7373

SCHAFER GROUP, LTD.

TIPITINA'S FOUNDATION, INC.

FINANCIAL STATEMENTS
(AUDIT REPORT)

YEARS ENDED DECEMBER 31, 2009 AND 2008

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

Release Date 9/29/10

CERTIFIED PUBLIC ACCOUNTANTS
A LIMITED LIABILITY COMPANY

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ACCOUNTANTS' INDEPENDENT AUDIT REPORT

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

We have audited the accompanying statements of financial position of Tipitina's Foundation, Inc. (a Louisiana Not-For-Profit Corporation) as of December 31, 2009 and 2008, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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 expenses when sold using an approprite inventory method. The effects on the financial statements of that departure from U.S. generally accepted accounting principles are not reasonably determinable.

In our opinion, except for expensing the cost of merchandise as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Tipitina's Foundation, Inc. as of December 31, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2010, on our consideration of Tipitina's Foundation, Inc. internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Schafer Group, LTD., LLC

Kernion T. Schafer, CPA
Managing Member

August 30, 2010

TIPITINA'S FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2009 AND 2008

ASSETS	2009	(Restated) 2008
Current Assets		
Cash	$ -	$ 116,681
Cash - Restricted	-	22,500
Contributions Receivable	8,510	229,406
Accounts Receivable	21,194	95,214
Other Receivable	5,000	-
Recorded Music Inventory	45,245	50,633
Instruments Inventory	1,100	4,650
Total Current Assets	81,049	519,084
Property and Equipment		
Building	121,973	121,973
Furniture and Equipment	77,432	70,762
Leasehold Improvements	230,953	123,746
Total Property and Equipment	430,358	316,481
Less: Accumulated Depreciation	(60,749)	(30,804)
Property and Equipment - Net	369,609	285,677
Other Assets		
CD Record Master (Note 7)	333,928	333,928
Less: Accumulated Amortization (Note 7)	(333,928)	(233,749)
Total Other Assets	-	100,179
TOTAL ASSETS	$ 450,658	$ 904,940

TIPITINA'S FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2009 AND 2008

LIABILITIES AND NET ASSETS	2009	(Restated) 2008
Current Liabilities		
Accounts Payable	$ 28,078	$ 53,886
Cash Overdraft	14,625	-
Allowance for Estimated CD Returns (Note 7)	209,838	222,019
Accrued Payroll and Related Expenses	9,292	7,872
Accrued Royalties	46,594	52,907
Total Current Liabilities	308,427	336,684
Total Liabilities	308,427	336,684
Net Assets		
Unrestricted	142,231	545,756
Temporarily Restricted	-	22,500
Total Net Assets	142,231	568,256
TOTAL LIABILITIES AND NET ASSETS	$ 450,658	$ 904,940

TIPITINA'S FOUNDATION, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2009 AND 2008

UNRESTRICTED NET ASSETS	2009	(Restated) 2008
Unrestricted Revenue		
Contributions and Grants	$ 544,098	$ 978,981
Program Income	11,248	5,984
CD Revenue - Goin' Home, net of Allowance (Note 7)	50,458	175,299
Other Income	70,361	58,818
Total Unrestricted Revenue	676,165	1,219,082
Net Assets Released from Restrictions		
Restrictions Satisfied by Payments	156,043	250,009
Total Unrestricted Revenues and Other Support	832,208	1,469,091
Expenses		
Program Services:		
Hurricane Relief Program	-	11,339
Instruments Program	112,388	354,757
Internship Program	147,536	196,783
Music Office Co-op	400,743	358,810
Community	138,481	432,751
CD Expenditures	53,194	77,146
Total Program Expenses	852,342	1,431,586
Supporting Services:		
General and Administrative Expenses	211,522	214,701
Fundraising	100,067	182,721
Total Supporting Services	311,589	397,422
Total Expenses	1,163,931	1,829,008
Other Expenses		
Accrued Loss on CD - Goin' Home (Note 7)	71,802	346,578
Total Other Expenses	71,802	346,578
Increase (Decrease) in Unrestricted Assets	$ (403,525)	$ (706,495)

See Accountants' Audit Report and Notes to the Financial Statements.

