

State Fair of Louisiana

FINANCIAL STATEMENTS

Years Ended December 31, 2018 and 2017

State Fair of Louisiana

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Independent Auditor's Report

The Executive Committee
State Fair of Louisiana
Shreveport, Louisiana

I have audited the accompanying financial statements of State Fair of Louisiana (a nonprofit organization), which comprise the statements of financial position for the years ended December 31, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and summary of significant accounting policies and the related notes to 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditor's 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, I 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. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of State Fair of Louisiana as of December 31, 2018 and 2017, and the changes in its net assets and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

My audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The 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 basic financial statements.

The Schedule of Compensation, Benefits and Other payments to Agency Head is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, The Schedule of Compensation, Benefits and Other Payments to Agency Head is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Jana K. McChellad, CPA LLC

Certified Public Accountant

Shreveport, Louisiana
April 24, 2019

<i>December 31,</i>	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Assets						
Current assets:						
Cash (Notes 1 and 7)	\$ 647,203	\$ -	\$ 647,203	\$ 665,691	\$ -	\$ 665,691
Accounts receivable, net	117,504	-	117,504	158,024	-	158,024
Prepaid expenses and other	47,370	-	47,370	51,539	-	51,539
Short-term investments (Notes 8 and 11)	56,493	-	56,493	90,246	-	90,246
Total current assets	868,570	-	868,570	965,500	-	965,500
Property and equipment, net (Note 2)	1,587,065	-	1,587,065	1,738,323	-	1,738,323
Reserve fund assets – demand deposits (Note 3 and 4)	-	300,000	300,000	-	100,000	100,000
Reserve fund assets - investments (Notes 3, 4 and 8)	-	400,000	400,000	-	600,000	600,000
	\$2,455,635	\$700,000	\$3,155,635	\$2,703,823	\$700,000	\$3,403,823

State Fair of Louisiana

Statements of Financial Position

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Liabilities and Net Assets						
Current liabilities:						
Accounts payable and accrued expenses	\$ 169,114	\$ -	\$ 169,114	\$ 257,876	\$ -	\$ 257,876
Current portion of long-term debt (Note 5)	5,430	-	5,430	5,218	-	5,218
Deferred income	127,365	-	127,365	140,049	-	140,049
Total current liabilities	301,909	-	301,909	403,143	-	403,143
Long-term debt (Note 5)	2,763	-	2,763	8,632	-	8,632
Total liabilities	304,672	-	304,672	411,775	-	411,775
Commitments and contingencies						
(Note 6)						
Net Assets:						
Unrestricted (Note 13)	2,150,963	-	2,150,963	2,292,048	-	2,292,048
Temporarily restricted (Notes 3, 4 and 8)	-	700,000	700,000	-	700,000	700,000
Total net assets	2,150,963	700,000	2,850,963	2,292,048	700,000	2,992,048
	\$2,455,635	\$700,000	\$3,155,635	\$2,703,823	\$700,000	\$3,403,823

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

State Fair of Louisiana

Statements of Activities

Years Ended December 31,	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue:						
Fair	\$2,724,951	\$ -	\$2,724,951	\$2,391,158	\$ -	\$2,391,158
Off-season	833,938	-	833,938	924,642	-	924,642
Interest income	10,068	-	10,068	7,436	-	7,436
Other	8,310	-	8,310	7,796	-	7,796
Unrealized gain (loss) on investments (Notes 11 and 13)	(33,753)	-	(33,753)	16,499	-	16,499
Total revenue	3,543,514	-	3,543,514	3,347,531	-	3,347,531
Expenses:						
Fair	2,182,451	-	2,182,451	1,973,591	-	1,973,591
Off-season	1,306,829	-	1,306,829	1,370,438	-	1,370,438
Depreciation and amortization	195,319	-	195,319	203,790	-	203,790
Total expenses	3,684,599	-	3,684,599	3,547,819	-	3,547,819
Decrease in net assets	(141,085)	-	(141,085)	(200,288)	-	(200,288)
Prior period adjustment (Note 13)	-	-	-	73,747	-	73,747
Net assets, beginning of year, as previously reported	2,292,048	700,000	2,992,048	2,418,589	700,000	3,118,589
Net assets, end of year	\$2,150,963	\$700,000	\$2,850,963	\$2,292,048	\$700,000	\$2,992,048

