

Red River Revel Arts Festival

Financial Statements

December 31, 2017 and 2016



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**Red River Revel Arts Festival
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December 31, 2017**

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INDEPENDENT AUDITORS' REPORT

The Governing Board
Red River Revel Arts Festival

Report on the Financial Statements

We have audited the accompanying statements of Red River Revel Arts Festival (a Louisiana non-for-profit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes

evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Red River Revel Arts Festival as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on 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 is presented in accordance with Act 706 of the Louisiana Revised Statutes (LRS) 24:513(A)(3) on page 15 for purposes of additional analysis 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 Schedule of Compensation, Benefits and Other Payments to Agency Head is fairly stated in all material respects in relation to the financial statements as a whole.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Shreveport, Louisiana
April 18, 2018

Red River Revel Arts Festival Statements of Financial Position

December 31,	2017	2016
Assets		
Current assets		
Cash and cash equivalents	\$ 154,426	\$ 187,518
Grants receivable	20,541	21,628
Unrestricted contributions receivable, net	9,016	10,955
Other assets	1,766	3,798
Total current assets	185,749	223,899
Non-current assets		
Property and equipment - net	1,798	6,766
Beneficial interest in assets of foundation	232,292	217,420
Restricted cash	1,756	1,606
Total non-current assets	235,846	225,792
Total assets	\$ 421,595	\$ 449,691
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 20,962	\$ 27,264
Deferred income	-	5,550
Other accrued liabilities	7,472	3,895
Total current liabilities	28,434	36,709
Net assets		
Unrestricted	159,852	193,544
Temporarily restricted	232,292	218,420
Permanently restricted	1,018	1,018
Total net assets	393,161	412,982
Total liabilities and net assets	\$ 421,595	\$ 449,691

The accompanying footnotes are an integral part of these financial statements.

Red River Revel Arts Festival Statement of Activities

<i>For the Year Ended December 31, 2017</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue				
Public Support				
Revel				
Sponsor and underwriter contributions	\$ 191,375	\$ -	\$ -	\$ 191,375
Individual and corporate contributions	26,550	-	-	26,550
Government and foundation grants	72,667	-	-	72,667
In-kind contributions and services	231,015	-	-	231,015
Farmers' Market				
Underwriter and in-kind contributions	47,823	-	-	47,823
Art auction fundraiser	11,930	-	-	11,930
BREW fundraiser	135,108	-	-	135,108
CORK fundraiser	227,339	-	-	227,339
Other in-kind contributions	65,745	-	-	65,745
Total public support	1,009,552	-	-	1,009,552
Operating revenue				
Revel				
Concessions	557,336	-	-	557,336
Admissions	105,030	-	-	105,030
Poster and souvenir sales	17,825	-	-	17,825
Booth fees	107,781	-	-	107,781
Other operating revenue	90,211	-	-	90,211
Farmers' Market fees	28,148	-	-	28,148
Total operating revenue	906,331	-	-	906,331
Other revenue				
Investment income	43	25,568	-	25,611
Total other revenue	43	25,568	-	25,611
Net assets released from restrictions	1,000	(1,000)		
Total support and revenue	1,916,926	24,568	-	1,941,494
Expenses				
Program services				
Red River Revel Arts Festival	1,448,390	-	-	1,448,390
Farmers' Market	76,365	-	-	76,365
Total program services	1,524,755	-	-	1,524,755
Supporting services				
Management and general	150,975	2,139	-	153,114
Fundraising - Art Event	6,779	-	-	6,779
Fundraising - BREW	126,048	-	-	126,048
Fundraising - CORK	150,619	-	-	150,619
Total supporting services	434,421	2,139	-	436,560
Total expenses	1,959,176	2,139	-	1,961,315
Change in net assets	(42,249)	22,429	-	(19,821)
Net assets, beginning of year	193,544	218,420	1,018	412,982
Distribution from Community Foundation endowment	8,557	(8,557)	-	-
Net assets, end of year	\$ 159,852	\$ 232,292	\$ 1,018	\$ 393,161

The accompanying footnotes are an integral part of these financial statements.

