

**FESTIVAL INTERNATIONAL
DE LOUISIANE, INC.**

Lafayette, Louisiana

Consolidated Financial Report

Year Ended August 31, 2019

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KOLDER, SLAVEN & COMPANY, LLC

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* A Professional Accounting Corporation

INDEPENDENT AUDITOR'S REPORT

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To the Board of Directors
Festival International de Louisiane, Inc.
Lafayette, Louisiana

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Festival International de Louisiane, Inc. (a nonprofit organization) and affiliate, which comprise the consolidated statement of financial position as of August 31, 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with 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. 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 consolidated 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, 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.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Festival International de Louisiane, Inc. and affiliate as of August 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, Festival International de Louisiane, Inc. ASU No. 2016-14 adopted Accounting Standards Update (ASU) No. 2016-14 as of August 31, 2019. ASU No. 2016-14 improves the current net asset classification requirements and the information presented in the financial statements and notes about liquidity, financial performance, and cash flows. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of financial position and consolidating statement of activities included in supplemental information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated January 7, 2020, on our consideration of Festival International de Louisiane, Inc.'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 solely 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 Festival International de Louisiane, Inc.'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 Festival International de Louisiane, Inc.'s internal control over financial reporting and compliance.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Lafayette, Louisiana
January 7, 2020

FINANCIAL STATEMENTS

FESTIVAL INTERNATIONAL DE LOUISIANE, INC.
Lafayette, Louisiana

Consolidated Statement of Financial Position
August 31, 2019

ASSETS

Current assets:	
Cash and cash equivalents	\$ 788,549
Receivables -	
Other	7,737
Inventory	<u>13,998</u>
Total current assets	<u>810,284</u>
Property and equipment, net	<u>593,421</u>
Other assets:	
Prepaid items	2,919
Trademark	<u>590</u>
Total other assets	<u>3,509</u>
Total assets	<u>\$ 1,407,214</u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accrued liabilities	\$ 13,140
Current maturities of long-term debt	<u>22,936</u>
Total current liabilities	36,076
Noncurrent liabilities:	
Long-term debt, less current maturities	<u>477,902</u>
Total liabilities	513,978
Net assets:	
Without donor restrictions	<u>893,236</u>
Total liabilities and net assets	<u>\$ 1,407,214</u>

The accompanying notes are an integral part of this statement.

FESTIVAL INTERNATIONAL DE LOUISIANE, INC.
Lafayette, Louisiana

Consolidated Statement of Activities
Year Ended August 31, 2019

Net assets without donor restrictions:	
Support-	
Contributions	\$ 585,698
Grants	84,605
Fundraising	58,959
In-kind contributions	<u>571,963</u>
Total support	<u>1,301,225</u>
Revenue-	
Sales, net of direct expenses	642,024
Interest	6,466
Miscellaneous	<u>19</u>
Total revenue	<u>648,509</u>
Total support and revenue	<u>1,949,734</u>
Expenses-	
Program services:	
Programming	358,919
Production	727,142
Marketing and promotion	<u>371,358</u>
Total program services	<u>1,457,419</u>
Supporting services:	
Management and general	178,309
Fundraising	<u>183,071</u>
Total supporting services	<u>361,380</u>
Total expenses	<u>1,818,799</u>
Change in net assets	130,935
Net assets without donor restrictions, beginning of year	<u>762,301</u>
Net assets without donor restrictions, end of year	<u>\$ 893,236</u>

The accompanying notes are an integral part of this statement.

