

# SCHAFFER GROUP, LTD.

TIPITINA'S FOUNDATION, INC.

FINANCIAL STATEMENTS  
AND  
REQUIRED SUPPLEMENTARY INFORMATION

(COMPILATION REPORT)

YEAR ENDED DECEMBER 31, 2012

CERTIFIED PUBLIC ACCOUNTANTS  
A LIMITED LIABILITY COMPANY

TIPITINA'S FOUNDATION, INC.  
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## INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

To the Board of Directors of  
Tipitina's Foundation, Inc.  
New Orleans, LA

We have compiled the accompanying statement of financial position of Tipitina's Foundation, Inc. (a Louisiana Not-For-Profit Corporation) ("Foundation") as of December 31, 2012, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

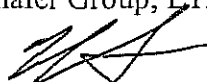
Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements. During our compilation, we did become aware of a departure from accounting principles generally accepted in the United States of America that is described in the following paragraph.

As discussed in Note 1G, the Foundation has expensed the cost of merchandise. In accordance with accounting principles generally accepted in the United States of America, the cost of merchandise should be capitalized when purchased and then expensed when sold using an appropriate inventory method. The effects on the financial statements of that departure from U.S. generally accepted accounting principles are not reasonably determinable.

This report is intended solely for the information and use of management, others within the Foundation, and the Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Schafer Group, LTD., LLC



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Kernion T. Schafer, CPA  
Managing Member

March 21, 2013

TIPITINA'S FOUNDATION, INC.  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2012

ASSETS

Current Assets

|                          |    |                |
|--------------------------|----|----------------|
| Cash                     | \$ | 94,301         |
| Contributions Receivable |    | 5,818          |
| Accounts Receivable      |    | 28,889         |
| Other Receivable         |    | 3,958          |
| Recorded Music Inventory |    | 31,200         |
| Instruments Inventory    |    | <u>16,100</u>  |
| Total Current Assets     |    | <u>180,266</u> |

Property and Equipment

|                                |    |                       |
|--------------------------------|----|-----------------------|
| Building                       |    | 121,973               |
| Furniture and Equipment        |    | 81,339                |
| Leasehold Improvements         |    | <u>277,636</u>        |
|                                |    | 480,948               |
| Less: Accumulated Depreciation |    | <u>(159,459)</u>      |
|                                |    | 321,489               |
| Construction in Progress       |    | <u>345,000</u>        |
| Total Property and Equipment   |    | <u>666,489</u>        |
| TOTAL ASSETS                   | \$ | <u><u>846,755</u></u> |

See Independent Accountants' Compilation Report and Notes to the Financial Statements.

SCHAFFER GROUP, LTD.  
CERTIFIED PUBLIC ACCOUNTANTS  
A LIMITED LIABILITY COMPANY

TIPITINA'S FOUNDATION, INC.  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2012

LIABILITIES AND NET ASSETS

Current Liabilities

|   |              |
|---|--------------|
| Accounts Payable                            | \$ 16,574    |
| Allowance for Estimated CD Returns (Note 7) | 4,183        |
| Accrued Payroll and Related Expenses        | <u>6,758</u> |

|                           |               |
|---------------------------|---------------|
| Total Current Liabilities | <u>27,515</u> |
|---------------------------|---------------|

|                   |               |
|-------------------|---------------|
| Total Liabilities | <u>27,515</u> |
|-------------------|---------------|

Net Assets

|                        |                |
|------------------------|----------------|
| Unrestricted           | 570,286        |
| Temporarily Restricted | <u>248,954</u> |

|                  |                |
|------------------|----------------|
| Total Net Assets | <u>819,240</u> |
|------------------|----------------|

|                                  |                   |
|----------------------------------|-------------------|
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 846,755</u> |
|----------------------------------|-------------------|

See Independent Accountants' Compilation Report and Notes to the Financial Statements.

