

Red River Revel Arts Festival

Financial Statements

December 31, 2018 and 2017



CRI CARR
RIGGS &
INGRAM

CPAs and Advisors

CRIcpa.com



**Red River Revel Arts Festival
Table of Contents
December 31, 2018**

| | Page No. |
|---|----------|
| REPORT | |
| Independent Auditors' Report | 1 |
| FINANCIAL STATEMENTS | |
| Statements of Financial Position as of December 31, 2018 and 2017 | 3 |
| Statement of Activities for the Year Ended December 31, 2018 | 4 |
| Statement of Activities for the Year Ended December 31, 2017 | 5 |
| Statements of Cash Flows for the Years Ended December 31, 2018 and 2017 | 6 |
| Notes to Financial Statements | 7 |
| Schedule of Compensation, Benefits and Other Payments to Agency Head | 17 |
| INTERNAL CONTROL RECOMMENDATIONS | |
| Schedule of Findings and Responses | 18 |



Carr, Riggs & Ingram, LLC
1000 East Preston Avenue
Suite 200
Shreveport, LA 71105

Mailing Address:
P.O. Box 4278
Shreveport, LA 71134-0278

(318) 222-2222
(318) 226-7150 (fax)
CRLcpa.com

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, 2018 and 2017, 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, 2018 and 2017, 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

Adoption of New Accounting Pronouncement - As described in Note 1 to the financial statements, Red River Revel Arts Festival adopted ASU 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities which resulted in reducing the number of classes of net assets from three to two: net assets with donor restrictions and net assets without donor restrictions, providing enhanced disclosures, and various other changes in presentation and disclosure.

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 17 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

June 24, 2019

Red River Revel Arts Festival Statements of Financial Position

| December 31, | 2018 | 2017 |
|---|------------|------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 70,288 | \$ 154,426 |
| Grants receivable | 34,637 | 20,541 |
| Contributions receivable, net | 3,160 | 9,016 |
| Other assets | 326 | 1,766 |
| Total current assets | 108,411 | 185,749 |
| Non-current assets | | |
| Property and equipment - net | 733 | 1,798 |
| Beneficial interest in assets of foundation | 214,381 | 232,292 |
| Restricted cash | 1,831 | 1,756 |
| Total non-current assets | 216,945 | 235,846 |
| Total assets | \$ 325,356 | \$ 421,595 |
| Liabilities and Net Assets | | |
| Current liabilities | | |
| Accounts payable | \$ 16,556 | \$ 20,962 |
| Deferred income | 22,733 | - |
| Other accrued liabilities | 5,736 | 7,472 |
| Total current liabilities | 45,025 | 28,434 |
| Total liabilities | 45,025 | 28,434 |
| Net assets | | |
| Without donor restrictions | 64,119 | 159,851 |
| With donor restrictions | 216,212 | 233,310 |
| Total net assets | 280,331 | 393,161 |
| Total liabilities and net assets | \$ 325,356 | \$ 421,595 |

