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**Red River Film Society, Inc.**

**Financial Statements**

**June 30, 2005**

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

Release Date 8-16-06

Red River Film Society, Inc.

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# COOK & MOREHART

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## Independent Auditors' Report

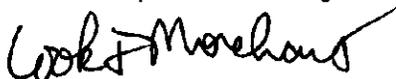
To the Board of Directors  
Red River Film Society, Inc.

We have audited the accompanying statement of financial position of Red River Film Society, Inc. (a nonprofit organization) as of June 30, 2005, and the related statements of activities, functional expenses and cash flows for the six months ended June 30, 2005 and the year ended December 31, 2004. These financial statements are the responsibility of Red River Film Society, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Red River Film Society, Inc. as of June 30, 2005, and the changes in its net assets and its cash flows for the six months ended June 30, 2005 and the year ended December 31, 2004, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 16, 2006, on our consideration of Red River Film Society, 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



Cook and Morehart  
Certified Public Accountants  
May 16, 2006

Red River Film Society, Inc.  
Statement of Financial Position  
June 30, 2005

<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 39,270
Grant and contract receivables	491,449
Other receivables	750
Total current assets	<u>531,469</u>
Other assets:	
Promises to give - building renovations	200,908
Cash restricted - building renovations	954,202
Total other assets	<u>1,155,110</u>
Property and equipment	35,362
Accumulated depreciation	(979)
Net property and equipment	<u>34,383</u>
<b>Total Assets</b>	<u><u>\$ 1,720,962</u></u>
<b>Liabilities and Net Assets</b>	
Current liabilities:	
Accounts payable	\$ 540
Total current liabilities	<u>540</u>
Net assets:	
Unrestricted:	
Operating	521,303
Fixed assets	34,383
Total unrestricted	555,686
Temporarily restricted	<u>1,164,736</u>
Total net assets	<u>1,720,422</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 1,720,962</u></u>

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

Red River Film Society, Inc.  
Statement of Activities  
For the Six Months Ended June 30, 2005

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Revenues and Other Support:</b>			
Contractual revenue – grants	\$ 366,111	\$ 25,000	\$ 391,111
Donations and contributions	33,608	675,602	709,210
Other income	40		40
Interest and investment income	6,449		6,449
Net assets released from restrictions:			
Restrictions satisfied by expending funds for the purpose intended	<u>71,702</u>	<u>(71,702)</u>	
<b>Total revenues and other support</b>	<u>477,910</u>	<u>628,900</u>	<u>1,106,810</u>
<b>Expenses:</b>			
Program services	3,905		3,905
General administration	45,061		45,061
Fund raising	<u>95,994</u>		<u>95,994</u>
<b>Total expenses</b>	<u>144,960</u>		<u>144,960</u>
<b>Change in net assets</b>	<b>332,950</b>	<b>628,900</b>	<b>961,850</b>
<b>Net assets as of January 1, 2005</b>	<u>222,736</u>	<u>535,836</u>	<u>758,572</u>
<b>Net assets as of June 30, 2005</b>	<u>\$ 555,686</u>	<u>\$ 1,164,736</u>	<u>\$ 1,720,422</u>

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

Red River Film Society, Inc.  
Statement of Activities  
For the Year Ended December 31, 2004

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Revenues and Other Support:</b>			
Contractual revenue and grants	\$ 310,549	\$ 67,500	\$ 378,049
Donations and contributions		222,466	222,466
Interest and investment income	1,398		1,398
	<u>311,947</u>	<u>289,966</u>	<u>601,913</u>
<b>Expenses:</b>			
Program services	19,929		19,929
General administration	64,115		64,115
Fund raising	63,281		63,281
	<u>147,325</u>	<u>289,966</u>	<u>147,325</u>
Change in net assets	164,622	289,966	454,588
Net assets as of January 1, 2004	<u>58,114</u>	<u>245,870</u>	<u>303,984</u>
Net assets as of December 31, 2004	<u>\$ 222,736</u>	<u>\$ 535,836</u>	<u>\$ 758,572</u>

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

Red River Film Society, Inc.  
Statement of Functional Expenses  
For the Six Months Ended June 30, 2005

Expenses:	Program Services	General Administration	Fund Raising	Total
Salaries and wages	\$ 3,125	\$ 14,545	\$ 33,276	\$ 50,946
Payroll taxes	500	897	2,500	3,897
Contract labor and services		13,899	500	14,399
Office expense	37	2,496	1,080	3,613
Telephone		1,890		1,890
Printing and promotional materials		1,302	11,251	12,553
Insurance	243	1,289	2,243	3,775
Supplies		4,897	25,286	30,183
Rent		2,812		2,812
Travel and training		351	14,735	15,086
Other		87	5,123	5,210
Depreciation		596		596
<b>Total expenses</b>	<b>\$ 3,905</b>	<b>\$ 45,061</b>	<b>\$ 95,994</b>	<b>\$ 144,960</b>