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

State Fair of Louisiana

Statements of Cash Flows

Years Ended December 31,	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Cash Flows From Operating Activities:						
Decrease in net assets	\$ (141,085)	\$ -	\$ (141,085)	\$ (200,288)	\$ -	\$ (200,288)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:						
Depreciation and amortization	195,319	-	195,319	203,790	-	203,790
Unrealized (gain) loss on investments	33,753	-	33,753	(16,499)	-	(16,499)
Change in operating assets and liabilities:						
Accounts receivable	40,520	-	40,520	26,017	-	26,017
Prepaid expenses and other	4,169	-	4,169	2,981	-	2,981
Accounts payable and accrued expenses	(88,762)	-	(88,762)	132,943	-	132,943
Deferred income	(12,684)	-	(12,684)	25,988	-	25,988
Other current liability	-	-	-	(50,549)	-	(50,549)
Net cash provided by operating activities	31,230	-	31,230	124,383	-	124,383
Cash Flows From Investing Activities:						
Expenditures for buildings equipment and improvements	(44,061)	-	(44,061)	(88,639)	-	(88,639)
Net cash used by investing activities	(44,061)	-	(44,061)	(88,639)	-	(88,639)
Cash Flows From Financing Activities:						
Repayment of debt	(5,657)	-	(5,657)	(4,580)	-	(4,580)
Net cash used by financing activities	(5,657)	-	(5,657)	(4,580)	-	(4,580)
Net (decrease) increase in cash	(18,488)	-	(18,488)	31,164	-	31,164
Cash, beginning of year	665,691	-	665,691	634,527	-	634,527
Cash, end of year	\$ 647,203	\$ -	\$ 647,203	\$ 665,691	\$ -	\$ 665,691

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

State Fair of Louisiana

Summary of Accounting Policies

Business

The State Fair of Louisiana (the Fair) is a nonprofit corporation organized under the laws of the State of Louisiana on a nonstock basis having one class of member. The objects and purposes for which this nonprofit corporation is formed and exists are declared to be the maintenance in the Parish of Caddo, State of Louisiana, of public fairs, expositions and exhibitions of stock and farm products, and for the encouragement of agricultural and horticultural pursuits, and in all ways to promote the various industries of the State of Louisiana and the welfare of its citizens.

Substantially all of the Fair's revenue is from the sale of admissions to Fair sponsored events and exhibitions as well as the rental of its buildings for events promoted by others. Accordingly, the Fair is heavily dependent on the local community and the health of the local economy in which it operates.

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 period. Actual results could differ from those estimates. Significant estimates made by management include the depreciable life of assets, allowance for doubtful accounts and value of advertising trade-out income and expense.

Property and Equipment

Buildings and equipment are carried at cost and depreciated over their estimated useful lives on the straight-line method. Major additions are capitalized and depreciated; maintenance and repairs which do not improve or extend the life of the respective assets are expensed as incurred.

Reserve Fund

As provided by contract with the City of Shreveport, one-half of the net earnings of the State Fair of Louisiana shall be set aside permanently in a Reserve Fund. This allocation is to continue until the Reserve Fund shall equal \$700,000. Any sums transferred, which raise the balance above this amount, shall be used for property improvements.

