

TIPITINA'S FOUNDATION, INC.**FINANCIAL STATEMENTS****FOR THE YEAR ENDED****DECEMBER 31, 2004**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 8/17/05**ERICKSEN KRENTEL & LA PORTE L.L.P.****CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS**

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ERICKSEN KRENTEL & LA PORTE L.L.P.

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of Tipitina's Foundation, Inc. (a nonprofit organization) as of December 31, 2004, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tipitina's Foundation, Inc. as of December 31, 2004, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

May 26, 2005

Ericksen, Krentel & LaPorte LLP

Certified Public Accountants

TIPITINA'S FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2004

ASSETS

CURRENT ASSETS:

Cash	\$ 141,776
	<u>141,776</u>
Total current assets	<u>141,776</u>

FURNITURE AND EQUIPMENT:

Furniture and equipment	18,398
Less: accumulated depreciation	<u>(3,281)</u>
Net furniture and equipment	<u>15,117</u>
Total assets	<u>\$ 156,893</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable	\$ 24,711
Accrued payroll and related expenses	3,182
Deferred revenue	<u>73,900</u>
Total current liabilities	<u>101,793</u>

NET ASSETS:

Unrestricted	47,600
Temporarily restricted	<u>7,500</u>
Total net assets	<u>55,100</u>
Total liabilities and net assets	<u>\$ 156,893</u>

TIPITINA'S FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2004

UNRESTRICTED NET ASSETS**Unrestricted revenue:**

Contributions	\$ 436,250
Grants	81,100
Program income	<u>5,631</u>

Total unrestricted revenue	<u>522,981</u>
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Expenses:

Program services:

Instruments programs	48,006
Tipitina's internship program	219,284
Music office co-op	<u>82,895</u>

Total program expenses	<u>350,185</u>
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Supporting services:

General and administrative	32,312
Fundraising	<u>93,789</u>

Total supporting services	<u>126,101</u>
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Total expenses	<u>476,286</u>
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Increase in unrestricted net assets	46,695
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TEMPORARILY RESTRICTED NET ASSETS

Contributions	<u>7,500</u>
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Increase in temporarily restricted net assets	<u>7,500</u>
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Increase in net assets	54,195
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Beginning net assets	<u>905</u>
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Ending net assets	<u><u>\$ 55,100</u></u>
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TIPITINA'S FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2004

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
Salaries expense	\$ 106,204	\$ 9,445	\$ 337	\$ 115,986
Payroll taxes	8,999	800	28	9,827
Total salaries and related expenses	115,203	10,245	365	125,813
Consulting	3,844	-	68,000	71,844
Equipment rental	10,005	-	-	10,005
Facilities rent	68,535	-	-	68,535
Field trips	7,617	-	-	7,617
Filming and CD production	12,559	-	-	12,559
Instructors	28,427	-	-	28,427
Instruments	42,800	-	-	42,800
Miscellaneous	98	850	-	948
Postage	-	2,371	592	2,963
Printing and promotions	7,869	5,266	4,966	18,101
Professional services	-	7,030	-	7,030
Supplies and office expense	3,550	2,589	2,339	8,478
Telephone and internet	17,890	-	-	17,890
Travel	-	660	-	660
Utilities	8,543	-	-	8,543
Events and seminars:				
Entertainment	-	-	1,700	1,700
Food	3,236	-	3,152	6,388
Rentals	5,672	500	6,764	12,936
Staff	13,250	-	3,208	16,458
Supplies	1,087	-	-	1,087
Other	-	-	2,703	2,703
Total expenses before depreciation	350,185	29,511	93,789	473,485
Depreciation of furniture and equipment	-	2,801	-	2,801
Total expenses	\$ 350,185	\$ 32,312	\$ 93,789	\$ 476,286

TIPITINA'S FOUNDATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2004

CASH FLOWS FROM/(USED FOR) OPERATING ACTIVITIES:

Increase in net assets	\$ 54,195
Adjustments to reconcile increase in net assets to net cash from operating activities:	
Depreciation	2,801
Donated furniture and equipment	(4,488)
Increase in:	
Accounts payable	16,711
Accrued payroll and related liabilities	459
Deferred revenue	73,900
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Net cash from operating activities	<u>143,578</u>

CASH FLOWS FROM/(USED FOR) INVESTING ACTIVITIES:

Capital expenditures	<u>(9,110)</u>
Net cash (used for) investing activities	<u>(9,110)</u>
Net increase in cash	134,468
Cash at beginning of year	<u>7,308</u>
Cash at end of year	<u><u>\$ 141,776</u></u>

TIPITINA'S FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

(1) NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

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

All of the activities are carried out through public contributions, grants and monthly membership fees for use of the Co-Op. Over 60% of revenue in 2004 were contributions of both cash and in-kind items from a member of the board of directors.

Basis of Accounting

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

Financial Statement Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations* and SFAS No. 116 *Accounting for Contributions Received and Contributions Made*. Under SFAS No. 117, the Foundation 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.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

TIPITINA'S FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2004

(1) NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributed Services

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

Grant Revenues

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

Functional Expenses

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

Income Tax Status

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and from state income taxes under Section 121(5) of Title 47 of the Louisiana Revised Statutes of 1950. However, income from certain activities not directly related to the Foundation's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Foundation qualified for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

(2) STATEMENT OF CASH FLOWS SUPPLEMENTARY DISCLOSURES

Non-cash investing activities during the year ended December 31, 2004 consisted of furniture and equipment received as donations valued at \$4,488.

TIPITINA'S FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2004

(3) GRANT REVENUES

Grants revenue is comprised of grants received under various agreements with the State of Louisiana and Harrah's New Orleans Casino. For the year ended December 31, 2004, grant awards totaled \$155,000. In the accompanying financial statements \$81,100 of the grant awards are reported as revenue and \$73,900 is reported as deferred revenue.

(4) RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets consist of \$7,500 received to assist in the development of a Music Office Co-Op in Shreveport, Louisiana.

(5) CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Foundation to credit risk consist principally of cash. The Foundation maintains cash balances at one financial institution. Accounts at the institution are insured by Federal governmental agencies up to \$100,000. At December 31, 2004, \$52,530 was uninsured and uncollateralized.

(6) ECONOMIC DEPENDENCY

The Foundation derives a material part of its revenues from contributions from a member of the board of directors. For the year ended December 31, 2004, cash and in-kind revenues from this source totaled \$328,585.

(7) RELATED PARTY TRANSACTIONS

A member of the board of directors contributed \$233,616 in cash and \$94,969 of in-kind facilities useage and related facilities expenses for the year ended December 31, 2004. In addition, a company owned by a member of the board of directors provided consulting services to the Foundation totaling \$20,000 for the year ended December 31, 2004. As of December 31, 2004, \$20,000 was payable to this related party.

Another member of the board of directors was paid \$48,000 for fundraising consulting services during the year ended December 31, 2004 of which \$4,000 was payable to this related party at December 31, 2004.

TIPITINA'S FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2004

(1) NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

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

The Foundation had no cash equivalents at December 31, 2004.

Furniture and Equipment

Furniture and equipment are carried at cost. Additions, improvements, and betterments to furniture and equipment in excess of \$500 are capitalized. Depreciation is calculated over an estimated useful life of three to seven years using the straight-line method. Depreciation expense for the year ended December 31, 2004 was \$2,801.

Donations of furniture and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Restricted and Unrestricted Contributions

Contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restrictions expire in the reporting period in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.