

**The Strand Theatre
of Shreveport Corporation**

**Financial Statements
Years Ended May 31, 2011 and 2010**

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 MAR 14 2012

**The Strand Theatre
of Shreveport Corporation**

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Independent Auditor's Report

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

I have audited the accompanying statements of financial position of The Strand Theatre of Shreveport Corporation (a nonprofit organization) as of May 31, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Strand Theatre of Shreveport Corporation as of May 31, 2011 and 2010, 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.

James K. McClelland, CPA LLC

January 24, 2012

**The Strand Theatre
of Shreveport Corporation**

Statements of Financial Position

<i>May 31,</i>	2011	2010
Assets		
Current assets:		
Cash (Notes 1 and 7)	\$ 76,496	\$ 50,749
Grants receivable	1,904	1,400
Prepaid expenses	17,512	14,626
Other receivables	5,490	45,410
Total current assets	101,402	112,185
Property and equipment (Notes 2)	3,877,821	4,034,880
	\$3,979,223	\$4,147,065
Liabilities and Net Assets		
Current liabilities:		
Notes Payable (Note 3)	\$ 90,000	\$ 90,000
Accounts payable	14,573	12,449
Accrued expenses	16,083	11,341
Deferred revenue	85,708	102,281
Current portion of litigation settlement (Note 8)	6,937	16,200
Total current liabilities	213,301	232,271
Other liabilities - Litigation settlement (Note 8)	87,982	94,868
Total liabilities	301,283	327,139
Net assets - Unrestricted	3,677,940	3,819,926
	\$3,979,223	\$4,147,065

**The Strand Theatre
of Shreveport Corporation**

Statements of Activities

<i>Years Ended May 31,</i>	2011	2010
Support and revenues:		
Ticket sales	\$ 370,999	\$ 290,119
Fundraising	250,602	208,017
Other income	143,859	127,725
Business sponsorships	62,500	72,000
Grant income	30,020	11,000
Program advertising	13,638	25,330
Total support and revenues	871,618	734,191
Expenses		
Program services and theatrical:		
Artist fees	145,500	158,500
Contract labor	52,118	18,938
Advertising	42,802	50,028
Production cost	29,454	45,741
Printing	20,321	14,703
Payroll taxes and benefits	19,884	15,216
Box office	13,228	14,014
Credit card fees	8,754	7,992
Janitorial expense	7,703	2,192
Security	4,013	1,302
Theatre supplies	2,899	76
Total program services and theatrical	346,676	328,702
Supporting services		
Management and general:		
Salaries and wages	220,213	218,287
Depreciation and amortization	160,465	164,141
Occupancy expense	100,534	84,150
Insurance	62,883	69,283
Payroll taxes and benefits	40,889	43,237
Professional fees	15,172	10,537
Telephone	14,175	14,002
Miscellaneous	10,285	7,760
Office supplies and equipment	7,156	6,583

(continued)

**The Strand Theatre
of Shreveport Corporation**

**Statements of Activities
(Concluded)**

<i>Years Ended May 31,</i>	2011	2010
Conference and travel	\$ 6,765	\$ 13,045
Postage	5,137	8,027
Transportation	5,135	5,224
Interest	4,866	5,029
Dues and subscriptions	4,106	3,539
Total management and general	657,781	652,844
Fundraising - Friends expense	808	401
Decrease in unrestricted net assets from operations	(133,647)	(247,756)
Other (income) expense - Litigation settlement (Note 8)	8,340	(20,932)
Decrease in unrestricted net assets	(141,987)	(226,824)
Net assets, beginning of year	3,819,926	4,046,750
Net assets, end of year	\$3,677,939	\$3,819,926