SCHAFFER GROUP, LTD.  
CERTIFIED PUBLIC ACCOUNTANTS  
A LIMITED LIABILITY COMPANY

**TIPITINA'S FOUNDATION, INC.  
STATEMENTS OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2012**

**UNRESTRICTED NET ASSETS**

|  |                   |
|--|-------------------|
| <u>Unrestricted Revenue</u>                        |                   |
| Contributions and Grants                           | \$ 1,145,108      |
| Public Funds                                       | 2,000             |
| Program Income                                     | 5,699             |
| CD Revenue - Goin' Home, net of Allowance (Note 7) | 10,757            |
| Other Income                                       | <u>10,097</u>     |
| Total Unrestricted Revenue                         | <u>1,173,661</u>  |
| <u>Net Assets Released from Restrictions</u>       |                   |
| Restrictions Satisfied by Payments                 | <u>15,104</u>     |
| Total Unrestricted Revenues and Other Support      | 1,188,765         |
| <u>Expenses</u>                                    |                   |
| Program Services:                                  |                   |
| Instruments Program                                | 137,179           |
| Internship Program                                 | 168,602           |
| Music Office Co-op                                 | 329,206           |
| Community  | <u>67,754</u>     |
| Total Program Expenses                             | <u>702,741</u>    |
| Supporting Services:                               |                   |
| General and Administrative Expenses                | 208,959           |
| Fundraising  | <u>101,263</u>    |
| Total Supporting Services                          | <u>310,222</u>    |
| Total Expenses                                     | <u>1,012,963</u>  |
| <u>Other Income (Expenses)</u>                     |                   |
| Other Income on CD - Goin' Home (Note 7)           | <u>(8,977)</u>    |
| Total Other Income (Expenses)                      | <u>(8,977)</u>    |
| Increase (Decrease) in Unrestricted Assets         | <u>\$ 166,825</u> |

See Independent Accountants' Compilation Report and Notes to the Financial Statements.

TIPITINA'S FOUNDATION, INC.  
 STATEMENTS OF ACTIVITIES  
 YEAR ENDED DECEMBER 31, 2012

**TEMPORARILY RESTRICTED NET ASSETS**

|  |                   |
|--|-------------------|
| <u>Temporarily Restricted Revenue</u>                |                   |
| Contributions and Grants                             | \$ 248,954        |
| Total Temporarily Restricted Revenue                 | <u>248,954</u>    |
| <u>Net Assets Released from Restrictions</u>         |                   |
| Restrictions Satisfied by Payments                   | <u>(15,104)</u>   |
| Increase (Decrease) in Temporarily Restricted Assets | <u>\$ 233,850</u> |
| Increase (Decrease) in Net Assets                    | <u>\$ 400,675</u> |
| <br>   |                   |
| Beginning Net Assets                                 | \$ 418,565        |
| Increase (Decrease) in Net Assets                    | <u>400,675</u>    |
| Ending Net Assets                                    | <u>\$ 819,240</u> |

See Independent Accountants' Compilation Report and Notes to the Financial Statements.



