

THE WALLS PROJECT
BATON ROUGE, LOUISIANA
DECEMBER 31, 2019



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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 December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year 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.

The financial statements of The Walls Project as of December 31, 2018, were subjected to a compilation by other accountants, whose report dated September 20, 2019, stated that they have not audited or reviewed the 2018 financial statements and, accordingly, do not express an opinion, a conclusion, nor provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

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
June 3, 2020*

THE WALLS PROJECT
STATEMENTS OF FINANCIAL POSITION
Years ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 38,159	\$ 47,413
Pledges receivable	50,853	30,660
Other receivables	-	242
Prepaid expenses	<u>10,229</u>	<u>-</u>
Total current assets	<u>99,241</u>	<u>78,315</u>
PROPERTY AND EQUIPMENT		
Furniture and office equipment	4,000	4,000
Less accumulated depreciation	<u>(4,000)</u>	<u>(2,848)</u>
Total property and equipment, net	<u>-</u>	<u>1,152</u>
Total assets	<u>\$ 99,241</u>	<u>\$ 79,467</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 165,442	\$ 141,083
Deferred revenue	<u>12,750</u>	<u>17,850</u>
Total current liabilities	<u>178,192</u>	<u>158,933</u>
NET ASSETS		
With donor restrictions	89,468	39,624
Without donor restrictions	<u>(168,419)</u>	<u>(119,090)</u>
Total net assets	<u>(78,951)</u>	<u>(79,466)</u>
Total liabilities and net assets	<u>\$ 99,241</u>	<u>\$ 79,467</u>

See accountant's compilation report and accompanying notes

THE WALLS PROJECT
STATEMENTS OF ACTIVITIES
Years ended December 31, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Public support	\$ 31,569	\$ 434,464	\$ 466,033	\$ 168,697	\$ 110,564	\$ 279,261
Inkind revenue	7,717	-	7,717	36,085	-	36,085
Program income	2,228	-	2,228	20,451	-	20,451
Net assets released from restrictions	<u>384,620</u>	<u>(384,620)</u>	<u>-</u>	<u>70,940</u>	<u>(70,940)</u>	<u>-</u>
Total support and revenue	<u>426,134</u>	<u>49,844</u>	<u>475,978</u>	<u>296,173</u>	<u>39,624</u>	<u>335,797</u>
EXPENSES						
Program	373,323	-	373,323	312,380	-	312,380
Administration and general	95,020	-	95,020	50,784	-	50,784
Fundraising	<u>7,120</u>	<u>-</u>	<u>7,120</u>	<u>20,060</u>	<u>-</u>	<u>20,060</u>
Total expenses	<u>475,463</u>	<u>-</u>	<u>475,463</u>	<u>383,224</u>	<u>-</u>	<u>383,224</u>
Increase (decrease) in net assets	(49,329)	49,844	515	(87,051)	39,624	(47,427)
Net assets - beginning of year	<u>(119,090)</u>	<u>39,624</u>	<u>(79,466)</u>	<u>(32,039)</u>	<u>-</u>	<u>(32,039)</u>
Net assets - end of year	<u>\$ (168,419)</u>	<u>\$ 89,468</u>	<u>\$ (78,951)</u>	<u>\$ (119,090)</u>	<u>\$ 39,624</u>	<u>\$ (79,466)</u>

See accountant's compilation report and accompanying notes

THE WALLS PROJECT
STATEMENTS OF CASH FLOWS
Years ended December 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 515	\$ (47,427)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,152	768
Decrease (increase) in		
Pledges receivable	(20,193)	(30,761)
Other receivables	242	(242)
Prepaid expenses	(10,229)	-
Increase (decrease) in		
Accounts payable	24,359	70,376
Deferred revenue	(5,100)	15,750
Total adjustments	(9,769)	55,891
Net cash provided by (used in) operating activities	(9,254)	8,464
 CASH FLOWS FROM INVESTING ACTIVITIES	 -	 -
 CASH FLOWS FROM FINANCING ACTIVITIES	 -	 -
 Increase (decrease) in cash	 (9,254)	 8,464
Cash - Beginning of year	47,413	38,949
Cash - End of year	\$ 38,159	\$ 47,413

