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The Strand Theatre of Shreveport Corporation



Financial Statements Years Ended May 31, 2005 and 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 12-7-05



ROBERTSON, BAILES & McCLELLAND LLP
Accountants and Consultants

**The Strand Theatre
of Shreveport Corporation**

Financial Statements
Years Ended May 31, 2005 and 2004

The Strand Theatre of Shreveport Corporation

Contents

Independent Auditors' Report	3
Financial Statements	
Statements of Financial Position	4
Statements of Activities	5-6
Statements of Cash Flows	7
Summary of Accounting Policies	8-9
Notes to Financial Statements	10-12
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	13-14
Schedule of Prior Year Compliance Findings	15



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Independent Auditors' Report

The Executive Committee
The Strand Theatre of Shreveport Corporation
Shreveport, Louisiana

We have audited the accompanying statements of financial position of The Strand Theatre of Shreveport Corporation (a nonprofit organization) as of May 31, 2005 and 2004, 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. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits provide 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 Strand Theatre of Shreveport Corporation as of May 31, 2005 and 2004, and the results of its activities and its cash flows for the years 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 our report dated July 21, 2005 on our consideration of The Strand Theatre of Shreveport Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts.

Robertson, Bailes & McClelland LLP

July 21, 2005, except for Note 9
which is as of September 22, 2005



The Strand Theatre of Shreveport Corporation

Statements of Financial Position

<i>May 31,</i>	2005	2004
Assets		
Current assets:		
Cash (Notes 1 and 8)	\$ 33,315	\$ 31,255
Grants receivable	13,740	16,101
Prepaid expenses	30,471	38,243
Total current assets	77,526	85,599
Property and equipment (Note 2)	4,480,935	4,598,141
	\$4,558,461	\$4,683,740
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 60,572	\$ 33,913
Accrued expenses	2,584	17,732
Deferred revenue	70,285	63,185
Notes payable (Note 3)	100,000	90,000
Total current liabilities	233,441	204,830
Other liabilities:		
Litigation (Note 9)	299,379	-
Total liabilities	532,820	204,830
Net assets – Unrestricted	4,025,641	4,478,910
	\$4,558,461	\$4,683,740

See accompanying summary of accounting policies and notes to financial statements.

The Strand Theatre of Shreveport Corporation

Statements of Activities

<i>Years Ended May 31,</i>	2005	2004
Changes in unrestricted net assets:		
Support and revenues:		
Ticket sales	\$ 555,286	\$ 525,743
Other income	310,277	208,377
Fund raising	220,634	204,119
Grants for program services	69,709	78,653
Business sponsorships	61,940	137,500
Program advertising	17,042	27,664
Total support and revenues	1,234,888	1,182,056
Expenses:		
Program services and theatrical:		
Artist fees	297,100	342,491
Advertising	134,052	134,982
Part-time wages	109,909	75,715
Production cost	76,690	36,670
Printing	20,524	19,770
Janitorial expense	17,465	15,405
Security	15,116	12,179
Credit card fees	9,112	15,788
Box office	5,309	9,459
Payroll taxes and benefits	3,500	26,262
Theatre supplies	224	286
Total program services and theatrical	689,001	689,007
Supporting services:		
Management and general:		
Salaries and wages	245,288	226,156
Depreciation and amortization	153,203	154,361
Occupancy expense	86,999	85,291

(Continued)

The Strand Theatre of Shreveport Corporation

Statements of Activities (Concluded)

<i>Years Ended May 31,</i>	2005	2004
Professional fees	59,433	24,020
Payroll taxes and benefits	56,122	46,713
Insurance	47,493	76,174
Telephone	12,500	14,013
Postage	10,531	11,905
Office supplies and equipment	9,931	6,366
Miscellaneous	4,730	12,862
Interest	2,088	2,006
Dues and subscriptions	1,944	2,893
Conference and travel	498	5,499
Total management and general	690,760	668,259
Fund raising - Friends expense	9,017	6,245
Total fund raising	9,017	6,245
Decrease in unrestricted net assets from operations	(153,890)	(181,455)
Other expense - Litigation (Note 9)	299,379	-
Decrease in unrestricted net assets	(453,269)	(181,455)
Net assets, beginning of year	4,478,910	4,660,365
Net assets, end of year	\$4,025,641	\$4,478,910

See accompanying summary of accounting policies and notes to financial statements.

