Unearned revenue	65,504	(52,602)
	<u>149</u>	<u>229,494</u>
<u>CASH FLOWS FROM (USED FOR) FINANCING ACTIVITIES:</u>		
Net (repayments) on lines of credit	-	(81,286)
Principal payments on capital leases	(8,000)	(8,000)
	<u>(8,000)</u>	<u>(89,286)</u>
Net cash (used for) financing activities	<u>(8,000)</u>	<u>(89,286)</u>
Net increase (decrease) in cash and cash equivalents	(7,851)	140,208
Cash and cash equivalents, beginning of year	<u>190,279</u>	<u>50,071</u>
Cash and cash equivalents, end of year	<u>\$ 182,428</u>	<u>\$ 190,279</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

JEFFERSON PERFORMING ARTS SOCIETY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Jefferson Performing Arts Society (JPAS) serves the state of Louisiana, several counties in Mississippi and communities throughout the Gulf South. Through its diverse programming and over 150 annual performances that include Grand Opera, Broadway Musicals, Symphonic and Choral Concerts, Ballet and Modern Dance and distinguished guest artists of all genres from around the world, JPAS has rightfully earned the reputation as "Louisiana's Cultural Leader."

JPAS focuses on three main elements:

Performance: JPAS annually provides a wide range of theatrical performances that appeal to many interests and age groups. Most seasons include a selection of grand opera, musical theater, dance and music. JPAS strives to network and partner with national and international artists and companies to bring new and diverse programming to the Southern Region.

Training: JPAS provides performance and technical based training in the arts for all ages with a particular focus on young people.

Outreach: JPAS provides arts education programming in local area schools, as well as access to professional theatrical experiences that align to classroom curricula and Louisiana Content Standards, including Arts Adventure Series, Cultural Crossroads and Stage Without A Theatre. JPAS provides performers, musicians, artistic experiences and expertise to select area events and organizations to enrich the community.

JPAS' outreach and service extend to both banks of the Mississippi River. Performances on the East bank are now held in the new Jefferson Performing Arts Center, Performances on the West Bank are held in the Westwego Performing Arts Theatre and Teatro Wego! Dinner Theatre in Westwego.

Associated Activities

JPAS Leading Ladies Guild
JPAS Broadway Pit Orchestra
Arts Adventure Series
JPAS Symphony Orchestra
The Jefferson Chorale
JPAS Theatre Wing
JPAS Opera Theatre
JPAS Theatre Kids! Competition Team

Annual Pasta & Puccini Gala
Cultural Crossroads
Jefferson Performing Arts Center
JPAS Broadway Pit Orchestra
Stage Without a Theatre (SWAT)
Teatro Wego! Theatre
Westwego Performing Arts Theatre

JEFFERSON PERFORMING ARTS SOCIETY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018 AND 2017

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Basis of Accounting

The financial statements of JPAS have been prepared on the accrual basis of accounting, and accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

JPAS reports information regarding its financial position and activities according to three classes of net assets:

Unrestricted Net Assets

Net assets not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets

Net assets subject to donor-imposed stipulations that may or will be met either by (a) actions of JPAS, and/or (b) passage of time.

Permanently Restricted Net Assets

Net assets subject to donor-imposed stipulations that the principal not be expended, but rather invested to provide a permanent source of income for JPAS.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, JPAS considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable consists mainly of receivables stemming from cooperative endeavor agreements with various local and state governments. Management monitors the receivables and assesses the collectability of accounts on a monthly basis. Management has elected to record bad debts using the direct write-off method. Generally accepted accounting principles require that the allowance method be used to reflect bad debts. However, the effect of the use of direct write-off method is not materially different from the results that would have been obtained had the allowance method been followed.

JEFFERSON PERFORMING ARTS SOCIETY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018 AND 2017

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Prepaid Expenses

The balance in this account consists of amounts paid during each year for performances and events that have not yet occurred.

Investments

As defined in the current authoritative guidance, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The guidance applies to all financial instruments that are measured and reported on a fair value basis. Management utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of inputs used in the valuation techniques the financial statements are required to provide information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 – Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2 – Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets and liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Significant unobservable inputs that reflect an organization's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

JPAS' measurements of fair value are made on a recurring basis, and their valuation techniques for assets recorded at fair value are as follows:

Investment pool – Fair value is determined by reference to values provided by the fund management, which are determined by quoted market prices, indirectly observable inputs, or use net asset value as a practical expedient to estimate fair value.

Money market – Cost basis approximates fair value.

JEFFERSON PERFORMING ARTS SOCIETY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018 AND 2017

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Investments (continued)

Equity securities and mutual funds – Fair value is determined by quoted market prices, when available, or market prices provided by recognized broker dealers.

The preceding methods described may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurements at the reporting date.