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, 2018</i> | Without Donor Restrictions | With Donor Restrictions | Total |
|--|-------------------------------|----------------------------|-------------------|
| Support and revenue | | | |
| Public Support | | | |
| Revel | | | |
| Sponsor and underwriter contributions | \$ 172,886 | \$ - | \$ 172,886 |
| Individual and corporate contributions | 27,500 | - | 27,500 |
| Government and foundation grants | 101,849 | - | 101,849 |
| In-kind contributions and services | 241,640 | - | 241,640 |
| Farmers' Market | | | |
| Government and foundation grants | 250 | - | 250 |
| Underwriter and in-kind contributions | 49,018 | - | 49,018 |
| Art auction fundraiser | 12,070 | - | 12,070 |
| BREW fundraiser | 108,088 | - | 108,088 |
| CORK fundraiser | 233,547 | - | 233,547 |
| Other in-kind contributions | 65,745 | - | 65,745 |
| Total public support | 1,012,593 | - | 1,012,343 |
| Operating revenue | | | |
| Revel | | | |
| Concessions | 385,306 | - | 385,306 |
| Admissions | 77,252 | - | 77,252 |
| Poster and souvenir sales | 13,413 | - | 13,413 |
| Booth fees | 88,029 | - | 88,029 |
| Other operating revenue | 72,729 | - | 72,729 |
| Farmers' Market fees | 22,437 | - | 22,437 |
| Total operating revenue | 659,166 | - | 659,166 |
| Other revenue | | | |
| Investment income (loss) | 34 | (7,187) | (7,153) |
| Total other revenue | 34 | (7,187) | (7,153) |
| Net assets released from restrictions | (813) | 813 | - |
| Total support and revenue | 1,670,980 | (6,374) | 1,664,606 |
| Expenses | | | |
| Program services | | | |
| Red River Revel Arts Festival | 1,277,197 | - | 1,277,197 |
| Farmers' Market | 73,405 | - | 73,405 |
| Total program services | 1,350,602 | - | 1,350,602 |
| Supporting services | | | |
| Management and general | 141,176 | 2,160 | 143,336 |
| Fundraising - Art Event | 4,815 | - | 4,815 |
| Fundraising - BREW | 108,931 | - | 108,931 |
| Fundraising - CORK | 169,752 | - | 169,752 |
| Total supporting services | 424,674 | 2,160 | 426,834 |
| Total expenses | 1,775,276 | 2,160 | 1,777,436 |
| Change in net assets | (104,296) | (8,534) | (112,830) |
| Net assets, beginning of year | 159,851 | 233,310 | 393,161 |
| Distribution from Community Foundation endowment | 8,564 | (8,564) | - |
| Net assets, end of year | \$ 64,119 | \$ 216,212 | \$ 280,331 |

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> | Without Donor Restrictions | With Donor Restrictions | 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 | (42,250) | 22,429 | (19,821) |
| Net assets, beginning of year | 193,544 | 219,438 | 412,982 |
| Distribution from Community Foundation endowment | 8,557 | (8,557) | - |
| Net assets, end of year | \$ 159,851 | \$ 233,310 | \$ 393,161 |

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> | 2018 | 2017 |
|--|-------------------|-------------------|
| Cash flows from operating activities | | |
| Change in net assets | \$ (112,830) | \$ (19,821) |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities | | |
| Depreciation | 1,065 | 4,968 |
| Change in assets and liabilities | | |
| Decrease (increase) in | | |
| Grants receivable | (14,096) | 1,087 |
| Unrestricted contributions receivable | 5,856 | 1,939 |
| Other assets | 1,440 | 2,032 |
| Restricted cash | (75) | (150) |
| Beneficial interest in assets of foundation | 17,911 | (14,872) |
| Increase (decrease) in | | |
| Accounts payable | (4,406) | (6,302) |
| Deferred income | 22,733 | (5,550) |
| Other accrued liabilities | (1,736) | 3,577 |
| Net cash provided by (used in) operating activities | (84,138) | (33,092) |
| Net increase (decrease) in cash and cash equivalents | (84,138) | (33,092) |
| Cash and cash equivalents - beginning of year | 154,426 | 187,518 |
| Cash and cash equivalents - end of year | \$ 70,288 | \$ 154,426 |
| Noncash investing transactions - beneficial interest in assets of foundation: | | |
| Interest | \$ 2,847 | \$ 3,446 |
| Net realized and unrealized gains (losses) | (9,999) | 22,122 |
| Administrative fees | (2,160) | (2,139) |
| Total noncash investing transactions | \$ (9,312) | \$ 23,429 |

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

Red River Revel Arts Festival Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Organization

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 nine-day arts festival has united people throughout the area to enjoy a celebration of visual and performing arts. The outdoor festival attracts more than 100,000 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 100 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.

Financial Statement Presentation

The financial statements are presented in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 958-205, *Not-for-Profit Entities, Presentation of Financial Statements*. During 2018, the Revel adopted the provisions of Accounting Standards Update (“ASU”) 2016-14: Not-for-Profit-Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities, which improves the current net asset classification and the related information presented in the financial statements and notes about the Revel’s liquidity, financial performance, and cash flows.