The Strand Theatre of Shreveport Corporation

Statements of Cash Flows

<i>Years Ended May 31,</i>	2005	2004
Cash Flows from Operating Activities:		
Decrease in unrestricted net assets	\$(453,269)	\$(181,455)
Adjustments to reconcile decrease in unrestricted net assets to net cash provided by (used in) operating activities:		
Depreciation	153,203	154,361
Litigation	299,379	-
Change in operating assets and liabilities:		
Grants receivable	2,361	4,999
Prepaid expenses	7,772	(8,293)
Accounts payable	26,659	(6,353)
Accrued expenses	(15,148)	(6,160)
Deferred revenue	7,100	17,588
Net cash provided by (used in) operating activities	28,057	(25,313)
Cash Flows From Investing Activities -		
Expenditures for property and equipment	(35,997)	(11,376)
Cash Flows From Financing Activities:		
Proceeds from line-of-credit	100,000	90,000
Payments on line-of-credit	(90,000)	(39,983)
Net cash provided by financing activities	10,000	50,017
Net increase in cash	2,060	13,328
Cash, at beginning of year	31,255	17,927
Cash, at end of year	\$ 33,315	\$ 31,255

See accompanying summary of accounting policies and notes to financial statements.

The Strand Theatre of Shreveport Corporation

Summary of Accounting Policies

Nature of Business

The Strand Theatre of Shreveport Corporation (the "Strand") is a nonprofit corporation organized under the laws of the State of Louisiana. The Strand was incorporated September 17, 1976 and operates primarily to provide live entertainment attractions for Shreveport and the surrounding community and to promote the performing arts.

Substantially all of the Strand's revenue is from the sale of admissions to the Strand sponsored events, fundraising and sponsorships, rentals and grant income.

Method of Accounting

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

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. Significant estimates in the financial statements are depreciation and amortization of property and equipment and litigation expense.

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 has not been satisfied.

Concentrations of Credit Risk

The Strand serves as 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.

The Strand Theatre of Shreveport Corporation

Summary of Accounting Policies (Concluded)

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, which range from 5 to 40 years. Maintenance and repairs which do not improve or extend the life of the respective assets are expensed 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 and proceeds from fund raising efforts related to the following fiscal year.
Income Taxes	<i>The Strand is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and exempt from state income tax under appropriate provisions in the laws of the State of Louisiana. The Strand is not a private foundation within the meaning of Section 509(a) and there was no unrelated business income for the years ended May 31, 2005 and 2004. Accordingly, no provision for income taxes has been made in the financial statements.</i>
Functional Expenses	Expenses are charged directly to program services, management and general and fund raising expenses in general categories based on specific identification.
Collective Bargaining Agreement	Certain wages paid by the Strand were covered by a collective bargaining agreement. The agreement set wage rates for various job classifications along with other terms and conditions and was effective through August 15, 2004.
Statements of Cash Flows	For purposes of the statements of cash flows, the Strand considers all cash in bank accounts and highly liquid debt instruments purchased with original maturities of three months or less, to be cash equivalents.

The Strand Theatre of Shreveport Corporation

Notes to Financial Statements

1. Cash Included in cash as of May 31, 2005 and 2004 are interest-bearing accounts totaling \$31,005 and \$28,945 respectively.

2. Property and Equipment Major classes of property and equipment consist of the following:

	2005	2004
Land	\$ 96,000	\$ 96,000
Theatre and improvements	5,122,859	5,101,871
Theatrical equipment	215,416	211,083
Office furniture and equipment	84,752	74,076
	5,519,027	5,483,030
Less accumulated depreciation and amortization	1,038,092	884,889
	\$4,480,935	\$4,598,141

3. Notes Payable The Organization has a \$100,000 unsecured variable rate (6.0% at May 31, 2005) line-of-credit to bank due February 2006. The outstanding balance at May 31, 2005 and 2004 was \$100,000 and \$90,000, respectively.

Interest expense was \$2,088 and \$2,006 for the years ended May 31, 2005 and 2004, respectively.

4. Operating Lease The Strand leases office space in its' facility to other entities. The leases are currently on a month-to-month basis. Rental income received for the years ended May 31, 2005 and 2004 was \$23,294 and \$19,729, respectively.

5. Employee Benefit Plan Hourly employees of the Strand who belong to the International Alliance of Theatrical State Employees Union are covered under the IATSE National Benefit Funds pension plan. The Strand made regular contributions to the plan equal to 8% of the employees' gross wages for the periods ended May 31, 2005 and 2004, respectively. Total contributions to the plan for the years ended May 31, 2005 and 2004 were \$2,722 and \$11,565, respectively.

