NEW ORLEANS CENTER FOR CREATIVE ARTS FOUNDATION
NEW ORLEANS, LOUISIANA

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022

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Postlethwaite & Netterville
A Professional Accounting Corporation
pncpa.com

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<u>NEW ORLEANS, LOUISIANA</u>

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<u>JUNE 30, 2022</u>

C O N T E N T S

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A Professional Accounting Corporation

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
New Orleans Center for Creative Arts Foundation
New Orleans, Louisiana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of the New Orleans Center for Creative Arts Foundation (a nonprofit organization) and subsidiary (collectively, the Foundation), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the New Orleans Center for Creative Arts Foundation and subsidiary as of June 30, 2022, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of New Orleans Center for Creative Arts Foundation and subsidiary and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

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Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of compensation, benefits and other payments to agency head on page 19 is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated

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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 consolidated 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 15, 2022, on our consideration of the Foundation'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 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 the Foundation'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 the Foundation's internal control over financial reporting and compliance.

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Metairie, Louisiana
December 15, 2022

NEW ORLEANS CENTER FOR CREATIVE ARTS FOUNDATION
NEW ORLEANS, LOUISIANA

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022

ASSETS

Current assets:	
Cash and cash equivalents	$ 2,599,806
Receivables:	
Promises to give, net of discount of $3,601	137,059
Grants	150,000
Prepaid expenses and other assets	50,864
Total current assets	2,937,729
Art work	90,655
Property and equipment, net	22,872,623
Investments - funds held by the Greater New Orleans Foundation	1,193,449
Total assets	$ 27,094,456

LIABILITIES AND NET ASSETS

Liabilities:	
Current liabilities:	
Accounts payable and accrued expenses	$ 64,575
Bonds payable, current portion	200,000
Loan payable, current portion	3,724
Total current liabilities	268,299
Long-term liabilities:	
Bonds payable, net of current portion and unamortized bond issuance costs	8,160,434
Loan payable, net of current portion	142,255
Total long-term liabilities	8,302,689
Total liabilities	8,570,988
Net assets:	
Without donor restrictions	15,838,929
With donor restrictions	2,684,539
Total net assets	18,523,468
Total liabilities and net assets	$ 27,094,456

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

NEW ORLEANS CENTER FOR CREATIVE ARTS FOUNDATION
NEW ORLEANS, LOUISIANA

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues:			
Support:			
Contributions and grants	$ 779,082	$ 362,950	$ 1,142,032
Contributions of nonfinancial assets	141,009	-	141,009
Special events - gala, net of expenses of $142,871	115,325	-	115,325
Revenues:			
Investment income (loss), net	2,854	(105,657)	(102,803)
Sale of goods and services	2,363	-	2,363
Rental income	514,978	-	514,978
Miscellaneous	6,112	-	6,112
Total support and revenues	1,561,723	257,293	1,819,016
Net assets released from restriction	440,827	(440,827)	-
Total support, revenues, and net assets released from restriction	2,002,550	(183,534)	1,819,016
Expenses:			
Program	2,245,858	-	2,245,858
Management and general	522,312	-	522,312
Fundraising	195,424	-	195,424
Total expenses	2,963,594	-	2,963,594
Changes in net assets	(961,044)	(183,534)	(1,144,578)
Net assets			
Beginning of the year	16,799,973	2,868,073	19,668,046
End of the year	$ 15,838,929	$ 2,684,539	$ 18,523,468

