

Red River Revel Arts Festival

**Financial Statements
December 31, 2012 and 2011**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date OCT 16 2013

**Red River Revel Arts Festival
December 31, 2012 and 2011**

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Red River Revel Arts Festival

Statements of Financial Position December 31, 2012 and 2011

	Assets	
	<u>2012</u>	<u>2011</u>
Current assets		
Cash and cash equivalents	\$ 244,482	\$ 276,921
Grants receivable	21,233	15,357
Unrestricted contributions receivable	28,800	5,083
Other assets	<u>842</u>	<u>842</u>
Total current assets	<u>295,357</u>	<u>298,203</u>
 Property and equipment - net	 23,612	 6,976
 Restricted cash	 <u>468</u>	 <u>1,100</u>
 Total assets	 \$ <u>319,437</u>	 \$ <u>306,279</u>
 Liabilities and Net Assets		
 Current liabilities		
Accounts payable	\$ 31,735	\$ 4,451
Deferred income	6,000	26,950
Other accrued liabilities	<u>35,634</u>	<u>37,438</u>
Total current liabilities	<u>73,369</u>	<u>68,839</u>
 Net assets		
Unrestricted	244,600	235,340
Temporarily restricted	1,000	1,000
Permanently restricted	<u>468</u>	<u>1,100</u>
Total net assets	<u>246,068</u>	<u>237,440</u>
 Total liabilities and net assets	 \$ <u>319,437</u>	 \$ <u>306,279</u>

The accompanying notes are an integral part of these financial statements

Red River Revel Arts Festival

Statement of Activities for the Year Ended December 31, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue				
Public Support				
Revel				
Sponsor contributions	\$ 40,000	\$ -	\$ -	\$ 40,000
Underwriter contributions	210,035	-	-	210,035
Individual contributions	250	-	-	250
Corporate contributions	20,000	-	-	20,000
Government and foundation grants	145,413	-	-	145,413
In-kind services - public	100,176	-	-	100,176
In-kind services - private	110,200	-	-	110,200
Other support	10,322	-	1,368	11,690
Farmers' Market				
Underwriter contributions	16,113	-	-	16,113
In-kind services - public	9,679	-	-	9,679
BREW fundraiser	143,561	-	-	143,561
CORK fundraiser	280,745	-	-	280,745
Total public support	1,086,494	-	1,368	1,087,862
Operating revenue				
Revel				
Concessions	581,664	-	-	581,664
Admissions	154,136	-	-	154,136
Poster and souvenir sales	6,521	-	-	6,521
Booth fees	101,187	-	-	101,187
Other operating revenue	82,861	-	-	82,861
Farmers' Market fees	28,590	-	-	28,590
Total operating revenue	954,959	-	-	954,959
Other revenue				
Interest	606	-	-	606
Total other revenue	606	-	-	606
Total support and revenue	2,042,059	-	1,368	2,043,427
Expenses				
Program services				
Red River Revel Arts Festival	1,534,151	-	-	1,534,151
Farmers' Market	44,459	-	-	44,459
Total program services	1,578,610	-	-	1,578,610
Supporting services				
Management and general	97,608	-	-	97,608
Fundraising - BREW	130,698	-	-	130,698
Fundraising - CORK	225,883	-	-	225,883
Total supporting services	454,189	-	-	454,189
Total expenses	2,032,799	-	-	2,032,799
Change in net assets	9,260	-	1,368	10,628
Net assets, beginning of year restated	235,340	1,000	1,100	237,440
Transfer to Community Foundation	-	-	(2,000)	(2,000)
Net assets, end of year	\$ 244,600	\$ 1,000	\$ 468	\$ 246,068

