

State Fair of Louisiana

FINANCIAL STATEMENTS

Years Ended December 31, 2019 and 2018

State Fair of Louisiana

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Independent Auditor's Report

The Executive Committee
State Fair of Louisiana
Shreveport, Louisiana

I have audited the accompanying financial statements of State Fair of Louisiana (a nonprofit organization), which comprise the statements of financial position for the years ended December 31, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, and summary of significant accounting policies and the related notes to financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of State Fair of Louisiana as of December 31, 2019 and 2018, and the changes in its net assets and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

My audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The Schedule of Compensation, Benefits and Other Payments to Agency Head is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Emphasis of Matter

As discussed in Note 18 to the financial statements, the Fair adopted new accounting pronouncements for the years ended December 31, 2018 and 2019. My opinion is not modified with respect to this matter.

Jane K. McChesney, CPA LLC

Certified Public Accountant

Shreveport, Louisiana
June 23, 2020

<i>December 31,</i>	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Assets						
Current assets:						
Cash (Notes 1 and 7)	\$ 733,472	\$ -	\$ 733,472	\$ 647,203	\$ -	\$ 647,203
Accounts receivable, net (Note 16)	175,936	-	175,936	117,504	-	117,504
Prepaid expenses and other	44,342	-	44,342	47,370	-	47,370
Short-term investments (Notes 8 and 12)	70,345	-	70,345	56,493	-	56,493
Total current assets	1,024,095	-	1,024,095	868,570	-	868,570
Property and equipment, net (Note 2)	1,412,412	-	1,412,412	1,587,065	-	1,587,065
Reserve fund assets - demand deposits (Note 3 and 4)	300,000	-	300,000	300,000	-	300,000
Reserve fund assets - investments (Notes 3, 4 and 8)	400,000	-	400,000	400,000	-	400,000
	\$3,136,507	\$ -	\$3,136,507	\$3,155,635	\$ -	\$3,155,635

State Fair of Louisiana

Statements of Financial Position

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Liabilities and Net Assets						
Current liabilities:						
Accounts payable and accrued expenses	\$ 209,465	\$ -	\$ 209,465	\$ 169,114	\$ -	\$ 169,114
Current portion of long-term debt (Note 5)	2,764	-	2,764	5,430	-	5,430
Deferred revenues	33,266	-	33,266	32,991	-	32,991
Contract liabilities (Note 16)	28,350	-	28,350	94,374	-	94,374
Total current liabilities	273,845	-	273,845	301,909	-	301,909
Long-term debt (Note 5)	-	-	-	2,763	-	2,763
Total liabilities	273,845	-	273,846	304,672	-	304,672
Commitments and contingencies						
(Note 6)						
Net Assets:						
Without donor restrictions (Note 18)						
Unrestricted and undesignated	2,162,662	-	2,162,662	2,150,963	-	2,150,963
Board designated (Notes 3, 4 and 8)	700,000	-	700,000	700,000	-	700,000
Total net assets	2,862,662	-	2,862,662	2,850,963	-	2,850,963
	\$3,136,507	\$ -	\$3,136,507	\$3,155,635	\$ -	\$3,155,635

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

State Fair of Louisiana

Statements of Activities

Years Ended December 31,	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue:						
Fair	\$2,707,559	\$ -	\$2,707,559	\$2,718,651	\$ -	\$2,718,651
Off-season	617,163	-	617,163	427,851	-	427,851
Total revenue	3,324,722	-	3,324,822	3,146,502	-	3,146,502
Expenses:						
Fair program	1,486,852	-	1,486,852	1,583,247	-	1,583,247
Off-season program	315,304	-	315,304	205,779	-	205,779
Management and general	1,712,738	-	1,712,738	1,636,774	-	1,636,774
Total expenses	3,514,894	-	3,514,894	3,425,800	-	3,425,800
Decrease in net assets from operations	(190,172)	-	(190,172)	(279,298)	-	(279,298)
Other income (expense):						
Long-term leasing, less expense reimbursements of \$272,159 in 2019 and \$258,799 in 2018 (Note 9 and 10)	163,316	-	163,316	153,588	-	153,588
Return on investments, net (Notes 12 and 18)	32,479	-	32,479	(21,063)	-	(21,063)
Other	6,076	-	6,076	5,688	-	5,688
Total other income	201,871	-	201,871	138,213	-	138,213
Increase (decrease) in net assets	11,699	-	11,699	(141,085)	-	(141,085)
Net assets, beginning of year	2,850,963	-	2,850,963	2,992,048	-	2,992,048
Net assets, end of year	\$2,862,662	\$ -	\$2,862,662	\$2,850,963	\$ -	\$2,850,963

