LOUISIANA SYMPHONY ASSOCIATION

Baton Rouge, Louisiana

FINANCIAL REPORT

June 30, 1999

LOUISIANA SYMPHONY ASSOCIATION
Baton Rouge, Louisiana

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June 30, 1999

FAULK & WINKLER LLC
Certified Public Accountants • Business Advisors

INDEPENDENT AUDITORS' REPORT

Board of Directors
Louisiana Symphony Association
Baton Rouge, Louisiana

We have audited the accompanying statement of financial position of the **LOUISIANA SYMPHONY ASSOCIATION** as of June 30, 1999, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the **LOUISIANA SYMPHONY ASSOCIATION** as of June 30, 1999 and the changes in its net assets and cash flows for the year then ended, in conformity with generally accepted accounting principles.

As explained in Note 8 to the financial statements, effective July 1, 1998, the Association changed its method of accounting for annual fund support and sponsorships.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 13, 1999, on our consideration of the **LOUISIANA SYMPHONY ASSOCIATION'S** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Faulk + Winkler LLC

Certified Public Accountants

Baton Rouge, Louisiana
August 13, 1999

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Exhibit A

LOUISIANA SYMPHONY ASSOCIATION

Baton Rouge, Louisiana

STATEMENT OF FINANCIAL POSITION

June 30, 1999
(with comparative amounts for 1998)

ASSETS

	1999	1998
CURRENT ASSETS		
Cash and cash equivalents	$ 241,894	$ 118,274
Investments	142,430	146,780
Receivables	64,570	79,371
Prepaid expenses	44,477	37,326
Total current assets	493,371	381,751
ENDOWMENT INVESTMENTS	808,889	449,214
PROPERTY AND EQUIPMENT, net	325,598	312,301
Total assets	$ 1,627,858	$ 1,143,266

LIABILITIES AND NET ASSETS

	1999	1998
CURRENT LIABILITIES		
Current maturities of long-term debt	$ 2,605	$ 7,008
Notes payable	100,000	-
Accounts payable	192,560	91,789
Accrued expenses and other liabilities	11,455	12,002
Deferred revenues:		
Ticket sales for performances	160,281	243,221
Dues	3,467	10,160
Other	77,749	108,736
Total current liabilities	548,117	472,916
LONG-TERM DEBT, less current maturities	245,503	117,498
Total liabilities	793,620	590,414
NET ASSETS		
Unrestricted:		
Operating (deficit), restated	(67,498)	19,704
Board designated - League	90,493	81,824
Total unrestricted	22,995	101,528
Permanently restricted	811,243	451,324
Total net assets	834,238	552,852
Total liabilities and net assets	$ 1,627,858	$ 1,143,266

The accompanying notes to financial statements are an integral part of this statement.

LOUISIANA SYMPHONY ASSOCIATION

Baton Rouge, Louisiana

STATEMENT OF ACTIVITIES

For the year ended June 30, 1999
(with comparative amounts for 1998)

	Unrestricted	Permanently Restricted	Totals 1999	Totals 1998
SUPPORT AND REVENUES				
Concert	$ 776,437	$ -	$ 776,437	$ 756,485
Government	180,091	-	180,091	158,614
Private	836,486	328,616	1,165,102	799,695
Investment	31,668	33,342	65,010	96,264
Special events - net	22,235	-	22,235	-
Other	130,166	-	130,166	112,049
Total support and revenues	1,977,083	361,958	2,339,041	1,923,107
EXPENSES				
Program services	1,264,248	-	1,264,248	1,427,003
General and administrative	791,368	2,039	793,407	692,726
Total expenses	2,055,616	2,039	2,057,655	2,119,729
Increase (decrease) in net assets	(78,533)	359,919	281,386	(196,622)
NET ASSETS				
Beginning of year, restated	101,528	451,324	552,852	749,474
End of year	$ 22,995	$ 811,243	$ 834,238	$ 552,852

The accompanying notes to financial statements
are an integral part of this statement.

Exhibit C

LOUISIANA SYMPHONY ASSOCIATION

Baton Rouge, Louisiana

STATEMENT OF CASH FLOWS

For the year ended June 30, 1999
(with comparative amounts for 1998)

	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 281,386	$ (196,622)
Adjustments to change in net assets:		
Depreciation	21,607	20,655
Unrealized gain on investments	(14,448)	(20,207)
Realized gain on investments	(11,302)	(35,364)
Contributions restricted for endowment assets	(328,616)	(250)
Change in operating assets and liabilities:		
Receivables	14,801	(23,781)
Prepaid expenses	(7,151)	20,924
Accounts payable	100,771	54,670
Accrued expenses and other liabilities	(547)	10,408
Deferred revenues	(120,620)	96,835
Net cash provided (used) by operating activities	(64,119)	(72,732)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in fixed assets	(34,904)	(19,172)
Decrease in investments	4,350	221,097
Increase in permanently restricted net assets	(5,309)	(635)
Net cash provided (used) by investing activities	(35,863)	201,290
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of debt	229,329	-
Payments on long-term debt	(5,727)	(6,125)
Net cash provided (used) by financing activities	223,602	(6,125)
Net increase in cash and cash equivalents	123,620	122,433
CASH/CASH OVERDRAFT		
Beginning of year	118,274	(4,159)
End of year	$ 241,894	$ 118,274

The accompanying notes to financial statements are an integral part of this statement.

