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JEFFERSON PERFORMING ARTS SOCIETY
REPORT ON EXAMINATION OF
FINANCIAL STATEMENTS
YEAR ENDED
JUNE 30, 1988

Under provisions of state law, this report is a public document. A copy of this report has been distributed to the auditor, as required, and to other interested public officials. This report is available for public inspection at the State Board of Accountancy, Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date _____

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JEFFERSON PERFORMING ARTS SOCIETY

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Zahn, Kenney & Brette
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Jefferson Performing Arts Society

We have audited the accompanying statement of financial position of Jefferson Performing Arts Society (a nonprofit organization) as of June 30, 1998, and the related statements of activities, functional expenses, and cash flows for the year 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 audit.

We conducted our audit in accordance with generally accepted auditing standards and 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 Jefferson Performing Arts Society as of June 30, 1998, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated September 18, 1998, on our consideration of Jefferson Performing Arts Society's internal control structure and a report dated September 18, 1998, on its compliance with laws and regulations.

Zahn, Kenney & Brette

Zahn, Kenney & Brette
Certified Public Accountants

Metairie, Louisiana
September 18, 1998

JEFFERSON PERFORMING ARTS SOCIETY

STATEMENT OF FINANCIAL POSITION

JUNE 30, 1998

ASSETS

Current Assets	
Cash and interest bearing deposits	\$ 87,826
Accounts receivable	4,959
Prepaid expenses	18,981
Unconditional promises to give (Note 3)	<u>33,880</u>
Total Current Assets	145,646
Assets restricted to investment in	
property, furniture and equipment at cost,	
less accumulated depreciation of \$185,203 (Note 4)	281,193
Long-term unconditional promises to give (Note 3)	<u>96,351</u>
Total Assets	\$ <u>523,190</u>

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts payable	\$ 4,340
Payroll taxes payable	4,804
Loans payable	4,459
Unearned revenue (Note 5)	15,389
Mortgage payable	<u>4,378</u>
Total Current Liabilities	33,370
Loans payable, net of current	
retentions (Note 6)	410
Mortgage payable, net of current retentions (Note 7)	<u>168,385</u>
Total Liabilities	<u>199,165</u>
Net Assets	
Unrestricted	77,431
Temporarily restricted by donors (Note 8)	<u>228,933</u>
Total Net Assets	<u>306,364</u>
Total Liabilities and Net Assets	\$ <u>523,190</u>

See accompanying notes to financial statements.

JEFFERSON PERFORMING ARTS SOCIETY
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 1998

	Unrestricted	Temporarily Restricted	Total
Public Support, Revenues and Reclassifications			
Public Support:			
Contributions	\$ 60,758	\$ 34,935	\$ 95,693
Grant - Jefferson Parish		275,000	275,000
Grant - State of Louisiana	70,000		70,000
Program sponsorship	<u>32,778</u>	<u> </u>	<u>32,778</u>
Total Public Support	<u>163,536</u>	<u>309,935</u>	<u>473,471</u>
Revenues:			
Program service revenue	438,936		438,936
Membership dues	17,896		17,896
Investment income	3,238		3,238
Miscellaneous	<u>26,637</u>		<u>26,637</u>
Total Revenues	<u>486,707</u>		<u>486,707</u>
Reclassifications:			
Net assets released from restrictions (Note 4)			
Satisfaction of purpose restrictions	361,603	(361,603)	
Expiration of time restrictions	<u>23,236</u>	<u>(23,236)</u>	
Total Reclassifications	<u>384,839</u>	<u>(384,839)</u>	
Total Public Support, Revenues and Reclassifications	<u>868,575</u>	<u> </u>	<u>868,575</u>

See accompanying notes to financial statements.

JEFFERSON PERFORMING ARTS SOCIETY

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 1988

	Permanently Restricted	Temporarily Restricted	Total
Expenses:			
Program Services (Note 5)(1)	\$ 287,263		\$ 287,263
Total Program Services	<u>287,263</u>		<u>287,263</u>
Supporting Services:			
Management and general	175,857		175,857
Fund raising	<u>61,256</u>		<u>61,256</u>
Total Supporting Services	<u>237,113</u>		<u>237,113</u>
Total Expenses	<u>524,376</u>		<u>524,376</u>
Increase (Decrease) in Net Assets	(46,443)	\$ 3,296	(43,147)
Net assets at beginning of year	<u>363,873</u>	<u>125,677</u>	<u>489,550</u>
Net assets at end of year	<u>\$ 317,430</u>	<u>\$ 128,973</u>	<u>\$ 446,403</u>

See accompanying notes to financial statements.

