

**YOUNG AUDIENCES OF
LOUISIANA, INC.**

**FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION**

June 30, 2010 and 2009

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 8/23/11

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REBOWE & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS
CONSULTANTS

A PROFESSIONAL CORPORATION

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Young Audiences of Louisiana, Inc.
New Orleans, Louisiana

We have audited the accompanying Statement of Financial Position of the Young Audiences of Louisiana, Inc. (a nonprofit organization) (the "Organization") as of June 30, 2010 and 2009, and the related Statements of Activities, Functional Expenses, and Cash Flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2010 and 2009, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2010, on our consideration of the Organization's internal control over financial reporting, and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of the Organization taken as a whole. The accompanying Schedule of Expenditures of Federal Awards for the year ending June 30, 2010 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Rebowe & Company

December 22, 2010

YOUNG AUDIENCES OF LOUISIANA, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2010

	2010			2009
	Unrestricted	Permanently Restricted	Total	Total
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 284,146
Accounts receivable:				
Schools	22,004	-	22,004	25,700
State grants	635,926	-	635,926	264,830
Other receivables	13,000	-	13,000	22,000
Rental deposit	-	-	-	700
Property and equipment, net of accumulated depreciation	-	-	-	-
Investments - market value	333,244	21,717	354,961	309,945
Total Assets	\$ 1,004,174	\$ 21,717	\$ 1,025,891	\$ 907,321
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable and accrued expenses	\$ 9,088	\$ -	\$ 9,088	\$ 4,016
Cash overdraft	8,011		8,011	-
Line of credit	75,000	-	75,000	-
Total Liabilities	92,099	-	92,099	4,016
Net Assets				
Unrestricted	912,075	-	912,075	883,421
Permanently restricted	-	21,717	21,717	19,884
Total Net Assets	912,075	21,717	933,792	903,305
Total Liabilities and Net Assets	\$ 1,004,174	\$ 21,717	\$ 1,025,891	\$ 907,321

See Notes to the Financial Statements.

YOUNG AUDIENCES OF LOUISIANA, INC.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2010

	2010			2009	
	Unrestricted	Permanently Restricted	Temporarily Restricted	Total	Total
REVENUE AND OTHER SUPPORT					
Program fees	\$ 579,540	\$ -	\$ -	\$ 579,540	\$ 820,487
Municipal and state grants	16,050	-	1,445,305	1,461,355	687,067
Foundations	71,332	930	-	72,262	149,022
Dividends	14,943	-	-	14,943	25,345
Fundraiser	27,994	-	-	27,994	18,795
Member contributions	4,346	-	-	4,346	10,750
Corporate contributions	3,050	-	-	3,050	3,300
Interest	14	442	-	456	662
Realized and unrealized gains (losses) on investments	30,533	128	-	30,661	(73,197)
	<u>747,802</u>	<u>1,500</u>	<u>1,445,305</u>	<u>2,194,607</u>	<u>1,642,231</u>
Net assets released from restrictions	<u>1,444,972</u>	<u>333</u>	<u>(1,445,305)</u>	<u>-</u>	<u>-</u>
Total Revenue and Other Support	<u>2,192,774</u>	<u>1,833</u>	<u>-</u>	<u>2,194,607</u>	<u>1,642,231</u>
EXPENSES					
Program services	1,757,490	-	-	1,757,490	1,264,148
Administrative	301,266	-	-	301,266	160,823
Fund raising and promotion	105,364	-	-	105,364	71,608
Total Expenses	<u>2,164,120</u>	<u>-</u>	<u>-</u>	<u>2,164,120</u>	<u>1,496,579</u>
INCREASE IN NET ASSETS	28,654	1,833	-	30,487	145,652
NET ASSETS AT BEGINNING OF YEAR	<u>883,421</u>	<u>19,884</u>	<u>-</u>	<u>903,305</u>	<u>757,653</u>
NET ASSETS AT END OF YEAR	<u>\$ 912,075</u>	<u>\$ 21,717</u>	<u>\$ -</u>	<u>\$ 933,792</u>	<u>\$ 903,305</u>

See Notes to the Financial Statements.