The Strand Theatre of Shreveport Corporation

Notes to Financial Statements (Continued)

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- 6. Related Party Transactions**
- The Strand paid professional fees to a partnership of which a board member is a partner. Fees paid in years ended May 31, 2005 and 2004, were \$9,809 and \$11,528, respectively.
- The Strand's general insurance agent is a member of the board. The annual premium cost paid to the agency, which this individual is associated with, was \$77,597 and \$72,992 for the years ended May 31, 2005 and 2004, respectively.
- 7. Major Revenue Sources and Suppliers**
- The Strand had no one contributor or revenue source during the years ended May 31, 2005 and 2004 that accounted for 10% or more of total revenue. The Strand had no one supplier or vendor during the years ended May 31, 2005 and 2004, which accounted for 10% or more of total purchases.
- 8. Supplemental Cash Flows Information**
- At May 31, 2005, total cash consisted of the following: \$2,310 in petty cash and \$31,005 in demand deposits subject to FDIC insurance limits of \$100,000. Cash paid for interest was \$2,088 and \$2,006 for the years ended May 31, 2005 and 2004, respectively.
- 9. Litigation**
- On February 28, 2005 a complaint was issued alleging that the Strand violated certain sections of the National Labor Relations Act relating to the collective bargaining agreement with the Stage Employees Local 298 of the IATSE. A trial was held in this matter on April 25 and 26, 2005 in Shreveport, Louisiana. On August 3, 2005, the National Labor Relations Board Atlanta Branch Office Division of Judges issued its decision in the above matter. Among other issues, the Strand has been ordered to take the following affirmative actions: "...restore the terms and conditions or employment which were in effect, and applicable to employees in the bargaining unit...and make whole all unit employees for losses suffered as a result of the changes, as calculated in accordance with F. W. Woolworth Co., 90 NLRB 289 (1950) and Ogle Protection Service, 183 NLRB 682, 683 (1970), with interest computed in the manner prescribed in Horizons for the Retarded, 283 NLRB 1173 (1987)".

**The Strand Theatre
of Shreveport Corporation**

**Notes to Financial Statements
(Concluded)**

**9. Litigation -
(continued)**

The Strand has appealed this decision; however, legal counsel does not expect a final decision in this matter for approximately three years.

The Strand estimates the "ordered" expense for the period ending May 31, 2005 to be approximately \$299,379. Additionally, the Strand estimates the continuing expense in this matter, until a final decision is reached, to be approximately \$363,000 per year.



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Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

The Executive Committee
The Strand Theatre of Shreveport Corporation
Shreveport, Louisiana

We have audited the financial statements of the The Strand Theatre of Shreveport Corporation as of and for the year ended May 31, 2005, and have issued our report thereon dated July 21, 2005. We 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 Organization's financial statements are free of material misstatement, we 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 no instances of noncompliance that are required to be reported under Government Auditing Standards.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Organization's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weakness. 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.





We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the board of directors, management, others within the organization, awarding agencies, and the Louisiana State Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Under Louisiana Revised Statutes 24:513, this report is distributed by the Legislative Auditor as a public document.

Robertson, Baker & McMillan LLP

Certified Public Accountants

Shreveport, Louisiana
July 21, 2005

The Strand Theatre of Shreveport Corporation

Schedule of Prior Year Compliance Findings

The results of our tests disclosed the following instance of noncompliance:

FYE 05-31-2004 – Finding # 1 - Failure to comply with state law

Instance of Noncompliance

The Strand Theatre of Shreveport Corporation failed to comply with state law (LA R.S. 24:513) since the annual report for the year ended May 31, 2004 was not submitted to the Louisiana Legislative Auditor's Office until after November 30, 2004, the statutory due date.

Reason for Noncompliance

Management was requested by the independent auditors to provide certain supplemental information regarding selected account analysis in order to complete their examination. Due to personnel and work-load limitations at The Strand, this information was not provided within a time frame which would have allowed for the timely filing of the annual report. Additionally, discussions between members of the Board of Directors and the independent auditors regarding the presentation of certain accounting issues was not resolved within a time frame which would allowed for the timely filing of the annual report.

Management's Plan of Corrective Action

Management agreed with this finding and ensured that all future required reports would be filed timely.