Red River Revel Arts Festival Statement of Activities

<i>For the Year Ended December 31, 2016</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue				
Public support				
Revel				
Sponsor and underwriter contributions	\$ 191,700	\$ -	\$ -	\$ 191,700
Individual and corporate contributions	24,140	-	-	24,140
Government and foundation grants	85,598	-	-	85,598
In-kind contributions and services	231,428	-	-	231,428
Farmers' Market				
Underwriter and in-kind contributions	41,873	-	-	41,873
Art auction fundraiser	10,530	-	-	10,530
BREW fundraiser	176,008	-	-	176,008
CORK fundraiser	237,947	-	-	237,947
Other in-kind contributions	65,745	-	-	65,745
Total public support	1,064,969	-	-	1,064,969
Operating revenue				
Revel				
Concessions	666,793	-	-	666,793
Admissions	133,064	-	-	133,064
Poster and souvenir sales	18,842	-	-	18,842
Booth fees	100,500	-	-	100,500
Other operating revenue	99,506	-	-	99,506
Farmers' Market fees	37,484	-	-	37,484
Total operating revenue	1,056,189	-	-	1,056,189
Other revenue				
Bad debts recovered	-	-	-	-
Investment income	101	18,046	-	18,147
Total other revenue	101	18,046	-	18,147
Total support and revenue	2,121,259	18,046	-	2,139,305
Expenses				
Program services				
Red River Revel Arts Festival	1,607,947	-	-	1,607,947
Farmers' Market	73,115	-	-	73,115
Total program services	1,681,062	-	-	1,681,062
Supporting services				
Management and general	153,374	2,136	-	155,510
Fundraising - Art Event	6,040	-	-	6,040
Fundraising - BREW	158,687	-	-	158,687
Fundraising - CORK	157,211	-	-	157,211
Total supporting services	475,312	2,136	-	477,448
Total expenses	2,156,374	2,136	-	2,158,510
Change in net assets	(35,115)	15,910	-	(19,205)
Net assets, beginning of year	220,133	211,036	1,018	432,187
Distribution from Community Foundation endowment	8,526	(8,526)	-	-
Net assets, end of year	\$ 193,544	\$ 218,420	\$ 1,018	\$ 412,982

The accompanying footnotes are an integral part of these financial statements.

Red River Revel Arts Festival Statements of Cash Flows

<i>For the Years Ended December 31,</i>	2017	2016
Cash flows from operating activities		
Change in net assets	\$ (19,821)	\$ (19,205)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	4,968	8,019
Change in assets and liabilities		
Decrease (increase) in		
Grants receivable	1,087	3,687
Unrestricted contributions receivable	1,939	(3,855)
Other assets	2,032	(2,848)
Restricted cash	(150)	(50)
Beneficial interest in assets of foundation	(14,872)	(7,384)
Increase (decrease) in		
Accounts payable	(6,302)	(439)
Deferred income	(5,550)	(4,900)
Other accrued liabilities	3,577	(779)
Net cash provided by (used in) operating activities	(33,092)	(27,754)
Cash flows from investing activities		
Purchases of fixed assets	-	-
Net cash used in investing activities	-	-
Net increase (decrease) in cash and cash equivalents	(33,092)	(27,754)
Cash and cash equivalents - beginning of year	187,518	215,272
Cash and cash equivalents - end of year	\$ 154,426	\$ 187,518
Noncash investing transactions - beneficial interest in assets of foundation:		
Interest	\$ 3,446	\$ 3,241
Net realized and unrealized gains (losses)	22,122	14,805
Administrative fees	(2,139)	(2,136)
Total noncash investing transactions	\$ 23,429	\$ 15,910

The accompanying footnotes are an integral part of these financial statements.

Red River Revel Arts Festival Notes to Financial Statements

NOTE 1: NATURE OF OPERATIONS

The Red River Revel Arts Festival (the “Revel”) is a not-for-profit corporation formed under the laws of the State of Louisiana. The Revel was established to promote awareness of the Arts to the general public. Support and sponsorships are provided each year for the Revel’s events in the form of in-kind services, various government and foundation grants, and corporate and individual contributions. The Revel is comprised of the following programs:

Red River Revel Arts Festival

This event was originated under the sponsorship of The Junior League of Shreveport-Bossier, Inc. (“The Junior League”). Each year since 1976, this eight-day arts festival has united people throughout the area to enjoy a celebration of visual and performing arts. The outdoor festival attracts more than 200,000 people and is ordinarily held the first full week of October. Numerous volunteers donate their time and efforts to help manage the festival’s activities. The Red River Revel Arts Festival celebrates the arts with more than 130 visual artists from across the country, three performance stages that feature live music and a large area dedicated specifically to providing arts education for children.

