

FRENCH QUARTER FESTIVALS, INC.

FINANCIAL STATEMENTS

December 31, 2017 and 2016 (Restated)

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WEGMANN DAZET & COMPANY

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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

We have reviewed the accompanying statements of financial position of French Quarter Festivals, Inc. (a nonprofit organization) as of December 31, 2017 and 2016, and the related statements of activities, and cash flows for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

The summary 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. This information is the representation of management. The information was subject to our review engagement, however, we have not audited the supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any form of assurance on such supplementary information.

June 25, 2018

Wegmann Dazet & Co

FRENCH QUARTER FESTIVALS, INC.
STATEMENTS OF FINANCIAL POSITION

December 31, 2017 and 2016 (Restated)

	2017	2016
ASSETS		
Current assets		
Cash and cash equivalents	\$ 339,390	\$ 270,140
Investments	923,420	896,524
Accounts receivable	15,788	73,105
Other current assets	35,425	11,648
Total current assets	<u>1,314,023</u>	<u>1,251,417</u>
Property and equipment, at cost less accumulated depreciation	<u>23,961</u>	<u>6,232</u>
Total assets	<u>\$ 1,337,984</u>	<u>\$ 1,257,649</u>
LIABILITIES		
Current liabilities		
Accounts payable	\$ 11,089	\$ -
Accrued payroll liabilities	-	10,987
Deferred revenue	-	6,540
Total current liabilities	<u>11,089</u>	<u>17,527</u>
NET ASSETS		
Net assets		
Unrestricted		
Undesignated	675,727	644,130
Board designated	400,000	400,000
Reserve fund		
Temporarily restricted	<u>251,168</u>	<u>195,992</u>
Total net assets	<u>1,326,895</u>	<u>1,240,122</u>
Total liabilities and net assets	<u>\$ 1,337,984</u>	<u>\$ 1,257,649</u>

See Independent Accountants' Review Report and accompanying Notes to Financial Statements.

FRENCH QUARTER FESTIVALS, INC.

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues			
Beverage sales	\$ 1,326,333	\$ -	\$ 1,326,333
Food booth rental	286,874	4,658	291,532
Merchandise	301,072	-	301,072
Sponsorship	1,574,210	134,010	1,708,220
Advertising income	79,992	-	79,992
Contributions	12,000	15,000	27,000
Other income	202,358	-	202,358
Net assets released from restrictions	98,492	(98,492)	-
	<u>3,881,331</u>	<u>55,176</u>	<u>3,936,507</u>
Expenses			
Program services	3,413,755	-	3,413,755
Supporting			
General and administrative	266,415	-	266,415
Fundraising	169,564	-	169,564
	<u>3,849,734</u>	<u>-</u>	<u>3,849,734</u>
Change in net assets	31,597	55,176	86,773
Net assets			
Beginning of year	<u>1,044,130</u>	<u>195,992</u>	<u>1,240,122</u>
End of year	<u>\$ 1,075,727</u>	<u>\$ 251,168</u>	<u>\$ 1,326,895</u>

See Independent Accountants' Review Report and accompanying Notes to Financial Statements.

FRENCH QUARTER FESTIVALS, INC.
STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2016 (Restated)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues			
Beverage sales	\$ 1,333,733	\$ -	\$ 1,333,733
Food booth rental	288,502	-	288,502
Merchandise	357,294	-	357,294
Sponsorship	1,602,053	195,992	1,798,045
Advertising income	81,724	-	81,724
Contributions	38,770	-	38,770
Other income	169,508	-	169,508
Net assets released from restrictions	<u>120,610</u>	<u>(120,610)</u>	<u>-</u>
Total revenue	<u>3,992,194</u>	<u>75,382</u>	<u>4,067,576</u>
Expenses			
Program services	3,466,201	-	3,466,201
Supporting			
General and administrative	240,134	-	240,134
Fundraising	<u>148,238</u>	<u>-</u>	<u>148,238</u>
Total expenses	<u>3,854,573</u>	<u>-</u>	<u>3,854,573</u>
Change in net assets	137,621	75,382	213,003
Net assets			
Beginning of year	<u>906,509</u>	<u>120,610</u>	<u>1,027,119</u>
End of year	<u>\$ 1,044,130</u>	<u>\$ 195,992</u>	<u>\$ 1,240,122</u>

See Independent Accountants' Review Report and accompanying Notes to Financial Statements.

