

SCHAFFER GROUP, LTD.

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TIPITINA'S FOUNDATION, INC.

**FINANCIAL STATEMENTS
(AUDIT REPORT)**

YEARS ENDED DECEMBER 31, 2008 AND 2007

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 11/4/09

**CERTIFIED PUBLIC ACCOUNTANTS
A LIMITED LIABILITY COMPANY**

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September 20, 2009

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To the Board of Directors of
Tipitina's Foundation, Inc.
New Orleans, LA

We have audited the accompanying statements of financial position of Tipitina's Foundation, Inc. (a Louisiana Not-For-Profit Corporation) as of December 31, 2008 and 2007, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United State of America. 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 Tipitina's Foundation, Inc. as of December 31, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 20, 2009 on our consideration of Tipitina's Foundation, Inc. internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements 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.

Schafer Group, LTD.,LLC



Kernion T. Schaffer, CPA

Managing Member

TIPITINA'S FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2008 AND 2007

<u>ASSETS</u>	<u>2008</u>	<u>2007</u>
<u>Current Assets</u>		
Cash	\$ 116,681	\$ 572,952
Cash - Restricted	22,500	32,695
Contributions Receivable	229,406	174,876
Accounts Receivable	95,214	985,170
Recorded Music Inventory	109,045	8,184
Instruments Inventory	4,650	8,780
Prepaid Rent	-	1,850
	<hr/>	<hr/>
Total Current Assets	577,496	1,784,507
<u>Property and Equipment</u>		
Building	121,973	-
Furniture and Equipment	70,762	31,216
Leasehold Improvements	123,746	33,083
	<hr/>	<hr/>
Total Property and Equipment	316,481	64,299
Less: Accumulated Depreciation	(30,804)	(12,521)
	<hr/>	<hr/>
Property and Equipment - Net	285,677	51,778
<u>Other Assets</u>		
CD Record Master (Note 7)	333,928	333,928
Less: Accumulated Amortization (Note 7)	(233,749)	(133,571)
	<hr/>	<hr/>
Total Other Assets	100,179	200,357
	<hr/>	<hr/>
TOTAL ASSETS	\$ 963,352	\$ 2,036,642
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See Accountants' Audit Report and Notes to the Financial Statements.

SCHAFFER GROUP, LTD.
 CERTIFIED PUBLIC ACCOUNTANTS
 A LIMITED LIABILITY COMPANY

TIPITINA'S FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2008 AND 2007

<u>LIABILITIES AND NET ASSETS</u>	<u>2008</u>	<u>2007</u>
<u>Current Liabilities</u>		
Accounts Payable	\$ 53,886	\$ 27,822
Allowance for Estimated CD Returns (Note 7)	222,019	665,094
Accrued Payroll and Related Expenses	7,872	6,280
Accrued Royalties	<u>52,907</u>	<u>52,500</u>
 Total Current Liabilities	 <u>336,684</u>	 <u>751,696</u>
 Total Liabilities	 <u>336,684</u>	 <u>751,696</u>
<u>Net Assets</u>		
Unrestricted	604,168	1,252,251
Temporarily Restricted	<u>22,500</u>	<u>32,695</u>
 Total Net Assets	 <u>626,668</u>	 <u>1,284,946</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 963,352</u>	 <u>\$ 2,036,642</u>

See Accountants' Audit Report and Notes to the Financial Statements.

