
**NEW ORLEANS JAZZ & HERITAGE
FESTIVAL AND FOUNDATION, INC.**
NEW ORLEANS, LOUISIANA

FINANCIAL STATEMENTS

AUGUST 31, 2019

**NEW ORLEANS JAZZ & HERITAGE
FESTIVAL AND FOUNDATION, INC.
NEW ORLEANS, LOUISIANA**

FINANCIAL STATEMENTS

AUGUST 31, 2019

CONTENTS

	<u>Page</u>
<u>INDEPENDENT AUDITORS' REPORT</u>	1
<u>FINANCIAL STATEMENTS</u>	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statement of Functional Expenses	5
Statements of Cash Flows	6
<u>NOTES TO FINANCIAL STATEMENTS</u>	7
<u>INDEPENDENT AUDITORS' 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></u>	22
<u>SUPPLEMENTARY INFORMATION, as required by R.S. 24:513(A)(3), as amended</u>	
Schedule of Compensation, Benefits, and Other Payments to Agency Head or Chief Executive Officer (Schedule omitted as compensation is not paid for by public funds)	

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
New Orleans Jazz & Heritage Festival and Foundation, Inc.
New Orleans, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of New Orleans Jazz & Heritage Festival and Foundation, Inc. (a nonprofit organization), which comprise the statements of financial position as of August 31, 2019 and 2018, the related statements of activities and changes in net assets and cash flows for the years then ended, the statement of functional expenses for the year ended August 31, 2019, and the related notes to the 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatements.

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 on the previous page present fairly, in all material respects, the financial position of New Orleans Jazz & Heritage Festival and Foundation, Inc. as of August 31, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, New Orleans Jazz & Heritage Festival and Foundation, Inc. adopted Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*, in the current year related to the presentation of financial statements. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2020, on our consideration of New Orleans Jazz & Heritage Festival and Foundation Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of New Orleans Jazz & Heritage Festival and Foundation Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering New Orleans Jazz & Heritage Festival and Foundation, Inc.'s internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the New Orleans Jazz & Heritage Festival and Foundation, Inc. 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 22, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Postlethwaite & Netterville

New Orleans, Louisiana
February 14, 2020

NEW ORLEANS JAZZ & HERITAGE FESTIVAL AND FOUNDATION, INC.
NEW ORLEANS, LOUISIANA

STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2019 AND 2018

<u>ASSETS</u>	2019	2018
Cash and cash equivalents	\$ 11,204,535	\$ 8,339,766
Receivables from sponsors, vendors, and miscellaneous	331,041	377,544
Investments	19,195,667	17,775,767
Jazznet Program investments	649,409	678,159
Prepaid expenses and other assets	247,130	301,296
Art collection	691,209	689,223
Property and equipment, net	8,591,958	9,172,228
<u>TOTAL ASSETS</u>	\$ 40,910,949	\$ 37,333,983
<u>LIABILITIES AND NET ASSETS</u>		
Accounts payable	\$ 879,466	\$ 1,325,006
Advance on future festival revenues	-	1,278,450
<u>TOTAL LIABILITIES</u>	879,466	2,603,456
<u>NET ASSETS</u>		
Without donor restrictions		
Board designated	10,368,762	10,161,050
Undesignated	28,887,110	23,730,643
<u>TOTAL NET ASSETS WITHOUT DONOR RESTRICTIONS</u>	39,255,872	33,891,693
With donor restrictions	775,611	838,834
<u>TOTAL NET ASSETS</u>	40,031,483	34,730,527
<u>TOTAL LIABILITIES AND NET ASSETS</u>	\$ 40,910,949	\$ 37,333,983