Deferred Revenue

The balance in this account consists of amounts collected during each year for sponsorships, ticket sales, and summer camp fees to be presented in the following year.

Property and Equipment

All property, furniture, equipment, and leasehold improvements are recorded at cost. It is the policy of JPAS to capitalize all property and equipment with an acquisition cost in excess of \$5,000. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	39 years
Leasehold improvements	10 to 39 years
Equipment and furniture	5 to 7 years

Leases

Lease agreements are evaluated to determine whether they are capital or operating leases in accordance with FASB ASC 840, Accounting for Leases, as amended. When substantially all of the risks and benefits of property ownership have been transferred to the Company, as determined by the test criteria in FASB ASC 840-30, the lease then qualifies as a capital lease.

Capital leases are capitalized at the lower of the net present value of the total amount of rent payable under the leasing agreement (excluding finance charges and appropriate sales taxes) or the market value of the leased asset. Capital leases are depreciated on a straight line basis, over a period consistent with the Company's normal depreciation policy for tangible fixed assets, but generally not exceeding the lease term. Interest and sales tax charges are expensed over the period of the lease in relation to the carrying value of the capital lease obligation. Amortization of assets under capital leases is included in depreciation expense.

JEFFERSON PERFORMING ARTS SOCIETY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018 AND 2017

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Contributions and Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or a purpose restriction is accomplished) in the reporting period in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Advertising

Advertising costs are charged to expenses as incurred. For the years ended June 30, 2018 and 2017, advertising expenses totaled \$234,730 and \$134,043, respectively.

Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited, based on estimates developed by management studies.

Income Taxes

JPAS is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and qualifies as an organization that is not a private foundation as defined in Section 509(a) of the Code. It is exempt from Louisiana income tax under the authority of R.S. 47:121(5).

JPAS's evaluation as of June 30, 2018 revealed no tax positions that would have a material impact on the financial statements. The 2015 through 2017 tax years remain subject to examination by the IRS. JPAS does not believe that any reasonably possible changes will occur within the next twelve months that will have a material impact on the financial statements.

Subsequent Events

Subsequent events have been evaluated through December 28, 2018, which is the date the financial statements were available to be issued.

JEFFERSON PERFORMING ARTS SOCIETY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018 AND 2017

(2) STATEMENT OF CASH FLOW SUPPLEMENTARY DISCLOSURES

Non-cash investing activities are as follows:

Noncash investing activities for the years ended June 30, 2018 and 2017, consist of the retirement of assets for which no proceeds were received. Details of the fixed asset retirements are as follows:

	<u>2018</u>	<u>2017</u>
Cost basis of assets disposed	\$ 56,988	\$ 3,966
Less: accumulated depreciation	<u>(56,988)</u>	<u>(3,966)</u>
Non-cash loss on disposition of assets	<u>\$ -</u>	<u>\$ -</u>

(3) INVESTMENTS

Investments are stated at market value and consist of the following at June 30:

	<u>2018</u>	<u>2017</u>
Greater New Orleans Foundation		
Investment pool	\$ 112,476	\$ 104,337
Raymond James		
Money market	9,427	7,938
Equity securities	53,879	48,840
Mutual funds	<u>25,535</u>	<u>24,720</u>
Total investments	<u>\$ 201,317</u>	<u>\$ 185,835</u>

The investment pool, which is managed by the Greater New Orleans Foundation (GNOF), consists of equity, fixed income, money market funds and other investments determined by GNOF.

The following schedule summarizes the investment income classified as temporarily restricted in the statements of activities for the years ended June 30:

	<u>2018</u>	<u>2017</u>
Interests and dividends	\$ 3,435	\$ 3,956
Realized gains	3,673	1,092
Unrealized gains and losses	9,135	7,386
Investment fees	<u>(761)</u>	<u>(818)</u>
Total investment income	<u>\$ 15,482</u>	<u>\$ 11,616</u>

JEFFERSON PERFORMING ARTS SOCIETY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018 AND 2017

(3) INVESTMENTS (CONTINUED)

Fair Value Measurements

The following table sets forth by level, within the fair value hierarchy, JPAS' assets at fair value as of June 30, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
GNOF investment pool	\$ 29,244	\$ 10,123	\$ -	\$ 39,367
Money market	9,427	-	-	9,427
Equity securities	53,879	-	-	53,879
Mutual funds	<u>25,535</u>	<u>-</u>	<u>-</u>	<u>25,535</u>
Total investments	<u>\$ 118,085</u>	<u>\$ 10,123</u>	<u>\$ -</u>	<u>\$ 128,208</u>