SCHAFFER GROUP, LTD.
CERTIFIED PUBLIC ACCOUNTANTS
A LIMITED LIABILITY COMPANY

TIPITINA'S FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2008 AND 2007

<u>UNRESTRICTED NET ASSETS</u>	<u>2008</u>	<u>2007</u>
<u>Unrestricted Revenue</u>		
Contributions and Grants	\$ 978,981	\$ 1,510,845
Program Income	5,984	5,897
CD Revenue - Goin' Home (Note 7)	203,844	1,901,436
Sales Returns and Estimated Allowance on CD - Goin' Home (Note 7)	(316,711)	(665,094)
Other Income	58,818	83,715
Total Unrestricted Revenue	<u>930,916</u>	<u>2,836,799</u>
<u>Net Assets Released from Restrictions</u>		
Restrictions Satisfied by Payments	<u>250,009</u>	<u>185,530</u>
Total Unrestricted Revenues and Other Support	1,180,925	3,022,329
<u>Expenses</u>		
Program Services:		
Hurricane Relief Program	11,339	138,775
Instruments Program	354,757	421,831
Internship Program	196,783	283,452
Music Office Co-op	358,810	295,420
Community	432,751	-
CD Expenditures	77,146	544,261
Total Program Expenses	<u>1,431,586</u>	<u>1,683,739</u>
Supporting Services:		
General and Administrative Expenses	214,701	164,206
Fundraising	182,721	809,346
Total Supporting Services	<u>397,422</u>	<u>973,552</u>
Total Expenses	<u>1,829,008</u>	<u>2,657,291</u>
Increase (Decrease) in Unrestricted Assets	<u>\$ (648,083)</u>	<u>\$ 365,038</u>

See Accountants' Audit Report and Notes to the Financial Statements.

TIPITINA'S FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2008 AND 2007

<u>TEMPORARILY RESTRICTED NET ASSETS</u>	<u>2008</u>	<u>2007</u>
<u>Temporarily Restricted Revenue</u>		
Contributions and Grants	\$ 239,814	\$ 154,000
Total Temporarily Restricted Revenue	<u>239,814</u>	<u>154,000</u>
<u>Net Assets Released from Restrictions</u>		
Restrictions Satisfied by Payments	<u>(250,009)</u>	<u>(185,530)</u>
Increase (Decrease) in Temporarily Restricted Assets	<u>\$ (10,195)</u>	<u>\$ (31,530)</u>
Increase (Decrease) in Net Assets	\$ (658,278)	\$ 333,508
Beginning Net Assets	<u>1,284,946</u>	<u>951,438</u>
Ending Net Assets	<u>\$ 626,668</u>	<u>\$ 1,284,946</u>

See Accountants' Audit Report and Notes to the Financial Statements.

TIPITINA'S FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2008

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
Salaries	\$ 243,851	\$ 40,826	\$ 38,951	\$ 323,628
Payroll Taxes	19,434	3,278	3,287	25,999
Total Salaries and Related Expenses	263,285	44,104	42,238	349,627
Consulting and Contract Labor	115,889	35,021	-	150,910
Facilities Rent	204,580	18,000	-	222,580
Instructors	90,290	-	-	90,290
Instruments and Other				
Direct Assistance	282,273	-	5,580	287,853
Insurance	18,995	1,194	-	20,189
Merchandise	-	10,513	-	10,513
Miscellaneous	3,500	16,575	2,824	22,899
Postage	-	420	1,482	1,902
Printing and Promotions	15,213	10,230	33,086	58,529
Professional Services	-	17,133	17,803	34,936
Repairs and Maintenance	22,629	-	-	22,629
Security	8,245	-	-	8,245
Supplies and Office Expense	13,036	21,113	-	34,149
Taxes	2,672	-	-	2,672
Telephone and Internet	19,649	13,675	-	33,324
Travel	59,668	2,384	1,570	63,622
Utilities	25,099	6,056	-	31,155
Events and Seminars Expenses	209,417	-	-	209,417
Total Expense Before CD				
Expenditures and Depreciation	1,354,440	196,418	104,583	1,655,441
CD Production, Distribution, and Promotion:				
Goin' Home (Note 7)	23,711	-	23,711	47,422
Other	3,346	-	4,338	7,684
CD Record Master Amortization (Note 7)	50,089	-	50,089	100,178
Total CD Expenditures	77,146	-	78,138	155,284
Depreciation	-	18,283	-	18,283
Total Expenses	\$ 1,431,586	\$ 214,701	\$ 182,721	\$ 1,829,008

