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JEFFERSON PERFORMING ARTS SOCIETY
REPORT ON EXAMINATION OF
FINANCIAL STATEMENTS
YEAR ENDED
JUNE 30, 1997

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the auditor, or reviewed, 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 NOV 03 1997

NOV 03 1997
LEGISLATIVE AUDITOR
BATON ROUGE, LA

JEFFERSON PERFORMING ARTS SOCIETY

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Zahn, Kenney & Brosette
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, 1997, 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. These 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, 1997, 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, 1997, on our consideration of Jefferson Performing Arts Society's internal control structure and a report dated September 18, 1997, on its compliance with laws and regulations.

Zahn, Kenney & Brosette

Zahn, Kenney & Brosette
Certified Public Accountants

Metairie, Louisiana
September 18, 1997

JEFFERSON PERFORMING ARTS SOCIETY

STATEMENT OF FINANCIAL POSITION

JUNE 30, 1997

ASSETS

Current Assets	
Cash and interest bearing deposits	\$ 79,810
Accounts Receivable	19,179
Prepaid expenses	2,328
Unconditional promise to give (Note 4)	<u>21,608</u>
Total Current Assets	122,925
Assets restricted to investment in property, furniture and equipment at cost, less accumulated depreciation of \$150,321 (Note 4)	260,739
Long-term unconditional promise to give (Note 4)	<u>121,181</u>
Total Assets	\$ 504,845

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts payable	\$ 4,413
Payroll taxes payable	4,257
Lease payable	3,876
Unearned revenue (Note 5)	12,280
Mortgage payable	<u>4,962</u>
Total Current Liabilities	29,788
Lease payable, net of current accruals (Note 4)	4,969
Mortgage payable, net of current accruals (Note 7)	<u>158,682</u>
Total Liabilities	193,439
Net Assets	
Unrestricted	143,871
Temporarily restricted by donors (Note 8)	<u>282,571</u>
Total Net Assets	426,442
Total Liabilities and Net Assets	\$ 504,845

See accompanying notes to financial statements.

JEFFERSON PERFORMING ARTS SOCIETY

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 1997

	<u>Restricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public Support, Revenues and Reclassifications			
Public Support:			
Contributions	\$ 113,781	\$ 4,310	\$118,091
Grant - Jefferson Parish		175,000	175,000
Grant - State of Louisiana	73,433		73,433
Program sponsorship	<u>52,815</u>		<u>52,815</u>
Total Public Support	<u>240,029</u>	<u>179,310</u>	<u>419,339</u>
Revenues:			
Program service revenue	348,092		348,092
Membership dues	15,156		15,156
Investment income	4,189		4,189
Miscellaneous	<u>4,885</u>		<u>4,885</u>
Total Revenues	<u>372,322</u>		<u>372,322</u>
Reclassifications:			
Net assets released from restrictions (Note 2)			
Satisfaction of purpose restrictions	153,781	(203,760)	
Expiration of time restrictions	<u>26,385</u>	<u>(26,385)</u>	
Total Reclassifications	<u>180,166</u>	<u>(180,166)</u>	
Total Public Support, Revenues and Reclassifications	<u>492,316</u>	<u>(13,212)</u>	<u>479,104</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, 1997

	Unrestricted	Temporarily Restricted	Total
Expenses:			
Program Services (Note 10)	\$ 852,858		852,858
Total Program Services	<u>852,858</u>		<u>852,858</u>
Supporting Services:			
Management and general	164,500		164,500
Fund raising	<u>42,363</u>		<u>42,363</u>
Total Supporting Services	<u>206,863</u>		<u>206,863</u>
Total Expenses	<u>1,059,721</u>		<u>1,059,721</u>
Increase (Decrease) in Net Assets	27,394	\$ (542)	26,852
Net assets at beginning of year	<u>116,168</u>	<u>226,218</u>	<u>342,386</u>
Net assets at end of year	<u>\$ 143,562</u>	<u>\$ 225,676</u>	<u>\$ 369,238</u>

See accompanying notes to financial statements.

