



The Strand Theatre of Shreveport Corporation

Financial Statements
Years Ended May 31, 2018 and 2017

The Strand Theatre of Shreveport Corporation

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Independent Auditor's Report

The Board of Directors
The Strand Theatre of Shreveport Corporation
Shreveport, Louisiana

I have audited the accompanying financial statements of The Strand Theatre of Shreveport Corporation (a nonprofit organization) which comprise the statements of financial position for the years ended May 31, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and summary of significant accounting policies and the related notes to 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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 auditor's 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Strand Theatre of Shreveport Corporation as of May 31, 2018 and 2017, and the changes in its net assets and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

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

The schedule of compensation, benefits and other payments to agency head is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the schedule of compensation, benefits and other payments to agency head is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Certified Public Accountant

Shreveport, Louisiana
May 24, 2019

**The Strand Theatre
of Shreveport Corporation**

Statements of Financial Position

| <i>May 31,</i> | 2018 | 2017 |
|---|--------------------|--------------------|
| Assets | | |
| Current assets: | | |
| Cash, unrestricted (Notes 1 and 8) | \$ 130,016 | \$ 154,776 |
| Cash, restricted (Notes 1 and 8) | 15,269 | - |
| Short-term investments (Notes 3, 8 and 9) | 100,000 | 100,000 |
| Inventory | 8,295 | - |
| Grants receivable | - | 8,939 |
| Prepaid expenses | 23,613 | 18,802 |
| Total current assets | 277,193 | 282,517 |
| Finance lease right of use asset (Note 5) | 7,118 | - |
| Operating lease right of use asset (Note 5) | - | 1,500 |
| Property and equipment (Notes 2 and 13) | 3,536,818 | 3,686,443 |
| Work of art (Note 11) | 106,400 | 106,400 |
| Strand Building Fund (Note 10) | 232,309 | 224,816 |
| | \$4,159,838 | \$4,301,676 |
| Liabilities and Net Assets | | |
| Current liabilities: | | |
| Notes Payable (Note 3) | \$ 87,433 | \$ 59,301 |
| Accounts payable | 25,264 | 23,852 |
| Accrued expenses | 12,643 | 18,732 |
| Deferred revenue | 269,059 | 214,768 |
| Total current liabilities | 394,399 | 316,653 |
| Finance lease liability (Note 5) | 7,118 | - |
| Operating lease liability (Note 5) | - | 1,500 |
| Total liabilities | 401,517 | 318,153 |
| Net assets (Note 8): | | |
| Unrestricted | 2,860,743 | 3,108,707 |
| Temporarily restricted | 697,578 | 674,816 |
| Permanently restricted | 200,000 | 200,000 |
| Total net assets | 3,758,321 | 3,983,523 |
| | \$4,159,838 | \$4,301,676 |

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

The Strand Theatre of Shreveport Corporation

Statements of Activities

| <i>Years Ended May 31,</i> | 2018 | 2017 |
|--|------------------|------------------|
| Changes in net assets without donor restrictions: | | |
| Support and revenues: | | |
| Ticket sales | \$ 490,268 | \$ 337,847 |
| Fund raising | 324,030 | 416,068 |
| Other income | 232,296 | 231,719 |
| Business sponsorships | 69,000 | 82,250 |
| Grant income | 49,907 | 86,800 |
| Program advertising | 14,580 | 19,820 |
| Total support and revenues | 1,180,081 | 1,174,504 |
| Expenses: | | |
| Program services and theatrical: | | |
| Artist fees | 259,000 | 220,000 |
| Depreciation and amortization | 191,663 | 179,363 |
| Salary and wages | 159,331 | 168,029 |
| Contract labor | 127,740 | 40,489 |
| Insurance | 79,763 | 75,180 |
| Occupancy expense | 79,432 | 86,767 |
| Payroll taxes and benefits | 53,546 | 58,214 |
| Box office | 50,016 | 45,287 |
| Printing | 45,469 | 40,940 |
| Advertising | 40,157 | 37,451 |
| Production cost | 36,358 | 28,809 |
| Janitorial expense | 20,317 | 4,662 |
| Security | 19,201 | 6,055 |
| Credit card fees | 10,099 | 14,775 |
| Theatre supplies | 2,491 | 4,491 |
| Total program services and theatrical | 1,174,583 | 1,010,512 |
| Management and general: | | |
| Salaries and wages | 94,397 | 86,643 |
| Payroll taxes and benefits | 20,928 | 25,276 |
| Miscellaneous | 17,020 | 15,620 |
| Professional fees | 13,958 | 15,097 |
| Conference and travel | 12,418 | 7,326 |
| Office supplies and equipment | 9,012 | 13,460 |

