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

FINANCIAL STATEMENTS

AUGUST 31, 2021

**NEW ORLEANS JAZZ & HERITAGE
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NEW ORLEANS, LOUISIANA**

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of New Orleans Jazz & Heritage Festival and Foundation, Inc. (a nonprofit organization), which comprise the statements of financial position as of August 31, 2021 and 2020, the related statements of activities and changes in net assets, functional expenses, and cash flows for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the financial position of New Orleans Jazz & Heritage Festival and Foundation, Inc. as of August 31, 2021 and 2020, 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.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards on page 28, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2022, on our consideration of New Orleans Jazz & Heritage Festival and Foundation Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of New Orleans Jazz & Heritage Festival and Foundation Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering New Orleans Jazz & Heritage Festival and Foundation, Inc.'s internal control over financial reporting and compliance.

Postlethwaite & Netterville

New Orleans, Louisiana
February 18, 2022

NEW ORLEANS JAZZ & HERITAGE FESTIVAL AND FOUNDATION, INC.

NEW ORLEANS, LOUISIANA

STATEMENTS OF FINANCIAL POSITION

AUGUST 31, 2021 AND 2020

| | <u>2021</u> | <u>2020</u> |
|---|-----------------------------|-----------------------------|
| <u>ASSETS</u> | | |
| Cash and cash equivalents | \$ 13,864,210 | \$ 5,638,888 |
| Receivables from sponsors, vendors, and miscellaneous | 782,372 | 189,527 |
| Investments | 32,143,184 | 25,920,113 |
| Jazznet Program investments | 612,858 | 622,450 |
| Prepaid expenses and other assets | 571,234 | 538,608 |
| Art collection | 694,051 | 694,051 |
| Property and equipment, net | 7,184,738 | 7,842,158 |
| <u>TOTAL ASSETS</u> | <u>\$ 55,852,647</u> | <u>\$ 41,445,795</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| Accounts payable | \$ 2,252,576 | \$ 200,243 |
| Deferred revenue | 8,203,944 | 3,669,989 |
| Advance on future festival revenues | 1,251,400 | - |
| Refundable advance - federal grant | 3,376,943 | - |
| PPP loan | - | 251,300 |
| <u>TOTAL LIABILITIES</u> | <u>15,084,863</u> | <u>4,121,532</u> |
| <u>NET ASSETS</u> | | |
| Without donor restrictions | | |
| Board designated | 10,143,176 | 10,650,299 |
| Undesignated | 29,614,052 | 25,914,563 |
| <u>TOTAL NET ASSETS WITHOUT DONOR RESTRICTIONS</u> | <u>39,757,228</u> | <u>36,564,862</u> |
| With donor restrictions | 1,010,556 | 759,401 |
| <u>TOTAL NET ASSETS</u> | <u>40,767,784</u> | <u>37,324,263</u> |
| <u>TOTAL LIABILITIES AND NET ASSETS</u> | <u>\$ 55,852,647</u> | <u>\$ 41,445,795</u> |

