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# THE LOUISIANA PHILHARMONIC ORCHESTRA

REPORT ON AUDITS OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1998  
WITH SUMMARIZED FINANCIAL INFORMATION  
FOR THE YEAR ENDED JUNE 30, 1997

## OTHER INFORMATION

(PURSUANT TO LOUISIANA REVISED STATUTE 23:513)

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 is available to public officials. This report is available for public inspection at the Station Rouge office of the Auditor and Auditor and, upon request, at the office of the parish clerk of court.

Release Date **FEB 24 1999**

Report of Independent Accountants

To the Board of Directors and Members of  
The Louisiana Philharmonic Orchestra:

In our opinion, the accompanying statements of financial position of The Louisiana Philharmonic Orchestra (the "Orchestra") as of June 30, 1998 and 1997 and the related statements of cash flows for the years then ended and the statement of activities for the year ended June 30, 1998 present fairly, in all material respects, the financial position of the Orchestra as of June 30, 1998 and 1997, and results of its operations for the year ended June 30, 1998, and its cash flows for the years ended June 30, 1998 and 1997, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Orchestra's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform an 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

*PricewaterhouseCoopers LLP*

September 9, 1998

# THE LOUISIANA PHILHARMONIC ORCHESTRA

## STATEMENTS OF FINANCIAL POSITION

June 30, 1998 and 1997

	ASSETS	1998	1997
Current assets:			
Cash and cash equivalents		\$ 404,315	\$ 316,875
Contributions receivable		195,785	224,947
Prepaid expenses		6,129	16,784
Deferred marketing costs		33,366	30,886
Total current assets		639,595	589,492
Property and equipment, net		39,649	39,327
Total assets		<u>\$ 679,244</u>	<u>\$ 628,819</u>
<b>LIABILITIES AND NET ASSETS</b>			
Current liabilities:			
Trade accounts payable and accrued expenses		\$ 26,250	\$ 27,720
Deferred revenue - ticket sales		317,854	409,302
Total current liabilities		344,104	437,022
Net assets:			
Unrestricted		25,037	88,297
Temporarily restricted		310,103	103,500
Total net assets		335,140	191,797
Total liabilities and net assets		<u>\$ 679,244</u>	<u>\$ 628,819</u>

*The accompanying notes are an integral part of the financial statements.*

# THE LOUISIANA PHILHARMONIC ORCHESTRA

## STATEMENT OF ACTIVITIES

for the year ended June 30, 1998 with summarized financial information for the year ended June 30, 1997

	1998		1997 Total
	Unrestricted	Temporarily Restricted	
Revenues and other support:			
Earned revenue	\$ 1,225,657	\$ -	\$ 1,138,425
Contributions	1,520,195	310,103	1,606,811
Other income	92,872	-	92,266
Net assets released from restrictions - Satisfaction of purpose restrictions for Orchestra programs	103,500	(103,500)	-
Total revenues and other support	<u>2,942,224</u>	<u>206,603</u>	<u>2,837,502</u>
Expenses:			
Orchestra programs	2,290,681	-	2,091,751
Management and general Marketing	267,913	-	301,813
Fundraising and development	364,258	-	342,602
Total expenses	<u>82,632</u>	<u>-</u>	<u>92,817</u>
Change in net assets	3,005,484	-	2,828,983
Net assets at beginning of year	(63,260)	206,603	143,343
Net assets at end of year	<u>88,297</u>	<u>103,500</u>	<u>183,278</u>
	<u>\$ 25,037</u>	<u>\$ 310,103</u>	<u>\$ 191,797</u>

The accompanying notes are an integral part of the financial statements.