TIPITINA'S FOUNDATION, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2012

|                                     | Program<br>Services | Supporting Services           |                   | Total               |
|-------------------------------------|---------------------|-------------------------------|-------------------|---------------------|
|                                     |                     | General and<br>Administrative | Fundraising       |                     |
| Salaries                            | \$ 264,643          | \$ 22,716                     | \$ 20,333         | \$ 307,692          |
| Payroll Taxes                       | <u>21,813</u>       | <u>1,861</u>                  | <u>1,697</u>      | <u>25,371</u>       |
| Total Salaries and Related Expenses | 286,456             | 24,577                        | 22,030            | 333,063             |
| Administrative Expense              | 23,158              | 3,011                         | 2,895             | 29,064              |
| Consulting and Contract Labor       | 7,725               | -                             | -                 | 7,725               |
| Facilities Rent                     | 135,503             | 6,000                         | -                 | 141,503             |
| Instructors                         | 13,757              | -                             | -                 | 13,757              |
| Instruments and Other               |                     |                               |                   |                     |
| Direct Assistance                   | 41,913              | 19,700                        | 39,219            | 100,832             |
| Insurance                           | 24,429              | 19,074                        | -                 | 43,503              |
| Merchandise                         | -                   | 25,908                        | 25,909            | 51,817              |
| Miscellaneous                       | 2,920               | 350                           | -                 | 3,270               |
| Postage                             | -                   | 252                           | 824               | 1,076               |
| Printing and Promotions             | 5,305               | 20,545                        | 4,503             | 30,353              |
| Professional Services               | -                   | 19,632                        | 4,458             | 24,090              |
| Repairs and Maintenance             | 16,779              | 431                           | -                 | 17,210              |
| Supplies and Office Expense         | 5,645               | 29,954                        | 449               | 36,048              |
| Taxes                               | 14,655              | -                             | -                 | 14,655              |
| Telephone and Internet              | 19,544              | 4,675                         | 504               | 24,723              |
| Travel                              | 14,583              | 1,045                         | 472               | 16,100              |
| Utilities                           | 22,069              | 1,442                         | -                 | 23,511              |
| Events and Seminars Expenses        | <u>68,300</u>       | <u>-</u>                      | <u>-</u>          | <u>68,300</u>       |
| Total Expense Before CD             |                     |                               |                   |                     |
| Expenditures and Depreciation       | 702,741             | 176,596                       | 101,263           | 980,600             |
| Depreciation                        | <u>-</u>            | <u>32,363</u>                 | <u>-</u>          | <u>32,363</u>       |
| Total Expenses                      | <u>\$ 702,741</u>   | <u>\$ 208,959</u>             | <u>\$ 101,263</u> | <u>\$ 1,012,963</u> |

See Independent Accountants' Compilation Report and Notes to the Financial Statements.

**TIPITINA'S FOUNDATION, INC.**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2012**

CASH FLOWS FROM OPERATING ACTIVITIES

|   |    |          |
|---|----|----------|
| Increase (Decrease) in Net Assets                             | \$ | 400,675  |
| Non Cash Items Included in Increase (Decrease) in Net Assets: |    |          |
| Depreciation  |    | 32,363   |
| Instruments Inventory   |    | 22,668   |
| Decrease (Increase) in Current Assets:                        |    |          |
| Contributions Receivable                                      |    | 3,547    |
| Accounts Receivable, Net of Allowance                         |    | (4,134)  |
| Other Receivable  |    | (3,958)  |
| Recorded Music Inventory                                      |    | 12,140   |
| Increase (Decrease) in Current Liabilities:                   |    |          |
| Accounts Payable  |    | (34,374) |
| Accrued Payroll and Related Expense                           |    | (859)    |
| Net Cash Provided By (Used in) Operating Activities           |    | 428,068  |

CASH FLOWS FROM INVESTING ACTIVITIES

|   |           |
|---|-----------|
| Purchase of Property and Equipment                  | (345,000) |
| Net Cash Provided by (Used in) Investing Activities | (345,000) |

CASH FLOWS FROM FINANCING ACTIVITIES

|   |           |
|---|-----------|
| Net Cash Provided by (Used in) Financing Activities | -         |
| Net Increase (Decrease) in Cash                     | 83,068    |
| Cash, Beginning of Year                             | 11,233    |
| Cash, End of Year                                   | \$ 94,301 |

SUPPLEMENTAL DISCLOSURES ON CASH FLOW INFORMATION

Cash Paid During the Year For:

|              |      |
|--------------|------|
| Interest     | \$ - |
| Income Taxes | \$ - |

See Independent Accountants' Compilation Report and Notes to the Financial Statements.

TIPITINA'S FOUNDATION INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012

Note 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Activities

The Tipitina's Foundation, Inc. (the Foundation) is chartered in the State of Louisiana as a non-profit corporation. The Foundation is dedicated to providing High School Music Programs with instruments, giving music students a broader exposure to the music business, and raising the awareness of Louisiana music as a cultural resource. The Foundation accomplishes this through its programs including: the Instruments Programs, which include the Instruments A' Comin' fundraiser to purchase instruments for schools and the instrument recycling project, the Tipititna's Internship Program (T.I.P.), Music Office Co-Op Centers (Co-Op), and Community Services.

