

JEFFERSON PERFORMING ARTS SOCIETY

METAIRIE, LOUISIANA

FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED

JUNE 30, 2019 AND 2018



ERICKSEN KRENTEL^{LLP}

CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

TABLE OF CONTENTS

	<u>PAGE</u>
<u>INDEPENDENT AUDITORS' REPORT</u>	1 – 2
 <u>FINANCIAL STATEMENTS:</u>	
Exhibit “A” Statements of Financial Position	3
Exhibit “B” Statements of Activities	4 – 5
Exhibit “C” Statements of Functional Expenses	6 – 7
Exhibit “D” Statements of Cash Flows	8
Notes to Financial Statements	9 – 22
 <u>SUPPLEMENTARY INFORMATION:</u>	
Schedule “1” Schedule of Compensation, Benefits, and Other Payments to Agency Head	23
 <u>OTHER REPORT REQUIRED BY <i>GOVERNMENT AUDIT STANDARDS</i></u>	
Independent Auditors’ Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	24 – 25
Schedule of Findings and Responses	26
Summary Schedule of Prior Year Findings	27



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Jefferson Performing Arts Society

Report on the Financial Statements

We have audited the accompanying financial statements of Jefferson Performing Arts Society (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the *Louisiana Governmental Audit Guide*, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



To the Board of Directors of
Jefferson Performing Arts Society
December 23, 2019

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jefferson Performing Arts Society as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, Jefferson Performing Arts Society adopted the Financial Accounting Standards Board's ASU 2016-14, *Not-for-Profit Entities*, for the year ended June 30, 2019. Our opinion is not modified with respect to that matter.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of compensation, benefits, and other payments to agency head is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2019, on our consideration of Jefferson Performing Arts Society's internal control over financial reporting and on 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 effectiveness of Jefferson Performing Arts Society's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Jefferson Performing Arts Society's internal control over financial reporting and compliance.

December 23, 2019
New Orleans, Louisiana

Certified Public Accountants

JEFFERSON PERFORMING ARTS SOCIETY
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>ASSETS:</u>		
Cash and cash equivalents	\$ 222,608	\$ 182,428
Accounts receivable	39,693	226,843
Prepaid expenses	128,103	62,454
Investments	233,606	201,317
Leasehold asset - net of amortization	-	43,565
Property and equipment - net of depreciation	<u>321,233</u>	<u>341,297</u>
 Total assets	 <u>\$ 945,243</u>	 <u>\$ 1,057,904</u>
 <u>LIABILITIES:</u>		
Accounts payable	\$ 42,191	\$ 61,624
Unearned revenue	198,874	199,548
Capital lease	<u>8,000</u>	<u>16,000</u>
 Total liabilities	 <u>249,065</u>	 <u>277,172</u>
 <u>NET ASSETS:</u>		
Without donor restrictions	578,984	624,691
With donor restrictions	<u>117,194</u>	<u>156,041</u>
 Total net assets	 <u>696,178</u>	 <u>780,732</u>
 Total liabilities and net assets	 <u>\$ 945,243</u>	 <u>\$ 1,057,904</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

JEFFERSON PERFORMING ARTS SOCIETY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<u>SUPPORT AND OTHER REVENUES:</u>			
Contributions	\$ 333,020	\$ -	\$ 333,020
Grant - Jefferson Parish	100,000	-	100,000
Grant - State of Louisiana	350,000	-	350,000
Grant - City of Westwego	250,000	-	250,000
Grant - City of New Orleans	28,750	-	28,750
Tax credits	132,470	-	132,470
Auto rental tax contribution	304,826	-	304,826
Program service and event revenue	1,286,118	-	1,286,118
Other income	8,100	-	8,100
Investment income, net	12,284	4,718	17,002
	<u>2,805,568</u>	<u>4,718</u>	<u>2,810,286</u>
Net assets released from restrictions	<u>43,565</u>	<u>(43,565)</u>	<u>-</u>
Total support and other revenues	<u>2,849,133</u>	<u>(38,847)</u>	<u>2,810,286</u>
<u>EXPENSES:</u>			
Program services	2,208,683	-	2,208,683
Supporting services:			
Management and general	547,886	-	547,886
Fundraising	138,271	-	138,271
Total expenses	<u>2,894,840</u>	<u>-</u>	<u>2,894,840</u>
Change in net assets	<u>(45,707)</u>	<u>(38,847)</u>	<u>(84,554)</u>
Net assets, beginning of year	<u>624,691</u>	<u>156,041</u>	<u>780,732</u>
Net assets, end of year	<u>\$ 578,984</u>	<u>\$ 117,194</u>	<u>\$ 696,178</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