JEFFERSON PERFORMING ARTS SOCIETY

STATEMENT OF CASH FLOW

FOR THE YEAR ENDED JUNE 30, 1990

Cash Flow From Operating Activities:	
Cash received from Jefferson Parish grant	\$ 375,000
Cash received from State of Louisiana grant	70,877
Cash collected from contributions and program sponsorship	178,878
Cash received from program revenues	387,357
Cash received from members for dues	15,756
Interest received	4,389
Other cash received	6,889
Cash paid to employees	(203,499)
fringe benefits	(17,883)
Professional fees and consultant services	(208,687)
Supplies and materials	(36,323)
Telephone	(11,606)
Postage and shipping	(6,874)
Occupancy	(14,321)
Rental and maintenance of equipment	(18,179)
Printing, publications and visual aids	(27,897)
Travel, conferences, conventions and meetings	(15,883)
Jefferson Children's Chorus Washington, D.C. Concert	(49,874)
Miscellaneous	(12,366)
Taxes	(2,923)
Fund raising	(10,894)
Union dues and advertising	(36,395)
Orchestra pit	(21,311)
Net cash provided by operating activities	<u>382,326</u>
Cash Flow From Investing Activities:	
Purchase of equipment and furniture	(66,400)
Purchase of land and building	(162,298)
Net cash used by investing activities	<u>(228,698)</u>
Cash Flow From Financing Activities:	
Payments on software lease payable	(4,890)
Proceeds of property mortgage	310,897
Payments on mortgage payable	(21,282)
Net cash provided by financing activities	<u>385,725</u>
Net increase in cash	17,353
Cash - beginning of year	<u>37,800</u>
Cash - end of year	<u>\$ 55,153</u>

See accompanying notes to financial statements.

JEFFERSON PERFORMING ARTS SOCIETY

STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 1991

Reconciliation of change in net assets to
net cash provided by operating activities:

Change in net assets	\$ 26,747
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	15,714
Net unconditional promises to give	26,286
Decrease in receivables	8,937
Decrease in prepaid expenses	7,619
Increase in accounts payable	810
Decrease in payroll taxes payable	(2,379)
Increase in unearned revenue	<u>8,882</u>
Net cash provided by operating activities	<u>\$ 100,192</u>

Supplemental data:
Interest paid

\$ 4,811

See accompanying notes to financial statements.

JEFFERSON PERFORMING ARTS SOCIETY

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 1997

	Program Expenses	Management and General	Fund Raising	Total
Salaries	\$ 128,900	\$ 24,754	\$ 8,300	\$213,459
Employee benefits and payroll taxes	28,734	3,882	1,365	35,681
Total Salaries and Related Expenses	157,634	28,636	9,665	248,344
Professional fees and contract services	271,892	32,190	22,385	526,467
Supplies and materials	43,819	14,892		58,711
Telephone	7,381	9,321		16,702
Freight and shipping	4,874			4,874
Compass	39,137	8,784		47,921
Rental and maintenance of equipment	7,476	39,985		47,461
Printing, publications and visual aids	58,749	1,847		60,596
Travel, conferences, conventions and meetings	3,131	4,747		7,878
Jefferson Children's Chorus Washington, D.C. Concert	49,814			49,814
Miscellaneous	2,782	4,842		7,624
Membership dues		3,344		3,344
Interest		4,821		4,821
Polarstar expenses		2,343		2,343
Promotion and advertising	39,437	8,142		47,579
Fund raising			18,094	18,094
Depreciation		32,743		32,743
Reserves for	13,344			13,344
	<u>\$ 628,488</u>	<u>\$164,201</u>	<u>\$43,243</u>	<u>\$835,932</u>

See accompanying notes to financial statements.

JEFFERSON PERFORMING ARTS SOCIETY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1997

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 entertainment in symphonic and vocal music, chamber, 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 Orchestras
Jefferson Ballet
Arts Adventure Series (for students)
Theatre Wing
Benedetto Fil Orchestra
Jefferson Opera Theater
Special Arts for Seniors Series "SASS"
"SEAT" Stage Without a Theater

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 2--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. 47:12113.

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 restriction. 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. Some 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)

4) In-Kind Support

JPAS occupies an office at 3118 Clearview Parkway in Metairie, Louisiana under a long-term lease. An annual rental of \$1 is paid by JPAS. The estimated approximate fair value of the annual rental is \$37,600 and it is included in the statement of activities as public support and expenses.

JPAS also occupies the auditorium at East Jefferson High School for scheduled performance dates throughout the fiscal year. No rent is paid by JPAS for the long-term agreement that expires on September 1, 1991. 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 IPAS No. 126, 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 JPAS 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 in the JPAS program service area.