TIPITINA'S FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2009

	Program Services	Supporting Services: General and Administrative	Supporting Services: Fundraising	Total
Salaries	$ 240,798	$ 32,915	$ 13,609	$ 287,322
Payroll Taxes	17,995	2,700	1,156	21,851
Total Salaries and Related Expenses	258,793	35,615	14,765	309,173
Consulting and Contract Labor	26,120	45,017	4,300	75,437
Facilities Rent	139,150	21,000	9,000	169,150
Instructors	65,365	-	-	65,365
Instruments and Other Direct Assistance	92,590	-	-	92,590
Insurance	26,904	1,695	-	28,599
Merchandise	-	25,046	7,386	32,432
Miscellaneous	2,757	-	-	2,757
Postage	-	619	1,566	2,185
Printing and Promotions	7,174	1,396	5,316	13,886
Professional Services	-	13,203	3,268	16,471
Repairs and Maintenance	2,100	6,967	-	9,067
Security	11,602	-	-	11,602
Supplies and Office Expense	21,166	9,839	766	31,771
Taxes	2,955	-	-	2,955
Telephone and Internet	31,305	12,416	507	44,228
Travel	10,760	2,741	-	13,501
Utilities	23,336	6,023	-	29,359
Events and Seminars Expenses	77,071	-	-	77,071
Total Expense Before CD Expenditures and Depreciation	799,148	181,577	46,874	1,027,599
CD Production, Distribution, and Promotion:				
Goin' Home (Note 7)	3,104	-	3,104	6,208
CD Record Master Amortization (Note 7)	50,090	-	50,089	100,179
Total CD Expenditures	53,194	-	53,193	106,387
Depreciation	-	29,945	-	29,945
Total Expenses	$ 852,342	$ 211,522	$ 100,067	$ 1,163,931

See Accountants' Audit Report and Notes to the Financial Statements

TIPITINA'S FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2008

	Program Services	Supporting Services: General and Administrative	Supporting Services: Fundraising	Total
Salaries	$ 243,851	$ 40,826	$ 38,951	$ 323,628
Payroll Taxes	19,434	3,278	3,287	25,999
Total Salaries and Related Expenses	263,285	44,104	42,238	349,627
Consulting and Contract Labor	115,889	35,021	-	150,910
Facilities Rent	204,580	18,000	-	222,580
Instructors	90,290	-	-	90,290
Instruments and Other Direct Assistance	282,273	-	5,580	287,853
Insurance	18,995	1,194	-	20,189
Merchandise	-	10,513	-	10,513
Miscellaneous	3,500	16,575	2,824	22,899
Postage	-	420	1,482	1,902
Printing and Promotions	15,213	10,230	33,086	58,529
Professional Services	-	17,133	17,803	34,936
Repairs and Maintenance	22,629	-	-	22,629
Security	8,245	-	-	8,245
Supplies and Office Expense	13,036	21,113	-	34,149
Taxes	2,672	-	-	2,672
Telephone and Internet	19,649	13,675	-	33,324
Travel	59,668	2,384	1,570	63,622
Utilities	25,099	6,056	-	31,155
Events and Seminars Expenses	209,417	-	-	209,417
Total Expense Before CD Expenditures and Depreciation	1,354,440	196,418	104,583	1,655,441
CD Production, Distribution, and Promotion:				
Goin' Home (Note 7)	23,711	-	23,711	47,422
Other	3,346	-	4,338	7,684
CD Record Master Amortization (Note 7)	50,089	-	50,089	100,178
Total CD Expenditures	77,146	-	78,138	155,284
Depreciation	-	18,283	-	18,283
Total Expenses	$ 1,431,586	$ 214,701	$ 182,721	$ 1,829,008