Red River Revel Arts Festival Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Management believes that these estimates and assumptions provide a reasonable basis for the fair presentation of the financial statements.

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.

Concentrations of Credit Risk

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, 2018 and 2017, the Revel had no uninsured balances.

Contributions Receivable

Contributions receivable are recognized upon notification of a donor's unconditional promise to give to the Revel. Unconditional promises to give that are expected to be collected in less than one year are measured at net realizable value because that amount results in a reasonable estimate of fair value in accordance with the Contributions Received section of the FASB ASC. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions.

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 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In-kind Donations

Donated office space, materials, equipment, and labor provided by the City of Shreveport, as well as various other contributors, are recorded as in-kind contributions in the financial statements at their fair market value at the date of the donation. The Revel reports the donations in the net assets without donor restrictions category, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets must be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported in the net assets with donor restrictions category. Per FASB ASU 2016-14 and absent explicit donor stipulations about how long those long-lived assets must be maintained, the Revel reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Donated services are recognized as contributions 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 estimated useful life of the assets. 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.

Red River Revel Arts Festival Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Revel assesses whether it is more likely than not that a tax position will be sustained upon examination of the technical merits or the position, assuming the taxing authority has full knowledge of all information. If the tax position does not meet the more likely than not threshold, the benefit of the tax position is not recognized in the financial statements. The Revel recorded no assets or liabilities for uncertain tax positions or unrecognized tax benefits. Federal returns for the years ended 2015 and thereafter remain subject to examination by tax authorities. As of the date of this report, the Revel's 2018 return had not yet been filed.

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 2018 and 2017 were \$13,140 and \$13,327, respectively.

Recently Adopted Accounting Standards

The following accounting pronouncements were recently adopted by the Revel:

In August 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities, which changes the current guidance for assets classification, governing board designations, investment return, underwater endowment funds, expenses, liquidity and presentation of operating cash flows. ASU 2016-14 reduces the required number of classes of net assets from three to two: net assets with donor restrictions and net assets without donor restrictions. ASU 2016-14 also requires not-for-profit entities to provide enhanced disclosures about the amounts and purposes of governing board designations and appropriations. ASU 2016-14 requires not-for-profits to report investment return net of external and direct internal investment expenses. The requirement to disclose those netted expenses is eliminated.

In addition to the current required disclosure of the aggregate amount by which endowment funds are underwater, ASU 2016-14 requires not-for-profit entities to disclose the aggregate fair value of such funds as well as the aggregate original gift amounts to be maintained. ASU 2016-14 also requires a not-for-profit to disclose its interpretation of the ability to spend from underwater endowment funds including its policy, and any actions taken during the period, concerning appropriation from underwater endowment funds. All underwater endowment funds will be classified as part of net assets with donor restrictions rather than as a charge to unrestricted net assets as per the current rules. In the absence of explicit donor restrictions, ASU 2016-14 requires not-for-profit entities to use the placed-in-service approach to account for capital gifts. The current option to use the over-time approach has been eliminated. ASU 2016-14 requires expenses to be reported by nature in addition to function and include an analysis of expenses by both nature and function.

Red River Revel Arts Festival Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The methods used by not-for-profit entities to allocate costs among program and support functions need to be disclosed. ASU 2016-14 requires not-for-profit entities to provide both qualitative and quantitative information on management of liquid available resources and the ability to cover short-term cash needs within one year of the balance sheet date. Finally, current standards allow not-for-profit entities to decide whether to present operating cash flows using either the direct method or the indirect method. ASU 2016-14 eliminates the requirement to present or disclose the indirect method of reconciliation if the entity decides to use the direct method. ASU 2016-14 is effective for annual reporting periods beginning after December 15, 2017. Early adoption is permitted with retrospective application required for all prior periods presented. The Revel has adopted the provisions of ASU 2016-14 and has retrospectively applied this standard to the financial statements as of and for the year ending December 31, 2017.