LOUISIANA SYMPHONY ASSOCIATION

Baton Rouge, Louisiana

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of activities

The Louisiana Symphony Association (Association) was founded in 1947 to provide a symphony orchestra with a regional and national profile, and to provide educational and cultural enrichment for the people of greater Baton Rouge and the State of Louisiana.

Basis of presentation

The financial statements of the Association have been prepared on the accrual basis. The significant accounting policies are described below to enhance the usefulness of the financial statements.

Financial statement presentation complies with the Financial Accounting Standards Board's *Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations.* Under SFAS No. 117, the Association is required to report information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Association has no temporarily restricted nets assets.

The statement of activities presents expenses of the Association's operations functionally between program services and general and administrative.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates are used primarily when accounting for the allowance for decline in market value, depreciation, and deferred revenue.

Promises to Give

The Association complies with the Financial Accounting Standards Board's *Statement of Financial Accounting Standards (SFAS) No. 116, Accounting for Contributions Received and Contributions Made.* In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Promises to Give (Continued)

Contributions are recognized when the donor makes a promise to give to the Association that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily or permanently restricted net assets are reclassified to unrestricted net assets. At June 30, 1999, there were no temporarily restricted assets.

Grant revenue recognition

Grants which represent exchange transactions are recorded as a receivable when the grant is formally committed. Grants committed at year end which are applicable to the subsequent fiscal period are included in grants receivable and deferred income.

Grants which represent contributed support are recognized in the same manner as promises to give.

Volunteer services

A substantial number of unpaid volunteers have made a significant contribution of service to develop the Association's programs, principally in fund raising activities, operations and board participation. The value of this service is not reflected in these statements since no objective basis for measurement or valuation is available.

Restricted and designated net assets

The management of the Association has elected to designate cash and money market funds relating to the Louisiana Symphony League as unrestricted board designated net assets.

In October 1981, the Association established an endowment trust to be funded by contributions. Income earned on investments can be used by the Association, but the principal must remain intact. The endowment trust has been classified as permanently restricted net assets.

In May 1999, the endowment trust received a gift of $325,000. Income earned on investments is restricted to support musical educational programs administered by the Association.

Cash and cash equivalents

The Association considers all highly liquid investments with a maturity of three months or less at the date of acquisition to be "cash equivalents." Cash and cash equivalents for purposes of the statement of cash flows exclude permanently restricted cash and cash equivalents.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments, other than time certificates of deposit, have been recorded at market value, with the amount of unrealized gain or loss recorded in the statement of activities.

Time certificates of deposit are recorded at lower of cost or market value, with the amount of unrealized loss recorded as a contra-asset account.

Receivables

The Association closely monitors its support, concert and advertising receivables and has not experienced significant losses related to its receivables.

Property and equipment

Property and equipment is stated at cost. Depreciation is computed using straight-line and accelerated methods over the estimated useful lives of the assets.

Income taxes

The Association is a non-profit organization and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Reclassifications

Certain amounts in the 1998 financial statements have been reclassified to conform with the 1999 financial statement presentation.

NOTE 2 - PROPERTY AND EQUIPMENT

A summary of property and equipment, accumulated depreciation and related service lives at June 30, 1999, is as follows:

	Estimated Service Lives	Amount
Building and land	40 years	$ 303,465
Equipment	3 - 7 years	91,645
Furniture and fixtures	5 - 7 years	81,624
		476,734
Less accumulated depreciation		(151,136)
		$ 325,598

Depreciation expense was $21,607 for the year ended June 30, 1999.

NOTE 3 - INVESTMENTS

Investments as of June 30, 1999, are summarized as follows:

	Cost	Market Value	Carrying Value
Unrestricted			
Fixed income	$ 49,017	$ 47,021	$ 47,021
Equity securities	88,971	95,409	95,409
Total unrestricted	$ 137,988	$ 142,430	$ 142,430
Permanently restricted			
Fixed income	$ 363,977	$ 361,384	$ 361,384
Equiety securities	297,017	366,062	366,062
Baton Rouge Area Foundation	53,271	81,443	81,443
	$ 714,265	$ 808,889	$ 808,889

The following schedule summarizes the investment income and its classification in the statement of activities for the year ended June 30, 1999:

	Unrestricted	Permanently Restricted	Total
Interest and dividends	$ 35,332	$ 3,928	$ 39,260
Realized gains, net	-	11,302	11,302
Unrealized gains (losses)	(3,664)	18,112	14,448
Total invesment income	$ 31,668	$ 33,342	$ 65,010

NOTE 4 - NOTE PAYABLE

During the year ended June 30, 1999, the Association established a revolving credit line, up to $100,000, with interest payable monthly at 8% at June 30, 1999. The debt is secured by the Association's unrestricted investment accounts of $142,430 at June 30, 1999. The principal balance is due on November 30, 1999. At June 30, 1999, the balance due was $100,000.