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

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

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED AUGUST 31, 2021 AND 2020

| | 2021 | | | 2020 | | |
|--|-------------------------------|----------------------------|----------------------|-------------------------------|----------------------------|----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| <u>REVENUES AND SUPPORT</u> | | | | | | |
| Festival revenues | \$ 719,003 | \$ - | \$ 719,003 | \$ 1,352,814 | \$ - | \$ 1,352,814 |
| Festival sponsorship donation | - | - | - | 1,550,000 | - | 1,550,000 |
| Less expenses | <u>(4,442,491)</u> | - | <u>(4,442,491)</u> | <u>(4,851,595)</u> | - | <u>(4,851,595)</u> |
| Festival - net revenues (losses) | <u>(3,723,488)</u> | - | <u>(3,723,488)</u> | <u>(1,948,781)</u> | - | <u>(1,948,781)</u> |
| Foundation Gala (net of expenses of \$3,935 in 2021 and \$25,635 in 2020) | (3,935) | - | (3,935) | 56,130 | - | 56,130 |
| Other festivals revenues | 18,207 | - | 18,207 | 314,952 | - | 314,952 |
| Federal grant | 6,623,057 | - | 6,623,057 | - | - | - |
| Grants/contributions | 237,305 | 467,557 | 704,862 | 859,233 | 23,911 | 883,144 |
| Investment income, net | 5,473,693 | 28,237 | 5,501,930 | 3,993,578 | 17,417 | 4,010,995 |
| Membership, net | 85,687 | - | 85,687 | 80,930 | - | 80,930 |
| Miscellaneous | <u>292,083</u> | - | <u>292,083</u> | <u>417,152</u> | - | <u>417,152</u> |
| Total net revenues | <u>9,002,609</u> | <u>495,794</u> | <u>9,498,403</u> | <u>3,773,194</u> | <u>41,328</u> | <u>3,814,522</u> |
| Net assets released from restrictions | <u>244,639</u> | <u>(244,639)</u> | <u>-</u> | <u>57,538</u> | <u>(57,538)</u> | <u>-</u> |
| Total revenues and other support | <u>9,247,248</u> | <u>251,155</u> | <u>9,498,403</u> | <u>3,830,732</u> | <u>(16,210)</u> | <u>3,814,522</u> |
| <u>EXPENSES</u> | | | | | | |
| Budgeted programs | 2,511,719 | - | 2,511,719 | 2,817,797 | - | 2,817,797 |
| Special programs | 575,037 | - | 575,037 | 819,979 | - | 819,979 |
| Administrative expenses | 570,472 | - | 570,472 | 491,011 | - | 491,011 |
| Operating expenses | 902,410 | - | 902,410 | 1,025,937 | - | 1,025,937 |
| Salaries and benefits | 1,495,244 | - | 1,495,244 | 1,367,018 | - | 1,367,018 |
| Total expenses | <u>6,054,882</u> | - | <u>6,054,882</u> | <u>6,521,742</u> | - | <u>6,521,742</u> |
| Change in net assets | <u>3,192,366</u> | <u>251,155</u> | <u>3,443,521</u> | <u>(2,691,010)</u> | <u>(16,210)</u> | <u>(2,707,220)</u> |
| <u>NET ASSETS, BEGINNING OF YEAR</u> | <u>36,564,862</u> | <u>759,401</u> | <u>37,324,263</u> | <u>39,255,872</u> | <u>775,611</u> | <u>40,031,483</u> |
| <u>NET ASSETS, END OF YEAR</u> | <u>\$ 39,757,228</u> | <u>\$ 1,010,556</u> | <u>\$ 40,767,784</u> | <u>\$ 36,564,862</u> | <u>\$ 759,401</u> | <u>\$ 37,324,263</u> |

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

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

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2021

| | 2021 | | | |
|--|---------------------|---------------------------|-------------|----------------|
| | Program Services | Management and General | Fundraising | Total Expenses |
| Artist / talent | \$ 1,427,215 | \$ - | \$ - | \$ 1,427,215 |
| Salaries and wages | 2,004,803 | 393,710 | 79,646 | 2,478,159 |
| Professional fees | 1,041,988 | 255,819 | 350 | 1,298,157 |
| Grants and other assistance | 2,085,221 | - | - | 2,085,221 |
| Insurance | 126,263 | 119,274 | 693 | 246,230 |
| Office expenses | 63,376 | 54,873 | 10,194 | 128,443 |
| Advertising and promotion | 691,989 | 12,005 | 1,078 | 705,072 |
| Depreciation | 562,630 | 96,887 | - | 659,517 |
| Occupancy | 281,027 | 72,493 | - | 353,520 |
| Employee benefits | 325,693 | 38,211 | 10,538 | 374,442 |
| Payroll taxes | 205,807 | 38,148 | 12,542 | 256,497 |
| Travel | 9,667 | - | - | 9,667 |
| Direct cost - catering / merchandise cost of goods sold | 2,756 | - | - | 2,756 |
| Information technology | 53,003 | 27,544 | - | 80,547 |
| Legal fees | 13,316 | 51,486 | - | 64,802 |
| Accounting fees | - | 44,890 | - | 44,890 |
| Conferences, conventions, and meetings | - | - | 649 | 649 |
| Training and development | 6,749 | 3,925 | - | 10,674 |
| Other expenses: | | | | |
| Festival expenses | 93,070 | 2,867 | - | 95,937 |
| Program expenses | 177,644 | - | 1,269 | 178,913 |
| Total expenses by function | \$ 9,172,217 | \$ 1,212,132 | \$ 116,959 | \$ 10,501,308 |
| Less expenses included with revenues on the statement of activities and changes in net assets | | | | |
| Festival expenses | | | | (4,442,491) |
| Gala expenses | | | | (3,935) |
| Total expenses included in the expense section on the statement of activities and changes in net assets | | | | \$ 6,054,882 |