JEFFERSON PERFORMING ARTS SOCIETY

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 1996

Cash Flows From Operating Activities:	
Cash received from Jefferson Parish grant	\$ 275,000
Cash received from State of Louisiana grant	48,150
Cash collected from contributions and program sponsorship	113,444
Cash received from program services	458,218
Cash received from members for dues	17,096
Interest received	3,339
Other cash received	26,437
Cash paid to employees	(271,952)
P fringe benefits	(86,487)
Professional fees and contract services	(257,883)
Supplies and materials	(38,386)
Telephone	(8,833)
Postage and shipping	(7,782)
Occupancy	(16,971)
Rental and maintenance of equipment	(20,328)
Printing, publications and visual aids	(71,288)
Travel, conferences, conventions and meetings	(28,189)
Jefferson Children's Chorus Houston and New York Concerts	(28,845)
Miscellaneous	(26,348)
Interest	(8,335)
Fund raising	(22,697)
Promotion and advertising	(20,122)
Orchestra pit	(3,889)
	<u>21,861</u>
Net cash provided by operating activities	
Cash Flows From Investing Activities:	
Purchase of equipment	<u>(800)</u>
Net cash used by investing activities	<u>(800)</u>
Cash Flows From Financing Activities:	
Payments on software lease payable	(4,800)
Payments on mortgage payable	<u>(5,832)</u>
Net cash used by financing activities	<u>(10,632)</u>
Net increase in cash	10,429
Cash - beginning of year	<u>32,620</u>
Cash - end of year	<u>\$ 43,049</u>

See accompanying notes to financial statements.

JEFFERSON PERFORMING ARTS SOCIETY

STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 1998

Reconciliation of change in net assets to net cash provided by operating activities:	
Change in net assets	\$ (83,143)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	51,563
Net unconditional promises to give	25,000
Decrease in receivables	12,300
Increase in prepaid expenses	(8,032)
Decrease in accounts payable	(175)
Increase in payroll taxes payable	647
Increase in unearned revenue	<u>22,382</u>
Net cash provided by operating activities	\$ <u>12,442</u>
Supplemental data:	
Interest paid	\$ <u>3,294</u>

See accompanying notes to financial statements.

JEFFERSON PERFORMING ARTS SOCIETY

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 1998

	Program Services	Management and General	Fund Raising	Total
Salaries	\$ 358,481	\$ 17,915	\$6,375	\$ 382,771
Employee benefits and payroll taxes	38,150	4,783	8,281	51,214
Total Salaries and Related Expenses	396,631	22,698	14,656	433,985
Professional fees and consultant services	216,162	21,761		237,923
Supplies and materials	47,088	12,312		59,400
Telephones	1,971	7,883		9,854
Postage and shipping	7,762			7,762
Occupancy	38,437	8,914		47,351
Rental and maintenance of equipment	3,384	13,012		16,396
Printing, publications and visual aids	18,897	3,679		22,576
Travel, conferences, conventions and meetings	16,480	8,793		25,273
Jefferson Children's Chorus Houston and New York Concerts	29,043			29,043
Miscellaneous	1,795	8,519		10,314
Membership dues		3,309		3,309
Interest		9,894		9,894
Volunteer expenses		1,577		1,577
Promotion and advertising	80,800	9,513		90,313
Fund raising			20,928	20,928
Depreciation		19,851		19,851
Orchestra PIA	3,222			3,222
	<u>\$ 381,763</u>	<u>\$173,831</u>	<u>\$21,228</u>	<u>\$ 576,822</u>

See accompanying notes to financial statements.

JEFFERSON PERFORMING ARTS SOCIETY

NOTE TO FINANCIAL STATEMENTS

JUNE 30, 1948

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

STATEMENT OF PURPOSE

Jefferson Performing Arts Society (JPAS) is one of Louisiana's fastest growing and Jefferson Parish's largest multi-dimensional arts organization. Through numerous associated activities, JPAS offers members of the metropolitan New Orleans community an opportunity for cultural enrichment, arts education, and professional participation in symphonic and vocal music, theater, dance, and children's programs. JPAS offers the young person as well as the adult an opportunity for personal growth and artistic expression through these activities. JPAS provides the artist as well as the audience the cultural nurturing necessary to create the whole person. Finally, it is the dream of JPAS to serve as the catalyst to construct a major facility from which to present its programs and enhance the quality of life in this community.