See Accountants' Audit Report and Notes to the Financial Statements

TIPITINA'S FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2007

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
Salaries	\$ 231,035	\$ 24,144	\$ 44,062	\$ 299,241
Payroll Taxes	18,258	1,264	3,548	23,070
Total Salaries and Related Expenses	249,293	25,408	47,610	322,311
Consulting and Contract Labor	59,150	39,570	52,284	151,004
Facilities Rent	134,495	18,000	3,600	156,095
Instructors	81,810	-	5,150	86,960
Instruments and Other				
Direct Assistance	453,502	4,250	-	457,752
Insurance	31,358	1,474	983	33,815
Miscellaneous	-	803	3,000	3,803
Postage	-	851	780	1,631
Printing and Promotions	5,890	4,743	32,471	43,104
Professional Services	-	2,976	3,617	6,593
Repairs and Maintenance	31,335	3,112	-	34,447
Supplies and Office Expense	8,697	29,779	5,344	43,820
Taxes	3,721	-	-	3,721
Telephone and Internet	15,027	10,868	1,372	27,267
Travel	2,470	5,769	27,148	35,387
Utilities	24,495	7,211	-	31,706
Events and Seminars Expenses	38,235	2,058	81,727	122,020
Total Expense Before CD				
Expenditures and Depreciation	1,139,478	156,872	265,086	1,561,436
CD Production, Distribution, and Promotion:				
Goin' Home (Note 7)	461,046	-	461,046	922,092
Other	16,429	-	16,429	32,858
CD Record Master Amortization (Note 7)	66,786	-	66,785	133,571
Total CD Expenditures	544,261	-	544,260	1,088,521
Depreciation	-	7,334	-	7,334
Total Expenses	\$ 1,683,739	\$ 164,206	\$ 809,346	\$ 2,657,291

See Accountants' Audit Report and Notes to the Financial Statements

TIPITINA'S FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Increase in Net Assets	\$ (658,278)	\$ 333,508
Non Cash Items Included in Increase (Decrease) in Net Assets:		
Depreciation	18,283	7,334
Amortization	100,178	133,571
Donated Assets	(8,256)	-
Decrease (Increase) in Current Assets:		
Donations Receivable	(54,530)	(143,516)
Accounts Receivable, net of allowance	446,881	(320,076)
Instruments Inventory	4,130	5,690
Recorded Music Inventory	(100,861)	32,342
Prepaid Rent	1,850	(850)
Increase (Decrease) in Current Liabilities:		
Accounts Payable	26,064	(29,172)
Accrued Payroll and Related Expense	1,592	347
Accrued Royalties	407	52,500
Deferred Revenue	-	(91,425)
	(222,540)	(19,747)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of Assets	(243,926)	(11,685)
Capitalization of CD Production Costs	-	(333,928)
	(243,926)	(345,613)
Net Cash (Used in) Investing Activities		
Net Increase (Decrease) in Cash	(466,466)	(365,360)
Cash, Beginning of Year	605,647	971,007
Cash, End of Year	\$ 139,181	\$ 605,647
<u>SUPPLEMENTAL DISCLOSURES ON</u>		
<u>CASH FLOW INFORMATION</u>		
Cash Paid During the Year For:		
Interest	\$ -	\$ -
Income Taxes	\$ -	\$ -

See Accountants' Audit Report and Notes to the Financial Statements

TIPITINA'S FOUNDATION INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

Note 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Activities

The Tipitina's Foundation, Inc. (the Foundation) is chartered in the State of Louisiana as a non-profit corporation. The Foundation is dedicated to providing High School Music Programs with instruments, giving music students a broader exposure to the music business, and raising the awareness of Louisiana music as a cultural resource. The Foundation accomplishes this through its programs including: the Instruments Programs, which include the Instruments A' Comin' fundraiser to purchase instruments for schools and the Instrument Recycling Program, the Tipitina's Internship Program (T.I.P.), Music Office Co-Op Centers (Co-Op) and Hurricane Katrina Relief for Musicians.