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

NEW ORLEANS JAZZ & HERITAGE FESTIVAL AND FOUNDATION, INC.
NEW ORLEANS, LOUISIANA

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<u>REVENUES AND SUPPORT</u>						
Festival revenues	\$ 44,366,224	\$ -	\$ 44,366,224	\$ 35,122,614	\$ -	\$ 35,122,614
Less expenses	(38,780,159)	-	(38,780,159)	(32,430,378)	-	(32,430,378)
Festival - net revenues	5,586,065	-	5,586,065	2,692,236	-	2,692,236
Foundation Gala (net of expenses of \$541,595 in 2019 and \$431,977 in 2018)	410,207	-	410,207	139,730	-	139,730
Other festivals revenues	303,175	-	303,175	230,224	-	230,224
Grants/contributions	1,560,826	43,707	1,604,533	1,645,837	25,000	1,670,837
Investment income, net	689,206	18,100	707,306	1,820,450	14,931	1,835,381
Membership, net	94,331	-	94,331	67,910	-	67,910
Settlement revenue, net	3,285,479	-	3,285,479	-	-	-
Miscellaneous	36,960	-	36,960	35,209	-	35,209
Total net revenues	11,966,249	61,807	12,028,056	6,631,596	39,931	6,671,527
Net assets released from restrictions	125,030	(125,030)	-	43,343	(43,343)	-
Total revenues and other support	12,091,279	(63,223)	12,028,056	6,674,939	(3,412)	6,671,527
<u>EXPENSES</u>						
Budgeted programs	2,614,403	-	2,614,403	2,575,230	-	2,575,230
Special programs	975,989	-	975,989	986,328	-	986,328
Administrative expenses	746,039	-	746,039	430,679	-	430,679
Operating expenses	1,086,557	-	1,086,557	992,318	-	992,318
Salaries and benefits	1,304,112	-	1,304,112	1,309,524	-	1,309,524
Total expenses	6,727,100	-	6,727,100	6,294,079	-	6,294,079
Change in net assets	5,364,179	(63,223)	5,300,956	380,860	(3,412)	377,448
<u>NET ASSETS, BEGINNING OF YEAR</u>	33,891,693	838,834	34,730,527	33,510,833	842,246	34,353,079
<u>NET ASSETS, END OF YEAR</u>	\$ 39,255,872	\$ 775,611	\$ 40,031,483	\$ 33,891,693	\$ 838,834	\$ 34,730,527

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

NEW ORLEANS JAZZ & HERITAGE FESTIVAL AND FOUNDATION, INC.
NEW ORLEANS, LOUISIANA

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2019, WITH COMPARATIVE TOTALS FOR THE YEAR ENDED AUGUST 31, 2018

	2019			2018	
	Program Services	Management and General	Fundraising	Total Expenses	Total Expenses
Artist / Talent	\$ 17,266,908	\$ -	\$ 38,593	\$ 17,305,501	\$ 14,698,059
Salaries and wages	5,702,950	392,403	74,198	6,169,551	5,438,087
Professional fees	5,948,737	123,196	7,521	6,079,454	3,791,501
Grants and other assistance	2,337,581	10,000	-	2,347,581	2,299,800
Insurance	1,323,120	105,889	563	1,429,572	1,445,309
Office expenses	1,276,281	68,038	26,673	1,370,992	755,057
Advertising and promotion	1,189,110	11,451	1,898	1,202,459	1,193,960
Depreciation	675,343	102,623	-	777,966	678,492
Occupancy	456,350	69,340	-	525,690	387,428
Employee benefits	319,751	35,450	10,703	365,904	351,258
Payroll taxes	246,552	34,776	5,676	287,004	549,280
Travel	223,154	1,057	551	224,762	620,323
Royalties	173,895	-	-	173,895	76,862
Direct cost - catering / merchandise cost of goods sold	13,915	-	100,097	114,012	101,038
Information technology	103,209	3,766	-	106,975	12,498
Legal fees	2,325	54,852	-	57,177	58,535
Accounting fees	-	41,293	-	41,293	35,800
Conferences, conventions, and meetings	12,203	1,912	198	14,313	1,957
Other expenses:					
Festival expenses	6,660,046	43,642	-	6,703,688	6,147,962
Program expenses	388,950	1,200	360,915	751,065	513,228
Total expenses by function	<u>\$ 44,320,380</u>	<u>\$ 1,100,888</u>	<u>\$ 627,586</u>	<u>\$ 46,048,854</u>	<u>\$ 39,156,434</u>
Less expenses included with revenues on the statement of activities and changes in net assets					
Festival expenses				(38,780,159)	(32,430,378)
Gala expenses				(541,595)	(431,977)
Total expenses included in the expense section on the statement of activities and changes in net assets				<u>\$ 6,727,100</u>	<u>\$ 6,294,079</u>

The accompanying notes are an integral part of this financial statement.