See Accountants' Audit Report and Notes to the Financial Statements

TIPITINA'S FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	$ (426,025)	$ (716,690)
Non Cash Items Included in Increase (Decrease) in Net Assets:		
Depreciation	29,945	18,283
Amortization	100,179	100,178
Donated Assets	-	(8,256)
Instruments Inventory	3,550	4,130
Decrease (Increase) in Current Assets:		
Contributions Receivable	220,896	(54,530)
Accounts Receivable, Net of Allowance	61,839	446,881
Other Receivable	(5,000)	-
Recorded Music Inventory	5,388	(42,449)
Prepaid Rent	-	1,850
Increase (Decrease) in Current Liabilities:		
Accounts Payable	(25,808)	26,064
Cash Overdraft	14,625	-
Accrued Payroll and Related Expense	1,420	1,592
Accrued Royalties	(6,313)	407
Net Cash Provided By (Used in) Operating Activities	(25,304)	(222,540)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Assets	(113,877)	(243,926)
Net Cash (Used in) Investing Activities	(113,877)	(243,926)
Net Increase (Decrease) in Cash	(139,181)	(466,466)
Cash, Beginning of Year	139,181	605,647
Cash, End of Year	$ -	$ 139,181
SUPPLEMENTAL DISCLOSURES ON CASH FLOW INFORMATION		
Cash Paid During the Year For:		
Interest	$ -	$ -
Income Taxes	$ -	$ -

See Accountants' Audit Report and Notes to the Financial Statements

TIPITINA'S FOUNDATION, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2009 AND 2008

TEMPORARILY RESTRICTED NET ASSETS	2009	(Restated) 2008
Temporarily Restricted Revenue		
Contributions and Grants	$ 133,543	$ 239,814
Total Temporarily Restricted Revenue	133,543	239,814
Net Assets Released from Restrictions		
Restrictions Satisfied by Payments	(156,043)	(250,009)
Increase (Decrease) in Temporarily Restricted Assets	$ (22,500)	$ (10,195)
Increase (Decrease) in Net Assets	$ (426,025)	$ (716,690)
Beginning Net Assets (Previously Reported)	$ 626,668	$ 1,284,946
Prior Period Adjustment (Note 11)	58,412	-
Beginning Net Assets (Restated)	$ 568,256	$ 1,284,946
Increase (Decrease) in Net Assets	(426,025)	(716,690)
Ending Net Assets	$ 142,231	$ 568,256

See Accountants' Audit Report and Notes to the Financial Statements.

TIPITINA'S FOUNDATION INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

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 Hurricane Katrina Relief for Musicians.

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 in its FASB ASC 958 (formerly SFAS No. 117, *Financial Statements of Not-for-Profit Organizations* and SFAS No. 116, *Accounting for Contributions Received and Contributions Made*). Under FASB ASC 958, the Foundations 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.

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.

TIPITINA'S FOUNDATION INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

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, 2009 and 2008.

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

Inventory, which consists of recorded music and instruments, are stated at the lower of cost or market, with cost determined on a first-in, first-out 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.

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:

Equipment	3 – 5 years
Furniture and Fixtures	5 years
Leasehold Improvements	15 years

Depreciation expense for the years ended December 31, 2009 and 2008 was $29,945 and $18,283, respectively.

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

TIPITINA'S FOUNDATION INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

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. The State of Louisiana grants, which are 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 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.

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 years ended December 31, 2009 and 2008 were estimated at $36,094 and $26,197, respectively.

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.

TIPITINA'S FOUNDATION INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

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).

Note 2. GRANT REVENUES

Grant revenue is comprised primarily of grants received under an agreement with the State of Louisiana. For the years ended December 31, 2009 and 2008, grant awards totaled $333,280 and $365,354, respectively. Grant revenue consists of grant awards received during the year and any deferred revenue utilized during the year.