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

NEW ORLEANS CENTER FOR CREATIVE ARTS FOUNDATION
NEW ORLEANS, LOUISIANA

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

	Program						
	NOCCA Direct Support	Forum	Rentals	Subtotal	Management & General	Fundraising	Total
Expenses							
Salaries and benefits	$ 329,275	$ 95,892	$ 92,074	$ 517,241	$ 257,628	$ 203,110	$ 977,979
Depreciation	748,842	-	-	748,842	-	-	748,842
NOCCA faculty and administration support	161,782	-	-	161,782	17	-	161,799
Student Success program	183,405	-	-	183,405	-	-	183,405
Artists in residence	61,093	-	-	61,093	820	10,681	72,594
Culinary food and supplies	49,144	-	-	49,144	-	-	49,144
Student transportation study	3,328	-	-	3,328	-	-	3,328
Interest	8,475	-	-	8,475	4,412	-	12,887
Professional fees	23,608	25,000	690	49,298	66,075	2,101	117,474
Building operations	110,963	-	19,145	130,108	17,043	4,350	151,501
Insurance	91,951	-	-	91,951	24,920	-	116,871
Events	25,921	-	36,275	62,196	105	93,981	156,282
Repairs and maintenance	83,533	-	6,615	90,148	8,451	-	98,599
Rent	-	-	-	-	-	-	-
Administrative	9,094	-	2,569	11,663	45,805	4,197	61,665
Printing, mailing, and copying	17,835	582	7	18,424	10,773	19,570	48,767
Other	58,760	-	-	58,760	8,245	305	67,310
In-kind parking lot	-	-	-	-	48,618	-	48,618
In-kind office rent	-	-	-	-	29,400	-	29,400
Total expenses	$ 1,967,009	$ 121,474	$ 157,375	$ 2,245,858	$ 522,312	$ 338,295	$ 3,106,465
Less expenses included with revenues on the consolidated statement of activities and changes in net assets							
Special events	-	-	-	-	-	(142,871)	(142,871)
Total expenses included in the expense section on the consolidated statement of activities and changes in net asset:	$ 1,967,009	$ 121,474	$ 157,375	$ 2,245,858	$ 522,312	$ 195,424	$ 2,963,594

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

NEW ORLEANS CENTER FOR CREATIVE ARTS FOUNDATION
NEW ORLEANS, LOUISIANA

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$	(1,144,578)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation		748,842
Amortization		8,475
Investment earnings		105,657
Donated artwork		(5,285)
Changes in operating assets and liabilities:		
Promises to give and other receivables		(18,827)
Prepaid expenses		(4,833)
Accounts payable and accrued expenses		4,342
Net cash used in operating activities		(306,207)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments		50,838
Purchases of property and equipment		(5,965)
Net cash provided by investing activities		44,873
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on bonds payable		(398,000)
Payments on loan payable		(3,921)
Net cash used in financing activities		(401,921)
Net change in cash and cash equivalents		(663,255)
Cash and cash equivalents, beginning of year		3,263,061
Cash and cash equivalents, end of year	$	2,599,806
DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid	$	4,412

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Nature of Activities

New Orleans Center for Creative Arts Foundation (the Foundation) is a nonprofit corporation which provides supplemental funding and community support for the New Orleans Center for Creative Arts (a program funded and administered by the State of Louisiana, NOCCA). The Foundation funds various classes and workshops for both NOCCA and the general public and provides financial aid (Student Success Program) to certain disadvantaged young artists enrolled in the program. The Foundation acted as the planner, facilitator, developer and fundraiser to provide a new facility, including furniture and equipment, for NOCCA. The facility was completed in January of 2000 and was transferred to and is owned and operated by the State of Louisiana for regional arts education. The Foundation continues to facilitate capital expansion projects, as needed and provide furniture and equipment to NOCCA and oversee third party use of the facility (see Note 4). The Foundation's culinary operations include Press Street Gardens, a retail operation open to the general public through special event rentals in order to increase earned income for the Foundation while also providing educational and job training opportunities to NOCCA students, faculty, and alumni.

These financial statements have been presented on a consolidated basis to include all accounts of the New Orleans Center for Creative Arts Foundation and its subsidiary. The Foundation's wholly owned subsidiary, The NOCCA Institute Culinary Operations, LLC, is a for profit entity. All significant inter-entity account balances and transactions have been eliminated.

2. Summary of Significant Accounting Policies

Basis of presentation

The consolidated financial statements of the Foundation are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

> *Net Assets Without Donor Restrictions* – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Foundation's management and the board of directors.

2. Summary of Significant Accounting Policies (continued)

Net Assets With Donor Restrictions – Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. 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.