# THE LOUISIANA PHILHARMONIC ORCHESTRA

## STATEMENTS OF CASH FLOWS

for the years ended June 30, 1998 and 1997

	1998	1997
Cash flow provided by (used in) operating activities:		
Change in net assets	\$ 143,343	\$ 8,519
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Depreciation	11,272	9,122
Changes in assets and liabilities:		
Contributions receivable	29,162	(132,637)
Prepaid expenses	10,655	(8,538)
Deferred marketing costs	(2,480)	(4,637)
Trade accounts payable and accrued expenses	(1,470)	1,420
Accrued distribution to Orchestra members	-	(28,300)
Deferred revenue - ticket sales	(91,448)	13,796
Net cash provided by (used in) operating activities	<u>99,034</u>	<u>(141,255)</u>
Cash flow provided by (used in) investing activities:		
Sales of temporary investment	-	100,000
Purchase of property and equipment	<u>(11,594)</u>	<u>(28,024)</u>
Net cash provided by (used in) investing activities	(11,594)	71,976
Net increase (decrease) in cash and cash equivalents	87,440	(69,279)
Cash and cash equivalents, beginning of year	<u>316,875</u>	<u>386,154</u>
Cash and cash equivalents, end of year	<u>\$ 404,315</u>	<u>\$ 316,875</u>

*The accompanying notes are an integral part of the financial statements.*

# THE LOUISIANA PHILHARMONIC ORCHESTRA

## NOTES TO FINANCIAL STATEMENTS

### 1. Organization and Summary of Significant Accounting Policies:

#### Organization

The Louisiana Philharmonic Orchestra (the "Orchestra") is a nonprofit entity formed to establish a symphony to perform classical and other music, to present programs, and to undertake other activities to further the enjoyment of classical and other music by the public. The Orchestra was originally incorporated in 1991 as the New Orleans Symphony Players Association, Inc. and was subsequently renamed The Louisiana Philharmonic Orchestra in 1992.

#### Basis of Accounting

The Orchestra's financial statements are presented using the accrual method of accounting. Under this method, revenues are recognized in the period earned, and expenses are recognized in the period in which the benefit is realized. Revenues from ticket sales are recognized when the performances are given. The Louisiana Philharmonic Orchestra reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets unless that restriction expires in the fiscal year the gifts were received. When a donor restriction expires, that is, when a stipulated time restriction ends or 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.

The statement of activities includes certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended June 30, 1997, from which the summarized information was derived.

#### Temporarily Restricted Net Assets

Temporarily restricted net assets for June 30, 1998 and 1997 of \$310,103 and \$103,500, respectively, are available for the Orchestra program for future seasons.

#### Deferred Marketing Costs

Costs incurred for the production and distribution of the Orchestra's upcoming season brochure, including direct response pledge and purchase inserts, are capitalized and expensed in the following fiscal year.

# THE LOUISIANA PHILHARMONIC ORCHESTRA

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

### 1. Organization and Summary of Significant Accounting Policies, continued:

#### Property, Equipment and Depreciation

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, primarily 5 years.

#### Tax Status

The Orchestra is exempt from federal income taxes under Section 501 (c)(3) of the Internal Revenue Code.

#### Donated Services and Materials

Donated services and materials, if significant in amount, are recorded as contributions at their fair market value provided the donor has a clearly measurable and objective basis for determining their value. No value is assigned to other donated items if there is no ascertainable basis for assigning the value. During 1998 and 1997, the Orchestra has recorded revenues and expenses approximating \$120,000 and \$152,000, respectively, relating to donated services and materials.

#### Cash and Cash Equivalents

The Orchestra considers all money-market investment instruments and certificates of deposits with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents for 1998 and 1997 include approximately \$295,000 and \$286,000, respectively, of money market funds.

#### Use of 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 net assets and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets during the reporting period. Actual results could differ from those estimates.

# THE LOUISIANA PHILHARMONIC ORCHESTRA

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

### 2. Property and Equipment:

Property and equipment, net is summarized as follows for June 30, 1998 and 1997:

	1998	1997
Office furniture and equipment	\$ 54,432	\$ 47,324
Music library	<u>16,890</u>	<u>12,404</u>
	71,322	59,728
Less: Accumulated depreciation	<u>(31,673)</u>	<u>(20,401)</u>
	<u>\$ 39,649</u>	<u>\$ 39,327</u>

### 3. Operating Lease:

The Orchestra leases office space for which rent is being waived as a contribution to the Orchestra. Management estimates that the annual fair market value of this rental was approximately \$41,922.