The majority of the grant awards received from the State of Louisiana during the year ended December 31, 2009 were for reimbursement of qualifying, operating expenditures incurred by the Co-Op program. Due to reorganization by the State of Louisiana, the grant awards for 2010 will be paid in advance but must be used for capital acquisitions. Therefore, the grant awards will not be able to be used for general operating expenditures.

Note 3. RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets consist of the following;

	2009	2008
Music Office Co-Op	$ -	$ -
Internship	-	2,500
Instruments	-	20,000
	$ -	$ 22,500

TIPITINA'S FOUNDATION INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

Note 4. CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Foundation to credit risk consist principally of cash. The Foundation maintains cash balances at one financial institution. At times throughout the years ended December 31, 2009 and 2008, the Foundation's cash deposits at the financial institution exceeded federally insured limits. Accounts at the institution are insured by Federal Deposit Insurance Corporation up to $250,000.

At December 31, 2008, approximately 81% of contributions receivable was due from the State of Louisiana. At December 31, 2009 and 2008, 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

Affiliated companies of the Executive Director of the Foundation contributed $9,323 and $0 of in-kind facilities usage and related facilities expenses for the years ended December 31, 2009 and 2008, respectively, 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 other facilities from companies affiliated with the Executive Director of the Foundation. Rent expense on these locations for the years ended December 31, 2009 and 2008 was $144,600 and $192,600, respectively. (See Note 6)

Various companies affiliated with the Executive Director of the Foundation pay expenses on behalf of the Foundation. These expenses are reimbursed by the Foundation or donated by the affiliated company. At December 31, 2009 and 2008, liabilities for these reimbursements owed to the above mentioned related parties totaled $0 and $15,413, respectively, and are included in accounts payable.

The Foundation receives accounting, consulting, and computer services from a company that is affiliated with the Executive Director of the Foundation. The services provided by the affiliate for the years ended December 31, 2009 and 2008 were estimated at $36,094 and $26,197, respectively. (See Note 1)

Fountainbleau Construction, Inc., a company affiliated with the Executive Director of the Foundation, performed construction services for the Foundation totaling $0 and $38,492 for the years ended December 31, 2009 and 2008, respectively.

TIPITINA'S FOUNDATION INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

Fountainbleau Construction, Inc. donated services were $0 and $8,257 for the years ended December 31, 2009 and 2008.

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 years ended December 31, 2009 and 2008 was $32,400 and $41,400, respectively. Rent expense for the office space and event facilities for the years ended December 31, 2009 and 2008 was $112,200 and $151,200, respectively. (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 years ended December 31, 2009 and 2008 was $24,550 and $29,980, respectively.

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 9th 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 is being amortized over the estimated life of the record performance.

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 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 in estimated sales returns on previously recorded revenue are treated as changes in estimate. This increase in sales returns is recorded as Accrued Loss on CD on the statement of activities. The Allowance for estimated CD returns as of December 31, 2009 and 2008 was $209,838 and $222,019, respectively. However, it is at least reasonably possible that additional change in estimate will occur in the near term.

TIPITINA'S FOUNDATION INC.
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DECEMBER 31, 2009 AND 2008

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 11% and 9% of total program and fundraising expenditures for 2009 and 2008, respectively.

There are potential liabilities regarding mechanical copyright royalties that may be due to various publishing companies. These potential liabilities were estimated at $46,594 and $52,907 as of December 31, 2009 and 2008, respectively, which were accrued. 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. An accrual of unused vacation and sick leave is immaterial to the financial statements as a whole. The Foundation's policy is to recognize the cost of compensated absences when paid to employees.

Note 9. RECLASSIFICATION

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation.

Note 10. SUBSEQUENT EVENTS

Management evaluated subsequent events through August 30, 2010, which is the date the financial statements were available to be issued.