All the activities are carried out through public contributions, grants, and monthly membership fees for use of the Co-Op Centers.

B. Basis of Accounting

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

C. Financial Statement Presentation

*Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification 958, Not-for-Profit Entities. Under FASB ASC 958, the Foundation 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.*

Unrestricted Net Assets – Net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations. The only limits on the use of unrestricted net assets are the broad limits resulting from the following:

- The nature of the not-for-profit;
- The environment in which the not-for-profit operates;
- The purpose specified in the not-for-profit's articles of incorporation or bylaws; and

**TIPITINA'S FOUNDATION INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

- *Limits resulting from contractual agreements with suppliers, creditors, and others entered into by the not-for-profit in the course of its business.*

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the not-for-profit pursuant to those stipulations.

Permanently Restricted Net Assets – Net Assets subject to donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the not-for-profit.

D. Use of Estimates

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

E. Cash and Cash Equivalents

For the purpose of cash flows, the Foundation considers all unrestricted, highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

The Foundation had no cash equivalents at December 31, 2012.

F. Contributions and Accounts Receivable

The Foundation considers all Contributions Receivable to be fully collectible. Accordingly, there was no allowance for doubtful accounts recorded.

Accounts Receivable consists of balances due from Welk Music Group relating to the CD entitled "Goin' Home: A Tribute to Fats Domino". (See Note 7)

G. Recorded Music/Instruments Inventory and Merchandise

Inventory, which consists of recorded music and instruments, are stated at the lower of cost or market, with cost determined on an average cost basis and market based on the lower of replacement cost or realizable value.

Donated instruments, if applicable, are valued at the estimated fair value at the date of donation.

**TIPITINA'S FOUNDATION INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

Management has elected to expense the cost of merchandise when purchased. In accordance with accounting principles generally accepted in the United States of America, the cost of merchandise should be capitalized when purchased and then expensed when sold using an appropriate inventory method. The effects of this departure have not been determined.

H. Property and Equipment

Property and Equipment purchases are recorded and carried at cost. Additions, improvements, and betterments to property and equipment in excess of \$500 are capitalized. Depreciation is computed on the straight-line method over the following estimated useful lives:

|                         |            |
|-------------------------|------------|
| Building                | 39 year    |
| Furniture and Equipment | 5 - 7 year |
| Leasehold Improvements  | 15 year    |

Depreciation expense for the year ended December 31, 2012 was \$32,363.

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are recorded as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassifies temporarily restricted net assets to unrestricted net assets at that time.

I. Restricted and Unrestricted Grants and Contributions

Grants and contributions received, including unconditional promises to give, are measured at their fair value and recorded as increases in net assets. Grants and contributions restricted by the donor are reported as an increase in unrestricted net assets if the restrictions expire in the reporting period in which the grants and 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 restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

**TIPITINA'S FOUNDATION INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

J. Contributed Services

The Foundation receives accounting, consulting, and computer services from Fountainbleau Management Services, which is affiliated with the Executive Director of the Foundation. The services provided by Fountainbleau Management Services for the year ended December 31, 2012 were estimated at \$28,947.

The Foundation receives a substantial amount of services donated by its supporters in carrying out the Foundation's administration, fund-raising campaigns and program services. No amounts have been reflected in the financial statements for these services since they do not meet the criteria for recognition under FASB ASC 958-605 (formerly SFAS No. 116, *Accounting for Contributions Received and Contributions Made*).

K. Grant Revenues

Grant revenues are recorded as they are earned, according to the provisions of the grant. Normally, grant revenues are earned and received as the grant period progresses. The provisions of the grant determine the timing of revenue recognition. Grant expenses are recognized when incurred for a grant-related obligation.