### 4. Concentration of Financial Risk:

During the year ended June 30, 1998, the Orchestra maintained cash account balances greater than the amount insured by the Federal Deposit Insurance Corporation at a single financial institution.

### 5. Endowments:

Several endowments have been established at the Greater New Orleans Foundation ("GNOF") for the benefit of the Louisiana Philharmonic Orchestra. As of June 30, 1998 and 1997, these endowments were valued at approximately \$1,413,371 and \$1,332,000, respectively. Distributions from these endowments, which are at the discretion of the GNOF, were approximately \$63,000 and \$59,500 in 1998 and 1997, respectively.



**THE LOUISIANA PHILHARMONIC ORCHESTRA**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**6. Functional Expenses:**

The Orchestra's expenses classified by functional category for the years ended June 30, 1998 and 1997 are as follows:

	1998					
	<u>Total</u>	<u>Orchestra Programs</u>	<u>Managem- ent &amp; General</u>	<u>Marketing</u>	<u>Fund- raising &amp; Development</u>	<u>1997</u>
Salaries and wages	\$ 2,025,416	\$ 1,721,337	\$ 164,881	\$ 81,878	\$ 57,320	\$ 1,903,045
Supplies and travel	356,512	294,460	16,171	20,569	25,312	249,945
Services and professional	10,797	-	10,797	-	-	63,956
Office and occupancy	601,277	274,884	64,582	261,811	-	602,915
Depreciation	11,482	-	11,482	-	-	9,122
	<u>\$ 3,005,484</u>	<u>\$ 2,290,681</u>	<u>\$ 267,913</u>	<u>\$ 364,258</u>	<u>\$ 82,632</u>	<u>\$ 2,828,983</u>

## **OTHER INFORMATION**

**REPORT OF INDEPENDENT ACCOUNTANT  
ON APPLYING AGREED-UPON PROCEDURES**

To the Board of Directors and Members of  
The Louisiana Philharmonic Orchestra and  
The Office of Legislative Auditor, State of Louisiana:

We have performed the procedures enumerated below, which were agreed to by The Louisiana Philharmonic Orchestra (the "Orchestra") and the Office of Legislative Auditor, State of Louisiana (the "Legislative Auditor") solely to assist you in complying with the reporting requirements of the Legislative Auditor in determining whether the Orchestra has complied with representations made by the Orchestra in the *Louisiana Attestation Questionnaire*, included as Appendix C, for the year ended June 30, 1998. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Orchestra and the Legislative Auditor. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed and associated findings are as follows:

**Federal, State, and Local Awards**

1. We obtained a list of federal, state and local award expenditures for the fiscal year, by grant and grant year, from the Orchestra as attached at Appendix A.
2. For each federal, state, and local award described in Appendix A , we:
  - Selected, by use of an unsystematic sample selection criteria, up to 6 disbursements from each award administered during the period under examination, as described on Appendix B.
  - Compared the selected disbursements to supporting invoices or other documentation, noting agreement of disbursement amount and payee.
  - Determined through inquiry of Orchestra personnel and inspection of the grant document that the selected disbursements were properly recorded in the correct fund and general ledger account without exception.

- Obtained from the Orchestra a list of persons authorized to approve disbursements and determined that the selected disbursements were approved by an authorized person.
  - For disbursements charged to a federal award, determined that the disbursements complied with the applicable specific program requirements by comparing the description of the disbursement purpose contained on the disbursement's supporting documentation with the program specifics summarized in the Compliance Supplement or contained in the grant agreement, if the program is not included in the Compliance Supplement without exception.
  - For state and local awards, determined that the disbursements complied with the grant agreement by comparing the description of the disbursement purpose contained on the disbursement's supporting documentation with grant specifics as contained in the grant agreement without exception.
3. For the programs selected for testing in item (2) that had been completed during the period under review, we compared the amount of disbursements per the close-out report, when required, with the Orchestra's general ledger and determined that the amounts were in agreement.