The accompanying notes are an integral part of these financial statements

Red River Revel Arts Festival

Statement of Activities for the Year Ended December 31, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue				
Public support				
Revel				
Sponsor contributions	\$ 40,000	\$ -	\$ -	\$ 40,000
Underwriter contributions	207,365	-	-	207,365
Individual contributions	691	-	400	1,091
Corporate contributions	15,500	-	-	15,500
Government and foundation grants	77,774	-	-	77,774
In-kind services - public	100,176	-	-	100,176
In-kind services - private	141,050	-	-	141,050
Other support	4,745	-	-	4,745
Farmers' Market				
Government and foundation grants	1,000	-	-	1,000
Underwriter contributions	10,163	-	-	10,163
In-kind services - public	9,679	-	-	9,679
BREW fundraiser	140,749	-	-	140,749
CORK fundraiser	217,679	-	-	217,679
Total public support	<u>966,571</u>	<u>-</u>	<u>400</u>	<u>966,971</u>
Operating revenue				
Revel				
Concessions	776,380	-	-	776,380
Admissions	245,949	-	-	245,949
Poster and souvenir sales	10,008	-	-	10,008
Booth fees	99,195	-	-	99,195
Other operating revenue	101,575	-	-	101,575
Farmers' Market fees	26,805	-	-	26,539
Total operating revenue	<u>1,259,912</u>	<u>-</u>	<u>-</u>	<u>1,259,912</u>
Other revenue				
Interest	1,053	-	-	1,053
Total other revenue	<u>1,053</u>	<u>-</u>	<u>-</u>	<u>1,053</u>
Total support and revenue	<u>2,227,536</u>	<u>-</u>	<u>400</u>	<u>2,227,936</u>
Expenses				
Program services				
Red River Revel Arts Festival	1,642,601	-	-	1,642,601
Farmers' Market	40,279	-	-	40,279
Total program services	<u>1,682,880</u>	<u>-</u>	<u>-</u>	<u>1,682,880</u>
Supporting services				
Management and general	110,074	-	-	110,074
Fundraising - BREW	119,291	-	-	119,291
Fundraising - CORK	166,426	-	-	166,426
Total supporting services	<u>395,791</u>	<u>-</u>	<u>-</u>	<u>395,791</u>
Total expenses	<u>2,078,671</u>	<u>-</u>	<u>-</u>	<u>2,078,671</u>
Change in net assets	<u>148,865</u>	<u>-</u>	<u>400</u>	<u>149,265</u>
Net assets, beginning of year as previously reported	114,764	1,000	700	116,464
Prior period adjustment - error in accrued vacation	(28,289)	-	-	(28,289)
Net assets, beginning of year restated	<u>86,475</u>	<u>1,000</u>	<u>700</u>	<u>88,175</u>
Net assets, end of year restated	<u>\$ 235,340</u>	<u>\$ 1,000</u>	<u>\$ 1,100</u>	<u>\$ 237,440</u>

The accompanying notes are an integral part of these financial statements

Red River Revel Arts Festival

Statements of Cash Flows for the Years Ended December 31, 2012 and 2011

	2012	2011
Cash flows from operating activities		
Change in net assets	\$ 10,628	\$ 149,265
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	3,901	2,372
Change in assets and liabilities		
Decrease (increase) in		
Grants receivable	(5,876)	4,612
Unrestricted contributions receivable	(23,717)	377
Prepaid expenses	-	1,112
Inventory	-	47
Restricted cash	632	(400)
Increase (decrease) in		
Accounts payable	27,285	(9,763)
Deferred income	(20,950)	24,450
Other accrued liabilities	(1,804)	4,154
Net cash provided by (used in) operating activities	(9,902)	176,226
Cash flows from investing activities		
Transfer to Community Foundation	(2,000)	-
Purchases of fixed assets	(20,537)	(6,198)
Net cash used in investing activities	(22,537)	(6,198)
Net increase (decrease) in cash and cash equivalents	(32,439)	170,028
Cash and cash equivalents - beginning of year	276,921	106,893
Cash and cash equivalents - end of year	\$ 244,482	\$ 276,921

The accompanying notes are an integral part of these financial statements

Red River Revel Arts Festival

Notes to Financial Statements December 31, 2012 and 2011

Note 1 Organization and Significant Accounting Policies

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

Red River Revel Arts Festival

This event was originated under the sponsorship of The Junior League of Shreveport-Bossier, Inc. ("The Junior League"). Each year since 1976, this eight-day arts festival has united people throughout the area to enjoy a celebration of visual and performing arts. The outdoor festival attracts more than 200,000 people and is ordinarily held the first full week of October. Numerous volunteers donate their time and efforts to help manage the festival's activities. The Red River Revel Arts Festival celebrates the arts with more than 130 visual artists from across the country, five 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.