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

<i>Year ended December 31, 2019</i>	Program Activities		Supporting Activities	Total Expenses
	Fair Program	Off-Season Program	Management and General	
Expenses				
Accounting Fees	\$ -	\$ -	\$ 46,200	\$ 46,200
Advertisement and Promotions	312,943	29,036	17,516	359,495
Attractions	204,650	-	-	204,650
Awards	14,801	-	10,759	25,560
Bad Debt	-	-	1,200	1,200
Bank Fees	-	-	13,032	13,032
Commissions	3,600	30,654	-	34,254
Concessions and Catering	400	140,581	-	140,981
Conferences and Meetings	-	-	13,192	13,192
Contract Labor	177,860	6,111	200,779	384,750
Decorations	-	-	12,191	12,191
Depreciation	-	-	174,654	174,654
Dues and Subscriptions	-	-	6,167	6,167
Entertainment	93,597	8,800	-	102,397
Equipment	-	-	12,912	12,912
Events	127,946	49,919	-	177,865
Fuel	1,499	-	17,391	18,890
Grounds Maintenance	7,955	-	37,981	45,936
Information Technology	-	-	8,184	8,184
Insurance	-	-	166,894	166,894
Interest	-	-	593	593
Legal Fees	-	-	777	777
Livestock Show Costs	86,505	-	-	86,505
Miscellaneous	3,381	1,455	26,036	30,872
Office Expenses	-	-	11,667	11,667
Parking	108,203	40,039	-	148,242
Payroll Taxes	-	-	33,354	33,354
Printing	21,644	-	16,315	37,959
Rentals	12,993	-	31,157	44,150
Repairs and Maintenance	22,121	93	54,373	76,587
Retirement	-	-	15,610	15,610
Safety and Security	264,419	8,616	94,368	367,403
Salaries	-	-	434,899	434,899
Sponsorship	-	-	500	500
Supplies	22,335	-	35,969	58,304
Travel	-	-	6,828	6,828
Utilities	-	-	204,840	204,840
Vehicle	-	-	6,400	6,400
Total Expenses	\$1,486,852	\$315,304	\$1,712,738	\$3,514,894

State Fair of Louisiana

Statements of Functional Expenses

Year ended December 31, 2018	Program Activities		Supporting Activities	Total Expenses
	Fair Program	Off Season Program	Management and General	
	\$ -	\$ -	\$ 45,850	\$ 45,850
	344,790	32,460	16,931	394,181
	211,400	-	-	211,400
	20,431	-	5,870	26,301
	-	-	4,505	4,505
	-	-	14,036	14,036
	7,000	34,407	-	41,407
	710	48,060	-	48,770
	-	-	13,769	13,769
	210,689	21,826	186,091	418,606
	-	-	7,809	7,809
	-	-	195,319	195,319
	-	-	6,104	6,104
	98,246	7,400	-	105,646
	-	-	8,862	8,862
	110,536	39,381	-	149,917
	2,410	-	19,785	22,195
	14,437	-	18,061	32,498
	-	-	15,466	15,466
	-	-	155,053	155,053
	-	-	473	473
	-	-	11,659	11,659
	106,206	-	-	106,206
	3,512	34	26,466	30,012
	-	-	12,651	12,651
	82,177	20,144	-	102,321
	-	-	30,121	30,121
	15,274	-	15,996	31,270
	12,649	366	37,809	50,824
	29,420	1,016	52,550	82,986
	-	-	13,368	13,368
	273,044	685	89,042	362,771
	-	-	392,772	392,772
	-	-	2,350	2,350
	40,316	-	40,985	81,301
	-	-	1,889	1,889
	-	-	183,895	183,895
	-	-	11,237	11,237
	\$1,583,247	\$205,779	\$1,636,774	\$3,425,800