YOUNG AUDIENCES OF LOUISIANA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2010

	Program Services	Administrative	Fund Raising and Promotion	Total
PERSONNEL EXPENSES				
Professional services	\$ 1,429,503	\$ -	\$ -	\$ 1,429,503
Salaries	70,000	206,126	45,153	321,279
Payroll taxes	7,000	21,287	4,000	32,287
Total Personnel Expenses	1,506,503	227,413	49,153	1,783,069
OTHER EXPENSES				
Program supplies	167,508	-	-	167,508
Travel/conferences	20,456	18,000	-	38,456
Staff/board development	16,393	3,000	2,810	22,203
Office supplies	5,478	15,000	5,000	25,478
Accounting	-	14,284	-	14,284
Rent	7,952	7,952	7,953	23,857
Cooperative funding	11,626	-	-	11,626
Printing and promotion	-	-	19,010	19,010
Computer/website	3,000	5,020	2,128	10,148
Parking	3,000	3,000	1,907	7,907
Telephone	2,648	2,645	2,645	7,938
Consultant	7,000	-	6,312	13,312
Development	-	-	6,946	6,946
Postage	4,446	1,000	1,000	6,446
Interest and bank charges	-	3,119	-	3,119
Insurance	-	333	-	333
Dues/memberships/subscriptions	1,480	500	500	2,480
Total Other Expenses	250,987	73,853	56,211	381,051
TOTAL FUNCTIONAL EXPENSES	\$ 1,757,490	\$ 301,266	\$ 105,364	\$ 2,164,120

See Notes to the Financial Statements.

YOUNG AUDIENCES OF LOUISIANA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For Year Ended June 30, 2009

	<u>Program Services</u>	<u>Administrative</u>	<u>Fund Raising and Promotion</u>	<u>Total</u>
PERSONNEL EXPENSES				
Professional services	\$ 966,230	\$ -	\$ -	\$ 966,230
Salaries	96,346	67,000	40,000	203,346
Payroll taxes	13,103	9,502	7,498	30,103
Total Personnel Expenses	<u>1,075,679</u>	<u>76,502</u>	<u>47,498</u>	<u>1,199,679</u>
OTHER EXPENSES				
Program supplies	154,270	-	-	154,270
Travel/conferences	-	20,657	-	20,657
Staff/board development	-	20,560	-	20,560
Office supplies	4,230	9,777	1,340	15,347
Accounting	-	13,485	-	13,485
Rent	4,492	4,112	3,888	12,492
Cooperative funding	9,853	-	-	9,853
Printing and promotion	-	-	9,780	9,780
Computer/website	2,936	2,936	2,936	8,808
Parking	4,184	2,659	1,350	8,193
Telephone	3,105	1,987	1,613	6,705
Consultant	3,250	-	2,468	5,718
Development	-	4,491	-	4,491
Postage	2,149	1,265	735	4,149
Interest and bank charges	-	1,878	-	1,878
Insurance	-	337	-	337
Dues/memberships/subscriptions	-	177	-	177
Total Other Expenses	<u>188,469</u>	<u>84,321</u>	<u>24,110</u>	<u>296,900</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 1,264,148</u>	<u>\$ 160,823</u>	<u>\$ 71,608</u>	<u>\$ 1,496,579</u>

See Notes to the Financial Statements.