L. Functional Expenses

Expenses are charged to program, administrative, or fundraising based on a combination of specific identification and estimates developed by management.

M. Promotion Expenses

The Foundation expenses promotion expenditures as incurred.

N. Income Tax Status

The Foundation is exempt from federal income tax under Section 501(c)(3) of the *Internal Revenue Code* and from state income taxes under Section 121(5) of Title 47 of the Louisiana Revised Statutes of 1950. However, income from certain activities not directly related to the Foundation's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Foundation qualified for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

**TIPITINA'S FOUNDATION INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

As of December 31, 2012, the Foundation does not have any unrecognized tax benefits in its financial statements. During the year ended December 31, 2012, the Company was not assessed penalties or interest by income taxing authorities. The Foundation's federal and state tax returns are subject to possible examination by taxing authorities generally for a period of three years from the filing of those returns.

Note 2.            GRANT REVENUES

Grant revenue is comprised primarily of grants received under an agreement with the State of Louisiana. For the year ended December 31, 2012, grant awards received from the State of Louisiana totaled \$2,000. Grant revenue consists of grant awards received during the year and any deferred revenue utilized during the year.

Note 3.            RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets consist of the following;

|                          |                   |
|--------------------------|-------------------|
| 2013 Supporting Services | \$ 202,612        |
| Instruments              | <u>46,342</u>     |
|                          | <u>\$ 248,954</u> |

Note 4.            CONCENTRATIONS OF CREDIT RISK

The Foundation maintains cash balances in a non-interest bearing account at one financial institution. For the year ended December 31, 2012, the Federal Deposit Insurance Corporation provided unlimited deposit insurance coverage for all noninterest-bearing transaction accounts.

At December 31, 2012, 100% of accounts receivable was due from Welk Music Group relating to the CD entitled "Goin' Home: A Tribute to Fats Domino". (See Note 7)

Note 5.            RELATED PARTY TRANSACTIONS

Related entities of the Executive Director of the Foundation contributed \$135,214 of in-kind facilities usage and related facilities expenses for the year ended December 31, 2012, that are included in Contributions and Grants Revenue.

The Foundation leases on a month-to-month basis office space, New Orleans and Shreveport Co-op locations, and event facilities from entities related to the Executive

**TIPITINA'S FOUNDATION INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

Director of the Foundation. Rent expense on these locations for the year ended December 31, 2012 was \$118,800. (See Note 6)

Various companies related to the Executive Director of the Foundation pay expenses on behalf of the Foundation. These expenses are reimbursed by the Foundation or donated by the related company. At December 31, 2012, liabilities for these reimbursements owed to the above mentioned related parties totaled \$0. The Foundation receives accounting, consulting, and computer services from a company that is related to the Executive Director of the Foundation. The services provided by the related entity for the year ended December 31, 2012 were estimated at \$28,947. (See Note 1J)

A member of the Board of Directors donated \$5,000 to the Foundation during year ended December 31, 2012.

Note 6.      LEASES

The Foundation leases, on a month-to-month basis, New Orleans and Shreveport Co-op locations, office space, and event facilities from companies affiliated with the Executive Director of the Foundation. Rent expense for the New Orleans and Shreveport Co-op locations for the year ended December 31, 2012 was \$32,400. Rent expense for the office space and event facilities for the year ended December 31, 2012 was \$86,400. (See Note 5) The Foundation also leases on a month-to-month basis the Baton Rouge and Lafayette Co-op locations and other facilities from unrelated parties. Rent expense on these facilities for the year ended December 31, 2012 was \$22,703.

Note 7.      CD RECORD MASTER

In September 2007, the Foundation released a CD entitled "Goin' Home: A Tribute to Fats Domino" (CD) that contained the musical performances of a wide variety of recording artists, which included Louisiana musicians, of compositions associated with Fats Domino. The proceeds from this recording will help revitalize Fats Domino's Lower 9<sup>th</sup> Ward neighborhood and benefit the programs of the Foundation.