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

Income taxes

The New Orleans Center for Creative Arts Foundation is a nonprofit corporation organized under the laws of the State of Louisiana. The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, and qualifies as an organization that is not a private foundation as defined in Section 509(a) of the Code. It is exempt from Louisiana income tax under the authority of R.S. 47:121(5).

Management has reviewed Culinary Operations for any potential tax effects as of June 30, 2022. The Foundation has determined that no tax expense or provision or tax asset or liability should be provided for in the consolidated financial statements of the Foundation.

Accounting Standards Codification (ASC) "Accounting for Uncertainty in Income Taxes" clarifies the accounting and disclosure for uncertain tax positions. This interpretation requires companies to use a prescribed model for assessing the financial statement recognition and measurement of all tax positions taken or expected to be taken in tax returns. 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 are no outstanding or retrospective tax positions with less than a 50% likelihood of being sustained upon examination by the taxing authorities.

Cash and cash equivalents

The Foundation considers cash on deposit with financial institutions and all highly liquid investments in bank money market funds to be cash equivalents.

Promises to give

Unconditional promises to give are recognized as revenue or gains in the period received and as assets or decreases of liabilities depending on the form of the benefits received. Conditional promises to give, those with a measurable performance barrier and right of return, are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. All promises to give are deemed by management to be collectible. Promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows.

2. Summary of Significant Accounting Policies (continued)

Investments

The Foundation records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the consolidated statement of financial position. Net investment return/(loss) is reported in the consolidated statement of activities and changes in net assets and consists of interest and dividend income, realized and unrealized gains and losses, less external and direct internal investment expenses.

Art work

The Foundation capitalizes donated works of art which are valued at management's best estimate of fair value as of the date of acquisition. Works of art are not depreciated by the Foundation.

Property and equipment

The Foundation records property and equipment additions over $5,000 at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 39 years. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The Foundation reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2022.

Bond issuance costs

Bond issuance costs are amortized over the period the bonds are expected to be outstanding using the straight-line method. Unamortized costs are netted with the long term debt on the consolidated statement of financial position.

Contributions and revenue recognition

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional contributions are not recognized until the conditions on which they depend have been substantially met.

2. Summary of Significant Accounting Policies (continued)

Contributions and revenue recognition (continued)

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

Sales revenues for Culinary Operations are recognized when food items are sold or as services are provided at a point in time. Revenue for these performance obligations, satisfied at a point in time, is generally recognized when goods or services are provided to customers and the Foundation is not required to provide additional goods or services related to that sale. The Organization does not have performance obligations that are unsatisfied or partially unsatisfied at June 30, 2022.

Long term rental revenue related to leases with variable terms are recognized on a straight-line basis.

Contributions of nonfinancial assets (In-kind support)

The Foundation and NOCCA have entered into a written agreement under which the Foundation will rent office space from the school, in exchange for the services the Foundation provides as part of its exempt purpose. In-kind revenues and the related expenses have been recorded for both transactions. The Foundation records the value of in-kind support related to the free use of its office facilities based on fair value of similar properties available in the area, which amounted to $29,400 for the year ended June 30, 2022.

The Foundation records the value of in-kind support related to the free use of 111 parking spaces in the parking lot, which amounted to $48,618 for the year ended June 30, 2022. This in-kind rental support is calculated based on the fair rental of the parking space for a day with the consideration that the lot is usually occupied for sixty percent of the year.

The Foundation recognized $62,991 in revenues and expenses for other donated goods during 2022. Of this amount, $56,792 is related to NOCCA support programs and $6,199 is related to fundraiser contributions. Donated goods are recorded as in-kind contribution revenue with a corresponding increase to expense. The Foundation values these contributions based on the current price located on a publicly available website when donated or the current average price located on a publicly available website for similar items. The Foundation also receives items to be sold at its fundraisers. Donated fundraiser items are valued at the gross selling price received.

In-kind support is reported a contributions of nonfinancial assets on the consolidated statement of activities and changes in net assets.