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

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

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2020

| | 2020 | | | |
|--|---------------------|---------------------------|-------------|----------------|
| | Program Services | Management and General | Fundraising | Total Expenses |
| Artist / talent | \$ 192,732 | \$ - | \$ - | \$ 192,732 |
| Salaries and wages | 3,281,503 | 388,288 | 81,873 | 3,751,664 |
| Professional fees | 1,045,535 | 140,990 | - | 1,186,525 |
| Grants and other assistance | 2,524,583 | - | - | 2,524,583 |
| Insurance | 135,388 | 109,305 | 193 | 244,886 |
| Office expenses | 122,572 | 49,020 | 18,578 | 190,170 |
| Advertising and promotion | 712,448 | 6,716 | 1,710 | 720,874 |
| Depreciation | 665,080 | 97,522 | - | 762,602 |
| Occupancy | 233,819 | 85,612 | 151 | 319,582 |
| Employee benefits | 326,456 | 36,860 | 10,837 | 374,153 |
| Payroll taxes | 290,763 | 31,179 | 6,216 | 328,158 |
| Travel | 46,635 | 398 | - | 47,033 |
| Direct cost - catering / merchandise cost of goods sold | 26,696 | - | - | 26,696 |
| Information technology | 30,666 | 6,331 | - | 36,997 |
| Legal fees | 10,350 | 81,323 | - | 91,673 |
| Accounting fees | - | 40,050 | - | 40,050 |
| Conferences, conventions, and meetings | 1,835 | - | - | 1,835 |
| Training and development | 245 | - | - | 245 |
| Other expenses: | | | | |
| Festival expenses | 469,136 | 1,388 | - | 470,524 |
| Program expenses | 72,602 | - | 15,388 | 87,990 |
| Total expenses by function | \$ 10,189,044 | \$ 1,074,982 | \$ 134,946 | \$ 11,398,972 |
| Less expenses included with revenues on the statement of activities and changes in net assets | | | | |
| Festival expenses | | | | (4,851,595) |
| Gala expenses | | | | (25,635) |
| Total expenses included in the expense section on the statement of activities and changes in net assets | | | | \$ 6,521,742 |

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

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

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2021 AND 2020

| | 2021 | 2020 |
|--|---------------|----------------|
| <u>CASH FLOWS FROM OPERATING ACTIVITIES</u> | | |
| Change in net assets | \$ 3,443,521 | \$ (2,707,220) |
| Adjustment to reconcile change in net assets to net cash provided by (used in) operating activities: | | |
| Unrealized gain on investments | (1,954,695) | (3,024,949) |
| Depreciation | 659,517 | 762,602 |
| Decrease (increase) in assets: | | |
| Receivables from sponsors, vendors, and miscellaneous | (592,845) | 141,514 |
| Prepaid expenses and other assets | (32,626) | (291,478) |
| Increase (decrease) in liabilities: | | |
| Accounts payable | 2,052,333 | (679,223) |
| Deferred revenue | 4,533,955 | 3,669,989 |
| Advance on future festival revenues | 1,251,400 | - |
| Refundable advance - federal grant | 3,376,943 | - |
| Forgiveness of PPP loan | (251,300) | - |
| Net cash provided by (used in) operating activities | 12,486,203 | (2,128,765) |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES</u> | | |
| Purchases of property and equipment | (2,097) | (12,802) |
| Purchases of artwork | - | (2,842) |
| Purchases of investments | (13,947,600) | (5,410,816) |
| Proceeds from sales of investments | 9,688,816 | 1,738,278 |
| Net cash used in investing activities | (4,260,881) | (3,688,182) |
| <u>CASH FLOWS FROM FINANCING ACTIVITIES</u> | | |
| Proceeds from PPP loan | - | 251,300 |
| Net cash provided by financing activities | - | 251,300 |
| Net change in cash and cash equivalents | 8,225,322 | (5,565,647) |
| <u>NET CHANGE IN CASH AND CASH EQUIVALENTS</u> | | |
| Cash and cash equivalents, beginning of year | 5,638,888 | 11,204,535 |
| Cash and cash equivalents, end of year | \$ 13,864,210 | \$ 5,638,888 |