(Continued)

The Strand Theatre of Shreveport Corporation

Statements of Activities (Concluded)

| <i>Years Ended May 31,</i> | 2018 | 2017 |
|--|--------------------|--------------------|
| Telephone | \$ 6,198 | \$ 4,927 |
| Postage | 5,679 | 5,229 |
| Interest | 3,850 | 3,528 |
| Dues and subscriptions | 1,887 | 3,575 |
| Total management and general | 185,347 | 180,681 |
| Fundraising: | | |
| Salaries and wages | 51,418 | 53,485 |
| Payroll taxes and employee benefits | 16,697 | 17,325 |
| Total fundraising | 68,115 | 70,810 |
| Other income (expense): | | |
| Loss on disposition of assets | - | (7,566) |
| Assets released from restriction (Note 8) | - | 7,372 |
| Net other expense | - | (194) |
| Decrease in net assets without donor restrictions | (247,964) | (87,693) |
| Changes in temporarily restricted net assets: | | |
| Contributions restricted to capital improvements | 15,269 | - |
| Investment income on Strand Building Fund (Note 10) | 7,493 | 21,972 |
| Assets released from restriction (Note 8) | - | (7,372) |
| Increase in temporarily restricted net assets | 22,762 | 14,600 |
| Decrease in net assets | (225,202) | (73,093) |
| Net assets, beginning of year | 3,983,523 | 4,056,616 |
| Net assets, end of year | \$3,758,321 | \$3,983,523 |

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

The Strand Theatre of Shreveport Corporation

Statements of Cash Flows

| <i>Years Ended May 31,</i> | 2018 | 2017 |
|--|-------------------|-------------------|
| Cash Flows from Operating Activities: | | |
| Decrease in net assets | \$(225,202) | \$ (73,093) |
| Adjustments to reconcile decrease in net assets to net cash provided by operating activities: | | |
| Contributions and investment earnings restricted for long-term purposes | (7,493) | (21,972) |
| Depreciation expense | 191,663 | 179,363 |
| Amortization of right of use asset | 121 | - |
| Loss on disposition of assets | - | 7,566 |
| Change in operating assets and liabilities: | | |
| Inventories | (8,295) | - |
| Grants receivable | 8,939 | 7,372 |
| Prepaid expenses | (4,811) | 26,749 |
| Accounts payable | 1,412 | 12,481 |
| Accrued expenses | (6,089) | 3,140 |
| Deferred revenue | 54,291 | 55,188 |
| Net cash provided by operating activities | 4,536 | 196,794 |
| Cash Flows From Investing Activities: | | |
| Expenditures for property and equipment | (42,038) | (139,724) |
| Investment in other long-term assets | (7,493) | (21,972) |
| Net cash used in investment activities | (49,531) | (161,696) |
| Cash Flows From Financing Activities: | | |
| Restricted interest and dividends | 7,493 | 21,972 |
| Payments on lease liability | (121) | - |
| Proceeds from the issuance of debt | 30,000 | 5,000 |
| Payments on line-of-credit, net | (1,868) | (8,699) |
| Net cash provided by financing activities | 35,504 | 18,273 |
| Net increase (decrease) in cash | (9,491) | 53,371 |
| Cash, at beginning of year | 154,776 | 101,405 |
| Cash, at end of year | \$ 145,285 | \$ 154,776 |

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

The Strand Theatre of Shreveport Corporation

Statements of Cash Flows (Concluded)

Reconciliation of cash and restricted cash: The following provides a reconciliation of unrestricted cash and restricted cash reported within the statements of cash flows that sum to the total of the same such amounts shown in the statements of cash flows:

| <i>Years Ended May 31,</i> | 2018 | 2017 |
|----------------------------|------------------|-----------|
| Cash, unrestricted | \$130,016 | \$154,776 |
| Cash, restricted | 15,269 | - |
| Total cash | \$145,285 | \$154,776 |

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

The Strand Theatre of Shreveport Corporation

Summary of Accounting Policies

Summary of Accounting Policies

This summary of accounting policies of The Strand Theatre of Shreveport Corporation (the “Strand”) is presented to assist in understanding the Organization’s financial statements. The financial statements and notes are representations of the Organization’s management, who is responsible for their integrity and objectivity. These accounting policies have been consistently applied in the preparation of the financial statements.

