JEFFERSON PERFORMING ARTS SOCIETY

METAIRIE, LOUISIANA

FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED

JUNE 30, 2020 AND 2019

ERICKSEN KRENTEL LLP
CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Jefferson Performing Arts Society

Report on the Financial Statements

We have audited the accompanying financial statements of Jefferson Performing Arts Society (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, 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, the *Louisiana Governmental Audit Guide*, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

ERICKSEN KRENTEL LLP
CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

To the Board of Directors of
Jefferson Performing Arts Society
December 18, 2020

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jefferson Performing Arts Society as of June 30, 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of compensation, benefits, and other payments to agency head 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 December 18, 2020, on our consideration of Jefferson Performing Arts Society's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Jefferson Performing Arts Society'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 Jefferson Performing Arts Society's internal control over financial reporting and compliance.

December 18, 2020
New Orleans, Louisiana

Ericksen Krentel, LLP

Certified Public Accountants

Exhibit "A"

JEFFERSON PERFORMING ARTS SOCIETY
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

	2020	2019
ASSETS:		
Cash and cash equivalents	$ 206,625	$ 222,608
Accounts receivable	140,556	39,693
Prepaid expenses	86,075	128,103
Investments	255,869	233,606
Leasehold asset - net of amortization	21,782	-
Property and equipment - net of depreciation	302,987	321,233
Total assets	$ 1,013,894	$ 945,243
LIABILITIES:		
Accounts payable	$ 36,962	$ 42,191
Unearned revenue	173,597	198,874
Capital lease	-	8,000
Paycheck Protection Program loan	150,427	-
Total liabilities	360,986	249,065
NET ASSETS:		
Without donor restrictions	512,324	578,984
With donor restrictions	140,584	117,194
Total net assets	652,908	696,178
Total liabilities and net assets	$ 1,013,894	$ 945,243

See accompanying NOTES TO FINANCIAL STATEMENTS

JEFFERSON PERFORMING ARTS SOCIETY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND OTHER REVENUES:			
Contributions	$ 107,655	$ 43,565	$ 151,220
Grant - Jefferson Parish	100,000	-	100,000
Grant - State of Louisiana	350,000	-	350,000
Grant - City of Westwego	250,000	-	250,000
Grant - City of New Orleans	30,000	-	30,000
Tax credits	-	-	-
Auto rental tax contribution	313,748	-	313,748
Program service and event revenue	1,061,119	-	1,061,119
Other income	88	-	88
Investment income (loss), net	(2,177)	1,608	(569)
	2,210,433	45,173	2,255,606
Net assets released from restrictions	21,783	(21,783)	-
Total support and other revenues	2,232,216	23,390	2,255,606
EXPENSES:			
Program services	1,803,325	-	1,803,325
Supporting services:			
Management and general	349,372	-	349,372
Fundraising	146,179	-	146,179
Total expenses	2,298,876	-	2,298,876
Change in net assets	(66,660)	23,390	(43,270)
Net assets, beginning of year	578,984	117,194	696,178
Net assets, end of year	$ 512,324	$ 140,584	$ 652,908

See accompanying NOTES TO FINANCIAL STATEMENTS

JEFFERSON PERFORMING ARTS SOCIETY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND OTHER REVENUES:			
Contributions	$ 333,020	$ -	$ 333,020
Grant - Jefferson Parish	100,000	-	100,000
Grant - State of Louisiana	350,000	-	350,000
Grant - City of Westwego	250,000	-	250,000
Grant - City of New Orleans	28,750	-	28,750
Tax credits	132,470	-	132,470
Auto rental tax contribution	304,826	-	304,826
Program service and event revenue	1,286,118	-	1,286,118
Other income	8,100	-	8,100
Investment income, net	12,284	4,718	17,002
	2,805,568	4,718	2,810,286
Net assets released from restrictions	43,565	(43,565)	-
Total support and other revenues	2,849,133	(38,847)	2,810,286
EXPENSES:			
Program services	2,208,683	-	2,208,683
Supporting services:			
Management and general	547,886	-	547,886
Fundraising	138,271	-	138,271
Total expenses	2,894,840	-	2,894,840
Change in net assets	(45,707)	(38,847)	(84,554)
Net assets, beginning of year	624,691	156,041	780,732
Net assets, end of year	$ 578,984	$ 117,194	$ 696,178