NEW ORLEANS JAZZ & HERITAGE FESTIVAL AND FOUNDATION, INC.
NEW ORLEANS, LOUISIANA

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018

	2019	2018
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 5,300,956	\$ 377,448
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Unrealized loss on investments	191,536	635,081
Depreciation	777,966	682,777
Decrease (increase) in assets:		
Receivables from sponsors, vendors, and miscellaneous, net	46,503	595,233
Prepaid expenses and other assets	54,166	(92,116)
Increase (decrease) in liabilities:		
Accounts payable	(445,540)	232,170
Advance on future festival revenues	(1,278,450)	13,450
Net cash provided by operating activities	4,647,137	2,444,043
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(197,696)	(1,813,419)
Purchases of artwork	(1,986)	(3,381)
Purchases of investments	(2,569,217)	(11,298,688)
Proceeds from sales of investments	986,531	8,196,214
Net cash used in investing activities	(1,782,368)	(4,919,274)
Net change in cash and cash equivalents	2,864,769	(2,475,231)
<u>NET CHANGE IN CASH AND CASH EQUIVALENTS</u>		
Cash and cash equivalents, beginning of year	8,339,766	10,814,997
Cash and cash equivalents, end of year	\$ 11,204,535	\$ 8,339,766

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

NEW ORLEANS JAZZ & HERITAGE FESTIVAL AND FOUNDATION, INC.
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019

1. Nature of Activities

New Orleans Jazz & Heritage Festival and Foundation, Inc. (the “Foundation”) is a nonprofit organization located in New Orleans, Louisiana. The primary purpose of the Foundation is the promotion of New Orleans jazz and Louisiana heritage. The Foundation fulfills its purpose by producing the New Orleans Jazz & Heritage Festival on an annual basis. The festival is also the major source of funding for the Foundation’s operations throughout the year.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Basis of Presentation

Net assets and revenues are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board of directors has designated a portion of net assets from net assets without donor restrictions for specific purposes.

Net Assets With Donor Restrictions – Net assets subject to donor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other actions by the Foundation. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that the principal not be expended, but rather to provide a permanent source of income for the Foundation’s programs. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments in money market funds and investments with original maturities of three months or less to be cash equivalents.

Allowance for Doubtful Accounts

The Foundation uses the reserve method to recognize uncollectible accounts. The allowance for doubtful accounts is based on management’s analysis of delinquent accounts receivable. No allowance was deemed necessary by management as of August 31, 2019 and 2018.

NEW ORLEANS JAZZ & HERITAGE FESTIVAL AND FOUNDATION, INC.
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019

2. Summary of Significant Accounting Policies (continued)

Promises to Give

Contributions are recognized when the donor makes an unconditional pledge to the Foundation. Conditional promises to give are recognized when the conditions on which they depend are substantially met. All promises to give are recognized as assets, less an allowance for uncollectible amounts (if necessary), and revenues. A promise to give to be made over several years is discounted to net present value.

Investments

Investments are carried at fair market value, based on quoted market prices. Investments acquired through donations are recorded at fair market value on the date of donation.

Investment income is recorded as increases in net assets without donor restrictions unless the use is restricted by the donor. Unrealized gains and losses are included in the change in net assets in the accompanying Statements of Activities and Changes in Net Assets. These amounts are included in investment income.

Realized gains and losses are included in investment income. Realized gains and losses on the sales of securities are determined using the specific-identification method.

