

**The Strand Theatre
of Shreveport Corporation**

Financial Statements
Years Ended May 31, 2012 and 2011

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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, 2012 and 2011, 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 my 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 audits 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, 2012 and 2011, and the results of its activities and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Certified Public Accountant

Shreveport, Louisiana
November 26, 2012

**The Strand Theatre
of Shreveport Corporation**

Statements of Financial Position

<i>May 31,</i>	2012	2011
Assets		
Current assets:		
Cash (Notes 1 and 7)	\$ 135,940	\$ 76,496
Grants receivable	1,904	1,904
Prepaid expenses	19,636	17,512
Other receivables	16,397	5,490
Total current assets	173,877	101,402
Property and equipment (Notes 2 and 8)	3,724,379	3,877,821
	\$3,898,256	\$3,979,223
Liabilities and Net Assets		
Current liabilities:		
Notes Payable (Note 3)	\$ 80,000	\$ 90,000
Accounts payable	30,359	14,573
Accrued expenses	5,964	16,083
Deferred revenue	250,779	85,708
Current portion of litigation settlement (Note 8)	7,328	6,937
Total current liabilities	374,430	213,301
Other liabilities:		
Litigation settlement (Note 8)	80,654	87,982
Total liabilities	455,084	301,283
Net assets -- Unrestricted	3,443,172	3,677,940
	\$3,898,256	\$3,979,223

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>	2012	2011
Changes in unrestricted net assets:		
Support and revenues:		
Ticket sales	\$ 351,033	\$ 370,999
Fund raising	269,214	250,602
Other income	197,684	143,859
Business sponsorships	75,500	62,500
Grant income	32,374	30,020
Program advertising	21,715	13,638
Total support and revenues	947,520	871,618
Expenses:		
Program services and theatrical:		
Artist fees	173,000	145,500
Advertising	56,253	42,802
Contract labor	51,592	52,118
Printing	48,892	20,231
Production cost	34,205	29,454
Payroll taxes and benefits	18,787	19,884
Box office	17,718	13,228
Credit card fees	9,743	8,754
Janitorial expense	5,077	7,703
Security	4,788	4,013
Theatre supplies	1,047	2,899
Total program services and theatrical	421,102	346,676
Supporting services:		
Management and general:		
Salaries and wages	287,436	220,213
Depreciation and amortization	155,942	160,465
Occupancy expense	121,244	100,534
Payroll taxes and benefits	56,932	40,889
Insurance	55,319	62,883

(Continued)

The Strand Theatre of Shreveport Corporation

Statements of Activities (Concluded)

<i>Years Ended May 31,</i>	2012	2011
Professional fees	16,916	15,172
Telephone	14,051	14,175
Miscellaneous	12,027	10,285
Office supplies and equipment	10,134	7,156
Conference and travel	9,635	6,765
Transportation	4,544	5,135
Interest	4,483	4,866
Postage	4,112	5,137
Dues and subscriptions	3,070	4,106
Total management and general	755,845	657,781
Fundraising-		
Friends expense	235	808
(Decrease) in unrestricted net assets from operations	(229,662)	(133,647)
Other expense:		
Litigation settlement (Note 8)	5,106	8,340
Decrease in unrestricted net assets	(234,768)	(141,987)
Net assets, beginning of year	3,677,940	3,819,927
Net assets, end of year	\$3,443,172	\$3,677,940

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>	2012	2011
Cash Flows from Operating Activities:		
Decrease in unrestricted net assets	\$(234,768)	\$ (141,987)
Adjustments to reconcile decrease in unrestricted net assets to net cash provided by operating activities:		
Depreciation and amortization	155,942	160,465
Change in operating assets and liabilities:		
Grants receivable	-	(504)
Prepaid expenses	(2,124)	(2,886)
Other receivables	(10,907)	39,920
Accounts payable	15,786	2,124
Accrued expenses	(10,119)	4,742
Deferred revenue	165,071	(16,572)
Litigation settlement	(6,937)	(16,149)
Net cash provided by operating activities	71,944	29,153
Cash Flows From Investing Activities-		
Expenditures for property and equipment	(2,500)	(3,406)
Cash Flows From Financing Activities-		
Repayments on line-of-credit, net	(10,000)	-
Net increase in cash	59,444	25,747
Cash, at beginning of year	76,496	50,749
Cash, at end of year	\$ 135,940	\$ 76,496