JEFFERSON PERFORMING ARTS SOCIETY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Total
Salaries	$ 605,507	$ 61,456	$ 74,784	$ 741,747
Payroll taxes and employee benefits	100,644	10,215	12,430	123,289
Total salaries and related expenses	706,151	71,671	87,214	865,036
Credit card fees	-	63,413	-	63,413
Depreciation	-	18,246	-	18,246
Miscellaneous	30,014	30,014	-	60,028
Occupancy	279,178	69,795	-	348,973
Operations expenses	116,256	73,981	53,612	243,849
Postage and shipping	5,353	-	5,353	10,706
Professional fees and contract services	398,951	14,500	-	413,451
Promotion and advertising	101,292	-	-	101,292
Supplies and materials for productions	117,541	-	-	117,541
Telephone	18,088	7,752	-	25,840
Travel, conferences and conventions	30,501	-	-	30,501
Total functional expenses	$ 1,803,325	$ 349,372	$ 146,179	$ 2,298,876

See accompanying NOTES TO FINANCIAL STATEMENTS

JEFFERSON PERFORMING ARTS SOCIETY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

		Supporting Services		
	Program Services	Management and General	Fundraising	Total
Salaries	$ 419,270	$ 150,198	$ 52,185	$ 621,653
Payroll taxes and employee benefits	73,434	26,307	9,140	108,881
Total salaries and related expenses	492,704	176,505	61,325	730,534
Credit card fees	-	80,232	-	80,232
Depreciation	-	20,064	-	20,064
Miscellaneous	29,653	29,652	-	59,305
Occupancy	483,404	120,851	-	604,255
Operations expenses	149,174	94,929	71,810	315,913
Postage and shipping	5,136	-	5,136	10,272
Professional fees and contract services	546,241	17,880	-	564,121
Promotion and advertising	207,557	-	-	207,557
Supplies and materials for productions	217,844	-	-	217,844
Telephone	18,135	7,773	-	25,908
Travel, conferences and conventions	58,835	-	-	58,835
Total functional expenses	$ 2,208,683	$ 547,886	$ 138,271	$ 2,894,840

See accompanying NOTES TO FINANCIAL STATEMENTS

Exhibit "D"

JEFFERSON PERFORMING ARTS SOCIETY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES:		
Change in net assets	$ (43,270)	$ (84,554)
Adjustments to reconcile change in net assets to net cash from (used for) operating activities:		
Depreciation	18,246	20,064
Donations of common stock	(48,391)	(15,327)
Noncash donation of leasehold	(43,564)	-
Amortization of leasehold asset	21,782	43,565
Net unrealized and realized (gain) loss on investments	29,960	(14,196)
(Increase) decrease in:		
Accounts receivable	(100,863)	188,653
Prepaid expenses	42,028	(65,649)
Increase (decrease) in:		
Accounts payable	(5,229)	(20,936)
Unearned revenue	(25,277)	(674)
Net cash from (used for) operating activities	(154,578)	50,946
CASH FLOWS (USED FOR) INVESTING ACTIVITIES:		
Purchase of investments	(3,832)	(2,766)
Net cash (used for) investing activities	(3,832)	(2,766)
CASH FLOWS FROM (USED FOR) FINANCING ACTIVITIES:		
Principal payments on capital leases	(8,000)	(8,000)
Proceeds from the issuance of debt	150,427	-
Net cash from (used for) financing activities	142,427	(8,000)
Net increase (decrease) in cash and cash equivalents	(15,983)	40,180
Cash and cash equivalents - beginning of year	222,608	182,428
Cash and cash equivalents - end of year	$ 206,625	$ 222,608

See accompanying NOTES TO FINANCIAL STATEMENTS

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Jefferson Performing Arts Society (JPAS) serves the state of Louisiana, several counties in Mississippi and communities throughout the Gulf South. Through its diverse programming and over 150 annual performances that include Grand Opera, Broadway Musicals, Symphonic and Choral Concerts, Ballet and Modern Dance and distinguished guest artists of all genres from around the world, JPAS has rightfully earned the reputation as "Louisiana's Cultural Leader."

JPAS focuses on three main elements:

Performance: JPAS annually provides a wide range of theatrical performances that appeal to many interests and age groups. Most seasons include a selection of grand opera, musical theater, dance and music. JPAS strives to network and partner with national and international artists and companies to bring new and diverse programming to the Southern Region.

Training: JPAS provides performance and technical based training in the arts for all ages with a particular focus on young people.

Outreach: JPAS provides arts education programming in local area schools, as well as access to professional theatrical experiences that align to classroom curricula and Louisiana Content Standards, including Arts Adventure Series, Cultural Crossroads and Stage Without A Theatre. JPAS provides performers, musicians, artistic experiences and expertise to select area events and organizations to enrich the community.

