9949

THE GRAND OPERA HOUSE OF THE SOUTH, INC.

Crowley, Louisiana

FINANCIAL STATEMENTS

DECEMBER 31, 2007 AND 2006

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 8/6/08

THE GRAND OPERA HOUSE OF THE SOUTH, INC.
Crowley, Louisiana

TABLE OF CONTENTS

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May 23, 2008

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Advisory Board
The Grand Opera House of the South, Inc.
Crowley, Louisiana

We have audited the accompanying statements of financial position of The Grand Opera House of the South, Inc. (a nonprofit organization), as of December 31, 2007 and 2006, and the related statements of activities, functional expenses, and cash flows for the year 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 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 Grand Opera House of the South, Inc. as of December 31, 2007 and 2006, and the changes in its net assets 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 a report dated May 23, 2008, on our consideration of The Grand Opera House of the South, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of The Grand Opera House of the South, Inc. taken as a whole. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Grand Opera House of the South, Inc. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Broadhurst, Hamilton & Company

BROADHURST, HAMILTON & COMPANY
Certified Public Accountants

THE GRAND OPERA HOUSE OF THE SOUTH, INC.
Crowley, Louisiana

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2007 AND 2006

ASSETS

	2007	2006
CURRENT ASSETS		
Cash	$ 5,314	$ 16,760
Investment	23,965	71,689
Inventory	1,491	1,491
Donations receivable	6,915	3,765
Grants receivable	-	55,596
Total Current Assets	**$ 37,685**	**$ 149,301**
FIXED ASSETS		
Property, building, and equipment	$ 4,234,366	$ 1,982,299
Less: accumulated depreciation	49,779	45,483
Total Net Fixed Assets	**$ 4,184,587**	**$ 1,936,816**
TOTAL ASSETS	**$ 4,222,272**	**$ 2,086,117**

LIABILITIES AND NET ASSETS

	2007	2006
CURRENT LIABILITIES		
Accounts payable	$ -	$ 168,665
Accrued expense	20,752	1,758
Lines of credit	1,852,000	331,730
Total Current Liabilities	**$ 1,872,752**	**$ 502,153**
NET ASSETS		
Unrestricted	$ 2,349,520	$ 1,583,964
Total Net Assets	**$ 2,349,520**	**$ 1,583,964**
TOTAL LIABILITIES AND NET ASSETS	**$ 4,222,272**	**$ 2,086,117**

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

STATEMENT A

THE GRAND OPERA HOUSE OF THE SOUTH, INC.
Crowley, Louisiana

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	2007	2006
UNRESTRICTED NET ASSETS		
PUBLIC SUPPORT:		
Cash contributions	$ 63,986	$ 122,677
State grants	797,863	110,602
In kind donations	25,540	22,904
Total Public Support	$ 887,389	$ 256,183
REVENUES:		
Gross profit on sale of prints	$ -	$ 232
Performances revenue	10,196	7,443
Investment income	2,679	1,878
Total Revenues	$ 12,875	$ 9,553
TOTAL PUBLIC SUPPORT AND REVENUES	**$ 900,264**	**$ 265,736**
EXPENSES:		
Program activities:		
Performances	$ 21,381	$ 15,471
Supporting services:		
Management services	$ 93,787	$ 52,889
Fund raising services	19,540	5,130
Total Supporting Services	$ 113,327	$ 58,019
TOTAL EXPENSES	**$ 134,708**	**$ 73,490**
INCREASE IN UNRESTRICTED NET ASSETS	**$ 765,556**	**$ 192,246**
NET ASSETS, BEGINNING OF YEAR		
As Originally Reported	$ 1,583,964	$ 1,303,210
Prior Period Adjustment	-	88,508
As Restated	$ 1,583,964	$ 1,391,718
NET ASSETS, END OF YEAR	**$ 2,349,520**	**$ 1,583,964**