Jazznet Program Investments

The Jazznet Program Fund is an investment account comprised of mutual funds carried at fair market value based on quoted market prices. This fund is accounted for separately to hold contributions which are donor restricted for the Jazznet Program.

Property and Equipment

The Foundation records all asset acquisitions at cost, except for assets donated to the Foundation. Donated assets are recorded at appraised value as of the date of donation. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as support with donor restrictions.

Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

NEW ORLEANS JAZZ & HERITAGE FESTIVAL AND FOUNDATION, INC.
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019

2. Summary of Significant Accounting Policies (continued)

Property and Equipment (continued)

Repairs and maintenance are charged to expense as incurred. Major renewals, replacements, and betterments are capitalized and amortized over the remaining life of the asset.

Property and equipment are depreciated using the straight-line method over the estimated useful lives shown below:

<u>Classification</u>	<u>Life in Years</u>
Buildings and improvements	15 - 39
Furniture and fixtures	5 - 10
Equipment	3 - 10

Impairment of long-lived assets is tested whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. The carrying value of a long-lived asset is considered impaired when the anticipated undiscounted cash flow from such asset is separately identifiable and is less than carrying value. For the years ended August 31, 2019 and 2018, there was no impairment charge recorded.

Art Collection

The Foundation purchased several works of art that are carried in the accompanying financial statements at cost. The Foundation does not record depreciation on the art collection, as depreciation is not required to be recognized under GAAP on individual works of art or historical treasures whose economic benefit or service potential is used up so slowly that their estimated useful lives are extraordinarily long.

Grants / Contributions and Revenue Recognition

Contributions and other revenue sources are recorded as support with or without donor restrictions, depending on the existence or nature of any donor restrictions. Support that is restricted by a donor is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities and Changes in Net Assets as net assets released from restrictions.

Festival and gala revenue is recognized when the event takes place. Contribution and grant revenue is recognized when cash, securities, or other assets or an unconditional promise to give is received. Membership revenue is recognized upon receipt.

NEW ORLEANS JAZZ & HERITAGE FESTIVAL AND FOUNDATION, INC.
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019

2. Summary of Significant Accounting Policies (continued)

Grants / Contributions and Revenue Recognition (continued)

In addition to cash contributions received from the various sponsors, certain other goods and services were also received at no cost to the Foundation. An estimate of the value of these non-cash contributions is considered immaterial by management and has not been recorded as these would be presented as additional revenues and related offsetting expenses with no effect on the Foundation's Statements of Activities and Changes in Net Assets for the years presented.

Donated Services of Volunteers

Volunteers contribute significant amounts of time to the Foundation's program services. However, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by GAAP.

Advertising Costs

Advertising costs are charged to operations when the advertising is incurred.

Expense Allocation

The costs of providing the various activities have been summarized on a functional basis on the Statement of Functional Expenses. The majority of expenses have been specifically identified with a program or supporting service. Certain costs have been allocated among the program and supporting services benefitted using appropriate methodologies, such as management's estimate of periodic time and effort. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Foundation.

Income Taxes

The Foundation is a non-profit organization that is exempt from Federal income tax under Section 501 (c) (3) of the Internal Revenue Code. It is exempt from Louisiana income tax under the Section 121(5) of Title 47 of the Louisiana Revised Statutes of 1950. The Foundation applies a "more-likely-than-not" recognition threshold for all tax uncertainties. This approach only allows the recognition of those tax benefits that have a greater than fifty percent likelihood of being sustained upon examination by the taxing authorities. The Foundation has reviewed its tax positions and determined there were no outstanding or retroactive tax positions with less than a fifty percent likelihood of being sustained upon examination by the taxing authorities.

NEW ORLEANS JAZZ & HERITAGE FESTIVAL AND FOUNDATION, INC.
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019

2. Summary of Significant Accounting Policies (continued)

Presentation of Sales Taxes

When applicable under state jurisdiction, the Foundation collects sales tax from customers and remits the amounts to the applicable jurisdiction. The Foundation's accounting policy is to exclude the tax collected and remitted to the applicable jurisdiction from revenue and costs of sales.