#### **Meetings**

4. We inquired of Orchestra management whether agendas for meetings recorded in the minute book were posted as open meetings as required by LSA-RS 42:1 through 42:12; and we were informed that no such meetings occurred in the year ended June 30, 1998.

#### **Comprehensive Budget**

5. For all grants exceeding five thousand dollars, we determined that each applicable federal, state, or local grantor agency/agencies was/were provided a comprehensive budget of those grants that included the purpose and duration, and for state grants, included specific goals and objectives and measures of performance based upon inspection of the aforementioned documents.

#### **Prior Comments and Recommendations**

6. No prior-year comments or recommendations were issued.

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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This report is intended solely for the use of the Orchestra and the Legislative Auditor and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.

PricewaterhouseCoopers LLP

November 9, 1998

**Appendix A**  
**Grant Listing for the year ended June 30, 1998**

	<b><u>Award Amount</u></b>	<b><u>Award Fiscal Year</u></b>
<b>Federal:</b>		
National Endowment for the Arts	\$75,000	1997/1998
<b>State:</b>		
LA Division of the Arts General Operating Support	\$53,000	1997/1998
LA Division of the Arts Project Support	\$4,000	1997/1998
<b>Local:</b>		
Wisner Foundation	\$25,000	1997/1998
Arts Council of New Orleans	\$17,000	1997/1998
Economic Development Fund <sup>(1)</sup>	\$23,000	1997/1998

<sup>(1)</sup>There were no expenditures relating to this Grant during the twelve months ended June 30, 1998.

**Appendix B  
Disbursement Selection**

**Check  
Number      Payee**

**National Endowment for the Arts:**

3146      Steven Cohen  
3163      Eric Lee  
3181      Ann Radek  
3219      Burton Callahan  
3241      Allan Kolsky  
3330      Rachel Jordan

**LA Division of the Arts General Operating Support:**

4243      Lynn Gorman  
4270      Elizabeth Puliju  
4308      Jane Gabka  
4332      Bruce Owen  
4362      James Atwood  
4373      Richard Erb

**LA Division of the Arts Project Support\*:**

9056      WYLD  
9022      The Times-Picayune  
8646      Total Graphics  
8991      WWL 870am  
8759      The Times-Picayune

**Wisner Foundation:**

8501      Total Graphics  
8498      Presto Graphics  
8487      Desiree Petibon, Inc.  
9022      The Times-Picayune  
7566      Park One  
8880      A and D Maintenance

**Arts Council of New Orleans\*:**

7561      Color Pix, Inc.  
9130      Sanwa Leasing Corporation  
8496      PMA  
8906      David Rae Morris

\* - All disbursements from grant were selected for testing.



**LOUISIANA ATTESTATION QUESTIONNAIRE**  
**(For Attestation Engagements of Quasi-public Entities)**  
November 5, 1998

PricewaterhouseCoopers L.L.P.  
639 Loyola Avenue, Suite 1800  
New Orleans, Louisiana 70113

In connection with your compilation of our financial statements as of June 30, 1998 and for the year then ended, and as required by Louisiana Revised Statute 24:513 and the *Louisiana Governmental Audit Guide*, we make the following representations to you. We accept full responsibility for our compliance with the following laws and regulation and the internal controls over compliance with such laws and regulations. We have evaluated our compliance with the following laws and regulations prior to making these representations.

These representations are based on the information available to us as of November 5, 1998 (date of completion/representation).

**Federal, State, and Local Awards**

We have detailed for you the amount of Federal, state and local award expenditures for the fiscal year, by grant and grant year.

Yes [] No [  ]

All transactions relating to federal, state, and local grants have been properly recorded within our accounting records and reported to the appropriate state, federal, and grantor officials.

Yes [] No [  ]

The reports filed with federal, state, and local agencies are properly supported by books of original entry and supporting documentation.