YOUNG AUDIENCES OF LOUISIANA, INC.
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2010

	2010			2009
	Unrestricted	Permanently Restricted	Total	Total
CASH FLOWS FROM				
OPERATING ACTIVITIES				
Change in net assets	\$ 28,654	\$ 1,833	\$ 30,487	\$ 145,652
Adjustments to reconcile change in net assets to cash provided by operating activities:				
Service charge - Endowment	-	109	109	104
Loss/(Gain) on investments	(27,298)	(128)	(27,426)	73,197
Dividends on investments	(29,832)	-	(29,832)	(25,345)
Interest on investments	(123)	(442)	(565)	(662)
Change in operating assets and liabilities				
Accounts receivable - schools	3,696	-	3,696	(10,082)
Accounts receivable - state grants	(349,096)	-	(349,096)	58,077
Accounts payable	5,470	-	5,470	(30,198)
Net cash provided by (used in) operating activities	<u>(368,529)</u>	<u>1,372</u>	<u>(367,157)</u>	<u>210,743</u>
CASH FLOWS FROM				
INVESTING ACTIVITIES				
Net cash used in investing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM				
FINANCING ACTIVITIES				
Net cash provided by financing activities	<u>75,000</u>	<u>-</u>	<u>75,000</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(293,529)	1,372	(292,157)	210,743
TRANSFERS				
Grant from Endowment	1,372	(1,372)	-	-
Cash and cash equivalents at beginning of fiscal year	<u>284,146</u>	<u>-</u>	<u>284,146</u>	<u>73,403</u>
Cash and cash equivalents at end of fiscal year	<u>\$ (8,011)</u>	<u>\$ -</u>	<u>\$ (8,011)</u>	<u>\$ 284,146</u>
SUPPLEMENTAL DISCLOSURE OF CASH				
FLOW INFORMATION:				
Cash paid during the year for interest	<u>\$ 507</u>	<u>\$ -</u>	<u>\$ 507</u>	<u>\$ 142</u>

See Notes to the Financial Statements.

YOUNG AUDIENCES OF LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Young Audiences of Louisiana, Inc. (the "Organization") is a nonprofit organization. The Organization presents cultural activities, mainly plays and concerts, to students throughout southeast Louisiana.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned, and expenses are recognized when incurred.

Basis of Presentation

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958, *Financial Statements of Not-for-Profit Organizations*. Under ASC 958, the Organization 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. Also, the Organization's financial statements follow ASC 958-320, *Accounting for Certain Investments Held by Not-for-Profit Organizations*.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations. Donor stipulations generally limit the use of the donated assets beyond the general purpose of the Organization. When donor restrictions expire, that is, when a stipulated time restriction ends or a 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.

Use of Estimates

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

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

YOUNG AUDIENCES OF LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2010 and 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value of Financial Instruments

The carrying values of the Organization's financial instruments, including current assets and current liabilities, approximate fair value.

In fiscal 2009, the Foundation adopted the provisions of ASC 820, "Fair Value Measurements." Under ASC 820, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

ASC 820 establishes a fair value hierarchy for inputs used in measuring fair market value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Valuations based on adjusted quoted prices in active markets for identical assets or liabilities as of the reporting date. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly, as of the reporting date.

Level 3 – Valuations based on inputs are unobservable and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

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

Investment securities – The fair value of investment securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quoted prices are not available, fair value is based on externally developed models that use unobservable inputs due to the limited market activity of the investment (see Note 4).

YOUNG AUDIENCES OF LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2010 and 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Management closely monitors outstanding balances and writes-off any balances that are deemed uncollectible.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by the passage of time or by use) in the reporting period in which the income and gains are recognized.

Property and Equipment

The Organization capitalizes all expenditures for property and equipment in excess of \$1,000. Donated property and equipment are recorded at cost at their estimated fair market value at the date of donation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, which range from five to seven years. Generally, when items of property are retired or disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in the Statement of Activities. Expenditures for repairs and maintenance are charged to expense as incurred.

Donated Items

Donated items are reflected as contributions in the accompanying financial statements at their estimated fair value at the date of receipt.

Functional Expenses

The cost of programs and supporting services has been reported on a functional basis. This requires the allocation of certain costs among the various programs and supporting services based on total program costs and estimates made by management.

Advertising

The Organization expenses advertising costs as incurred. Advertising expense for the years ended June 30, 2010 and 2009 was \$19,010 and \$9,780, respectively.

YOUNG AUDIENCES OF LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2010 and 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Organization is a tax-exempt organization under Internal Revenue Code Section 501(c)(3) and, as such, is not subject to income taxes.