Due to reorganization by the State of Louisiana, the grant awards for 2010 will be paid in advance but must be used for capital acquisitions. Therefore, the grant awards will not be able to be used for general operating expenditures.

Note 11. 2009 PRIOR PERIOD ADJUSTMENT AND 2008 RESTATEMENT

During the year ended December 31, 2009, a portion of recorded music inventory was determined to have been recorded twice in 2008. Therefore, the December 31, 2008 recorded music inventory and unrestricted net assets were overstated by $58,412. The

TIPITINA'S FOUNDATION INC.
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December 31, 2008 balances have been restated to present the appropriate balances. The amount has also been presented as a prior period adjustment to net assets in 2009.

Note 12. PER DIEM PAYMENTS TO BOARD MEMBERS

Per diem payments to board members for the years ended December 31, 2009 and 2008 was $0 and $0, respectively.

SUPPLEMENTARY INFORMATION

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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
Tipitina's Foundation, Inc.
New Orleans, LA

We have audited the basic financial statements of Tipitina's Foundation, Inc. (Foundation) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated August 30, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Tipitina's Foundation, Inc. internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over financial reporting.

A deficienty 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 prvented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's basic financial statements are free of 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs.

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

Kernion T. Schafer, CPA
Managing Member

August 30, 2010

TIPITINA'S FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2009

We have audited the basic financial statements of Tipitina's Foundation, Inc. as of and for the year ended December 31, 2009, and have issued our report thereon dated August 30, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Our audit of the financial statements as of December 31, 2009, resulted in an unqualified opinion.

Section I - Summary of Auditor's Reports

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

Internal Control
Material Weaknesses ☐ Yes ☒ No   Significant Deficiencies ☐ Yes ☒ No

Compliance
Compliance Material to Financial Statements ☐ Yes ☒ No

b. Federal Awards ☒ Not Applicable

Internal Control
Material Weaknesses ☐ Yes ☐ No   Significant Deficiencies ☐ Yes ☐ No

Type of Opinion On Compliance for Major Programs
Unqualified ☐   Qualified ☐   Disclaimer ☐   Adverse ☐

Are there findings required to be reported in accordance with Circular A-133, Section .510(a)?
☐ Yes ☐ No

Was a management letter issued? ☐ Yes ☒ No

TIPITINA'S FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2009

c. Identification of Major Programs: ☒ Not Applicable

CFDA Number (s)	Name of Federal Program (or Cluster)

Dollar threshold used to distinguish between Type A and Type B Programs: $______________

Is the auditee a 'low-risk' auditee, as defined by OMB Circular A-133? ☐ Yes ☐ No

Section II – Financial Statement Findings

2009-1 Timely Submission of Financial Statements Non Compliance

The audit engagement was not completed within the six months of the close of the fiscal year as required by the Louisiana Legislative Auditor. Financial statements and records should be closed in a timely fashion to allow adequate time to complete the audit engagement.

Management's Response
Due to unforeseen circumstances, the audit engagement was not completed within six months of the close of the fiscal year. As such, an extension to September 27, 2010 was requested and accepted. In the future, financial statements and records will be closed in a timely manner to allow sufficient time to complete the audit engagement.

Section III – Federal Award Findings and Questioned Costs

No Section III Findings.

TIPITINA'S FOUNDATION, INC.
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2009

SECTION I
INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS

2008-1: Timely Submission of Financial Statements Non Compliance

The audit engagement was not completed within the six months of the close of the fiscal year as required by the Louisiana Legislative Auditor. Financial statements and records should be closed in a timely fashion to allow adequate time to complete the audit engagement.

Current Year Status: The finding repeated for year ended December 31, 2009. See Suggestion 2009-1.

SECTION II
INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS

Not applicable.

SECTION III
MANAGEMENT LETTER

Not applicable.

THIS SCHEDULE HAS BEEN PREPARED BY MANAGEMENT.