JEFFERSON PERFORMING ARTS SOCIETY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
<u>SUPPORT AND OTHER REVENUES:</u>			
Contributions	\$ 299,481	\$ -	\$ 299,481
Grant - Jefferson Parish	100,000	-	100,000
Grant - State of Louisiana	350,000	-	350,000
Grant - City of Westwego	250,000	-	250,000
Grant - City of New Orleans	18,750	-	18,750
Tax credits	113,696	-	113,696
Auto rental tax contribution	299,537	-	299,537
Program service and event revenue	1,162,290	-	1,162,290
Other income	7,295	-	7,295
Investment income, net	7,343	8,139	15,482
	<u>2,608,392</u>	<u>8,139</u>	<u>2,616,531</u>
Total support and other revenues	<u>2,608,392</u>	<u>8,139</u>	<u>2,616,531</u>
Net assets released from restrictions	<u>43,565</u>	<u>(43,565)</u>	<u>-</u>
Total support and other revenues	<u>2,651,957</u>	<u>(35,426)</u>	<u>2,616,531</u>
<u>EXPENSES:</u>			
Program services	2,264,734	-	2,264,734
Supporting services:			
Management and general	535,742	-	535,742
Fundraising	155,729	-	155,729
	<u>2,956,205</u>	<u>-</u>	<u>2,956,205</u>
Total expenses	<u>2,956,205</u>	<u>-</u>	<u>2,956,205</u>
Change in net assets	<u>(304,248)</u>	<u>(35,426)</u>	<u>(339,674)</u>
Net assets, beginning of year	<u>928,939</u>	<u>191,467</u>	<u>1,120,406</u>
Net assets, end of year	<u>\$ 624,691</u>	<u>\$ 156,041</u>	<u>\$ 780,732</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

JEFFERSON PERFORMING ARTS SOCIETY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	Program Services	Supporting Services Management and General	Fundraising	Total
Salaries	\$ 419,270	\$ 150,198	\$ 52,185	\$ 621,653
Payroll taxes and employee benefits	73,434	26,307	9,140	108,881
Total salaries and related expenses	492,704	176,505	61,325	730,534
Credit card fees	-	80,232	-	80,232
Depreciation	-	20,064	-	20,064
Donations	-	-	-	-
Miscellaneous	29,653	29,652	-	59,305
Occupancy	483,404	120,851	-	604,255
Operations expenses	149,174	94,929	71,810	315,913
Postage and shipping	5,136	-	5,136	10,272
Professional fees and contract services	546,241	17,880	-	564,121
Promotion and advertising	207,557	-	-	207,557
Supplies and materials for productions	217,844	-	-	217,844
Telephone	18,135	7,773	-	25,908
Travel, conferences and conventions	58,835	-	-	58,835
Total functional expenses	<u>\$ 2,208,683</u>	<u>\$ 547,886</u>	<u>\$ 138,271</u>	<u>\$ 2,894,840</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

JEFFERSON PERFORMING ARTS SOCIETY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Salaries	\$ 444,120	\$ 151,465	\$ 51,816	\$ 647,401
Payroll taxes and employee benefits	86,156	29,383	10,052	125,591
Total salaries and related expenses	530,276	180,848	61,868	772,992
Credit card fees	-	58,238	-	58,238
Depreciation	-	20,064	-	20,064
Donations	-	3,250	-	3,250
Miscellaneous	28,361	28,361	-	56,722
Occupancy	490,532	122,633	-	613,165
Operations expenses	156,934	99,867	73,221	330,022
Postage and shipping	5,692	-	5,692	11,384
Professional fees and contract services	548,121	13,646	-	561,767
Promotion and advertising	256,772	-	-	256,772
Supplies and materials for productions	167,825	-	14,948	182,773
Telephone	19,545	8,377	-	27,922
Travel, conferences and conventions	60,676	458	-	61,134
Total functional expenses	<u>\$ 2,264,734</u>	<u>\$ 535,742</u>	<u>\$ 155,729</u>	<u>\$ 2,956,205</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

JEFFERSON PERFORMING ARTS SOCIETY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>CASH FLOWS FROM (USED FOR)</u>		
<u>OPERATING ACTIVITIES:</u>		
Change in net assets	\$ (84,554)	\$ (339,674)
Adjustments to reconcile change in net assets to net cash from (used for) operating activities:		
Depreciation	20,064	20,064
Amortization of leasehold asset	43,565	43,565
Donations of investments	(15,327)	-
Net unrealized and realized (gains) on investments	(14,196)	(15,482)
(Increase) decrease in:		
Accounts receivable	188,653	161,205
Prepaid expenses	(65,649)	14,452
Increase (decrease) in:		
Accounts payable	(20,936)	50,515
Unearned revenue	(674)	65,504
Net cash from operating activities	<u>50,946</u>	<u>149</u>
<u>CASH FLOWS (USED FOR) INVESTING ACTIVITIES:</u>		
Purchases of investments	<u>(2,766)</u>	<u>-</u>
Net cash (used for) investing activities	<u>(2,766)</u>	<u>-</u>
<u>CASH FLOWS FROM (USED FOR)</u>		
<u>FINANCING ACTIVITIES:</u>		
Principal payments on capital leases	<u>(8,000)</u>	<u>(8,000)</u>
Net cash (used for) financing activities	<u>(8,000)</u>	<u>(8,000)</u>
Net increase (decrease) in cash and cash equivalents	40,180	(7,851)
Cash and cash equivalents, beginning of year	<u>182,428</u>	<u>190,279</u>
Cash and cash equivalents, end of year	<u><u>\$ 222,608</u></u>	<u><u>\$ 182,428</u></u>

See accompanying NOTES TO FINANCIAL STATEMENTS

JEFFERSON PERFORMING ARTS SOCIETY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Jefferson Performing Arts Society (JPAS) serves the state of Louisiana, several counties in Mississippi and communities throughout the Gulf South. Through its diverse programming and over 150 annual performances that include Grand Opera, Broadway Musicals, Symphonic and Choral Concerts, Ballet and Modern Dance and distinguished guest artists of all genres from around the world, JPAS has rightfully earned the reputation as "Louisiana's Cultural Leader."

