

Financial Report

French Quarter Festivals, Inc.

December 31, 2021



Financial Report

French Quarter Festivals, Inc.

December 31, 2021

TABLE OF CONTENTS

French Quarter Festivals, Inc. New Orleans, Louisiana

December 31, 2021

	<u>Page Numbers</u>
Financial Section	
Independent Auditor's Report	1 - 3
Exhibits	
A - Statement of Financial Position	4
B - Statement of Activities	5
C - Statement of Functional Expenses	6
D - Statement of Cash Flows	7
E - Notes to Financial Statements	8 - 20
Supplemental Information	
Schedules	
1 - Schedule of Compensation, Benefits, and Other Payments to Agency Head or Chief Executive Officer	21
Special Reports of Certified Public Accountants	
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 <i>Government Auditing Standards</i>	22 - 23
Schedule of Findings and Responses	24 - 25

TABLE OF CONTENTS
(Continued)

	<u>Page Numbers</u>
Report by Management	
Management's Corrective Action Plan	26
Statewide Agreed-Upon Procedures	
Independent Accountant's Report on Applying Agreed-Upon Procedures	27 - 28
2 - Schedule of Procedures and Associated Findings of the Statewide Agreed-Upon Procedures	29 - 43

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors,
French Quarter Festivals, Inc.,
New Orleans, Louisiana.

Opinion

We have audited the accompanying financial statements of French Quarter Festivals, Inc. (the "Organization") (a non-profit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2021, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Compensation, Benefits, and Other Payments to Agency Head or Chief Executive Officer (Schedule 1) is presented for purposes of additional analysis, is required by Louisiana Revised Statute 24:513(A)(3), 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 June 14, 2022, on our consideration of the Organization'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 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 the Organization's internal control over financial reporting and compliance.



Certified Public Accountants.

New Orleans, Louisiana,
June 14, 2022.

STATEMENT OF FINANCIAL POSITION**French Quarter Festivals, Inc.**
New Orleans, Louisiana

December 31, 2021

ASSETS

Cash	\$2,426,713
Accounts receivable	67,990
Investments, at fair value	1,146,172
Property and equipment, net	<u>3,621</u>
Total assets	<u><u>\$3,644,496</u></u>

LIABILITIES

Accounts payable	\$ 6,110
Accrued payroll liabilities	5,432
Accrued interest	6,680
Deferred revenue	1,092,523
Note payable	<u>150,000</u>
Total liabilities	1,260,745

NET ASSETS

Without donor restrictions:	
Undesignated	415,342
Board designated	<u>1,146,172</u>
Total unrestricted net assets	1,561,514
With donor restrictions	822,237
Total net assets	<u>2,383,751</u>
Total liabilities and net assets	<u><u>\$3,644,496</u></u>

See notes to financial statements.

STATEMENT OF ACTIVITIES

French Quarter Festivals, Inc.
New Orleans, Louisiana

For the year ended December 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
Revenues and Other Support			
Grants	\$1,294,413	\$817,737	\$2,112,150
Contributions	284,391	-	284,391
Sponsorship revenue	269,711	-	269,711
Paycheck Protection Program loan forgiveness	131,900	-	131,900
Food and beverage sales	52,098	-	52,098
Sustainability contract	44,385	-	44,385
Ticket sales	41,874	-	41,874
Investment income	37,961	-	37,961
Advertising	26,898	-	26,898
Merchandise sales	22,401	-	22,401
Miscellaneous	5,961	-	5,961
	<u>2,211,993</u>	<u>817,737</u>	<u>3,029,730</u>
Net assets released from restrictions	<u>-</u>	<u>-</u>	<u>-</u>
	<u>2,211,993</u>	<u>817,737</u>	<u>3,029,730</u>
Expenses			
Program services	1,424,757	-	1,424,757
Management and general	147,500	-	147,500
Fundraising	9,516	-	9,516
	<u>1,581,773</u>	<u>-</u>	<u>1,581,773</u>
Increase in Net Assets	630,220	817,737	1,447,957
Net Assets			
Beginning of year	<u>931,294</u>	<u>4,500</u>	<u>935,794</u>
End of year	<u>\$1,561,514</u>	<u>\$822,237</u>	<u>\$2,383,751</u>

See notes to financial statements.

STATEMENT OF FUNCTIONAL EXPENSES**French Quarter Festivals, Inc.**
New Orleans, Louisiana

For the year ended December 31, 2021

	Program Services	Management and General	Fundraising	Totals
Salaries	\$ 562,785	\$ 85,072	\$6,544	\$ 654,401
Music expense	213,974	-	-	213,974
Event logistics	151,998	-	-	151,998
Payroll taxes and benefits	121,706	18,397	1,415	141,518
In-kind sponsorship	134,570	-	-	134,570
Rent	70,104	10,597	815	81,516
Food and beverage	34,921	-	-	34,921
Technology	27,898	-	-	27,898
Miscellaneous	20,892	3,158	243	24,293
Insurance	20,753	3,137	241	24,131
Utilities	18,578	2,808	216	21,602
Advertising and promotions	14,183	-	-	14,183
Merchandise expense	13,090	-	-	13,090
Bank fees	-	7,860	-	7,860
Festival events	7,063	-	-	7,063
Interest	-	6,680	-	6,680
Sponsorship expense	6,507	-	-	6,507
Dues and subscriptions	-	5,749	-	5,749
Depreciation	3,561	538	42	4,141
Professional fees	-	2,595	-	2,595
Volunteer expense	2,174	-	-	2,174
Bad debt	-	909	-	909
	<u>\$1,424,757</u>	<u>\$147,500</u>	<u>\$9,516</u>	<u>\$1,581,773</u>
Total expenses	<u>\$1,424,757</u>	<u>\$147,500</u>	<u>\$9,516</u>	<u>\$1,581,773</u>

See notes to financial statements.