2. Summary of Significant Accounting Policies (continued)

Functional Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statement of functional expenses. Expenses that apply to more than one functional category have been allocated between program services and support services based on the actual time spent on these functions. Depreciation, amortization, property taxes, and insurance expenses are allocated based on properties utilized by the program versus those properties used for management and general operations. All other costs are charged directly to the appropriate functional category.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

Adoption of Recent Accounting Pronouncements

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) issued ASU 2020-07, *Not-for-Profit Entities (Topic 958), Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU requires nonprofits to change their financial statement presentation and disclosure of contributed nonfinancial assets, or gifts-in-kind. The Foundation adopted this standard effective July 1, 2021. The adoption of this standard had no impact to the Foundation's net assets.

Recent Accounting Pronouncements Issued But Not Yet Adopted

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. This ASU requires lessees to recognize assets and liabilities related to lease arrangements longer than twelve months on the statements of financial position as well as additional disclosures. In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, to simplify the lease standard's implementation. This standard will be applicable for the Foundation's fiscal year ending June 30, 2023. The Foundation is currently assessing the impact of this pronouncement on its consolidated financial statements.

3. Liquidity and Availability of Resources

The following represents the Foundation's financial assets and those available to meet general expenditures over the next twelve months at June 30, 2022:

Financial assets at year end:	
Cash and cash equivalents	$ 2,599,806
Promises to give, net	137,059
Grants receivable	150,000
Investments	1,193,449
Total financial assets	4,080,314
Less amounts not available to be used within one year:	
Net assets with perpetual donor restrictions	709,471
	709,471
Financial assets available to meet general expenditures over the next twelve months	$ 3,370,843

The Foundation's goal is generally to maintain financial assets to meet six months of operating expenses. The Foundation has a $750,000 line of credit available to meet cash flow needs (see Note 10).

4. NOCCA Chevron Forum and Bonds Payable

The Foundation developed a historic warehouse adjacent to the current campus and renovated it as a 60,000 square foot learning environment for the purpose of NOCCA's expanded programs of the Academic Studio and Culinary Arts.

The NOCCA Chevron Forum (the Forum) features:

- Math/science labs
- Fabrication studio for hands-on inquiry, robotics and engineering projects
- Project lab for creating work presentations
- Flexible classrooms
- Culinary Arts facilities
- Great Lobby and Dining Hall
- Café and art gallery for public access (operated by the Foundation)
- Tenant office space, including offices for the Foundation

4. NOCCA Chevron Forum and Bonds Payable (continued)

The Forum was original financed using new market tax credits. The put options on the new market tax credits were exercised on December 22, 2020. As a result, as of June 30, 2022 the Foundation has bonds payable remaining of $8,464,250. The bond loan matures on September 30, 2034. Quarterly principal payments of $50,000 began on March 14, 2015. On the maturity date, the remaining balance of all outstanding principal is due.

Amortization of the debt issuance costs is reported as interest expense on the consolidated statement of activities and changes in net assets and was $8,475 during the year ended June 30, 2022. The balance of unamortized debt issuance costs is $103,816.

The NOCCA Foundation leases approximately 77% of the building to NOCCA for use as a school and 11% to JAM Nola for office space. The remaining 12% is occupied and operated by the Foundation in order to generate income for debt service and operations.

Future minimum principal payments on the bonds payable are as follows:

Year Ended June 30,	Principal
2023	200,000
2024	200,000
2025	200,000
2026	200,000
2027	200,000
Thereafter	7,464,250
	$ 8,464,250

5. Concentrations

The Foundation has concentrated its credit risk for cash by maintaining deposits in financial institutions in New Orleans, Louisiana, 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 losses and does not believe that significant credit risk exists as a result of this practice.

6. Promises to Give

At June 30, 2022, unconditional promises to give consist of the following:

Long term pledges	$ 140,660
Less unamortized discount	(3,601)
Net unconditional promises to give	$ 137,059
Promise to give:	
Less than one year	$ 137,059

7. Legacy

The Foundation is the beneficiary of a charitable remainder trust for which the value of the trust is not readily determinable. No amounts have been reflected in the consolidated financial statements relating to this trust.