The Foundation was responsible for the recording of the CD. As such, the Foundation capitalized the cost of recording the record master, which is the master tape resulting from the performance of the artists. The record master was amortized over the estimated life of the record performance. As of December 31, 2012, the CD Record Master was fully amortized.

Welk Music Group (Welk) was contracted to manufacture and distribute the CD. Welk collects sales made to retailers and incurs the production, distribution and promotion costs. All sales collected net of expenditures and a retainage are submitted



TIPITINA'S FOUNDATION INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012

to the Foundation. Any net proceeds not received by the Foundation have been recorded in accounts receivable. (See Note 1) The sales earned and the production, distribution, and promotion costs incurred have been reflected in the statement of activities net of estimated sales returns. The Allowance for Estimated CD Returns is maintained to account for estimated future sales returns. Actual returns are charged against the allowance. Increases and decreases in estimated sales returns on previously recorded revenue are treated as changes in estimate. An increase in sales returns is recorded as Accrued Loss on CD on the statement of activities. A decrease in sales returns is included in Other Income on CD on the statement of activities. The Allowance for Estimated CD Returns as of December 31, 2012 was \$4,183. However, it is at least reasonably possible that a change in estimate will occur in the near term.

As noted above, many of the artists featured on the CD were Louisiana artists. Since these Louisiana artists would not ordinarily receive such an opportunity and these artists will receive national recognition for their participation in the CD, the amortization, production, distribution, and promotion costs of the CD were allocated between program (50%) and fundraising (50%) expenditures.

The amortization, production, distribution, and promotion costs of the CD comprise 0% of total program and fundraising expenditures for 2012.

There are potential liabilities regarding mechanical copyright royalties that may be due to various publishing companies. However, it is unlikely that such royalties will be collected by the publishers. Therefore, a decrease in the accrued royalties estimate is included in Other Income on CD on the statement of activities. Accrued royalties as of December 31, 2012 was \$0. However, it is at least reasonably possible that a change in estimate will occur in the near term.

Note 8.            COMPENSATED ABSENCES

The full-time employees of the Foundation are entitled to paid vacation and sick leave. The Foundation does not accrue a liability for these absences because they cannot be reasonably estimated. The Foundation's policy is to recognize the cost of compensated absences when paid to employees.

TIPITINA'S FOUNDATION INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012

Note 9.            SUBSEQUENT EVENTS

Management evaluated subsequent events through March 21, 2013, which is the date the financial statements were available to be issued.

Note 10.           PER DIEM PAYMENTS TO BOARD MEMBERS

Per diem payments to board members for the year ended December 31, 2012 was \$0.

**REQUIRED  
SUPPLEMENTARY INFORMATION**

**SCHAFFER GROUP, LTD.  
CERTIFIED PUBLIC ACCOUNTANTS  
A LIMITED LIABILITY COMPANY**

**TIPITINA'S FOUNDATION, INC.**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

We have compiled the basic financial statements of Tipitina's Foundation, Inc. as of and for the year ended December 31, 2012, and have issued our report thereon dated March 21, 2013. We conducted our compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

**Financial Statement Findings**

2012-1     Expensing Merchandise when Purchased - Non Compliance

*Management has elected to expense merchandise when purchased. In accordance with accounting principles generally accepted in the United States of America, the cost of merchandise should be capitalized when purchased and then expensed when sold using an appropriate inventory method.*

Management's Response

We have elected to expense merchandise when purchased because it is deemed to be more efficient than capitalizing the merchandise when purchased.

**TIPITINA'S FOUNDATION, INC.**  
**SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

2011-1: Expensing Merchandise when Purchased - Non Compliance

Management has elected to expense merchandise when purchased. In accordance with accounting principles generally accepted in the United States of America, the cost of merchandise should be capitalized when purchased and then expensed when sold using an appropriate inventory method.

*Current Year Status:* The finding repeated for year ended December 31, 2012. See Finding 2012-1.

THIS SCHEDULE HAS BEEN PREPARED BY MANAGEMENT.