See accompanying summary of accounting policies and notes to financial statements

State Fair of Louisiana

Statements of Cash Flows

Years Ended December 31,	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Cash Flows From Operating Activities:						
Increase (decrease) in net assets	\$11,699	\$ -	\$11,699	\$(141,085)	\$ -	\$(141,085)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:						
Depreciation and amortization	174,654	-	174,654	195,319	-	195,319
Unrealized (gain) loss on investments	(13,853)	-	(13,853)	33,753	-	33,753
Change in operating assets and liabilities:						
Accounts receivable	(58,432)	-	(58,432)	40,520	-	40,520
Prepaid expenses and other	3,028	-	3,028	4,169	-	4,169
Accounts payable and accrued expenses	40,351	-	40,351	(88,762)	-	(88,762)
Deferred income	275	-	275	1,987	-	1,987
Contract liabilities	(66,024)	-	(66,024)	(14,671)	-	(14,671)
Net cash provided by operating activities	91,698	-	91,698	31,230	-	31,230
Cash Flows From Investing Activities:						
Expenditures for buildings equipment and improvements	-	-	-	(44,061)	-	(44,061)
Net cash used by investing activities	-	-	-	(44,061)	-	(44,061)
Cash Flows From Financing Activities:						
Repayment of debt	(5,429)	-	(5,429)	(5,657)	-	(5,657)
Net cash used by financing activities	(5,429)	-	(5,429)	(5,657)	-	(5,657)
Net increase (decrease) in cash	86,269	-	86,269	(18,488)	-	(18,488)
Cash, beginning of year	647,203	-	647,203	665,691	-	665,691
Cash, end of year	\$ 733,472	\$ -	\$ 733,472	\$ 647,203	\$ -	\$ 647,203

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

State Fair of Louisiana

Summary of Accounting Policies

Business

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

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates made by management include the depreciable life of assets, allowance for doubtful accounts, value of investments, and value of advertising trade-out income and expense.

Property and Equipment

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

Reserve Fund

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

State Fair of Louisiana

Summary of Accounting Policies

(Continued)

Financial Statement Presentation

The Fair has adopted Accounting Standards Update (ASU) 2016-14 – “Not for Profit Entities (Topic 958): Presentation of Financial Statements of Not for Profit Entities.” Under ASU 2016-14, the Fair is required to report information regarding its financial position and activities according to two classes of net assets: assets with donor restrictions and assets without donor restrictions.

Assets without donor restrictions – The part of net assets that are not restricted by donor/grantor-imposed stipulations.

Assets with donor restrictions – The part of net assets that are restricted by donor/grantor-imposed stipulations

Expenses are generally reported as decreases in net assets without donor restriction. Expirations of donor-imposed stipulations that simultaneously increase one class of net assets and decrease another are reported as transfers between the applicable classes of net assets. Gains and losses on investments and other assets and liabilities are reported as increases and decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or law.

The Fair has adopted ASU 2014-09 – “Revenue from Contracts with Customers (Topic 606)” as amended. Under the ASU, entities are required to identify and segment contracts into performance obligations and requires entities to account for certain contract costs and revenues as contract assets or contract liabilities.

Reclassifications

Certain prior year amounts have been reclassified to conform to current year presentation.

Revenue Recognition

All donor-restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

State Fair of Louisiana

Summary of Accounting Policies

(Continued)

Revenue Recognition-- (continued)

Support arising from donated goods, property and services is recognized in the financial statements at its fair value.