Nature of Business

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

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

Method of Accounting

The Strand uses the accrual basis of accounting for both unrestricted and restricted funds. Unrestricted fund assets, liabilities, revenue and expenses are those items acquired or incurred through the Strand’s normal fund-raising efforts and production activities. Restricted fund assets, liabilities, revenue and expenses include those items acquired or received through the Strand’s normal fund-raising efforts as well as those items received or incurred pursuant to grants from various agencies, the use of which is governed by restrictions placed thereon by the donors. Restricted funds may be used only for the purposes for which the donor or grantor contributed such funds.

Revenue Recognition

The Strand reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted donations on which the restriction expires in the same year received are reported in the unrestricted fund.

The Strand Theatre of Shreveport Corporation

Summary of Accounting Policies (Continued)

Use of Estimates

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

Property and Equipment

The Strand capitalizes property and equipment with useful lives over three years. Property and equipment are stated at cost, or if donated, at the fair market value at the date of donation. Works of art are capitalized at their fair market value on donation and, pursuant to FASB Accounting Standards Codification 958, *Not-For-Profit Entities*, are not depreciated. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets, which range from 5 to 40 years. Maintenance and repairs which do not improve or extend the life of the respective assets are expensed as incurred.

Deferred Revenue

Deferred revenue consists of ticket sales and payments received in advance for theatrical productions to be performed in the following fiscal year and proceeds from fund raising efforts related to the following fiscal year. Amounts related to deferred revenue for 2018 and 2017 were \$269,059 and \$214,768, respectively.

Contributions and Contributed Services

The Strand has adopted FASB Accounting Standards Codification 958, *Not-For-Profit Entities*. Contributions received are recorded as either without donor restrictions or with donor restrictions depending on the existence or nature of any donor restrictions.

The Strand receives donated services from many unpaid volunteers who donate their time and perform a variety of tasks that assist the organization. The value of contributed services meeting the requirements for recognition in the financial statements for 2018 and 2017 was not material and has not been recorded.

Other income in the statements of activities includes \$27,750 of in-kind contributions of donated fixed assets and facility improvements for the year ended May 31, 2018.

The Strand Theatre of Shreveport Corporation

Summary of Accounting Policies (Continued)

Concentrations of Credit Risk

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

Income Taxes

The Strand is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and exempt from state income tax under appropriate provisions in the laws of the State of Louisiana. The Strand is not a private foundation within the meaning of Section 509(a) and there was no unrelated net business taxable income for the years ended May 31, 2018 and 2017. Accordingly, no provision for income taxes has been made in the financial statements.

The Strand has adopted ASC 740, *Accounting for Uncertainty in Income Taxes*. Management has evaluated the Strand's tax positions and concluded that the Strand has taken no uncertain tax positions that require adjustment to the financial statements in order to comply with the provisions of ASC 740. In addition, Management is not aware of any matters that would cause the Strand to lose its tax-exempt status. The income tax filings for the Strand's years ending in 2016 through 2018 are subject to examination by taxing authorities.

Financial Statement Presentation

The Strand has adopted FASB Accounting Standards Codification 958, *Not-For-Profit Entities*. Under FASB ASC 958, the Strand 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 Strand does not use fund accounting.

Functional Expenses

Expenses are charged directly to program services, management and general, and fund raising expenses in functional categories based on specific identification. Salaries and wages as well as payroll taxes and benefits have been allocated among these functional categories based on management's assessment of the amount of time employees spend on duties directly related to those categories.

Collective Bargaining Agreement

Certain wages paid by the Strand were covered by a collective bargaining agreement. The agreement sets wage rates for various job classifications along with other terms and conditions and is effective through August 31, 2018 which was subsequently renewed.