STATEMENT OF CASH FLOWS**French Quarter Festivals, Inc.**
New Orleans, Louisiana

For the year ended December 31, 2021

Cash Flows From Operating Activities	
Increase in net assets	\$ 1,447,957
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Bad debt	909
Depreciation	4,141
Paycheck Protection Program loan forgiveness	(131,900)
Increase in assets:	
Accounts receivable	(59,970)
Increase (decrease) in liabilities:	
Accounts payable	4,026
Accrued payroll liabilities	(1,956)
Accrued interest	6,680
Deferred revenues	(235,971)
Net cash provided by operating activities	<u>1,033,916</u>
Cash Flows From Investing Activities	
Reinvestment of interest	(33,384)
Proceeds from sales of investments	<u>117,878</u>
Net cash provided by investing activities	<u>84,494</u>
Cash Flows From Financing Activities	
Proceeds from Paycheck Protection Program loan	<u>131,900</u>
Net Increase in Cash	1,250,310
Cash	
Beginning of year	<u>1,176,403</u>
End of year	<u><u>\$2,426,713</u></u>
Supplemental Disclosure of Cash Flow Information	
Cash paid during the year for interest	<u><u>\$ -</u></u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS**French Quarter Festivals, Inc.**
New Orleans, Louisiana

December 31, 2021

Note 1 - NATURE OF OPERATIONS

French Quarter Festivals, Inc. (the "Organization") is a not-for-profit organization established in 1984. The Organization's mission is to promote the Vieux Carre and the City of New Orleans through high quality special events and activities that showcase the culture and heritage of this unique city, contribute to the economic well-being of the community, and instill increased pride in the people of New Orleans. To accomplish this mission, the Organization annually produces three festivals: French Quarter Festival, Satchmo SummerFest, and Holidays New Orleans Style.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**a. Organization and Income Taxes**

French Quarter Festivals, Inc. is a non-profit organization organized under the laws of the State of Louisiana and is exempt from Federal income tax under Section 501 (c)(3) of the Internal Revenue Code (IRC).

Accounting standards provide detailed guidance for financial statement recognition, measurement, and disclosures of uncertain tax positions recognized in an entity's financial statements. It requires an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will not be sustained upon examination. Tax years ended December 31, 2018 and later remain subject to examination by the taxing authorities. As of December 31, 2021, management of the Organization believes that it has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

b. Basis of Accounting

The financial statements of the Organization are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as promulgated by the Financial Accounting Standards Board. Under this method, revenues are recognized when earned, and expenses are recorded when incurred.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Basis of Presentation

The Organization has classified its net assets, revenues, and expenses based on the existence or absence of donor-imposed restrictions.

Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Support, revenues, and expenses for the general operation of the Organization. The Board has designated certain of its net assets without donor restrictions for a contingency fund.

Net Assets With Donor Restrictions - Contributions and grants specifically authorized by the grantor or donor to be used for a certain purpose or to benefit a specific accounting period.

d. 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 disclosures of contingent matters at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

e. Cash and Cash Equivalents

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. The Organization did not have any cash equivalents as of December 31, 2021.

f. Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probably uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. As of December 31, 2021, management has determined that no allowance is necessary.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Investments

Investments are reported at contract value. (See Note 5.)

h. Property and Equipment

Property and equipment consist of equipment and is stated at cost or, if contributed, at fair market value at date of donation, net of accumulated depreciation. Repairs and maintenance are charged to expense as incurred; major renewals and betterments are capitalized. Depreciation provided on a straight-line basis over the estimated useful lives of the related assets. Equipment is depreciated over five years. Only major replacements and improvements with a cost in excess of \$5,000 are capitalized and included in property and equipment.

i. Deferred Revenue

Sponsorships and revenue from contracts not yet performed are deferred and recognized as revenue in the period in which the obligations are completed.

j. Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions.

Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contributions are recognized. All other donor-restricted contributions are reported as an increase in net assets with donor restrictions. When a 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 are reported in the Statement of Activities as net assets released from restrictions.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k. Donated Services

Donated services are reflected as contributions in the accompanying financial statements at their estimated values at the date of receipt. The Organization receives a substantial amount of donated services from unpaid volunteers who assist in carrying out the Organization's mission. No amounts have been recorded in the financial statements for donated services from unpaid volunteers because they did not meet the criteria for recognition and there is no objective basis available to measure the value of such services.

l. Designated Net Assets

As of December 31, 2021, the Board of Directors designated \$1,146,172 of its net assets to be held for contingencies such as festival rain-outs.

m. Revenue Recognition

The Organization has multiple sources of revenue that are accounted for as an exchange transaction including sponsorship agreements, sustainability contracts and vending agreements.