Revenue without donor restrictions and the related assets, which are set aside or otherwise designated by the board of directors for specific uses, are reflected as revenue without donor restrictions and net assets without donor restrictions in the accompanying financial statements

Revenues arising from contracts with customers are recognized at a point in time or over time as specified by the performance obligations specified or implied by the contract.

Performance Obligations

The following provides a summary of performance obligations in contracts with customers:

Retail Sales of Event Admissions and Parking:

Revenue from retail sales of event admissions and parking is recognized at a point in time directly associated with the event date in an amount that reflects the consideration the Fair expects to be entitled to in exchange for those sales. Additionally, the Fair advances event admissions and parking tickets to third-party outlets for sales by those entities. Unsold tickets are returned to the Fair by the end of the event. With respect to tickets sold by third-party outlets, revenue is recognized at a point in time directly associated with the event date in the amount that reflects the consideration the Fair expects to be entitled to in exchange for those sales. If provided for in the contract, sales commission expenses are netted against revenue.

Carnival Operations:

The Fair contracts annual carnival operations with a professional amusement provider on a revenue-sharing basis. Additionally, the carnival operator may be required to pay the Fair certain fees for cleaning, maintenance, repairs and other expenses incurred by the Fair. Revenue from carnival operations is recognized at a point in time directly associated with the event date in an amount that reflects the consideration the fair expects to receive based upon the revenue sharing and cost recovery formula specified in the contract.

State Fair of Louisiana

Summary of Accounting Policies

(Continued)

Performance Obligations-- (continued)

Facilities, Grounds and Equipment Rentals:

Revenue from short-term rentals of facilities, grounds and equipment is recognized at a point in time when the customer exercises or has the right to exercise usage over the specified facilities, grounds or equipment in an amount that reflects the consideration the Fair expects to be entitled to in exchange for the services provided.

Exhibitors and Concessionaires:

Revenue from contracts with exhibitors and concessionaires is recognized at a point in time directly associated with the event date in an amount that reflects the consideration the Fair expects to be entitled to based upon the services provided. Revenues may include a flat-fee, percentage of concession sales (less direct costs) or a combination of both.

Event Sponsorship:

Revenue from contracts with sponsors is recognized at a point in time directly associated with the date of the sponsored event in an amount that reflects the consideration the Fair expects to be entitled to in exchange for goods and services provided.

In-Kind Revenues:

The Fair provides goods and service in exchange for event advertising services from local providers. In-kind revenue for these exchange transactions is recognized at a point in time directly associated with the advertised event date in an amount that reflects the fair market value of the goods and services provided.

Sales Taxes

The Fair is required to collect local and state sales taxes based on a percentage of qualifying sales. The Fair's policy is to exclude sales taxes from the transaction price of all revenue when collected and from expenses paid. Instead, the Fair records the collection and payment of sales taxes through a liability account.

State Fair of Louisiana

Summary of Accounting Policies

(Continued)

**Allowance for
Doubtful Accounts**

The Fair records an allowance for doubtful accounts based on specifically identified amounts believed to be uncollectible. The Fair has a limited number of customers with individually large amounts due at any given balance sheet date. Any unanticipated change in one of those customers' credit worthiness or other matters affecting collectability of amounts due from such customers could have a material effect on the Fair's results of operations in the period in which such changes or events occur. After all attempts to collect a receivable have failed, the receivable is written off against the allowance. At December 31, 2019 and 2018, the allowance for doubtful accounts totaled \$0 and \$0 respectively.

Income Taxes

The State Fair of Louisiana is exempt from federal income tax under provisions of Section 501(c)(5) of the Internal Revenue Code of 1986 and exempt from state income tax under appropriate provisions in the laws of the State of Louisiana.

The Fair has adopted ASC 740, *Accounting for Uncertainty in Income Taxes*. Management has evaluated the Fair's tax positions and concluded that the Fair has taken no uncertain tax positions that require adjustment to the financial statements in order to comply with the provisions of ASC 740. In addition, Management is not aware of any matters that would cause the Fair to lose its tax-exempt status. Information returns of the Fair for the years ended December 31, 2016 to December 31, 2019 remain subject to examination by the Internal Revenue Service.