Use of Estimates

The preparation of financial statements in conformity with GAAP 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 amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Change in Accounting Principle

As of September 1, 2018, the Foundation adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Under the ASU, the number of net asset classes is decreased from three to two; enhanced disclosures of underwater endowments are required; reporting of expenses by function and nature, as well as an analysis of expenses by both function and nature, is required; and qualitative information in the notes to the financial statements on how it manages its liquid available resources and liquidity risks is required. This adoption of ASU 2016-14 had no impact on the Foundation's total net assets.

Recent Accounting Pronouncements Issued But Not Yet Adopted

In June 2018, the Financial Accounting Standards Board (FASB) issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of *Topic 958, Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. This ASU will be effective for the Foundation for its year ending August 31, 2020.

The FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, to update its revenue recognition standard to clarify the principles of recognizing revenue and eliminate industry-specific guidance as well as help financial statement users better understand the nature, amount, timing, and uncertainty of revenue that is recognized. The standard may be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. This ASU will be effective for the Foundation for its year ending August 31, 2020.

NEW ORLEANS JAZZ & HERITAGE FESTIVAL AND FOUNDATION, INC.
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019

2. Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements Issued But Not Yet Adopted (continued)

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. This accounting standard requires lessees to recognize assets and liabilities related to lease arrangements longer than 12 months on the balance sheet as well as additional disclosures. In July 2018, the FASB issued ASU No. 2018-11, *Leases (Topic 842): Targeted Improvements*, to simplify the lease standard's implementation. The amended guidance relieves businesses and other organizations of the requirement to present prior comparative years' results when they adopt the new lease standard. Instead of recasting prior year results using the new accounting when they adopt the guidance, companies can choose to recognize the cumulative effect of applying the new standard to leased assets and liabilities as an adjustment to the opening balance of net assets. This ASU will be effective for the Foundation for its year ending August 31, 2022.

The Foundation is currently assessing the impact of these pronouncements on its financial statements.

3. Concentration of Credit Risk

The Foundation has concentrated its credit risk for cash by maintaining deposits in financial institutions in the New Orleans area, which may at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (FDIC). The Foundation has not experienced any deposit losses and does not believe that significant credit risk exists as a result of this practice.

4. Liquidity and Availability

The Foundation regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds.

The Foundation manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability;
- Maintaining adequate liquid assets; and
- Maintaining sufficient reserves to provide reasonable assurance that long term commitments and obligations under endowments with donor restrictions that support mission fulfillment will continue to be met, ensuring the sustainability of the Foundation.

NEW ORLEANS JAZZ & HERITAGE FESTIVAL AND FOUNDATION, INC.
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019

4. Liquidity and Availability (continued)

The table below presents financial assets available to meet general expenditures over the next twelve months at August 31, 2019:

Total assets	\$ 40,910,949
Less: non-current and non-financial assets	
Prepaid expenses and other assets	(247,130)
Art collection	(691,209)
Property and equipment, net	<u>(8,591,958)</u>
Total current financial assets at year end	31,380,652
Less: financial asset designations and restrictions	
Board designated net assets	(10,368,762)
Net assets with donor restrictions	<u>(775,611)</u>
Financial assets available to meet general expenditures over the next twelve months	<u><u>\$ 20,236,279</u></u>

The Foundation's governing Board of Directors has designated a portion of its resources for specific purposes (see note 7). Those amounts are identified as designated in the table above. These funds remain available and may be spent at the discretion of the Board of Directors.