FRENCH QUARTER FESTIVALS, INC.
STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2017 and 2016 (Restated)

	2017	2016
Cash flows provided by operating activities:		
Change in net assets	\$ 86,773	\$ 213,003
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,176	1,497
(Increase) decrease in operating assets:		
Accounts receivable	57,317	(12,625)
Other current assets	(23,777)	22,001
Increase (decrease) in operating liabilities:		
Accounts payable	11,089	-
Accrued payroll liabilities	(10,987)	2,298
Deferred revenue	(6,540)	6,540
Other current liabilities	-	(70)
Net cash provided by operating activities	<u>116,051</u>	<u>232,644</u>
Cash flows used by investing activities:		
Purchase of property and equipment	(19,905)	(1,598)
Purchase of investments, net	<u>(26,896)</u>	<u>(26,183)</u>
Net cash used by investing activities	<u>(46,801)</u>	<u>(27,781)</u>
Net increase	69,250	204,863
Cash and cash equivalents at beginning of year	<u>270,140</u>	<u>65,277</u>
Cash and cash equivalents at end of year	<u>\$ 339,390</u>	<u>\$ 270,140</u>

See Independent Accountants' Review Report and accompanying Notes to Financial Statements.

FRENCH QUARTER FESTIVALS, INC.
NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2017 and 2016 (Restated)

1) Nature of activities

French Quarter Festivals, Inc. (the "Organization") annually produces three festivals: French Quarter Festival, Satchmo SummerFest, and Christmas New Orleans Style. The Organization is a 501c(3) nonprofit organization whose mission is to promote the Vieux Carré 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.

2) Summary of significant accounting policies

(a) Financial statement presentation

The Organization's policy is to prepare its financial statements on the accrual basis of accounting, which recognizes all revenues and the related assets when earned and all expenses and the related obligations when incurred and accounting principles generally accepted in the United States of America.

(b) Income taxes

The Organization has received a tax-exempt ruling under Section 501(c)(3) of the Internal Revenue Code, and accordingly, is not subject to federal taxes unless the Organization has unrelated trade or business income.

The Organization adopted the provisions of ASC 740, *Accounting for Uncertainty in Income Taxes*. Management of the Organization believes it has no material uncertain tax positions, and accordingly it will not recognize any liability for unrecognized tax benefits. With few exceptions, the Organization is not subject to U. S. federal and state examinations by tax authorities beyond three years from the filing of those returns.

(c) Estimates

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

(d) Cash and cash equivalents

For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

(e) Investments

Investments in stable value funds are valued at fair value in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investments with a maturity of one year or less are classified as current.

(f) Accounts receivable

Accounts are considered overdue if uncollected within ninety days of the original invoice. The Organization writes off uncollectible accounts as they are identified. No allowance for uncollectible accounts has been provided, as management has evaluated the accounts and believes they are all collectible.

FRENCH QUARTER FESTIVALS, INC.
NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2017 and 2016 (Restated)

2) Summary of significant accounting policies (continued)

(g) Property and equipment

Property and equipment are recorded at cost. Donations of property and equipment are recorded as property and equipment at their estimated fair value. It is the Organization's policy to depreciate the assets over their estimated useful life of five (5) years using the straight line depreciation method. Expenditures for maintenance and repairs are charged to expense as incurred.

(h) Promises to give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

The Organization uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based upon management's knowledge and experience and management's analysis of specific promises made. Based on prior experience, management believes all receivables to be collectible.

(i) Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions. Support that is not restricted by the donor is reported as an increase in unrestricted net assets. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. A restriction expires when a stipulated time constraint ends or the purpose of the restriction is accomplished. At that point, the restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets.

(j) Fundraising

All expenses associate with the fundraising are expensed as incurred.

(k) Advertising

The Organization uses advertising to promote its festivals. Advertising costs are expensed as incurred. Advertising expense for the years ended December 31, 2017 and 2016 was \$196,936 and \$246,543, respectively.

FRENCH QUARTER FESTIVALS, INC.
NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2017 and 2016 (Restated)

3) Property and equipment

A summary of property and equipment and depreciation are as follows as of December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Computers and equipment	\$ 43,055	\$ 23,150
Total costs	43,055	<u>23,150</u>
Less accumulated depreciation	<u>19,094</u>	<u>16,918</u>
Property and Equipment	<u>\$ 23,961</u>	<u>\$ 6,232</u>

Depreciation expense for the years end December 31, 2017 and 2016 was \$2,176 and \$1,497, respectively.