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

STATEMENT B

STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2007

	PROGRAM ACTIVITIES	SUPPORTING SERVICES			
	Performances	Management Services	Fund raising Services	Total	Total Expenses
Accounting fees	$ -	$ 1,885	$ -	$ 1,885	$ 1,885
Advertising	-	635	-	635	635
Artist fees	15,000	-	-	-	15,000
Building/center rental	-	-	-	-	-
Credit card fees	-	134	-	134	134
Depreciation	4,296	-	-	-	4,296
Donation expense	-	-	-	-	-
Dues and subscriptions	-	360	-	360	360
Equipment rental	648	-	-	-	648
Fund raising expense	-	-	-	-	-
Grant writer	-	-	19,540	19,540	19,540
Insurance	-	22,922	-	22,922	22,922
Interest expense	-	45,541	-	45,541	45,541
Internet access	-	230	-	230	230
Legal fees	-	-	-	-	-
Licenses and permits	-	160	-	160	160
Lobby expense	-	12,000	-	12,000	12,000
Miscellaneous expense	953	120	-	120	1,073
Office expense	-	116	-	116	116
Piano technician	-	-	-	-	-
Postage and delivery	-	-	-	-	-
Printing and reproduction	-	15	-	15	15
Professional fees	-	6,107	-	6,107	6,107
Property taxes	-	2,618	-	2,618	2,618
Service charges	-	125	-	125	125
Storage cost	-	-	-	-	-
Telephone	-	595	-	595	595
Travel	484	-	-	-	484
Utilities	-	224	-	224	224
TOTAL FUNCTIONAL EXPENSES	$ 21,381	$ 93,787	$ 19,540	$ 113,327	$ 134,708

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

THE GRAND OPERA HOUSE OF THE SOUTH, INC.
Crowley, Louisiana

STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2006

	PROGRAM ACTIVITIES	SUPPORTING SERVICES			
	Performances	Management Services	Fund raising Services	Total	Total Expenses
Accounting fees	$ -	$ 2,270	$ -	$ 2,270	$ 2,270
Advertising	-	3,440	-	3,440	3,440
Artist fees	7,000	-	-	-	7,000
Building/center rental	400	-	-	-	400
Credit card fees	-	313	-	313	313
Depreciation	4,560	-	-	-	4,560
Donation expense	-	65	-	65	65
Dues and subscriptions	-	355	-	355	355
Equipment rental	972	-	-	-	972
Fund raising expense	-	-	3,130	3,130	3,130
Grant writer	-	-	2,000	2,000	2,000
Insurance	-	20,286	-	20,286	20,286
Interest expense	-	1,757	-	1,757	1,757
Internet access	-	290	-	290	290
Legal fees	-	18	-	18	18
Licenses and permits	-	160	-	160	160
Lobby expense	-	12,000	-	12,000	12,000
Miscellaneous expense	762	370	-	370	1,132
Office expense	-	123	-	123	123
Piano technician	80	-	-	-	80
Postage and delivery	-	178	-	178	178
Printing and reproduction	144	4,298	-	4,298	4,442
Professional fees	-	3,000	-	3,000	3,000
Property taxes	-	2,618	-	2,618	2,618
Service charges	-	50	-	50	50
Storage cost	-	400	-	400	400
Telephone	-	898	-	898	898
Travel	1,553	-	-	-	1,553
TOTAL FUNCTIONAL EXPENSES	$ 15,471	$ 52,889	$ 5,130	$ 58,019	$ 73,490

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

THE GRAND OPERA HOUSE OF THE SOUTH, INC.
Crowley, Louisiana

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	$ 765,556	$ 192,246
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	4,296	4,560
Change in assets:		
(Increase)/decrease in current assets:		
Inventory	-	37
Donations receivable	(3,150)	351
Grants receivable	55,596	(55,596)
Increase/(decrease) in current liabilities:		
Accounts payable	(168,666)	168,666
Accrued expenses	18,995	1,757
Net Cash Provided by Operating Activities	$ 672,627	$ 312,021
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	$ (2,252,067)	$ (558,040)
Net Cash Used by Investing Activities	$ (2,252,067)	$ (558,040)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	$ 1,520,270	$ 331,730
Net Cash Provided by Financing Activities	$ 1,520,270	$ 331,730
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	$ (59,170)	$ 85,711
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	88,449	2,738
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 29,279	$ 88,449
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for:		
Interest	$ 26,547	$ -
Taxes	$	$ -

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

STATEMENT D

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Activities

The Grand Opera House of the South, Inc. (Organization) is a not-for-profit charitable organization. The Organization was organized to provide educational and overall awareness of the arts through sponsorship of performances, cultural events and presentations. The Organization is primarily funded through grants from various organizations and state agencies as well as contributions from the general public.

