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THE STRAND THEATRE OF SHREVEPORT CORPORATION

AUDITED FINANCIAL STATEMENTS

Nine Months Ended May 31, 1998

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, 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 **FEB 10 1999**

**Affidavit and Revenue Certification**

The Strand Theatre of Shreveport Corporation ENTITY NAME  
Caddo Parish  
Shreveport (City), Louisiana

**ANNUAL SWORN FINANCIAL STATEMENTS AND  
CERTIFICATION OF REVENUES \$50,000 OR LESS (if applicable)**

The annual sworn financial statements are required by Louisiana Revised Statute 24:514 to be filed with the Legislative Auditor within 90 days after the close of the fiscal year. The certification of revenues \$50,000 or less, if applicable, is required by Louisiana Revised Statute 24:513(I)(1)(c)(i).

\*\*\*\*\*

Personally came and appeared before the undersigned authority, Penne Mobley  
Penne Mobley (name), who, duly sworn, deposes and says that the  
financial statements herewith given present fairly the financial position of  
The Strand Theatre of Shreveport Corp (entity name) as of May 31,  
1998 and the results of operations for the year then ended, in accordance with the  
basis of accounting described within the accompanying financial statements.

(Complete if applicable)

In addition, Penne Mobley, (name), who, duly sworn, deposes  
and says that The Strand Theatre of Shreveport (entity name) received \$50,000 or  
less in revenues and other sources for the year ended May 31, 1998,  
and accordingly, is not required to have an audit for the previously mentioned year.

Penne Mobley  
Signature

Sworn to and subscribed before me this 22 day of January, 1999

Michelle L. Dullis  
NOTARY PUBLIC

\*\*\*\*\*

Officer Name Penne Mobley  
Title Executive Director  
Address P.O. BOX 1547  
Shreveport, LA 71165-1547  
Telephone No. (318) 226-1481

THE STRAND THEATRE OF SHREVEPORT CORPORATION  
AUDITED FINANCIAL STATEMENTS  
Nine Months Ended May 31, 1998

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LAMAR F. BAKER, JR.

CERTIFIED  
PUBLIC  
ACCOUNTANT

A Professional Corporation

QUINCYVILLE OFFICE CENTER  
2001 EAST 70TH STREET • SUITE 310  
SHREVEPORT, LOUISIANA 71105  
TELEPHONE 318-797-9744  
FAX 318-797-9745

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
The Strand Theatre of Shreveport Corporation  
Shreveport, Louisiana

I have audited the accompanying statement of financial position of The Strand Theatre of Shreveport Corporation (a non-profit organization) as of May 31, 1998, and the related statements of activities and cash flows for the nine months then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Strand Theatre of Shreveport Corporation as of May 31, 1998, and the changes in its net assets and its cash flows for the nine months then ended in conformity with generally accepted accounting principles.

As disclosed in Note 2 to the financial statements, the Organization has notes receivable at May 31, 1998 of \$ 6,360,324 and advances receivable of \$ 52,620 from The Strand Partners, a related party. The ability of The Strand Partners to comply with the payment terms of the notes and advances is uncertain and cannot be presently determined. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

*Lamar F. Baker Jr.*

September 15, 1998

THE STRAND THEATRE OF SHREVEPORT CORPORATION

STATEMENT OF FINANCIAL POSITION

May 31, 1998

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 216,825
Grants receivable	11,000
Prepaid expenses	<u>12,312</u>

TOTAL CURRENT ASSETS 240,137

OTHER ASSETS

Advances receivable, The Strand Partners	52,620
Notes receivable, The Strand Partners (Note 2)	<u>6,360,324</u>

TOTAL OTHER ASSETS 6,412,944

PROPERTY AND EQUIPMENT (Note 3) 80,973

TOTAL ASSETS \$ 6,734,054

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 23,964
Deferred revenue, ticket sales	2,113
Deferred revenue, The Strand Partners (Note 4)	149,420
Note payable, current (Note 5)	<u>3,015</u>

TOTAL CURRENT LIABILITIES 178,312

OTHER LIABILITIES

Note payable, long-term (Note 5)	<u>11,768</u>
----------------------------------	---------------

TOTAL LIABILITIES 190,280

NET ASSETS

Unrestricted	
Undesignated	143,624
Designated by board direction	<u>6,400,150</u>

TOTAL NET ASSETS 6,543,774

TOTAL LIABILITIES AND NET ASSETS \$ 6,734,054

See accompanying notes to the financial statements.