FESTIVAL INTERNATIONAL DE LOUISIANE, INC.
Lafayette, Louisiana

Consolidated Statement of Functional Expenses
Year Ended August 31, 2019

	Program Services			Supporting Services			Total Expenses	
	Programming	Production	Marketing and Promotion	Total Program Services	Management and General	Fundraising		Total Supporting Services
Salaries and benefits	\$ 54,894	\$ 81,145	\$ 32,066	\$ 168,105	\$ 52,133	\$ 79,888	\$ 132,021	\$ 300,126
Professional fees	211,913	47,549	1,000	260,462	3,120	2,080	5,200	265,662
Outside services and fees	-	135,000	-	135,000	39,486	26,324	65,810	200,810
Supplies	-	6,906	-	6,906	8,119	5,413	13,532	20,438
Telephone and utilities	-	-	-	-	3,853	2,568	6,421	6,421
Postage and shipping	-	-	-	-	617	412	1,029	1,029
Payroll taxes	4,405	6,399	2,694	13,498	4,111	6,388	10,499	23,997
Rental of property and equipment	-	216,520	-	216,520	3,711	2,474	6,185	222,705
Printing and publications	-	-	-	-	1,513	1,008	2,521	2,521
Transportation and other services	8,022	-	-	8,022	-	-	-	8,022
Hospitality	37,241	19,500	-	56,741	-	-	-	56,741
Meals and lodging	31,707	7,640	-	39,347	2,995	1,996	4,991	44,338
Advertising and promotion	-	-	317,015	317,015	-	-	-	317,015
Research	-	-	-	-	1,311	874	2,185	2,185
Sound and lighting	-	96,722	-	96,722	-	-	-	96,722
Licenses	4,101	-	-	4,101	-	-	-	4,101
Electrical	-	13,930	-	13,930	-	-	-	13,930
Insurance	-	29,601	-	29,601	13,039	8,693	21,732	51,333
Decorations and signage	-	2,572	2,460	5,032	-	-	-	5,032
Photography	-	-	5,225	5,225	-	-	-	5,225
Depreciation	-	-	-	-	17,651	-	17,651	17,651
Special events	-	-	-	-	-	27,186	27,186	27,186
Other	6,636	63,658	10,898	81,192	26,650	17,767	44,417	125,609
	<u>\$ 358,919</u>	<u>\$ 727,142</u>	<u>\$ 371,358</u>	<u>\$ 1,457,419</u>	<u>\$ 178,309</u>	<u>\$ 183,071</u>	<u>\$ 361,380</u>	<u>\$ 1,818,799</u>

The accompanying notes are an integral part of this statement.

FESTIVAL INTERNATIONAL DE LOUISIANE, INC.
Lafayette, Louisiana

Consolidated Statement of Cash Flows
Year Ended August 31, 2019

Cash flows from operating activities:	
Increase in net assets	\$130,935
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	17,651
Changes in current assets and liabilities -	
Decrease in receivables	15,445
Increase in prepaid expense	(2,919)
Increase in inventory	(2,455)
Decrease in accrued liabilities	<u>(7,152)</u>
Net cash provided by operating activities	<u>151,505</u>
Cash flows from capital and related financing activities:	
Principal paid on note payable	(22,259)
Purchase of property and equipment	<u>(62,115)</u>
Net cash used by capital and related financing activities	<u>(84,374)</u>
Net increase in cash and cash equivalents	67,131
Cash and cash equivalents, beginning of year	<u>721,418</u>
Cash and cash equivalents, end of year	<u>\$788,549</u>
Supplemental information:	
Interest paid	<u>\$ 10,889</u>

The accompanying notes are an integral part of this statement.

FESTIVAL INTERNATIONAL DE LOUISIANE, INC.
Lafayette, Louisiana

Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Policies

A. Organization and Purpose

Festival International de Louisiane, Inc. (Organization) is a nonprofit corporation organized under the laws of the State of Louisiana on September 2, 1986, for the purpose of producing a Francophone festival of performing and visual arts.

Festival International de Louisiane Land Holdings, LLC, a sole member limited liability company, was created by Festival International de Louisiane, Inc. in fiscal year 2017 as a separate entity for acquiring a commercial real estate building to facilitate operations. Festival International de Louisiane Land Holdings, LLC is wholly owned by Festival International de Louisiane, Inc. and, as such, is consolidated in these financial statements.

B. Basis of Accounting

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the organization and changes therein are classified and reported as net assets without donor restrictions or net assets with donor restrictions.

C. Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less at the date of acquisition to be cash equivalents.

D. Grants Receivable

Grants receivable are recognized only to the extent that related expenses have been incurred.

E. Property and Equipment

The Organization's capitalization policy is \$500 for property and equipment recorded at cost, if purchased, or at estimated fair value if donated. Donations of property and equipment are recorded as contributions at their estimated fair value. In the absence of donor stipulations regarding how long the contributed asset must be used, the Organization has adopted a policy of implying a time restriction on contributions of such assets that expires over the useful lives of the assets. Depreciation is computed by the straight-line method at rates based the following estimated useful lives:

	<u>Years</u>
Furniture	3-5
Equipment	3-7
Buildings	40

FESTIVAL INTERNATIONAL DE LOUISIANE, INC.
Lafayette, Louisiana

Notes to Consolidated Financial Statements

F. Revenue and Expense Recognition

The Organization's main source of revenue is from contributions and proceeds from the festival. Contributions are recognized when the donor makes a commitment to give to the Organization. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as restricted support that increases net assets with donor restrictions. Expenses are recognized in the period incurred in accordance with the accrual basis of accounting. When a restriction expires, that is when a stipulated time restriction ends or purpose restrictions are accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction.