State Fair of Louisiana

Summary of Accounting Policies

(Continued)

Reclassifications	<p>Certain prior year amounts have been reclassified to conform to current year presentation.</p>
Revenue Recognition	<p>Unrestricted contributions and grants are recognized as revenue in the period in which the donation is received or the grant is due and payable to the Fair.</p> <p>The Fair reports gifts of cash and other assets as 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The net change in assets of other funds are reported as offsetting revenue (expense) solely to simplify financial statement presentation. Restricted donations on which the restriction expires in the same period as the revenue is recognized are reported as unrestricted revenues.</p> <p>Support arising from donated goods, property and services is recognized in the financial statements at its fair value.</p>
Allowance for Doubtful Accounts	<p>The Fair records an allowance for doubtful accounts based on specifically identified amounts believed to be uncollectible. The Fair has a limited number of customers with individually large amounts due at any given balance sheet date. Any unanticipated change in one of those customers' credit worthiness or other matters affecting collectability of amounts due from such customers could have a material effect on the Fair's results of operations in the period in which such changes or events occur. After all attempts to collect a receivable have failed, the receivable is written off against the allowance. At December 31, 2018 and 2017, the allowance for doubtful accounts totaled \$0 and \$0 respectively.</p>
Income Taxes	<p>The State Fair of Louisiana is exempt from federal income tax under provisions of Section 501(c)(5) of the Internal Revenue Code of 1986 and exempt from state income tax under appropriate provisions in the laws of the State of Louisiana.</p>

State Fair of Louisiana

Summary of Accounting Policies

(Continued)

Income Taxes - (continued)

The Fair has adopted ASC 740, *Accounting for Uncertainty in Income Taxes*. Management has evaluated the Fair's tax positions and concluded that the Fair has taken no uncertain tax positions that require adjustment to the financial statements in order to comply with the provisions of ASC 740. In addition, Management is not aware of any matters that would cause the Fair to lose its tax-exempt status. Information returns of the Fair for the years ended December 31, 2015 to December 31, 2018 remain subject to examination by the Internal Revenue Service.

Statements of Cash Flows

For purposes of the statements of cash flows, the Fair considers all cash in bank accounts and highly liquid debt instruments, not associated with the Reserve Fund, with an original or remaining maturity of three months or less, to be cash equivalents. Highly liquid debt instruments not associated with the Reserve Fund with remaining lives in excess of three months are classified as short-term investments.

Advertising

The Fair expenses advertising as it is incurred. The Fair expended approximately \$400,934 and \$378,653 in the years ended December 31, 2018 and 2017, respectively, for advertising.

For the years ended December 31, 2018 and 2017, the Fair provided various goods and services in exchange for advertising services from local providers, the value of which is included as revenue and expense in the Statement of Activities. Included in fair revenue and expense for 2018 and 2017 is \$168,183 and \$147,021, respectively, related to such transactions.

Subsequent Events

Management evaluated events subsequent to the Fair's most recent year end through April 24, 2019, the date the financial statements were available for issuance.

State Fair of Louisiana

Summary of Accounting Policies

(Concluded)

Investments

The Fair has adopted FASB ASC 958-320, "Accounting for Certain Investments Held by Not-for-Profit Organizations." Under FASB ASC 958-320, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Fair values are computed based on quoted market values as provided by the Fair's financial advisors.

Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

State Fair of Louisiana

Notes to Financial Statements

1. Cash Included in cash at December 31, 2018 and 2017 are interest bearing deposits (collected bank balance) totaling approximately \$858,000 and \$766,000 respectively.

2. Property and Equipment Depreciation for financial reporting purposes is provided on the straight-line method based upon the estimated useful lives of the assets as follows: buildings - 15 to 60 years; land improvements - 10 to 75 years; equipment - 5 to 20 years.

The major classifications of property and equipment for the years ended December 31, 2018 and 2017 were as follows:

	2018	2017
Buildings	\$ 6,944,374	\$ 6,920,161
Equipment	2,720,300	2,700,453
Land improvements	1,476,178	1,476,178
Website	15,000	15,000
Land	14,500	14,500
	11,170,352	11,126,292
Less accumulated depreciation and amortization	9,583,287	9,387,969
Net property and equipment	\$ 1,587,065	\$ 1,738,323

3. Reserve Fund An agreement between State Fair of Louisiana and the City of Shreveport dated May 15, 1986, provides for the establishment of a Reserve Fund or Contingency Fund to provide for possible future losses and to maintain permanently, a sound financial condition of the State Fair of Louisiana. Any expenditure which reduces the fund below \$700,000 must be authorized by the Board of Directors and only for the purpose of covering incurred losses or for other emergency purposes.