JPAS' outreach and service extend to both banks of the Mississippi River. Performances on the East bank are now held in the new Jefferson Performing Arts Center, performances on the West Bank are held in the Westwego Performing Arts Theatre and Teatro Wego! Dinner Theatre in Westwego.

Associated Activities

JPAS Leading Ladies Guild
JPAS Broadway Pit Orchestra
Arts Adventure Series
JPAS Symphony Orchestra
The Jefferson Chorale
JPAS Theatre Wing
JPAS Opera Theatre
Annual Pasta & Puccini Gala
Cultural Crossroads
Jefferson Performing Arts Center
JPAS Theatre Kids! Competition Team
Stage Without a Theatre (SWAT)
Teatro Wego! Theatre
Westwego Performing Arts Theatre

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

The financial statements of JPAS have been prepared on the accrual basis of accounting, and accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standard Codification section 958, *Not-for-Profit Entities.* Under FASB ASC section 958, net assets, revenues and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of JPAS are classified as net assets with or without donor restrictions.

Use of Estimates

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

Cash and Cash Equivalents

For purposes of the statement of cash flows, JPAS considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable consists mainly of receivables stemming from cooperative endeavor agreements with various local and state governments. Management monitors the receivables and assesses the collectability of accounts on a monthly basis. Management has elected to record bad debts using the direct write-off method. Generally accepted accounting principles require that the allowance method be used to reflect bad debts. However, the effect of the use of direct write-off method is not materially different from the results that would have been obtained had the allowance method been followed.

Promises to Give

Unconditional promises to give are recognized as revenues in the period the pledge is received. The pledges are recorded at the net present value of estimated future cash flows using an appropriate discount rate. Additionally, JPAS evaluates the collectability of pledges receivable and provides for an allowance when appropriate. Conditional promises to give are recognized as revenues only when the conditions attached to the pledge are substantially met.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prepaid Expenses

The balance in this account consists of amounts paid during each year for performances and events that have not yet occurred.

Investments

As defined in the current authoritative guidance, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The guidance applies to all financial instruments that are measured and reported on a fair value basis. Management utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of inputs used in the valuation techniques the financial statements are required to provide information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 – Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2 –Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets and liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Significant unobservable inputs that reflect an organization's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

JPAS' measurements of fair value are made on a recurring basis, and their valuation techniques for assets recorded at fair value are as follows:

Investment pool – Fair value is determined by reference to values provided by the fund management, which are determined by quoted market prices, indirectly observable inputs, or net asset value as a practical expedient to estimate fair value.

Money market – Cost basis approximates fair value.

Equity securities and mutual funds – Fair value is determined by quoted market prices, when available, or market prices provided by recognized broker dealers.

The preceding methods described may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, although management believes its valuation methods are 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 different fair value measurements at the reporting date.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Revenue

The balance in this account consists of amounts collected during each year for sponsorships, ticket sales, and summer camp fees to be presented in the following year.

Property and Equipment

All property, furniture, equipment, and leasehold improvements are recorded at cost. It is the policy of JPAS to capitalize all property and equipment with an acquisition cost in excess of $5,000. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	39 years
Leasehold improvements	10 to 39 years
Equipment and furniture	5 to 7 years

Leases

Lease agreements are evaluated to determine whether they are capital or operating leases in accordance with FASB ASC 840, Accounting for Leases, as amended. When substantially all of the risks and benefits of property ownership have been transferred to the Company, as determined by the test criteria in FASB ASC 840-30, the lease then qualifies as a capital lease.

Capital leases are capitalized at the lower of the net present value of the total amount of rent payable under the leasing agreement (excluding finance charges and appropriate sales taxes) or the market value of the leased asset. Capital leases are depreciated on a straight line basis, over a period consistent with the Company's normal depreciation policy for tangible fixed assets, but generally not exceeding the lease term. Interest and sales tax charges are expensed over the period of the lease in relation to the carrying value of the capital lease obligation. Amortization of assets under capital leases is included in depreciation expense.

Contributions and Revenue Recognition

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Support from contributions is recognized either on receipt or upon receiving an unconditional pledge or promise to give from a donor. Unconditional contributions are reported as unrestricted support which increases net assets without donor restrictions. JPAS reports contributions of cash and other assets as donor restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting period that they are received are reported as net assets without donor restriction support.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions and Revenue Recognition (Continued)

JPAS reports contributions of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the assets must be used. Contributions of long-lived assets with explicit restrictions that specify how the assets are to be used and contributions of cash or other assets that must be used to acquire or improve long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, JPAS reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Advertising

Advertising costs are charged to expenses as incurred. For the years ended June 30, 2020 and 2019, advertising expenses totaled $101,292 and $207,490, respectively.