Shreveport Farmers’ Market

During the summer and fall seasons, a farmers’ market is held at the downtown Festival Plaza to unite local farmers, gardeners, and others within the community to enjoy locally grown fruits, vegetables, and plants; homemade breads and jams; and a variety of other locally produced foods. Live music is featured during the event.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The Revel presents its financial statements in accordance with FASB ASC 958-205, *Presentation of Financial Statements*, and subsections, which establishes standards of basic accounting and reporting for not-for-profit organizations. Under this standard, the Revel is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations. Some unrestricted net assets may be designated by the governing board of the Revel for specific purposes.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met by actions of the Revel and/or the passage of time.

Red River Revel Arts Festival Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Revel. Generally, donors permit all or part of the income earned on these assets to be used for general or specific purposes.

Cash and Cash Equivalents

The Revel considers all highly liquid debt instruments with a remaining maturity at date of purchase of three months or less to be cash equivalents. The demand deposit balances, as reflected in the banks' records, are insured by the Federal Deposit Insurance Corporation up to \$250,000. As of December 31, 2017 and 2016, the Revel had no uninsured balances.

Contributions

The Revel has also adopted FASB ASC 958-605, *Revenue Recognition*, and subsections. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

Promises to Give

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received by the Revel that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases these net asset classes.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

The Revel uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's judgment.

Beneficial Interest in Assets of Foundation

Transfers of funds to the Community Foundation of Shreveport-Bossier, specifying the Revel as the beneficiary, are accounted for as an asset, in accordance with generally accepted accounting principles.

Red River Revel Arts Festival Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In-kind Donations

Donated office space, materials, equipment, and labor provided by the City of Shreveport, Chase Bank, and PepsiAmericas, as well as various other contributors, are recorded as contributions of in-kind services in the financial statements at their estimated values at the date of receipt.

Donated services are recognized as contributions in accordance with FASB ASC 958-605 and subsections, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Revel. Many volunteers donate significant amounts of time to the Revel in furthering its programs and objectives. These services are not recognized as contributions in the financial statements because the recognition criteria under FASB ASC 958-605 and subsections were not met. It is impracticable to determine the fair market value of all donated services by the Junior League and other volunteers beyond those required to be recognized as income.

Property and Equipment

Assets purchased are recorded at cost and depreciated using the straight-line method over the assets estimated useful life. Donated assets are recorded at their estimated fair value at the date of donation and are depreciated using the same method as assets purchased. Assets purchased with an initial cost of less than \$1,000 are generally expensed in the period of acquisition.

Income Taxes

The Revel is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law as a charitable organization whereby only unrelated business income, as defined by Section 509(a)(1) of the Code is subject to federal income tax. The Revel currently has no unrelated business income. Accordingly, no provision for income taxes has been recorded.

The Revel adopted the provisions of FASB ASC 740-10-25, *Income Taxes - Recognition*, on January 1, 2009. Under FASB ASC 740-10-25, an organization must recognize the tax benefit associated with tax taken for tax return purposes when it is more likely than not the position will be sustained. The Revel does not believe there are any material uncertain tax positions and, accordingly, it will not recognize any liability for unrecognized tax benefits. For the years ended December 31, 2017 and 2016, there were no interest or penalties recorded or included in its financial statements. The tax years from 2014 to 2017 are still open and subject to examination.

Red River Revel Arts Festival Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement Plan

The Revel has a Simplified Employee Pension (“SEP”) which is a type of retirement plan under which an employer makes contributions to IRAs of employees. After an employee completes one year of service, the Revel contributes 6% of the eligible employee’s compensation. Total retirement expenses in 2017 and 2016 were \$13,327 and \$11,740, respectively.

Estimates

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

Reclassifications

Certain balances and amounts presented in the 2016 financial statements have been reclassified to conform to the 2017 presentation. These reclassifications had no effect on the change in net assets.

Date of Management Review

The Revel has evaluated all subsequent events through April 18, 2018, the date which the financial statements were available to be issued, concluding there were no events requiring disclosure.