THE STRAND THEATRE OF SHREVEPORT CORPORATION

STATEMENT OF ACTIVITIES

Nine Months Ended May 31, 1998

UNRESTRICTED NET ASSETS

SUPPORT AND REVENUES

Ticket sales	\$ 385,672
Interest income, The Strand Partners	243,742
Fund raising income	121,418
Grants for program services	53,099
Business sponsorships	47,785
Miscellaneous income	13,875
Program advertising	<u>11,450</u>

TOTAL SUPPORT AND REVENUES 877,041

EXPENSES

Program services, theatrical	
Artist fees	190,070
Advertising	67,219
Part-time wages	36,654
Production cost	22,826
Bank fees	13,922
Printing	12,112
Miscellaneous	5,977
Security	3,820
Payroll taxes and benefits	<u>2,661</u>

Total program services 355,261

*Supporting services*

Management and general	
Salaries and wages	125,825
Employee benefits	15,122
Office supplies and equipment	15,049
Insurance	12,874
Payroll taxes	11,774
Telephone	10,312
Professional fees	10,174
Conferences and travel	6,598
Miscellaneous	5,212

(continued)

THE STRAND THEATRE OF SHREVEPORT CORPORATION

STATEMENT OF ACTIVITIES (Continued)

Nine Months Ended May 31, 1998

Postage	4,742
Depreciation	4,017
Dues and subscriptions	3,369
Interest	<u>1,663</u>
Total management and general	<u>226,731</u>
Fund-raising	
Friends expense	21,140
Miscellaneous	<u>455</u>
Total fund-raising	<u>21,595</u>
TOTAL EXPENSES	<u>603,587</u>
INCREASE IN UNRESTRICTED NET ASSETS	273,454
NET ASSETS AT BEGINNING OF YEAR	<u>6,270,320</u>
NET ASSETS AT END OF YEAR	<u>\$ 6,543,774</u>

See accompanying notes to the financial statements.

THE STRAND THEATRE OF SHREVEPORT CORPORATION

STATEMENT OF CASH FLOWS

Nine Months Ended May 31, 1998

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in net assets	\$ 273,454
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	4,017
Change in assets (increase) decrease:	
Grants receivable	( 11,000)
Accounts receivable, ticket sales	5,018
Prepaid expenses	32,988
Change in liabilities (decrease) increase:	
Accounts payable and accrued expenses	10,496
Deferred revenue, ticket sales	( 91,529)
Deferred revenue, The Strand Partners	<u>( 14,172)</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>209,272</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Decrease in advances receivable, The Strand Partners	52,807
(Increase) in notes receivable, The Strand Partners	( 184,478)
(Purchase) of property and equipment	( 34,874)
Retirement of property and equipment	<u>3,749</u>
 NET CASH (USED) BY INVESTING ACTIVITIES	 <u>( 162,796)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
(Payments) on note payable	( 2,161)
(Payments) on note payable, The Strand Partners	<u>( 10,025)</u>
 NET CASH (USED) BY FINANCING ACTIVITIES	 <u>( 12,186)</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS	 34,290
 CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	 <u>182,535</u>
 CASH AND CASH EQUIVALENTS AT END OF YEAR	 <u>\$ 216,825</u>

See accompanying notes to the financial statements.



THE STRAND THEATRE OF SHREVEPORT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

May 31, 1998

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of The Strand Theatre of Shreveport Corporation (the Strand) is presented to assist in understanding the Strand's financial statements. The financial statements and notes are representations of the Strand's management, who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Nature of Activities

The Strand was incorporated September 17, 1976 as a non-profit corporation under the laws of the State of Louisiana and operates primarily to provide live entertainment attractions for Shreveport and the surrounding community and to promote the performing arts.

Method of Accounting

The financial statements of the Strand have been prepared utilizing the accrual basis of accounting.

Functional Expenses

Expenses are charged directly to program or supporting services in general categories based on specific identification.

Financial Statement Presentation

The Strand has adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-For-Profit Organizations." Under SFAS No. 117, the Strand is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Strand is required to present a statement of cash flows. As permitted by this statement, the Strand has discontinued its use of fund accounting and, accordingly, has reclassified its financial statements to present the three classes of net assets. At the current time, the Strand does not have any temporarily or permanently restricted net assets.

THE STRAND THEATRE OF SHREVEPORT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (Continued)

May 31, 1998

Contributions

The Strand has adopted 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 or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose of the restrictions.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Strand considers cash to be comprised of cash on hand, bank accounts and interest bearing investment accounts with original maturities of three months or less.

Concentrations of Credit Risk

The Strand maintains a portion of its cash balance in a financial institution located in Shreveport, Louisiana. The balance is insured by the Federal Deposit Insurance Corporation up to \$100,000. At May 31, 1998, the uninsured cash balance totaled \$103,421.

The Strand serves a limited geographic area. Due to the nature of its operations, the Strand is dependent upon the local community and the health of the local economy in which it operates.

Property and Equipment

Property and equipment are stated at cost, or if donated, at the fair market value at the date of donation. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets. Expenditures for major renewals and betterments that extend the useful lives of the property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expenses as incurred.

Deferred Revenue

Deferred revenue consist of ticket sales and payments received in advance for theatrical productions to be performed in the following fiscal year.

Income Taxes

The Strand is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore no provision for income taxes has been made in the financial statements. The Strand is not a private foundation within the meaning of Section 509(a). There was no unrelated business income for the nine months ended May 31, 1998.