JPAS focuses on three main elements:

Performance: JPAS annually provides a wide range of theatrical performances that appeal to many interests and age groups. Most seasons include a selection of grand opera, musical theater, dance and music. JPAS strives to network and partner with national and international artists and companies to bring new and diverse programming to the Southern Region.

Training: JPAS provides performance and technical based training in the arts for all ages with a particular focus on young people.

Outreach: JPAS provides arts education programming in local area schools, as well as access to professional theatrical experiences that align to classroom curricula and Louisiana Content Standards, including Arts Adventure Series, Cultural Crossroads and Stage Without A Theatre. JPAS provides performers, musicians, artistic experiences and expertise to select area events and organizations to enrich the community.

JPAS' outreach and service extend to both banks of the Mississippi River. Performances on the East bank are now held in the new Jefferson Performing Arts Center, performances on the West Bank are held in the Westwego Performing Arts Theatre and Teatro Wego! Dinner Theatre in Westwego.

Associated Activities

JPAS Leading Ladies Guild
JPAS Broadway Pit Orchestra
Arts Adventure Series
JPAS Symphony Orchestra
The Jefferson Chorale
JPAS Theatre Wing
JPAS Opera Theatre

Annual Pasta & Puccini Gala
Cultural Crossroads
Jefferson Performing Arts Center
JPAS Theatre Kids! Competition Team
Stage Without a Theatre (SWAT)
Teatro Wego! Theatre
Westwego Performing Arts Theatre

JEFFERSON PERFORMING ARTS SOCIETY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

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

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standard Codification section 958, *Not-for-Profit Entities*. Under FASB ASC section 958, net assets, revenues and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of JPAS are classified as net assets with or without donor restrictions.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, JPAS considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable consists mainly of receivables stemming from cooperative endeavor agreements with various local and state governments. Management monitors the receivables and assesses the collectability of accounts on a monthly basis. Management has elected to record bad debts using the direct write-off method. Generally accepted accounting principles require that the allowance method be used to reflect bad debts. However, the effect of the use of direct write-off method is not materially different from the results that would have been obtained had the allowance method been followed.

Promises to Give

Unconditional promises to give are recognized as revenues in the period the pledge is received. The pledges are recorded at the net present value of estimated future cash flows using an appropriate discount rate. Additionally, JPAS evaluates the collectability of pledges receivable and provides for an allowance when appropriate. Conditional promises to give are recognized as revenues only when the conditions attached to the pledge are substantially met.

JEFFERSON PERFORMING ARTS SOCIETY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prepaid Expenses

The balance in this account consists of amounts paid during each year for performances and events that have not yet occurred.

Investments

As defined in the current authoritative guidance, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The guidance applies to all financial instruments that are measured and reported on a fair value basis. Management utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of inputs used in the valuation techniques the financial statements are required to provide information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 – Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2 – Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets and liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Significant unobservable inputs that reflect an organization's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

JPAS' measurements of fair value are made on a recurring basis, and their valuation techniques for assets recorded at fair value are as follows:

Investment pool – Fair value is determined by reference to values provided by the fund management, which are determined by quoted market prices, indirectly observable inputs, or net asset value as a practical expedient to estimate fair value.

Money market – Cost basis approximates fair value.

Equity securities and mutual funds – Fair value is determined by quoted market prices, when available, or market prices provided by recognized broker dealers.

The preceding methods described may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurements at the reporting date.

JEFFERSON PERFORMING ARTS SOCIETY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Revenue

The balance in this account consists of amounts collected during each year for sponsorships, ticket sales, and summer camp fees to be presented in the following year.

Property and Equipment

All property, furniture, equipment, and leasehold improvements are recorded at cost. It is the policy of JPAS to capitalize all property and equipment with an acquisition cost in excess of \$5,000. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	39 years
Leasehold improvements	10 to 39 years
Equipment and furniture	5 to 7 years

Leases

Lease agreements are evaluated to determine whether they are capital or operating leases in accordance with FASB ASC 840, Accounting for Leases, as amended. When substantially all of the risks and benefits of property ownership have been transferred to the Company, as determined by the test criteria in FASB ASC 840-30, the lease then qualifies as a capital lease.

Capital leases are capitalized at the lower of the net present value of the total amount of rent payable under the leasing agreement (excluding finance charges and appropriate sales taxes) or the market value of the leased asset. Capital leases are depreciated on a straight line basis, over a period consistent with the Company's normal depreciation policy for tangible fixed assets, but generally not exceeding the lease term. Interest and sales tax charges are expensed over the period of the lease in relation to the carrying value of the capital lease obligation. Amortization of assets under capital leases is included in depreciation expense.

Contributions and Revenue Recognition

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Support from contributions is recognized either on receipt or upon receiving an unconditional pledge or promise to give from a donor. Unconditional contributions are reported as unrestricted support which increases net assets without donor restrictions. JPAS reports contributions of cash and other assets as donor restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting period that they are received are reported as net assets without donor restriction support.

JEFFERSON PERFORMING ARTS SOCIETY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions and Revenue Recognition (Continued)

JPAS reports contributions of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the assets must be used. Contributions of long-lived assets with explicit restrictions that specify how the assets are to be used and contributions of cash or other assets that must be used to acquire or improve long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, JPAS reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Advertising

Advertising costs are charged to expenses as incurred. For the years ended June 30, 2019 and 2018, advertising expenses totaled \$207,490 and \$234,730, respectively.