ASSOCIATED ACTIVITIES

Jefferson Symphony Orchestra
 Jefferson Chamber Orchestra
 Jefferson Symphony Chorus
 Jefferson Children's Chorus
 Jefferson Youth Chorus
 Jefferson Ballet
 Arts Admissions Series (for students)
 Theater Wing
 Broadway Hit Orchestra
 Jefferson Opera Theater
 Special Arts For Seniors Series "JASS"
 "JMS" Stage Without a Theater
 Cultural Crossroads

The financial statements of Jefferson Performing Arts Society are prepared on the accrual basis of accounting and in accordance with the recommendations of the American Institute of Certified Public Accountants. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements, and relates to the timing of the measurements made. The significant accounting policies followed are described below:

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Organization

Jefferson Performing Arts Society is a non-profit corporation organized under the laws of the State of Louisiana. It is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986, and qualifies as an organization that is not a private foundation as defined in Section 509(a) of the Code. It is exempt from Louisiana income tax under the authority of R.S. 47:11133.

b) Contributions and Revenue Recognition

Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires (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. Donor restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

c) PROPERTY, FURNITURE, EQUIPMENT, and Leasehold Improvements

All property, furniture, equipment and leasehold improvements are recorded at cost. Furniture and equipment depreciation is computed using different basis over estimated useful lives of 3 to 7 years. Leasehold improvements are depreciated over an estimated useful life of 10 years. The building is depreciated over an estimated useful life of 39 years.

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) In-Kind Support:

JFAS occupies an office at 1118 Clearview Parkway in Metairie, Louisiana under a long-term lease. An annual rental of \$1 is paid by JFAS. The estimated approximate fair value of the annual rental is \$17,480 and it is included in the statement of activities as public support and expenses.

JFAS also occupies the auditorium at East Jefferson High School for scheduled performance dates throughout the fiscal year. No rent is paid by JFAS for the long-term agreement that extends to September 1, 2001. No amounts have been recognized in the accompanying statement of activities because no criteria for recognition of such in-kind support has been satisfied under SFAS No. 118. Accounting for Contributions Received and Contributions Made. The in-kind support of the Jefferson Parish School Board includes the use of the facility and all costs and expenses associated with the use of the facility by JFAS for any and all events scheduled by it. The amount of the support is not readily determinable on an annual basis.

NOTE 2--DONATED SERVICES

The value of donated volunteer services is not reflected in the accompanying financial statements since there is no objective basis available by which to measure the value of such services. However, a substantial number of volunteers have donated significant amounts of their time to the JFAS program service area.

NOTE 3--UNCONDITIONAL PROMISE TO GIVE

JFAS occupies an office at 1118 Clearview Parkway in Metairie, Louisiana. An annual rental of \$1 is paid by JFAS under a long-term lease. The estimated approximate fair value of the annual rental is \$17,480 and represents an unconditional promise to give by the Parish of Jefferson to JFAS for the next six years. This unconditional promise to give at June 30, 1998 is as follows:

Receivable in less than one year	\$ 17,480
Receivable in one to five years	133,468
Total Unconditional Promise To Give	150,948
Less discounts to net present value	<u>(13,058)</u>
Net Unconditional Promise To Give at June 30, 1998	<u>\$137,890</u>

NOTE 4--PROPERTY, FURNITURE, EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Property, furniture, equipment and leasehold improvements at cost, and accumulated depreciation at June 30, 1998 are summarized as follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Equipment and Furniture	\$189,181	\$ 148,998	\$ 40,183
Leasehold Improvements	87,330	33,930	53,400
Land	132,341		132,341
Building	29,882	1,125	28,757
	<u>\$388,334</u>	<u>\$ 165,053</u>	<u>\$223,281</u>

NOTE 5--UNEARNED REVENUE

A summary of unearned revenue follows:

Ticket sales for performances and events in the next fiscal year	<u>\$ 25,382</u>
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NOTE 6--LEASE COMMITMENTS

On May 18, 1994 JF&E signed a lease with the Parish of Jefferson for Parish owned property at 1118 Clearview Parkway. The term of the lease is for 18 years commencing on April 15, 1994 with an annual consideration of \$0 payable on each anniversary date.

JF&E did not occupy these premises until October 1996. Future minimum lease payments under this noncancelable operating lease are as follows:

1998 through 2003 \$ 0

JF&E has also entered into a lease for software originating in 1995-95 with a term of five years. Based on the provisions of Statement No. 13, issued by the Financial Accounting Standards Board, the lease meets the criteria of a capital lease and, accordingly, has been recorded as such. These assets are stated on the balance sheet at their capitalized cost of \$56,000. Depreciation of \$56,000 has been recognized to date.