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

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

NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021

1. Nature of Activities

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

The April 2021 and 2020 Festivals were cancelled due to Covid-19. See further discussion of certain financial statement impacts within subsequent footnotes below.

2. Summary of Significant Accounting Policies

Basis of Accounting

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

Basis of Presentation

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

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

Net Assets With Donor Restrictions – Net assets subject to donor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other actions by the Foundation. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that the principal not be expended, but rather to provide a permanent source of income for the Foundation’s programs. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Foundation records contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized.

Cash and Cash Equivalents

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

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

NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021

2. Summary of Significant Accounting Policies (continued)

Allowance for Doubtful Accounts

The Foundation uses the reserve method to recognize uncollectible accounts. The allowance for doubtful accounts is based on management's analysis of delinquent accounts receivable. No allowance was deemed necessary by management as of August 31, 2021 and 2020.

Promises to Give

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

Investments

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

Investment income or losses, including realized and unrealized gains or losses, is recorded as increases in net assets without donor restrictions unless the use is restricted by the donor.

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

Jazznet Program Investments

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

Property and Equipment

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

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

NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021

2. Summary of Significant Accounting Policies (continued)

Property and Equipment (continued)

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

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

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

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

Impairment of long-lived assets is tested whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. The carrying value of a long-lived asset is considered impaired when the anticipated undiscounted cash flow from such asset is separately identifiable and is less than carrying value. For the years ended August 31, 2021 and 2020, there was no impairment charge recorded.

Art Collection

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

Grants / Contributions and Revenue Recognition, and Deferred Revenues

Festival and gala ticket revenue is recognized when the event takes place. Festival concessions and merchandise revenue is recognized at the time of sale. Contributions, both festival and gala related and for general purposes, are recognized when cash, securities, or other assets or an unconditional promise to give is received. Grant revenue is recognized when the Foundation has a right to reimbursement under the grant, generally corresponding to the incurring of grant-related expenses by the Foundation, or when earned under the terms of the grant. Membership revenue is recognized upon receipt.

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

NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021

2. Summary of Significant Accounting Policies (continued)

Grants / Contributions and Revenue Recognition, and Deferred Revenues (continued)

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

As the April 2021 and 2020 festivals were cancelled due to Covid-19, holders of purchased tickets to those festivals were allowed to request a cash refund or to use their ticket at a future festival. In addition, some planned sponsors for the April 2021 and 2020 festivals deferred the use of their paid sponsorship to be allocated to a future festival. Such amounts paid to the Foundation have been recorded as deferred revenues in the accompanying Statements of Financial Position as of August 31, 2021 and 2020.

In addition to the festival cancellation, the Gala was cancelled during April 2021 and 2020 due to Covid-19. The purchased ticket holders were allowed to a cash refund, turn their ticket into a donation, or to use their ticket at a future Gala. Such amounts have been recorded as deferred revenues in the accompanying Statements of Financial Position as of August 31, 2021 and 2020.

Donated Services of Volunteers

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

Advertising Costs

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

Expense Allocation

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

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

NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021

2. Summary of Significant Accounting Policies (continued)

Income Taxes

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

Presentation of Sales Taxes

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

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Change in Accounting Principle

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, to update its revenue recognition standard to clarify the principles of recognizing revenue and eliminate industry-specific guidance as well as help financial statement users better understand the nature, amount, timing, and uncertainty of revenue that is recognized. The standard may be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. The Foundation adopted this ASU during fiscal year ended August 31, 2021. The adoption of this ASU had no impact on the financial statements.