The following table sets forth by level, within the fair value hierarchy, JPAS' assets at fair value as of June 30, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
GNOF investment pool	\$ 37,561	\$ 1,043	\$ -	\$ 38,604
Money market	7,938	-	-	7,938
Equity securities	48,840	-	-	48,840
Mutual funds	<u>24,720</u>	<u>-</u>	<u>-</u>	<u>24,720</u>
Total	<u>\$ 119,059</u>	<u>\$ 1,043</u>	<u>\$ -</u>	<u>\$ 120,102</u>

The following table summarizes investments for which fair value is measured using the net asset value per share practical expedient as of June 30, 2018 and 2017:

	<u>2018</u>			
	<u>Fair Value</u>	<u>Unfunded Commitment</u>	<u>Redemption Frequency</u>	<u>Redemption Notice period</u>
GNOF investment pool	\$ 73,109	N/A	Daily	None
	<u>2017</u>			
	<u>Fair Value</u>	<u>Unfunded Commitment</u>	<u>Redemption Frequency</u>	<u>Redemption Notice period</u>
GNOF investment pool	\$ 65,733	N/A	Daily	None

JEFFERSON PERFORMING ARTS SOCIETY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018 AND 2017

(4) DONATED FACILITIES AND SERVICES

Donated Facilities

Beginning July 1, 2016, JPAS entered into a lease with Jefferson Parish for its 1118 Clearview Parkway office and office space at the Jefferson Performing Arts Center (JPAC). The renewal was on a three-year basis, ending on June 30, 2019, and the property is provided free of charge. Management estimated the fair value of these rental agreements to be \$130,695. This amount is recorded as contribution revenue on the statement of activities and as a leasehold asset to be amortized as rent expense over the life of the lease on the statement of financial position. For each of the fiscal years ended June 30, 2018 and 2017, rent expense recognized on this leasehold was \$43,565. Accumulated amortization on this lease as of June 30, 2018 and 2017 was \$87,130 and \$43,565, respectively.

During the years ended June 30, 2018 and 2017, JPAS was also granted use of the Jefferson Parish Performing Arts Center (JPAC) in Metairie, Louisiana, for its performances. The fair market value of the use of the JPAC is determined by the number of days of actual use. For the years ended June 30, 2018 and 2017, \$281,450 and \$208,950, respectively, were recorded as contribution revenue and rent expense in connection with use of the JPAC.

JPAS also entered into an agreement with the City of Westwego, which extended through June 30, 2018, for the use of the theatre at the Westwego Performing Arts Center for scheduled performances throughout the fiscal year. The in-kind support includes the use of the facility and all costs and expenses associated with the use of the facility by JPAS for any and all scheduled events. No rent is paid by JPAS under this agreement and the amount of the support is not readily determinable on an annual basis. No amounts for such support have been recognized in the accompanying Statement of Activities as the criteria for recognition have not been satisfied.

Donated Services

A substantial number of volunteers have donated their time and services to JPAS for fundraising, legal, and program activities. No amounts are reflected in the accompanying financial statements for such services as they do not meet the criteria for recognition under FASB ASC 958-605-50-1, *Accounting for Contributions Received and Contributions Made*.

JEFFERSON PERFORMING ARTS SOCIETY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018 AND 2017

(5) PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30:

	2018	2017
Building	\$ 250,734	\$ 250,734
Leasehold improvements	85,878	85,878
Equipment and furniture	399,209	456,197
Total depreciable property and equipment	735,821	792,809
Less: accumulated depreciation	(506,865)	(543,789)
	228,956	249,020
Land	112,341	112,341
Total	\$ 341,297	\$ 361,361

Depreciation expense totaled \$20,064 and \$21,521 for the years ended June 30, 2018 and 2017, respectively.

(6) LINE OF CREDIT

JPAS has a line of credit with Capital One Bank, which provides short-term borrowings up to \$100,000. Interest and principal on advances is payable monthly at the prime rate plus 1%, which was 4.5% at June 30, 2018 and 2017. JPAS has no outstanding balance at June 30, 2018 or 2017.

(7) LEASE OBLIGATIONS

During the year ended June 30, 2016, JPAS entered into a lease agreement in the amount of \$40,000 for the purchase of its Nutcracker set. This agreement is accounted for as a capital lease. This lease is non-interest bearing and is payable in 5 annual installments.

Future minimum lease payments under non-cancelable capital leases are:

2019	\$ 8,000
2020	8,000
Present value of net minimum capital lease payments	\$ 16,000

JEFFERSON PERFORMING ARTS SOCIETY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018 AND 2017

(7) **LEASE OBLIGATIONS (CONTINUED)**

Assets held under capital leases at June 30, 2018 and 2017 are included in property and equipment as follows:

	2018	2017
Property under capital leases	\$ 46,955	\$ 46,955
Less accumulated amortization (included in accumulated depreciation)	(26,608)	(17,217)
Net property under capital leases	\$ 20,347	\$ 29,738

(8) **NET ASSETS**

Temporarily Restricted

Temporarily restricted net assets are available for the following purposes at June 30:

	2018	2017
Board-designated endowment fund	\$ 46,070	\$ 47,087
Lease of office space	43,565	87,130
Endowment investment income	97,997	81,498
	\$ 187,632	\$ 215,715

The lease of office space represents in-kind revenue which will be earned over the remaining term of the office lease as described in Note 2. Releases from restrictions under this lease were \$43,565 for the year ended June 30, 2018.