The Strand Theatre of Shreveport Corporation

Summary of Accounting Policies (Concluded)

| | |
|---------------------------------|---|
| Statements of Cash Flows | For purposes of the statements of cash flows, the Strand considers all cash in bank accounts and highly liquid debt instruments purchased with original maturities of three months or less, including restricted funds not pledged as collateral or for long-term purposes, to be cash equivalents. |
| Pension Plan | Beginning in 2017, the Strand established a Savings Incentive Match Plan for Employees Individual Retirement Account (SIMPLE IRA). The Strand's pension costs under the plan for the years ended May 31, 2018 and 2017 were \$7,749 and \$1,788, respectively. |
| Advertising | The Strand expenses advertising as it is incurred. The Strand expended \$40,157 and \$37,451 in the years ended May 31, 2018 and 2017, respectively, for advertising. |
| Inventory | Inventories, consisting primarily of beverages and snacks sold for consumption at theatrical events on the premises, are valued at the lower of cost or market. Cost is determined on a first-in, first-out basis. |
| Subsequent Events | Management evaluated events subsequent to the Strand's most recent year end through May 24, 2019, the financial statement issuance date. |

The Strand Theatre of Shreveport Corporation

Notes to Financial Statements

- 1. Cash** Included in cash as of May 31, 2018 and 2017 are interest-bearing accounts totaling \$126,268 and \$151,022, respectively.

At May 31, 2018, \$0 in demand deposits exceeded Federal Depository insurance limits.

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

| | 2018 | 2017 |
|---|-------------|-------------|
| Land | \$ 96,000 | \$ 96,000 |
| Theatre and improvements | 6,179,080 | 6,167,399 |
| Theatrical equipment | 263,018 | 251,752 |
| Office furniture and equipment | 81,704 | 62,613 |
| | 6,619,802 | 6,577,764 |
| Less accumulated depreciation and amortization | 3,082,984 | 2,891,321 |
| | \$3,536,818 | \$3,686,443 |

- 3. Notes Payable** The Organization has a \$100,000, variable rate (6.75% at May 31, 2018) revolving line-of-credit with a bank secured by a \$100,000 certificate of deposit. The outstanding balance as of May 31, 2018 and 2017 was \$87,433 and \$59,301, respectively.

- 4. Employee Benefit Plan** The Strand uses hourly employees who belong to the International Alliance of Theatrical Stage Employees Union and are covered under the IATSE National Benefit Funds pension plan. Benefits paid to union employees for years ended May 31, 2018 and 2017 were \$6,215 and \$9,249, respectively.

The Strand Theatre of Shreveport Corporation

Notes to Financial Statements (Continued)

5. Leases

The Strand has adopted FASB ASC 842, *Leases*. Under this Statement, a lessee is required to recognize a lease liability and an intangible lease right-to-use asset (“ROU”).

The Strand has the following lease obligations as of May 31, 2018:

Office equipment with an initial present value of \$7,239, an implicit annual interest rate of 6% included in 60 monthly payments of \$140 beginning April 2018, and with an option to purchase the equipment for \$1 at the end of the lease term.

The following schedule summarizes lease information as of:

| May 31, | 2018 | 2017 |
|-----------------------------|---------|---------|
| Expenses: | | |
| Operating lease expense | \$1,500 | \$1,800 |
| Finance lease expense | | |
| Amortization of ROU asset | 121 | - |
| Interest on lease liability | 19 | - |
| Total lease expense | \$1,640 | \$1,800 |

Cash paid for amounts included in the measurement of lease and liabilities for finance leases as of:

| May 31, | 2018 | 2017 |
|------------------------------------|-------|------|
| Operating cash flows | \$ 19 | \$ - |
| Financing cash flows | 121 | - |
| Total cash paid for finance leases | \$140 | \$ - |

Cash paid for amounts included in the measurement of lease and liabilities for operating leases as of:

| May 31, | 2018 | 2017 |
|--------------------------------------|---------|---------|
| Operating cash flows | \$1,500 | \$1,800 |
| Total cash paid for operating leases | \$1,500 | \$1,800 |

