

THE WALLS PROJECT
BATON ROUGE, LOUISIANA
JUNE 30, 2020



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ACCOUNTANT'S COMPILATION REPORT

The Board of Directors of
The Walls Project

Management is responsible for the accompanying financial statements of The Walls Project, 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 six-month period then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Supplementary Information

The accompanying schedule of compensation, benefits, and other payments to the agency head, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information is the representation of management. The information was subject to our compilation engagement, but we have not audited or reviewed the supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any assurance on such information.

L.A. Champagne & Co., LLP
Baton Rouge, Louisiana
November 30, 2020

THE WALLS PROJECT
STATEMENT OF FINANCIAL POSITION
For the six months ended June 30, 2020

ASSETS

CURRENT ASSETS

| | | |
|-----------------------------|----|-----------------------|
| Cash and cash equivalents | \$ | 121,750 |
| Pledges receivable | | 119,821 |
| Other receivables | | <u>10,325</u> |
| Total current assets | | <u>251,896</u> |

PROPERTY AND EQUIPMENT

| | | |
|--|--|---------------------|
| Furniture and office equipment | | 11,348 |
| Less accumulated depreciation | | <u>(4,437)</u> |
| Total property and equipment, net | | <u>6,911</u> |

| | | |
|---------------------|-----------|------------------------------|
| Total assets | \$ | <u><u>258,807</u></u> |
|---------------------|-----------|------------------------------|

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

| | | |
|----------------------------------|----|-----------------------|
| Accounts payable | \$ | 199,762 |
| Deferred revenue | | <u>5,000</u> |
| Total current liabilities | | <u>204,762</u> |

NET ASSETS

| | | |
|----------------------------|--|----------------------|
| With donor restrictions | | 208,989 |
| Without donor restrictions | | <u>(154,944)</u> |
| Total net assets | | <u>54,045</u> |

| | | |
|---|-----------|------------------------------|
| Total liabilities and net assets | \$ | <u><u>258,807</u></u> |
|---|-----------|------------------------------|

See accompanying notes

THE WALLS PROJECT
STATEMENT OF ACTIVITIES
For the six months ended June 30, 2020

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---------------------------------------|-------------------------------|----------------------------|------------------|
| SUPPORT AND REVENUE | | | |
| Public support | \$ 67,094 | \$ 365,293 | \$ 432,387 |
| Inkind revenue | 4,901 | - | 4,901 |
| Net assets released from restrictions | 245,772 | (245,772) | - |
| Total support and revenue | 317,767 | 119,521 | 437,288 |
| EXPENSES | | | |
| Program | 270,201 | - | 270,201 |
| Administration and general | 33,150 | - | 33,150 |
| Fundraising | 941 | - | 941 |
| Total expenses | 304,292 | - | 304,292 |
| Increase in net assets | 13,475 | 119,521 | 132,996 |
| Net assets - beginning of year | (168,419) | 89,468 | (78,951) |
| Net assets - end of year | \$ (154,944) | \$ 208,989 | \$ 54,045 |

See accompanying notes

THE WALLS PROJECT
STATEMENT OF CASH FLOWS

For the six months ended June 30, 2020

| | |
|---|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Changes in net assets | \$ 132,996 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | |
| Depreciation | 437 |
| Decrease (increase) in | |
| Pledges receivable | (68,968) |
| Other receivables | (10,325) |
| Prepaid expenses | 10,229 |
| Increase (decrease) in | |
| Accounts payable | 34,320 |
| Deferred revenue | (7,750) |
| Total adjustments | <u>(42,057)</u> |
| Net cash provided by operating activities | <u>90,939</u> |
| | |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Purchase of fixed assets | <u>(7,348)</u> |
| Net cash used in investing activities | (7,348) |
| | |
| CASH FLOWS FROM FINANCING ACTIVITIES | |
| | <u>-</u> |
| | |
| Increase in Cash | 83,591 |
| Cash - Beginning of year | 38,159 |
| Cash - End of year | <u>\$ 121,750</u> |