**Statements of
Cash Flows**

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

State Fair of Louisiana

Summary of Accounting Policies

(Continued)

Advertising

The Fair expenses advertising as it is incurred. The Fair expended approximately \$359,495 and \$394,181 in the years ended December 31, 2019 and 2018, respectively, for advertising.

For the years ended December 31, 2019 and 2018, the Fair provided various goods and services in exchange for advertising services from local providers, the value of which is included as revenue and expense in the Statement of Activities. Included in Fair revenue and expense for 2019 and 2018 is \$155,850 and \$168,183, respectively, related to such transactions.

Investments

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

Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Subsequent Events

Management evaluated events subsequent to the Fair's most recent year end through June 23, 2020, the date the financial statements were available for issuance.

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to negatively impact operating revenues and short-term investment valuations. The extent of the impact of COVID-19 on operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on customers, employees and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Fair's financial condition or results of operations is uncertain.

State Fair of Louisiana

Notes to Financial Statements

1. Cash Included in cash at December 31, 2019 and 2018 are interest bearing deposits (collected bank balance) totaling approximately \$1,089,000 and \$858,000 respectively.

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

The major classifications of property and equipment for the years ended December 31, 2019 and 2018 were as follows:

	2019	2018
Buildings	\$ 6,944,374	\$ 6,944,374
Equipment	2,720,300	2,720,300
Land improvements	1,476,178	1,476,178
Website	15,000	15,000
Land	14,500	14,500
	11,170,352	11,170,352
Less accumulated depreciation and amortization	9,757,940	9,583,287
Net property and equipment	\$ 1,412,412	\$ 1,587,065

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

State Fair of Louisiana

Notes to Financial Statements

(Continued)

4. Reserve Fund Assets

Reserve fund assets are as follows at December 31, 2019 and 2018:

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
<u>December 31, 2019</u>				
Reserve fund assets:				
Interest bearing demand deposits	\$300,000	\$ -	\$ -	\$300,000
Certificates of deposit	400,000	-	-	400,000
Reserve fund assets	\$700,000	\$ -	\$ -	\$700,000

December 31, 2018

Reserve fund assets:				
Interest bearing demand deposits	\$300,000	\$ -	\$ -	\$300,000
Certificates of deposit	400,000	-	-	400,000
Reserve fund assets	\$700,000	\$ -	\$ -	\$700,000

Reserve Fund investments are invested in bank certificates of deposit and demand deposits. Total depository insurance coverage of these certificates of deposit and the demand deposit is \$700,000 as of December 31, 2019.

5. Notes payable and long-term debt

Long-term debt comprises the following at December 31, 2019 and 2018:

	2019	2018
3.99% note payable in 72 monthly installments of \$471.61, including interest, beginning in August 2015, collateralized by transportation equipment.	\$ 2,764	\$8,193
Less: Current maturities	(2,764)	(5,430)
	\$ -	\$ 2,763

State Fair of Louisiana

Notes to Financial Statements

(Continued)

6. Commitments and Contingencies

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

The Fair leases equipment under operating leases. Minimum rentals under the leases with initial or remaining terms in excess of one year were as follows at December 31, 2019: 2020 - \$3,198; 2021 - \$3,198; 2022 - \$3,197; 2023 - \$1,193 and 2024 - \$696. Amounts charged to operations under operating leases totaled \$3,808 in 2019.

7. Supplemental Cash Flows Information

At December 31, 2019, cash includes approximately \$555,500 in demand deposits that exceed Federal depository insurance limits. Cash basis interest expense totaled \$593 and \$473 in 2019 and 2018, respectively.