4) Investments

The carrying values of investments are summarized as follows:

	<u>2017</u>	<u>2016</u>
Current		
Stable Value Fund	\$ 923,420	\$ 896,524
	<u>\$ 923,420</u>	<u>\$ 896,524</u>

Investment income consists of the following:

Interest earned	\$ 26,895	\$ 26,183
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5) Concentrations of credit risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash deposits. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. The Organization may, at times, have deposits in excess of the FDIC insured limits. However, at December 31, 2017 and 2016, the Organization had no uninsured cash balances. The Organization has not experienced any losses in such accounts. The Organization has no policy requiring collateral or other security to support its deposits.

At December 31, 2017, accounts receivable consisted of three sponsors which accounted for 73% of the Organization's total trade accounts receivable. At December 31, 2016, accounts receivable consisted of four sponsors which accounted for 58% of the Organization's total trade accounts receivable.

In 2017 and 2016, there was one sponsor whom contributed 12% of the Organization's total revenue.

See Independent Accountants' Review Report.

FRENCH QUARTER FESTIVALS, INC.
NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2017 and 2016 (Restated)

6) Restriction on net assets

Temporarily restricted net assets are available for the following events

	<u>2017</u>	<u>2016</u>
2019 French Quarter Festival	\$ 32,500	\$ 32,500
2018 French Quarter Festival	218,668	65,000
2017 French Quarter Festival	-	98,492

7) Board designated unrestricted net assets

The Board of Directors of French Quarter Festivals, Inc. designated \$400,000 as a general operating reserve.

8) Fair Value Measurement

Financial Accounting Standards Board Accounting Standards Codification 820, *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that 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 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described below:

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 or liability'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.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2017.

Stable Value fund: Valued at net asset value, which is approximates fair market value.

See Independent Accountants' Review Report.

FRENCH QUARTER FESTIVALS, INC.
NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2017 and 2016 (Restated)

8) Fair Value Measurement (continued)

The method 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 measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2017:

	Total Fair Value Assets at December 31, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)
Stable Value Fund	\$ 923,420	\$ 923,420
Total	\$ 923,420	\$ 923,420

The following tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2016:

	Total Fair Value Assets at December 31, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)
Stable Value Fund	\$ 896,524	\$ 896,524
Total	\$ 896,524	\$ 896,524

9) Related party transactions

During 2017, the Organization contracted with companies that were associated with current board members and their family members for legal services, for the rental of staging equipment, for the rental of event space, for the purchase of event beverages, and for accounting services. Fees paid to these companies for the year ended December 31, 2017 totaled \$324,350.

During 2016, the Organization contracted with companies that were associated with current board members and their family members for legal services, for the rental of staging equipment, and for accounting services. Fees paid to these companies for the year ended December 31, 2016 totaled \$85,344.

FRENCH QUARTER FESTIVALS, INC.
NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2017 and 2016 (Restated)

10) Retirement plan

The Organization provides retirement benefits to its employees through a Simple IRA Plan covering all full-time employees with at one year of service. The Organization matches the employee's elective deferral up to 3% of the employee's compensation. Contributions to the plan during the years ended December 31, 2017 and 2016 were \$6,067 and \$11,505, respectively.

11) Operating lease

As of February 2018, the Organization entered into an operating lease for its headquarters. Lease payments under the lease are \$6,586. The lease expires in January 2023. Future minimum payments under the lease are as follows:

<u>Year Ending</u>	<u>Amount</u>
2018	\$ 72,449
2019	79,035
2020	79,035
2021	79,035
2022	79,035
Thereafter	6,586

12) Prior period adjustment

The Organization has restated the 2016 financials for temporarily restricted net assets recorded in error as unrestricted net assets. Total temporarily restricted net assets at December 31, 2016 increased by \$97,500.

13) Subsequent events

Management has evaluated subsequent events through the date of the review report, the date which the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

FRENCH QUARTER FESTIVALS, INC.
SUMMARY OF COMPENSATION, BENEFITS, AND OTHER
PAYMENTS TO AGENCY HEAD
For the Year Ended December 31, 2017

SUMMARY OF COMPENSATION

- None of the agency head's compensation was derived from state and/or local assistance