NOTE 5 - LONG-TERM DEBT

The Association had long-term debt of $245,503 at June 30, 1999. The note is payable in monthly installments of $1,681, including interest at 7%, secured by building and land, and maturing March 2004. Maturities of long-term debt are as follows:

June 30,	Amount
2000	$ 2,605
2001	3,185
2002	3,353
2003	3,595
2004	232,765
	$ 245,503

NOTE 6 - SUPPLEMENTAL CASH FLOW INFORMATION

Cash payments during the year ended June 30, 1999, for interest were $14,342.

NOTE 7 - LEASE COMMITMENT

The Association leases office space, which is located in its operating facility (cost $290,000), to tenants under a non-cancelable operating lease with a one year term and an option to renew the lease. The future minimum rentals under the lease are approximately $13,500 for the year ending June 30, 2000. Rental income for the year was $13,546.

NOTE 8 - RESTATEMENT

During the year ended June 30, 1999, it was determined that certain revenues and expenses were assigned to inappropriate time periods. The effect of the errors, in the aggregate, was an understatement of the change in net assets and equity balance by $80,271 for the year ended June 30, 1998.

Also, during the year ended June 30, 1999, the Board of Directors reviewed its policy for recognition of the annual fund contributions and sponsorships. These revenues had been recorded as temporarily restricted support in the year received and reclassified to unrestricted net assets upon expiration of the respective restrictions. The changes, as determined by the Board, are as follows:

- Annual fund support received during a fiscal year, based on the solicitation and intent of the donors, is recognized upon receipt as unrestricted operating support.
- Sponsorships be deferred on receipt and recognized as unrestricted operating support with the concert performance.

NOTE 8 - RESTATEMENT (CONTINUED)

These changes were made by restating June 30, 1998 net assets. The above errors and policy changes resulted in changes to net assets, unrestricted and temporarily restricted, and the related statement of activities, as follows:

	Net Assets	
	Unrestricted	Temporarily Restricted
Errors:		
Overaccrual of revenue	$ (48,087)	$ -
Underaccrual of expenditures	(32,184)	
Changes in recognition policy:		
Annual fund	169,617	(169,617)
Sponsorships	-	(83,150)
Net effect on the change innet assets	89,346	(252,767)
Net assets:		
As previously reported, June 30, 1998	(69,642)	252,767
As restated, June 30, 1998	$ 19,704	$ -

FAULK WINKLER LLC
Certified Public Accountants • Business Advisors

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

Board of Directors
Louisiana Symphony Association
Baton Rouge, Louisiana

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule 1 and statistical information are presented for purposes of additional analysis and are 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.

Faulk & Winkler LLC
Certified Public Accountants

Baton Rouge, Louisiana
August 13, 1999

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LOUISIANA SYMPHONY ASSOCIATION

Baton Rouge, Louisiana

COMBINING SCHEDULE OF ACTIVITIES - UNRESTRICTED

For the year ended June 30, 1999
(with comparative amounts for 1998)

	Symphony Operations	Symphony League	Totals 1999	Totals 1998
SUPPORT AND REVENUES				
Concert	$ 776,437	$ -	$ 776,437	$ 756,485
Government	180,091	-	180,091	158,614
Private	702,330	134,156	836,486	799,695
Investment	27,434	4,234	31,668	30,898
Special events - net	22,235	-	22,235	-
Other	200,166	70,000	130,166	111,799
Transfer from restricted	-	-	-	35,452
Total support and revenues	1,908,693	68,390	1,977,083	1,892,943
EXPENSES				
Program	1,264,248	-	1,264,248	1,427,003
General and administrative	731,647	59,721	791,368	686,147
Total expenses	1,995,895	59,721	2,055,616	2,113,150
Increase (decrease) in net assets	(87,202)	8,669	(78,533)	(220,207)
NET ASSETS				
Beginning of year, restated	19,704	81,824	101,528	321,735
End of year (deficit)	$ (67,498)	$ 90,493	$ 22,995	$ 101,528

The accompanying notes to financial statements are an integral part of this statement.

Special Independent Auditors' Reports

LOUISIANA SYMPHONY ASSOCIATION

Baton Rouge, Louisiana

June 30, 1999

FAULK WINKLER LLC
Certified Public Accountants • Business Advisors

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

Board of Directors
Louisiana Symphony Association
Baton Rouge, Louisiana

We have audited the accompanying financial statements of the **LOUISIANA SYMPHONY ASSOCIATION** (Association) as of and for the year ended June 30, 1999, and have issued our report thereon dated August 13, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 no express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards.*

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Association's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Association's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned

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functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses.