5. Property and Equipment

Property and equipment at August 31, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Land	\$ 446,250	\$ 446,250
Buildings and improvements	11,464,776	11,303,898
Equipment, furniture, and fixtures	953,451	857,583
Construction in progress	-	<u>59,050</u>
	<u>12,864,477</u>	<u>12,666,781</u>
Less accumulated depreciation	<u>(4,272,519)</u>	<u>(3,494,553)</u>
Total	<u><u>\$ 8,591,958</u></u>	<u><u>\$ 9,172,228</u></u>

NEW ORLEANS JAZZ & HERITAGE FESTIVAL AND FOUNDATION, INC.
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019

6. Fair Value Measurements

Fair value measurement standards established 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. These levels include Level 1, unadjusted quoted prices in active markets for identical assets or liabilities; Level 2, directly or indirectly observable inputs other than quoted prices for the asset or liability, such as quoted market prices for similar assets or liabilities; and Level 3, unobservable inputs for use when little or no market data exists, therefore requiring an entity to develop its own assumptions.

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.

The Foundation uses quoted prices for identical securities for valuing mutual funds, money market funds, and certificates of deposit which are within the Level 1 hierarchy.

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 Foundation believes its valuation method is appropriate and consistent with other market participants, the use of difference methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NEW ORLEANS JAZZ & HERITAGE FESTIVAL AND FOUNDATION, INC.
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019

6. Fair Value Measurements (continued)

As of August 31, 2019 assets measured at fair value on a recurring basis are comprised of and determined as follows:

<u>Description</u>	<u>Based on</u>			
	<u>Total Assets Measured at Fair Value</u>	<u>Quoted Prices In Active Markets</u>	<u>Other Observable Inputs (Level 2)</u>	<u>Unobservable Inputs (Level 3)</u>
Investments				
Money market funds and certificates of deposits	\$ 242,565	\$ 242,565	\$ -	\$ -
Mutual funds				
Global equity	9,958,523	9,958,523	-	-
Fixed income	6,997,641	6,997,641	-	-
REIT	399,963	399,963	-	-
Bond fund	1,596,975	1,596,975	-	-
Total investments	<u>\$ 19,195,667</u>	<u>\$ 19,195,667</u>	<u>\$ -</u>	<u>\$ -</u>
Jazznet Program Investments				
Mutual funds				
Global equity	\$ 163,144	\$ 163,144	\$ -	\$ -
Bond fund	158,088	158,088	-	-
Fixed income	328,177	328,177	-	-
Total Jazznet Program investments	<u>\$ 649,409</u>	<u>\$ 649,409</u>	<u>\$ -</u>	<u>\$ -</u>

NEW ORLEANS JAZZ & HERITAGE FESTIVAL AND FOUNDATION, INC.
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019

6. Fair Value Measurements (continued)

As of August 31, 2018 assets measured at fair value on a recurring basis are comprised of and determined as follows:

Description	Based on			
	Total Assets Measured at Fair Value	Quoted Prices In Active Markets	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Investments				
Money market funds and certificates of deposits	\$ 236,428	\$ 236,428	\$ -	\$ -
Mutual funds				
Global equity	9,129,597	9,129,597	-	-
Fixed income	6,625,038	6,625,038	-	-
REIT	327,635	327,635	-	-
Bond fund	1,457,069	1,457,069	-	-
Total investments	<u>\$ 17,775,767</u>	<u>\$ 17,775,767</u>	<u>\$ -</u>	<u>\$ -</u>
Jazznet Program Investments				
Mutual funds				
Global equity	\$ 160,804	\$ 160,804	\$ -	\$ -
Bond fund	163,233	163,233	-	-
Fixed income	354,122	354,122	-	-
Total Jazznet Program investments	<u>\$ 678,159</u>	<u>\$ 678,159</u>	<u>\$ -</u>	<u>\$ -</u>

7. Designated Net Assets

The Foundation's Board of Directors has dedicated a portion of the net assets without donor restrictions for the following purposes:

	August 31,	
	2019	2018
Allen Jaffe Memorial Fund	\$ 15,059	\$ 15,059
Foundation programs	226,121	18,409
Reserves	10,127,582	10,127,582
Total designated net assets	<u>\$ 10,368,762</u>	<u>\$ 10,161,050</u>

NEW ORLEANS JAZZ & HERITAGE FESTIVAL AND FOUNDATION, INC.
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019

8. Restrictions on Net Assets

Net assets have been restricted for the following purposes:

	<u>2019</u>	<u>2018</u>
Restricted for purpose or time:		
Jazznet program	\$ 149,409	\$ 178,159
S.E.E.D. program	72,988	112,055
Raisin' the Roof	29,367	29,367
Heritage School of Music	23,847	19,253
Restricted in perpetuity:		
Endowment - Jazznet Program	<u>500,000</u>	<u>500,000</u>
Total	<u>\$ 775,611</u>	<u>\$ 838,834</u>

The Foundation maintains an account for activities attributable to the Supporting, Enfranchising, Economic, Development (“S.E.E.D.”) program. The program was established to support small business development in the New Orleans community for entrepreneurs who are associated with the Foundation.

The endowment consists of funds held in a separate investment account under the Jazznet Program. The Foundation manages its funds independently. These funds are to be maintained in perpetuity; the income on which is available to support jazz programs under the stipulations of the donor.

9. Endowments

The Endowment. The Foundation’s endowment is comprised of one fund, established to promote jazz programming to its community, and consists of net assets with donor restrictions. Income generated by the endowment shall be directly utilized for jazz programming. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law. The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as requiring the preservation of the fair value of an original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary.

NEW ORLEANS JAZZ & HERITAGE FESTIVAL AND FOUNDATION, INC.
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019

9. Endowments (continued)

As a result of this interpretation, the Foundation classifies the following amounts as net assets with donor restrictions in the accompanying financial statements:

- the original value of the gifts donated in perpetuity,
- the original value of subsequent gifts donated in perpetuity, and
- when applicable, accumulations to the gifts donated in perpetuity, made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. There were no additional gifts during the years ended August 31, 2019 and 2018.

The remaining portion of the endowment fund with donor restrictions that is not classified in restricted in perpetuity net assets is classified as restricted for purpose or time net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate endowment funds with donor restrictions.

- The duration and the preservation of the fund
- The purposes of the Foundation and the endowment fund with donor restrictions
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

Endowment net asset composition by type of fund as of August 31, 2019 and 2018 is as follows:

	2019		
	Restricted for Purpose or Time	Restricted in Perpetuity	Total
Donor-restricted endowment funds	\$ 149,409	\$ 500,000	\$ 649,409
	2018		
	Restricted for Purpose or Time	Restricted in Perpetuity	Total
Donor-restricted endowment funds	\$ 178,159	\$ 500,000	\$ 678,159

NEW ORLEANS JAZZ & HERITAGE FESTIVAL AND FOUNDATION, INC.
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019

9. Endowments (continued)

Changes in endowment net assets are as follows:

	2019		
	<u>Restricted for</u>	<u>Restricted in</u>	
	<u>Purpose or Time</u>	<u>Perpetuity</u>	<u>Total</u>
Net assets, beginning of the year	\$ 178,159	\$ 500,000	\$ 678,159
Net investment return	18,100	-	18,100
Releases	(46,850)	-	(46,850)
Net assets, end of the year	<u>\$ 149,409</u>	<u>\$ 500,000</u>	<u>\$ 649,409</u>
	2018		
	<u>Restricted for</u>	<u>Restricted in</u>	
	<u>Purpose or Time</u>	<u>Perpetuity</u>	<u>Total</u>
Net assets, beginning of the year	\$ 191,378	\$ 500,000	\$ 691,378
Net investment return	14,931	-	14,931
Releases	(28,150)	-	(28,150)
Net assets, end of the year	<u>\$ 178,159</u>	<u>\$ 500,000</u>	<u>\$ 678,159</u>

Funds with Deficiencies. The fair value of assets associated with individual donor-restricted endowment funds may fall below the level that either the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. These deficiencies can result from unfavorable market fluctuations and when continued appropriations for certain programs that were deemed prudent by the Board of Directors occur in concurrence with the unfavorable market fluctuations. There were no such deficiencies as of August 31, 2019 and 2018.