Significant Accounting Policies

A summary of the Revel's significant accounting policies is as follows:

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

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

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

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

Cash and Cash Equivalents - The Revel considers all highly liquid debt instruments with a remaining maturity at date of purchase of three months or less to be cash equivalents. The demand deposit balances, as reflected in the banks' records, are insured by the Federal Deposit Insurance Corporation up to \$250,000. Beginning December 31, 2010, unlimited insurance is provided for non-interest bearing accounts under the Dodd-Frank Provision through December 31, 2012. As of December 31, 2012 and 2011, the uninsured balances were \$0 and \$11,240, respectively.

Inventory - Inventories of merchandise and supplies are carried at the lower of cost or market. Cost is determined by the average-inventory method.

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

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

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

The Revel uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's judgment. At December 31, 2012 and 2011, there were no amounts reserved in the allowance for doubtful accounts.

Donated Materials and Services - Donated property, marketable securities and other non-cash donations are recorded as contributions at their fair market value at the date of donation. Donated services are recognized as contributions in accordance with FASB ASC 958-605 and subsections, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Revel. Many volunteers donate significant amounts of time to the Revel in furthering its programs and objectives. These services are not recognized as contributions in the financial statements because the recognition criteria under FASB ASC 958-605 and subsections was 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.

Donated materials, equipment, and labor provided by the City of Shreveport, Chase Bank, and PepsiAmericas, as well as various other contributors, are recorded as contributions of in-kind services in the financial statements at their estimated values at the date of receipt. In 2012 and 2011, the Revel recorded total in-kind contributions and services of \$332,811 and \$328,837, respectively.

CORK is an annual fundraising event. The gross revenue from this event included sponsor contributions, admission fees, and raffle ticket sales. For the years ended December 31, 2012 and 2011, the gross revenue, exclusive of in-kind support, generated from CORK was \$194,475 and \$172,246, respectively. The direct expenses related to this event were approximately \$103,724 and \$94,606, respectively. Gifts in-kind for contributions and services that related to CORK were \$86,270 and \$45,433, respectively. Additionally, allocated payroll expenses were approximately \$35,889 and \$26,387, respectively.

BREW is an additional fundraising event. This event was shared with Downtown Shreveport Unlimited (DSU). The Revel and DSU each receive half of the net proceeds from the event. The gross revenue from this event included sponsor contributions and admission fees. For the years ended December 31, 2012 and 2011, the gross revenue, exclusive of in-kind support, generated from BREW was \$117,075 and \$108,250, respectively. The direct expenses related to this event were approximately \$82,607 and \$70,209, respectively. Gifts in-kind for contributions and services that related to BREW were approximately \$26,486 and \$32,499, respectively. Additionally, allocated payroll expenses were approximately \$21,605 and \$16,583, respectively.

Property and Equipment - Assets purchased are recorded at cost and depreciated using the straight-line method over the assets' estimated useful life. Donated assets are recorded at their estimated fair value at the

date of donation and are depreciated using the same method as assets purchased. Assets purchased with an initial cost of less than \$1,000 are generally expensed in the period of acquisition.

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

The Revel adopted the provisions of FASB ASC 740-10-25, *Income Taxes - Recognition*, on January 1, 2009. Under FASB ASC 740-10-25, an organization must recognize the tax benefit associated with tax taken for tax return purposes when it is more likely than not the position will be sustained. The implementation of this standard had no impact on the Revel's financial statements. The Revel does not believe there are any material uncertain tax positions and, accordingly, it will not recognize any liability for unrecognized tax benefits. For the years ended December 31, 2012 and 2011, there were no interest or penalties recorded or included in its financial statements. The tax years of 2011, 2010 and 2009 are still open and subject to examination.

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. Included in other accrued liabilities at December 31, 2012 and 2011, there was an accrued liability for retirement contributions of \$4,075 and \$3,933, respectively. Total retirement expenses in 2012 and 2011 were \$14,484 and \$12,779, respectively.

Estimates - The preparation of financial statements in conformity with 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.