However, we noted the following matters involving internal control over financial reporting that we consider to be reportable conditions as well as material weaknesses as defined above.

SEGREGATION OF DUTIES

Observation: There is not sufficient segregation of duties to have effective internal control. The finding results from the small size of the organization.

Recommendation: In 1998, we recommended that the Association hire a part-time finance director to provide assistance with financial management. The Association hired a CPA in September 1998 to assist with various duties as previously recommended by us. During 1999, the Association formed a finance committee to address various financial matters. The addition of the CPA and finance committee has enhanced financial management in the form of more accurate and timely reporting of financial information. In addition, several conditions reported in the 1998 financial report were resolved as a result of efforts made by management of the Association. We recommend the continued involvement of the finance committee and use of a CPA to assist with the maintenance of financial reporting of the Association.

Finally, the finance committee should develop a three year projection to establish financial goals for the Symphony.

Management's corrective action plan: Subsequent to year end, the Association hired additional staff to address the lack of proper segregation of duties. As a result, management intends to assign the appropriate procedures to various personnel for proper segregation of duties by June 30, 2000.

FINANCIAL ADMINISTRATION

Unrestricted Operating Net Asset Deficit

Observation: At June 30, 1999, the Symphony reported a deficit in unrestricted operating net assets of $67,498.

Recommendation: Although the net loss for the Symphony operations declined in 1999, an equity deficit exists. We recommend continued emphasis be placed on budget achievement to eliminate recurring operating losses and the equity deficit.

Management's corrective action plan: Management intends to eliminate the equity deficit through (1) revenue enhancements, primarily the annual fund drive and concert sponsorships, (2) a review of its programs to analyze those with a lack of profitability, and (3) monitor expenses for budget adherence. In this manner, management intends to eliminate the deficit by June 30, 2000.

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

Faulk + Winkler LLC

Certified Public Accountants

Baton Rouge, Louisiana
August 13, 1999

LOUISIANA SYMPHONY ASSOCIATION
Baton Rouge, Louisiana

SUMMARY OF PRIOR YEAR FINDINGS

For the year ended June 30, 1999

FINANCIAL STATEMENT/MANAGEMENT

Accounting for investments and account payable

Previously, our observations of accounting procedures related to the preparation of interim financial statements included the following:

- Expenses on the interim financial statements were reported on the cash basis of accounting with a year ending entry to record accrued expenses.
- Investment activity from unrestricted and endowment fund assets were not recorded until year-end by audited journal entries.

For the year ended June 30, 1999, the Association recorded expenses on the accrual basis while maintaining detailed vendor listings of amounts owed. In addition, the Association recorded investment activity on an interim basis accurately and timely.

As a result, this matter is resolved.

Net assets/personnel journal entries

Based on our examination of financial records for the year ended June 30, 1998, we identified a journal entry of approximately $80,500 for personnel expenditures recorded as a direct reduction to net assets of the Association. The journal entry reduced personnel expenditures reported on the Association's internal financial statements.

During our review of the financial records for the year ended June 30, 1999, no entries were made to report expenditure amounts as direct reductions to net assets. As a result, this matter has been resolved to our satisfaction.