8. Fair Value Disclosures

The Fair utilizes fair value measurements to record certain assets and to determine fair value disclosures. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of further cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

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

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

State Fair of Louisiana

Notes to Financial Statements

(Continued)

8. Fair Value Disclosures – (continued)

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

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

Fair values of assets measured on a recurring basis at December 31, 2019 and 2018 are as follows:

Fair Value Measurements at Reporting Date

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
<u>December 31, 2019</u>			
Certificates of deposit	\$400,000	\$ -	\$400,000
Equity securities	70,345	70,345	-
	\$470,345	\$70,345	\$400,000

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

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

State Fair of Louisiana

Notes to Financial Statements

(Continued)

9. Building Lease

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

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

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

10. Long-term Leasing

Long-term leasing revenues comprise the following:

	2019	2018
Grounds leasing	115,987	110,622
Building leasing	319,488	301,765
Less expense reimbursements charged under leasing contracts	(272,159)	(258,799)
Long-term leasing	163,316	153,588

State Fair of Louisiana

Notes to Financial Statements

(Continued)

11. 401(k) Plan

Effective January 1, 2013, the Fair established a qualified, contributory 401(k) plan ("Plan") for all eligible employees. Eligible employees can contribute up to 90% of gross compensation, subject to such maximum annual amounts as may be allowed under the Internal Revenue Code, into the Plan. For each Safe Harbor Participant, as defined, the Fair contributes 3% of compensation. Also, the Fair may contribute a discretionary amount as determined annually by the Executive Committee. No discretionary contributions were made in 2019 or 2018. The total of the matching contributions made by the Fair in 2019 and 2018 were \$10,743 and \$10,573, respectively.

12. Investments

The value of the investments at December 31, 2019 and 2018 is summarized as follows:

June 30,	2019		2018	
	Basis	Fair Value	Basis	Fair Value
Equity securities	\$23,662	\$70,345	\$23,662	\$56,493

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

	2019	2018
Unrealized gain (loss) on investments	\$13,853	\$(33,753)
Interest and dividend income	18,626	12,690
	\$32,479	\$(21,063)

13. Related Party Transactions

The Fair carries balances in four banks, employees of which are also members of the Fair's board of directors. In 2019, the owner of the Fair's credit card processor became a member of the Fair's board of directors. The Fair paid \$84 for those services for the year ended December 31, 2019.

State Fair of Louisiana

Notes to Financial Statements (Continued)

14. Disaggregation of Revenue

Revenue, disaggregated by timing of transfer of goods and services is summarized as follows:

	2019	2018
Revenue recognized based on goods and services transferred to customers at a point in time	\$3,324,722	\$3,146,502

15. Availability of Financial Assets

The following reflects the Fair's financial assets as of the statements of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statements of financial position date. Amounts not available also include amounts set aside by the board of directors that could be drawn upon if the board approves that action

	2019	2018
Financial assets at year end	\$1,679,753	\$1,521,200
Less those designated by the board of directors as an emergency reserve subject to spending policy and appropriations to support general expenditures (See Note 3)	(700,000)	(700,000)

Financial assets available to meet cash needs for general expenditures within one year	\$ 979,753	\$ 821,000
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Financial assets available to meet cash needs for general expenditures within one year consist of the following:

	2019	2018
Cash and cash equivalents	\$733,472	\$647,203
Accounts receivable	\$175,936	117,504
Short-term investments	70,345	56,493
	\$979,753	\$821,200

State Fair of Louisiana

Notes to Financial Statements

(Continued)

16. Contract Balances

The Fair records contract assets and liabilities related to contracts with customers.

Contract assets consist of the Fair's right to payment from customers for goods or services that have been provided to those customers, with the right to collection conditional on something other than the passage of time.

Contract liabilities consist of the Fair's obligations to transfer goods or services to customers for which the Fair has received consideration from customers, including advance payments received from customers for future goods and services.

Accounts receivable represent the Fair's unconditional right to receive payment for the fulfillment of contract performance obligations or other conditions.