Permanently Restricted

Net assets were permanently restricted for the formation of an endowment fund. The purpose of the endowment fund is to provide a perpetual source of money to assure the future growth and health of Jefferson Performing Arts Society as stated in Note 10. At June 30, 2018 and 2017, permanently restricted net assets totaled \$57,250.

JEFFERSON PERFORMING ARTS SOCIETY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018 AND 2017

(9) ENDOWMENT FUNDS

The Endowments. JPAS' endowment consists of two funds established for a variety of purposes. Its endowment includes permanently restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law. The Board of Directors of JPAS has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, JPAS classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment; and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by JPAS in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, JPAS considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of JPAS, (7) and JPAS' investment policies.

Return Objectives and Risk Parameters

JPAS has adopted investment and spending policies for endowment assets that attempt to grow the fund in order to eventually provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of these endowment assets over the long-term. JPAS seeks to build endowment assets through additional contributions.

JEFFERSON PERFORMING ARTS SOCIETY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018 AND 2017

(9) ENDOWMENT FUNDS (CONTINUED)

Spending Policies

JPAS has a policy of appropriating for distribution when needed, from the endowment fund's investment income that is not permanently restricted, and JPAS generally expends the endowment fund's investment income for the programs supported by the endowment. The current spending policy is expected to allow the JPAS' endowment fund to grow as a result of investment returns. This is consistent with JPAS' objectives to provide income for its programs supported by the endowment, preserve endowment assets without subjecting them to substantial risk, and provide additional real growth through new gifts.

Endowment net asset composition by type of fund as of June 30, 2018 is as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted funds	\$ 55,226	\$ 57,250	\$ 112,476
Board-designated funds	<u>88,841</u>	<u>-</u>	<u>88,841</u>
	<u>\$ 144,067</u>	<u>\$ 57,250</u>	<u>\$ 201,317</u>

Change in endowment net assets as of June 30, 2018 is as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 128,585	\$ 57,250	\$ 185,835
Investment income	3,435	-	3,435
Net appreciation	<u>12,047</u>	<u>-</u>	<u>12,047</u>
Endowment net assets, end of year	<u>\$ 144,067</u>	<u>\$ 57,250</u>	<u>\$ 201,317</u>

Endowment net asset composition by type of fund as of June 30, 2017 is as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted funds	\$ 47,087	\$ 57,250	\$ 104,337
Board-designated funds	<u>81,498</u>	<u>-</u>	<u>81,498</u>
	<u>\$ 128,585</u>	<u>\$ 57,250</u>	<u>\$ 185,835</u>

JEFFERSON PERFORMING ARTS SOCIETY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018 AND 2017

(9) ENDOWMENT FUNDS (CONTINUED)

Change in endowment net assets as of June 30, 2017 is as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 116,969	\$ 57,250	\$ 174,219
Investment income	3,956	-	3,956
Net appreciation	<u>7,660</u>	<u>-</u>	<u>7,660</u>
Endowment net assets, end of year	<u>\$ 128,585</u>	<u>\$ 57,250</u>	<u>\$ 185,835</u>

(10) BOARD OF DIRECTORS COMPENSATION

The Board of Directors is a voluntary board; therefore no compensation was paid to any board member during the years ended June 30, 2018 and 2017.

(11) CONCENTRATIONS OF CREDIT RISK

JPAS maintains its cash and cash equivalents in various financial institutions in Louisiana. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. On June 30, 2018 and 2017, JPAS had no cash balances in excess of FDIC insured limits. The cash balances, at times, may exceed federally insured limits. JPAS has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

JPAS' support through state and local government grants represent 38% and 33% of total support earned for the years ended June 30, 2018 and 2017, respectively.

(12) BP SETTLEMENT

On January 15, 2017, JPAS received a full and final settlement of all claims against BP and others resulting from the Deep Water Horizon Oil Spill in the amount of \$374,279. Legal and accounting fees related to this settlement were \$65,499.