Functional Expenses

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. 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 JPAS.

Income Taxes

JPAS is exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code. There was no income tax on unrelated business income accrued in 2020 or 2019. The Tax Cut and Jobs Act generally provides that a tax-exempt organization's unrelated business taxable income is increased by the amount of qualified transportation fringe benefits provided to employees. Management currently believes that the amount of unrelated business income related to parking offered to employees would be de minimis. Management also believes that all tax positions would be sustained if audited. There were no penalties or interest on income tax positions incurred in 2020 or 2019, but, if incurred, they would be classified in the statement of activities as a management and general expense.

JPAS' tax filings for the years ended June 30, 2017 through the current year are open to audit under statute of limitations by the Internal Revenue Service.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncement

In 2020, JPAS adopted FASB ASU No. 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The new guidance is intended to clarify and improve 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 (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. Adoption of ASU No. 2018-08 did not have a significant impact on JPAS's financial statements.

Date of Management's Review

Subsequent events have been evaluated through December 18, 2020, which is the date the financial statements were available to be issued.

(2) LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects JPAS' financial assets as of June 30, 2020 and 2019, respectively, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. Amounts not available include amounts set aside for long-term investing in the endowment fund that could be drawn upon if the governing board approves that action. However, amounts already appropriated from the endowment for general expenditure within one year of the balance sheet date have not been subtracted as unavailable.

	2020	2019
Financial assets, at year end	$ 603,050	$ 495,907
Less those unavailable for general expenditure within one year due to:		
Funds set aside for donor restricted purposes	(140,584)	(117,194)
Financial assets available to meet cash needs for general expenditures within one year	$ 462,466	$ 378,713

As part of JPAS liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As described in Notes 5 and 11, JPAS has assets held in an endowment which are in excess of amounts held to handle daily cash requirements. Although JPAS does not intend to spend from its assets held in the endowment other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from the assets could be made available if necessary.

(2) LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (CONTINUED)

To help the JPAS manage its unanticipated liquidity needs, the JPAS has a line of credit in the amount of $300,000 as described in Note 8.

(3) STATEMENT OF CASH FLOW SUPPLEMENTARY DISCLOSURES

Non-cash investing activities:

During the year ended June 30, 2020, non-cash investing activities consisted of $43,564 of a non-cash donation of a leasehold asset and the donation of common stock worth $48,391.

(4) CONTINGENCIES AND UNCERTAINTIES

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) was discovered China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. It is anticipated that these impacts will continue for some time, which include limitations on JPAS' ability to hold plays and special events. The future effects of these issues are unknown.

(5) INVESTMENTS

Investments are stated at market value and consist of the following at June 30:

	2020	2019
Greater New Orleans Foundation		
Investment pool	$ 118,803	$ 117,194
Raymond James		
Money market	28,060	10,997
Equity securities	83,900	78,430
Mutual funds	25,106	26,985
Total investments	$ 255,869	$ 233,606

The investment pool, which is managed by the Greater New Orleans Foundation (GNOF), consists of equity, fixed income, money market funds and other investments determined by GNOF.

The following schedule summarizes the investment income classified as temporarily restricted in the statements of activities for the years ended June 30:

(5) INVESTMENTS (CONTINUED)

	2020	2019
Interests and dividends	$ 4,697	$ 3,539
Realized gains	2,100	3,699
Unrealized gains and (losses)	(6,500)	10,657
Investment fees	(866)	(893)
Total investment income	$ (569)	$ 17,002

Fair Value Measurements

The following table sets forth by level, within the fair value hierarchy, JPAS' assets at fair value as of June 30, 2020:

	Level 1	Level 2	Level 3	Fair Value
GNOF investment pool	$ 32,075	$ 10,693	$ -	$ 42,768
Money market	28,060	-	-	28,060
Equity securities	83,900	-	-	83,900
Mutual funds	25,106	-	-	25,106
Total investments	$ 169,141	$ 10,693	$ -	$ 179,834

The following table sets forth by level, within the fair value hierarchy, JPAS' assets at fair value as of June 30, 2019:

	Level 1	Level 2	Level 3	Fair Value
GNOF investment pool	$ 31,643	$ 11,720	$ -	$ 43,363
Money market	10,997	-	-	10,997
Equity securities	78,430	-	-	78,430
Mutual funds	26,985	-	-	26,985
Total investments	$ 148,055	$ 11,720	$ -	$ 159,775

The following table summarizes investments for which fair value is measured using the net asset value per share practical expedient as of June 30, 2020 and 2019:

	2020			
	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice period
GNOF investment pool	$ 76,035	N/A	Daily	None

(5) INVESTMENTS (CONTINUED)

Fair Value Measurements (continued)

	2019			
	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice period
GNOF investment pool	$ 73,834	N/A	Daily	None

(6) DONATED FACILITIES AND SERVICES

Donated Facilities

Beginning July 1, 2016, JPAS entered into a lease with Jefferson Parish for its 1118 Clearview Parkway office and office space at the Jefferson Performing Arts Center (JPAC). The renewal was on a three-year basis, ending on June 30, 2019, and the property is provided free of charge. Management estimated the fair value of these rental agreements to be $130,695. This amount is recorded as contribution revenue on the statement of activities and as a leasehold asset to be amortized as rent expense over the life of the lease on the statement of financial position. For the fiscal year ended June 30, 2019, rent expense recognized on this leasehold was $43,565. During the year ended June 30, 2020, the lease was extended through December 31, 2020. Management estimated the fair value of the renewal to be $43,565. During the year ended June 30, 2020, rent expense of $21,783 was recognized in connection with the amortization of the leasehold asset. At June 30, 2020, the leasehold asset has a book value of $21,782, which will be amortized in the next fiscal year.

During the years ended June 30, 2020 and 2019, JPAS was also granted use of the Jefferson Parish Performing Arts Center (JPAC) in Metairie, Louisiana, for its performances. The fair market value of the use of the JPAC is determined by the number of days of actual use. For the years ended June 30, 2020 and 2019, $138,297 and $255,000, respectively, were recorded as contribution revenue and rent expense in connection with use of the JPAC.

JPAS also entered into an agreement with the City of Westwego, which extended through June 30, 2020, for the use of the theatre at the Westwego Performing Arts Center for scheduled performances throughout the fiscal year. The in-kind support includes the use of the facility and all costs and expenses associated with the use of the facility by JPAS for any and all scheduled events. No rent is paid by JPAS under this agreement and the amount of the support is not readily determinable on an annual basis. No amounts for such support have been recognized in the accompanying Statement of Activities as the criteria for recognition have not been satisfied.

(6) DONATED FACILITIES AND SERVICES (CONTINUED)

Donated Services

A substantial number of volunteers have donated their time and services to JPAS for fundraising, legal, and program activities. No amounts are reflected in the accompanying financial statements for such services as they do not meet the criteria for recognition under FASB ASC 958-605-50-1, *Accounting for Contributions Received and Contributions Made*.

(7) PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30:

	2020	2019
Building	$ 250,734	$ 250,734
Leasehold improvements	85,878	85,878
Equipment and furniture	399,209	399,209
Total depreciable property and equipment	735,821	735,821
Less: accumulated depreciation	(545,175)	(526,929)
	190,646	208,982
Land	112,341	112,341
Total	$ 302,987	$ 321,233

For the years ended June 30, 2020 and 2019, depreciation expense totaled $18,246 and $20,064.

(8) LINE OF CREDIT

On March 12, 2019, JPAS entered into a line of credit agreement with Iberia Bank, which provides short-term borrowings up to $300,000. Interest and principal on advances is payable monthly at the wall street journal prime rate plus 1%, which totaled 5.25% at June 30, 2020. The line of credit matures on March 12, 2021. JPAS had no balance outstanding under this line at June 30, 2020 and 2019.

(9) LEASE OBLIGATIONS

During the year ended June 30, 2016, JPAS entered into a lease agreement in the amount of $40,000 for the purchase of its Nutcracker set. This agreement is accounted for as a capital lease. This lease is non-interest bearing and is payable in 5 annual installments. At June 30, 2019, there was one remaining future minimum lease payment under this lease amounting to $8,000, which was paid in the year ended June 30, 2020.

(9) LEASE OBLIGATIONS (CONTINUED)

Assets held under capital leases at June 30, 2020 and 2019 are included in property and equipment as follows:

	2020	2019
Property under capital leases	$ 46,955	$ 46,955
Less accumulated amortization (included in accumulated depreciation)	(45,390)	(35,999)
Net property under capital leases	$ 1,565	$ 10,956

(10) NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at June 30:

	2020	2019
Donor restricted endowment funds	$ 57,250	$ 57,250
Lease of office space	21,782	-
Restricted endowment investment income	61,552	59,944
	$ 140,584	$ 117,194

The lease of office space represents in-kind revenue which will be earned over the remaining term of the office lease as described in Note 2. Releases from restrictions under this lease were $21,783 and $43,565 for the years ended June 30, 2020 and 2019, respectively.

