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

**FINANCIAL STATEMENTS**

**AUGUST 31, 2020**

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**NEW ORLEANS JAZZ & HERITAGE  
FESTIVAL AND FOUNDATION, INC.  
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**AUGUST 31, 2020**

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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, 2020 and 2019, the related statements of activities and changes in net assets, cash flows, and functional expenses 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, 2020 and 2019, 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 Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2021, 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 11, 2021

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

**STATEMENTS OF FINANCIAL POSITION**  
**AUGUST 31, 2020 AND 2019**

<b><u>ASSETS</u></b>	<b>2020</b>	<b>2019</b>
Cash and cash equivalents	\$ 5,638,888	\$ 11,204,535
Receivables from sponsors, vendors, and miscellaneous, net	189,527	331,041
Investments	25,920,113	19,195,667
Jazznet Program investments	622,450	649,409
Prepaid expenses and other assets	538,608	247,130
Art collection	694,051	691,209
Property and equipment, net	7,842,158	8,591,958
<b><u>TOTAL ASSETS</u></b>	<b>\$ 41,445,795</b>	<b>\$ 40,910,949</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Accounts payable	\$ 200,243	\$ 879,466
PPP Loan	251,300	-
Deferred revenue	3,669,989	-
<b><u>TOTAL LIABILITIES</u></b>	<b>4,121,532</b>	<b>879,466</b>
<b><u>NET ASSETS</u></b>		
Without donor restrictions		
Board designated	10,650,299	10,368,762
Undesignated	25,914,563	28,887,110
<b><u>TOTAL NET ASSETS WITHOUT DONOR RESTRICTIONS</u></b>	<b>36,564,862</b>	<b>39,255,872</b>
With donor restrictions	759,401	775,611
<b><u>TOTAL NET ASSETS</u></b>	<b>37,324,263</b>	<b>40,031,483</b>
<b><u>TOTAL LIABILITIES AND NET ASSETS</u></b>	<b>\$ 41,445,795</b>	<b>\$ 40,910,949</b>

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, 2020 AND 2019**

	<u>2020</u>			<u>2019</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b><u>REVENUES AND SUPPORT</u></b>						
Festival revenues	\$ 1,352,814	\$ -	\$ 1,352,814	\$ 44,366,224	\$ -	\$ 44,366,224
Festival 2020 Sponsorship Donation	1,550,000	-	1,550,000	-	-	-
Less expenses	<u>(4,851,595)</u>	<u>-</u>	<u>(4,851,595)</u>	<u>(38,780,159)</u>	<u>-</u>	<u>(38,780,159)</u>
Festival - net revenues	(1,948,781)	-	(1,948,781)	5,586,065	-	5,586,065
Foundation Gala (net of expenses of \$25,635 in 2020 and \$541,595 in 2019)	56,130	-	56,130	410,207	-	410,207
Other festivals revenues	314,952	-	314,952	303,175	-	303,175
Grants/contributions	859,233	23,911	883,144	1,560,826	43,707	1,604,533
Investment income, net	3,993,578	17,417	4,010,995	689,206	18,100	707,306
Membership, net	80,930	-	80,930	94,331	-	94,331
Miscellaneous	417,152	-	417,152	36,960	-	36,960
Total net revenues	<u>3,773,194</u>	<u>41,328</u>	<u>3,814,522</u>	<u>11,966,249</u>	<u>61,807</u>	<u>12,028,056</u>
Net assets released from restrictions	<u>57,538</u>	<u>(57,538)</u>	<u>-</u>	<u>125,030</u>	<u>(125,030)</u>	<u>-</u>
Total revenues and other support	<u>3,830,732</u>	<u>(16,210)</u>	<u>3,814,522</u>	<u>12,091,279</u>	<u>(63,223)</u>	<u>12,028,056</u>
<b><u>EXPENSES</u></b>						
Budgeted programs	2,817,797	-	2,817,797	2,614,403	-	2,614,403
Special programs	819,979	-	819,979	975,989	-	975,989
Administrative expenses	491,011	-	491,011	746,039	-	746,039
Operating expenses	1,025,937	-	1,025,937	1,086,557	-	1,086,557
Salaries and benefits	1,367,018	-	1,367,018	1,304,112	-	1,304,112
Total expenses	<u>6,521,742</u>	<u>-</u>	<u>6,521,742</u>	<u>6,727,100</u>	<u>-</u>	<u>6,727,100</u>
Change in net assets	<u>(2,691,010)</u>	<u>(16,210)</u>	<u>(2,707,220)</u>	<u>5,364,179</u>	<u>(63,223)</u>	<u>5,300,956</u>
<b><u>NET ASSETS, BEGINNING OF YEAR</u></b>	<u>39,255,872</u>	<u>775,611</u>	<u>40,031,483</u>	<u>33,891,693</u>	<u>838,834</u>	<u>34,730,527</u>
<b><u>NET ASSETS, END OF YEAR</u></b>	<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>