Note 2 Reclassifications

Certain balances and amounts presented in the 2011 financial statements have been reclassified to conform to the 2012 presentation. These reclassifications had no effect on the change in net assets.

Note 3 Contributions Receivable

Contributions receivable of \$28,800 and \$5,083 at December 31, 2012 and 2011, respectively, are classified as unrestricted and are considered to be fully collectible within one year. Accordingly, no allowance for uncollectible promises to give has been recognized at December 31, 2012 and 2011.

Note 4 Property and Equipment

A summary of property and equipment at December 31, 2012 and 2011, is as follows:

	Useful Life	2012	2011
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	99,095	78,557
		<u>154,513</u>	<u>133,975</u>
Less accumulated depreciation		(130,901)	(126,999)
Property and equipment, net		<u>\$ 23,612</u>	<u>\$ 6,976</u>

For 2012 and 2011, the Revel's depreciation expense was \$3,901 and \$2,372, respectively.

Note 5 Functional Expenses and Expenses by Natural Classification

The following is a schedule of functional expenses and expenses by natural classifications for the year ended December 31, 2012, and includes summary totals for 2011

	Red River			Totals	
	Arts Festival	Farmers' Market	Supporting Services	2012	2011
Salaries and benefits	\$ 250,054	\$ 12,511	\$ 57,493	\$ 320,058	\$ 301,175
Site operations	458,503	9,881	-	468,384	440,612
Commissions and other operating expenses	488,466	10,930	-	499,396	611,279
Music and performing arts	197,967	-	-	197,967	176,540
Programs	41,337	-	-	41,337	42,686
Advertising and promotion	97,824	11,137	30,416	139,377	157,212
Depreciation	-	-	3,901	3,901	2,372
Insurance	-	-	20,980	20,980	21,392
Accounting and legal	-	-	13,542	13,542	14,606
Bank and credit card fees	-	-	12,045	12,045	10,581
Licenses and permits	-	-	1,653	1,653	2,056
Supplies	-	-	8,345	8,345	5,718
Telephone	-	-	11,549	11,549	9,884
Dues and subscriptions	-	-	4,669	4,669	1,648
Fundraising costs	-	-	268,671	268,671	242,746
Website development	-	-	3,788	3,788	21,850
Other administrative costs	-	-	17,137	17,137	16,314
Total expenses	\$ 1,534,151	\$ 44,459	\$ 454,189	\$ 2,032,799	\$ 2,078,671

Note 6 Net Assets

The governing board of the Revel has designated a portion of unrestricted net assets for emergency contingencies. The designated amount is established pursuant to a clause in the Revel policy guidelines, which specifies that an emergency contingency amount equal to the estimated operating expenses of the next Revel be maintained, if possible. This amount has generally been set at \$300,000 and was increased to \$450,000 in 1995. Reductions in the designated amount are approved by the Revel's Governing Board through the budget process and are limited to funding future festivals, developing art in the community, or making capital improvements. At December 31, 2004, because of significant operating losses during the five preceding years, designated net assets was reduced to \$0. At December 31, 2012 and 2011, designated net assets remained \$0.

Note 7 Rent Expense

In May 2002, the Revel moved to the old Illinois Central Train Depot located in the City of Shreveport's Festival Plaza. In lieu of paying rent for this facility, the Revel provides management services for the Festival Plaza, Farmers' Market, and the Red River Revel Arts Festival, therefore, there was no rent expense in 2012 or 2011.

Note 8 Temporarily and Permanently Restricted Net Assets

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

A summary of the activity on the endowment fund follows

	Endowment	
	Red River Revel	Community Foundation
Balance at December 31, 2010	\$ 700	\$ 197,175
Contributions	400	-
Interest and dividends	-	8,188
Realized and unrealized gains (losses)	-	3,076
Distributions to Revel	-	(7,718)
Fees	-	(1,667)
Balance at December 31, 2011	<u>1,100</u>	<u>192,902</u>
Contributions	1,400	-
Interest and dividends	-	2,218
Realized and unrealized gains (losses)	-	17,046
Transfer to Community Foundation	(2,000)	2,000
Distributions to Revel	-	(7,317)
Fees	(32)	(1,757)
Balance at December 31, 2012	<u>\$ 468</u>	<u>\$ 205,092</u>

Note 9 Note Payable – Line of Credit

Under the terms of a revolving credit agreement with Regions Bank, dated November 16, 2009, the Revel may borrow up to \$200,000 at an annual percentage rate, which is based upon the current index plus a variable margin. The maturity date of the agreement is November 16, 2013. The balances at December 31, 2012 and 2011, were \$0. The interest rate at December 31, 2012 and 2011 was 4.75%. There was no interest expense for the years ended December 31, 2012 and 2011.