Accounts receivable, contract assets and contract liability balances are as follows:

	2019	2018
Accounts receivable, net	\$175,936	\$ 117,504
Contract assets	\$ -	\$ -
Contract liabilities	\$ 28,350	\$ 94,374

The following provides information about significant changes in contract liabilities:

	2019	2018
Contract liabilities, beginning of year	\$ 94,374	\$ 109,045
Revenue recognized that was included in contract liabilities at the beginning of year	(94,374)	(109,045)
Increase in contract liabilities due to cash received during the period	28,350	94,374
Contract liabilities, end of year	\$ 28,350	\$ 94,374

State Fair of Louisiana

Notes to Financial Statements

(Continued)

18. Adoption of New Pronouncements

For the year ended December 31, 2018, the Fair adopted the Financial Accounting Standard Update (ASU) No. 2016-14 – “Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities.” This update 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. The changes required by the update have been applied retrospectively to all periods presented. A key change required by ASU 2016-14 are the net asset classes used in the 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, if applicable, are now reported as net assets with donor restrictions.

As a result of adopting the above accounting pronouncement, certain net assets classified as temporarily restricted as of December 31, 2018 no longer qualified for such treatment. The effects on the financial statements as of December 31, 2018 is as follows:

	As originally reported	As restated
Net Assets:		
Unrestricted	\$2,150,963	\$ -
Temporarily restricted	\$ 700,000	\$ -
Net Assets:		
Without Donor Restrictions:		
Undesignated and unrestricted	\$ -	\$2,150,963
Board designated	\$ -	\$ 700,000

State Fair of Louisiana

Notes to Financial Statements

(Continued)

18. Adoption of New Pronouncements - (continued)

Effective January 1, 2019, the Fair adopted ASU 2014-09, "Revenue from Contracts with Customers" and subsequent amendments. The amendments are required by GAAP, and collectively create a new Accounting Standards Codification (ASC) 606, "Revenue from Contracts with Customers," which replaces most of the existing revenue recognition guidance found in GAAP. ASC 606 establishes a new, single revenue framework to recognize revenue from contracts with customers and requires expanded disclosures for revenue transactions.

The Fair adopted ASC 606 using the full retrospective method applied to all contracts not completed as of January 1, 2019. Specifically, contract liabilities are separately stated from deferred income. Additionally, income from long-term leasing arrangements are segregated from revenue from contracts with customers. The effects on the December 31, 2018 financial statements is summarized below:

	As originally reported	As restated
Statement of Financial Position		
Current liabilities:		
Deferred income	\$ 127,365	\$ 32,991
Contract liabilities	\$ -	\$ 94,374
Statement of Activities		
Revenues:		
Fair	\$2,724,951	\$2,718,651
Off-season	\$ 833,938	\$ 427,851
Other income (expenses)		
Long-term leasing	\$ -	\$ 153,588

State Fair of Louisiana

Notes to Financial Statements

(Concluded)

18. Adoption of New Pronouncements - (continued)

Effective January 1, 2019, the Fair adopted ASU 2016-01, "Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities" and ASU 2018-03, "Technical Corrections and Improvements to Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities."

The ASU requires the Fair to measure investments in equity securities at fair value with changes in fair value recognized through net income. The ASU was applied to the year ended December 31, 2018 using the cumulative-effect adjustment methodology as of January 1, 2019. There was no effect on the statement of financial position as of that date. The following represents changes in the statement of activities as of December 31, 2018:

	As originally reported	As restated
Revenues:		
Interest income	\$ 10,068	\$ -
Other	\$ 8,310	\$ -
Unrealized loss on investments	\$(33,753)	\$ -
Other income (expenses)		
Return on investments, net	\$ -	\$(21,063)
Other	\$ -	\$ 5,688

State Fair of Louisiana

Schedule of Compensation, Benefits and Other Payments to Agency Head

Year Ended December 31, 2019

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

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

State Fair of Louisiana

Schedule of Findings

For the Year Ended December 31, 2019

There were no findings for the year ending December 31, 2019.

State Fair of Louisiana
Schedule of Prior Year Findings
For the Year Ended December 31, 2018

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