All the activities are carried out through public contributions, grants and monthly membership fees for use of the Co-Op Centers.

B. Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

C. 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* and *SFAS No. 116, Accounting for Contributions Received and Contributions Made*. Under SFAS No. 117, the Foundations 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.

D. 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 estimates.

**TIPITINA'S FOUNDATION INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

E. Cash and Cash Equivalents

For the purpose of cash flows, the Foundation considers all unrestricted highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

The Foundation had no cash equivalents at December 31, 2008 and 2007.

F. Contributions and Accounts Receivable

The Foundation considers all Contributions Receivable to be fully collectible. Accordingly, there was no allowance for doubtful accounts recorded.

Accounts Receivable consists of balances due from Welk Music Group relating to the CD entitled "Goin' Home: A Tribute to Fats Domino". (See Note 7)

G. Recorded Music/Instruments Inventory

Inventory, which consists of recorded music and instruments, are stated at the lower of cost or market, with cost determined on a first-in, first-out basis and market based on the lower of replacement cost or realizable value.

Donated instruments, if applicable, are valued at the estimated fair value at the date of donation.

H. Property and Equipment

Property and Equipment purchases are recorded and carried at cost. Additions, improvements, and betterments to property and equipment in excess of \$500 are capitalized. Depreciation is computed on the straight-line method over the following estimated useful lives:

Equipment	3 – 5 years
Furniture and fixtures	5 years
Leasehold Improvements	15 years

Depreciation expense for the years ended December 31, 2008 and 2007 was \$18,283 and \$7,334, respectively.

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are recorded as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use

TIPITINA'S FOUNDATION INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassifies temporarily restricted net assets to unrestricted net assets at that time.

I. Restricted and Unrestricted Grants and Contributions

Grants and contributions received, including unconditional promises to give, are measured at their fair value and recorded as increases in net assets. The State of Louisiana grants, which are restricted by the donor, are reported as an increase in unrestricted net assets if the restrictions expire in the reporting period in which the grants are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

J. Contributed Services

The Foundation receives accounting, consulting, and computer services from Fountainbleau Management Services, which is affiliated with the Executive Director of the Foundation. The services provided by Fountainbleau Management Services for the years ended December 31, 2008 and 2007 were estimated at \$26,197 and \$31,589, respectively. For the years ended December 31, 2008 and 2007, \$0 and \$31,589, respectively, were recorded in contributions revenue with the offset to General and Administrative expenses. (See Note 5)

The Foundation receives a substantial amount of services donated by its supporters in carrying out the Foundation's administration, fund-raising campaigns and program services. No amounts have been reflected in the financial statements for these services since they do not meet the criteria for recognition under SFAS No. 116, *Accounting for Contributions Received and Contributions Made*.

K. Grant Revenues

Grant revenues are recorded as they are earned, according to the provisions of the grant. Normally, grant revenues are earned and received as the grant period progresses. The provisions of the grant determine the timing of revenue recognition. Grant expenses are recognized when incurred for a grant-related obligation.

**TIPITINA'S FOUNDATION INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

L. Functional Expenses

Expenses are charged to program, administrative or fundraising based on a combination of specific identification and estimates developed by management.

M. Promotion Expenses

The Foundation expenses promotion expenditures as incurred.

N. Income Tax Status

The Foundation is exempt from federal income tax 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. However, income from certain activities not directly related to the Foundation's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Foundation qualified for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

Note 2. GRANT REVENUES

Grant revenue is comprised primarily of grants received under an agreement with the State of Louisiana. For the years ended December 31, 2008 and 2007, grant awards totaled \$365,354 and \$303,866, respectively. Grant revenue consists of grant awards received during the year and any deferred revenue utilized during the year.