**The Strand Theatre
of Shreveport Corporation**

Statements of Cash Flows

<i>Years Ended May 31</i>	2011	2010
Cash Flows From Operating Activities:		
Decrease in unrestricted net assets	\$(141,987)	\$(226,824)
Adjustments to reconcile decrease in unrestricted net assets to net cash used in operating activities		
Depreciation and amortization	160,465	164,141
Change in operating assets and liabilities		
Grants receivable	(504)	5,262
Prepaid expenses	(2,886)	14,458
Other receivables	39,920	(1,062)
Accounts payable	2,124	(18,970)
Accrued expenses	4,742	2,226
Deferred revenue	(16,572)	18,054
Litigation settlement	(16,149)	(20,932)
Net cash provided by (used in) operating activities	29,153	(63,647)
Cash Flows From Investing Activities -		
Expenditures for property and equipment	(3,406)	(3,286)
Net cash used in investing activities	(3,406)	(3,286)
Cash Flows From Financing Activities -		
Payments on line-of-credit	-	(10,000)
Net cash used in financing activities	-	(10,000)
Net increase (decrease) in cash	25,747	(76,933)
Cash, at beginning of year	50,749	127,682
Cash, at end of year	\$ 76,496	\$ 50,749

**The Strand Theatre
of Shreveport Corporation**

Summary of Accounting Policies

Summary of Accounting Policies

This summary of accounting policies of The Strand Theatre of Shreveport Corporation (the "Strand") is presented to assist in understanding the Strand's financial statements. The financial statements and notes are representations of the Strand's management, which is responsible for their integrity and objectivity. These accounting policies have been consistently applied in the preparation of the financial statements.

Nature of Business

The Strand Theatre of Shreveport Corporation 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 Strand uses the accrual basis of accounting for both unrestricted and restricted funds. Unrestricted fund assets, liabilities, revenue and expenses are those items acquired or incurred through the Strand's normal fundraising efforts and production activities. Restricted fund assets, liabilities, revenue and expenses include those items acquired or received through the Strand's normal fundraising efforts as well as those items received or incurred pursuant to grants from various agencies, the use of which is governed by restrictions placed thereon by the donors. Restricted funds may be used only for the purposes for which the donor or grantor contributed such funds.

Revenue Recognition

The Strand reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted donations on which the restriction expires in the same year received are reported in the unrestricted fund.

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.

**The Strand Theatre
of Shreveport Corporation**

**Summary of Accounting Policies
(Continued)**

Concentrations of Credit Risk

The Strand serves a limited geographic area. Due to the nature of its operations, the Strand is dependent upon the local community and the health of the local economy in which it operates

Property and Equipment

The Strand capitalizes property and equipment with useful lives over three years. 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 consists of ticket sales and payments received in advance for theatrical productions to be performed in the following fiscal year and proceeds from fundraising efforts related to the following fiscal year. Amounts related to deferred revenue for 2011 and 2010 were \$85,708 and \$102,281, respectively.

Contributions

The Strand has adopted FASB Accounting Standards Codification 958, *Not-For-Profit Entities*. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

Income Taxes

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, 2011 and 2010. Accordingly, no provision for income taxes has been made in the financial statements.

Financial Statement Presentation

The Strand has adopted FASB Accounting Standards Codification 958, *Not-For-Profit Entities*. Under FASB ASC 958, the Strand is required to report information regarding its financial position and activities according to three classes of net assets, unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As permitted by the statement, the Strand does not use fund accounting.

**The Strand Theatre
of Shreveport Corporation**

**Summary of Accounting Policies
(Concluded)**

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 is effective through December 31, 2011.

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.

Subsequent Events

Management evaluated events subsequent to the Strand's most recent year end through January 24, 2012, the financial statement issuance date.

Advertising

The Strand expenses advertising as it is incurred. The Strand expended \$42,802 and \$50,028 in the years ended May 31, 2011 and 2010, respectively, for advertising.

**The Strand Theatre
of Shreveport Corporation**

Notes to Financial Statements

1. Cash

Included in cash as of May 31, 2011 and 2010 are interest-bearing accounts totaling \$74,186 and \$48,439, respectively

2. Property and Equipment

Major classes of property and equipment consist of the following:

	2011	2010
Land	\$ 96,000	\$ 96,000
Theatre and improvements	5,451,401	5,451,401
Theatrical equipment	248,982	248,982
Office furniture and equipment	67,564	64,158
	5,863,947	5,860,541
Less accumulated depreciation and amortization	1,986,126	1,825,661
Net property and equipment	\$3,877,821	\$4,034,880

3. Notes Payable

The Strand has a continuous \$100,000 unsecured, variable rate (5.25% at May 31, 2011) line-of-credit with their bank. The outstanding balance at May 31, 2011 and 2010 was \$90,000.