The Strand Theatre of Shreveport Corporation

Notes to Financial Statements (Continued)

5. Leases (continued)

The following summarizes ROU assets obtained in exchange for lease liabilities as of:

| May 31, | 2018 | 2017 |
|----------------|---------|------|
| Finance leases | \$7,118 | \$ - |
| Total | \$7,118 | \$ - |

The following summarizes the weighed average remaining lease term (in years) as of May 31, 2018:

| | |
|------------------|-----|
| Finance leases | 4.8 |
| Operating leases | - |

The following summarizes the weighted average discount rate as of May 31, 2018:

| | |
|------------------|----|
| Finance leases | 6% |
| Operating leases | - |

| | Finance | Operating |
|------------------------------|-----------|-----------|
| Maturity Analysis | | |
| 2019 | \$ 1,679 | \$ - |
| 2020 | 1,679 | - |
| 2021 | 1,679 | - |
| 2022 | 1,679 | - |
| 2023 and thereafter | 1,539 | - |
| Total | 8,255 | - |
| Less: Present value discount | \$(1,137) | - |
| Lease liability | \$ 7,118 | \$ - |

Under the provisions of Accounting Standards Update 2018-11, the Strand is required to recast its statement of financial position for the year ended May 31, 2017 in order to present lease ROU asset and corresponding lease liability. As a result, operating lease ROU asset was increased by \$1,500 and operating lease liability was increase by \$1,500.

The Strand Theatre of Shreveport Corporation

Notes to Financial Statements (Continued)

6. Related Party Transactions The Strand's general insurance agent is a member of the board. The annual premium cost paid to the agency, with which this individual is associated, was \$79,763 and \$75,180 for the years ended May 31, 2018 and 2017, respectively.

7. Supplemental Cash Flows Information Cash paid for interest was \$3,850 and \$3,528 for the years ended May 31, 2018 and 2017, respectively. There was no cash paid for income taxes in either 2018 or 2017.

8. Net Assets Net assets were released from donor restrictions during 2018 and 2017 by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by the donors. Net assets released were donated for the following specific purposes:

| May 31, | 2018 | 2017 |
|----------------------|-------------|---------|
| Capital Improvements | \$ - | \$7,372 |
| Total | \$ - | \$7,372 |

The following is a description of amounts classified as temporarily restricted net assets at May 31, 2018 and 2017:

| May 31, | 2018 | 2017 |
|--|------------------|-----------|
| Portion of building restricted until December 31, 2036 (Note 13) | \$550,000 | \$550,000 |
| Net assets of Strand Building Fund restricted for capital improvements | 32,309 | 24,816 |
| Net assets required to be retained until used for capital improvements | 15,269 | - |
| Net assets required to be retained as collateral for a bank line-of-credit | 100,000 | 100,000 |
| Total temporarily restricted net assets | \$697,578 | \$674,816 |

(Continued)

The Strand Theatre of Shreveport Corporation

Notes to Financial Statements (Continued)

8. Net Assets (continued)

The following is a description of amounts classified as net assets with donor restrictions at May 31, 2018 and 2017:

| May 31, | 2018 | 2017 |
|--|-----------|-----------|
| Net assets whose earnings and capital appreciation may be used for capital improvement (see Note 10) | \$200,000 | \$200,000 |
| Total | \$200,000 | \$200,000 |

9. Investments

Short-term investment at May 31, 2018 comprises one certificate of deposit with a cost and current market value of \$100,000 maturing on July 1, 2018. The Strand has pledged this asset as collateral on its line-of-credit identified in Note 3.

10. Strand Building Fund

On April 11, 2016 the Strand entered into a Designated Agency Endowment Fund Agreement with the Community Foundation of North Louisiana (the "Foundation") to establish the Strand Building Fund (the "Fund"). Under the terms of the agreement, the Strand invested \$100,000 cash from net assets without donor restrictions which was matched by a \$100,000 donation from the Foundation as a perpetually restricted contribution to be deposited into the Fund.

Under the terms of the Fund, the Foundation has ownership of the funds while the Strand retains a beneficial interest in the earnings and capital appreciation, which may be withdrawn to pay for repairs, maintenance and other capital improvements to the Strand building in accordance with the Foundation's spending policy. Distributions from the Fund in excess of earnings and capital appreciation can only be made for special purposes as approved by the Foundation's board of directors.