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

NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021

2. Summary of Significant Accounting Policies (continued)

Change in Accounting Principle (continued)

In March 2019, the FASB issued ASU No. 2019-03, *Not-for-Profit Entities (Topic 958); Updating the Definition of Collections*, to align the definition of collections with the American Alliance of Museums' Code of Ethics for Museums, thereby changing the types of collections that are eligible to not be reported as assets in the statement of financial position. The ASU modifies the definition of the term collections by expanding the acceptable uses of the proceeds of sales of collection items so that the proceeds can be used to support the direct care of existing collections in addition to the current requirement that proceeds be used to acquire other items for collections. The Foundation adopted this ASU during fiscal year ended August 31, 2021. The adoption of this ASU had no impact on the financial statements.

Recent Accounting Pronouncements Issued But Not Yet Adopted

On September 17th 2020, the FASB issued ASU 2020-07 Topic 958, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The FASB ASU requires nonprofits to change their financial statement presentation and disclosure of contributed nonfinancial assets, or gifts-in-kind. The FASB issued the update in an effort to improve transparency in reporting nonprofit gifts-in-kind. The ASU is effective for the Foundation's year ending August 31, 2022, with retrospective application required. The Foundation is currently assessing the impact of this pronouncement on its financial statements.

3. Concentration of Credit Risk

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

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

NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021

4. Liquidity and Availability

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

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

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

The table below presents financial assets available to meet general expenditures over the next twelve months at August 31, 2021 and 2020:

| | <u>2021</u> | <u>2020</u> |
|---|----------------------|----------------------|
| Total assets | \$ 55,852,647 | \$ 41,445,795 |
| Less: non-current and non-financial assets | | |
| Prepaid expenses and other assets | (571,234) | (538,608) |
| Art collection | (694,051) | (694,051) |
| Property and equipment, net | <u>(7,184,738)</u> | <u>(7,842,158)</u> |
| Total current financial assets at year end | 47,402,624 | 32,370,978 |
| Less: financial asset designations and restrictions | | |
| Board designated net assets | (10,143,176) | (10,650,299) |
| Net assets with donor restrictions | <u>(1,010,556)</u> | <u>(759,401)</u> |
| Financial assets available to meet general expenditures over the next twelve months | <u>\$ 36,248,892</u> | <u>\$ 20,961,278</u> |

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

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

NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021

5. Property and Equipment

Property and equipment at August 31, 2021 and 2020 consist of the following:

| | <u>2021</u> | <u>2020</u> |
|------------------------------------|----------------------------|----------------------------|
| Land | \$ 446,250 | \$ 446,250 |
| Buildings and improvements | 11,523,826 | 11,523,826 |
| Equipment, furniture, and fixtures | 907,396 | 905,299 |
| | <u>12,877,472</u> | <u>12,875,375</u> |
| Less accumulated depreciation | <u>(5,692,734)</u> | <u>(5,033,217)</u> |
| Total | <u>\$ 7,184,738</u> | <u>\$ 7,842,158</u> |

6. Fair Value Measurements

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

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs.

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

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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

NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021

6. Fair Value Measurements (continued)

As of August 31, 2021 assets measured at fair value on a recurring basis are composed of and determined as follows:

| <u>Description</u> | <u>Based on</u> | | | |
|---|--|--|--|--|
| | <u>Total Assets Measured at Fair Value</u> | <u>Quoted Prices In Active Markets (Level 1)</u> | <u>Other Observable Inputs (Level 2)</u> | <u>Unobservable Inputs (Level 3)</u> |
| Investments | | | | |
| Money market funds and certificates of deposits | \$ 267,133 | \$ 267,133 | \$ - | \$ - |
| Mutual funds | | | | |
| Global equity | 15,305,391 | 15,305,391 | - | - |
| Fixed income | 12,681,465 | 12,681,465 | - | - |
| Bond fund | 3,889,195 | 3,889,195 | - | - |
| Total investments | <u>\$ 32,143,184</u> | <u>\$ 32,143,184</u> | <u>\$ -</u> | <u>\$ -</u> |
| Jazznet Program Investments | | | | |
| Mutual funds | | | | |
| Global equity | \$ 206,998 | \$ 206,998 | \$ - | \$ - |
| Bond fund | 96,180 | 96,180 | - | - |
| Fixed income | 309,680 | 309,680 | - | - |
| Total Jazznet Program investments | <u>\$ 612,858</u> | <u>\$ 612,858</u> | <u>\$ -</u> | <u>\$ -</u> |