Return Objectives and Risk Parameters. Endowment assets include donor restricted funds that the Foundation must hold in perpetuity. Under this policy, as approved by the Board of Directors, gifts in perpetuity to the Foundation are invested in equity investments, fixed income, money market funds, and cash equivalents. The investment objective of the Endowment shall be that funds invested receive a yield of a 3% - 5% return. The Board of Directors, with the recommendation of the Finance Committee, shall make investment decisions. The Finance Committee reviews these guidelines with management on a quarterly basis.

Strategies Employed for Achieving Objectives. To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through current yield (interest and dividends).

NEW ORLEANS JAZZ & HERITAGE FESTIVAL AND FOUNDATION, INC.
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019

9. Endowments (continued)

Spending Policy and How Investment Objectives Relate to the Spending Policy. A policy was implemented to distribute a percentage of the dividend and interest income directly for jazz programs for each fiscal year in those years that the financial performance of the investment exceeds expectation. The Finance Committee will make a recommendation on an annual basis to release a certain percentage when appropriate. In establishing this policy, the Foundation considered the risk in the investment environment related to its endowment gifts. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity.

10. Litigation

The Foundation is a defendant in various lawsuits. These claims are being defended by the Foundation's liability insurer. The Foundation's legal counsel is of the opinion that the Foundation has minimal risk of incurring any uninsured loss.

11. Related Party Transactions

Certain members of the Foundation's Board of Directors also serve on the Board of Directors of WWOZ. Funding and payments to WWOZ totaled \$1,630,000 and \$1,702,798 for the years ended August 31, 2019 and 2018, respectively and are included in budgeted programs on the Statements of Activities and Changes in Net Assets.

12. Retirement Plan

The Foundation has a defined contribution retirement plan for all eligible employees. Employees are eligible to participate in the plan after completing one year of service. The plan specifies that the Foundation contribute on behalf of the employees based on their annual contributions. The Foundation's contributions were \$80,800 and \$104,010 for the years ended August 31, 2019 and 2018, respectively.

13. Functional Allocation of Expenses

Total expenses are allocated by function as of August 31, 2018 as follows:

	<u>2018</u>
Program services	\$ 36,423,913
Supporting services:	
Management and general	2,198,870
Fundraising	<u>533,651</u>
Totals	<u>\$ 39,156,434</u>

NEW ORLEANS JAZZ & HERITAGE FESTIVAL AND FOUNDATION, INC.
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019

14. Commitments

On January 27, 2005, the Foundation entered into a production management and financing agreement (“the Agreement”) between two companies, collectively the Producers, to produce and manage the New Orleans Jazz and Heritage Festival. The Agreement includes two extension periods of five years or longer as a result of an option for a successive one-year extension as a result of specially cancelled festivals, as defined in the agreement. The current expiration date of the Agreement is August 31, 2025. The Agreement provides for a base producers’ fee and an additional allocation of festival net revenues to be paid by the Foundation each year for each annual festival produced, subject to adjustment at the start of each extension term in accordance with a cost of living adjustment. The agreement requires an annual advance to the Foundation, also subject to adjustment at the start of each extension term in accordance with a cost of living adjustment. The advance is to be paid to the Foundation on September 1st of each fiscal year. The advance for the 2019 New Orleans Jazz and Heritage Festival was received by the Foundation on August 31, 2018, and therefore, was recorded as advance on future festival revenues on the Statements of Financial Position.

15. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, February 14, 2020 and determined that no events had occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

**INDEPENDENT AUDITORS' 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 of
New Orleans Jazz & Heritage Festival and Foundation, Inc.
New Orleans, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of New Orleans Jazz & Heritage Festival and Foundation, Inc. (the "Foundation") (a nonprofit organization), which comprise the statements of financial position as of August 31, 2019 and 2018, the related statements of activities and changes in net assets and cash flows for the years then ended, the statement of functional expenses for the year ended August 31, 2019, and the related notes to the financial statements, and have issued our report thereon dated February 14, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purposes 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 Foundation'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 Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Postlethwaite & Netterville

New Orleans, Louisiana
February 14, 2020