G. Functional Allocation of Expenses

The costs of providing the various programs and services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

H. Income Taxes

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service (IRS) as other than a private foundation. The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending 2015, 2016, and 2017 are subject to examination by the IRS, generally for three years after they were filed.

I. Compensated Absences

The Organization allows employees annual leave based on years of service. Annual leave must be taken during the year and is not cumulative.

J. Advertising Costs

Advertising costs are expensed in the year in which they are incurred. Advertising expense for the year ended August 31, 2019 was \$317,015.

FESTIVAL INTERNATIONAL DE LOUISIANE, INC.
Lafayette, Louisiana

Notes to Consolidated Financial Statements

K. Donated Materials and Services

The Organization receives a significant amount of donated services from unpaid volunteers who assist in program services during the year. These donated services are not reflected in the statement of activities because the criteria for recognition under professional standards have not been satisfied. Donations meeting the criteria are recorded at estimated fair value as follows:

Program Services:	
Production-	
Rental of property and equipment	\$142,284
Outside services	135,000
Hospitality and other	<u>27,000</u>
	<u>304,284</u>
Marketing and Promotion:	
Advertising	<u>267,679</u>
Total donated materials and services	<u>\$571,963</u>

L. 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 these estimates.

(2) New Accounting Pronouncement

During the year ended August 31, 2019, the Organization adopted the requirements of the Financial Accounting Standards Board's Accounting Standards Update No. 2016-14 Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities (ASU 2016-14). ASU 2016-14 addresses the complexity and understandability of net asset classifications, 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 between not-for-profit entities. A key change required by ASU 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions. A footnote on liquidity has also been added. See Note 3. These changes had no effect on previously reported net assets.

FESTIVAL INTERNATIONAL DE LOUISIANE, INC.
Lafayette, Louisiana

Notes to Consolidated Financial Statements

(3) Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of August 31, 2019, reduced by amounts not available for general use because of contractual restrictions or Board designations within one year of the statement of financial position date.

Financial assets at August 31, 2019:	\$ 796,286
Less those unavailable for general expenditures within one year, due to contractual or donor-imposed restrictions	<u> -</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 796,286</u>

(4) Property and Equipment

Property and equipment consist of the following as of August 31, 2019:

Land	\$ 169,009
Buildings	422,582
Furniture and equipment	<u>45,513</u>
Total	637,104
Less: Accumulated depreciation	<u>(43,683)</u>
Property and equipment, net	<u>\$ 593,421</u>

Depreciation expense for the year ended August 31, 2019 was \$17,651.

(5) Long-Term Debt

At August 31, 2019, long-term debt was comprised of the following:

Lafayette Public Trust Financing Authority \$550,000 note payable dated February 23, 2017, maturing May 2032. The terms of the loan include principal of \$400,000 bearing interest of 3% per annum and shall be payable in equal monthly installments of principal and interest in the amount of \$2,762 for a term of 180 months. Provided that all loan terms are met, beginning on the eleventh anniversary date of the note, \$30,000 shall be converted to a grant for each of the remaining years, for a total of \$150,000.

\$ 500,838

FESTIVAL INTERNATIONAL DE LOUISIANE, INC.
Lafayette, Louisiana

Notes to Consolidated Financial Statements

The maturities of long-term debt are as follows:

<u>Year ending</u> <u>August 31,</u>	<u>Principal</u>
2020	\$ 22,936
2021	23,634
2022	24,353
2023	25,094
2024	25,857
Thereafter	<u>378,964</u>
Total	<u>\$ 500,838</u>

(6) Litigation and Claims

The Organization was a defendant in a lawsuit filed by an individual alleging personal injury and damages. In November 2018 the parties negotiated a resolution to this claim. The settlement amount was fully covered by the Organization's insurance; therefore, no amounts related to this matter are reflected in the financial statements at August 31, 2019.

(7) Sales (Net of Direct Expenses)

The following is a schedule of the gross sales revenues and the related cost of revenues for the year ended August 31, 2019.