THE STRAND THEATRE OF SHREVEPORT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (Continued)

May 31, 1998

Use of Estimates

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

NOTE 2 - NOTES RECEIVABLE, THE STRAND PARTNERS

Notes receivable from The Strand Partners consist of the following:

Unsecured non-interest bearing promissory notes due August 1, 1999.	\$ 2, 475,324
Non-interest bearing mortgage note receivable due November 15, 1999, secured by the land and building known as the Strand Theatre.	220,000
Mortgage note receivable bearing interest at 9% per annum, interest only prepaid annually on January 31, principal due November 15, 1999, secured by the land and building known as the Strand Theatre.	<u>3, 665,000</u>
Notes receivable, The Strand Partners	<u>\$ 6, 360,324</u>

The non-interest bearing promissory notes receivable from The Strand Partners are the result of advances to The Strand Partners for operating purposes and payment of the management fee to the Strand. The ability of The Strand Partners to comply with the payment terms of the mortgage and promissory notes receivable is uncertain and cannot be presently determined. Accordingly, no provision for any losses that may result from nonpayment or restructuring of the terms of the mortgage and notes receivable has been recognized.

THE STRAND THEATRE OF SHREVEPORT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (Continued)

May 31, 1998

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment are summarized by major classification as follows:

	<u>Estimated Useful Life</u>	
Land		\$ 24,000
Leasehold improvements	19 years	34,847
Furniture, fixtures and equipment	5-20 years	<u>101,823</u>
Total property and equipment		160,670
Less accumulated depreciation		<u>( 79,697)</u>
Property and equipment		<u>\$ 80,973</u>

NOTE 4 - DEFERRED REVENUE, THE STRAND PARTNERS

Interest on the mortgage note receivable (Note 2) is prepaid annually on January 31 and includes interest due for the period from the prior November 15 to the following November 15. The interest paid for the period from June 1 to November 15 is recorded as deferred revenue. Additional advance interest payments have also been made by certain partners for future years' interest payments. The balance at May 31, 1998 of deferred revenue from interest received in advance is \$ 149,420.

NOTE 5 - NOTE PAYABLE

Note payable consist of the following:

Mortgage note payable at \$ 307 per month including interest at 5%, secured by real estate with a book value of \$ 24,000 (Note 3).	\$ 14,783
Less current maturities	<u>( 3,015)</u>
Note payable, long-term	<u>\$ 11,768</u>

THE STRAND THEATRE OF SHREVEPORT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (Continued)

May 31, 1998

Aggregate maturities of long-term debt are as follows:

Year Ended May 31,

1999	\$	3,015
2000		3,169
2001		3,331
2002		3,501
2003		<u>1,767</u>
	\$	<u>14,783</u>

NOTE 6 - CONTRIBUTED SERVICES

The Strand receives donated services from many unpaid volunteers who donate their time and perform a variety of tasks that assist the organization. No amounts have been recognized in the accompanying statements of activities because the criteria for recognition of such volunteer efforts under SFAS No. 116 have not been satisfied.

NOTE 7 - RELATED PARTY TRANSACTIONS

The following transactions have occurred between the Strand and related parties:

The Corporation is invested in The Strand Partners, a Louisiana Partnership in Commendam, as a General Partner and a Limited Partner. The Strand Partners is comprised of numerous limited partners which own the land and building where the theatre, box office, and administrative offices are located. As a General Partner, the Corporation holds a 1% interest. As a Limited Partner, the Corporation holds a 1.9% interest. In addition, as General Partner the Strand is responsible for commitments of certain limited partners who have been unable to meet their commitments. These amounts have not been recorded by the Strand as such amounts are payable to the Strand. The Strand's investment in the partnership has been written off until such time as the investment can be determined to be realizable.

As General Partner of The Strand Partners, the Strand has historically received an annual management fee of \$ 60,000. However, for the nine months ending May 31, 1998 none of the management fee was paid. The management fee due from The Strand Partners for has not been accrued in the financial statements due to the uncertainty of The Strand Partners' ability to continue to pay the fee.

THE STRAND THEATRE OF SHREVEPORT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (Continued)

May 31, 1998

The Strand has historically rented the theatre, box office, and administrative offices from The Strand Partners. The Strand did not pay rental fees to The Strand Partners during the nine months ending May 31, 1998, and this amount has not been accrued in the financial statements.

The Strand receives certain fees and interest (as described more fully in Note 2) from The Strand Partners which are to supplement cash flows. For the nine months ended May 31, 1998 the Strand received \$ 243,742 from the Strand Partners for interest payments. During the nine months ending May 31, 1998, as well as preceding years, The Strand Partners have been unable to meet all of their recurring obligations due to the Strand. To offset these deficiencies, funds have been borrowed from the Strand by The Strand Partners. During the nine months ended May 31, 1998, additional advances of \$ 52,620 were made to The Strand Partners by the Strand.

NOTE 8 - SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid for interest during the nine months ended May 31, 1998 was \$1,663.