Functional Expenses

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of JPAS.

Income Taxes

JPAS is exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code. There was no income tax on unrelated business income accrued in 2019 or 2018. The Tax Cut and Jobs Act generally provides that a tax-exempt organization's unrelated business taxable income is increased by the amount of qualified transportation fringe benefits provided to employees. Management currently believes that the amount of unrelated business income related to parking offered to employees would be de minimis. Management also believes that all tax positions would be sustained if audited. There were no penalties or interest on income tax positions incurred in 2019 or 2018, but, if incurred, they would be classified in the statement of activities as a management and general expense.

JPAS' tax filings for the years ended June 30, 2016 through the current year are open to audit under statute of limitations by the Internal Revenue Service.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources and the lack of consistency in the type of information provided about expenses and investment return. JPAS has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

JEFFERSON PERFORMING ARTS SOCIETY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

Subsequent events have been evaluated through December 23, 2019, which is the date the financial statements were available to be issued.

(2) LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects JPAS' financial assets as of June 30, 2019 and 2018, respectively, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. Amounts not available include amounts set aside for long-term investing in the endowment fund that could be drawn upon if the governing board approves that action. However, amounts already appropriated from the endowment for general expenditure within one year of the balance sheet date have not been subtracted as unavailable.

	<u>2019</u>	<u>2018</u>
Financial assets, at year end	\$ 495,907	\$ 610,588
Less those unavailable for general expenditure within one year due to:		
Funds set aside for donor restricted purposes	<u>(117,194)</u>	<u>(156,041)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>378,713</u>	\$ <u>454,547</u>

As part of JPAS liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As described in Notes 4 and 10, JPAS has assets held in an endowment which are in excess of amounts held to handle daily cash requirements. Although JPAS does not intend to spend from its assets held in the endowment other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from the assets could be made available if necessary.

To help the JPAS manage its unanticipated liquidity needs, the JPAS has a line of credit in the amount of \$300,000 as described in Note 7.

(3) STATEMENT OF CASH FLOW SUPPLEMENTARY DISCLOSURES

Noncash investing activities for the year ended June 30, 2018, consist of the retirement of assets for which no proceeds were received. Details of the fixed asset retirements are as follows:

	<u>2018</u>
Cost basis of assets disposed	\$ 56,988
Less: accumulated depreciation	<u>(56,988)</u>
Non-cash loss on disposition of assets	<u>\$ -</u>

JEFFERSON PERFORMING ARTS SOCIETY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018

(4) INVESTMENTS

Investments are stated at market value and consist of the following at June 30:

	<u>2019</u>	<u>2018</u>
Greater New Orleans Foundation		
Investment pool	\$ 117,194	\$ 112,476
Raymond James		
Money market	10,997	9,427
Equity securities	78,430	53,879
Mutual funds	<u>26,985</u>	<u>25,535</u>
 Total investments	 <u>\$ 233,606</u>	 <u>\$ 201,317</u>

The investment pool, which is managed by the Greater New Orleans Foundation (GNOF), consists of equity, fixed income, money market funds and other investments determined by GNOF.

The following schedule summarizes the investment income classified as temporarily restricted in the statements of activities for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Interests and dividends	\$ 3,539	\$ 3,435
Realized gains	3,699	3,673
Unrealized gains and losses	10,657	9,135
Investment fees	<u>(893)</u>	<u>(761)</u>
 Total investment income	 <u>\$ 17,002</u>	 <u>\$ 15,482</u>

Fair Value Measurements

The following table sets forth by level, within the fair value hierarchy, JPAS' assets at fair value as of June 30, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
GNOF investment pool	\$ 31,643	\$ 11,720	\$ -	\$ 43,363
Money market	10,997	-	-	10,997
Equity securities	78,430	-	-	78,430
Mutual funds	<u>26,985</u>	<u>-</u>	<u>-</u>	<u>26,985</u>
 Total investments	 <u>\$ 148,055</u>	 <u>\$ 11,720</u>	 <u>\$ -</u>	 <u>\$ 159,775</u>

JEFFERSON PERFORMING ARTS SOCIETY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018

(4) INVESTMENTS (CONTINUED)

Fair Value Measurements (continued)

The following table sets forth by level, within the fair value hierarchy, JPAS' assets at fair value as of June 30, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
GNOF investment pool	\$ 29,244	\$ 10,123	\$ -	\$ 39,367
Money market	9,427	-	-	9,427
Equity securities	53,879	-	-	53,879
Mutual funds	<u>25,535</u>	<u>-</u>	<u>-</u>	<u>25,535</u>
Total investments	<u>\$ 118,085</u>	<u>\$ 10,123</u>	<u>\$ -</u>	<u>\$ 128,208</u>

The following table summarizes investments for which fair value is measured using the net asset value per share practical expedient as of June 30, 2019 and 2018:

	<u>2019</u>			
	<u>Fair Value</u>	<u>Unfunded Commitment</u>	<u>Redemption Frequency</u>	<u>Redemption Notice period</u>
GNOF investment pool	\$ 73,834	N/A	Daily	None
	<u>2018</u>			
	<u>Fair Value</u>	<u>Unfunded Commitment</u>	<u>Redemption Frequency</u>	<u>Redemption Notice period</u>
GNOF investment pool	\$ 73,109	N/A	Daily	None

(5) DONATED FACILITIES AND SERVICES

Donated Facilities

Beginning July 1, 2016, JPAS entered into a lease with Jefferson Parish for its 1118 Clearview Parkway office and office space at the Jefferson Performing Arts Center (JPAC). The renewal was on a three-year basis, ending on June 30, 2019, and the property is provided free of charge. Management estimated the fair value of these rental agreements to be \$130,695. This amount is recorded as contribution revenue on the statement of activities and as a leasehold asset to be amortized as rent expense over the life of the lease on the statement of financial position. For each of the fiscal years ended June 30, 2019 and 2018, rent expense recognized on this leasehold was \$43,565. Accumulated amortization on this lease as of June 30, 2019 and 2018 was \$130,695 and \$87,130, respectively.