Because the Organization's performance obligations relate to contracts with a duration of less than one year, the Organization has elected to apply the optional exemption provided in the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) Topic 606, "*Revenue from Contracts with Customers*", and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. There are no incremental costs of obtaining a contract and no significant financing components.

Sponsorship revenues consist of amounts that sponsoring organizations pay in order to be recognized and receive advertising and other benefits in return for their contribution to the production of a festival. Sponsors provide revenues and receive benefits of varying levels.

Sustainability contracts consist of amounts paid by outside organizations in return for festivals operated by the Organization meeting or exceeding certain sustainability goals specified in contracts.

Vending agreements consist of amounts paid by vendors to maintain a space at festivals to sell food and merchandise.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

n. Functional Allocation of Expenses

Most expenses can be directly allocated to programs or supporting functions. The financial statements also report certain categories expenses that are attributable to both programs and supporting functions. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated included salaries and payroll taxes and benefits which are allocated on the basis of estimates of time and effort. Additionally, rent, miscellaneous, insurance, utilities, and depreciation are allocated based on estimated use of utilization.

o. Recently Issued Accounting Standards

Leases

In February 2016, the FASB issued ASU No. 2016-02, "*Leases*". This ASU requires that a lease liability and related right-of-use-asset representing the lessee's right to use or control the asset be recorded on the statement of financial position upon the commencement of all leases except for short-term leases. Leases will be classified as either finance leases or operating leases, which are substantially similar to the classification criteria for distinguishing between capital leases and operating in existing lease accounting guidance. As a result, the effect of leases in the Statement of Activities and the Statement of Cash Flows will be substantially unchanged from the existing lease accounting guidance. The ASU is effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. The Organization is currently evaluating the full effect that the adoption of this standard will have on its financial statements.

In November 2021, the FASB issued ASU No. 2021-09, "*Lease Discount Rate for Leases That Are Not Public Business Entities*" (Topic 842) "*Discount Rate for Lessees That Are Not Public Business Entities*" (ASU No. 2021-09). This ASU currently provides lessees that are not public business entities with a practical expedient that allows them to elect, as an accounting policy, to use a risk-free rate as the discount rate for all leases. The amendments in this update allow those lessees to make the risk-free rate election by class of underlying asset, rather than at the entity-wide level. An entity that makes the risk-free rate election is required to disclose which asset classes it has elected to apply a risk-free rate. The amendments require that when the rate implicit in the lease is readily determinable for any individual lease, the lessee use that rate (rather than a risk-free rate or an incremental borrowing rate), regardless of whether it has made the risk-free rate election. Entities that have not yet adopted Topic 842 as of November 11, 2021, are required to adopt the amendments in this update at the same time that they adopt Topic 842.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o. Recently Issued Accounting Standards (Continued)

Contributed Non-Financial Assets

In September 2020, the FASB issued ASU No. 2020-07, "*Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*" Topic (958). The ASU requires nonprofits to change their financial statement presentation and disclosure of contributed nonfinancial assets, or gifts-in-kind. The FASB issued the update in an effort to improve transparency in reporting nonprofit gifts-in-kind. The ASU is effective for fiscal years beginning after June 15, 2022. The Organization is currently evaluating the full effect that the adoption of this standard will have on the financial statements.

p. Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to December 31, 2021, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended December 31, 2021. Management has performed their analysis through June 14, 2022, the date the financial statements were available to be issued.

Note 3 - CONCENTRATION OF CREDIT RISK

The Organization maintains cash balances at several local financial institutions where they are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution. As of December 31, 2021, the Organization had approximately \$1,900,000 of cash deposits in excess of the insured limits.

Note 4 - INVESTMENTS

Investments of the Organization are invested in an annuity contract. The investment contract is fully benefit-responsive. Contract value is the relevant measurement attribute for the investments. Contract value, as reported by the issuer, represents contributions made to the contract, plus earnings, less withdrawals and administrative expenses. The Organization may direct the withdrawal or transfer of all or a portion of the investment contract value.

The issuer guarantees the interest rate earned on funds in the contract. The guaranteed rate is declared annually (3% as of December 31, 2021).

Note 4 - INVESTMENTS (Continued)

During the year ended December 31, 2021, the Organization's investments in the annuity contract appreciated in value by \$33,384.

The Organization recognized interest income of \$4,577 during the year ended December 31, 2021.

Note 5 - FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under the Financial Accounting Standards Board Accounting Standards Codification Topic 820, Fair Value Measurements are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Note 5 - FAIR VALUE MEASUREMENTS (Continued)

Annuity Contract: Valued at the net asset value (NAV) of the annuity contract. The NAV, as provided by the issuer, is used as a practical expedient to estimate fair value. The NAV is based on the contract value of the amounts contributed into the account; less any withdrawals or transfers out plus accrued interest. Earnings are determined by the daily crediting of interest which is subject to minimum contractual guarantees.

The methodologies described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation method is 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 a different fair value measurement at the reporting date.

The following table sets forth by level within the fair value hierarchy, the Organization's investments at fair value as of December 31, 2021:

Description	Based on			Total
	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	
Investments measured at contract value*	\$ -	\$ -	\$ -	\$ 1,146,172

* In accordance with FASB ASC Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statement of financial position.