See accompanying notes

THE WALLS PROJECT
STATEMENT OF FUNCTIONAL EXPENSES

For the six months ended June 30, 2020

| | Program Services | | | Total Program | Administration and Fundraising | | Total |
|--------------------------|------------------|-------------------|------------------|-------------------|--------------------------------------|---------------|-------------------|
| | Create | Cultivate | Reactivate | | General | Fundraising | |
| Program management | \$ - | \$ 74,900 | \$ 29,400 | \$ 104,300 | \$ - | \$ - | 104,300 |
| Contract services | 1,452 | 47,189 | 27,672 | 76,313 | 6,457 | - | 82,770 |
| Murals | 14,684 | - | 15,172 | 29,856 | - | - | 29,856 |
| Donations | - | 23,531 | - | 23,531 | - | - | 23,531 |
| Facilities and equipment | 720 | 14,036 | 1,718 | 16,474 | 2,746 | - | 19,220 |
| Bad debt | - | - | - | - | 10,000 | - | 10,000 |
| Insurance | - | 4,140 | 771 | 4,911 | 4,336 | - | 9,247 |
| Meals and entertainment | 471 | 1,910 | 1,608 | 3,989 | 390 | - | 4,379 |
| Curriculum development | - | 2,673 | 200 | 2,873 | 34 | - | 2,907 |
| Software and licenses | - | 178 | - | 178 | 2,711 | - | 2,889 |
| Office | - | 1,215 | 226 | 1,441 | 907 | - | 2,348 |
| Travel and auto expenses | 481 | 519 | 1,225 | 2,225 | - | - | 2,225 |
| Event | - | 2,000 | - | 2,000 | - | - | 2,000 |
| Postage and printing | - | - | 259 | 259 | 1,409 | - | 1,668 |
| Telephone | - | - | - | - | 1,536 | - | 1,536 |
| Web development | - | 1,475 | - | 1,475 | 25 | - | 1,500 |
| Dues and subscriptions | - | - | - | - | 1,284 | - | 1,284 |
| Depreciation | - | - | - | - | 437 | - | 437 |
| Gifts | - | - | - | - | - | 941 | 941 |
| Bank charges | - | - | - | - | 807 | - | 807 |
| Background checks | - | 346 | - | 346 | - | - | 346 |
| Miscellaneous | - | 30 | - | 30 | 71 | - | 101 |
| | <u>\$ 17,808</u> | <u>\$ 174,142</u> | <u>\$ 78,251</u> | <u>\$ 270,201</u> | <u>\$ 33,150</u> | <u>\$ 941</u> | <u>\$ 304,292</u> |

See accompanying notes

THE WALLS PROJECT

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of activities

The Walls Project (the Organization) is a non-profit corporation exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization was incorporated in 2012 with the purpose of enhancing the artistic and aesthetic beauty of the large wall spaces of the City of Baton Rouge and East Baton Rouge Parish. The Organization advances and fosters public awareness, creativity, collaboration, community growth, and unity through the following program activities:

1. Create – Create is the Arts Program of the Organization. This work ranges from producing ten-story murals on high rise buildings, creating interactive healing-arts sculptures at hospitals, and recycling yard signs into mini-mural canvasses for children.
2. Cultivate – Cultivate programs offer young adults different routes to learn direct and indirect skills to become college and career-ready. The programs center around creative hustle and contributions towards community betterment.
3. Reactivate- Reactive strives to address blight in the Baton Rouge community through volunteer services. The Organization hosts an annual MLK Fest and several city clean-up projects throughout the year to further this goal.

Basis of accounting

The Organization prepares its financial statements on the accrual basis of accounting. Under this method of accounting, revenue is recognized when earned or billed, and expenses are recognized when goods or services are received and the obligation for payment is incurred.

Basis of presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC). The Organization reports information regarding its financial position and activities according to the two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets with donor restrictions to net assets without donor restrictions.

Support and revenue

Contributions received, government support, and unconditional promises to give are measured at their fair values and are reported as an increase in net assets.

Program income consists of fees for student photography services as part of the Organization's Cultivate program.

Donated services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) required specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. These services are recorded based on the fair value of the services provided and reported as Inkind revenue on the Statement of Activities. Volunteer services are not recognized in the financial statements when the recognition criteria are not met.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash

For the purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with a maturity of three months or less when acquired to be cash.

Allowance for uncollectible accounts

An allowance for uncollectible accounts is established based on prior experience and management's assessment of collectability. Management believes all pledges receivable are collectible at June 30, 2020 and accordingly, no allowance has been established.

Prepaid expenses

Insurance and similar services which extend benefits over more than one accounting period as well as expenses incurred for future events have been recorded as prepaid.

