
LE PETIT THEATRE DU VIEUX CARRE

FINANCIAL STATEMENTS

JUNE 30, 2004

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the 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 2-16-05

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INDEPENDENT AUDITORS' REPORT

To the Board of Governors of
Le Petit Theatre du Vieux Carre
New Orleans, Louisiana

We have audited the accompanying statements of financial position of the Le Petit Theatre du Vieux Carre, (a nonprofit organization) (the Theatre) as of June 30, 2004, and the related statements of activities and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Theatre's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 the Theatre as of June 30, 2004, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 14, 2004 on our consideration of Le Petit Theatre du Vieux Carre's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Postlethwaite & Netterville

Metairie, Louisiana
December 14, 2004

LE PETIT THEATRE DU VIEUX CARRE
NEW ORLEANS, LOUISIANA
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2004

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	\$ 2,018
Accounts receivable	1,500
Prepaid expenses	<u>2,123</u>
Total current assets	<u>5,641</u>
PROPERTY AND EQUIPMENT, NET	<u>544,466</u>
OTHER ASSETS	
Investments, restricted	488,906
Bond issue costs, net	<u>9,395</u>
Total other assets	<u>498,301</u>
Total assets	<u>\$ 1,048,408</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable	\$ 45,444
Accrued expenses	7,948
Current maturities of bonds payable	20,000
Current portion of capital lease obligation	<u>2,787</u>
Total current liabilities	<u>76,179</u>
LONG-TERM DEBT	
Bonds payable, less current maturities and discount	701,375
Capital lease obligations, less current portion	<u>4,895</u>
Total long-term debt	<u>706,270</u>
Total liabilities	<u>782,449</u>
NET ASSETS	
Unrestricted	89,373
Permanently restricted	<u>176,586</u>
Total net assets	<u>265,959</u>
Total liabilities and net assets	<u>\$ 1,048,408</u>

The accompanying notes are an integral part of this statement.

LE PETIT THEATRE DU VIEUX CARRE
NEW ORLEANS, LOUISIANA
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUES:				
Support:				
Contributions	\$ 43,960	\$ -	\$ 3,071	\$ 47,031
Grants	97,714	-	-	97,714
Fundraisers	1,396	-	-	1,396
Revenues:				
Memberships	107,607	-	-	107,607
Admissions	247,025	-	-	247,025
Theatre rentals	32,720	-	-	32,720
Concession sales, net	16,940	-	-	16,940
Interest income	9,304	-	-	9,304
Unrealized gain on permanently restricted investments	15,071	-	-	15,071
Miscellaneous revenue	57,948	-	-	57,948
Total support and revenues	<u>629,685</u>	<u>-</u>	<u>3,071</u>	<u>632,756</u>
EXPENSES:				
Program services:				
Production costs	474,523	-	-	474,523
Supporting services:				
Fund raising	3,000	-	-	3,000
General and administrative expense	181,335	-	-	181,335
Total expenses	<u>658,858</u>	<u>-</u>	<u>-</u>	<u>658,858</u>
Changes in net assets	(29,173)	-	3,071	(26,102)
Net assets:				
Beginning of year, as restated	<u>118,546</u>	<u>-</u>	<u>173,515</u>	<u>292,061</u>
End of year	<u>\$ 89,373</u>	<u>\$ -</u>	<u>\$ 176,586</u>	<u>\$ 265,959</u>

The accompanying notes are an integral part of this statement.

LE PETIT THEATRE DU VIEUX CARRE
NEW ORLEANS, LOUISIANA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2004

CASH FLOWS FROM OPERATING ACTIVITIES:	
Decrease in net assets	\$ (26,102)
Adjustments to reconcile increase in net assets to net cash used in operating activities:	
Depreciation and amortization	36,419
Permanently restricted contributions	(3,071)
Unrealized gains/losses	(15,071)
Restatement of prior year net assets	(55,429)
(Increase) decrease in:	
Accounts receivable	(76)
Prepaid expenses	19,503
Increase (decrease) in:	
Accounts payable	42,776
Accrued expenses	585
	<hr/>
Net cash used in operating activities	(466)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of investments	(353,590)
Gain on sale of investments	324
Sale of investments	46,697
Purchases of property and equipment	(117,389)
	<hr/>
Net cash used in investing activities	(423,958)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from contributions, permanently restricted	3,071
Proceeds from bond proceeds	721,375
Payments on bond issuance costs	(9,662)
Principal payments on notes payable	(211,633)
Principal payments on capital lease	(2,572)
Principal advances on line of credit	71,432
Principal reductions on line of credit	(175,174)
	<hr/>
Net cash provided by financing activities	396,837
NET DECREASE IN CASH AND CASH EQUIVALENTS	(27,587)
CASH AND CASH EQUIVALENTS:	
Beginning of the year	29,605
	<hr/>
End of the year	<u>\$ 2,018</u>
OTHER CASH FLOW DISCLOSURES:	
Supplemental disclosures of cash flow information:	
Cash paid during the year for:	
Interest	<u>\$ 10,049</u>

The accompanying notes are an integral part of this statement.