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

NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021

6. Fair Value Measurements (continued)

As of August 31, 2020 assets measured at fair value on a recurring basis are composed of and determined as follows:

| <u>Description</u> | Based on | | | |
|---|--|--|--|--|
| | <u>Total Assets Measured at Fair Value</u> | <u>Quoted Prices In Active Markets (Level 1)</u> | <u>Other Observable Inputs (Level 2)</u> | <u>Unobservable Inputs (Level 3)</u> |
| Investments | | | | |
| Money market funds and certificates of deposits | \$ 252,196 | \$ 252,196 | \$ - | \$ - |
| Mutual funds | | | | |
| Global equity | 12,516,503 | 12,516,503 | - | - |
| Fixed income | 9,706,904 | 9,706,904 | - | - |
| REIT | 1,507,869 | 1,507,869 | - | - |
| Bond fund | 1,936,641 | 1,936,641 | - | - |
| Total investments | <u>\$ 25,920,113</u> | <u>\$ 25,920,113</u> | <u>\$ -</u> | <u>\$ -</u> |
| Jazznet Program Investments | | | | |
| Mutual funds | | | | |
| Global equity | \$ 159,513 | \$ 159,513 | \$ - | \$ - |
| Bond fund | 133,653 | 133,653 | - | - |
| Fixed income | 329,284 | 329,284 | - | - |
| Total Jazznet Program investments | <u>\$ 622,450</u> | <u>\$ 622,450</u> | <u>\$ -</u> | <u>\$ -</u> |

7. Designated Net Assets

The Foundation's Board of Directors has dedicated a portion of the net assets without donor restrictions for the following purposes as of August 31:

| | <u>2021</u> | <u>2020</u> |
|-----------------------------|----------------------|----------------------|
| Reserves | \$ 10,127,582 | \$ 10,127,582 |
| Music Relief Fund | - | 507,123 |
| Allen Jaffe Memorial Fund | 15,059 | 15,059 |
| Foundation programs | 535 | 535 |
| Total designated net assets | <u>\$ 10,143,176</u> | <u>\$ 10,650,299</u> |

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

NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021

8. Restrictions on Net Assets

Net assets have been restricted for the following purposes as of August 31:

| | <u>2021</u> | <u>2020</u> |
|---------------------------------|---------------------|--------------------|
| Restricted for purpose or time: | | |
| Music Relief Fund | \$ 253,003 | \$ - |
| Jazznet Program | 112,858 | 122,450 |
| S.E.E.D. Program | 102,988 | 72,988 |
| Raisin' the Roof | 29,368 | 29,368 |
| Heritage School of Music | 12,339 | 34,595 |
| Restricted in perpetuity: | | |
| Endowment - Jazznet Program | <u>500,000</u> | <u>500,000</u> |
| Total | <u>\$ 1,010,556</u> | <u>\$ 759,401</u> |

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

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

9. Endowments

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

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

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

NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021

9. Endowments (continued)

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

- the original value of the gifts donated in perpetuity,
- the original value of subsequent gifts donated in perpetuity, and
- when applicable, accumulations to the gifts donated in perpetuity, made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. There were no additional gifts during the years ended August 31, 2021 and 2020.