The following table summarizes investments for which fair value is measured using NAV per share as a practical expedient as of December 31, 2021:

	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Annuity contract	\$ 1,146,172	N/A	Daily	N/A

As of December 31, 2021, there were no assets measured at fair value on a non-recurring basis.

Note 6 - PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2021 consists of the following:

Computer equipment	\$43,055
Less accumulated depreciation	<u>(39,434)</u>
Total	<u>\$ 3,621</u>

Depreciation expense totaled \$4,141 for the year ended December 31, 2021.

Note 7 - DEFERRED REVENUE

As of December 31, 2021 the Organization's deferred revenue consists of the following:

Sponsorships	\$ 749,325
Sustainability contract	123,647
Music sponsorships	85,787
Food vendor fees	76,864
Ticket sales	<u>56,900</u>
Total	<u>\$1,092,523</u>

Note 8 - NOTE PAYABLE

On May 30, 2020, the Organization received a \$150,000 loan from the United States Small Business Administration (SBA) under the Economic Injury Disaster Loan (EIDL) program. The loan bears interest at a rate of 2.75% and is payable in equal monthly payments of principal and interest of \$641 beginning 24 months after the date of the loan and continuing for 30 years, with all unpaid principal and interest due at maturity. The loan is secured by substantially all assets owned by the Organization.

Note 8 - NOTE PAYABLE (Continued)

Future principal payments on the EIDL loan as of December 31, 2021 are summarized as follows:

<u>Year Ending</u> <u>December 31,</u>	
2022	\$ -
2023	-
2024	1,125
2025	3,644
2026	3,745
Thereafter	<u>141,486</u>
Total	<u>\$150,000</u>

Interest expense on the note totaled \$6,680 for the year ended December 31, 2021.

Note 9 - PAYCHECK PROTECTION PROGRAM LOAN FORGIVENESS

On March 30, 2021, the Organization received a \$131,900 loan from Fidelity Bank under the Paycheck Protection Program (PPP) of the SBA. Interest on the loan is 1%. This loan was repaid by SBA (forgiven) on September 8, 2021 and recorded as revenue on the Statement of Activities.

Note 10 - LINE OF CREDIT

On March 17, 2020, the Organization entered into a \$250,000 line of credit agreement with a local bank with a variable interest rate of Wall Street Journal Prime plus 1%. Interest on the line was 4.25% as of December 31, 2021. The line expired on March 17, 2022 and was not renewed. As of December 31, 2021, there was no outstanding balance on the line of credit.

Note 11 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31, 2021 are restricted for the following purposes or periods:

Net assets with donor restrictions:	
Restricted for:	
Subsequent periods	\$567,237
Specific festivals	<u>255,000</u>
Total	<u><u>\$822,237</u></u>

Note 12 - IN-KIND SUPPORT

During the year ended December 31, 2021 the Organization received support from donors in-kind. The value of in-kind goods and services received are based on estimates provided by donors and reviewed by management. During the year ended December 31, 2021, in-kind support was comprised of the following:

Media and advertising	\$ 71,700
Festival space	29,170
Food and beverages	16,160
Hotel rooms	14,140
Other	<u>3,400</u>
Total	<u><u>\$134,570</u></u>

Note 13 - GOVERNMENT GRANTS

Government grants require the fulfillment of certain conditions as set forth in the grant instruments. The Organization intends to fulfill the conditions of all grants, recognizing that failure to fulfill the conditions could result in the return of the funds to granters.

Note 14 - OPERATING LEASES

The Organization entered into a lease agreement for office space on June 7, 2017, which expires June 30, 2022. The lease calls for payments of \$6,586 per month increasing annually at a rate of 3%. From April 2020 through March 2021, the lessor reduced rent in response to the Coronavirus (COVID-19) pandemic. In addition, the Organization leases various storage spaces and equipment used in operations at amounts ranging from \$174 to \$400 per month.

Note 14 - OPERATING LEASES (Continued)

Rent expense related to the office lease totaled \$81,516 for the year ended December 31, 2021. Rent expense for the storage space and equipment totaled \$12,450 and is included in miscellaneous expenses in the accompanying Statement of Functional Expenses for the year ended December 31, 2021.

Future minimum lease payments under these non-cancellable operating leases as of December 31, 2021 are as follows:

<u>Year Ending</u> <u>December 31,</u>	
2022	<u>\$43,182</u>

Note 15 - AVAILABILITY OF FINANCIAL ASSETS

The Organization is substantially supported by sponsorship and grant revenue. The Organization may also be supported by contributions with or without donor restrictions in various years. If the Organization receives a donation where a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditures within one year. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. The Organization has established guidelines for making decisions related to managing short-term cash reserves in a prudent manner.

Note 15 - AVAILABILITY OF FINANCIAL ASSETS (Continued)

The following reflects the Organization's financial assets as of December 31, 2021 reduced by amounts not available for general use because of donor-imposed restrictions and other limitations:

Financial assets:	
Cash	\$ 2,426,713
Accounts receivable	67,990
Investments, at fair value	<u>1,146,172</u>
Total financial assets	3,640,875
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions:	
Restricted by donor with time or purpose restrictions	<u>(822,237)</u>
Financial assets available to meet cash needs for general expenditures within one year before governing board designations	2,818,638
Less: Governing board designations	<u>(1,146,172)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,672,466</u>

SUPPLEMENTAL INFORMATION

**SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER
PAYMENTS TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER**

French Quarter Festivals, Inc.