Subsequent Events

The Organization has evaluated subsequent events through December 22, 2010, the date the financial statements were available to be issued.

Reclassifications

A reclassification has been made to the 2009 financial statements presentation to correspond to the current year's format. Total net assets and changes in net assets are unchanged due to the reclassification.

NOTE 2 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

<u>Classification</u>	<u>Estimated Useful Life, in Years</u>	<u>Amount</u>
Equipment purchased, at cost	5	\$ 25,916
Donated equipment, at fair market value	7	<u>3,099</u>
Total		29,015
Less accumulated depreciation		<u>(29,015)</u>
		<u>\$ -</u>

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable principally represent amounts due from the State of Louisiana under a grant agreement.

YOUNG AUDIENCES OF LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2010 and 2009

NOTE 4 - INVESTMENTS

Investments are recorded at fair value and consist of the following as of June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Mutual funds:		
Legg Mason mutual fund	\$ 333,244	\$ 290,061
Endowment fund	<u>21,717</u>	<u>19,884</u>
Total investments	<u>\$ 354,961</u>	<u>\$ 309,945</u>

The following schedule summarizes the investment income and its classification in the Statement of Activities for the years ended June 30, 2010 and 2009:

As of June 30, 2010

	<u>Mutual Fund</u>	<u>Endowment Fund</u>	<u>Total</u>
Interest/dividend income	\$ 14,957	\$ 442	\$ 15,399
Realized gains/(losses)	(4,340)	237	(4,103)
Unrealized (losses)	<u>36,628</u>	<u>(109)</u>	<u>32,416</u>
Total Investment Income	<u>\$ 47,245</u>	<u>\$ 570</u>	<u>\$ 47,815</u>

As of June 30, 2009

	<u>Mutual Fund</u>	<u>Endowment Fund</u>	<u>Total</u>
Interest/dividend income	\$ 25,475	\$ 532	\$ 26,007
Realized gains/(losses)	-	(383)	(383)
Unrealized (losses)	<u>(69,149)</u>	<u>(3,665)</u>	<u>(72,814)</u>
Total Investment Income (loss)	<u>\$(43,674)</u>	<u>\$(3,516)</u>	<u>\$(47,190)</u>

All investment income from mutual funds was classified as unrestricted in the Statement of Activities.

The endowment fund is managed by The Greater New Orleans Foundation which manages endowment accounts for several organizations. All investment income from endowment funds is classified as permanently restricted in the Statement of Activities.

NOTE 5 - BANK LINE OF CREDIT

The Organization has a \$75,000 bank line of credit, of which \$75,000 was used as of June 30, 2010. Advances on the credit line are payable on demand and carry an interest rate of 7.7% over

YOUNG AUDIENCES OF LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2010 and 2009

NOTE 5 - BANK LINE OF CREDIT (CONTINUED)

the prime interest rate, adjusted periodically. The prime interest rate at June 30, 2010 was 3.25%.

NOTE 6 - COOPERATIVE FUNDING EXPENSE

The national organization computes the Organization's share of cooperative funding based upon their eligible revenues compared to revenues of all chapters. Cooperative funding for the years ended June 30, 2010 and 2009 totaled \$11,626 and \$9,853, respectively, and has been expensed.

NOTE 7 - OPERATING LEASES

The Organization rents its office location under an operating lease that requires a minimum rental payment of \$1,971 per month through May 31, 2012. The minimum rental payment for the office space is \$23,652 for the year ending June 30, 2010. Future minimum rental payments for the office space are \$23,652 for the year ending June 30, 2011 and \$21,681 for the year ending June 30, 2012.

Total rent expense for operating leases as of June 30, 2010 and 2009 was \$23,857 and \$12,492, respectively.

NOTE 8 - FAIR VALUE MEASUREMENTS

The Organization's assets and liabilities recorded at fair value have been categorized based upon a fair value hierarchy in accordance with ASC 820. See Note 1 for a description of the Organization's policies and valuation techniques.