Note 3. RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets consist of the following;

	<u>2008</u>	<u>2007</u>
Music Office Co-Op	\$ -	\$32,695
Internship	2,500	
Instruments	<u>20,000</u>	<u>-</u>
	<u>\$22,500</u>	<u>\$32,695</u>

TIPITINA'S FOUNDATION INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

Note 4. CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Foundation to credit risk consist principally of cash. The Foundation maintains cash balances at one financial institution. Accounts at the institution are insured by Federal governmental agencies up to \$250,000. At December 31, 2008 and 2007, \$0 and \$505,647, respectively, were uninsured and uncollateralized.

At December 31, 2008, approximately 81% of contributions receivable was due from the State of Louisiana. At December 31, 2008 and 2007, 100% of accounts receivable was due from Welk Music Group relating to the CD entitled "Goin' Home: A Tribute to Fats Domino". (See Note 7)

Note 5. RELATED PARTY TRANSACTIONS

Affiliated companies of the Executive Director of the Foundation contributed \$0 and \$79,472 of in-kind facilities usage and related facilities expenses for the years ended December 31, 2008 and 2007, respectively.

The Foundation leases on a month-to-month basis office space, New Orleans and Shreveport Co-op locations, and other facilities from companies affiliated with the Executive Director of the Foundation. Rent expense for the years ended December 31, 2008 and 2007 was \$192,600 and \$136,520, respectively. (See Note 6)

Various companies affiliated with the Executive Director of the Foundation pay expenses on behalf of the Foundation. These expenses are reimbursed by the Foundation or donated by the affiliate. At December 31, 2008 and 2007, liabilities owed to the above mentioned related parties totaling \$15,413 and \$0, respectively, are included in accounts payable.

The Foundation receives accounting, consulting, and computer services from a company that is affiliated with the Executive Director of the Foundation. The services provided by the affiliate for the years ended December 31, 2008 and 2007 were estimated at \$26,197 and \$31,589, respectively. (See Note 1)

Fountainbleau Construction, Inc., a company affiliated with the Executive Director of the Foundation, performed construction services for the Foundation totaling \$38,492 and \$0 for the years ended December 31, 2008 and 2007, respectively. Donated services was \$8,257 and \$0 for the years ended December 31, 2008 and 2007.

TIPITINA'S FOUNDATION INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

Note 6. LEASES

The Foundation leases, on a month-to-month basis, office space, New Orleans and Shreveport Co-op locations, and other facilities from companies affiliated with the Executive Director of the Foundation. Rent expense for the years ended December 31, 2008 and 2007 was \$192,600 and \$136,520, respectively. (See Note 5) The Foundation also leases on a month-to-month basis the Baton Rouge and Lafayette Co-op locations and other facilities from unrelated parties. Rent expense for the years ended December 31, 2008 and 2007 was \$29,980 and \$19,575, respectively.

Note 7. CD RECORD MASTER

In September 2008, the Foundation released a CD entitled "Goin' Home: A Tribute to Fats Domino" (CD) that contained the musical performances of a wide variety of recording artists, which included Louisiana musicians, of compositions associated with Fats Domino. The proceeds from this recording will help revitalize Fats Domino's Lower 9th Ward neighborhood and benefit the programs of the Foundation.

The Foundation was responsible for the recording of the CD. As such, the Foundation capitalized the cost of recording the record master, which is the master tape resulting from the performance of the artists. The record master is being amortized over the estimated life of the record performance.

Welk Music Group (Welk) was contracted to manufacture and distribute the CD. Welk collects sales made to retailers and incurs the production, distribution and promotion costs. All sales collected net of expenditures and a retainage are submitted to the Foundation. The sales earned and the production, distribution, and promotion costs incurred have been reflected in the statement of activities net of sales returns and estimated allowance. Any net proceeds not received by the Foundation have been recorded in accounts receivable. (See Note 1) The allowance for estimated CD returns as of December 31, 2008 and 2007 was \$222,019 and \$665,094, respectively. However, it is at least reasonably possible that a change in estimate will occur in the near term.