New Orleans, Louisiana

December 31, 2021

Agency Head Name: Emily Madero, President and Chief Executive Officer

Purpose

Salary	\$ 188,443
Benefits - insurance	13,534
Benefits - deferred compensation - 457(f)	0
Benefits - retirement - 401k	4,642
Benefits - other	0
Car allowance	0
Gas	0
Vehicle provided by government	0
Per diem	0
Reimbursements	0
Travel	0
Registration fees	0
Conference travel	0
Continuing professional education fees	0
Housing	0
Unvouchered expenses	0
Special meals	0
	<hr/>
	<u><u>\$206,619</u></u>

SPECIAL REPORTS OF CERTIFIED PUBLIC ACCOUNTANTS

**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**

To the Board of Directors,
French Quarter Festivals, Inc.,
New Orleans, Louisiana.

We have audited, 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, the financial statements of French Quarter Festivals, Inc. (the "Organization") (a non-profit organization), which comprise the statement of financial position as of December 31, 2021, 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 June 14, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization'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 Organization'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 over financial reporting 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatements, 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 financial statements. 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 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants.

New Orleans, Louisiana,
June 14, 2022.

Section III - Federal Award Findings and Questioned Costs

Internal Control/Compliance

The Organization did not expend more than \$750,000 in Federal awards during the year ended December 31, 2021 and, therefore, was exempt from the audit requirements under the *Uniform Guidance*.

REPORT BY MANAGEMENT

MANAGEMENT'S CORRECTIVE ACTION PLAN

French Quarter Festivals, Inc.
New Orleans, Louisiana

For the year ended December 31, 2021

Section I - Internal Control Over Financial Reporting and Compliance and Other Matters Material to the Financial Statements

Internal Control Over Financial Reporting

No material weaknesses were reported during the audit of the financial statements for the year ended December 31, 2021.

No significant deficiencies were reported during the audit of the financial statements for the year ended December 31, 2021.

Compliance and Other Matters

No compliance findings material to the financial statements were reported during the audit for the year ended December 31, 2021.

Section II - Internal Control and Compliance Material to Federal Awards

The Organization did not expend more than \$750,000 in Federal awards during the year ended December 31, 2021 and, therefore, was exempt from the audit requirements under the *Uniform Guidance*.

Section III - Management Letter

A management letter was not issued in connection with the audit for the year ended December 31, 2021.

STATEWIDE AGREED-UPON PROCEDURES

INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES

To the Board of Directors,
French Quarter Festivals, Inc.,
New Orleans, Louisiana.

We have performed the procedures described in Schedule 2 on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA) Statewide Agreed-Upon Procedures (SAUP) for the fiscal period January 1, 2021 through December 31, 2021. French Quarter Festivals, Inc. (the "Organization") management is responsible for those C/C areas identified in the SAUPs.

The Organization has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in the LLA's SAUPs for the fiscal period January 1, 2021 through December 31, 2021. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purpose. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are described in Schedule 2.

We were engaged by the Organization to perform this agreed-upon procedures engagement and conducted our engagement in accordance with the attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on these 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.

We are required to be independent of the Organization and to meet out other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended 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.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, Louisiana,
June 14, 2022.

SCHEDULE OF PROCEDURES AND ASSOCIATED FINDINGS
OF THE STATEWIDE AGREED-UPON PROCEDURES

French Quarter Festivals, Inc.
New Orleans, Louisiana

For the year ended December 31, 2021

The required procedures and our findings are as follows:

Procedures Performed on the Organization's Written Policies and Procedures:

1. Obtain and inspect the Organization's written policies and procedures and observe that they address each of the following categories and subcategories if applicable to public funds and the Organization's operations:
 - a) Budgeting, including preparing, adopting, monitoring, and amending the budget.
Performance: Obtained and read the written policy for budgeting, and found it to address all the functions listed above.
Exceptions: There were no exceptions noted.
 - 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.
Performance: Obtained and read the written policy for purchasing, and found it to address all the functions listed above.
Exceptions: There were no exceptions noted.
 - c) Disbursements, including processing, reviewing, and approving.
Performance: Obtained and read the written policy for disbursements, and found it to address all the functions listed above.
Exceptions: There were no exceptions noted.
 - d) Receipts/Collections, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of each type of revenue.
Performance: Obtained and read the written policy for receipts/collections, and found it to address all the functions listed above.
Exceptions: There were no exceptions noted.

Procedures Performed on the Organization's Written Policies and Procedures: (Continued)

- e) Payroll/Personnel, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.
Performance: Obtained and read the written policy for payroll and personnel, and found it to address all the functions listed above.
Exceptions: There were no exceptions noted.

- 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.
Performance: Obtained and read the written policy for contracting, and found it to address all the functions listed above.
Exceptions: There were no exceptions noted.

- 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).
Performance: Obtained and read the written policy for credit cards, and found it to address all the functions listed above.
Exceptions: There were no exceptions noted.

- h) Travel and expense reimbursement, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
Performance: Obtained and read the written policy for travel and expense reimbursement, and found it to address all the functions listed above.
Exceptions: There were no exceptions noted.

