

**NATIONAL PERFORMANCE NETWORK, INC.**

FINANCIAL STATEMENTS

June 30, 2017 and 2016



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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
National Performance Network, Inc.  
New Orleans, Louisiana

### **Report on the Financial Statements**

We have audited the accompanying financial statements of National Performance Network, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. The financial statements of June 30, 2016 were audited by other auditors, whose report dated May 30, 2017 expressed an unmodified opinion on those 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audit contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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 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. 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 opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of National Performance Network, Inc. as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Summary 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 a report dated December 4, 2017 on our consideration of National Performance Network, Inc.'s internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering National Performance Network, Inc.'s internal control over financial reporting and compliance.

December 4, 2017

*Wegmann Daret & Company*

NATIONAL PERFORMANCE NETWORK, INC.  
STATEMENTS OF FINANCIAL POSITION

June 30, 2017 and 2016

	2017	2016
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 1,080,781	\$ 615,259
Certificate of deposits	2,088,000	1,302,000
Grants receivable	2,235,059	1,425,292
Prepaid expenses	3,903	2,164
Total current assets	5,407,743	3,344,715
Property and equipment, at cost less accumulated depreciation	553,123	590,500
Total assets	\$ 5,960,866	\$ 3,935,215
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 86,896	\$ 45,480
Grants payable	526,671	652,083
Accrued payroll and related liabilities	36,464	14,472
Current portion of lease payable	3,067	3,067
Current portion of long-term debt	4,842	4,561
Total current liabilities	657,940	719,663
Long-term debt, less current portion	19,936	24,778
Lease payable, less current portion	1,024	4,091
Total liabilities	678,900	748,532
<b>NET ASSETS</b>		
Net assets		
Unrestricted	(1,067,005)	(247,519)
Temporarily restricted	6,348,971	3,434,202
Total net assets	5,281,966	3,186,683
Total liabilities and net assets	\$ 5,960,866	\$ 3,935,215

See accompanying Notes to Financial Statements.

NATIONAL PERFORMANCE NETWORK, INC.

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues			
Contributions			
Foundation	\$ -	\$ 5,826,304	\$ 5,826,304
Corporation	-	3,650	3,650
Individual	72,971	-	72,971
Grants			
Federal	-	100,000	100,000
State	-	60,183	60,183
Local	(1,726)	12,500	10,774
Partner contributions	117,000	-	117,000
Dues	12,450	-	12,450
Registration and admissions	23,825	-	23,825
Contract and rental income	159,616	-	159,616
Net assets released from restrictions	<u>3,087,868</u>	<u>(3,087,868)</u>	<u>-</u>
Total revenues	<u>3,472,004</u>	<u>2,914,769</u>	<u>6,386,773</u>
Expenses			
Program services			
Program	3,732,712	-	3,732,712
Fundraising	127,863	-	127,863
Supporting services			
Management and general	<u>430,915</u>	<u>-</u>	<u>430,915</u>
Total expenses	<u>4,291,490</u>	<u>-</u>	<u>4,291,490</u>
Change in net assets	(819,486)	2,914,769	2,095,283
Net assets			
Beginning of year	<u>(247,519)</u>	<u>3,434,202</u>	<u>3,186,683</u>
End of year	<u><u>\$ (1,067,005)</u></u>	<u><u>\$ 6,348,971</u></u>	<u><u>\$ 5,281,966</u></u>

See accompanying Notes to Financial Statements.

NATIONAL PERFORMANCE NETWORK, INC.

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues			
Contributions			
Foundation	\$ 849,886	\$ 2,291,619	\$ 3,141,505
Corporation	15,164	-	15,164
Individual	88,958	-	88,958
Grants			
Federal	55,000	-	55,000
State	22,556	-	22,556
Local	37,260	-	37,260
Partner contributions	114,982	-	114,982
Dues	10,950	-	10,950
Registration and admissions	30,130	-	30,130
Contract and rental income	276,229	-	276,229
Other	4,936	-	4,936
Net assets released from restrictions	<u>1,689,488</u>	<u>(1,689,488)</u>	<u>-</u>
Total revenues	<u>3,195,539</u>	<u>602,131</u>	<u>3,797,670</u>
Expenses			
Program services			
Program	2,827,774	-	2,827,774
Fundraising	151,291	-	151,291
Supporting services			
Management and general	<u>361,841</u>	<u>-</u>	<u>361,841</u>
Total expenses	<u>3,340,906</u>	<u>-</u>	<u>3,340,906</u>
Change in net assets	(145,367)	602,131	456,764
Net assets			
Beginning of year	<u>(102,152)</u>	<u>2,832,071</u>	<u>2,729,919</u>
End of year	<u>\$ (247,519)</u>	<u>\$ 3,434,202</u>	<u>\$ 3,186,683</u>

See accompanying Notes to Financial Statements.

