

Red River Revel Arts Festival

Financial Statements
December 31, 2003 and 2002

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 9-8-04

Red River Revel Arts Festival

December 31, 2003 and 2002

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Red River Revel Arts Festival

Statements of Financial Position December 31, 2003 and 2002

	Assets	
	<u>2003</u>	<u>2002</u>
Current assets		
Cash and cash equivalents	\$ 106,559	\$ 213,750
Unrestricted contributions receivable	45,962	18,336
Total current assets	<u>152,521</u>	<u>232,086</u>
 Property and equipment - net	 40,719	 42,950
 Restricted cash	 9,204	 11,474
Total assets	\$ <u>202,444</u>	\$ <u>286,510</u>
	 Liabilities and Net Assets	
 Current liabilities		
Accounts payable	\$ 98,155	\$ 73,606
Other accrued liabilities	5,581	3,984
Total current liabilities	<u>103,736</u>	<u>77,590</u>
 Net assets		
Unrestricted	89,504	197,446
Temporarily restricted	-	-
Permanently restricted	9,204	11,474
Total net assets	<u>98,708</u>	<u>208,920</u>
Total liabilities and net assets	\$ <u>202,444</u>	\$ <u>286,510</u>

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

Red River Revel Arts Festival

Statements of Activities for the Years Ended December 31, 2003 and 2002

	2003	2002
Change in Unrestricted Net Assets		
Public support		
Sponsor contributions	\$ 55,000	\$ 40,000
Underwriters contributions	205,100	200,865
In-kind services - public	94,118	90,498
In-kind services - private	320,840	126,897
Government and foundation grants	117,196	108,208
Net assets released from restrictions	-	7,500
Net change in endowment fund	(2,270)	1,400
Total public support	789,984	575,368
Operating revenue - net of related expenses		
Concessions	130,652	135,648
Admissions	192,378	219,306
Poster and souvenir sales	28,864	1,299
Booth fees	99,193	107,613
Other operating revenue	37,646	64,375
Total operating revenue - net of related expenses	488,733	528,241
Other revenue		
Interest	1,342	7,382
Other	-	200
Total other revenue	1,342	7,582
Total public support and revenue	1,280,059	1,111,191
Expenses		
Site operations	425,557	363,978
Music and performing arts	308,359	270,516
Programs	66,341	49,949
Advertising and promotion	276,289	152,775
Salaries and benefits	194,445	171,015
Depreciation	12,928	10,632
General and administrative	106,354	98,185
Total expenses	1,390,271	1,117,050
Change in unrestricted net assets	(110,212)	(5,859)
Change In Temporarily Restricted Net Assets		
Contributions	-	-
Net assets released from restrictions	-	(7,500)
Increase (decrease) in temporarily restricted net assets	-	(7,500)
Change in Net Assets	(110,212)	(13,359)
Net assets - beginning of year	208,920	222,279
Net assets - end of year	\$ 98,708	\$ 208,920

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, 2003 and 2002

Increase (decrease) in cash and cash equivalents

	<u>2003</u>	<u>2002</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (110,212)	\$ (13,359)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	12,926	10,632
Change in assets and liabilities		
Decrease (increase) in		
Unrestricted contributions receivable	(27,626)	19,189
Restricted cash	2,270	(1,400)
Increase (decrease) in		
Accounts payable	24,549	(3,734)
Other accrued liabilities	1,597	3,106
Net Cash provided by (used in) Operating Activities	<u>(96,496)</u>	<u>14,434</u>
Cash Flows from Investing Activities		
Purchase of property and equipment	(10,695)	(31,584)
Net Cash used in Investing Activities	<u>(10,695)</u>	<u>(31,584)</u>
Net decrease in cash and cash equivalents	(107,191)	(17,150)
Cash and cash equivalents - beginning of year	<u>213,750</u>	<u>230,900</u>
Cash and cash equivalents - end of year	<u>\$ 106,559</u>	<u>\$ 213,750</u>

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

Red River Revel Arts Festival

Notes to Financial Statements December 31, 2003 and 2002

Nature of Operations

The Red River Revel Arts Festival ("the Revel") is an eight-day celebration of the arts designed to promote awareness of the Arts to the general public. It was originated in 1976 under the sponsorship of The Junior League of Shreveport-Bossier, Inc. ("The Junior League"). Subsequently, AmSouth Bank, Christus Schumpert Health System, CenturyTel (now AllTel), PepsiAmericas, and the City of Shreveport added their sponsorship to that of The Junior League. Additional funding has been provided each year by public support in the form of in-kind services, various government and foundation grants, and corporate and individual contributions. The Revel is ordinarily held during the first full week of October each year in Shreveport, Louisiana.