FINANCIAL ADMINISTRATION

Cash disbursement authorization

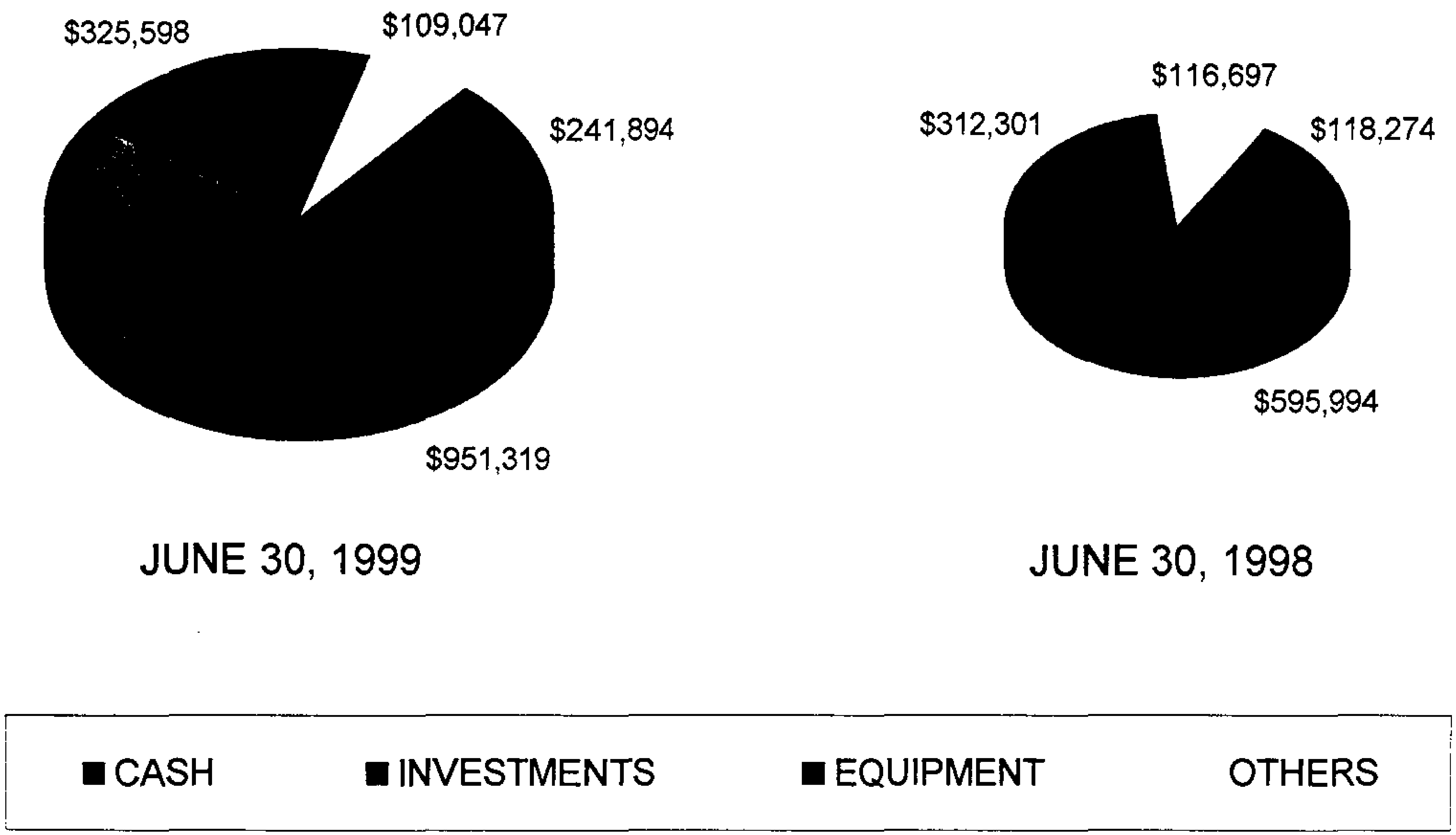
During the year ended June 30, 1998, a policy was adopted to establish a $2,000 threshold for dual signature authorization. Based on our review of disbursements, during the year ended June 30, 1998, we observed the following:

- In some cases, disbursements that were in excess of the threshold lacked the required second signature,
- In one case, an invoice for $32,206.50 was paid with seventeen checks.

During our review of cash disbursements for the year ended June 30, 1999, no such violations of board policy were detected. This matter is resolved.