Gross sales revenue	\$1,021,395
Cost of revenues	<u>(379,371)</u>
Net sales revenue	<u>\$ 642,024</u>

(8) Risk Management

The Organization is exposed to risks of loss in the areas of health care, general liability, and workers' compensation. All of these risks are handled by purchasing commercial insurance coverage. There have been no significant reductions in the insurance coverage during the year. Insurance settlements have not exceeded insurance coverage the past three years.

(9) Concentration of Credit Risk

The Organization maintains cash account balances at financial institutions, which at times may exceed federally insured limits. Accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. At August 31, 2019, the Organization's cash balances (bank balances) exceeded the federally insured limit by approximately \$5,028. The Organization has not experienced any loss on such deposits.

FESTIVAL INTERNATIONAL DE LOUISIANE, INC.
Lafayette, Louisiana

Notes to Consolidated Financial Statements

(10) Schedule of Compensation, Benefits, and Other Payments to Agency Head

The Organization's agency head did not receive any compensation, benefits, or other payments from public funds.

(11) Fair Value Measurements

Generally accepted accounting principles require disclosure of an estimate of fair value of certain financial instruments. The Organization's significant financial instruments are cash and cash equivalents, long-term debt, and other short-term assets and liabilities. For these financial instruments, carrying values approximate fair value.

(12) Subsequent Events

Subsequent events have been evaluated through January 7, 2020, the date which the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

FESTIVAL INTERNATIONAL DE LOUISIANE, INC.
Lafayette, Louisiana

Consolidating Statement of Financial Position
August 31, 2019

	<u>Festival International de Louisiane, Inc.</u>	<u>Festival International de Louisiane Land Holdings, LLC</u>	<u>Eliminations</u>	<u>Consolidated</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 788,549	\$ -	\$ -	\$ 788,549
Receivables- Other	7,737	-	-	7,737
Inventory	13,998	-	-	13,998
Total current assets	<u>810,284</u>	<u>-</u>	<u>-</u>	<u>810,284</u>
Property and equipment, net	<u>67,191</u>	<u>526,230</u>	<u>-</u>	<u>593,421</u>
Other assets:				
Prepaid items	2,919	-	-	2,919
Trademark	590	-	-	590
Total other assets	<u>3,509</u>	<u>-</u>	<u>-</u>	<u>3,509</u>
Total assets	<u>\$ 880,984</u>	<u>\$ 526,230</u>	<u>\$ -</u>	<u>\$ 1,407,214</u>
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accrued liabilities	\$ 13,140	\$ -	\$ -	\$ 13,140
Current maturities of long-term debt	-	22,936	-	22,936
Total current liabilities	13,140	22,936	-	36,076
Noncurrent liabilities:				
Long-term debt, less current maturities	-	477,902	-	477,902
Total liabilities	13,140	500,838	-	513,978
Net assets:				
Without donor restrictions	<u>867,844</u>	<u>25,392</u>	<u>-</u>	<u>893,236</u>
Total liabilities and net assets	<u>\$ 880,984</u>	<u>\$ 526,230</u>	<u>\$ -</u>	<u>\$ 1,407,214</u>

FESTIVAL INTERNATIONAL DE LOUISIANE, INC.
Lafayette, Louisiana

Consolidating Statement of Activities
Year Ended August 31, 2019

	<u>Festival International de Louisiane, Inc.</u>	<u>Festival International de Louisiane Land Holdings, LLC</u>	<u>Eliminations</u>	<u>Consolidated</u>
Net assets without donor restrictions:				
Support-				
Contributions	\$ 585,698	\$ -	\$ -	\$ 585,698
Grants	84,605	-	-	84,605
Fundraising	58,959	-	-	58,959
In-kind contributions	<u>571,963</u>	<u>-</u>	<u>-</u>	<u>571,963</u>
Total unrestricted support	<u>1,301,225</u>	<u>-</u>	<u>-</u>	<u>1,301,225</u>
Revenue-				
Sales, net of direct expenses	642,024	-	-	642,024
Interest	6,466	-	-	6,466
Rental income	-	33,148	(33,148)	-
Miscellaneous	<u>19,000</u>	<u>-</u>	<u>-</u>	<u>19,000</u>
Total unrestricted revenue	<u>648,509</u>	<u>33,148</u>	<u>(33,148)</u>	<u>648,509</u>
Total support and revenue	<u>1,949,734</u>	<u>33,148</u>	<u>(33,148)</u>	<u>1,949,734</u>
Expenses-				
Program services:				
Programming	358,919	-	-	358,919
Production	727,142	-	-	727,142
Marketing and promotion	<u>371,358</u>	<u>-</u>	<u>-</u>	<u>371,358</u>
Total program services	<u>1,457,419</u>	<u>-</u>	<u>-</u>	<u>1,457,419</u>
Supporting services:				
Management and general	190,004	21,453	(33,148)	178,309
Fundraising	<u>183,071</u>	<u>-</u>	<u>-</u>	<u>183,071</u>
Total supporting services	<u>373,075</u>	<u>21,453</u>	<u>(33,148)</u>	<u>361,380</u>
Total expenses	<u>1,830,494</u>	<u>21,453</u>	<u>(33,148)</u>	<u>1,818,799</u>
Change in net assets	119,240	11,695	-	130,935
Net assets without donor restrictions, beginning of year	<u>748,604</u>	<u>13,697</u>	<u>-</u>	<u>762,301</u>
Net assets without donor restrictions, end of year	<u>\$ 867,844</u>	<u>\$ 25,392</u>	<u>\$ -</u>	<u>\$ 893,236</u>