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

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 Organization's financial statements. The financial statements and notes are representations of the Organization's management, who 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 fund raising efforts and production activities. Restricted fund assets, liabilities, revenue and expenses include those items acquired or received through the Strand's normal fund raising 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.

The Strand Theatre of Shreveport Corporation

Summary of Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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.

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 fund raising efforts related to the following fiscal year. Amounts related to deferred revenue for 2012 and 2011 were \$250,779 and \$85,708, respectively.

Contributions and Contributed Services

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.

The Strand receives donated services from many unpaid volunteers who donate their time and perform a variety of tasks that assist the organization. The value of contributed services meeting the requirements for recognition in the financial statements for 2012 and 2011 was not material and has not been recorded.

The Strand Theatre of Shreveport Corporation

Summary of Accounting Policies (Concluded)

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, 2012 and 2011. 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, <i>Not-For-Profit Entities</i> . 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.
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 sets wage rates for various job classifications along with other terms and conditions and is effective through June 30, 2015.
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 November 26, 2012, the financial statement issuance date.
Advertising	The Strand expenses advertising as it is incurred. The Strand expended \$56,253 and \$42,802 in the years ended May 31, 2012 and 2011, respectively, for advertising.

The Strand Theatre of Shreveport Corporation

Notes to Financial Statements

1. Cash Included in cash as of May 31, 2012 and 2011 are interest-bearing accounts totaling \$133,030 and \$74,186, respectively.

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

	2012	2011
Land	\$ 96,000	\$ 96,000
Theatre and improvements	5,451,401	5,451,401
Theatrical equipment	251,482	248,982
Office furniture and equipment	67,564	67,564
	5,866,447	5,863,947
Less accumulated depreciation and amortization	2,142,068	1,986,126
	\$3,724,379	\$3,877,821

3. Notes Payable The Organization has a \$100,000 unsecured, variable rate (5.25% at May 31, 2012) line-of-credit with a bank, due February 2013. The outstanding balance as of May 31, 2012 and 2011 was \$80,000 and \$90,000, respectively.

Interest expense was \$4,483 and \$4,866 for the years ended May 31, 2012 and 2011, respectively.

4. Operating Leases 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, 2012 and 2011 was \$19,544 and \$19,344, respectively.

The Strand is also the lessee of office equipment. The following is a schedule by year of future minimum lease payments due under office equipment leases: 2013 - \$2,605 and 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, 2012 and 2011 were \$7,942 and \$8,180, respectively.

The Strand Theatre of Shreveport Corporation

Notes to Financial Statements (Continued)

- 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 \$66,673 and \$62,883 for the years ended May 31, 2012 and 2011, respectively.
- 7. Supplemental Cash Flows Information** Cash paid for interest was \$4,483 and \$4,866 for the years ended May 31, 2010 and 2009, respectively. There was no cash paid for income taxes in either 2012 or 2011.
- 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 action's: "...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)".
- 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, 2010 was \$111,068.
- 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,

The Strand Theatre of Shreveport Corporation

Notes to Financial Statements (Concluded)

8. **Litigation** *(continued)*

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, \$16,200 representing back wages and \$8,332 interest.

An additional payment of \$12,000 was made at January 1, 2012, allocated as \$6,937 to principal and \$5,063 to interest. At May 31, 2012, the remaining liability under the settlement is valued at \$87,982, of which \$7,328 is due in the year ended May 31, 2013.

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