STATISTICAL INFORMATION

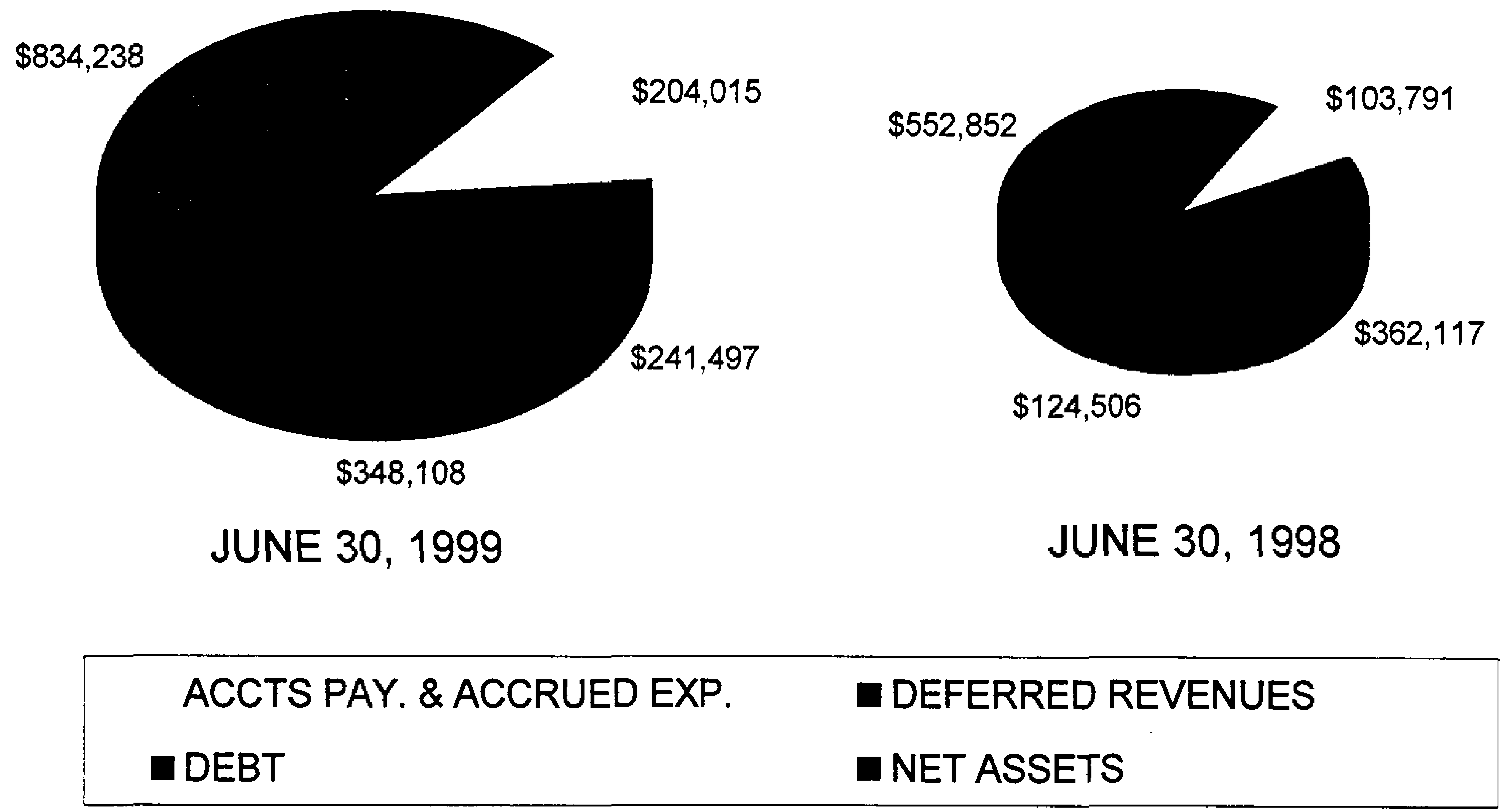
LOUISIANA SYMPHONY ASSOCIATION
ASSETS



TOTAL ASSETS = $ 1,627,858

TOTAL ASSETS = $ 1,143,266