8. Property and Equipment

Property and equipment consists of the following at June 30, 2022:

Land	$ 2,056,279
Land improvements	163,316
Building and improvements	25,699,433
Furniture, fixtures and equipment	741,404
Furniture, fixtures and equipment (State)	2,278,131
Vehicles	19,656
	30,958,219
Less: Accumulated depreciation and amortization	(8,085,596)
	$ 22,872,623

9. Net Assets with Donor Restrictions

Net assets with donor restrictions in the amount of $440,827 were released from donor restrictions by incurring expenses satisfying the purpose specified by donors and the expiration of time restrictions.

The following sets forth the composition of net assets with donor restrictions at June 30, 2022:

Pledges and grants receivable (restricted as to purpose and time)	$ 290,660
Student Success Program and artists-in-residence	315,726
NOCCA program/department support	441,085
GNOF - Student Success Program, library, and general operating (restricted as to purpose and time)	1,193,449
Other	443,619
Total	$ 2,684,539

Funds totaling $1,193,449 are held by the Greater New Orleans Foundation, $715,560 is restricted in perpetuity and the earnings are restricted as to time and purpose as they are to be used for specific purposes and programs such as the artists-in-residence program, the Student Success Program, and library archive programs.

10. Line of Credit and Long-Term Debt

The Foundation has a $750,000 uncollateralized line of credit with a financial institution at a variable interest rate based on the prime lending rate (4.00% at June 30, 2022). The Foundation had not drawn on the line of credit as of June 30, 2022. The line of credit expires on April 15, 2023.

10. Line of Credit and Long-Term Debt (continued)

During the year ended June 30, 2020, the Foundation applied for and was approved for a $149,900 economic injury disaster loan administered by the U.S. Small Business Association as a part of the relief efforts related to coronavirus (COVID-19). As part of the loan agreement, the Foundation must use all the proceeds solely as working capital to alleviate economic injury caused by COVID-19. The loan has an annual interest rate of 2.75% and matures in June 2050. The loan requires monthly principal and interest payments of $641 beginning in July 2021 and is secured by substantially all assets of the Foundation. At June 30, 2022, the balance on the loan was $145,979. Future minimum principal payments on the loan payable are as follows:

Year Ended June 30,	Principal
2023	$ 3,724
2024	3,828
2025	3,935
2026	4,044
2027	4,157
Thereafter	126,291
	$ 145,979

11. Operating Leases

The Foundation leases part of the NOCCA Chevron Forum to lessees under operating lease agreements. On December 1, 2014, the Foundation leased facilities to NOCCA for $15,667 per month through November 30, 2024.

Minimum future lease receipts from leases as of June 30, 2022, are as follows:

Year Ended June 30,	
2023	$ 244,400
2024	188,000
2025	78,333
	$ 510,733

12. Funds Held by the Greater New Orleans Foundation

The Foundation maintains several endowment funds at the Greater New Orleans Foundation (GNOF). These funds are in an investment pool managed by GNOF. GNOF managers monitor investment returns for each of the funds. The amount available for distribution is equal to 4% of the previous twelve quarters average fund balance, with September 30th of the previous year being the most recent quarter. In addition, the funds are charged a fee of 0.5% annually. Fees paid to GNOF for the year ended June 30, 2022 totaled $6,730. Any unexpended distribution is reinvested in the endowment.

12. Funds Held by the Greater New Orleans Foundation (continued)

The Board of Directors (the Board) of the Foundation is of the belief that they have a strong fiduciary duty to manage the assets of the Foundation's endowments in the most prudent manner possible. The Board recognizes the intent is to protect the donor with respect to expenditures from endowments. If this intent is clearly expressed by the donor, whether the intent is in a written gift instrument or not, the intent of the donor is followed. If not expressed, the Board ensures the assets of the endowment are spent in a prudent manner which considers the purpose of the fund, current economic conditions, and preservation of the fund. To follow these principles, the historic value of the fund is always maintained in net assets with donor restrictions. Earnings, including appreciation, that are not required by the donor to be reinvested in corpus are maintained in net assets without donor restrictions.