B. Financial Statement Presentation

The Organization's financial statements are presented in accordance with requirements established by the Financial Accounting Standards Board (FASB) as set forth in the Statement of Financial Accounting Standards No. 117, "Financial Statements for Not-For-Profit Organizations." Accordingly, the net assets of the organization are classified to present the following classes: (a) unrestricted net assets, (b) temporarily restricted net assets, and (c) permanently restricted net assets. All net assets are unrestricted.

C. Revenue Recognition

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases these net asset classes. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted.

Grant revenue is recognized as it is earned in accordance with approved contracts.

D. Cash and cash equivalents

For purposes of the statement of cash flows, the Organization considers all investments with original maturities of three months or less to be cash equivalents. At December 31, 2007 and 2006, investments considered to be cash equivalents on the statement of cash flows were $23,965 and $71,869, respectively. A recap of cash and cash equivalents as of December 31, 2007 and 2006 is as follows:

	2007	2006
Cash	$ 5,314	$ 16,760
Investments	23,965	71,689
Total Cash and Cash Equivalents	$ 29,279	$ 88,449

E. Investments

The Organization's primary purpose for investing is to earn interest income on money that has been determined to be in excess of immediate cash needs. Investments have been recorded at cost, which approximates market value. The market value of the investments does not fluctuate.

(Continued)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

F. **Receivables**

The Organization considers receivables to be fully collectible since the balance consists principally of payments due under governmental contracts. If amounts due become uncollectible, they will be charged to operations when the determination is made.

G. **Inventories**

Purchased inventories of saleable goods are stated at cost.

H. **Property, Building, and Equipment**

The Organization records property, building and equipment acquisitions at cost. Donated assets are recorded at estimated value at date of the donation. The Organization's policy is to capitalize all expenditures for major additions of property, building and equipment. Expenditures for maintenance and repairs are charged to expense as incurred.

Assets are depreciated using the double declining balance method over their useful lives. Depreciation expense for the years ending December 31, 2007 and 2006, was $4,296 and $4,560, respectively.

I. **Income Taxes**

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore has no provision for federal income taxes. In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code.

J. **Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between the programs and supporting services benefitted based on estimates by management.

K. **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 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 period. Actual results could differ from those estimates.

L. **Fair Values of Financial Instruments**

Cash and cash equivalents carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those investments.

M. **Advertising**

Advertising costs are charged to operations when incurred. Advertising expense for the year ending December 31, 2007 and 2006 was $635 and $3,440, respectively.

(Continued)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

NOTE 2: GRANTS AWARDED AND GRANTS RECEIVABLE

The Grand Opera House of the South, Inc. was awarded several grants during the years ending December 31, 2007 and 2006. At December 31, 2007, all grants awarded were received. At December 31, 2006, not all grants awarded were received, however, all grant receivables were expected to be collected in 2007. Accordingly, no discount was recorded as of December 31, 2006.

Below is a schedule of grants awarded and grants receivable at December 31, 2007 and 2006:

	2007	2006
Grants awarded		
Acadiana Arts Council, Inc.	$ -	$ 12,081
State of Louisiana - Office of Cultural Development and Historic Preservation	45,000	-
State of Louisiana - Facility and Planning Control	752,863	98,521
Total Grants	**$ 797,863**	**$ 110,602**
Grants receivable		
Acadiana Arts Council, Inc.	$ -	$ 1,349
State of Louisiana - Office of Cultural Development and Historic Preservation	-	-
State of Louisiana - Facility and Planning Control	-	54,247
Total Grants Receivable	**$ -**	**$ 55,596**

NOTE 3: FIXED ASSETS

At December 31, 2007 and 2006, fixed assets consisted of the following:

	2007	2006
Property and Building	$ 4,183,209	$ 1,931,142
Equipment	51,157	51,157
Total Property, Building and Equipment	$ 4,234,366	$ 1,982,299
Less: Accumulated Depreciation	49,779	45,483
Property, Building and Equipment, Net	**$ 4,184,587**	**$ 1,936,816**

(Continued)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

The Grand Opera House of the South, Inc. began restoration of the Grand Opera House in 2007. The restoration of the Grand Opera House is expected to be completed in 2008.