JEFFERSON PERFORMING ARTS SOCIETY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018

(5) DONATED FACILITIES AND SERVICES (CONTINUED)

Donated Facilities (continued)

During the years ended June 30, 2019 and 2018, JPAS was also granted use of the Jefferson Parish Performing Arts Center (JPAC) in Metairie, Louisiana, for its performances. The fair market value of the use of the JPAC is determined by the number of days of actual use. For the years ended June 30, 2019 and 2018, \$255,000 and \$281,450, respectively, were recorded as contribution revenue and rent expense in connection with use of the JPAC.

JPAS also entered into an agreement with the City of Westwego, which extended through June 30, 2019, for the use of the theatre at the Westwego Performing Arts Center for scheduled performances throughout the fiscal year. The in-kind support includes the use of the facility and all costs and expenses associated with the use of the facility by JPAS for any and all scheduled events. No rent is paid by JPAS under this agreement and the amount of the support is not readily determinable on an annual basis. No amounts for such support have been recognized in the accompanying Statement of Activities as the criteria for recognition have not been satisfied.

Donated Services

A substantial number of volunteers have donated their time and services to JPAS for fundraising, legal, and program activities. No amounts are reflected in the accompanying financial statements for such services as they do not meet the criteria for recognition under FASB ASC 958-605-50-1, *Accounting for Contributions Received and Contributions Made*.

(6) PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30:

	<u>2019</u>	<u>2018</u>
Building	\$ 250,734	\$ 250,734
Leasehold improvements	85,878	85,878
Equipment and furniture	<u>399,209</u>	<u>399,209</u>
Total depreciable property and equipment	735,821	735,821
Less: accumulated depreciation	<u>(526,929)</u>	<u>(506,865)</u>
	208,892	228,956
Land	<u>112,341</u>	<u>112,341</u>
Total	<u>\$ 321,233</u>	<u>\$ 341,297</u>

Depreciation expense totaled \$20,064 for the years ended June 30, 2019 and 2018.

JEFFERSON PERFORMING ARTS SOCIETY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018

(7) LINE OF CREDIT

At June 30, 2018, JPAS had a line of credit with Capital One Bank, which provided short-term borrowings up to \$100,000. Interest and principal on advances is payable monthly at the prime rate plus 1%, which was 4.5% at June 30, 2018. JPAS had no outstanding balance under this line at June 30, 2018.

On March 12, 2019, JPAS entered into a line of credit agreement with Iberia bank, which provides short-term borrowings up to \$300,000. Interest and principal on advances is payable monthly at the wall street journal prime rate plus 1%, which totaled 6.5% at June 30, 2019. The line of credit matures on March 12, 2021. JPAS had no outstanding balance under this line at June 30, 2019.

(8) LEASE OBLIGATIONS

During the year ended June 30, 2016, JPAS entered into a lease agreement in the amount of \$40,000 for the purchase of its Nutcracker set. This agreement is accounted for as a capital lease. This lease is non-interest bearing and is payable in 5 annual installments. At June 30, 2019, there was one remaining future minimum lease payment under this lease amounting to \$8,000 and is due in the year ended June 30, 2020.

Assets held under capital leases at June 30, 2019 and 2018 are included in property and equipment as follows:

	<u>2019</u>	<u>2018</u>
Property under capital leases	\$ 46,955	\$ 46,955
Less accumulated amortization (included in accumulated depreciation)	<u>(35,999)</u>	<u>(26,608)</u>
Net property under capital leases	<u>\$ 10,956</u>	<u>\$ 20,347</u>

(9) NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at June 30:

	<u>2019</u>	<u>2018</u>
Donor restricted endowment funds	\$ 57,250	\$ 57,250
Lease of office space	-	43,565
Restricted endowment investment income	<u>59,944</u>	<u>55,226</u>
	<u>\$ 117,194</u>	<u>\$ 156,041</u>

The lease of office space represents in-kind revenue which will be earned over the remaining term of the office lease as described in Note 2. Releases from restrictions under this lease were \$43,565 for the years ended June 30, 2019 and 2018.

JEFFERSON PERFORMING ARTS SOCIETY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018

(9) NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Net assets were permanently restricted for the formation of an endowment fund. The purpose of the endowment fund is to provide a perpetual source of money to assure the future growth and health of Jefferson Performing Arts Society as stated in Note 10. At June 30, 2019 and 2018, permanently restricted net assets totaled \$57,250.

(10) ENDOWMENT FUNDS

The Endowments. JPAS' endowment consists of two funds established for a variety of purposes. Its endowment includes restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law. The Board of Directors of JPAS has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, JPAS classifies as restricted net assets (a) the original value of gifts donated to the restricted endowment; (b) the original value of subsequent gifts donated to the restricted endowment; and (c) accumulations to the restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund, including earnings on restricted investments, that is not permanently restricted is classified as restricted net assets until those amounts are appropriated for expenditure by JPAS in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, JPAS considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of JPAS, (7) and JPAS' investment policies.