NOTE 3--UNCONDITIONAL PROMISE TO GIVE

JPAS occupies an office at 1158 Clearview Parkway in Metairie, Louisiana. An annual rental of \$1 is paid by JPAS under a long-term lease. The estimated approximate fair value of the annual rental is \$37,600 and represents an unconditional promise to give by the Parish of Jefferson to JPAS for the next seven years. This unconditional promise to give as June 30, 1997 is as follows:

Accrualable in less than one year	\$ 37,600
Accrualable in one to six years	141,000
Total Unconditional Promise To Give	178,600
Less discounts to net present value	<u>(19,405)</u>
Net Unconditional Promise To Give at June 30, 1997	<u>\$159,195</u>

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

Property, furniture, equipment and leasehold improvements at cost, and accumulated depreciation at June 30, 1999 are summarized as follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Equipment and Furniture	\$188,538	\$ 118,894	\$ 70,644
Leasehold Improvements	87,250	56,897	30,353
Land	157,341		157,341
Building	28,863	250	28,613
	<u>\$462,992</u>	<u>\$ 176,231</u>	<u>\$286,761</u>

NOTE 5--UNEARNED REVENUE

A summary of unearned revenue follows:

Ticket sales for performances and events in the next fiscal year	<u>\$ 12,369</u>
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NOTE 6--LEASE COMMITMENTS

In May 18, 1994 IFMS signed a lease with the Parish of Jefferson for Parish owned property at 1118 Clearview Parkway. The term of the lease is for 10 years commencing on April 15, 1994 with an annual consideration of \$1 payable on each anniversary date.

IFMS did not occupy these premises until October 1994. Future minimum lease payments under this noncancelable operating lease are as follows:

1998 through 2003 \$ 1

IFMS has also entered into a lease for software originating in 1994-95 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 \$24,300. Depreciation of \$13,333 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, 1999 are as follows:

Year Ended June 30,	
1998	\$ 4,898
1999	4,898
2000	<u>314</u>
	10,110
Less amount representing interest	<u>(1,823)</u>
Present value of minimum lease payments	<u>\$ 8,322</u>

NOTE 4--LEASE COMMITMENTS (CONTINUED)

JFAS also maintains a photocopier under a long-term operating lease. Future minimum rental payments required under the operating lease that has an initial noncancelable lease term in excess of one year, as of June 30, 1993, are:

Year Ended June 30,

1998	143
	<u>6,143</u>

The rental expense for the photocopier lease is \$3,395 for the year ended June 30, 1993.

NOTE 5--MORTGAGE PAYABLE

JFAS is the maker of a mortgage note payable in the original amount of \$129,627 at 8% per annum interest. The mortgage is to be amortized over a period of 15 years in equal monthly installments of \$1,031, which includes principal and interest. The note is secured by a first mortgage on the land and building located at 1122 Glenview Parkway. As of June 30, 1993, the principal balance of the note is \$108,744, of which \$4,062 is due within the next twelve months. As of June 30, 1993, the note is in current condition.

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

1997-1998	\$ 4,062
1998-1999	4,399
1999-2000	4,745
2000-2001	5,129
2001-2002	5,488
Thereafter	<u>86,121</u>
	<u>\$108,744</u>

NOTE 8--RESTRICTIONS ON ASSETS

Temporarily restricted net assets are restricted by donors for specific purposes or designated for subsequent periods. At June 30, 1987 temporarily restricted net assets are available for the following purposes or periods:

Jefferson Parish Grant to be used for programs in subsequent periods	\$ 60,750
Jefferson Parish building rental due for subsequent periods	168,885
Orchestra pit contributions to be used for construction of orchestra pit	7,840
	<u>\$237,475</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	\$141,350
Orchestra pit construction	<u>11,511</u>
	152,861
Time restrictions expired on:	
lease of 1124 Charvies Parkway	<u>18,186</u>
	<u>\$170,697</u>

NOTE 9--CREDIT RISK CONCENTRATION AND MAJOR FINANCING SOURCES

JPAR receives a grant from the Parish of Jefferson which comprises a significant portion of its revenues.

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, Jefferson Opera Theater, Arts Education Series and Special Arts for Seniors Series.

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 as either one or several performances.

SPECIAL REPORTS OF INDEPENDENT AUDITORS

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, 1990, and have issued our report thereon dated September 18, 1991.

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.

The management of Jefferson Performing Arts Society is responsible for establishing and maintaining internal control structure. In fulfilling this responsibility, decisions 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 recorded 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, 1990, 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 consider 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 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 JFAS'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.

Lahn, Kenney & Brenette

Lahn, Kenney & Brenette
Certified Public Accountants

Metairie, Louisiana
September 18, 1997

**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 Co nonprofit organization as of June 30, 1997, and have issued our Report thereon dated September 18, 1997.

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 JPA'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.

Lahn, Fenney & Breucke

Lahn, Fenney & Breucke
Certified Public Accountants

Metairie, Louisiana
September 18, 1997