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THE STRAND THEATRE OF SHREVEPORT CORPORATION
AUDITED FINANCIAL STATEMENTS
Years Ended August 31, 1997 and 1996

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 AUG 05 1998

THE STRAND THEATRE OF SHREVEPORT CORPORATION

AUDITED FINANCIAL STATEMENTS

Years Ended August 31, 1997 and 1996

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INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying statements of financial position of The Strand Theatre of Shreveport Corporation (a non-profit organization) as of August 31, 1997 and 1996, and the related statements of activities and cash flows for the years 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 August 31, 1997 and 1996, and the changes in its net assets and its cash flows for the years then ended in conformity with generally accepted accounting principles.

As disclosed in Note 2 to the financial statements, the Organization has notes receivable at August 31, 1997 and 1996 of \$ 6,175,846 and \$ 6,051,422 and advances receivable of \$ 105,427 and \$ 131,424, respectively 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.

November 20, 1997

THE STRAND THEATRE OF SHREVEPORT CORPORATION

STATEMENTS OF FINANCIAL POSITION

August 31, 1997 and 1996

	<u>August 31,</u>	
	<u>1997</u>	<u>1996</u>
ASSETS		
Cash and cash equivalents	\$ 182,535	\$ 44,637
Accounts receivable, ticket sales	5,018	-
Prepaid expenses	45,300	3,250
Advances receivable, The Strand Partners	105,427	131,424
Notes receivable, The Strand Partners (Note 2)	6,175,846	6,051,422
Property and equipment (Note 3)	<u>53,865</u>	<u>60,906</u>
TOTAL ASSETS	<u>\$ 6,567,991</u>	<u>\$ 6,291,639</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 13,468	\$ 18,462
Deferred revenue, ticket sales	93,642	-
Deferred revenue, The Strand Partners (Note 4)	163,592	226,267
Notes payable, current (Note 5)	2,904	43,789
Notes payable, long-term (Note 5)	14,040	16,398
Notes payable, The Strand Partners (Note 5)	<u>10,025</u>	<u>19,135</u>
TOTAL LIABILITIES	<u>297,671</u>	<u>324,051</u>
NET ASSETS		
Unrestricted		
Undesignated (deficit)	97,914	(14,595)
Designated by board direction	<u>6,172,406</u>	<u>5,982,183</u>
TOTAL NET ASSETS	<u>6,270,320</u>	<u>5,967,588</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,567,991</u>	<u>\$ 6,291,639</u>

See accompanying notes to the financial statements.

THE STRAND THEATRE OF SHREVEPORT CORPORATION

STATEMENTS OF ACTIVITIES

Years Ended August 31, 1997 and 1996

	<u>August 31,</u>	
	<u>1997</u>	<u>1996</u>
UNRESTRICTED NET ASSETS		
SUPPORT AND REVENUES		
Interest income, The Strand Partners	\$ 324,176	\$ 324,176
Ticket sales	244,170	269,026
Fund raising income	132,749	152,207
Business sponsorships	55,685	71,520
Grants received	52,544	53,651
Program advertising	17,211	14,057
Miscellaneous income	9,752	8,100
Other income	<u>65,000</u>	<u>-</u>
TOTAL SUPPORT AND REVENUES	<u>901,287</u>	<u>892,737</u>
EXPENSES		
Program services, theatrical		
Artist fees	189,600	233,363
Advertising	39,528	92,463
Part-time wages	36,522	47,334
Printing	15,755	14,684
Production	13,540	12,317
Bank fees	9,967	6,268
Security	5,778	3,478
Miscellaneous	3,211	3,630
Payroll taxes	<u>2,904</u>	<u>3,681</u>
Total program services	<u>316,805</u>	<u>417,218</u>
Supporting services		
Management and general		
Salaries and wages	155,141	154,926
Employee benefits	21,538	23,219
Office supplies and equipment	17,563	12,273
Payroll taxes	12,020	10,931
Insurance	11,524	12,125
Professional fees	9,895	7,825

(continued)

See accompanying notes to the financial statements.