Note 10 Advertising

The Revel uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred. For 2012 and 2011, the Revel recorded advertising costs of \$139,377 and \$157,212, respectively. Included in these amounts were in-kind contributions received from various donors and recorded at fair value. For 2012 and 2011, the total in-kind contributions related to advertising were \$18,900 and \$51,600, respectively.

Note 11 Commitments

The Revel entered into an employment agreement with the Executive Director in December 2012. The term of employment under this agreement is for a 36 month period commencing on January 1, 2013, and will terminate on December 31, 2015. The Revel did not recognize any liability related to this agreement as of December 31, 2012.

Note 12 Prior Period Adjustment

The accompanying financial statements for 2011 have been restated to correct an error made in previous years. An accrued liability was not recorded for unused vacation. The effect of the restatement decreased net assets by \$3,653. Net assets at the beginning of 2011, has been adjusted for the effects of the restatement on prior years. The reduction in beginning net assets was \$28,289.

Note 13 Subsequent Events

The Revel has evaluated subsequent events through June 10, 2013, the date which the financial statements were available to be issued.



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Independent Auditor's Report

The Governing Board
Red River Revel Arts Festival

We have audited the accompanying statements of Red River Revel Arts Festival (a nonprofit organization), which comprise the statement of financial position as of December 31, 2012, and the related statement of activities and cash flows for the year then ended, 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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2013, on our consideration of Red River Revel's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Red River Revel's internal control over financial reporting and compliance.

Other Matter

The financial statements of Red River Revel Arts Festival as of December 31, 2011, were audited by Roberts, Cherry and Company whose report dated April 3, 2012, expressed an unmodified opinion on those statements. Roberts, Cherry and Company merged with Carr, Riggs & Ingram, LLC effective October 1, 2012.

CARR, RIGGS & INGRAM, LLC
CARR, RIGGS & INGRAM, LLC

Shreveport, Louisiana
June 10, 2013

**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**

Independent Auditor's Report

The Governing Board
Red River Revel Arts Festival

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 Red River Revel Arts Festival (a nonprofit organization), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 10, 2013

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Red River Revel Arts Festival'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 Red River Revel Arts Festival's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we identified a certain deficiency in internal control that we consider to be a material weakness.

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 a 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. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness. 2012-1

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Red River Revel Arts Festival'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 *Governmental Auditing Standards*.

Red River Revel's Response to Findings

Red River Revel's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. Red River Revel's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose 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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

CARR, RIGGS & INGRAM, LLC
CARR, RIGGS & INGRAM, LLC

Shreveport, Louisiana
June 10, 2013

**Red River Revel Arts Festival
Schedule of Findings and Responses
December 31, 2012**

Current Year Audit Findings and Responses

2012-1 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 Organization'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 significant adjustments, the aggregate of which were material to the financial statements taken as a whole.

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

Recommendation Whether or not it would be cost effective to correct a control deficiency is not a factor in applying SAS 115's reporting requirements. Because prudent management requires that the potential benefit from internal control must exceed its cost, it may not be practical to correct the material weakness reported under SAS 115. In this case, we do not believe that correcting the material weakness 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

There were no findings in the prior year audit for the year ended December 31, 2011.

Issues discussed in Management Letter for 2011

<u>Ref No</u>	<u>Fiscal Year Finding Initially Occurred</u>	<u>Description of Comment</u>	<u>Corrective Action Taken</u>
2011-1	2011	Lack of documentation supporting raises and bonuses	Has not yet been corrected. Management plans to include supporting documentation in personnel files to support salaries, raises, and bonuses.