All costs associated with the restoration have been capitalized, but have not been depreciated. The assets will be depreciated upon completion of the restoration. At December 31, 2007 and 2006, Property and Building consisted of the following:

	2007	2006
Property and Building	$ 1,100,000	$ 1,100,000
Restoration cost of Building	3,083,209	831,142
Total Property and Building	$ 4,183,209	$ 1,931,142

NOTE 4: LINES OF CREDIT

At December 31, 2007, the Organization had two revolving lines of credit maturing in a year with a financial institution in the amount of $1,700,000 dated September 7, 2007 and $300,000 dated December 17, 2007. The Organization has made all draws on the first line of credit totaling $1,700,000 and two draws on the second line of credit totaling $152,000. At December 31, 2007, the balance of the two lines of credit is $1,852,000 and the interest rates are 4%. At December 31, 2007, the Organization accrued $20,752 in interest due to the financial institution.

At December 31, 2006, the Organization had a revolving line of credit maturing in a year with a financial institution in the amount of $1,700,000 dated August 8, 2006. The Organization had made three draws on the line of credit totaling $331,730. At December 31, 2006, the balance of the line of credit was $331,730 and the interest rate was 4%. At December 31, 2006, the Organization accrued $1,758 in interest due to the financial institution.

NOTE 5: CONCENTRATION OF CREDIT RISK

The majority of the Organization's accounts receivable balance at December 31, 2007 is comprised of amounts due from state agencies. All accounts receivable are expected to be collected within one year.

At various times during the year, cash and cash equivalents on deposit with one banking institution exceeded the $100,000 insured by the Federal Deposit Insurance Corporation. Management monitors the financial condition of the financial institution on a regular basis, along with their balances in cash and cash equivalents to minimize this potential risk.

The Organization received significant support from donors who are members of its board of directors or advisory board.

NOTE 6: INCOME TAXES

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

(Continued)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

NOTE 7: BOARD OF DIRECTORS' COMPENSATION

The Board of Directors is a voluntary board; therefore, no compensation or per diem has been paid to any Director.

NOTE 8: RELATED PARTY TRANSACTIONS

During the year ending December 31, 2007, the corporation that donated the Opera House Building to The Grand Opera House of the South, Inc., continued to operate a hardware and gift store on the first floor of the Opera House Building. This corporation is affiliated with the Executive Director of The Grand Opera House of the South, Inc. For the year ending December 31, 2007and 2006, this corporation compensated The Grand Opera House of the South, Inc. for rental on the building by assuming the responsibility for providing insurance coverage and paying property taxes on the building. This amounted to $25,540 and $22,904 for the years ending December 31, 2007 and 2006, respectively.

NOTE 9: IN KIND CONTRIBUTIONS/EXPENSE

In kind contributions and related expenses as of December 31, 2007 and 2006 are as follows:

	2007	2006
Property taxes	$ 2,618	$ 2,618
Insurance	22,922	20,286
Total	$ 25,540	$ 22,904

NOTE 10: LITIGATION AND CLAIMS

The Organization is not aware of any claims, asserted or unasserted, pending as of December 31, 2007and 2006.

NOTE 11: PRIOR-YEAR RESTATEMENT OF NET ASSETS

Beginning of year net assets at January 1, 2006, as presented in the statement of activities were restated. This restatement resulted in an increase of $88,508 in the beginning of year unrestricted net assets as shown below:

	2006
Net Assets, Beginning of Year	$ 1,330,210
Adjustments:	
Acquisitions of assets in prior years not capitalized	88,508
Net Assets, Beginning of Year (As Restated)	**$ 1,391,718**

(Concluded)

SUPPLEMENTAL INFORMATION

BROADHURST, HAMILTON & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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May 23, 2008

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

The Board of Directors and Advisory Board
Grand Opera House of the South, Inc.
Crowley, Louisiana

We have audited the financial statements of The Grand Opera House of the South, Inc. (a nonprofit organization) as of and for the year ended December 31, 2007 and 2006, and have issued our report thereon dated May 23, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered The Grand Opera House of the South Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Grand Opera House of the South, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the organization's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs and identified as item 2007-1 to be a significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more that a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Grand Opera House of the South, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, 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*.