Net assets were permanently restricted for the formation of an endowment fund. The purpose of the endowment fund is to provide a perpetual source of money to assure the future growth and health of Jefferson Performing Arts Society as stated in Note 11. At June 30, 2020 and 2019, net assets with permanent restrictions totaled $57,250.

(11) ENDOWMENT FUNDS

The Endowments. JPAS' endowment consists of two funds established for a variety of purposes. Its endowment includes restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

(11) ENDOWMENT FUNDS (CONTINUED)

Interpretation of Relevant Law. The Board of Directors of JPAS has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, JPAS classifies as restricted net assets (a) the original value of gifts donated to the restricted endowment; (b) the original value of subsequent gifts donated to the restricted endowment; and (c) accumulations to the restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund, including earnings on restricted investments, that is not permanently restricted is classified as restricted net assets until those amounts are appropriated for expenditure by JPAS in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, JPAS considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of JPAS, (7) and JPAS' investment policies.

Return Objectives and Risk Parameters

JPAS has adopted investment and spending policies for endowment assets that attempt to grow the fund in order to eventually provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of these endowment assets over the long-term. JPAS seeks to build endowment assets through additional contributions.

Spending Policies

JPAS has a policy of appropriating for distribution when needed, from the endowment fund's investment income that is not permanently restricted, and JPAS generally expends the endowment fund's investment income for the programs supported by the endowment. The current spending policy is expected to allow the JPAS' endowment fund to grow as a result of investment returns. This is consistent with JPAS' objectives to provide income for its programs supported by the endowment, preserve endowment assets without subjecting them to substantial risk, and provide additional real growth through new gifts.

(11) ENDOWMENT FUNDS (CONTINUED)

Spending Policies (continued)

Endowment net asset composition by type of fund as of June 30, 2020 and 2019 is as follows:

	2020	2019
Donor-restricted funds	$ 118,803	$ 117,194
Board-designated funds	162,625	116,412
Total	$ 281,428	$ 233,606

At June 30, 2020, $25,559 of endowment net assets was held in cash and $255,869 was held in investments. At June 30, 2019, the entire amount of endowment net assets was held in investments.

Changes in endowment net assets as of June 30, 2020 and 2019 are as follows:

	2020	2019
Endowment net assets, beginning of year	$ 233,606	$ 201,317
Net contributions to board-designated funds	48,391	15,327
Investment income, net of fees	3,832	2,766
Net appreciation (depreciation)	(4,401)	14,196
Endowment net assets, end of year	$ 281,428	$ 233,606

(12) BOARD OF DIRECTORS COMPENSATION

The Board of Directors is a voluntary board; therefore no compensation was paid to any board member during the years ended June 30, 2020 and 2019.

(13) CONCENTRATIONS OF CREDIT RISK

JPAS maintains its cash and cash equivalents in various financial institutions in Louisiana. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. On June 30, 2020 and 2019, JPAS had no cash balances in excess of FDIC insured limits. The cash balances, at times, may exceed federally insured limits. JPAS has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

JPAS' support through state and local government grants represent 40% and 43% of total support earned for the years ended June 30, 2020 and 2019, respectively.

(13) CONCENTRATIONS OF CREDIT RISK

Nearly all of JPAS's accounts receivable for the years ended June 30, 2020 and June 30, 2019 is derived from state, parish, or city support.

(14) LONG-TERM DEBT

JPAS has long-term debt as follows at June 30th:

	2020
Loan from the Small Business Administration under the Paycheck Protection Program in response to COVID-19 relief efforts The loan accrues interest at 1% and matures on April 16, 2022. The loan and accrued interest are forgivable if used in accordance with the terms of the program. As of November 30, 2020, JPAS expects the loan to be fully forgiven prior to the maturity date.	$ 150,427

(15) RECLASSIFICATIONS

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

(16) NEW ACCOUNTING PRONOUNCEMENTS

The FASB has issued Update No. 2014-09, "*Revenue from Contracts with Customers*." The core principle of this Update is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve this core principle, the guidance provides that an entity should apply the following steps: (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when, or as, the entity satisfies a performance obligation. Deferring the effective date of the amendments in Update No. 2014-09, the FASB has issued Update No. 2015-14, "*Revenue from Contracts with Customers - Deferral of the Effective Date*." Update No. 2015-14 permits entities to apply the guidance in Update No. 2014-09 to annual reporting periods beginning after December 15, 2018, and to interim reporting periods within annual reporting periods beginning after December 15, 2019. The FASB further delayed the implementation date by one year through ASU 2020-05 "Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)." Entities may now apply the guidance in Update No. 2014-09 to annual reporting periods beginning after December 15, 2019, and to interim reporting periods within annual reporting periods beginning after December 15, 2020. JPAS plans to adopt this Update as applicable by the effective date.