NATIONAL PERFORMANCE NETWORK, INC.  
STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2017

	<u>Programming Services</u>		Management and General	Total Expenses
	<u>Program</u>	<u>Fundraising</u>		
Communications	\$ 14,150	\$ 1,468	\$ 4,665	\$ 20,283
Contractor fees	60,305	1,471	11,767	73,543
Depreciation	26,911	2,991	7,475	37,377
Fees and services	21,705	1,670	18,366	41,741
Interest	1,342	65	229	1,636
Occupancy	126,054	14,156	35,052	175,262
Other	18,655	-	16,128	34,783
Payroll taxes and benefits	122,402	13,976	36,252	172,630
Postage and delivery	1,279	159	274	1,712
Printing	7,567	189	1,703	9,459
Professional fees	68,265	5,120	11,946	85,331
Program grants	1,951,986	-	-	1,951,986
Program activities	550,204	279	52,913	603,396
Promotions and marketing	8,209	360	87	8,656
Salaries and wages	624,177	68,339	184,086	876,602
Travel	129,501	17,620	49,972	197,093
Total expenses	<u>\$ 3,732,712</u>	<u>\$ 127,863</u>	<u>\$ 430,915</u>	<u>\$ 4,291,490</u>

See accompanying Notes to Financial Statements.

NATIONAL PERFORMANCE NETWORK, INC.  
STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2016

	<u>Programming Services</u>		Management and General	Total Expenses
	<u>Program</u>	<u>Fundraising</u>		
Communications	\$ 13,729	\$ 1,817	\$ 4,644	\$ 20,190
Contractor fees	137,905	6,727	23,545	168,177
Depreciation	27,301	3,033	7,584	37,918
Fees and services	18,756	1,645	12,504	32,905
Interest	1,558	76	266	1,900
Occupancy	169,204	18,800	47,001	235,005
Payroll taxes and benefits	110,710	15,377	27,678	153,765
Postage and delivery	1,586	201	221	2,008
Printing	7,471	-	1,868	9,339
Professional fees	112,620	5,494	19,228	137,342
Program grants	1,218,596	-	-	1,218,596
Program activities	309,990	-	19,787	329,777
Promotions and marketing	20,233	852	213	21,298
Salaries and wages	586,066	81,398	146,516	813,980
Travel	92,049	15,871	50,786	158,706
Total expenses	<u>\$ 2,827,774</u>	<u>\$ 151,291</u>	<u>\$ 361,841</u>	<u>\$ 3,340,906</u>

See accompanying Notes to Financial Statements.

NATIONAL PERFORMANCE NETWORK, INC.  
STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 2,095,283	\$ 456,764
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	37,377	37,918
(Increase) decrease in operating assets:		
Grants receivable	(809,767)	786,188
Prepaid expenses	(1,739)	1,721
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	41,416	15,291
Accrued payroll and related liabilities	21,992	(13,535)
Grants payable	(125,412)	(37,369)
Net cash provided by operating activities	<u>1,259,150</u>	<u>1,246,978</u>
Cash flows from investing activities:		
Redemptions of certificates of deposits	2,404,000	300,000
Purchases of certificates of deposits	(3,190,000)	(1,302,000)
Purchase of property and equipment	-	(13,542)
Net cash used by investing activities	<u>(786,000)</u>	<u>(1,015,542)</u>
Cash flows from financing activities:		
Repayments of lease payable	(3,067)	(3,067)
Repayments of long-term debt	(4,561)	(4,296)
Net cash used by financing activities	<u>(7,628)</u>	<u>(7,363)</u>
Net increase in cash	465,522	224,073
Cash and cash equivalents at beginning of year	<u>615,259</u>	<u>391,186</u>
Cash and cash equivalents at end of year	<u>\$ 1,080,781</u>	<u>\$ 615,259</u>

See accompanying Notes to Financial Statements.

NATIONAL PERFORMANCE NETWORK, INC.  
NOTES TO FINANCIAL STATEMENTS  
For the Years Ended June 30, 2017 and 2016

1) Nature of activities

National Performance Network, Inc. (the “Organization”) is a group of diverse cultural organizers, including artists, working to create meaningful partnerships and provide leadership that enables the practice and public experience of the performing arts in the United States. The Organization services artists, art organizers, and a broad and diverse range of audiences and communities across the country through commissions, residencies, community cultural projects, and other artistic activities. In certain programs, the Organization subsidizes artists’ and presenters’ projects.