The Grand Opera House of the South, Inc.'s response the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit The Grand Opera House of the South, Inc.'s response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors, management, others within the organization, the Louisiana Legislative Auditor, and federal awarding agencies and is not intended to be and should not be used by anyone other than those specific parties. Under Louisiana Revised Statue 24:513, this report is distributed by the Legislative Auditor as a public document, therefore its distribution is not limited.

Broadhurst, Hamilton & Company

BROADHURST, HAMILTON & COMPANY
Certified Public Accountants

OTHER SUPPLEMENTAL INFORMATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2007

Section I - Summary of Auditor's Report

A. Financial Statements

Type of auditor's report issued	**Unqualified**
Internal Control over financial reporting:	
Material Weakness(es) identified?	**No**
Control deficiency(ies) identified not considered to be a material weakness	**Yes**
Noncompliance material to financial statements noted	**No**

B. Federal Awards **Not Applicable**

Section II - Financial Statement Findings

INTERNAL CONTROLS

2007-1 Segregation of Duties

Condition: Due to the size of the administrative staff, there is very little segregation of duties within the accounting function of the organization. Virtually all duties and operational authority resides with one individual, the executive director.

Criteria: The accounting functions should be performed by multiple individuals to assure a proper segregation of duties.

Effect: The organization is unable to assure that its assets are properly safeguarded.

Questioned Costs: Not applicable.

Recommendation: *Duties and responsibilities should be evaluated continuously, to reallocate* job functions, where necessary, in order to attain the most appropriate internal control and check over net assets and funds. Some procedures that may be instituted are (1) dual signature checks and (2) the person preparing the checks should be different from the person who receives and deposits cash. These procedures will probably necessitate the acceptance of certain responsibilities by the officers of the Board of Directors.

Management agreed in July 2007 to start using dual signatures on check disbursements as a means on increasing control over disbursements. Our examination has shown that dual signatures are not being used on all check disbursements.

Management's Response: *See Corrective Action Plan.*

Section III - Federal Award Findings and Questioned Cost

At December 31, 2007, the Grand Opera House of the South, Inc. did not meet the requirements to have a single audit in accordance with OMB Circular A-133; therefore this section is not applicable.

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
DECEMBER 31, 2007

Section I - Internal Control and Compliance Material to the Basic Financial Statements

Internal Control

No material weaknesses were noted during the audit of the basic financial statements for the year ended December 31, 2006.

2006 - 1 Segregation of Duties.

Condition: Due to the size of the administrative staff, there is very little segregation of duties within the accounting function of the organization. Virtually all duties and operational authority resides with one individual, the executive director.

Status: The status of this item is currently unresolved. See 2007 -1.

Compliance

No compliance findings material to the basic financial statements were noted during the audit for the year ended December 31, 2006.

Section II - Internal Control and Compliance Material to Federal Awards

The Grand Opera House of the South, Inc. did not receive federal awards during the year ended December 31, 2006.

Section III - Management Letter

A management letter was not issued in connection with the audit of the basic financial statements for the year ended December 31, 2006.

MANAGEMENT'S CORRECTIVE ACTION PLAN
DECEMBER 31, 2007

2007-1 Segregation of Duties

Due to limited staff, duties are segregated to whereby the Executive Director enters data and the Board of Directors reviews and approves the transactions. These monitoring procedures are performed by the Board of Directors during their monthly board meetings. The financial statement is presented by the Executive Director at each board meeting for review and approval. The Board discusses expenditures and receipts for the month, questioning any unusual items. Many of the upcoming expenditures are discussed and approved at the meetings. The Board of Directors reviews all recommendations made to determine if it is practical to implement them. The Board will make a stronger effort to insure that the policy of using dual signature checks is adhered to.