(13) RECLASSIFICATIONS

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

JEFFERSON PERFORMING ARTS SOCIETY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018 AND 2017

(14) NEW ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board (FASB) has issued Accounting Standards Update (Update) No. 2015-07, "*Fair Value Measurement: Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*." This Update removed the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. ASU 2015-07 also limits certain disclosures to investments for which the entity has elected to measure fair value using the practical expedient. The amendments in this Update are effective for annual financial statements issued for fiscal years beginning after December 15, 2016. JPAS adopted this update as applicable during the year ended June 30, 2018. JPAS has removed all investments that are measured at fair value using the net asset value as of June 30, 2018 from the fair value hierarchy in Note 4 and has retroactively applied that presentation to investments measured at fair value using net asset value as of June 30, 2017.

The Financial Accounting Standards Board (FASB) has issued Accounting Standards Update (Update) No. 2016-14, "*Not-for-Profit Entities (NFPs)*." This Update makes several improvements to current reporting requirements that address, among others, the following problems: (1) complexities about the use of the currently required three classes of net assets that focus on the absence or presence of donor-imposed restrictions and whether those restrictions are temporary or permanent; (2) deficiencies in the transparency and utility of information useful in assessing an entity's liquidity caused by potential misunderstandings and confusion about the term unrestricted net assets and how restrictions or limits imposed by donors, grantors, laws, contracts, and governing boards affect an entity's liquidity, classes of net assets, and financial performance; (3) inconsistencies in the type of information provided about expenses of the period—for example, some, but not all, NFPs provide information about expenses by both nature and function; and (4) impediment of preparing the indirect method reconciliation if an NFP chooses to use the direct method of presenting operating cash flows. The amendments in this Update are effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. JPAS plans to adopt this update as applicable by the effective date.

JEFFERSON PERFORMING ARTS SOCIETY
SCHEDULE OF COMPENSATION, BENEFITS,
AND OTHER PAYMENTS TO AGENCY HEAD
FOR THE YEAR ENDED JUNE 30, 2018

	Dennis Assaf	
	<u>Executive Director</u>	
Time served	07/01/2017 - 06/30/2018	
Salary	\$	170,000
Benefits - insurance (health and dental)		2,400
Benefits - cell phone		<u>1,800</u>
Total compensation, benefits, and other payments	\$	<u><u>174,200</u></u>



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
Jefferson Performing Arts Society

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Jefferson Performing Arts Society (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 28, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Jefferson Performing Arts Society's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Jefferson Performing Arts Society's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as 2018-001, that we consider to be a significant deficiency.



To the Board of Directors of
Jefferson Performing Arts Society
December 28, 2018

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jefferson Performing Arts Society's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 or other matters that are required to be reported under Government Auditing Standards.

Jefferson Performing Arts Society's Response to Findings

Jefferson Performing Arts Society's response to findings identified in our audit is described in the accompanying schedule of findings and responses. Jefferson Performing Arts Society's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

December 28, 2018
New Orleans, Louisiana

Erickson Krentel CPA

Certified Public Accountants

JEFFERSON PERFORMING ARTS SOCIETY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018

SECTION I SUMMARY OF AUDITORS' REPORTS

1. The Auditors' report expresses an unmodified opinion on the financial statements of Jefferson Performing Arts Society.
2. One significant deficiency in internal control relating to the audit of the financial statements is reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Jefferson Performing Arts Society were reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Prepared in Accordance with *Government Auditing Standards*.
4. A management letter was issued for the year ended June 30, 2018.

SECTION II FINANCIAL STATEMENT FINDINGS

2018-001 Use of Accounts Receivable and Accounts Payable Ledgers

Criteria: In order to conform to generally accepted accounting principles, revenue should be recognized in the accounting system when earned, and expenses should be recognized as incurred.

Condition: During our audit, we noted that JPAS had recorded revenue and expense accruals to the income statement through the use of previous year expense and income accounts rather than balance sheet accounts. These resulted in misstatements of revenues and expenses.

Effect: Revenues and expenses were understated during the year for interim financial statements and were misstated prior to a correcting audit entry.

Cause: JPAS did not utilize balance sheet accounts for year end accruals.

Recommendation: JPAS should revise its use of the accounts receivable and payables modules of JPAS' accounting system to increase the consistency and reliability of its reporting. Revenues and expenses should be recorded when earned, meaning that receivables and payables should be booked as JPAS' season progresses. As cash is received or paid, the receivable or payable amounts associated with these transactions should be decreased. Revenues and receivables as well as expenses and payables should be reconciled monthly to ensure that appropriate amounts have been recorded in JPAS' accounts.

Views of Responsible Officials: Management is in agreement with the finding and will work to implement the recommendation. See Management's Corrective Action Plan for further information.

JEFFERSON PERFORMING ARTS SOCIETY
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

**SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE
FINANCIAL STATEMENTS**

2017-001 Use of Accounts Receivable Ledgers

During our audit, we noted that JPAS had booked some revenues twice during the year and attempted to correct them with an end of year journal entry. The journal entry resulted in a misstatement of revenues. Revenues were overstated during the year for interim financial statements and were misstated prior to a correcting audit entry.