THE STRAND THEATRE OF SHREVEPORT CORPORATION

STATEMENTS OF ACTIVITIES (Continued)

Years Ended August 31, 1997 and 1996

	<u>August 31,</u>	
	<u>1997</u>	<u>1996</u>
Telephone	9,503	10,180
Depreciation	7,359	9,496
Conferences and travel	7,235	2,178
Postage	4,710	6,297
Interest	4,195	6,746
Dues and subscriptions	3,815	3,679
Miscellaneous	3,270	22,175
Strategic planning	<u>2,467</u>	<u>13,202</u>
Total management and general	<u>270,235</u>	<u>295,252</u>
Fund-raising		
Friends expense	10,118	11,109
Miscellaneous	<u>1,397</u>	<u>1,300</u>
Total fund-raising	<u>11,515</u>	<u>12,409</u>
TOTAL EXPENSES	<u>598,555</u>	<u>724,879</u>
INCREASE IN UNRESTRICTED NET ASSETS	302,732	167,858
NET ASSETS AT BEGINNING OF YEAR	5,967,588	5,718,801
PRIOR PERIOD ADJUSTMENT (Note 10)	<u>-</u>	<u>80,929</u>
NET ASSETS AT END OF YEAR	<u>\$ 6,270,320</u>	<u>\$ 5,967,588</u>

See accompanying notes to the financial statements.

THE STRAND THEATRE OF SHREVEPORT CORPORATION

STATEMENTS OF CASH FLOWS

Years Ended August 31, 1997 and 1996

	<u>August 31,</u>	
	<u>1997</u>	<u>1996</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 302,732	\$ 167,858
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	7,359	9,496
Change in assets (increase) decrease:		
Accounts receivable, ticket sales	(5,018)	-
Prepaid expenses	(42,050)	(3,250)
Change in liabilities (decrease) increase:		
Accounts payable and accrued expenses	(4,994)	(35,380)
Deferred revenue, ticket sales	93,642	-
Deferred revenue, The Strand Partners	<u>(62,675)</u>	<u>(17,933)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>288,996</u>	<u>120,791</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in advances receivable, The Strand Partners	25,997	(15,750)
(Increase) in notes receivable, The Strand Partners	(124,424)	(103,074)
(Purchase) of property and equipment	<u>(318)</u>	<u>(1,261)</u>
NET CASH (USED) BY INVESTING ACTIVITIES	<u>(98,745)</u>	<u>(120,085)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable	-	195,900
(Payments) on notes payable	(43,243)	(157,925)
(Payments) on notes payable, The Strand Partners	<u>(9,110)</u>	<u>(8,286)</u>
NET CASH (USED) PROVIDED BY FINANCING ACTIVITIES	<u>(52,353)</u>	<u>29,689</u>

(continued)

See accompanying notes to the financial statements.

THE STRAND THEATRE OF SHREVEPORT CORPORATION

STATEMENTS OF CASH FLOWS (Continued)

Years Ended August 31, 1997 and 1996

	<u>August 31,</u>	
	<u>1997</u>	<u>1996</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	137,898	30,395
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>44,637</u>	<u>14,242</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 182,535</u>	<u>\$ 44,637</u>

See accompanying notes to the financial statements.

THE STRAND THEATRE OF SHREVEPORT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

August 31, 1997 and 1996

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 new 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.

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

THE STRAND THEATRE OF SHREVEPORT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (Continued)

August 31, 1997 and 1996

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.

Concentration of Credit Risk

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. Therefore, no provision for income taxes has been made in the financial statements.

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.

THE STRAND THEATRE OF SHREVEPORT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (Continued)

August 31, 1997 and 1996

NOTE 2 - NOTES RECEIVABLE, THE STRAND PARTNERS

Notes receivable from The Strand Partners consist of the following:

	<u>August 31,</u>	
	<u>1997</u>	<u>1996</u>
Unsecured non-interest bearing promissory notes due August 1, 1999.	\$ 2,290,846	\$ 2,166,422
Non-interest bearing mortgage note receivable due November 15, 1999, secured by the land and building known as the Strand Theatre.	220,000	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>	<u>3,665,000</u>
Notes receivable, The Strand Partners	<u>\$ 6,175,846</u>	<u>\$ 6,051,422</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.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment are summarized by major classification as follows:

	<u>Estimated Useful Life</u>	<u>August 31,</u>	
		<u>1997</u>	<u>1996</u>
Land		\$ 24,000	\$ 24,000
Leasehold improvements	19 years	34,847	34,847
Furniture, fixtures and equipment	5-20 years	<u>114,243</u>	<u>113,925</u>
Total property and equipment		173,090	172,772

THE STRAND THEATRE OF SHREVEPORT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (Continued)

August 31, 1997 and 1996

Less accumulated depreciation	<u>(119,225)</u>	<u>(111,866)</u>
Property and equipment	<u>\$ 53,865</u>	<u>\$ 60,906</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 September 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 August 31, 1997 and 1996, of deferred revenue from interest received in advance is \$ 163,592 and \$ 226,267, respectively.