A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is calculated on the straight-line basis over the estimated useful life of the assets of 7 years. Costs of major additions and improvements are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

When property is retired or otherwise disposed of, the accounts are relieved of the applicable cost and accumulated depreciation, and any resulting gain or loss is reflected in operations.

Income tax status

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in the financial statements.

The Organization accounts for income taxes in accordance with the income tax accounting guidance included in the FASB ASC. Under this guidance, the Organization may recognize the tax effects from an uncertain tax position only if it is more likely than not that the tax position will be sustained upon examination by tax authorities. The Organization has evaluated its position regarding the accounting for uncertain tax positions and does not believe that it has any material uncertain tax positions.

Functional allocation of expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs are charged specifically to a program or function and the remaining costs are allocated among programs, management, and fundraising. Contract service allocations are determined by management on an equitable basis based on time and effort.

B: PLEDGES RECEIVABLE

The pledges receivable balance as of June 30, 2020, consists of the following:

| | | |
|-------------------|----|----------------|
| Individual donors | \$ | 6,510 |
| Corporate donors | | 10,000 |
| Government grants | | 103,311 |
| | \$ | <u>119,821</u> |

All receivables are due within one year of June 30, 2020.

C: CONCENTRATION OF REVENUE

The Organization receives a significant portion of its funds provided through government grants and contracts. Thus, its funding is vulnerable to changes in the legislative priorities of federal, state, and local governments. The City of Baton Rouge / Parish of East Baton Rouge provided 23% of total revenues for the six-month period ended June 30, 2020.

D: NON-CASH INVESTING AND FINANCING ACTIVITIES

There were no non-cash investing and financing activities for the six-month period ended June 30, 2020.

E: LIQUIDITY

The Organization has no financial assets available within one year of the balance sheet date to meet cash needs for general expenditures. However, the Organization has financial flexibility as a result of its relationship with the Force Agency, as described in more detail in Note I. As needed, the Force Agency defers collecting its contract fee to ensure financial resources are available to pay general expenditures.

F: LEASE COMMITMENTS

The Organization leases office space under an agreement that is classified as an operating lease. This lease provides for monthly rent of \$900 and expires July 31, 2021, with automatic yearly renewals. The lease can be terminated by either party with written notice at least 30 days prior to the automatic renewal date.

Lease expense under this agreement was \$5,400 for the six-month period ended June 30. The future minimum lease payments required under the operating leases are \$10,800 as of June 30, 2020.

G: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of June 30, 2020, are restricted for the Cultivate program.

H: DONATED SERVICES

Administrative and general donated services included \$4,901 in bookkeeping services provided by and billed by a former board member in a prior year and forgiven in the current period.

I: RELATED PARTY TRANSACTIONS

The Organization shares office space with The Force Agency, which is owned by the executive director of the Organization. The Force Agency bills the Organization for project management fees and out of pocket expense reimbursements.

Amounts billed by The Force Agency for the six-month period ended June 30, 2020 were as follows:

| Statement of Activities Line Item | Program Services | | | Total |
|-----------------------------------|------------------|-----------|----------|--------|
| | Create | Cultivate | Reactive | |
| Contract services | 1,431 | 24,769 | 12,200 | 38,400 |
| Meals and entertainment | 450 | 500 | - | 950 |
| | 1,881 | 25,269 | 12,200 | 39,350 |

As of June 30, 2020, the Organization owed The Force Agency \$132,351, which was classified as Accounts payable.

J: SUBSEQUENT EVENTS

Subsequent events were evaluated through November 30, 2020, which is the date the financial statements were available to be issued.

In July, 2020, the Organization obtained an Economic Injury Disaster Loan from the Small Business Administration for \$149,900.

SUPPLEMENTARY INFORMATION

**THE WALLS PROJECT
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS
TO AGENCY HEAD**

For the six months ended June 30, 2020

Agency Head

Casey Phillips, Director and Development

| Purpose | Amount |
|--------------------------------|---------------|
| Salary | \$19,200 |
| Benefits - insurance | \$0 |
| Benefits - retirement | \$0 |
| Benefits - other | \$0 |
| Car allowance | \$0 |
| Vehicle provided by government | \$0 |
| Per diem | \$0 |
| Reimbursements | \$0 |
| Travel | \$0 |
| Registration Fees | \$0 |
| Conference travel | \$0 |
| Housing | \$0 |
| Unvouchered expenses | \$0 |
| Special meals | \$0 |
| Other | \$0 |

See accountant's compilation report and accompanying notes