The valuation of the Organization's assets and liabilities measured at fair value on a recurring basis as of June 30, 2010 and 2009 are as follows:

<u>As of June 30, 2010</u>				
<u>ASSETS</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Net Balance</u>
Mutual Fund	\$ 333,244	\$ -	\$ -	\$ 333,244
Endowment		21,476		21,476
Total	<u>\$ 333,244</u>	<u>\$ 21,476</u>	<u>\$ -</u>	<u>\$ 354,720</u>
<u>As of June 30, 2009</u>				
<u>ASSETS</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Net Balance</u>
Mutual Fund	\$ 290,061	\$ -	\$ -	\$ 290,061
Endowment		19,884		19,884
Total	<u>\$ 290,061</u>	<u>\$ 19,884</u>	<u>\$ -</u>	<u>\$ 309,945</u>

YOUNG AUDIENCES OF LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2010 and 2009

NOTE 9 – RELATED PARTY TRANSACTIONS

On May 27, 2009 the Organization loaned Community Works, an affiliated organization, \$10,000 interest free. On June 17, 2009 and July 15, 2009, the Organization loaned Community Works an additional \$15,000 and \$10,000, respectively. As of June 30, 2010, \$13,000 of the loan was still outstanding. It is classified as other receivables on the Statement of Financial Position.

NOTE 10 – SUBSEQUENT EVENTS

On July 13, 2010, the Organization's line of credit was increased from \$75,000 to \$225,000.

On August 10, 2010, the Organization was repaid the remaining \$13,000 receivable from Community Works in Note 9.

SUPPLEMENTAL 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*

Board of Directors
Young Audiences of Louisiana, Inc.
New Orleans, Louisiana

We have audited the financial statements of Young Audiences of Louisiana, Inc. (a non-profit organization) (the "Organization"), as of and for the years ended June 30, 2010, and 2009, and have issued our report thereon date December 22, 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 the Organization's 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 an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A deficiency in internal controls 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 misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal controls such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs that we considered to be a significant deficiency as described in Item 2010-1. A significant deficiency is a deficiency, or combination of deficiencies in internal controls that is less severe than a material weakness, yet important enough to merit attention by those in charge with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Directors, the Legislative Auditor of the State of Louisiana, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Rebowe & Company

December 22, 2010

REBOWE & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS
CONSULTANTS

A PROFESSIONAL CORPORATION

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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors
Young Audiences of Louisiana, Inc.
New Orleans, Louisiana

Compliance

We have audited the compliance of the Young Audiences of Louisiana, Inc. (a non-profit organization) (the "Organization") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2010. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Organization's compliance with those requirements.

In our opinion, the Organization complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2010.

Internal Control over Compliance

The management of the Organization is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Organization's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance 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, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

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

The Organization's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs as *Management's Corrective Action Plan*. We did not audit the Organization's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information of management, the Board of Directors, the Legislative Auditor of the State of Louisiana, and federal awarding agencies and pass-through entities and is not intended to be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Rebowe & Company

December 22, 2010

YOUNG AUDIENCES OF LOUISIANA, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2010

Federal Grantor Pass-through Grantor Additional Pass-through Grantor <u>Federal CFDA Program Title</u>	<u>Federal CFDA or Other Identifying Number</u>	<u>Federal Expenditures</u>
Department of Education		
Title IV After School Learning Centers (21 st Century Community Learning Centers) *	84.287	<u>\$1,476,269</u>
<i>Total Expenditures of Federal Awards</i>		<u>\$1,476,269</u>

* Identified as a major program.