LE PETIT THEATRE DU VIEUX CARRE
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Organization

Le Petit Theatre du Vieux Carre (the Theatre) was organized in 1922 to present theatrical performances for the community. The mission of the Theatre is to present quality theatre at affordable prices, to promote cultural activities, and to provide cultural outreach and education opportunities to the Greater New Orleans community.

Basis of Accounting and Presentation

The financial statements of the Theatre are presented on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Theatre considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Investments

The Theatre carries investments in debt securities with readily determinable fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

Property and Equipment

The Theatre has adopted a practice of capitalizing all expenditures for depreciable assets where the unit cost exceeds \$500. Property and equipment consists of land, building and improvements, furniture and fixtures, and stage equipment, and is carried at cost, except for land which is carried at its 1929 appraised value. Depreciation of these assets is provided on a straight-line basis over their estimated useful lives as follows:

Building and improvements	30 – 39 years
Furniture and fixtures	5 – 7 years
Equipment	5 - 10 years

Depreciation expense for the year ended June 30, 2004 was \$36,152.

LE PETIT THEATRE DU VIEUX CARRE
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statements of activities as net assets released from restriction.

Gifts of long-lived operating assets such as land, buildings or equipment are reported as unrestricted support, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long these long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Contributions of donated non-cash assets (such as materials and equipment) are recorded at their fair or estimated values in the period received.

Financial Statement Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Net assets, support and revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Theatre and changes therein are classified and reported as follows:

- Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.
- Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that will be met either by actions of the Theatre and/or the passage of time. The Theatre does not have any temporarily restricted net assets.
- Permanently restricted net assets - Net assets subject to donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled and removed by actions of the Theatre pursuant to those stipulations.

LE PETIT THEATRE DU VIEUX CARRE
NEW ORLEANS, LOUISIANA
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

Use of Estimates

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

Advertising

The Theatre expenses all non-direct response advertising costs as incurred. Advertising expense for the year ended June 30, 2004 was 6,347.

Income Taxes

The Theatre is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from State income taxes under Section 121 (5) of Title 47 of the Louisiana Revised Statutes of 1950.

Allocation of Functional Expenses

Expenses are summarized on a functional basis. Salaries and related payroll expenses are distributed based upon the time spent for each function. Distribution of all other shared expenses is based upon management's estimates of the usage applicable to conducting various program or support activities.

2. Investments

Investments in mutual funds and debt securities are carried at fair value. The Theatre's investments are summarized as follows as of June 30, 2004:

	<u>Fair Value</u>
Permanently restricted for endowments:	
Investments in mutual funds	\$ 181,478
Temporarily restricted for capital spending:	
Investments in certificates of deposit	<u>307,428</u>
Total restricted investments	<u>\$ 488,906</u>

LE PETIT THEATRE DU VIEUX CARRE
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

2. Investments (continued)

Investment return is summarized as follows for the year ended June 30, 2004:

Investment income	\$ 9,304
Unrealized gains	<u>15,071</u>
	<u>\$ 24,375</u>

3. Property and Equipment

Property and equipment consists of the following as of June 30, 2004:

Land	\$ 20,000
Building and improvements	655,904
Furniture and fixtures	112,311
Equipment	<u>501,531</u>
	1,289,746
Less: accumulated depreciation	<u>841,667</u>
	448,079
Construction in progress	<u>96,387</u>
	<u>\$ 544,466</u>

LE PETIT THEATRE DU VIEUX CARRE
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

4. Permanently Restricted Assets

Permanently restricted assets consist of endowment funds. The income of each is dedicated to specific purposes. The Rhea Loeb Deutsch Memorial Fund is administered by the Board of Governors of the Theatre. The Le Petit Theatre Fund and The Harold Newman Fund are administered by the Greater New Orleans Foundation. As of June 30, 2004, these restricted assets were as follows:

Rhea Loeb Deutsch Memorial Fund	\$ 6,026
Harold Newman Endowment Fund	139,449
Le Petit Theatre Endowment Fund	<u>31,111</u>
	<u>\$ 176,586</u>

During the year ended June 30, 2004 the Rhea Loeb Deutsch Memorial Fund investment account was closed and the proceeds were used for purposes other than for the intent of the donor. The Board of Governors have committed to restoring the fund totaling \$6,026.