This issue has not been resolved and has been repeated as a finding for the year ended June 30, 2018.

SECTION II MANAGEMENT LETTER

2017-002 Maintenance of Vacation Records

JPAS does not maintain the detailed records necessary for making a precise accrual of compensated absences. Our audit estimate for this unrecorded liability is not currently significant; however, as JPAS continues to grow, the potential for problems in making an estimate in the absence of such detail records increases.

This issue has not been resolved and has been repeated as a management letter item for the year ended June 30, 2018.

2017-003 Improve Payroll Review Procedures

Our review of the controls over the payroll system indicated that employees do not currently have a mechanism through which attendance is tracked.

This issue has not been resolved and has been repeated as a management letter item for the year ended June 30, 2018.

JEFFERSON PERFORMING ARTS SOCIETY
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2018

December 28, 2018

Louisiana Legislative Auditor

Jefferson Performing Arts Society, respectfully submits the following corrective action plan for the year ended June 30, 2018.

Name and address of independent public accounting firm:

Ericksen Krentel LLP
4227 Canal Street
New Orleans, Louisiana 70119
Contact: W. Eric Powers

Audit Period: 7/1/2017 to 6/30/2018

The finding from the June 30, 2018 schedule of findings and responses is discussed below. The finding is numbered consistently with the number assigned in schedule of findings and responses

SECTION II FINANCIAL STATEMENT FINDINGS

Significant Deficiency

2018-001 Use of Accounts Receivable Ledgers

Recommendation: JPAS should revise its use of the accounts receivable and payables modules of JPAS' accounting system to increase the consistency and reliability of its reporting. Revenues and expenses should be recorded when earned, meaning that receivables and payables should be booked as JPAS' season progresses. As cash is received or paid, the receivable or payable amounts associated with these transactions should be decreased. Revenues and receivables as well as expenses and payables should be reconciled monthly to ensure that appropriate amounts have been recorded in JPAS' accounts.

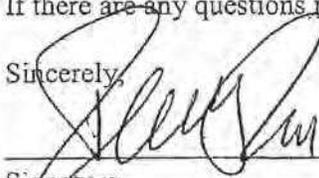
Response: Management agrees with the recommendation and will adjust its use of its accounting system to ensure consistent and reliable reporting.

If there are any questions regarding this plan, please call Dennis Assaf at (504) 885-2000.

Sincerely,

Signature

Title



Exec / ART DR



MANAGEMENT LETTER

To the Board of Directors of the
Jefferson Performing Arts Society

In planning and performing our audit of the financial statements of Jefferson Performing Arts Society (“JPAS”), as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, the *Louisiana Governmental Audit Guide*, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered the Organization’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing an our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Organization’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization’s internal control.

However, during our audit, we became aware of matters that are opportunities for strengthening internal controls and operating efficiencies. This letter summarizes our comments and suggestions concerning these matters. This letter does not affect our report dated December 28, 2018, on the financial statements of Jefferson Performing Arts Society.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various Jefferson Performing Arts Society personnel, and we will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

2018-002 Approval of Journal Entries

Our review of controls over journal entries indicated that manual journal entries are not subject to review by another responsible employee. We recommend that the organization adopt a policy whereby all manual journal entries are subject to approval by a designated member of management or the Board of Directors. All journal entries should be initialed by the preparer as well as a reviewer in order to attribute responsibility to the appropriate individuals. Implementation of this will decrease the likelihood of misstatement through errant entries.



To the Board of Directors of the
Jefferson Performing Arts Society
December 28, 2018
Page 2

2018-003 Maintenance of Vacation Records

JPAS does not maintain the detailed records necessary for making a precise accrual of compensated absences. Our audit estimate for this unrecorded liability is not currently significant; however, as JPAS continues to grow, the potential for problems in making an estimate in the absence of such detail records increases. We recommend that JPAS consider maintaining a detailed analysis of vacation earned and used by employee in order to record the liability at fiscal year end.

2018-004 Improve Payroll Review Procedures

Our review of the controls over the payroll system indicated that employees do not currently have a mechanism through which attendance is tracked. We recommend that each employee record his or her daily attendance, sign the record, and submit it to management for review. Requiring signatures can help impress on employees the need for accuracy and honesty in filling out the attendance records and that by signing it they are making a representation about those matters. Knowledge that the attendance records will be reviewed by the supervisor or manager will also encourage employees to fill out the attendance records accurately and honestly.

This letter is intended solely for the information and use of Jefferson Performing Arts Society and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this letter is distributed by the Legislative Auditor as a public document.