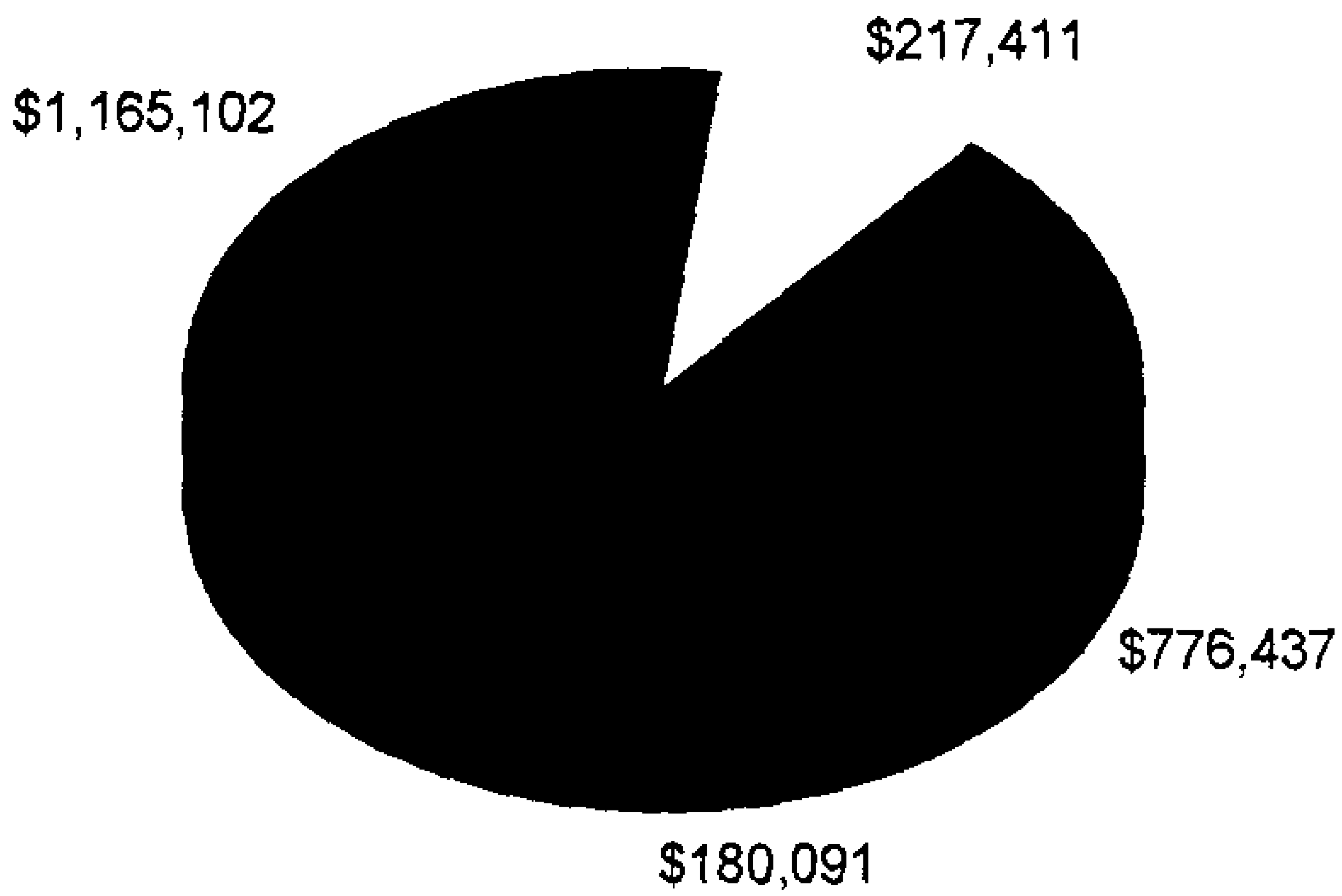
LOUISIANA SYMPHONY ASSOCIATION
LIABILITIES AND NET ASSETS



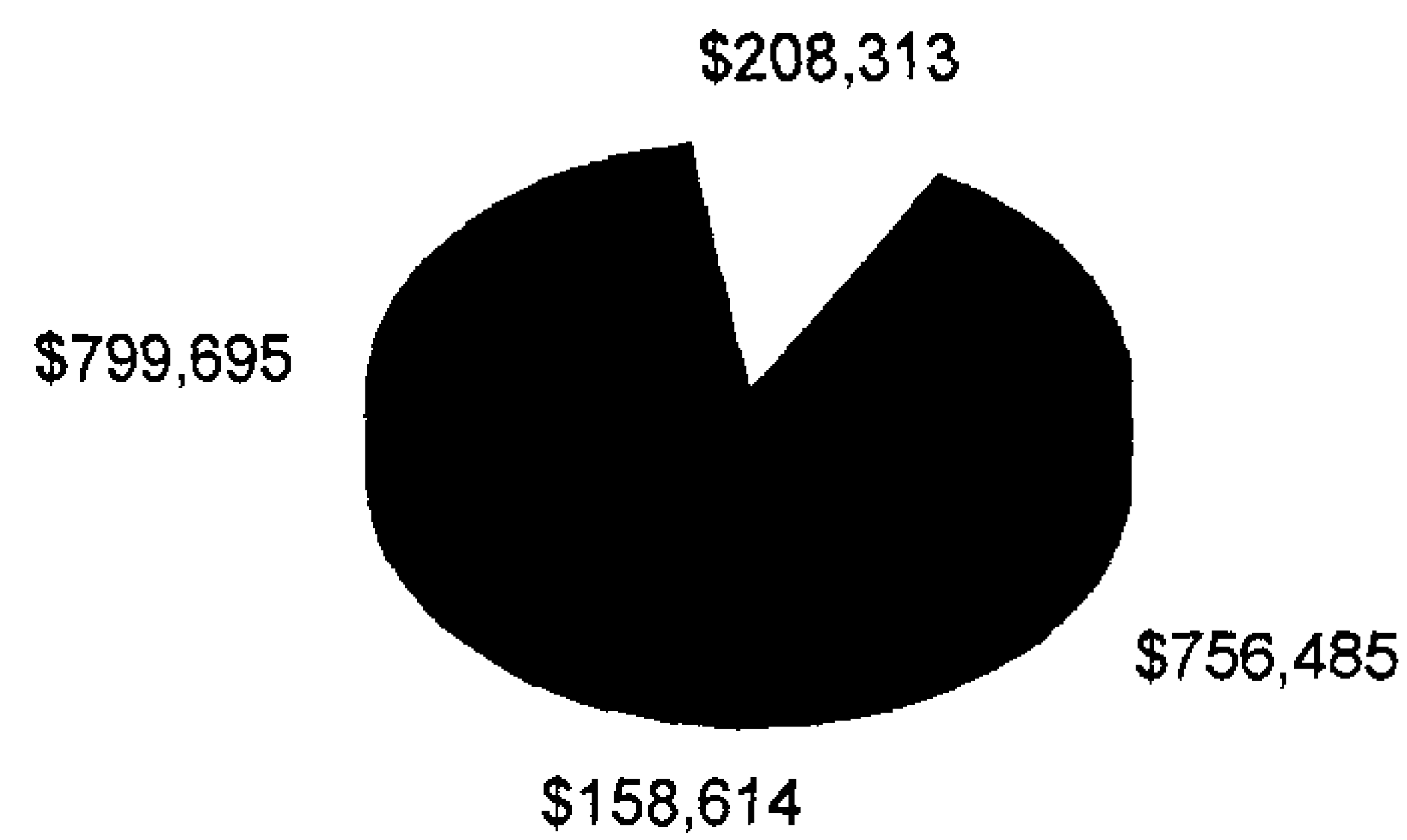
TOTAL LIABILITIES = $793,620
TOTAL NET ASSETS = 834,238