- 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 Organization's ethics policy.
Not applicable for not-for-profit entities.

- j) Debt Service, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
Not applicable for not-for-profit entities.

Procedures Performed on the Organization's Written Policies and Procedures: (Continued)

- k) Information Technology 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.

Performance: Requested the Organization's information technology disaster recovery/business continuity policy.

Exceptions: There was no formalized written policy in place during the year ended December 31, 2021.

- l) Sexual Harassment, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Not applicable for not-for-profit entities.

Procedures Performed on the Organization's Board:

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period and:

- a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.

Performance: The Organization's bylaws are silent as to the frequency of meetings required. We obtained and read minutes from six board meetings during the year ended December 31, 2021 and six finance committee meetings. The frequency of and quorum representation of those meetings was considered to be appropriate.

Exceptions: There were no exceptions noted.

- b) For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds. *Alternatively, for entities reporting on the nonprofit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those funds comprised more than 10% of the entity's collections during the fiscal period.*

Performance: Inspected meeting minutes and determined that the minutes referenced or included budget-to-actual comparisons relating to public funds.

Exceptions: There were no exceptions noted.

Procedures Performed on the Organization's Board: (Continued)

- c) For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observed that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

Not applicable. The Organization is a nonprofit organization. The governmental accounting model is not applicable.

Procedures Performed on the Organization's Bank Reconciliations:

- 3. Obtain a listing of the Organization's bank accounts from management and management's representation that the listing is complete. Ask management to identify the main operating account. Select the Organization's main operating account and select four 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:

Performance: Obtained the listing of bank accounts from management and received management's representation in a separate letter that the listing is complete.

Exceptions: There were no exceptions noted.

- a) Bank reconciliations include evidence that they were prepared within two months of the related statement closing date (e.g., initialed and dated, electronically logged); and

Performance: Obtained monthly bank reconciliation for the month of December for the main operating bank account and four other accounts. Inspected management's documentation for timely preparation of the bank reconciliations.

Exceptions: There were no exceptions noted.

- b) Bank reconciliations include evidence that a member of management who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

Performance: Inspected the Organization's documentation for the December bank reconciliation for the 5 bank accounts and verified a member of management who does not handle cash, post ledger, or issue checks has reviewed the bank reconciliation.

Exceptions: There were no exceptions noted.

- 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.

Performance: Inspected documents for items outstanding for more than 12 months. We noted no checks outstanding for longer than 12 months as of the end of the fiscal period.

Exceptions: There were no exceptions noted.

Procedures Performed on the Organization's Collections:

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/check/money order (cash) are prepared and management's representation that the listing is complete. Select 5 deposit sites (or all deposit sites if less than 5).

Performance: Obtained the listing of deposit sites from management, and received management's representation in a separate letter that the listing is complete. Selected the sole location for testing.

Exceptions: There were no exceptions noted.

5. 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 (e.g., 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:

Performance: Obtained the listing of collection locations from management, and received management's representation in a separate letter that the listing is complete. Selected the sole location for testing.

Exceptions: There were no exceptions noted.

- a) Employees that are responsible for cash collections do not share cash drawers/registers.
Performance: Inspected policy manuals, inquired of client as to all of the requirements.
Exceptions: There were no exceptions noted.
- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless other employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit.
Performance: Inspected policy manuals, inquired of client as to all of the requirements.
Exceptions: There were no exceptions noted.
- 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.
Performance: Inspected policy manuals, inquired of client as to all of the requirements.
Exceptions: There were no exceptions noted.
- 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.
Performance: Inspected policy manuals, inquired of client as to all of the requirements.
Exceptions: There were no exceptions noted.

Procedures Performed on the Organization's Collections: (Continued)

6. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe the bond or insurance policy for theft was enforced during the fiscal period.

Performance: Obtained a copy of the insurance policy for theft covering all employees who have access to cash. Observed that the insurance policy for theft was enforced during the fiscal period.

Exceptions: There were no exceptions noted.

7. Randomly select two deposit dates for each of the Organization's 5 bank accounts selected for procedures #3 under "Procedures Performed on the Organization's 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 selected and:

- a) Observe that receipts are sequentially pre-numbered.

Performance: Obtained supporting documentation for the selected deposits and observed that receipts were sequentially pre-numbered.

Exceptions: There were no exceptions noted.

- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

Performance: Traced supporting documentation to the deposit slip.

Exceptions: There were no exceptions noted.

- c) Trace the deposit slip total to the actual deposit per the bank statement.

Performance: Traced deposit slip total to actual deposit per bank statement.

Exceptions: There were no exceptions noted.

- 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 and any cash is stored securely in a locked safe or drawer).

Performance: Observed that the deposits tested were made within one business day of receipt.

Exceptions: There were no exceptions noted.

- e) Trace the actual deposit per the bank statement to the general ledger.

Performance: Traced the actual deposit per the bank statement to the general ledger.

Exceptions: There was no exceptions noted.

Procedures Performed on the Organization's Non-Payroll Disbursements (Excluding Card Purchases/Payments, Travel Reimbursements, and Petty Cash Purchases):

8. Obtain a listing of locations that process payments for the fiscal period, and management's representation that the listing is complete. Select 5 locations (or all locations if less than 5).