December 28, 2018
New Orleans, Louisiana

Erickson Krentel LLP

Certified Public Accountants

**JEFFERSON PERFORMING ARTS SOCIETY
MANAGEMENT'S CORRECTIVE ACTION PLANS
JUNE 30, 2018**

December 28, 2018

Louisiana Legislative Auditor

Jefferson Performing Arts Society, respectfully submits the following corrective action plan for the year ended June 30, 2018.

Name and address of independent public accounting firm:

Ericksen Krentel LLP
4227 Canal Street
New Orleans, Louisiana 70119
Contact: W. Eric Powers

Audit Period: 7/1/2017 to 6/30/2018

The recommendations from the June 30, 2018 management letter are discussed below. The recommendations are numbered consistently with the numbers assigned in the management letter.

2018-002 Approval of Journal Entries

Recommendation: We recommend the adoption of a policy whereby all journal entries will be approved by a designated member of management. All entries should be initialed by the preparer and the individual approving them in order to attribute responsibility to the appropriate individuals.

Response: Management agrees with the recommendation and will consider the implementation of policies and procedures for approval of journal entries.

2018-003 Maintenance of Vacation Records

Recommendation: We recommend that JPAS consider maintaining a detailed analysis of vacation earned and used by employee in order to record the liability at fiscal year end.

Response: Management agrees with the recommendation and will begin tracking vacation through a subsidiary ledger.

2018-004 Improve Payroll Review Procedures

Recommendation: We recommend that each employee record his or her daily attendance, sign the record, and submit it to management for review.

JEFFERSON PERFORMING ARTS SOCIETY
MANAGEMENT'S CORRECTIVE ACTION PLANS (CONTINUED)
JUNE 30, 2018

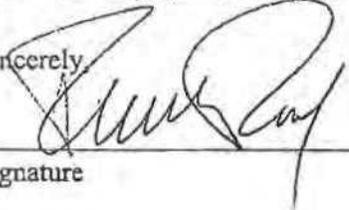
Response: Management agrees with the recommendation and will consider the implementation of policies and procedures for employees to use document attendance.

If there are any questions regarding this plan, please call Dennis Assaf at (504) 885-2000.

Sincerely,

Signature

Title


Exec/ART Dir.

JEFFERSON PERFORMING ARTS SOCIETY

METAIRIE, LOUISIANA

STATEWIDE AGREED-UPON PROCEDURES

FOR THE YEAR ENDED

JUNE 30, 2018



ERICKSEN KRENTEL^{LLP}

CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS



INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors of
Jefferson Performing Arts Society

We have performed the procedures enumerated below, which were agreed to by Jefferson Performing Arts Society (Entity) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2017 through June 30, 2018. The Entity's management is responsible for those C/C areas identified in the SAUPs. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are attached in Schedule "1."

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of Government Auditing Standards. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

December 28, 2018
New Orleans, Louisiana

Ericksen Krentel LLP

Certified Public Accountants

JEFFERSON PERFORMING ARTS SOCIETY
AGREED-UPON PROCEDURES
JULY 1, 2017 – JUNE 30, 2018

Written Policies and Procedures

1. **Procedures:** Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
 - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget
 - b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
 - c) **Disbursements**, including processing, reviewing, and approving
 - d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
 - e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
 - f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process
 - g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)
 - h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
 - i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

JEFFERSON PERFORMING ARTS SOCIETY
AGREED-UPON PROCEDURES (CONTINUED)
JULY 1, 2017 – JUNE 30, 2018

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

Results: The written policies and procedures address purchasing, disbursements, receipts, payroll/personnel, contracts, credit cards, and travel and expense reimbursement. Budgeting is not covered in the entity's written policies and procedures. Contracts are only covered as to the approval process. Ethics and debt service are not applicable to the Entity.

Bank Reconciliations

1. **Procedures:** Obtain a listing of client bank accounts from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:
- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);
 - b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
 - c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Results: Obtained management's representation that the list of bank accounts was complete. Bank reconciliations were not prepared for the Capital One Payroll account as there are no reconciling items due to it being used as a payroll sweep account. There was no documentation of research of reconciling items that have been outstanding for more than twelve months.

Collections

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

Results: Obtained management's representation that the list of deposit sites was complete and selected the Entity's one deposit site.

JEFFERSON PERFORMING ARTS SOCIETY
AGREED-UPON PROCEDURES (CONTINUED)
JULY 1, 2017 – JUNE 30, 2018

3. **Procedures:** For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
- a) Employees that are responsible for cash collections do not share cash drawers/registers.
 - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.
 - c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
 - d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

Results: We obtained management's representation that the listing of collection locations was complete and selected one collection location. We obtained the written policies and procedures for the location and verified that the employee does not utilize cash drawers/registers, is not responsible for making bank deposits, does not record collections to the general ledger, and not responsible for reconciling cash collections to the general ledger.