NOTE 5 - NOTES PAYABLE

Notes payable consist of the following:

	<u>August 31,</u>	
	<u>1997</u>	<u>1996</u>
Bank line-of-credit at 9.75%, interest only with discretionary principal payments, secured by notes receivable.	\$ -	\$ 41,000
Mortgage note payable at \$ 307 per month including interest at 5%, secured by real estate with a book value of \$ 24,000 (Note 3).	<u>16,944</u>	<u>19,187</u>
Total notes payable	16,944	60,187
Less current maturities	<u>(2,904)</u>	<u>(43,789)</u>
Notes payable, long-term	<u>\$ 14,040</u>	<u>\$ 16,398</u>

The Corporation is invested in The Strand Partners, a Louisiana Partnership in Commendam, as a Limited Partner and a General 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 and is committed to make annual contributions of \$ 3,700 through January 1, 1998. As a Limited Partner, the Corporation holds a 1.9% interest and is committed to make annual contributions of \$ 7,326 through January 19, 1998. These future contributions have been recorded as notes payable,

THE STRAND THEATRE OF SHREVEPORT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (Continued)

August 31, 1997 and 1996

net of unamortized discount. 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.

Notes payable, The Strand Partners consist of the following:

	<u>August 31,</u>	
	<u>1997</u>	<u>1996</u>
Non-interest bearing promissory note payable to The Strand Partners due in annual installments of \$11,026, including interest, through January 1998, unsecured (unamortized discount at August 31, 1997 and 1996 of \$ 1,001 and \$ 2,917, respectively, with interest imputed at 10%).	<u>\$ 10,025</u>	<u>\$ 19,135</u>

Aggregate maturities of long-term debt are as follows:

<u>Year Ended August 31,</u>	<u>August 31,</u>	
	<u>1997</u>	<u>1996</u>
1997		\$ 52,900
1998	\$ 12,929	12,382
1999	3,053	3,053
2000	3,209	3,209
2001	3,373	3,373
2002	3,546	3,546
Thereafter	<u>859</u>	<u>859</u>
	<u>\$ 26,969</u>	<u>\$ 79,322</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.

THE STRAND THEATRE OF SHREVEPORT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (Continued)

August 31, 1997 and 1996

NOTE 7 - RELATED PARTY TRANSACTIONS

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

The Strand serves as General Partner of The Strand Partners, a Louisiana Partnership in Commendam (Note 5). In that capacity, the Strand has historically received an annual management fee of \$ 60,000. However, for fiscal years ending August 31, 1997 and 1996, none of the management fee was paid. The \$ 60,000 management fee due from The Strand Partners for fiscal years ending August 31, 1997 and 1996 have not been accrued in the financial statements due to the uncertainty of The Strand Partners' ability to continue to pay the fee.

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 in fiscal years ending August 31, 1997 and 1996, nor has this amount been accrued in the financial statements.

NOTE 8 - LIQUIDITY AND FINANCIAL POSITION

The Strand receives, on an annual basis, certain fees and interest (as described more fully in Notes 2 and 7) from The Strand Partners which are to supplement cash flows. For the years ended August 31, 1997 and 1996, the Strand received \$ 324,176 and \$ 324,176, respectively, from The Strand Partners for interest payments. During 1997 and 1996, as well as preceding years, The Strand Partners has 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 years ended August 31, 1997 and 1996, additional advances of \$ 105,427 and \$ 124,424, respectively, were made to The Strand Partners by the Strand.

The Strand is addressing its financial condition in part in the following manner:

- Restructuring the Board of Directors.
- Hiring an outside consultant who has experience with theatres.
- *Becoming more pro-active.*

Fundraising within the community, both public and corporate, has been expanded. Also, closer monitoring of expenses has been implemented with the reduction of expenses being made.

THE STRAND THEATRE OF SHREVEPORT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (Continued)

August 31, 1997 and 1996

NOTE 9 - SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid for interest during the years ended August 31, 1997 and 1996 was \$ 4,195 and \$ 6,746, respectively.

NOTE 10 - PRIOR PERIOD ADJUSTMENT

An adjustment has been made to the beginning net asset balance to reflect a change in deferred revenue.