5. Long-Term Debt

Long-term debt at June 30, 2004 consists of the following:

\$725,000, Louisiana Public Facilities Authority Equipment and Capital Facilities Pooled Loan Program Revenue Bonds, Series 2003B, due in annual installments of \$20,000 to \$65,000 through July, 2018, at variable interest	\$ 725,000
Less: discount	3,625
Less: current portion	<u>20,000</u>
	<u>\$ 701,375</u>

Maturities of long-term debt are as follows:

2005	\$ 20,000
2006	35,000
2007	40,000
2008	40,000
2009	40,000
Thereafter	<u>550,000</u>
	<u>\$ 725,000</u>

LE PETIT THEATRE DU VIEUX CARRE
NEW ORLEANS, LOUISIANA
NOTES TO FINANCIAL STATEMENTS

7. Capital Lease

The Theatre has a capital lease for office equipment with a term of five years at an interest rate of 8.00% per annum. The lease meets the criteria of a capital lease and accordingly as been recorded as such.

Future minimum lease payments under this capital lease, including the present value of minimum lease payments, subsequent to June 30, 2004 are as follows:

2005	\$	3,302
2006		3,302
2007		<u>1,927</u>
		8,531
Less: amount representing interest (8%)		<u>849</u>
Present value of lease obligation		<u>\$ 7,682</u>

Property and equipment includes the following amounts for this capital lease:

Equipment cost	\$	13,564
Less: allowance for depreciation		<u>6,782</u>
		<u>\$ 6,782</u>

Total amortization expense for the year ended June 30, 2004 was \$2,712. The amortization expense is included in the Theatre's depreciation expense.

8. Related Party Transactions

The Theatre has conducted business with various entities and persons who are related to board members or employees either as officers of those entities or have familial relationships. The applicable officers or board members are in a position to, and in the future may, influence the volume of activity, price or other factors, which may benefit the persons or entities to which they are related. The transactions are immaterial in amount.

LE PETIT THEATRE DU VIEUX CARRE
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

9. Functional Expenses

The functional expenses of the Theatre are as follows:

	<u>Total Program Services</u>		<u>Total Support Services</u>			<u>Total Expenses</u>
	<u>Production Costs</u>	<u>Total Program</u>	<u>General and Administrative</u>	<u>Fund Raising</u>	<u>Total Support</u>	
Salaries and related expenses	\$ 95,564	\$ 95,564	\$ 88,212	\$ -	\$ 88,212	\$ 183,776
Director	3,800	3,800	-	-	-	3,800
Stage manager	2,690	2,690	-	-	-	2,690
Set	54,358	54,358	-	-	-	54,358
Lighting and sound	6,592	6,592	-	-	-	6,592
Costumes	10,029	10,029	-	-	-	10,029
Music and choreography	35,098	35,098	-	-	-	35,098
Props	5,062	5,062	-	-	-	5,062
Hair and makeup	4,250	4,250	-	-	-	4,250
Production royalties	53,589	53,589	-	-	-	53,589
Production licenses	1,672	1,672	-	-	-	1,672
Advertising	6,347	6,347	-	-	-	6,347
Contract labor	22,105	22,105	-	-	-	22,105
Pension expense	1,386	1,386	-	-	-	1,386
Shared production	20,090	20,090	-	-	-	20,090
Miscellaneous production expense	13,539	13,539	-	-	-	13,539
Insurance expense	30,534	30,534	18,315	-	18,315	48,849
Office expense and supplies	-	-	6,870	-	6,870	6,870
Bank charges	14,326	14,326	14,326	-	14,326	28,652
Interest expense	7,034	7,034	3,015	-	3,015	10,049
Miscellaneous expense	11,025	11,025	2,756	3,000	5,756	16,781
Repairs and maintenance	11,943	11,943	5,118	-	5,118	17,061
Telephone	3,586	3,586	3,586	-	3,586	7,172
Utilities	23,318	23,318	9,993	-	9,993	33,311
Taxes and licenses	11,093	11,093	7,033	-	7,033	18,126
Parking	-	-	11,185	-	11,185	11,185
Depreciation	25,493	25,493	10,926	-	10,926	36,419
	<u>\$ 474,523</u>	<u>\$ 474,523</u>	<u>\$ 181,335</u>	<u>\$ 3,000</u>	<u>\$ 184,335</u>	<u>\$ 658,858</u>