4. **Procedures:** Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

Results: The entity maintains insurance policies that cover employee theft

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

JEFFERSON PERFORMING ARTS SOCIETY
AGREED-UPON PROCEDURES (CONTINUED)
JULY 1, 2017 – JUNE 30, 2018

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

Results: We obtained the supporting documentation for two deposit dates for each of the three bank accounts selected under the bank reconciliation testing. We verified that the receipts are sequentially pre-numbered and traced them to the deposit slip, bank statement, and general ledger. We noted that the entity does not retain detailed information regarding the receipt date at the collection location; however, we verified that all checks were deposited within one week of the check date.

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

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

Results: Obtained managements representation that the listing is complete and selected the one location that processes payments.

7. **Procedures:** For each location selected above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - b) At least two employees are involved in processing and approving payments to vendors.

JEFFERSON PERFORMING ARTS SOCIETY
AGREED-UPON PROCEDURES (CONTINUED)
JULY 1, 2017 – JUNE 30, 2018

- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

Results: We observed appropriate segregation of duties over initiation of purchase requests and processing payments to vendors; however, we noted two exceptions for adding vendors and mailing checks. We noted that the Business Manager is responsible for processing payments has authority to add vendors to the purchasing system; however, she is not involved in the approval function. The Business Manager is also responsible for both processing payments and mailing checks.

- 8. **Procedures:** For each location selected under above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:
 - a) Observe that the disbursement matched the related original invoice/billing statement.
 - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested above, as applicable.

Results: Obtained a listing of disbursements and management's representation that the listing is complete. We verified that the disbursement matched the related invoice for all selections. Additionally, for any disbursement which was not a regularly occurring utility or payroll selection, we verified evidence of segregation of duties.

Payroll and Personnel

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

Results: Obtained management's representation that the listing is complete and agreed paid salaries to authorized salaries in the personnel files without exception.

- 10. **Procedures:** Randomly select one pay period during the fiscal period. For the 5 employees/officials selected above, obtain attendance records and leave documentation for the pay period, and:

JEFFERSON PERFORMING ARTS SOCIETY
AGREED-UPON PROCEDURES (CONTINUED)
JULY 1, 2017 – JUNE 30, 2018

- a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
- b) Observe that supervisors approved the attendance and leave of the selected employees/officials.
- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

Results: We inspected the attendance records and noted an exception that all selected employees were salary and did not document their daily attendance. Additionally, we noted that none of the selected employees took leave during the period; however, all leave and salaries are approved by the Executive Director. We also noted that the entity does not maintain cumulative leave records for accrued and taken leave.

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

Results: Obtained management's representation that the listing of employees that received termination payments during the fiscal period was complete, and verified that no employees received termination payments during the fiscal year.

12. **Procedures:** Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Results: Obtained management's representation that payroll taxes were filed by the required deadlines. Retirement contributions were not applicable during the fiscal year.

JEFFERSON PERFORMING ARTS SOCIETY
CORRECTIVE ACTION PLAN – AGREED UPON PROCEDURES
JULY 1, 2017 – JUNE 30, 2018

December 28, 2018

Louisiana Legislative Auditor

The Jefferson Performing Arts Society respectfully submits the following corrective action plan for items identified pursuant to the Statewide Agreed Upon Procedures Engagement prescribed by you.

Name and address of independent public accounting firm:

Ericksen Krentel LLP
4227 Canal Street
New Orleans, LA 70119

Engagement Period: July 1, 2017 – June 30, 2018

The exceptions from the Statewide Agreed Upon Procedures Report are discussed below:

Written Policies and Procedures

Exceptions: Budgeting is not covered in the entity's written policies and procedures. Contracts are only covered as to the approval process.

Bank Reconciliations

Exceptions: Bank reconciliations were not prepared for the Capital One Payroll account. There was no documentation of research into reconciling items that have been outstanding for more than twelve months.

Collections

Exception: Detailed information regarding the receipt date of collections is not maintained.

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

Exceptions: The Business Manager processes payments and can add vendors to the purchasing system, however, she is not involved in the approval function. The Business Manager also processes payments in addition to mailing checks.

Payroll and Personnel

Exception: Employees did not document their daily attendance.

JEFFERSON PERFORMING ARTS SOCIETY
CORRECTIVE ACTION PLAN – AGREED UPON PROCEDURES (CONTINUED)
JULY 1, 2017 – JUNE 30, 2018

Management's Response to Exceptions: Management has noted and agrees with the above exceptions. Management will consider the effects of such exceptions and the need to enhance key controls or compensating controls in the identified areas.

If there are any questions regarding this plan, please contact Dennis Assaf, Executive Director, at (504) 885-2000.

Sincerely,

Signature



Title

Exec/ART. Dir