Note 1 Significant Accounting Policies

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

Financial Statement Presentation - The Revel has adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Revel is required to report information regarding its financial position and activities based on the absence or existence of donor-imposed restrictions. Accordingly, net assets of the Revel, and changes therein, may be classified and reported as follows, as financial circumstances require:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations. Some unrestricted net assets may be designated by the Board 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.

There were no significant temporarily or permanently restricted net assets at December 31, 2003 and 2002, other than as disclosed in Note 7.

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 bank's records, are insured by the Federal Deposit Insurance Corporation up to \$100,000. As of December 31, 2003 and 2002, the Revel had cash balances of \$21,496 and \$114,359, respectively, in excess of FDIC insurance limits.

Contributions - The Revel also has adopted SFAS No. 116, "Accounting for Contributions Received and Contributions Made." In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor-imposed restrictions.

Promises to Give - Contributions are recognized when the donor makes a promise to give to the Revel that is, in substance, unconditional. 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

temporarily or permanently restricted net assets, depending on the nature of the restrictions. When the restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

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

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.

Public Support - All contributions are considered to be available for unrestricted use, unless specifically restricted by the donor.

Donated materials, equipment, and labor provided by the City of Shreveport, AmSouth Bank, CenturyTel (now AllTel), 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. The value of approximately 120,000 hours annually in services by members of The Junior League and other volunteers in planning, promoting and staging the Revel are not included in the financial statements.

Federal Income Tax - The Revel is exempt from federal income taxation by nature of its organization under Section 501(c)(3) of the Internal Revenue Code. The Revel files federal Form 990 in accordance with Internal Revenue Service regulations.

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

Advertising - Advertising costs are expensed as incurred.

Retirement Plan - Revel employees participate in a defined contribution retirement plan. There were \$8,397 and \$3,026 in employer contributions to the retirement plan in 2003 and 2002, respectively.

Note 2 Contributions Receivable

Contributions receivable of \$45,962 and \$18,336 at December 31, 2003 and 2002, 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, 2003 or 2002.

Note 3 Property and Equipment

A summary of property and equipment at December 31, 2003 and 2002 is as follows:

	<u>Useful Life</u>	<u>2003</u>	<u>2002</u>
Structures	3-15 years	\$ 95,238	\$ 94,750
Tents	5 years	4,280	4,280
Trailers	10 years	5,253	5,253
Other equipment	3-7 years	232,835	222,628
		<u>337,606</u>	<u>326,911</u>
Less accumulated depreciation		(296,887)	(283,961)
Carrying value of property and equipment		<u>\$ 40,719</u>	<u>\$ 42,950</u>

Note 4 Net Assets

The Board of Directors of the Revel has designated a portion of unrestricted net assets for emergency contingencies. The amount so designated 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, 2002, because of significant operating losses during the three preceding years, designated net assets were reduced to \$129,243. At December 31, 2003, designated net assets were \$79,566.

Note 5 Operating Revenues, Net of Expenses

A summary of operating revenue and related expenses for the years ended December 31, 2003 and 2002 is as follows:

	2003		
	Revenue	Expenses	Operating Revenue, Net of Expenses
Concessions	\$ 565,070	\$ 434,418	\$ 130,652
Admissions	195,480	3,102	192,378
Poster and souvenir sales	41,021	12,157	28,864
Booth fees	99,193	-	99,193
Other operating revenue	58,072	20,426	37,646
	<u>\$ 958,836</u>	<u>\$ 470,103</u>	<u>\$ 488,733</u>
	2002		
	Revenue	Expenses	Operating Revenue, Net of Expenses
Concessions	\$ 604,463	\$ 468,815	\$ 135,648
Admissions	222,037	2,731	219,306
Poster and souvenir sales	31,316	30,017	1,299
Booth fees	107,613	-	107,613
Other operating revenue	84,284	19,909	64,375
	<u>\$ 1,049,713</u>	<u>\$ 521,472</u>	<u>\$ 528,241</u>

Note 6 Rent Expense

The Revel leased office space under an operating lease that expired December 31, 2001. Effective January 1, 2002, the Revel's office space lease changed to a month-to-month basis. 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 2003. Rental expense was \$4,400 in 2002.