The fair market value of the Fund at May 31, 2018 and 2017 was \$232,309 and \$224,816; respectively.

The Strand Theatre of Shreveport Corporation

Notes to Financial Statements (Continued)

**10. Strand Building Fund
- (continued)**

Earnings of the Fund are as follows:

| | 2018 | 2017 |
|---|----------|----------|
| Fund distributions included in grant income | \$ 8,722 | \$ - |
| Unrealized gain | 7,493 | 21,972 |
| | \$16,215 | \$21,972 |

11. Work of Art

Work of Art comprises an 18th century Waterford Chandelier.

12. Endowment Account

In 1998, the Strand entered into an agreement with the Community Foundation of North Louisiana (the "Foundation"), the agreement establishes an Agency Endowment Fund at the Foundation called "The Strand Theatre Fund". All property of the fund belongs to the Foundation. The fund will be used for support of the charitable purposes of the Strand. Net income and capital appreciation of the fund, as governed by the Foundation's spending policy, will be paid and distributed to the Strand at least annually, for as long as the Strand is a qualified charitable organization.

The fair market value of the fund on the records of the Foundation at May 31, 2018 and 2017 was \$81,691 and \$79,134 respectively. Income received by the Strand from the fund used for operations for the years ended May 31, 2018 and 2017 was \$3,106 and \$3,104 respectively.

13. Building Mortgage

On April 9, 2015, as part of the terms of a \$550,000 grant to replace its roof, the Strand executed a first mortgage in favor of the foundation making the grant (the "Grantor"). The mortgage will remain in place through December 31, 2036. As a condition of the grant, the Strand agrees not to mortgage or transfer ownership of the building through December 31, 2036. Should the Strand do so, the entirety of the grant will be repayable to the Grantor.

The Strand Theatre of Shreveport Corporation

Notes to Financial Statements (Concluded)

14. Change in Accounting Principle

The Strand elected to adopt the provisions of ASC 842 – Leases early, as of the year ended May 31, 2018. Under ASC 842, the Strand is required to record a Right of Use asset and a corresponding lease liability for both operating and financing leases. Previously, operating leases were not required to be recognized on the balance sheet.

These accounting changes have been retrospectively applied to the year ended May 31, 2017. Thus, certain prior year amounts have been modified to conform with current year presentations.

Supplementary Information



The Strand Theatre of Shreveport Corporation

Schedule of Compensation, Benefits and Other Payments to Agency Head

Year Ended May 31, 2018

Louisiana Revised Statute 24:513 (A) (3) requires reporting of the total compensation, reimbursements, and benefits paid to the agency head or chief executive officer. This law was further amended by Act 462 of the 2015 Regular Session of the Louisiana Legislature to clarify that nongovernmental or not-for-profit local auditees are required to report only the compensation, reimbursements, and benefits paid to the agency head or chief executive officer from public funds.

The Strand Theatre of Shreveport Corporation is not required to report the total compensation, reimbursements, and benefits paid to Ms. Jenifer Hill, the Executive Director, as none of those payments were made from public funds.

The Strand Theatre of Shreveport Corporation

Schedule of Findings

Current Findings:

2018-001 – Late Filing of Report

Condition

The Organization failed to comply with state law (LA R.S. 24:513) since the annual report for the year ended May 31, 2018 was not submitted to the Louisiana Legislative Auditor's Office until after November 30, 2018, the statutory due date.

Criteria

Pursuant to Louisiana Revised Statute 24:513, financial statements are required to be filed with the Louisiana Legislative Auditor no later than six months after an entity's fiscal year end.

Cause

Management required additional time to obtain sufficient and reliable documentation to support audit procedures.

Effect

The Organization was not in compliance with the state audit law.

Recommendation

Management should implement processes to ensure financial statements are timely filed.

Management's response and plan of corrective action

Management agrees with this finding and will ensure timely filing of financial statements in the future.

**The Strand Theatre
of Shreveport Corporation**

**Schedule of Findings
(Concluded)**

Past Findings:

There were no findings for the year ended May 31, 2017.