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

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

Endowment net asset composition by type of fund as of August 31, 2021 and 2020 is as follows:

| | 2021 | | |
|-------------------------------------|-----------------------------------|-----------------------------|------------|
| | Restricted for Purpose or Time | Restricted in Perpetuity | Total |
| Donor-restricted endowment funds | \$ 112,858 | \$ 500,000 | \$ 612,858 |
| | 2020 | | |
| | Restricted for Purpose or Time | Restricted in Perpetuity | Total |
| Donor-restricted endowment funds | \$ 122,450 | \$ 500,000 | \$ 622,450 |

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

NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021

9. Endowments (continued)

Changes in endowment net assets are as follows:

| | 2021 | | |
|-----------------------------------|-----------------------------------|-----------------------------|------------|
| | Restricted for Purpose or Time | Restricted in Perpetuity | Total |
| Net assets, beginning of the year | \$ 122,450 | \$ 500,000 | \$ 622,450 |
| Net investment return | 28,237 | - | 28,237 |
| Releases | (37,829) | - | (37,829) |
| Net assets, end of the year | \$ 112,858 | \$ 500,000 | \$ 612,858 |
| | 2020 | | |
| | Restricted for Purpose or Time | Restricted in Perpetuity | Total |
| Net assets, beginning of the year | \$ 149,409 | \$ 500,000 | \$ 649,409 |
| Net investment return | 17,417 | - | 17,417 |
| Releases | (44,376) | - | (44,376) |
| Net assets, end of the year | \$ 122,450 | \$ 500,000 | \$ 622,450 |

Funds with Deficiencies. The fair value of assets associated with individual donor-restricted endowment funds may fall below the level that either the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. These deficiencies can result from unfavorable market fluctuations and when continued appropriations for certain programs that were deemed prudent by the Board of Directors occur in concurrence with the unfavorable market fluctuations. There were no such deficiencies as of August 31, 2021 and 2020.

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

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

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

NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021

9. Endowments (continued)

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

10. Litigation

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

11. Related Party Transactions

Certain members of the Foundation's Board of Directors also serve on the Board of Directors of WWOZ. Funding and payments to WWOZ totaled \$600,000 and \$730,000 for the years ended August 31, 2021 and 2020, respectively, and are included in budgeted programs on the Statements of Activities and Changes in Net Assets.

12. Retirement Plan

The Foundation has a defined contribution retirement plan for all eligible employees. Employees are eligible to participate in the plan after completing one year of service. The plan specifies that the Foundation contribute on behalf of the employees based on their annual contributions. The Foundation's contributions were \$52,645 and \$76,435 for the years ended August 31, 2021 and 2020, respectively.

13. Commitments

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

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

NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021

13. Commitments (continued)

The festivals scheduled for April 2021 and 2020 were cancelled due to Covid-19. Under the Agreement, in the event of a Force Majeure cancellation of a festival by the Foundation (a Specially Cancelled Festival), the Foundation will incur all losses associated with the Specially Cancelled Festival. The realized revenues and expenses related to the cancelled April 2021 and 2020 festivals resulted in a loss of approximately \$3.7 million and \$1.9 million, respectively, which is recorded in the accompanying Statements of Activities and Changes in Net Assets for the years ended August 31, 2021 and 2020. Due to the cancellation of the April 2021 festival, the amount received as an advance was recorded as an advance on future festival revenues on the Statement of Financial Position as of August 31, 2021.

14. Effect of COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a global pandemic. This pandemic has subsequently impacted the global economy, creating volatility and negatively disrupting financial markets. Given the continued spread of COVID-19 throughout the United States, the related impact, if any on the Foundation's operational and financial performance will depend on evolving factors that cannot be predicted at this time.

15. Payroll Protection Program

During the year ended August 31, 2020, the Foundation applied for and was approved for a \$251,300 loan under the Paycheck Protection Program and administered by the Small Business Administration as part of the relief efforts related to COVID-19. The Foundation is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The loan is uncollateralized. The Foundation has recognized the loan as a notes payable for the year ended August 31, 2020, which is recorded in the accompanying Statement of Financial Position. In May 2021, the entire loan was forgiven; therefore, the Foundation recognized the loan as revenue in the Statement of Activities and Changes in Net Assets for the year ended August 31, 2021.