(16) NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

The Financial Accounting Standards Board (FASB) has issued Accounting Standards Update (Update) No. 2016-02, "Leases." This Update seeks to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and by disclosing key information about leasing arrangements. Deferring the effective date of Update No. 2016-02, the FASB has issued Update No. 2019-10, "Financial Instruments-Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Lease (Topic 842)." Update No. 2019-10 permits entities to apply the guidance in Update No. 2016-02 to annual reporting periods beginning after December 15, 2020, and to interim reporting periods within annual reporting periods beginning after December 15, 2021. The FASB further delayed the implementation date by one year through ASU 2020-05 "Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)." Entities may now apply the guidance in Update No. 2016-02 to annual reporting periods beginning after December 15, 2021, and to interim reporting periods within annual reporting periods beginning after December 15, 2022. JPAS plans to adopt this Update as applicable by the effective date.

JEFFERSON PERFORMING ARTS SOCIETY
SCHEDULE OF COMPENSATION, BENEFITS,
AND OTHER PAYMENTS TO AGENCY HEAD
FOR THE YEAR ENDED JUNE 30, 2020

	Dennis Assaf Executive/Artistic Director	Todd Simmons Executive Director
Time served	7/01/2019 - 1/15/2020	1/16/2020 - 6/30/2020
Salary	$ 92,083	$ 68,750
Benefits - insurance (health and dental)	1,300	1,100
Reimbursements	6,604	244
Benefits - cell phone	975	825
Total compensation, benefits, and other payments	$ 100,962	$ 70,919

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
Jefferson Performing Arts Society

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 Jefferson Performing Arts Society (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 18, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Jefferson Performing Arts Society's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Jefferson Performing Arts Society's internal control. Accordingly, we do not express an opinion on the effectiveness of the Jefferson Performing Arts Society'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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify two certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2020-001 and 2020-002, that we consider to be material weaknesses.

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ERICKSEN KRENTEL LLP
CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

To the Board of Directors of
Jefferson Performing Arts Society
December 18, 2020

Compliance and Other Matters

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

Jefferson Performing Arts Society's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Jefferson Performing Arts Society'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 Jefferson Performing Arts Society's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

December 18, 2020
New Orleans, Louisiana

Ericksen Krentel, LLP
Certified Public Accountants

JEFFERSON PERFORMING ARTS SOCIETY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2020

SECTION I SUMMARY OF AUDITORS' REPORTS

1. The Auditors' report expresses an unmodified opinion on the financial statements of Jefferson Performing Arts Society.

2. Two material weaknesses disclosed during the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Prepared in Accordance with *Government Auditing Standards*.

3. No instances of noncompliance material to the financial statements of Jefferson Performing Arts Society were reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Prepared in Accordance with *Government Auditing Standards*.

4. A management letter was issued for the year ended June 30, 2020.

SECTION II FINANCIAL STATEMENT FINDINGS

2020-001 RECONCILIATION OF INVESTMENTS

Criteria: In order to conform to generally accepted accounting principles, contribution revenue should be accounted for and disclosed separately from income on investments.

Condition: During our audit procedures over investments, we became aware of a contribution in investments that was not recorded in JPAS's trial balance.

Effect: A material adjustment was made to appropriately classify the contribution in JPAS's financial statements.

Cause: The contribution income was not recorded as a contribution when received, and JPAS's reconciliations over investment income did not discover and appropriately classify the contribution.

Recommendation: Management should adjust its reconciliation procedures to ensure that contributions of stock are appropriately separated from investment income. JPAS can avoid reconciliation discrepancies of this manner by recording contributions at fair value on the date received in accordance with its financial policies.

Management's Response: JPAS agrees with the finding and will work to implement the recommendation. See Management's Corrective Action Plan for further information.

2020-002 USE OF ACCOUNTS RECEIVABLE LEDGERS

Criteria: In order to conform to generally accepted accounting principles, revenue should be recognized in the accounting system when earned, and expenses should be recognized as incurred.