Performance: Obtained a listing of locations that process payments for the fiscal period from management, and received management's representation in a separate letter that the listing is complete. Selected the sole location for testing.

Exceptions: There were no exceptions noted.

9. For each location selected under #8 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 Organization 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.

Performance: Obtained a listing of employees involved in initiating a purchase request, approving a purchasing, and placing an order/making a purchase. Observed at least two employees are involved.

Exceptions: There were no exceptions noted.

- b) At least two employees are involved in processing and approving payments to vendors.

Performance: Obtained a listing of employees involved in processing and approving payments to vendors. Observed at least two employees are involved.

Exceptions: There were no exceptions noted.

- c) The employees responsible for processing payments are prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

Performance: Obtained a listing of employees involved in processing payments to vendors. Management confirmed and we observed that no employees processing payments are involved in adding/modifying vendor files.

Exceptions: There were no exceptions noted.

- 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.

Performance: Obtained a listing of employees involved with signing and mailing checks and verified they are not involved in the processing of payments.

Exceptions: There were no exceptions noted.

Procedures Performed on the Organization's Non-Payroll Disbursements (Excluding Card Purchases/Payments, Travel Reimbursements, and Petty Cash Purchases):

10. For each location selected under #8 above, obtain the Organization's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Select 5 disbursements for each location, obtain supporting documentation for each transaction and:

Performance: Obtained the Organization's non-payroll disbursement transaction population and management's representation in a separate letter that the population is complete.

Selected 5 disbursements from the sole location that processes payment for testing.

Exceptions: There were no exceptions noted.

- a) Observe that the disbursement matched the related original invoice/billing statement.

Performance: Observed the 5 disbursements matched the related original invoice/billing statements.

Exceptions: There were no exceptions noted.

- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Performance: Observed the 5 disbursements included evidence of segregation of duties.

Exceptions: There were no exceptions noted.

Procedures Performed on the Organization's Credit Cards, Debit Cards, Fuel Cards, P-Cards:

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

Not applicable as the Organization does not expend any public funds to repay amounts charged to credit cards, bank debit cards, fuel cards, and P-cards. Further noted that the public funds activity is limited to a singular account for which no debit card was used during the year.

12. Using the listing prepared by management, select 5 cards (or all cards if less than 5) that were used during the fiscal period, rotating cards each year. Select one monthly statement or combined statement for each card (for a debit card, select one monthly bank statement), obtain supporting documentation, and:

Procedures Performed on the Organization's Credit Cards, Debit Cards, Fuel Cards, P-Cards:

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder.

Not applicable as the Organization does not expend any public funds to repay amounts charged to credit cards, bank debit cards, fuel cards, and P-cards. Further noted that the public funds activity is limited to a singular account for which no debit card was used during the year.

- b) Observed that finance charges and/or late fees were not assessed on the selected statements.

Not applicable as the Organization does not expend any public funds to repay amounts charged to credit cards, bank debit cards, fuel cards, and P-cards. Further noted that the public funds activity is limited to a singular account for which no debit card was used during the year.

- 13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e., each card should have 10 transactions subject to testing).

- a) For each transaction, report whether the transaction is supported by:

- 1) An original itemized receipt that identifies precisely what was purchased.

Not applicable as the Organization does not expend any public funds to repay amounts charged to credit cards, bank debit cards, fuel cards, and P-cards. Further noted that the public funds activity is limited to a singular account for which no debit card was used during the year.

- 2) Written documentation of the business/public purpose.

Not applicable as the Organization does not expend any public funds to repay amounts charged to credit cards, bank debit cards, fuel cards, and P-cards. Further noted that the public funds activity is limited to a singular account for which no debit card was used during the year.

- 3) Documentation of the individuals participating in meals (for meal charges only).

Not applicable as the Organization does not expend any public funds to repay amounts charged to credit cards, bank debit cards, fuel cards, and P-cards. Further noted that the public funds activity is limited to a singular account for which no debit card was used during the year.

Procedures Performed on the Organization's Travel and Travel-Related Expense Reimbursements:

14. Obtain from management a listing of all travel and related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

Not applicable as the Organization does not expend any public funds to repay amounts charged for travel and travel-related expenses.

- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

Not applicable as the Organization does not expend any public funds to repay amounts charged for travel and travel-related expenses.

- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

Not applicable as the Organization does not expend any public funds to repay amounts charged for travel and travel-related expenses.

- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedures #1h).

Not applicable as the Organization does not expend any public funds to repay amounts charged for travel and travel-related expenses.

- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving the reimbursement.

Not applicable as the Organization does not expend any public funds to repay amounts charged for travel and travel-related expenses.

Procedures Performed on the Organization's Contracts:

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. Obtain management's representation that the listing is complete. Select 5 contracts (or all contracts if less than 5) from the listing, and:

Not applicable as the Organization does not expend any public funds for contracts for professional services, material and supplies, leases, and construction activities.