2) Summary of significant accounting policies

The significant accounting policies followed by the Organization are summarized as follows:

(a) Financial statement presentation

The Organization’s policy is to prepare its financial statements on the accrual basis of accounting, which recognizes all revenues and the related assets when earned and all expenses and the related obligations when incurred.

(b) Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions. Support that is not restricted by the donor is reported as an increase in unrestricted net assets. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

(c) Cash and cash equivalents

All cash-related items having a maturity of three months or less from the original maturity date are classified as cash and cash equivalents.

(d) Certificates of deposit

Investments as of June 30, 2017 and 2016 represent certificates of deposit. Investments with a maturity of one year or less are classified as current.

(e) Grants receivable

Grants receivable represents amounts due from foundations and other organizations. Accounts are considered overdue if uncollected within ninety days of the original invoice. The Organization writes off uncollectible accounts as they are identified. No allowance for uncollectible accounts has been provided, as management has evaluated the accounts and believes they are all collectible.

NATIONAL PERFORMANCE NETWORK, INC.  
NOTES TO FINANCIAL STATEMENTS  
For the Years Ended June 30, 2017 and 2016

2) Summary of significant accounting policies (continued)

(f) Depreciation of property and equipment

Depreciation of equipment, furniture and leasehold improvements is provided over the estimated useful lives of the respective assets on a straight-line basis ranging from 5 to 19 years.

Property and equipment are stated at cost. Additions, renewals, and betterments that add materially to the productive capacity or extend the life of an asset are capitalized. Expenditures for maintenance and repairs, which do not extend the life of the applicable assets, are charged to expense as incurred. Upon retirement or disposal of an asset, the asset and accumulated depreciation accounts are adjusted accordingly. Any resulting gain or loss is included in the Statement of Activities.

(g) Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code. The Organization has filed for and received income tax exemptions in the various jurisdictions where it is required to do so. The Organization files Form 990 tax return in the U.S. federal jurisdiction and in various states.

The Organization adopted the provisions of ASC 740, *Accounting for Uncertainty in Income Taxes*. Management of the Organization believes it has no material uncertain tax positions and, accordingly it has not recognized any liability for unrecognized tax benefits. With few exceptions, the Organization is not subject to U.S. federal, state and local, or income tax examinations by tax authorities beyond three years from the filing of those returns.

(h) Fundraising

All expenses associate with the fundraising event are expensed as incurred.

(i) Use of estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

(j) Concentration of credit risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash deposits. The Organization may at times have cash on deposit at financial institutions that is in excess of federally insured limits. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. The Organization has not experienced any losses in such accounts. The Organization has no policy requiring collateral or other security to support its deposits.

NATIONAL PERFORMANCE NETWORK, INC.  
NOTES TO FINANCIAL STATEMENTS  
For the Years Ended June 30, 2017 and 2016

2) Summary of significant accounting policies (continued)

(k) Grants payable

The Organization acts as an intermediary for partners within the network. Grants payable represents amounts due to other organizations and foundations that pass through the Organization that have been received as of year-end but have yet to be disbursed.

(l) Unrestricted revenue and support

The Organization receives its support and revenue primarily from private foundations. Grants and contributions received, as well as collectible unconditional promises to give, are recognized in the period received or unconditionally pledged. Grants and contributions with donor-imposed restrictions are reported as increased in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restriction. Pledged contributions are recorded as receivables when a firm pledge is made and collectability is reasonably determinable. If a pledge is to be received over a period of more than one year, the respective non-current amount is recorded at the net present value of future contributions as a non-current receivable.

(m) Functional expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and functions benefited. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

3) Restrictions on net assets

Temporarily restricted net assets were made available based on restrictions per the following grantors:

	<u>2017</u>	<u>2016</u>
Doris Duke Charitable Foundation	\$ 1,980,000	\$ 1,042,240
The Andrew Mellon Foundation	4,118,428	2,213,235
Ford Foundation	-	50,000
Japan Foundation	-	48,128
Surdna Foundation	57,000	25,000
MAP Fund	35,526	16,012
Greater Houston Community Foundation	-	4,935
Rosamary Foundation	-	332
Community Foundation of Greater Atlanta	95,596	-
National Endowment for the Arts	50,000	-
Other grants	12,421	34,320
Total temporarily restricted assets	<u>\$ 6,348,971</u>	<u>\$ 3,434,202</u>

NATIONAL PERFORMANCE NETWORK, INC.  
NOTES TO FINANCIAL STATEMENTS  
For the Years Ended June 30, 2017 and 2016