Condition: During our audit, we noted that JPAS did not adjust its general ledger for receivables owed to it at year end.

Effect: Revenues were understated during the year for interim financial statements and were misstated prior to a correcting audit entry.

Cause: JPAS did not adjust its receivable account at year end.

Recommendation: JPAS should continue to refine its use of the accounts receivable module of JPAS' accounting system to increase the reliability of its reporting. Revenues should be recorded when earned, meaning that receivables should be booked for cooperative endeavor agreements as JPAS' season progresses. As cash is received, the receivable amounts associated with these revenues should be decreased. Revenues and receivables should be reconciled monthly to ensure that appropriate amounts have been recorded in JPAS' accounts.

Management's Response: JPAS agrees with the finding and will work to implement the recommendation. See Management's Corrective Action Plan for further information.

JEFFERSON PERFORMING ARTS SOCIETY
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020

SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS

Not Applicable

SECTION II MANAGEMENT LETTER

2019-001 Approval of Journal Entries

Our review of controls over journal entries indicated that manual journal entries are not subject to review by another responsible employee.

This issue has not been resolved and has been repeated as a management letter item for the year ended June 30, 2020.

2019-002 Maintenance of Vacation Records

JPAS does not maintain the detailed records necessary for making a precise accrual of compensated absences. Our audit estimate for this unrecorded liability is not currently significant; however, as JPAS continues to grow, the potential for problems in making an estimate in the absence of such detail records increases.

This issue has not been resolved and has been repeated as a management letter item for the year ended June 30, 2020.

2019-003 Improve Payroll Review Procedures

Our review of the controls over the payroll system indicated that employees do not currently have a mechanism through which attendance is tracked.

This issue has not been resolved and has been repeated as a management letter item for the year ended June 30, 2020.

2019-004 Timeliness of Bank Reconciliation Review

Management has implemented a control wherein the board of director's treasurer reviews bank reconciliations as prepared by accounting staff. Our review of June 30, 2019 bank reconciliations performed five months after year end revealed no evidence of review and approval of JPAS' treasurer.

This issue has not been resolved and has been repeated as a management letter item for the year ended June 30, 2020.

2019-005 Review of Credit Card Expenses

Our review of credit card statements revealed one instance where an expense report was not reviewed by management and two instances of incomplete documentation.

This issue has been resolved for the year ended June 30, 2020.

2019-006 Reconcile Investment Accounts on a Regular Basis

Investment accounts are only reconciled after the entity's fiscal year end and should be done more often.

This issue has not been resolved and has been repeated as a management letter item for the year ended June 30, 2020.

JEFFERSON PERFORMING ARTS SOCIETY
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2020

December 18, 2020

Louisiana Legislative Auditor

Jefferson Performing Arts Society, respectfully submits the following corrective action plan for the year ended June 30, 2020.

Name and address of independent public accounting firm:

Ericksen Krentel LLP
4227 Canal Street
New Orleans, Louisiana 70119
Contact: W. Eric Powers

Audit Period: 7/1/2019 to 6/30/2020

The finding from the June 30, 2020 schedule of findings and responses is discussed below. The finding is numbered consistently with the number assigned in schedule of findings and responses

SECTION II FINANCIAL STATEMENT FINDINGS

Material Weakness

2020-001 RECONCILIATION OF INVESTMENTS

Recommendation: Management should adjust its reconciliation procedures to ensure that contributions of stock are appropriately separated from investment income. JPAS can avoid reconciliation discrepancies of this manner by recording contributions at fair value on the date received in accordance with its financial policies.

Response: JPAS agrees with the finding and will work to implement the recommendation through the appropriate reconciliation of investments and separating of contributions from investment income.

2020-002 USE OF ACCOUNTS RECEIVABLE LEDGERS

Recommendation: JPAS should continue to refine its use of the accounts receivable module of JPAS' accounting system to increase the reliability of its reporting. Revenues should be recorded when earned, meaning that receivables should be booked for cooperative endeavor agreements as JPAS' season progresses. As cash is received, the receivable amounts associated with these revenues should be decreased. Revenues and receivables should be reconciled monthly to ensure that appropriate amounts have been recorded in JPAS' accounts.

Response: Management agrees with the recommendation and will adjust its use of its accounting system to ensure consistent and reliable reporting.

If there are any questions regarding this plan, please call the Executive Director, Todd Simmons, at (504) 885-2000.

Sincerely,

	Executive Director
Signature	Title