NOTE 3: CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of donations and support from various businesses and individuals to be paid within one year of promise. These contributions receivable are classified as unrestricted. Management has not recorded an allowance for uncollectible promises to give for the years ended December 31, 2017 and 2016.

<i>December 31,</i>	2017	2016
Amounts due in less than one year	\$ 9,016	\$ 10,995
Less: allowance for uncollectible amounts	(-)	(-)
Unrestricted contributions receivable, net	\$ 9,016	\$ 10,995

Red River Revel Arts Festival Notes to Financial Statements

NOTE 4: PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, 2017 and 2016, is as follows:

	Useful Life	2017	2016
Structures	3-15 years	\$ 48,412	\$ 48,412
Tents	5 years	3,789	3,789
Trailers	10 years	3,217	3,217
Other equipment	3-7 years	58,632	58,632
		114,050	114,050
Less accumulated depreciation		(112,252)	(107,284)
Property and equipment, net		\$ 1,798	\$ 6,766

For 2017 and 2016, the Revel's depreciation expense was \$4,968 and \$8,019, respectively.

NOTE 5: FUNCTIONAL EXPENSES AND EXPENSES BY NATURAL CLASSIFICATION

The following is a schedule of functional expenses and expenses by natural classifications for the year ended December 31, 2017, and includes summary totals for 2016.

	Red River Arts Festival	Farmers' Market	Supporting Services	Totals	
				2017	2016
Salaries and benefits	\$ 205,403	\$ 19,389	\$ 48,771	\$ 273,563	\$ 269,636
Contract labor	-	3,303	1,960	5,263	6,570
Site operations	443,290	43,910	-	487,200	496,874
Commissions and other operating expenses	479,558	456	-	480,014	568,276
Music and performing arts	175,759	-	-	175,759	223,457
Programs	29,705	-	-	29,705	30,190
Advertising and promotion	114,675	9,307	-	123,982	135,812
Depreciation	-	-	4,968	4,968	8,018
Insurance	-	-	20,101	20,101	15,176
Accounting and legal	-	-	13,493	13,493	14,187
Bank and credit card fees	-	-	13,859	13,859	14,041
Licenses and permits	-	-	2,216	2,216	2,573
Supplies	-	-	12,198	12,198	11,269
Telephone	-	-	8,122	8,122	7,938
Dues and subscriptions	-	-	824	824	982
Fundraising costs	-	-	234,185	234,185	272,185
Website costs	-	-	7,264	7,264	4,455
Other administrative costs	-	-	68,599	68,599	76,871
Total expenses	\$ 1,448,390	\$ 76,365	\$ 436,560	\$ 1,961,315	\$ 2,158,510

Red River Revel Arts Festival Notes to Financial Statements

NOTE 6: NON-CASH DONATIONS

During the years ended December 31, 2017 and 2016, the Revel received non-cash donations of materials, services, advertising and use of facilities that have been reflected as public support and in the natural expense classifications in the financial statements. The following is a summary of the activities or purpose of the in-kind contributions and services as of December 31, 2017 and 2016:

<i>December 31,</i>	2017	2016
Red River Revel Arts Festival	\$ 231,015	\$ 231,428
Farmer's Market	42,468	33,261
BREW fundraiser	48,757	53,698
CORK fundraiser	42,893	45,154
Wayne Curtis Memorial Art Event fundraiser	2,430	2,430
Management and general - office space and parking	65,745	65,745
Total in-kind contributions and services	\$ 433,308	\$ 431,716

NOTE 7: FUNDRAISING ACTIVITIES

The Revel holds three annual fundraising events during the year: CORK Wine Festival; BREW, an event shared with Downtown Shreveport Unlimited ("DSU") where each entity receives half of the net proceeds; and the Wayne Curtis Memorial art event. Gross revenues from these events include sponsor contribution and admission fees. The following schedule shows the activity (excluding the value of gifts in-kind) for these events for the year ended December 31, 2017 and 2016:

<i>December 31,</i>	2017	2016
CORK Wine Festival		
Gross revenue	\$ 184,446	\$ 192,793
Less: Direct expenses	75,311	82,379
Less: Allocated payroll expenses	32,415	29,678
Net proceeds	\$ 76,720	\$ 80,736
BREW		
Gross revenue	\$ 86,351	\$ 122,310
Less: Direct expenses (includes DSU share of profits)	62,115	86,161
Less: Allocated payroll expenses	15,176	18,828
Net proceeds	\$ 9,060	\$ 17,321
Wayne Curtis Memorial art event		
Gross revenue	\$ 9,500	\$ 8,100
Less: Direct expenses	2,679	2,363
Less: Allocated payroll expenses	1,670	1,247
Net proceeds	\$ 5,151	\$ 4,490

Red River Revel Arts Festival Notes to Financial Statements

NOTE 8: BENEFICIAL INTEREST IN ASSETS OF FOUNDATION

The Revel established an endowment fund in late 1995, the income of which was restricted to reducing deficits or funding emergency needs of Revel operations. Contributions to the endowment fund began in 1996. In February 1996, the Revel transferred control of most of this endowment fund to the Community Foundation of Shreveport-Bossier (the "Community Foundation") but retained a portion of the fund on its books. Under the terms of the agreement with the Community Foundation, net investment income of the endowment fund may be accumulated, or paid to the Revel, as the two parties see fit; however, such income may not be accumulated indefinitely.

Prior to 1999, all net earnings of the fund had been accumulated. The Community Foundation has variance power over the transferred assets such that the governing board of the Community Foundation may, with 30 days notice to the Revel, vary the purposes, uses, or methods of administration of the transferred assets.

Net investment income and/or capital appreciation of the endowment fund must be distributed to the Revel at least annually, provided the average market value is greater than the amount contributed to the fund.

Activity of this beneficial interest is summarized as follows:

Balance at December 31, 2015	\$ 210,036
Interest and dividends	3,241
Net realized and unrealized gains	14,805
Distributions to Revel	(8,526)
Administrative fees	(2,136)
Balance at December 31, 2016	217,420
Interest and dividends	3,446
Net realized and unrealized gains	22,122
Distributions to Revel	(8,557)
Administrative fees	(2,139)
Balance at December 31, 2017	\$232,292

NOTE 9: ADVERTISING

The Revel uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred. For 2017 and 2016, the Revel recorded advertising costs of \$114,674 and \$122,790, respectively. Included in these amounts were in-kind contributions received from various donors and recorded at fair value. For 2017 and 2016, the total in-kind contributions related to advertising were \$11,000 and \$11,500, respectively.

**Red River Revel Arts Festival
Supplementary Information**

**Schedule of Compensation, Benefits, and Other Payments
to Agency Head
for the Year ended December 31, 2017**

Agency Head Name: Kevin Stone, Executive Director

Purpose	Amount
Salary	\$ 110,000
Benefits-insurance (health insurance premiums)	\$ 7,055
Benefits-retirement	\$ 6,600

Red River Revel Arts Festival Schedule of Findings and Responses

Current Year Audit Findings and Responses

2017-001 Preparation of Financial Statements and Significant Proposed Adjustments

Criteria: The Revel is responsible for accumulating and providing accurate financial information.

Condition: As is common in small operations, management of the Revel has chosen to engage the auditor to propose certain year-end adjusting journal entries and to prepare their annual financial statements. This condition is intentional by management based upon the Revel's financial complexity, along with the cost effectiveness of acquiring the ability to prepare financial statements in accordance with generally accepted accounting principles. Consistent with this decision, internal controls over the preparation of the annual financial statements, complete with notes in accordance with Generally Accepted Accounting Principles have not been established. Under generally accepted auditing standards, this condition represents a control deficiency that is also considered to be a material weakness in internal controls.

Effect: The financial statements required adjustments which were material to the financial statements.

Cause: Organization does not have any accounting personnel and relies on a third-party bookkeeper to maintain the accounting records.

Recommendation: Because prudent management requires that the potential benefit from internal control must exceed its cost, it may not be practical to correct the condition reported under SAS 115. This is a repeat finding; however, in this case, we do not believe that correcting the condition described above is cost effective or practical and, accordingly, do not believe that any corrective action is necessary.

Management's Response: We agree that correcting the finding described above is not cost effective or practical and, accordingly, do not believe that any corrective action is necessary.

Summary Schedule of Prior Audit Findings

2016-001 Preparation of Financial Statements and Significant Proposed Adjustments

This is a repeat finding. See above comment 2017-001.