4) Grants receivable

Grants receivable consisted of the following at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
The Andrew W. Mellon Foundation	\$ 1,310,000	\$ 1,196,000
Doris Duke Charitable Foundation	742,500	100,000
Louisiana Division of the Arts	-	4,500
National Endowment for the Arts	100,000	55,000
Arts Council New Orleans	3,625	4,101
Japan Foundation	-	45,564
State Events Trust Fund (Texas)	44,183	-
Surdna Foundation	30,000	-
Other grant receivable	4,751	20,127
Total grants receivable	<u>\$ 2,235,059</u>	<u>\$ 1,425,292</u>

As of June 30, 2017, 92% of total grants receivable was from two entities. As of June 30, 2016, 84% of total grants receivable was from one entity.

5) Property and equipment

Property and equipment consists of the following:

	<u>2017</u>	<u>2016</u>
Furniture and equipment	\$ 84,988	\$ 84,988
Leasehold improvements	636,287	636,287
Total costs	<u>721,275</u>	<u>721,275</u>
Less: accumulated depreciation	<u>168,152</u>	<u>130,775</u>
Property and equipment	<u>\$553,123</u>	<u>\$ 590,500</u>

Depreciation expense was \$37,377 and \$37,918 for the years ended June 30, 2017 and 2016, respectively.

6) Operating lease

On October 17, 2013, the Organization entered into an operating lease for the building used to house operations and an attached parking lot. The lease is for the term of 120 months and commenced April 1, 2014. Rent for the preoccupancy period was \$2,749 monthly; preoccupancy is the period between the lease commencing and the Organization occupying while renovations are ongoing. Starting in November 2015 the Organization began paying normal monthly rental payments of \$5,787 and the preoccupancy monthly rental payments of \$2,789 ceased.

NATIONAL PERFORMANCE NETWORK, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 For the Years Ended June 30, 2017 and 2016

6) Operating lease (continued)

The minimum lease payments are as follows:

<u>Year Ending</u>	<u>Amount</u>
2018	\$ 71,756
2019	72,912
2020	75,232
2021	76,392
2022	78,141
Thereafter	197,487

Total rent expense under the operating lease was \$70,311 and \$68,288 for the years ended June 30, 2017 and 2016, respectively.

Portions of the leased space was subleased to various organizations. The above lease expense will be offset by payments due under the subleases as follows:

<u>Year Ending</u>	<u>Amount</u>
2018	\$ 30,360
2019	11,190

7) Capital lease

The Organization entered into a 60 month capital lease for office equipment in November 2014. The economic substance of this lease is that the Organization is financing the acquisition of the asset through a lease, and accordingly, it is recorded in the Organization's assets and liabilities. The lease will be invoiced in 35 monthly payments over the next three years.

The minimum lease liability payments are as follows:

<u>Year Ending</u>	<u>Amount</u>
2018	\$ 3,067
2019	1,027

8) Related party transactions

Members of the Board of Directors were reimbursed for out-of-pocket expenses resulting from their participant in the Organization's activities in the amount of \$590 and \$9,101 for the years ended June 30, 2017 and 2016, respectively.

NATIONAL PERFORMANCE NETWORK, INC.  
NOTES TO FINANCIAL STATEMENTS  
For the Years Ended June 30, 2017 and 2016

9) Long-term debt

Long-term debt consist of the following:

	<u>2017</u>	<u>2016</u>
Note payable to lessor with interest at 6%, to cover the costs of an elevator in the building, in monthly principal and interest payments of approximately \$516. This loan matures January 2022.	\$ 24,778	\$ 29,339
Total long-term debt	<u>24,778</u>	<u>29,339</u>
Less current portion	<u>(4,842)</u>	<u>(4,561)</u>
Total long-term debt	<u>\$ 19,936</u>	<u>\$ 24,778</u>

The maturities of long-term debt are as follows:

2018	\$ 4,842
2019	5,141
2020	5,458
2021	5,794
2022	3,543

10) Program expenses

During the years ended June 30, 2017 and 2016, the Organization provided subsidies totaling \$1,951,986 and \$1,218,596, respectively, to artists and artistic organizations under various programs it administers. Under certain programs, the subsidy provided by the Organization is expected to be matched by one or more participating partners, as detailed below, for the Organization's four major programs for the years ended June 30, 2017 and 2016:

	Subsidy Provided by National Performance Network		Anticipated Matching Subsidy from Partner Organizations	
	2017	2016	2017	2016
Residency Program	\$ 691,684	\$ 531,524	\$ 1,278,417	\$ 1,423,091
Community Program	29,048	43,550	84,190	51,200
Creation Program	545,500	425,000	1,729,638	1,440,000
LANE Program	740,659	-	624,031	-
	2,006,891	1,000,074	3,716,276	2,914,291
Unmatched subsidies	114,998	218,522	-	-
Prior years subsidy adjustment	(169,903)	-	-	-
	\$ 1,951,986	\$ 1,218,596	\$ 3,716,276	\$ 2,914,291

NATIONAL PERFORMANCE NETWORK, INC.  
NOTES TO FINANCIAL STATEMENTS  
For the Years Ended June 30, 2017 and 2016

10) Program expenses (continued)

Under the terms of the subsidy agreements, the Organization has no additional financial obligation or liability associated with the failure of the participating partners to pay the commissioned artist the partner matching subsidy.

The Organization also provides fiscal sponsorship and financial services for New Orleans, Louisiana based cultural projects. Fiscal sponsorship and financial services consisted of the following as of June 30, 2017 and 2016:

	2017	2016
Revenue related to fiscally sponsored projects	\$ 414,210	\$ 512,238
Expenses related to fiscally sponsored projects	279,265	564,395
Change in net assets	\$ 134,945	\$ (52,157)
Temporarily restricted net assets related to fiscally sponsored projects		
Current year change in net assets	\$ 134,945	\$ (52,157)
Net assets at beginning of year	82,183	134,340
Total net assets temporarily restricted to fiscally sponsored projects	\$ 217,128	\$ 82,183

11) Economic dependence

In 2017, the Organization received approximately 83% of its revenue from two funding sources. In 2016, the Organization received approximately 63% of its revenue from one funding source.

12) Fair value measurement

Financial Accounting Standards Board Accounting Standards Codification (ASC 820), Fair Value Measurements and Disclosures, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Investments and unconditional promises to give are recorded at fair value on a recurring basis. For assets that are measured at fair value in periods after initial recognition, there were no transfers between Level 1 and Level 2, or transfers into and out of Level 3 in 2017 or 2016. If such transfers were to occur, they would be recognized as of the actual date of the event. Nonrecurring fair value adjustments, if any, would typically involve impairment accounting or donated property and equipment. There were no nonrecurring fair value adjustments in 2017 or 2016. The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 - Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly.

Level 3 - Unobservable inputs for which there is little or no market data and require the Organization to develop its own assumptions.

NATIONAL PERFORMANCE NETWORK, INC.  
NOTES TO FINANCIAL STATEMENTS  
For the Years Ended June 30, 2017 and 2016

12) Fair value measurement (continued)

The investments are valued at fair value. The valuation methodologies used for assets measured at fair value are as follows. Level 1 assets consist of a certificate of deposit. The Organization has no Level 2 or 3 assets. There have been no changes in these methodologies used at June 30, 2017 and 2016.

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 the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2017 and 2016:

	Total Fair Value Assets as of June 30, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificates of Deposit	\$ 2,088,000	\$ 2,088,000	\$ -	\$ -

  

	Total Fair Value Assets as of June 30, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificates of Deposit	\$ 1,302,000	\$ 1,302,000	\$ -	\$ -

13) Net asset deficit

The Organization plans on reducing the net asset deficit by monitoring program activity and reducing expenditures in the future.

14) Subsequent events

The Organization has evaluated subsequent events through the date of the auditors' report, the date which the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

GOVERNMENT AUDITING STANDARD REPORTS



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*

Board of Directors  
National Performance Network, Inc.  
New Orleans, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of National Performance Network, Inc., which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 4, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered National Performance Network, Inc.'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 National Performance Network, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of National Performance Network, Inc.'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether National Performance Network, Inc.'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*.

**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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

December 4, 2017

*Wegmann Daret & Company*

NATIONAL PERFORMANCE NETWORK, INC.  
SUMMARY OF COMPENSATION, BENEFITS, AND OTHER  
PAYMENTS TO AGENCY HEAD  
For the Year Ended June 30, 2017

SUMMARY OF COMPENSATION

- None of the agency heads' compensation was derived from state and/or local assistance

NATIONAL PERFORMANCE NETWORK, INC.  
SUMMARY OF PRIOR YEAR FINDINGS  
For the Year Ended June 30, 2016

SCHEDULE OF FINDINGS RELATED TO THE FINANCIAL STATEMENTS

2016-001

*Condition:* Failure to provide audited financial statements to the State of Louisiana within the required six month time frame.

*Recommendation:* Procedures should be implemented to ensure that the audit is completed and submitted within the timeframe required by the State of Louisiana's audit law.

*Current Status:* Management of National Performance Network, Inc. engaged an auditor to perform the audit. The audit was completed and the audit report was submitted.