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

Red River Film Society, Inc.  
Statement of Functional Expenses  
For the Year Ended December 31, 2004

	Program Services	General Administration	Fund Raising	Total
<b>Expenses:</b>				
Salaries and wages	\$ 13,500	\$ 39,540	\$ 22,745	\$ 75,785
Payroll taxes	500	3,366	1,932	5,798
Contract labor and services		1,953	215	2,168
Office expense	37	2,301	1,235	3,573
Telephone		4,106		4,106
Insurance	1,171	1,171	1,171	3,513
Repairs and maintenance		921		921
Supplies	192	5,490	11,898	17,580
Printing and promotional materials	3,998	1,554	19,252	24,804
Rent		2,250		2,250
Advertising		1,067		1,067
Travel and training	491		4,096	4,587
Other	40	14	737	791
Depreciation		382		382
<b>Total expenses</b>	<b>\$ 19,929</b>	<b>\$ 64,115</b>	<b>\$ 63,281</b>	<b>\$ 147,325</b>

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

Red River Film Society, Inc.  
Statements of Cash Flows  
For the Six Months Ended June 30, 2005

Operating Activities

Change in net assets	\$ 961,850
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation	596
Contributions restricted for building renovations	(636,899)
(Increase) decrease in operating assets:	
Grant and contract receivables	(347,224)
Other receivables	(750)
Promises to give	21,698
Increase (decrease) in operating liabilities:	
Accounts payable	<u>(5,352)</u>
Net cash (used in) operating activities	<u>(6,081)</u>

Investing Activities

Payments for equipment	(2,493)
Payments for building renovations	<u>(11,867)</u>
Net cash (used in) investing activities	<u>(14,360)</u>

Net increase (decrease) in cash and cash equivalents	(20,441)
Cash and cash equivalents as of January 1, 2005	<u>59,711</u>
Cash and cash equivalents as of June 30, 2005	<u><u>\$ 39,270</u></u>

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

Red River Film Society, Inc.  
 Statements of Cash Flows  
 For the Year Ended December 31, 2004

**Operating Activities**

Change in net assets	\$	454,588
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation		382
Contributions restricted for building renovations		(259,416)
(Increase) decrease in operating assets:		
Grant and contract receivables		(56,371)
Other receivables		250
Promises to give		(63,506)
Increase (decrease) in operating liabilities:		
Accounts payable		4,411
		4,411
 Net cash provided by operating activities		 80,338

**Investing Activities**

Payments for equipment		(4,468)
Payments for building renovations		(16,159)
		(16,159)
 Net cash (used in) investing activities		 (20,627)

Net increase in cash and cash equivalents 59,711

Cash and cash equivalents as of January 1, 2004

Cash and cash equivalents as of December 31, 2004 \$ 59,711

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

Red River Film Society, Inc.  
Notes to Financial Statements  
June 30, 2005

(1) Summary of Significant Accounting Policies

A. Nature of Activities

Red River Film Society, Inc. (RRFS) is a nonprofit corporation organized under the laws of the State of Louisiana. Red River Film Society, Inc. was established for the purposes of the development of the cinematic arts in the Shreveport area. Red River Film Society, Inc.'s mission is to provide a venue for international, independent, and classic film while serving as a resource for film production and film entertainment.

B. Basis of Accounting

The financial statements of Red River Film Society, Inc. have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

C. Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its *Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

D. Investments

Investments consist of money market funds and marketable securities. Money market funds are stated at cost, which approximates the market value. Marketable securities are stated at fair value. Realized and unrealized gains and losses are included in the statement of activities.

E. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could differ from those estimates.

F. Cash and Cash Equivalents

Cash equivalents, as stated for cash flow purposes, consist of non-interest bearing bank accounts and short term highly liquid investments which are readily convertible into cash within ninety (90) days of purchase.

(Continued)

Red River Film Society, Inc.  
Notes to Financial Statements  
June 30, 2005  
(Continued)

G. Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities or expenses, depending on the form of the benefits received. Promises to give in excess of one year are recorded at their net present value. All contributions—pledges are considered for unrestricted use unless specifically restricted by donor. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

H. Property and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful life of each asset.

I. Revenue and Support

Donations, contributions and grants received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Contractual grant revenue is reported as unrestricted support due to the restrictions placed on those funds by the funding sources being met in the same reporting period as the revenue is earned.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires (that is, when a stipulated time restriction ends or purpose of restriction is accomplished) in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction.

When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

J. Income Tax Status

Red River Film Society, Inc. is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the organization's tax-exempt purpose is subject to taxation as unrelated business income. Red River Film Society, Inc. had no such income during this audit period.

(Continued)

Red River Film Society, Inc.  
Notes to Financial Statements  
June 30, 2005  
(Continued)

**K. Donated Assets**

Non-cash donations are recorded as contributions at their estimated fair value at the date of donation.