See accountant's compilation report and accompanying notes

THE WALLS PROJECT
STATEMENTS OF FUNCTIONAL EXPENSES
Years ended December 31, 2019 and 2018

	2019							2018			
	Program Services			Total Program	Administration and Fundraising		Total	Program Services	Administration and Fundraising		Total
	Create	Cultivate	Reactivate		General	Fundraising			General	Fundraising	
Program management	\$ 500	\$ 138,669	\$ 10,950	\$ 150,119	\$ -	\$ -	\$ 150,119	\$ 111,724	\$ -	\$ -	\$ 111,724
Contract services	750	58,470	6,239	65,459	46,758	4,385	116,602	56,750	43,013	19,722	119,485
Murals	46,491	146	32,689	79,326	-	-	79,326	75,384	-	-	75,384
Facilities and equipment	600	19,474	2,866	22,940	17,946	-	40,886	16,289	-	-	16,289
Meals and entertainment	209	10,935	2,419	13,563	2,559	-	16,122	10,564	434	-	10,998
Travel and auto expenses	167	13,523	492	14,182	1,246	-	15,428	1,854	464	-	2,318
Web development	-	9,990	-	9,990	-	-	9,990	2,036	609	-	2,645
Insurance	-	2,621	734	3,355	4,238	-	7,593	8,572	-	-	8,572
Curriculum development	80	6,897	-	6,977	-	-	6,977	6,440	-	-	6,440
Office	-	2,362	42	2,404	4,392	-	6,796	5,539	1,380	-	6,919
Postage and printing	-	672	-	672	4,107	-	4,779	2,035	509	-	2,544
Software and licenses	-	-	-	-	3,936	-	3,936	4,083	1,021	-	5,104
Dues and subscriptions	-	-	-	-	3,483	-	3,483	2,362	591	-	2,953
Telephone	-	362	-	362	2,988	-	3,350	1,158	289	-	1,447
Gifts	-	-	-	-	-	2,735	2,735	-	-	-	-
Bank charges	-	106	-	106	1,202	-	1,308	-	1,976	-	1,976
Event	-	999	-	999	156	-	1,155	750	-	-	750
Depreciation	-	-	-	-	1,152	-	1,152	614	154	-	768
Background checks	-	1,145	-	1,145	-	-	1,145	568	-	-	568
Videography	-	330	600	930	-	-	930	925	-	-	925
Merchandise	-	369	425	794	-	-	794	2,483	-	-	2,483
Repairs and maintenance	-	-	-	-	725	-	725	1,380	344	-	1,724
Miscellaneous	-	-	-	-	132	-	132	-	-	338	338
Photography	-	-	-	-	-	-	-	870	-	-	870
	<u>\$ 48,797</u>	<u>\$ 267,070</u>	<u>\$ 57,456</u>	<u>\$ 373,323</u>	<u>\$ 95,020</u>	<u>\$ 7,120</u>	<u>\$ 475,463</u>	<u>\$ 312,380</u>	<u>\$ 50,784</u>	<u>\$ 20,060</u>	<u>\$ 383,224</u>

See accountant's compilation report and accompanying notes

THE WALLS PROJECT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

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.

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

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.

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.

A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 December 31, 2019, 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.

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 3 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.

Recently implemented accounting standards

The Organization adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, on January 1, 2019. ASU 2014-09 amends existing guidance related to revenue from contracts with customers by (i) creating a single framework for recognizing revenue from contracts with customers that fall within its scope and (ii) revising when it is appropriate to recognize a gain (loss) from the transfer of nonfinancial assets. The Organization adopted ASU 2014-09 using the modified retrospective method applied to all contracts not completed as of January 1, 2019.