See accompanying notes to Schedule

YOUNG AUDIENCES OF LOUISIANA, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2010

NOTE 1 - BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Organization and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

YOUNG AUDIENCES OF LOUISIANA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2010

A. SUMMARY OF AUDITOR'S RESULTS

1. The Auditor's Report expresses an unqualified opinion on the financial statements of Young Audiences of Louisiana, Inc.
2. One (1) control deficiency disclosed during the audit of the financial statements is reported in the *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*. The one (1) deficiency is considered to be a significant deficiency.
3. No instances of noncompliance material to the financial statements of Young Audiences of Louisiana, Inc. were disclosed during the audit.
4. No deficiencies relating to the audit of the major federal award program are reported in the *Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133*.
5. The *Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133* expresses an unqualified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The following program was tested as a major program:

CFDA 84.287 21st Century Community Learning Centers
8. The threshold used to distinguish between Type A and Type B programs was \$300,000.
9. The Organization did not qualify as a low risk auditee.
10. No Management Letter was issued for the year ended June 30, 2010.

YOUNG AUDIENCES OF LOUISIANA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended June 30, 2010

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

SIGNIFICANT DEFICIENCY

2010-01 **FINANCIAL STATEMENT PREPARATION AND ACCRUAL BASIS
ACCOUNTING**

Observation:

As is common with similar sized not-for-profit entities, the Organization appears to have limited ability to produce a complete set of financial statements and footnotes in compliance with accounting principles generally accepted in the United States of America (GAAP). This is due primarily to the difficulty of maintaining the Organization's general ledger on the accrual basis of accounting instead of the cash basis. We note that the Organization has continued to improve in this area by contracting with a qualified bookkeeper and attempting to enhance its reporting capabilities but still struggles with revenue and expense recognition on an accrual basis.

Criteria:

Revenue and expense recognition on the accrual basis of accounting is essential to maintaining a proper general ledger and producing a complete set of financial statements and footnotes in compliance with accounting principles generally accepted in the United States of America (GAAP).

Effect:

As a result of mistakes common to an organization of the cash basis of accounting, significant adjusting entries to the financial statements were recorded for the year ended June 30, 2010.

Cause:

Though improved from the prior years, management's lack of knowledge of accrual accounting leads to improper revenue and expense recognition

Recommendation:

We recommend that management contract with a qualified bookkeeper to prepare periodic financial reports in accordance with GAAP.

Management's Corrective Action Plan:

See Management's Corrective Action Plan.

YOUNG AUDIENCES OF LOUISIANA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended June 30, 2010

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD
PROGRAMS AUDIT**

There were no findings related to federal awards for the year ended June 30, 2010.

YOUNG AUDIENCES OF LOUISIANA, INC.
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND
QUESTIONED COSTS
For the Year Ended June 30, 2010

SECTION I – FINDINGS RELATED TO THE FINANCIAL STATEMENTS

Finding 2009-1 Accounts Receivable and Payable

Current Year Status – Unresolved; See Schedule of Findings and Questioned Costs Finding 2010-1.

Finding 2009-2 Financial Statement Preparation

Current Year Status – Unresolved; See Schedule of Findings and Questioned Costs Finding 2010-1.

SECTION II – FINDINGS AND QUESTIONED COSTS RELATED TO MAJOR FEDERAL AWARD PROGRAMS

Finding 2009-3 Adequacy of Documentation

Current Year Status – Resolved.

SECTION III – MANAGEMENT LETTER

No management letter was issued for the year ended June 30, 2009.

YOUNG AUDIENCES OF LOUISIANA, INC.
CORRECTIVE ACTION PLAN
For the Year Ended June 30, 2010

2010-01 FINANCIAL STATEMENT PREPARATION AND ACCRUAL BASIS
ACCOUNTING

Recommendation:

We recommend that management contract with a qualified bookkeeper to prepare periodic financial reports in accordance with GAAP.

Corrective Action:

- 1) The Organization will solicit advice from knowledgeable professionals in identifying a qualified bookkeeper to train staff in current accrual basis accounting.
- 2) The bookkeeper will account for and record appropriate year-end financial statement adjustments in accordance with current accounting standards.
- 3) The bookkeeper will instruct and supervise staff in the preparation of complete financial statements and footnotes in compliance with GAAP.

Implementation Date:

Immediately.

Contact:

Rickie Nutik, Executive Director, (504) 523-3525