Return Objectives and Risk Parameters

JPAS has adopted investment and spending policies for endowment assets that attempt to grow the fund in order to eventually provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of these endowment assets over the long-term. JPAS seeks to build endowment assets through additional contributions.

JEFFERSON PERFORMING ARTS SOCIETY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018

(10) ENDOWMENT FUNDS (CONTINUED)

Spending Policies

JPAS has a policy of appropriating for distribution when needed, from the endowment fund's investment income that is not permanently restricted, and JPAS generally expends the endowment fund's investment income for the programs supported by the endowment. The current spending policy is expected to allow the JPAS' endowment fund to grow as a result of investment returns. This is consistent with JPAS' objectives to provide income for its programs supported by the endowment, preserve endowment assets without subjecting them to substantial risk, and provide additional real growth through new gifts.

Endowment net asset composition by type of fund as of June 30, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Donor-restricted funds	\$ 117,194	\$ 112,476
Board-designated funds	<u>116,412</u>	<u>88,841</u>
Total	<u>\$ 233,606</u>	<u>\$ 201,317</u>

Changes in endowment net assets as of June 30, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Endowment net assets, beginning of year	\$ 201,317	\$ 185,835
Net contributions to board-designated funds	15,327	-
Investment income, net of fees	2,766	3,435
Net appreciation	<u>14,196</u>	<u>12,047</u>
Endowment net assets, end of year	<u>\$ 233,606</u>	<u>\$ 201,317</u>

(11) BOARD OF DIRECTORS COMPENSATION

The Board of Directors is a voluntary board; therefore no compensation was paid to any board member during the years ended June 30, 2019 and 2018.

(12) CONCENTRATIONS OF CREDIT RISK

JPAS maintains its cash and cash equivalents in various financial institutions in Louisiana. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. On June 30, 2019 and 2018, JPAS had no cash balances in excess of FDIC insured limits. The cash balances, at times, may exceed federally insured limits. JPAS has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

JEFFERSON PERFORMING ARTS SOCIETY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018

(12) CONCENTRATIONS OF CREDIT RISK (CONTINUED)

JPAS' support through state and local government grants represent 36% and 38% of total support earned for the years ended June 30, 2019 and 2018, respectively.

(13) RELATED PARTY TRANSACTIONS

During the year ended June 30, 2019, the Executive Director made two short-term non-interest-bearing loans in the amount of \$50,000 to JPAS to help with short-term liquidity issues. These loans were paid back to the Executive Director in full during the year. JPAS obtained an increase in its line of credit to help with future liquidity problems as more fully described in Notes 2 and 7.

(14) RECLASSIFICATIONS

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

(15) NEW ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board (FASB) has issued Accounting Standards Update (Update) No. 2014-09, "*Revenue from Contracts with Customers*." The core principle of this Update is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve this core principle, the guidance provides that an entity should apply the following steps: (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when, or as, the entity satisfies a performance obligation. Deferring the effective date of the amendments in Update No. 2014-09, the FASB has issued Update No. 2015-14, "*Revenue from Contracts with Customers - Deferral of the Effective Date ASU No. 2015-14*." Update No. 2015-14 permits entities to apply the guidance in Update No. 2014-09 to annual reporting periods beginning after December 15, 2018, and to interim reporting periods within annual reporting periods beginning after December 15, 2019. JPAS plans to adopt this Update as applicable by the effective date.

The Financial Accounting Standards Board (FASB) has issued Accounting Standards Update (Update) No. 2016-02, "*Leases*." This Update seeks to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and by disclosing key information about leasing arrangements. The amendments in this Update are effective for fiscal years beginning after December 15, 2019, and for interim periods within fiscal years beginning after December 15, 2020. JPAS plans to adopt this Update as applicable by the effective date.

JEFFERSON PERFORMING ARTS SOCIETY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018

(15) NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

The FASB has issued Update No. 2018-08, *“Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.”* The amendments in this Update clarify and improve current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction. The amendments in this Update require that an entity determine whether a contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. The amendments in this Update are effective for fiscal years beginning after December 15, 2018, and for interim periods within fiscal years beginning after December 15, 2019. JPAS plans to adopt this Update as applicable by the effective date.

JEFFERSON PERFORMING ARTS SOCIETY
SCHEDULE OF COMPENSATION, BENEFITS,
AND OTHER PAYMENTS TO AGENCY HEAD
FOR THE YEAR ENDED JUNE 30, 2019

	Dennis Assaf
	<u>Executive Director</u>
Time served	07/01/2018 - 06/30/2019
Salary	\$ 170,000
Benefits - insurance (health and dental)	2,400
Reimbursements	597
Benefits - cell phone	<u>1,800</u>
Total compensation, benefits, and other payments	<u>\$ 174,797</u>



**INDEPENDENT AUDITORS' 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**

To the Board of Directors of
Jefferson Performing Arts Society

We have audited, in accordance with the 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, the financial statements of Jefferson Performing Arts Society (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 23, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Jefferson Performing Arts Society's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Jefferson Performing Arts Society's internal control. Accordingly, we do not express an opinion on the effectiveness of the Jefferson Performing Arts Society's internal control.