State Fair of Louisiana

Notes to Financial Statements (Continued)

4. Reserve Fund Assets

Reserve fund assets are as follows at December 31, 2018 and 2017:

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
<u>December 31, 2018</u>				
Reserve fund assets:				
Interest bearing demand deposits	\$300,000	\$ -	\$ -	\$300,000
Certificates of deposit	400,000	-	-	400,000
Reserve fund assets	\$700,000	\$ -	\$ -	\$700,000

December 31, 2017

Reserve fund assets:				
Interest bearing demand deposits	\$100,000	\$ -	\$ -	\$100,000
Certificates of deposit	\$600,000	-	-	600,000
Reserve fund assets	\$700,000	\$ -	\$ -	\$700,000

Reserve Fund investments are invested in bank certificates of deposit and demand deposits. Total depository insurance coverage of these certificates of deposit and the demand deposit is \$700,000 as of December 31, 2018.

5. Notes payable and long-term debt

Long-term debt comprises the following at December 31, 2018:

	2018	2017
3.99% note payable in 72 monthly installments of \$471.61, including interest, beginning in August 2015, collateralized by transportation equipment.	\$ 8,193	\$13,850
Less: Current maturities	(5,430)	(5,218)
	\$ 2,763	\$ 8,632

Maturities of long-term debt are as follows: 2019 - \$5,430 and 2020 - \$2,763.

State Fair of Louisiana

Notes to Financial Statements

(Continued)

6. Commitments and Contingencies

From time to time, in the normal course of business, the Fair is involved in various matters of litigation. Management does not believe the ultimate outcome of any such matters will be material to the financial statements of the Fair.

The Fair leases equipment under operating leases. Minimum rentals under the leases with initial or remaining terms in excess of one year were as follows at December 31, 2018: 2019 - \$2,821; 2020 - \$2,005; 2021 - \$2,005 and 2022 - \$2,005. Amounts charged to operations under operating leases totaled \$3,235 in 2018

7. Supplemental Cash Flows Information

At December 31, 2018, cash includes approximately \$543,800 in demand deposits that exceed Federal depository insurance limits. Cash basis interest expense totaled \$473 and \$999 in 2018 and 2017, respectively.

8. Fair Value Disclosures

The Fair utilizes fair value measurements to record certain assets and to determine fair value disclosures. 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. Fair value is best determined based upon quoted market prices. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of further cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

FASB Accounting Standards Codification Topic 820, *Fair Value Measurements*, establishes a three-tier hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value, as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities that the Fair has the ability to access.

State Fair of Louisiana

Notes to Financial Statements

(Continued)

8. Fair Value Disclosures - (continued)

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

Level 3 – Significant unobservable inputs that generally include situations where there is little, if any, market activity of the investment. The inputs into determination of fair value require significant management judgment or estimation.

Fair values of assets measured on a recurring basis at December 31, 2018 and 2017 are as follows:

Fair Value Measurements at Reporting Date

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
<u>December 31, 2018</u>			
Certificates of deposit	\$400,000	\$ -	\$400,000
Common stock	56,493	56,493	-
	\$456,493	\$56,493	\$400,000

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
<u>December 31, 2017</u>			
Certificates of deposit	\$600,000	\$ -	\$600,000
Common stock	90,246	90,246	-
	\$690,246	\$90,246	\$600,000

Certificates of deposit are valued at cost which approximates fair value.

State Fair of Louisiana

Notes to Financial Statements

(Continued)

9. Building Lease

On October 2015, the Fair entered into an agreement for the lease of a building with an aggregate cost of \$2,498,000 and carrying value of zero. The lease has two separate term commitments. The first term runs from November 1, 2015 to September 30, 2016 with a rent of \$2,500 per month. The Lessee is responsible for all maintenance, utilities and janitorial expenses. The second term will run from October 1, 2016 through April 30, 2027 with rent being the greater of \$2,500 per month or \$1.00 per paid admission ticket to be paid to the Fair.