Procedures Performed on the Organization's Contracts: (Continued)

- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
Not applicable as the Organization does not expend any public funds for contracts for professional services, material and supplies, leases, and construction activities.
- b) Observe that the contract was approved by the governing body/District Council, if required by policy or law (e.g., Lawrason Act, Home Rule Charter).
Not applicable as the Organization does not expend any public funds for contracts for professional services, material and supplies, leases, and construction activities.
- c) If the contract was amended (e.g., change order), observe that the original contract terms provided for such an amendment and that the amendments were made in compliance with the contract terms.
Not applicable as the Organization does not expend any public funds for contracts for professional services, material and supplies, leases, and construction activities.
- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.
Not applicable as the Organization does not expend any public funds for contracts for professional services, material and supplies, leases, and construction activities.

Procedures Performed on the Organization's Payroll and Personnel:

- 16. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Select 5 employees/officials, paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
Performance: Obtained a listing of employees employed during the fiscal period from management and received management's representation in a separate letter that the listing is complete. Selected 5 employees, obtained related paid salaries and personnel files, and agreed paid salaries to authorized salaries/pay rates in the personnel files.
Exceptions: There were no exceptions noted.
- 17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 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).
Performance: Selected one pay period to test leave taken during that period. Inspected all daily attendance and leave record for proper documentation.
Exceptions: There were no exceptions noted.

Procedures Performed on the Organization's Payroll and Personnel: (Continued)

- b) Observe that supervisors approved the attendance and leave of the selected employees/officials.

Performance: Observed that supervisors approved the attendance and leave of the selected employees.

Exceptions: There were no exceptions noted.

- c) Observe that any leave accrued or taken during the pay period is reflected in the Organization's cumulative leave records.

Performance: Observed that any leave accrued or taken during the pay period was reflected in the cumulative leave records.

Exceptions: There were no exceptions noted.

- d) Observe that the rate paid to the employees agree to the authorized salary/pay rate found within the personnel file.

Performance: Agreed the pay rates to authorized salary/pay rates maintained in employee files.

Exceptions: There were no exceptions noted.

18. Obtain from management a list of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Select 2 employees or officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employees' or officials' cumulative leave records, and agree the pay rates to the employees' or officials' authorized pay rates in the employees' or officials' personnel files and agree the termination payment to the Organization's policy.

Performance: Obtained a listing of those employees that received termination payments during the fiscal period from management, and received management's representation in a separate letter that the listing is complete. The hours used in management's termination payment calculations were agreed to cumulative leave records and the pay rates agreed to authorized pay rates in the personnel files, and agree the termination payment to entity policy.

Exceptions: There were no exceptions noted.

19. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

Performance: Obtained management's representation that employer and employee portions of third-party payroll accounts have been paid, and any associated forms have been filed by the required deadlines.

Exceptions: There were no exceptions noted.

Procedure Performed on the Organization's Ethics:

20. Using the 5 selected employees/officials from procedure #16 under "Procedures Performed on the Organization's Payroll And Personnel", obtain ethics compliance documentation from management and:
- a) Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
Not applicable for not-for-profit entities.
 - b) Observe whether the Organization maintains documentation which demonstrates each employee and official were notified of any changes to the Organization's ethics policy during the fiscal period, as applicable.
Not applicable for not-for-profit entities.

Procedures Performed on the Organization's Debt Service:

21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe that the State Bond Commission approval was obtained for each debt instruments issued.
Not applicable for not-for-profit entities.
22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.
Not applicable for not-for-profit entities.

Procedures Performed on the Organization's Fraud Notice:

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the Organization reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the Organization is domiciled.
Performance: Inquired of management of any misappropriations of public funds and assets during the fiscal period, none were noted.
Exceptions: There were no exceptions noted.

Procedures Performed on the Organization's Fraud Notice:

24. Observe that the Organization has posted, on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Performance: Inspected the fraud notice posted on the premises and website concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Exceptions: There were no exceptions noted.

Procedures Performed on the Organization's Information Technology Disaster Recovery/Business Continuity:

25. Perform the following procedures, verbally discuss the results with management, and report "We performed the procedure and discussed the results with management".

- a) Obtain and inspect the Organization's most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.

Performance: We performed the procedure and discussed the results with management.

- b) Obtain and inspect the Organization's most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past three months.

Performance: We performed the procedure and discussed the results with management.

- c) Obtain a listing of the Organization's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

Performance: We performed the procedure and discussed the results with management.

Procedures Performed on the Organization's Sexual Harassment:

26. Using the 5 randomly selected employees/officials from procedure #16 under "Procedures Performed on the Organization's Payroll and Personnel" above, obtain sexual harassment training documentation from management, and observe the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.

Not applicable for not-for-profit entities.

Procedures Performed on the Organization's Sexual Harassment: (Continued)

27. Observe that the Organization has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the Organization's premises if the Organization does not have a website).

Not applicable for not-for-profit entities.

28. Obtain the Organization's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe it includes the applicable requirements of R.S. 42:344:

a) Number and percentage of public servants in the agency who have completed the training requirements;

Not applicable for not-for-profit entities.

b) Number of sexual harassment complaints received by the agency;

Not applicable for not-for-profit entities.

c) Number of complaints which resulted in a finding that sexual harassment occurred;

Not applicable for not-for-profit entities.

d) Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action;

Not applicable for not-for-profit entities.

e) Amount of time it took to resolve each complaint.

Not applicable for not-for-profit entities.

Management's Overall Response to Exceptions:

1k Management will consider implementing an Information Technology Disaster Recovery/
Business Continuity policy.