A deficiency in internal control 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



To the Board of Directors of
Jefferson Performing Arts Society
December 23, 2019

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jefferson Performing Arts Society's financial statements are free from 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Jefferson Performing Arts Society's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Jefferson Performing Arts Society's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

December 23, 2019
New Orleans, Louisiana

Certified Public Accountants

JEFFERSON PERFORMING ARTS SOCIETY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019

SECTION I SUMMARY OF AUDITORS' REPORTS

1. The Auditors' report expresses an unmodified opinion on the financial statements of Jefferson Performing Arts Society.
2. No significant deficiencies or material weaknesses in internal control relating to the audit of the financial statements are reported in the Independent Auditors' 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*.
3. No instances of noncompliance material to the financial statements of Jefferson Performing Arts Society were reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Prepared in Accordance with *Government Auditing Standards*.
4. A management letter was issued for the year ended June 30, 2019.

SECTION II FINANCIAL STATEMENT FINDINGS

Not applicable.

JEFFERSON PERFORMING ARTS SOCIETY
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

**SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE
FINANCIAL STATEMENTS**

2018-001 Use of Accounts Receivable Ledgers

During our audit, we noted that JPAS had recorded revenue and expense accruals to the income statement through the use of previous year expense and income accounts rather than balance sheet accounts. These resulted in misstatements of revenues and expenses.

This issue has been resolved through the appropriate identification of year end accruals for the year ended June 30, 2019.

SECTION II MANAGEMENT LETTER

2018-002 Approval of Journal Entries

Our review of controls over journal entries indicated that manual journal entries are not subject to review by another responsible employee.

This issue has not been resolved and has been repeated as a management letter item for the year ended June 30, 2019.

2018-003 Maintenance of Vacation Records

JPAS does not maintain the detailed records necessary for making a precise accrual of compensated absences. Our audit estimate for this unrecorded liability is not currently significant; however, as JPAS continues to grow, the potential for problems in making an estimate in the absence of such detail records increases.

This issue has not been resolved and has been repeated as a management letter item for the year ended June 30, 2019.

2018-004 Improve Payroll Review Procedures

Our review of the controls over the payroll system indicated that employees do not currently have a mechanism through which attendance is tracked.

This issue has not been resolved and has been repeated as a management letter item for the year ended June 30, 2019.

JEFFERSON PERFORMING ARTS SOCIETY

METAIRIE, LOUISIANA

STATEWIDE AGREED-UPON PROCEDURES

FOR THE YEAR ENDED

JUNE 30, 2019



ERICKSEN KRENTEL LLP
CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS



ERICKSEN KRENTEL^{LLP}

CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors of
Jefferson Performing Arts Society

We have performed the procedures enumerated below, which were agreed to by Jefferson Performing Arts Society (Entity) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 01, 2018 through June 30, 2019. The Entity's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of Government Auditing Standards. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are attached in Schedule "1."

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

December 23, 2019
New Orleans, Louisiana

Certified Public Accountants

JEFFERSON PERFORMING ARTS SOCIETY
AGREED-UPON PROCEDURES
July 01, 2018 - June 30, 2019

Written Policies and Procedures

1. **Procedures:** Obtain and inspect the Entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the Entity's operations):
 - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget.
 - b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
 - c) **Disbursements**, including processing, reviewing, and approving.
 - d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
 - e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
 - f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
 - g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
 - h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
 - i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the Entity's ethics policy.

JEFFERSON PERFORMING ARTS SOCIETY
AGREED-UPON PROCEDURES (CONTINUED)
JULY 1, 2018 – JUNE 30, 2019

- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- k) **Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

Results: The written policies and procedures address purchasing, disbursements, receipts, payroll/personnel, contracts, credit cards, travel and expense reimbursement, and disaster recover/ business continuity plans. Budgeting is not covered in the Entity's written policies and procedures. Contracts are only covered as to the approval process. Ethics and debt service are not applicable to the Entity. Disaster recovery and business continuity plans are not present at the Entity.

Bank Reconciliations

1. **Procedures:** Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the Entity's main operating account. Select the Entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:
 - a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);
 - b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
 - c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

JEFFERSON PERFORMING ARTS SOCIETY
AGREED-UPON PROCEDURES (CONTINUED)
JULY 1, 2018 – JUNE 30, 2019

Results: Obtained management's representation that the list of bank accounts was complete. Bank reconciliations were not prepared for the Iberia Payroll account as there are no reconciling items due to it being used as a payroll sweep account. The board treasurer has not reviewed the bank reconciliations as of this report date, but comes twice a year to review and sign for approval. There was no documentation of research of reconciling items that have been outstanding for more than twelve months.

Collections

2. **Procedures:** Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

Results: Obtained management's representation that the list of deposit sites was complete and selected the Entity's one deposit site.

3. **Procedures:** For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
- a) Employees that are responsible for cash collections do not share cash drawers/registers.
 - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.
 - c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
 - d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

JEFFERSON PERFORMING ARTS SOCIETY
AGREED-UPON PROCEDURES (CONTINUED)
JULY 1, 2018 – JUNE 30, 2019

Results: We obtained management's representation that the listing of collection locations was complete and selected the one collection location. We obtained the written policies and procedures for the location and verified that the employee responsible for collecting cash does not utilize cash drawers/registers, is not responsible for making bank deposits, does not record collections to the general ledger, and not responsible for reconciling cash collections to the general ledger.

4. **Procedures:** Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

Results: The Entity maintains insurance policies that cover employee theft.