A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Results for reporting periods beginning after January 1, 2019 are presented under the new guidance while prior period amounts continue to be reported in accordance with legacy GAAP. As such, no cumulative effect adjustment was recorded. The adoption of ASU 2014-09 was not significant to the Organization and had no material effect on how the Organization recognizes revenue nor did it result in any presentation changes to the financial statements.

Also on January 1, 2019, the Organization adopted ASU 2018-08, *Not-for-Profit Entities (Topic 958)*. The goal of the ASU is to clarify and improve the scope and the accounting guidance for contributions received and contributions made by providing modified and additional considerations for distinguishing between an exchange transaction (program service) and a charitable contribution. Additional guidance was also provided for considerations for distinguishing between conditional contributions and restricted contributions. The adoption of ASU 2018-08 was done on a modified retrospective basis, being applied to agreements that were either not completed as of January 1, 2019 or entered into after January 1, 2019. Adoption resulted in no significant change to financial statement line items.

B: PLEDGES RECEIVABLE

The pledges receivable balance as of December 31, 2019 and 2018, consists of the following:

	2019	2018
Individual donors	\$ 5,660	\$ 15,660
Corporate donors	22,220	15,000
Government grants	22,973	-
	<u>\$ 50,853</u>	<u>\$ 30,660</u>

All receivables are due within one year of December 31, 2019.

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 18% of total revenues during the year ended December 31, 2019.

D: NON-CASH INVESTING AND FINANCING ACTIVITIES

There were no non-cash investing and financing activities in 2019 or 2018.

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, 2020, 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 \$10,800 for the year ended December 31, 2019. Contingency rentals for parking amounted to \$1,187 in 2019. The future minimum lease payments required under the operating leases are \$6,300 for the year ended December 31, 2019.

G: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31, 2019 and 2018, consist of the following:

<u>Program name</u>	<u>2019</u>	<u>2018</u>
Cultivate	\$ 81,186	\$ 39,624
Reactivate	8,282	-
	<u>\$ 89,468</u>	<u>\$ 39,624</u>

H: DONATED SERVICES

Administrative and general donated services included \$6,467 and \$13,750 in bookkeeping services provided by a former board member in 2019 and 2018, respectively.

Cultivate program services included \$1,250 in program management expenses paid on behalf of the Walls Project by a fellow nonprofit organization.

Create program donated services included \$22,335 in design work for murals in 2018.

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 in 2019 were as follows:

Statement of Activities Line Item	Program Services				Total
	Cultivate	Reactivate	Admin	Fundraising	
Contract services	35,965	1,000	-	4,385	41,350
Facilities and equipment	1,000	-	7,187	-	8,187
Meals and entertainment	1,100	44	-	-	1,144
Travel and auto expenses	729	-	-	-	729
Repairs and maintenance	-	-	100	-	100
	38,794	1,044	7,287	4,385	51,510

Amounts billed by The Force Agency in 2018 were as follows:

Statement of Activities Line Item	Program Services	Admin	Fundraising	Total
Contract services	39,050	-	-	39,050
Facilities and equipment	-	8,797	-	8,797
Murals	2,650	-	-	2,650
Repairs and maintenance	-	1,725	-	1,725
Dues and subscriptions	-	1,451	-	1,451
Program Management	550	-	-	550
Telephone	-	389	-	389
Office	-	277	-	277
	42,250	12,639	-	54,889

As of December 31, 2019 and 2018, the Organization owed The Force Agency \$131,751 and \$113,851, respectively, which was classified as Accounts payable.

J: SUBSEQUENT EVENTS

Subsequent events were evaluated through June 3, 2020, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

THE WALLS PROJECT
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS
TO AGENCY HEAD
Year Ended December 31, 2019

Agency Head
Casey Phillips, Director and Development

Purpose	Amount
Salary	\$3,000
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