A summary of the net asset reclassifications driven by the adoption of ASU 2016-14 as of December 31, 2017, follows:

| | |
|--------------------------------------|------------------|
| As originally stated: | |
| Unrestricted | \$193,544 |
| Temporarily restricted | 218,420 |
| Permanently restricted | 1,018 |
| <u>Total net assets, beginning</u> | <u>\$412,982</u> |
| | |
| Unrestricted | \$159,851 |
| Temporarily restricted | 232,292 |
| Permanently restricted | 1,018 |
| <u>Total net assets, end of year</u> | <u>\$393,161</u> |
| | |
| As restated: | |
| Without donor restrictions | \$193,544 |
| With donor restrictions | 219,438 |
| <u>Total net assets, beginning</u> | <u>\$412,982</u> |
| | |
| Without donor restrictions | \$159,851 |
| With donor restrictions | 233,310 |
| <u>Total net assets, end of year</u> | <u>\$393,161</u> |

Red River Revel Arts Festival Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications

Certain balances and amounts presented in the 2017 financial statements have been reclassified to conform to the 2018 presentation. These reclassifications had no effect on the change in net assets.

NOTE 2: LIQUIDITY AND AVAILABILITY OF FUNDS

The Revel's financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are as follows:

| December 31, | 2018 | 2017 |
|--|-----------|------------|
| Cash and cash equivalents | \$ 70,288 | \$ 154,426 |
| Contributions receivable, net | 3,160 | 9,016 |
| Total financial assets available to meet general expenditures within the next 12 months | \$ 73,448 | \$ 163,442 |

The Revel's endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is not restricted for specific purposes and, therefore, is available for general expenditure.

As part of the Revel's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 3: PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, 2018 and 2017, is as follows:

| | Useful Life | 2018 | 2017 |
|-------------------------------|-------------|-------------|-------------|
| 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 | | (113,317) | (112,252) |
| Property and equipment, net | | \$ 733 | \$ 1,798 |

For 2018 and 2017, the Revel's depreciation expense was \$1,065 and \$4,968, respectively.

Red River Revel Arts Festival Notes to Financial Statements

NOTE 4: 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, 2018, and includes summary totals for 2017.

| | | | | Totals | |
|--|----------------------------|-----------------|------------------------|--------------|--------------|
| | Red River Arts Festival | Farmers' Market | Supporting Services | 2018 | 2017 |
| Salaries and benefits | \$ 205,770 | \$ 19,907 | \$ 53,670 | \$ 279,347 | \$ 273,563 |
| Contract labor | - | 3,614 | 1,721 | 5,335 | 5,263 |
| Site operations | 435,308 | 44,617 | - | 479,925 | 487,200 |
| Commissions and other operating expenses | 326,325 | 768 | - | 327,093 | 480,014 |
| Music and performing arts | 178,691 | - | - | 178,691 | 175,759 |
| Programs | 33,805 | - | - | 33,805 | 29,705 |
| Advertising and promotion | 97,298 | 4,499 | - | 101,797 | 131,246 |
| Depreciation | - | - | 1,065 | 1,065 | 4,968 |
| Insurance | - | - | 21,683 | 21,683 | 20,101 |
| Accounting and legal | - | - | 13,428 | 13,428 | 13,493 |
| Bank and credit card fees | - | - | 9,680 | 9,680 | 13,859 |
| Licenses and permits | - | - | 1,720 | 1,720 | 2,216 |
| Supplies | - | - | 14,244 | 14,244 | 12,198 |
| Telephone | - | - | 8,014 | 8,014 | 8,122 |
| Dues and subscriptions | - | - | 1,517 | 1,517 | 824 |
| Fundraising costs | - | - | 228,108 | 228,108 | 234,185 |
| Other administrative costs | - | - | 71,984 | 71,984 | 68,599 |
| Total expenses | \$ 1,277,197 | \$ 73,405 | \$ 426,834 | \$ 1,777,436 | \$ 1,961,315 |