5. **Procedures:** Randomly select two deposit dates for each of the 5 bank accounts selected for procedures for "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day) *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

- a) Observe that receipts are sequentially pre-numbered.
- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
- c) Trace the deposit slip total to the actual deposit per the bank statement.
- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).
- e) Trace the actual deposit per the bank statement to the general ledger.

Results: We obtained the supporting documentation for two deposit dates for each of the three bank accounts selected under the bank reconciliation testing. We verified that the receipts are sequentially pre-numbered and traced them to the deposit slip, bank statement, and general ledger. We noted that the Entity does not retain detailed information regarding the receipt date at the collection location; however, we verified that all checks were deposited within one week of the check date.

JEFFERSON PERFORMING ARTS SOCIETY
AGREED-UPON PROCEDURES (CONTINUED)
JULY 1, 2018 – JUNE 30, 2019

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

6. **Procedures:** Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

Results: Obtained managements representation that the listing is complete and selected the one location that processes payments.

7. **Procedures:** For each location selected above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - b) At least two employees are involved in processing and approving payments to vendors.
 - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
 - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

Results: We observed appropriate segregation of duties over initiation of purchase requests and processing payments to vendors; however, we noted two exceptions for adding vendors and mailing checks. We noted that the Business Manager who is responsible for processing payments has authority to add vendors to the purchasing system; however, she is not involved in the approval function. The Business Manager is also responsible for both processing payments and mailing checks.

8. **Procedures:** For each location selected above, obtain the Entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:
- a) Observe that the disbursement matched the related original invoice/billing statement.

JEFFERSON PERFORMING ARTS SOCIETY
AGREED-UPON PROCEDURES (CONTINUED)
JULY 1, 2018 – JUNE 30, 2019

- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested above, as applicable.

Results: Obtained a listing of disbursements and management's representation that the listing is complete. We verified that the disbursement matched the related invoice for all selections. Additionally, for any disbursement which was not a regularly occurring utility or payroll selection, we verified evidence of segregation of duties.

Payroll and Personnel

9. **Procedures:** Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

Results: Obtained management's representation that the listing is complete and agreed paid salaries to authorized salaries in the personnel files without exception.

10. **Procedures:** Randomly select one pay period during the fiscal period. For the 5 employees/officials selected above, obtain attendance records and leave documentation for the pay period, and:

- a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
- b) Observe that supervisors approved the attendance and leave of the selected employees/officials.
- c) Observe that any leave accrued or taken during the pay period is reflected in the Entity's cumulative leave records.

Results: We inspected the attendance records and noted an exception that all selected employees were salary and did not document their daily attendance. Additionally, we noted that none of the selected employees took leave during the period; however, all leave and salaries are approved by the Executive Director. We also noted that the Entity does not maintain cumulative leave records for accrued and taken leave.

JEFFERSON PERFORMING ARTS SOCIETY
AGREED-UPON PROCEDURES (CONTINUED)
JULY 1, 2018 – JUNE 30, 2019

11. **Procedures:** Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

Results: Obtained management's representation that the listing of employees that received termination payments during the fiscal period was complete, and verified that no employees received termination payments during the fiscal year.

12. **Procedures:** Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Results: Obtained management's representation that payroll taxes were filed by the required deadlines. Retirement contributions were not applicable during the fiscal year.

JEFFERSON PERFORMING ARTS SOCIETY
CORRECTIVE ACTION PLAN – AGREED UPON PROCEDURES
JULY 01, 2018- JUNE 30, 2019

December 23, 2019

Louisiana Legislative Auditor

The Jefferson Performing Arts Society respectfully submits the following corrective action plan for items identified pursuant to the Statewide Agreed Upon Procedures Engagement prescribed by you.

Name and address of independent public accounting firm:

Ericksen Krentel LLP
4227 Canal Street
New Orleans, LA 70119

Engagement Period: July 01, 2018– June 30, 2019

The exceptions from the Statewide Agreed Upon Procedures Report are discussed below:

Written Policies and Procedures

Exceptions: Budgeting is not covered in the entity's written policies and procedures. Contracts are only covered as to the approval process. Disaster recovery/ business continuation plans are not present at the entity.

Bank Reconciliations

Exceptions: Bank reconciliations were not prepared for the Iberia Payroll account. There was no documentation of research into reconciling items that have been outstanding for more than twelve months. Also, there are no second signatures on the bank reconciliations as of today. The board treasurer reviews the bank reconciliations twice a year.

Collections

Exception: Detailed information regarding the receipt date of collections is not maintained and two payments were not deposited within one business day; however, the collections tested were deposited within one week of the check date.

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

Exceptions: The Business Manager processes payments and can add vendors to the purchasing system; however, she is not involved in the approval function. The Business Manager also processes payments in addition to mailing checks.

JEFFERSON PERFORMING ARTS SOCIETY
CORRECTIVE ACTION PLAN – AGREED UPON PROCEDURES (CONTINUED)
JULY 01, 2018- JUNE 30, 2019

Payroll and Personnel

Exception: Employees did not document their daily attendance.

Management's Response to Exceptions: Management has noted and agrees with the above exceptions. Management will consider the effects of such exceptions and the need to enhance key controls or compensating controls in the identified areas.

If there are any questions regarding this plan, please contact Dennis Assaf, Executive Director, at (504) 885-2000.

Sincerely,

Signature

Title

Exec / MT Dir