LE PETIT THEATRE DU VIEUX CARRE
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

10. Prior Year Adjustments

During the year ended June 30, 2004 the Theatre discovered errors made in prior years with the accounting for cash, prepaid expenses, accounts payable and loans from employees and board members. Net assets at July 1, 2003 decreased by \$55,429 as a result of these corrections.

Assets:	
Cash	\$ (17,407)
Prepaid expenses	<u>(12,204)</u>
	<u>\$ (29,611)</u>
Liabilities:	
Accounts payable	\$ (10,084)
Loans from Board member and employee	<u>(15,734)</u>
	<u>\$ (25,818)</u>
Net assets:	
Unrestricted	<u>\$ (55,429)</u>



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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Governors of
Le Petit Theatre du Vieux Carre

We have audited the financial statements of Le Petit Theatre du Vieux Carre (a nonprofit organization) (The Theatre) as of and for the year ended June 30, 2004, and have issued our report thereon dated December 14, 2004. We have conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Theatre's financial statements are free of material misstatement, we have performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2004-1.

Internal Control Over Financial Reporting

In planning and performing our audit, we have considered the Theatre's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that in our judgment, could adversely affect the Theatre's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2004-2, 2004-3 and 2004-4.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts 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 over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We noted no matters involving internal control over financial reporting and its operation that we consider to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness. We also noted other matters involving the internal control over financial reporting, which we have reported to management of the Theatre in a separate letter dated December 14, 2004.

This report is intended for the information of the board of governors, management, State of Louisiana, the Legislative Auditor's Office, and is not intended to be and should not be used by anyone other than these specified parties.

Postlethwaite & Netterville

Metairie, Louisiana

December 14, 2004

**LE PETIT THEATRE DU VIEUX CARRE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2004**

FINDINGS – FINANCIAL STATEMENT AUDIT

REPORTABLE CONDITIONS ON COMPLIANCE

2004-1 Permanently Restricted Endowments

Condition: The Theatre used the proceeds from a permanently restricted investment in the amount of \$6,026 for purposes other than its intended use.

Criteria: The use of permanently restricted investments should be prohibited.

Effect: The Theatre has spent \$6,026 of permanently restricted assets.

Recommendation: Funds of \$6,026 should be provided to restore the balance of the permanently restricted investment.

REPORTABLE CONDITIONS ON INTERNAL CONTROL

2004-2 Bank Reconciliations

Condition: Bank reconciliations for two bank accounts were not reconciled during the fiscal year end June 30, 2004.

Criteria: Internal controls should be in place that provide for monthly reconciliations on all bank accounts.

Effect: Because of the failure to require bank reconciliations on all bank accounts, certain transactions were not properly recorded.

Recommendation: Procedures should be implemented requiring the reconciliation of all bank accounts and the bank reconciliations should be reviewed by management.

LE PETIT THEATRE DU VIEUX CARRE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2004

FINDINGS – FINANCIAL STATEMENT AUDIT (CONTINUED)

REPORTABLE CONDITIONS ON INTERNAL CONTROL (CONTINUED)

2004-3 Journal Entries

Condition: Adjusting journal entries for the prior audits were not posted to the general ledger.

Criteria: Internal controls should be in place that provide that all journal entries be recorded to the general ledger.

Effect: Because of the failure to record journal entries, certain accounts on the trial balance were incorrectly reported.

Recommendation: Procedures should be implemented requiring the posting of audit adjustments to the general ledger and the trial balance should be reviewed by management.

2004-4 Debt Transactions

Condition: Transactions relating to the issuance of new debt were not recorded on the general ledger.

Criteria: Internal controls should be in place that provide for the recording of all transactions relating to the entity's debt.

Effect: Because of the failure to record the debt transactions, certain accounts on the trial balance were incorrectly reported.

Recommendation: Procedures should be implemented requiring the recording of all debt issuances and retirement.



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December 14, 2004

To the Board of Governors of
LePetit Theatre du Vieux Carre
New Orleans, Louisiana

In planning and performing our audit of the financial statements of Le Petit Theatre du Vieux Carre (the Theatre) as of and for the year ended June 30, 2004, we considered the Theatre's internal controls to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control.