The Board of Directors of the Foundation recognizes its responsibility to be good stewards of its donors' gifts and honor the intent for which the gifts were made. When a donor wishes to make a gift that will produce an annual grant/scholarship in perpetuity benefiting a restricted or unrestricted program, the Foundation transfers the gift to GNOF to establish an endowed fund for the donors' specified purpose to provide for prudent investment of principal that cannot be used for other purposes.

Other donations that are without donor restrictions and expect to be expended in the short term are deposited into interest-bearing cash accounts subject to FDIC insurance coverage.

The table below represents the endowment related activity for the fiscal year ending June 30, 2022:

Endowment net assets, beginning of year	$ 1,349,944
Investment loss, net	(114,894)
Additions to endowment assets	6,089
Appropriation of endowment assets for expenditures	(47,690)
Endowment net assets, end of year	$ 1,193,449

13. Fair Value of Financial Instruments

FASB ASC 820, *Fair Value Measurements and Disclosures*, defines fair value, establishes a framework for measuring fair value, and expands disclosure about fair value. Fair value concepts are applied in recording investments.

FASB ASC 820 establishes a fair value hierarchy which prioritizes inputs to valuation techniques used to measure fair value. The term "inputs" refers broadly to the assumptions that market participants would use in pricing an asset or liability. Inputs may be based on independent market data ("observable inputs") or they may be internally developed ("unobservable inputs"). The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad categories. 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 the 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 and minimize the use of the unobservable inputs.

13. Fair Value of Financial Instruments (continued)

Investments of the Foundation are held in pooled assets managed by GNOF. The values of the Foundation's investments in this pool are based on information provided by GNOF and include the use of Net Asset Values (NAV) as the primary input to measure fair value. These investments are classified within Level 3 of the fair value hierarchy.

The method described above may produce fair value calculations that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with those of 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.

The fair value of cash and cash equivalents, accounts receivable (except for charitable remainder trust which is measured at fair value of the assets held by the trust), current promises to give, and accounts payable approximates book value at June 30, 2022 due to the short-term nature of these accounts.

14. Defined Contribution Plans

The Foundation has a 401(k) plan that is available to all employees who work over 1,000 hours in a twelve-month period and who have attained 60 days of service at the Foundation. For the year ended June 30, 2022, the Foundation made $42,475 in employer matching and discretionary contributions to the plan.

15. Subsequent Events

Management has evaluated subsequent events through the date that the consolidated financial statements were available to be issued, December 15, 2022, and determined that there were no other events occurred that require additional disclosure. No events after this date have been evaluated for inclusion in the consolidated financial statements.

SUPPLEMENTARY INFORMATION

NEW ORLEANS CENTER FOR CREATIVE ARTS FOUNDATION
NEW ORLEANS, LOUISIANA

SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO AGENCY HEAD FOR THE YEAR ENDED JUNE 30, 2022

Agency Head Name: Sally Perry, Executive Director

R.S. 24:513 (A) (3) requires reporting of the total compensation, reimbursements, and benefits paid to the agency head or chief executive officer. This law was further amended by Act 462 of the 2015 Regular Session which clarified that nongovernmental or not for profit local auditees are required to report only the compensation, reimbursements, and benefits paid to the agency head or chief executive officer paid from public funds.

The Foundation is not required to report the total compensation, reimbursements, and benefits paid to the agency head as these costs are supported by private funds.

See accompanying independent auditors' report.

Postlethwaite & Netterville

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A Professional Accounting Corporation

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 Center for Creative Arts Foundation

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 consolidated financial statements of New Orleans Center for Creative Arts Foundation (a nonprofit organization) and subsidiary (collectively, the Foundation), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 15, 2022.

Report On Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Foundation's internal control over financial reporting (internal control) as a basis for designing 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 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated 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 or significant deficiencies may exist that have not been identified.

Postlethwaite & Netterville

Report On Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's consolidated 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 consolidated 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*.

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 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

Metairie, Louisiana
December 15, 2022