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, 2020**

	<b>2020</b>			
	<b>Management and</b>			
	<b>Program Services</b>	<b>General</b>	<b>Fundraising</b>	<b>Total Expenses</b>
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
Royalties	-	-	-	-
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**

**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED AUGUST 31, 2019**

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

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

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

**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019**

	<b>2020</b>	<b>2019</b>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Change in net assets	\$ (2,707,220)	\$ 5,300,956
Adjustment to reconcile change in net assets to net cash (used in) provided by operating activities:		
Unrealized (gain) loss on investments	(3,024,949)	191,536
Depreciation	762,602	777,966
Decrease (increase) in assets:		
Receivables from sponsors, vendors, and miscellaneous, net	141,514	46,503
Prepaid expenses and other assets	(291,478)	54,166
Increase (decrease) in liabilities:		
Accounts payable	(679,223)	(445,540)
Advance on future festival revenues	3,669,989	(1,278,450)
Net cash (used in) provided by operating activities	(2,128,765)	4,647,137
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Purchases of property and equipment	(12,802)	(197,696)
Purchases of artwork	(2,842)	(1,986)
Purchases of investments	(5,410,816)	(2,569,217)
Proceeds from sales of investments	1,738,278	986,531
Net cash used in investing activities	(3,688,182)	(1,782,368)
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Proceeds from PPP Loan	251,300	-
Net cash provided by financing activities	251,300	-
Net change in cash and cash equivalents	(5,565,647)	2,864,769
<b><u>NET CHANGE IN CASH AND CASH EQUIVALENTS</u></b>		
Cash and cash equivalents, beginning of year	11,204,535	8,339,766
Cash and cash equivalents, end of year	\$ 5,638,888	\$ 11,204,535

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, 2020**

**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 2020 Festival was 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.

**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, 2020

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, 2020 and 2019.

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, 2020

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, 2020 and 2019, 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

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

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

**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2020**

**2. Summary of Significant Accounting Policies (continued)**

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

Festival and gala revenue is recognized when the event takes place. Contributions, both festival related and for general purposes, and grant revenue is recognized when cash, securities, or other assets or an unconditional promise to give is received. Membership revenue is recognized upon receipt.

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 2020 festival was cancelled due to Covid-19, holders of purchased tickets to that festival were allowed to request a cash refund or to use their ticket at a future festival. In addition, some planned sponsors for the April 2020 festival 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 Statement of Financial Position as of August 31, 2020.

In addition to the festival cancellation, the Gala was cancelled during April 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 Statement of Financial Position as of August 31, 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.

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

NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2020

2. Summary of Significant Accounting Policies (continued)

Expense Allocation

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

Income Taxes

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

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 June 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions

**NEW ORLEANS JAZZ & HERITAGE FESTIVAL AND FOUNDATION, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2020**

**2. Summary of Significant Accounting Policies (continued)**

**Change in Accounting Principle (continued)**

(nonreciprocal transactions) within the scope of *Topic 958, Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The Foundation adopted this ASU during fiscal year ended August 31, 2020. The adoption of this ASU had no impact on the financial statements.

**Recent Accounting Pronouncements Issued But Not Yet Adopted**

The FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, to update its revenue recognition standard to clarify the principles of recognizing revenue and eliminate industry-specific guidance as well as help financial statement users better understand the nature, amount, timing, and uncertainty of revenue that is recognized. The standard may be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. This ASU will be effective for the Foundation's year ending August 31, 2022.

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 ASU is effective for the Foundation's year ending August 31, 2021.

On September 17<sup>th</sup> 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 these pronouncements on its financial statements.

**3. Concentration of Credit Risk**

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



**NEW ORLEANS JAZZ & HERITAGE FESTIVAL AND FOUNDATION, INC.**  
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**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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Total assets	\$ 41,445,795	\$ 40,910,949
Less: non-current and non-financial assets		
Prepaid expenses and other assets	(538,608)	(247,130)
Art collection	(694,051)	(691,209)
Property and equipment, net	<u>(7,842,158)</u>	<u>(8,591,958)</u>
Total current financial assets at year end	32,370,978	31,380,652
Less: financial asset designations and restrictions		
Board designated net assets	(10,650,299)	(10,368,762)
Net assets with donor restrictions	<u>(759,401)</u>	<u>(775,611)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 20,961,278</u>	<u>\$ 20,236,279</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.