TOTAL LIABILITIES = $ 590,414
TOTAL NET ASSETS = $ 552,852

LOUISIANA SYMPHONY ASSOCIATION
SUPPORT AND REVENUE



JUNE 30, 1999



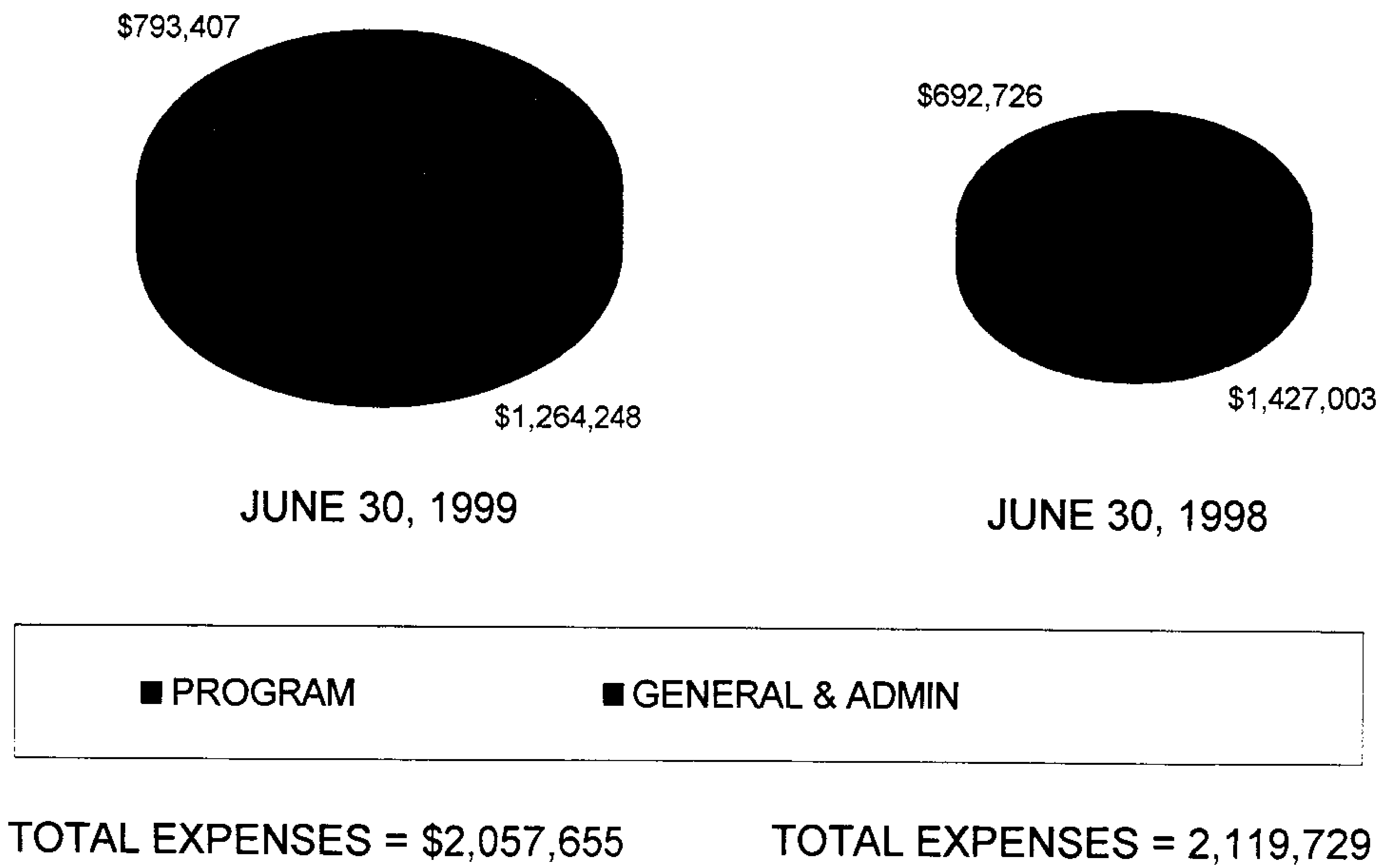
JUNE 30, 1998

■ CONCERT ■ GOVERNMENT ■ PRIVATE OTHER

TOTAL SUPPORT & REVENUE = $2,339,041

TOTAL SUPPORT & REVENUE = $1,923,107

LOUISIANA SYMPHONY ASSOCIATION
EXPENSES



LOUISIANA SYMPHONY ASSOCIATION
ENDOWMENT TRUST