The Lessee further agreed to construct improvements to the interior of the leased premises at a value of at least \$2,000,000. At the end of the lease term, any improvements considered "permanent" in nature will revert to the ownership of the Fair. Construction of such improvements will begin no later than January 1, 2017 and continue until no later than January 1, 2022. As of November 2018, approximately \$2.3 million in improvements had been made to Hirsch Coliseum, but the items that may be considered permanent in nature is not presently known.

Under the terms of the lease, nominal future rentals are \$30,000 per year through December 31, 2026. Nominal future rentals for the year ended 2027 are \$10,000; however, the lease contains a clause that allows the lessee to cancel the lease at any time, without penalty, by tendering 30 days written notice.

10. 401(k) Plan

Effective January 1, 2013, the Fair established a qualified, contributory 401(k) plan ("Plan") for all eligible employees. Eligible employees can contribute up to 90% of gross compensation, subject to such maximum annual amounts as may be allowed under the Internal Revenue Code, into the Plan. For each Safe Harbor Participant, as defined, the Fair contributes 3% of compensation. Also, the Fair may contribute a discretionary amount as determined annually by the Executive Committee. No discretionary contributions were made in 2018 or 2017. The total of the matching contributions made by the Fair in 2018 and 2017 were \$10,573 and \$10,140, respectively.

State Fair of Louisiana

Notes to Financial Statements (Concluded)

11. Investments

The value of the investments at December 31, 2018 and 2017 is summarized as follows:

June 30,	2018		2017	
	Basis	Fair Value	Basis	Fair Value
Total investments	\$23,662	\$56,493	\$23,662	\$90,246

The following summarizes investment results and its classification in the financial statements:

	2018	2017
Unrealized gain (loss) on investments	\$(33,753)	\$16,499
Interest and dividend income	10,068	7,436
	\$(23,685)	\$23,935

12. Related Party Transactions

The Fair carries balances in four banks, employees of which are also members of the Fair's board of directors.

13. Prior Period Adjustment

During 2018, it was determined by management that the Fair held an investment in 1,279 shares of Principal Financial Group ("PFG"). These shares were credited to the Fair's account upon the demutualization of PFG. To recognize this investment, net assets for the year ended December 31, 2016 were restated to include the market value of the investment as of that date. The effects on the financial statements as of December 31, 2016 were as follows:

	As Originally Reported	As Restated
Current Assets	\$ 873,089	\$ 946,836
Assets	\$3,426,562	\$3,500,309
Net Assets	\$3,118,589	\$3,192,336
Net Assets and Liabilities	\$3,426,562	\$3,500,309

State Fair of Louisiana

Schedule of Compensation, Benefits and Other Payments to Agency Head

Year Ended December 31, 2018

Louisiana Revised Statute 24:513 (A) (3) requires reporting of the total compensation, reimbursements, and benefits paid to the agency head or chief executive officer. This law was further amended by Act 462 of the 2016 Regular Session of the Louisiana Legislature to clarify that nongovernmental or not-for-profit local auditees are required to report only the compensation, reimbursements, and benefits paid to the agency head or chief executive officer from public funds.

The State Fair of Louisiana is not required to report the total compensation, reimbursements, and benefits paid to Mr. Christopher Giordano, the Fair's President and General Manager, as none of those payments were made from public funds.

State Fair of Louisiana

Schedule of Findings

For the Year Ended December 31, 2018

There were no findings for the year ending December 31, 2018.

State Fair of Louisiana

Schedule of Prior Year Findings

For the Year Ended December 31, 2017

Ref. No.	Fiscal Year Finding Initially Occurred	Description of Findings	Corrective Action Taken	Corrective Action/Partial Corrective Action Taken
2017-001	2017	Late filing of report	Yes	Report filed timely.