Interest expense was \$4,866 and \$5,029 for the years ended May 31, 2011 and 2010, 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, 2011 and 2010 was \$19,344 each year.

The Strand has one lease for office equipment. The following is a schedule by years of future lease payments having noncancellable lease terms in excess of one year as of May 31, 2011: May 31, 2012 - \$2,605, May 31, 2013 - \$2,605, and May 31, 2014 - \$2,171.

5. Employee Benefit Plan

The Strand uses hourly employees who belong to the International Alliance of Theatrical State Employees Union and are covered under the IATSE National Benefit Funds pension plan. Benefits paid to union employees for years ended May 31, 2011 and 2010 were \$8,180 and \$6,695, respectively.

**The Strand Theatre
of Shreveport Corporation**

**Notes to Financial Statements
(Concluded)**

6. Related Party Transactions

The Strand's general insurance agent is a member of the board. The annual premium cost paid to the agency, with which this individual is associated, was \$62,457 and \$63,707 for the years ended May 31, 2011 and 2010, respectively.

7. Supplemental Cash Flows Information

At May 31, 2011, total cash consisted of the following: \$2,310 in petty cash and \$74,186 in demand deposits, subject to FDIC insurance \$250,000. Cash paid for interest was \$4,866 and \$5,029 for the years ended May 31, 2011 and 2010, respectively.

8. 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 of 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)".

On July 19, 2007, the United States Court of Appeals for the Fifth District denied the Strand's petition for review and granted enforcement of the National Labor Relations Board's order.

In 2009, the Labor Union determined the final estimate of liability to be \$132,000 to be paid out at \$12,000 per year. The final order settling the case (the "Settlement") was approved by the National Labor Relations Board on April 29, 2010. The Settlement established back wages to be \$111,068 and interest to be paid over the term of the agreement to be \$33,464. Accordingly, the recorded liability as of May 31, 2011 is \$94,919.

Pursuant to the terms of the agreement, the Strand made initial payments of \$12,531.74 to the affected parties in June 2010 and is required to pay an aggregate of \$12,000 to the affected employees on January 1 of each year beginning January 1, 2011, with the final payment due January 1, 2021. Pursuant to the payment schedule provided by the NLRB for the first year of the agreement, a total of \$24,532 was paid, \$16,200 representing back wages and \$8,332 interest. The payment due on January 1, 2012 is to be allocated \$6,937 to principle and \$5,063 to interest.

The Labor Union also has agreed to a 2nd lien security interest in the Strand Theatre building to secure the promissory note referenced above.



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January 24, 2012

The Board of Directors
The Strand Theatre of Shreveport Corporation
619 Louisiana Avenue
Shreveport, Louisiana 71101

In planning and performing our audit of the financial statements of The Strand Theatre Corporation as of and for the year ended May 31, 2011, in accordance with auditing standards generally accepted in the United States of America, I considered the Strand Theatre of Shreveport Corporation's internal controls over financial reporting as a basis for designing my auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, I do not express an opinion on the effectiveness of the Organization's internal control.

During my audit, I became aware of one matter that I am required to bring to your attention:

2011-01 – Timely Filing of Annual Report

Instance of non-compliance

The laws of the State of Louisiana (LA R S 24:513) require that qualified not-for-profit entities, including The Strand Theatre Corporation of Shreveport (the "Strand"), file their annual report with the Louisiana Legislative Auditor no more than six months following their fiscal year end. The May 31, 2011 financial statements were not submitted until after the statutory deadline of November 30, 2011.

Reason for non-compliance

The auditor-in-charge of the audit of the Strand left unexpectedly near the due date of the audit. As a result, the financial statements were not completed in time to be filed on a timely basis.

Management's plan of corrective action

The independent auditor for the Strand has assured us this situation will not repeat itself in the coming year.

I appreciate the opportunity to serve as your independent auditor.

Very truly yours,

A handwritten signature in black ink, appearing to be 'JMK', written over a horizontal line.

James K. McClelland, CPA