Yes [] No [  ]

We have complied with all applicable specific requirements of all federal, state, and local programs we administer, to include matters contained in the Compliance Supplement, matters contained in the grant awards, eligibility requirements, activities allowed and unallowed, and reporting and budget requirements.

Yes [] No [  ]

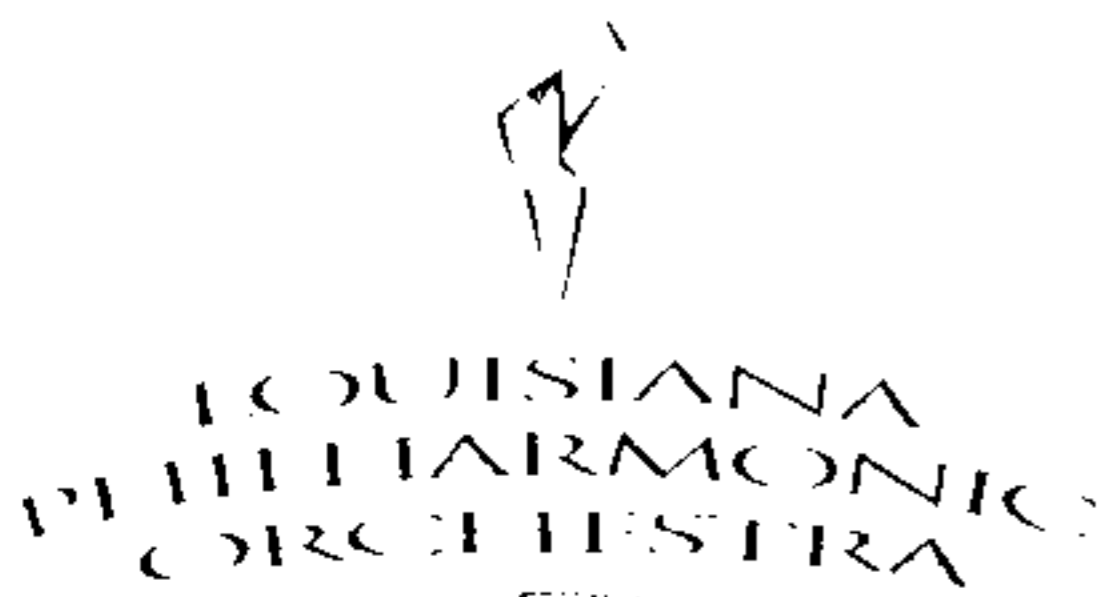
ROBERT J. STILES  
EXECUTIVE DIRECTOR

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NEW ORLEANS, LOUISIANA 70112

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KLAUS PETER SEIBEL, MUSIC DIRECTOR

*New Orleans*

**Open Meetings**

Our meetings, as they relate to public funds, have been posted as an open meeting as required by LSA-RS 42:1 through 42:12 (the open meetings law).

Yes [] No []

**Budget**

For each federal, state, and local grant we have filed with the appropriate grantor agency a comprehensive budget for those grants that included the purpose and duration, and for state grants included specific goals and objectives and measures of performance

Yes [] No []

**Prior Year Comments**

We have resolved all prior-year recommendations and/or comments.

Yes [] No []

We have disclosed to you all known noncompliance of the foregoing laws and regulations, as well as any contradictions to the foregoing representations. We have made available to you documentation relating to the federal, state, and local grants, to include the applicable laws and regulations.

We have provided you with any communications from regulatory agencies or other sources concerning any possible noncompliance with the foregoing laws and regulations, including any communications received between the end of the period under examination and the issuance of this report. We will also disclose to you, the Legislative Auditor, and the applicable state grantor agency/agencies any known noncompliance which may occur up to the date of your report.

Margaret E. Shields Secretary 11-9-98 Date

[Signature] Treasurer 11-9-98 Date

[Signature] President 11-9-98 Date

ROBERT J. STILES  
EXECUTIVE DIRECTOR

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