Note 7 Temporarily and Permanently Restricted Net Assets

In 2001, the Revel received a \$7,500 contribution designated for the purchase of a utility vehicle. The cash balances associated were included in operating cash balances. In 2002, the restrictions on the contribution were satisfied with the purchase of the utility vehicle.

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, 2001	\$ 10,074	\$ 145,598
Contributions	12,400	(4,931)
Transfers to Foundation	(11,000)	11,000
Interest and dividends	-	3,673
Realized and unrealized losses	-	(13,112)
Fees	-	(1,108)
Balance at December 31, 2002	<u>11,474</u>	<u>141,120</u>
Contributions	10,755	(6,044)
Transfers to Foundation	(13,025)	13,025
Interest and dividends	-	3,507
Realized and unrealized gain	-	27,047
Fees	-	(1,240)
Balance at December 31, 2003	<u>\$ 9,204</u>	<u>\$ 177,415</u>

ROBERTS, CHERRY & COMPANY
Certified Public Accountants, Consultants

Independent Auditor's Report

The Governing Board
Red River Revel Arts Festival

We have audited the accompanying statements of financial position of Red River Revel Arts Festival as of December 31, 2003 and 2002, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2003 and 2002, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 23, 2004, on our consideration of the Red River Revel Arts Festival's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

ROBERTS, CHERRY AND COMPANY
ROBERTS, CHERRY AND COMPANY

A Corporation of
Certified Public Accountants
Shreveport, Louisiana
January 23, 2004

ROBERTS, CHERRY & COMPANY

Certified Public Accountants, Consultants

**Report on Compliance and on Internal Control Over Financial Reporting
Based on an Audit of Financial Statements Performed
in Accordance With Government Auditing Standards**

The Governing Board
Red River Revel Arts Festival

We have audited the financial statements of Red River Revel Arts Festival as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated January 23, 2004. 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.

Compliance

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 grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Red River Revel Arts Festival's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of Red River Revel Arts Festival, its management, the State of Louisiana Legislative Auditor, and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

ROBERTS, CHERRY AND COMPANY
ROBERTS, CHERRY AND COMPANY

A Corporation of
Certified Public Accountants
Shreveport, Louisiana
January 23, 2004

ROBERTS, CHERRY & COMPANY
Certified Public Accountants, Consultants

The Audit Committee
Red River Revel Arts Festival
Shreveport, Louisiana

Since completion of our audit of the financial statements (the audit report) of Red River Revel Arts Festival for the year ended December 31, 2003, we have become aware of an issue of noncompliance.

The issue relates to filing the audit report with the Legislative Auditor within the statutory period allowed. While the audit report was completed and issued in a timely manner to the organization, it was not filed with the Legislative Auditor on or before June 30, 2004, in accordance with the statutory requirements.

The responsibility for timely filing the audit report with the Legislative Auditor is considered the joint responsibility of both the organization and the auditors. Roberts, Cherry and Company (the auditors) accepts the responsibility for the audit report not being timely filed with the Legislative Auditor. The primary event causing this non-compliance was the activation of the Louisiana Army National Guard in 2004. The engagement manager responsible for the filing was included in this activation and had to report prior to the completion of the audit report. Apparently, an instruction to complete this filing responsibility, which was the first time this was required of the Revel, was not relayed to the manager's replacement and subsequently an oversight occurred. As a result of this non compliance, the control procedures of the auditors have been modified to include this filing requirement to its Report Guide Sheet in order to eliminate any oversight in the future.

We recommend that you request evidence regarding timely filing of the audit report from the auditors.

This report is intended solely for management and should not be used for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

ROBERTS, CHERRY AND COMPANY

ROBERTS, CHERRY and COMPANY

A Corporation of
Certified Public Accountants
Shreveport, Louisiana
July 22, 2004



RED RIVER REVEL ARTS FESTIVAL

SPONSORS

AMSOUTH
CHRISTUS SCHUMPERT
ALLTEL
PEPSIAMERICAS
CITY OF SHREVEPORT
JUNIOR LEAGUE OF
SHREVEPORT/BOSSIER, INC.

July 30, 2004

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Roberts, Cherry and Company
650 Olive Street
Shreveport, LA 71104

In response to your letter of this date, wherein you identified an issue of noncompliance, we propose the following corrective action: to ensure the report is filed with the Legislative Auditor in a timely manner, we will request evidence regarding this filing from the auditors. We consider this procedure sufficient to ensure that we comply with statutory regulations and the terms of the engagement.

Sincerely,

C. L. Holloway
Executive Director

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