However, during our audit we became aware of several matters that are opportunities for improving financial reporting. Our comments and suggestions regarding this matter are summarized below. This letter does not affect our report dated December 14, 2004, on the financial statements of the Theatre.

2004.5 Balance Sheet Accounts

During our audit testing it was noted that activity during the year had not been recorded properly or recorded at all.

We recommend that all balance sheet accounts be reconciled to supporting documentation such as bank reconciliations, accounts receivable aging subsidiary ledgers, monthly investment statements, property and equipment detail schedules, accounts payable aging schedules, amortization schedules, and monthly loan statements. The monthly reconciliation of these accounts will ensure accurate financial reporting and will alert management to any errors or irregularities which require immediate investigation.

2004.6 Property and Equipment

A schedule of Theatre property and equipment with asset cost, asset purchase date, asset lives, and accumulated depreciation with current year activity could not be provided during our audit.

We recommend that the Theatre take an inventory of all equipment and furnishings (and possibly tag each item) in order to determine what assets are currently owned by the Theatre. It is also recommended that the Theatre update their inventory schedule for all purchases of equipment and furnishings and include the purchase date on the schedule. By maintaining an accurate schedule of equipment and furnishings, the Theatre can provide accurate financial reporting and determine if a theft of any assets has occurred.

2004.7 Accounting for Notes Payable, Lines of Credit, and Capital Lease

During our audit testing it was noted that payments on the notes payable, lines of credit, and capital lease were recorded in expense accounts and not the appropriate debt account.

The principal reduction and interest expense of debt payments should be determined for each debt payment and the debt should be reduced by the principal amount of the payment and interest expense should be recorded for the interest portion of the payment.

2004.8 Expenses Paid by Board and Employees

During our audit testing it was noted that reimbursements were paid to board members and employees for expenses incurred by the Theatre. The timing of the reimbursements did not coincide with the actual period the expense was incurred.

We recommend that all payments made on behalf of the Theatre be turned into the accounting office in a timely manner for reimbursement. If payment is not possible immediately, we recommend that a payable be recorded until such time the reimbursement can be made.

* * * * *

We wish to express our sincere appreciation to the Theatre personnel for their cooperation and courtesies offered to us during our engagement.

If there are any questions regarding our comments or recommendations, please advise us at your convenience.

Postlethwaite & Netherwill



December 31, 2004

Louisiana Legislative Auditor
1600 North Third Street
Baton Rouge, Louisiana 70802

Dear Legislative Auditor:

The following is our corrective action plan to the 2004 audit comments:

2004-1 Permanently Restricted Endowments

Prior to the 2005 audit, we will the recording of permanently restricted investments. We will review recording of prior amounts and adjust balances as appropriate.

2004-2 Bank Reconciliations

Prior to the 2005 audit, we will ensure that all bank accounts are reconciled.

2004-3 Journal Entries

Prior to the 2005 audit, we will ensure that prior year audit entries are posted to the general ledger.

2004-4 Debt Transactions

Prior to the 2005 audit, we will ensure that transactions relating to the issuance of new debt are recorded on the general ledger.

2004.5 Balance Sheet Accounts

Prior to the 2005 audit, we anticipate having all balance sheet accounts reconciled to supporting documentation. These areas include bank reconciliations, accounts receivable aging subsidiary ledgers, monthly investment statements, property and equipment detail schedules, accounts payable aging schedules, amortization schedules, and monthly loan statements.

2004.6 Property and Equipment

Prior to the 2005 audit, we will compile a schedule of Theatre property and equipment with asset cost, asset purchase date, asset lives, and accumulated depreciation with current year activity. We also will take inventory of significant items.

Louisiana Legislative Auditor
December 31, 2004
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2004.7 Accounting for Notes Payable, Lines of Credit, and Capital Lease

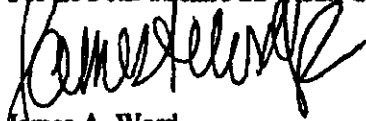
Prior to the 2005 audit, we will review the recording of payments on the notes payable, lines of credit, and capital lease to determine if posted to correct account.

2004.8 Expenses Paid by Board and Employees

Prior to the 2005 audit, we will review the recording of reimbursements paid to board members and employees for expenses incurred by the Theatre to determine that they were timely recorded.

Please contact me if you have any questions.

For Le Petit Theatre du Vieux Carre



James A. Word