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**5. Property and Equipment**

Property and equipment at August 31, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Land	\$ 446,250	\$ 446,250
Buildings and improvements	11,523,826	11,464,776
Equipment, furniture, and fixtures	904,830	953,451
	<u>12,874,906</u>	<u>12,864,477</u>
Less accumulated depreciation	<u>(5,032,748)</u>	<u>(4,272,519)</u>
Total	<u>\$ 7,842,158</u>	<u>\$ 8,591,958</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.

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**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:

Description	Based on			
	Total Assets Measured at Fair Value	Quoted Prices In Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
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>

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**6. Fair Value Measurements (continued)**

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

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

**7. Designated Net Assets**

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

	August 31,	
	2020	2019
Allen Jaffe Memorial Fund	\$ 15,059	\$ 15,059
Foundation programs	534	226,121
Reserves	10,127,582	10,127,582
Music Relief Fund	507,124	-
Total designated net assets	<u>\$ 10,650,299</u>	<u>\$ 10,368,762</u>

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**8. Restrictions on Net Assets**

Net assets have been restricted for the following purposes:

	<u>2020</u>	<u>2019</u>
Restricted for purpose or time:		
Jazznet Program	\$ 122,450	\$ 149,409
S.E.E.D. Program	72,988	72,988
Raisin' the Roof	29,368	29,367
Heritage School of Music	34,595	23,847
Restricted in perpetuity:		
Endowment - Jazznet Program	500,000	500,000
Total	<u>\$ 759,401</u>	<u>\$ 775,611</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.

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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, 2020 and 2019.

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, 2020 and 2019 is as follows:

	<u>2020</u>		
	<u>Restricted for Purpose or Time</u>	<u>Restricted in Perpetuity</u>	<u>Total</u>
Donor-restricted endowment funds	<u>\$ 122,450</u>	<u>\$ 500,000</u>	<u>\$ 622,450</u>
	<u>2019</u>		
	<u>Restricted for Purpose or Time</u>	<u>Restricted in Perpetuity</u>	<u>Total</u>
Donor-restricted endowment funds	<u>\$ 149,409</u>	<u>\$ 500,000</u>	<u>\$ 649,409</u>

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**AUGUST 31, 2020**

**9. Endowments (continued)**

Changes in endowment net assets are as follows:

	<b>2020</b>		
	<u>Restricted for Purpose or Time</u>	<u>Restricted in Perpetuity</u>	<u>Total</u>
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	<u>\$ 122,450</u>	<u>\$ 500,000</u>	<u>\$ 622,450</u>
	<b>2019</b>		
	<u>Restricted for Purpose or Time</u>	<u>Restricted in Perpetuity</u>	<u>Total</u>
Net assets, beginning of the year	\$ 178,159	\$ 500,000	\$ 678,159
Net investment return	18,100	-	18,100
Releases	(46,850)	-	(46,850)
Net assets, end of the year	<u>\$ 149,409</u>	<u>\$ 500,000</u>	<u>\$ 649,409</u>

*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, 2020 and 2019.

*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).

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**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2020**

**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 \$730,000 and \$1,630,000 for the years ended August 31, 2020 and 2019, 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 \$76,435 and \$80,800 for the years ended August 31, 2020 and 2019, 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.



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**NOTES TO FINANCIAL STATEMENTS**  
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**13. Commitments (continued)**

The festival scheduled for April 2020 was 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 2020 festival resulted in a loss of approximately \$1.9 million, which is recorded in the accompanying Statement of Activities and Changes in Net Assets for the year ended August 31, 2020.

**14. 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 and is fully guaranteed by the Federal government. The Foundation has recognized the loan as a notes payable, which is recorded in the accompanying Statement of Financial Position as of August 31, 2020.

**15. 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.

**16. Subsequent Events**

Management has evaluated events through the date that the financial statements were available to be issued, February 11, 2021, and determined the following subsequent event requires disclosure: On January 16, 2021, the Foundation made the decision to postpone the festival originally scheduled for April, 2021 until October, 2021 due to Covid-19 concerns. This will result in a financial impact on the Foundation's financial statements that is not presently determinable. No other 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, 2020 and 2019, the related statements of activities and changes in net assets and cash flows for the years then ended, the statement of functional expenses for the year ended August 31, 2020, and the related notes to the financial statements, and have issued our report thereon dated February 11, 2021.

**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 11, 2021