As noted above, many of the artists featured on the CD were Louisiana artists. Since these Louisiana artists would not ordinarily receive such an opportunity and these artists will receive national recognition for their participation in the CD, the amortization, production, distribution, and promotion costs of the CD were allocated between program (50%) and fundraising (50%) expenditures.

**TIPITINA'S FOUNDATION INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

The amortization, production, distribution, and promotion costs of the CD comprise 31% and 65% of total program and fundraising expenditures for 2008 and 2007, respectively.

There are potential liabilities regarding mechanical copyright royalties that may be due to various publishing companies. These potential liabilities were estimated at \$52,907 and \$52,500 as of December 31, 2008 and 2007, respectively, which were accrued. However, it is at least reasonably possible that a change in estimate will occur in the near term.

Note 8. COMPENSATED ABSENCES

The full-time employees of the Foundation are entitled to paid vacation and sick leave. An accrual of unused vacation and sick leave is immaterial to the financial statements as a whole. The Foundation's policy is to recognize the cost of compensated absences when paid to employees.

Note 9. RECLASSIFICATION

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation.

SUPPLEMENTARY INFORMATION

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A LIMITED LIABILITY COMPANY**

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To the Board of Directors of
Tipitina's Foundation, Inc.
New Orleans, LA

We have audited the basic financial statements of Tipitina's Foundation, Inc. as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated September 20, 2009. 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 Tipitina's Foundation, Inc. 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 our opinion on the effectiveness of the Tipitina's Foundation, Inc. internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over financial reporting.

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 entity'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 entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity'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 internal control that might be significant deficiencies or material weaknesses, as defined above.

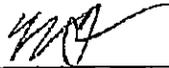
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tipitina's Foundation, Inc. basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses.

Tipitina's Foundation, Inc. response to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Tipitina's Foundation, Inc. response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, others within the entity, and the Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Schafer Group, LTD.,LLC



Kernion T. Schafer, CPA
Managing Member

September 20, 2009

**TIPITINA'S FOUNDATION, INC.
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2008**

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Tipitina's Foundation, Inc.
2. The audit disclosed an instance of noncompliance, which was not deemed material to the financial statements of Tipitina's Foundation, Inc.
3. A management letter was not issued.

FINDINGS – FINANCIAL STATEMENT AUDIT

2008-01 Timely Submission of Financial Statements

Condition

The audit engagement was not completed within the six months of the close of the fiscal year as required by the Louisiana Legislative Auditor.

Recommendation

Financial statements and records should be closed in a timely fashion to allow adequate time to complete the audit engagement.

Management's Response

Due to unforeseen circumstances, the audit engagement was not completed within six months of the close of the fiscal year. As such, an extension to September 28, 2009 was requested and accepted. In the future, financial statements and records will be closed in a timely manner to allow sufficient time to complete the audit engagement.

TIPITINA'S FOUNDATION, INC.
SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED DECEMBER 31, 2008

FINDINGS – FINANCIAL STATEMENT AUDIT

2007-01 Timely Submission of Financial Statements

Condition

The audit engagement was not completed within the six months of the close of the fiscal year as required by the Louisiana Legislative Auditor.

Recommendation

Financial statements and records should be closed in a timely fashion to allow adequate time to complete the audit engagement.

Management's Response

Due to change in auditor and unforeseen circumstances, the audit engagement was not completed within six months of the close of the fiscal year. As such, an extension to August 30, 2008 was requested and accepted. In the future, financial statements and records will be closed in a timely manner to allow sufficient time to complete the audit engagement.

Status

The finding repeats as 2008-01 for different unforeseen circumstances.