**L. Donated Property and Equipment**

Donations of property and equipment are recorded as contributions at their estimated fair market value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to 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 restricted contributions.

**M. Expense Allocation**

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities and in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**(2) Concentrations of Credit Risk**

*Financial instruments that potentially subject Red River Film Society, Inc. to concentrations of credit risk consist principally of temporary cash investments, grant receivables, and promises to give.*

Concentrations of credit risk with respect to grant receivables are limited due to these amounts being due from governmental agencies and other nonprofit organizations under contractual terms. As of June 30, 2005, Red River Film Society, Inc. had no significant concentrations of credit risk in relation to grant receivables.

*Red River Film Society, Inc. maintains cash balances at local financial institutions. Accounts at those institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. At June 30, 2005 there were no uninsured balances at those institutions.*

Red River Film Society, Inc. also maintained certificates of deposit and money funds at a local brokerage firm which is a member of the Securities Investor Protection Corporation (SIPC). Amounts at the brokerage firm at June 30, 2005 was \$900,350.

Concentrations of credit risk with respect to promises to give are limited due to the number of contributions comprising Red River Film Society, Inc.'s contributor base.

(Continued)

Red River Film Society, Inc.  
Notes to Financial Statements  
June 30, 2005  
(Continued)

(3) Grant and Contract Receivables

Various funding sources provide reimbursement of allowable costs under contracts or agreements. These balances represent amounts due from the funding sources at June 30, 2005 but not received until after that date.

(4) Assets Restricted for Building Renovations

Assets restricted for building renovations at June 30, 2005 consisted of the following:

Cash	\$	954,202
Promises to give		<u>200,908</u>
		<u>\$ 1,155,110</u>

Promises receivable expected to be collected over more than one year are discounted at 4% at June 30, 2005. The allowance for uncollectible promises receivable at June 30, 2005 was \$13,300.

Receivables in less than one year	\$	71,409
Receivables in two to five years		<u>144,800</u>
		216,209
Less discounts to net present value		<u>( 15,301)</u>
Net promises to give	\$	<u>200,908</u>

(5) Fixed Assets

A summary of fixed assets as of June 30, 2005 follows:

	Estimated Useful Life	Cost / Basis	Accumulated Depreciation
Equipment	5-7 years	\$ 7,335	\$ 979
Construction in progress	N/A	<u>28,027</u>	<u>—</u>
		<u>\$ 35,362</u>	<u>\$ 979</u>

Depreciation expense for the six months ended June 30, 2005 was \$596 and \$382 for the year ended December 31, 2004.

(Continued)

Red River Film Society, Inc.  
Notes to Financial Statements  
June 30, 2005  
(Continued)

(6) Temporarily Restricted Net Assets

Temporarily restricted net assets consists of grants and donations received for specific purposes which were not expended as of June 30, 2005 for building renovations.

(7) Leases

Red River Film Society, Inc. leases office space under an operating lease. The rental costs on this lease for the six months ended June 30, 2005 was \$2,700 and \$2,250 for the year ended December 31, 2004. As of June 30, 2005, there were no obligations under this lease agreement in excess of one year.

(8) Revenue and Support Concentrations

Red River Film Society, Inc. entered into a contractual agreement with a local government agency which provided \$680,000 of revenue and support. This represents a significant amount of the unrestricted support. The unrestricted revenue recognized, from this agreement, during the year ended December 31, 2004 was \$248,185 and \$364,961 for the six months ended June 30, 2005. Also, approximately 49% of the total revenue and support for the six months ended June 30, 2005 was provided by one contributor.

# COOK & MOREHART

*Certified Public Accountants*

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## 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  
Red River Film Society, Inc.

We have audited the financial statements of Red River Film Society, Inc. as of and for the six months ended June 30, 2005 and the year ended December 31, 2004, and have issued our report thereon dated May 16, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

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

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Red River Film Society, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of findings as finding 2005-1.

This report is intended solely for the information and use of management and the Board of Directors and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Cook & Morehart", with a long horizontal flourish extending to the right.

Cook & Morehart  
Certified Public Accountants  
May 16, 2006

Red River Film Society, Inc.  
Summary Schedule of Audit Findings for the  
Louisiana Legislative Auditor  
June 30, 2005

**Summary Schedule of Prior Audit Findings**

This is the initial audit for Red River Film Society, Inc., therefore there are no prior year findings.

**Corrective Action Plan for Current Year Audit Findings**

There was one current year finding for the six months ended June 30, 2005 and for the year ended December 31, 2004.

**2005-1 : Late Submission of Audit**

The Red River Film Society, Inc. did not submit its audit report within six months after the audit date of June 30, 2005 in accordance with the Louisiana Audit Law.

*Response:* Cook & Morehart, CPAs and Red River Film Society, Inc. will make every effort to submit its audit in the future in accordance with the Louisiana Audit Law.