NOTE 5: NON-CASH DONATIONS

During the years ended December 31, 2018 and 2017, 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, 2018 and 2017:

| <i>December 31,</i> | 2018 | 2017 |
|---|------------|------------|
| Red River Revel Arts Festival | \$ 241,640 | \$ 231,015 |
| Farmer's Market | 42,468 | 42,468 |
| BREW fundraiser | 42,833 | 48,757 |
| CORK fundraiser | 55,513 | 42,893 |
| Wayne Curtis Memorial Art Event fundraiser | 2,600 | 2,430 |
| Management and general - office space and parking | 65,745 | 65,745 |
| Total in-kind contributions and services | \$ 450,799 | \$ 433,308 |

Red River Revel Arts Festival Notes to Financial Statements

NOTE 6: 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, 2018 and 2017:

| <i>December 31,</i> | 2018 | 2017 |
|---|------------|------------|
| CORK Wine Festival | | |
| Gross revenue | \$ 178,034 | \$ 184,446 |
| Less: Direct expenses | 75,224 | 75,311 |
| Less: Allocated payroll expenses | 39,015 | 32,415 |
| Net proceeds | \$ 63,795 | \$ 76,720 |
| BREW | | |
| Gross revenue | \$ 65,255 | \$ 86,351 |
| Less: Direct expenses (includes DSU share of profits) | 51,798 | 62,115 |
| Less: Allocated payroll expenses | 14,300 | 15,176 |
| Net proceeds | \$ 843 | \$ 9,060 |
| Wayne Curtis Memorial art event | | |
| Gross revenue | \$ 9,470 | \$ 9,500 |
| Less: Direct expenses | 140 | 2,679 |
| Less: Allocated payroll expenses | 2,075 | 1,670 |
| Net proceeds | \$ 7,255 | \$ 5,151 |

NOTE 7: 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.

Red River Revel Arts Festival Notes to Financial Statements

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, 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 | |
| Interest and dividends | 2,812 | |
| Net realized and unrealized losses | (9,999) | |
| Distributions to Revel | (8,564) | |
| Administrative fees | (2,160) | |
| Balance at December 31, 2018 | \$214,381 | |

NOTE 8: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods:

| <i>December 31,</i> | 2018 | 2017 |
|--|------------|------------|
| Subject to expenditure for a specific purpose: | | |
| Beneficial interest in assets (held at Community Foundation) | \$ 214,381 | \$ 232,292 |
| Endowment contributions | 1,831 | 1,756 |
| Total net assets with donor restrictions | \$ 216,212 | \$ 233,310 |

NOTE 9: ADVERTISING

The Revel uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred. For 2018 and 2017, the Revel recorded advertising costs of \$101,797 and \$140,267, respectively. Included in these amounts were in-kind contributions received from various donors and recorded at fair value. For 2018 and 2017, the total in-kind contributions related to advertising were \$8,975 and \$11,000, respectively.

NOTE 10: SUBSEQUENT EVENTS

The Revel has evaluated subsequent events through June 24, 2019, the date which the financial statements were available to be issued.

During the last four years, the Revel has experienced losses due to decreased revenue attributed to an overall decline in attendance. The weather and economy are factors contributing to the losses. Also, the Shreveport area now has other festivals and events during the same time period that the Revel and its fundraising events are held. The number of events held locally have created competition for the Revel as the public now has more choices for art and entertainment. In response, management has made budget cuts and reduced the overall operating costs for the year ending December 31, 2019. The Executive Director resigned in late 2018 and effective January 1, 2019, his duties are being performed by the former Assistant Executive Director. This change alone will reduce fixed costs by over \$100,000. Management's strategic plan anticipates growth in both fundraised monies and community support in 2019.

**Red River Revel Arts Festival
Supplementary Information**

**Schedule of Compensation, Benefits, and Other Payments
to Agency Head
for the Year ended December 31, 2018**

Agency Head Name: Kevin Stone, Executive Director

| Purpose | Amount |
|--|---------------|
| Salary | \$ 110,000 |
| Bonus | \$ 485 |
| Benefits-insurance (health insurance premiums) | \$ 8,636 |
| Benefits-retirement | \$ 6,600 |

Red River Revel Arts Festival Schedule of Findings and Responses

Current Year Audit Findings and Responses

2018-001 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

2017-001 Preparation of Financial Statements and Significant Proposed Adjustments

This is a repeat finding. See above comment 2018-001.