Future minimum lease payments under the capital lease, together with the present value of minimum lease payments subsequent to June 30, 1998 are as follows:

Year Ended June 30,	
1998	\$ 1,998
2004	418
	<u>2,416</u>
Less amount representing interest	<u>(302)</u>
Present value of minimum lease payments	<u>\$ 2,114</u>

NOTE 7--MORTGAGE PAYABLE

JPAC is the maker of a mortgage note payable in the original amount of \$118,017 at 8% per annum interest. The mortgage is to be amortized over a period of 15 years in equal monthly installments of \$1,051, which includes principal and interest. The note is secured by a first mortgage on the land and building located at 1118 Clearview Parkway. As of June 30, 1998, the principal balance of the note is \$106,487, of which \$4,399 is due within the next twelve months. As of June 30, 1998, the note is in current condition.

Amortization of the mortgage payable for each of the next five years and thereafter are as follows:

1998-1999	\$ 4,399
1999-2000	4,763
2000-2001	5,128
2001-2002	5,500
2002-2003	5,872
Thereafter	<u>78,715</u>
	<u>\$106,487</u>

NOTE 8--RESTRICTIONS ON ASSETS

Temporarily restricted net assets are restricted by donors for specific purposes or designated for subsequent periods. As June 30, 1998 temporarily restricted net assets are available for the following purposes or periods:

Jefferson Parish Grant to be used for programs in subsequent periods	\$ 65,238
Jefferson Parish building rental due for subsequent periods	113,981
Ochsleira pit contributions to be used for construction of Ochsleira pit	<u>19,712</u>
	<u>\$298,931</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

Purpose restriction accomplished:	
Jefferson Parish grant	\$118,000
Ochsleira pit construction	<u>3,383</u>
	\$121,383
Time restrictions expired on lease of 1118 Clearview Parkway	<u>25,804</u>
	<u>\$147,187</u>

NOTE 9--CREDIT RISK CONCENTRATION AND MAJOR FUNDING SOURCE:

JMS receives a grant from the Parish of Jefferson which comprises a significant portion of its revenue.

NOTE 10--PROGRAM SERVICES:

Program services include activities conducted year round with the Jefferson Symphony Orchestra, Jefferson Children's Chorus, Jefferson Ballet, Theater Wing, Jefferson Chamber Orchestra, Jefferson Symphony Chorus, Jefferson Youth Chorus and Jefferson Opera Theater.

Also during the year program concerts and shows are held for the general public to further appreciation of the arts in the community. These events are held on either one or several performances.

SPECIAL REPORTS OF INDEPENDENT AUDITOR

**Independent Auditor's Report On The Internal Control
Structure Based On An Audit Of The Financial Statements
Performed In Accordance With Government Auditing Standards**

To the Board of Directors,
Jefferson Performing Arts Society

We have audited the financial statements of Jefferson Performing Arts Society (a nonprofit organization), as of June 30, 1998, and have issued our report thereon dated September 18, 1998.

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

The management of Jefferson Performing Arts Society is responsible for establishing and maintaining internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of the internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of Jefferson Performing Arts Society for the year ended June 30, 1998, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

We noted a certain matter involving the internal control structure and its operation that we considered to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data in a manner that is consistent with the assertions of management in the financial statements.

The reportable condition noted is that there is a lack of segregation of duties in the handling of cash receipts and disbursements due to the relative size of the organization.

A material weakness is a reportable condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations 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 functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe none of the reportable conditions described above is a material weakness.

This report is intended for the information of Jefferson Farming Arts Society's management and the Legislative Audit Advisory Committee. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

John, Kenney & Braselle

John, Kenney & Braselle
Certified Public Accountants

Metairie, Louisiana
September 28, 1998

**Independent Auditor's Report On Compliance With
Laws And Regulations Based On An Audit Of The Financial Statements
Performed In Accordance With Government Auditing Standards**

To the Board of Directors,
Jefferson Performing Arts Society

We have audited the financial statements of Jefferson Performing Arts Society (a nonprofit organization) as of June 30, 1998, and have issued our report thereon dated September 18, 1998.

We conducted our audit in accordance with generally accepted auditing standards and 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.

Compliance with the laws, regulations, contracts, and grants applicable to Jefferson Performing Arts Society is the responsibility of the management of Jefferson Performing Arts Society. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Company's compliance with certain provisions of laws, regulations, contracts, and grants. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under Government Auditing Standards.

This report is intended for the information of Jefferson Performing Arts Society's management, and the Legislative Public Advisory Committee. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

John Kenney & Brissette

John Kenney & Brissette
Certified Public Accountants

Metairie, Louisiana
September 18, 1998