16. Shuttered Venue Operators Grant

During the year ended August 31, 2021, the Foundation applied for and was awarded a \$10,000,000 Shuttered Venue Operators Grant by the U.S. Small Business Administration. The grant funds can be used on allowable expenditures incurred from March 1, 2020 through December 31, 2021. The Foundation recorded \$6,623,057 as federal revenue on the Statement of Activities and Changes in Net Assets for the year ended August 31, 2021, which represents the amount of allowable expenditures incurred as of August 31, 2021. The remaining amount of the grant, \$3,376,943, is recorded as a refundable advance on the Statement of Financial Position as of August 31, 2021.

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

NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021

17. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, February 18, 2022, and determined that other than the matters regarding the continuing impact of the outbreak of COVID-19, there were no other events that require additional disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of New Orleans Jazz & Heritage Festival and Foundation, Inc. (the "Foundation") (a nonprofit organization), which comprise the statements of financial position as of August 31, 2021 and 2020, the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated February 18, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) as a basis for designating audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purposes of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Postlethwaite & Netterville

New Orleans, Louisiana
February 18, 2022

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited the New Orleans Jazz & Heritage Festival and Foundation, Inc.'s (the "Foundation") (a nonprofit organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Foundation's major federal program for the year ended August 31, 2021. The Foundation's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Foundation's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Foundation's compliance.

Opinion on Each Major Federal Program

In our opinion, the Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended August 31, 2021.

Report on Internal Control Over Compliance

Management of the Foundation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Foundation's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Postlethwaite & Netterville

New Orleans, Louisiana
February 18, 2022

NEW ORLEANS JAZZ & HERITAGE FESTIVAL AND FOUNDATION, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2021

| Federal Grantor/ Pass-Through Grantor/ Program Title | Federal Assistance Listing Number | Grantor Project Number | Federal Expenditures |
|---|--|-----------------------------------|---------------------------------|
| U.S. Small Business Administration | | | |
| Direct funding: | | | |
| Shuttered Venue Operators Grant (COVID-19 Funding) | 59.075 | SBAHQ21SV006615 | \$ 6,623,057 |
| Total U.S. Small Business Administration | | | <u>6,623,057</u> |
| Total Federal Expenditures | | | <u><u>\$ 6,623,057</u></u> |

See notes to schedule of expenditures of federal awards.

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

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AUGUST 31, 2021

(1) General

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) presents the activity of the federal financial awards program of the New Orleans Jazz & Heritage Festival and Foundation, Inc. (the Foundation). The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Foundation's reporting entity is defined in Note 1 to the financial statements for the year ended August 31, 2021. All Federal financial awards have been included on the Schedule.

(2) Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 2 to the Foundation's financial statements for the year ended August 31, 2021.

(3) Indirect Costs

The Foundation has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
AUGUST 31, 2021

Part I – Summary of Auditors’ Results

Financial Statement Section

| | |
|---|---------------|
| Type of Auditors’ Report Issued | Unmodified |
| Internal Control over Financial Reporting: | |
| Material Weakness(es) Identified? | No |
| Significant Deficiency(ies) Identified? | None reported |
| Noncompliance Material to Financial Statements Noted? | No |

Federal Awards Section

| | |
|---|---------------|
| Internal Control over Major Programs: | |
| Material Weakness(es) Identified? | No |
| Significant Deficiency(ies) Identified? | None reported |

| | |
|--|------------|
| Type of Auditors’ Report on Compliance for Major Programs: | Unmodified |
|--|------------|

| | |
|---|----|
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No |
|---|----|

Major Program:

Name of Federal Program – Assistance Listing Numbers:
Shuttered Venue Operators Grant (COVID-19 Funding) – 59.075

| | |
|---|-----------|
| Dollar threshold used to determine Type A Programs: | \$750,000 |
|---|-----------|

| | |
|--|-----|
| Auditee qualified as low-risk auditee? | Yes |
|--|-----|

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
AUGUST 31, 2021

Part II – Financial Statement Findings Section

None

Part III – Federal Awards Findings and Questioned Costs Section

None

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

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
AUGUST 31, 2021

Part II – Financial Statement Findings Section

None

Part III – Federal Awards Findings and Questioned Costs Section

None