**INTERNAL CONTROL,
COMPLIANCE
AND OTHER MATTERS**

KOLDER, SLAVEN & COMPANY, LLC

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INDEPENDENT AUDITOR'S 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*

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To the Board of Directors
Festival International de Louisiane, Inc.
Lafayette, Louisiana

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 consolidated financial statements of Festival International de Louisiane, Inc. (a nonprofit organization) and affiliate, which comprise the consolidated statement of financial position as of August 31, 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated January 7, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Festival International de Louisiane, Inc.'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 Festival International de Louisiane, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of current and prior year audit findings and management's corrective action plan as item 2019-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Festival International de Louisiane, Inc.'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*.

Festival International de Louisiane, Inc.'s Response to Findings

The Organization's response to the findings identified in our audit is described in the accompanying schedule of current and prior year audit findings and management's corrective action plan. The Organization's response was not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on it.

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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suited for any other purpose. Although the intended use of this report may be limited, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Lafayette, Louisiana
January 7, 2020

FESTIVAL INTERNATIONAL DE LOUISIANE, INC.
Lafayette, Louisiana

Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan
Year Ended August 31, 2019

Part I: Current Year Findings and Management's Corrective Action Plan

A. Internal Control Over Financial Reporting

2019-001 Inadequate Segregation of Accounting Functions

Fiscal year finding initially occurred: 2013

CONDITION: The Organization did not have adequate segregation of functions within the accounting system.

CRITERIA: AU-C§315.04, *Understanding the Entity and its Environment and Assessing the Risks of Material Misstatement*, defines internal control as follows:

“Internal control is a process, affected by those charged with governance, management, and other personnel, designed to provide reasonable assurance about the achievement of objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.”

CAUSE: The cause of the condition is the fact that the Organization does not have a sufficient number of staff performing administrative and financial duties so as to provide adequate segregation of accounting and financial duties.

EFFECT: Failure to adequately segregate accounting and financial functions increases the risk that errors and/or irregularities including fraud and/or defalcations may occur and not be prevented and/or detected.

RECOMMENDATION: Management should evaluate the cost vs. benefit of complete segregation and whenever possible, reassign incompatible duties among different employees to ensure that a single employee does not have control of more than one of the following responsibilities: (1) authorization; (2) custody; (3) record keeping; and (4) reconciliation.

MANAGEMENT'S CORRECTIVE ACTION PLAN: The Organization has evaluated processes within the accounting system and has reassigned incompatible duties among different employees to ensure that a single employee does not have control of more than one of the following responsibilities: (1) authorization; (2) custody; (3) record keeping; and (4) reconciliation.

B. Compliance

There were no compliance findings.

FESTIVAL INTERNATIONAL DE LOUISIANE, INC.
Lafayette, Louisiana

Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan (Continued)
Year Ended August 31, 2019

Part II: Prior Year Findings:

A. Internal Control Over Financial Reporting

2018-001 Inadequate Segregation of duties

CONDITION: The Organization did not have adequate segregation of functions within the accounting system.

RECOMMENDATION: Management should evaluate the cost vs. benefit of complete segregation and whenever possible, reassign incompatible duties among different employees to ensure that a single employee does not have a control of more than one of the following responsibilities: (1) authorization; (2) custody; (3) recording keeping; and (4) reconciliation..

CURRENT STATUS: Unresolved. See item 2019-001.