
THE NEW ORLEANS CENTER FOR CREATIVE ARTS INSTITUTE
NEW ORLEANS, LOUISIANA

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2019

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THE NEW ORLEANS CENTER FOR CREATIVE ARTS INSTITUTE
NEW ORLEANS, LOUISIANA

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2019

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the New Orleans Center for Creative Arts Institute (a nonprofit organization) and subsidiaries (collectively, the Institute), which comprise the consolidated statement of financial position as of June 30, 2019, 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the New Orleans Center for Creative Arts Institute and subsidiaries as of June 30, 2019, 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.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating financial statements on pages 23 through 26 and schedule of compensation, benefits and other payments to agency head on page 27 are presented for purposes of additional analysis and are 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 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 23, 2019, on our consideration of the Institute'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 Institute'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 Institute's internal control over financial reporting and compliance.

Postlethwaite & Netterville

Metairie, Louisiana
December 23, 2019

THE NEW ORLEANS CENTER FOR CREATIVE ARTS INSTITUTE
NEW ORLEANS, LOUISIANA

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019

ASSETS

Current assets:	
Cash and cash equivalents	\$ 3,488,631
Receivables:	
Other	57,349
Prepaid expenses	<u>48,530</u>
Total current assets	<u>3,594,510</u>
Art work	78,965
Promises to give, restricted for long-term purposes, net of discount of \$56,479	1,382,238
Rent receivables, long-term	1,821,657
Notes receivable	6,308,996
Property and equipment, net	25,144,358
Investments - funds held by the Greater New Orleans Foundation	<u>1,153,630</u>
Total assets	<u>\$ 39,484,354</u>

LIABILITIES AND NET ASSETS

Liabilities:	
Current liabilities:	
Accounts payable and accrued expenses	\$ 84,692
Bonds payable, current portion	<u>200,000</u>
Total current liabilities	<u>284,692</u>
Bonds payable, net of unamortized bond issuance costs	9,356,011
Loans payable	<u>12,500,000</u>
Total liabilities	<u>22,140,703</u>
Net assets:	
Without donor restrictions	
NOCCA Institute and Subsidiaries	13,567,708
Noncontrolling interest in Subsidiary	276,158
With donor restrictions	<u>3,499,785</u>
Total net assets	<u>17,343,651</u>
Total liabilities and net assets	<u>\$ 39,484,354</u>

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

THE NEW ORLEANS CENTER FOR CREATIVE ARTS INSTITUTE
NEW ORLEANS, LOUISIANA

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues:			
Support:			
Contributions and grants	\$ 775,102	\$ 1,129,161	\$ 1,904,263
Special events, net of expenses of \$197,339	171,442	-	171,442
Public performance series/exhibitions	23,769	-	23,769
Revenues:			
Investment income, net	45,228	46,448	91,676
Forum project:			
Interest income on loans receivable	64,997	-	64,997
QZAB interest expense subsidy	323,677	-	323,677
Sale of goods and services	115,226	-	115,226
Rental income	1,089,784	-	1,089,784
Miscellaneous	11,037	-	11,037
Total support and revenues	2,620,262	1,175,609	3,795,871
Net assets released from restriction	907,785	(907,785)	-
Total support, revenues, and net assets released from restriction	3,528,047	267,824	3,795,871
Expenses:			
Program	3,018,778	-	3,018,778
Management and general	652,893	-	652,893
Fundraising	124,938	-	124,938
Total expenses	3,796,609	-	3,796,609
Changes in net assets	(268,562)	267,824	(738)
Net assets			
Beginning of the year	14,112,428	3,231,961	17,344,389
End of the year	\$ 13,843,866	\$ 3,499,785	\$ 17,343,651

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

THE NEW ORLEANS CENTER FOR CREATIVE ARTS INSTITUTE
NEW ORLEANS, LOUISIANA

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	Program	Management & General	Fundraising	Total
Expenses				
Salaries and benefits	\$ 589,248	\$ 218,262	\$ 118,574	\$ 926,084
Depreciation and amortization	815,206	18,935	-	834,141
Occupancy	131,862	19,782	1,476	153,120
Other	11,761	107,733	1,150	120,644
Advertising	8,069	14,768	439	23,276
Events	27,677	4,724	175,392	207,793
Travel & entertainment	2,547	44,263	8	46,818
Interest	449,510	-	-	449,510
Artists in residence	86,808	-	-	86,808
Financial aid	290,485	-	-	290,485
NOCCA special programs	80,941	-	-	80,941
Department support	57,454	-	-	57,454
NOCCA administration & other	51,822	-	-	51,822
Professional fees	50,388	102,404	5,350	158,142
Cost of goods sold	48,753	-	-	48,753
Rent	138,750	-	-	138,750
Insurance	88,926	19,217	-	108,143
Repairs and maintenance	53,868	8,367	35	62,270
In-kind parking lot	-	29,400	-	29,400
In-kind office rent	-	48,618	-	48,618
Press Street property taxes	23,343	-	-	23,343
Garden	1,030	-	-	1,030
Printing, mailing, and copying	8,521	16,420	19,853	44,794
Licenses and permits	1,809	-	-	1,809
Total expenses	<u>\$ 3,018,778</u>	<u>\$ 652,893</u>	<u>\$ 322,277</u>	<u>\$ 3,993,948</u>

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

THE NEW ORLEANS CENTER FOR CREATIVE ARTS INSTITUTE
NEW ORLEANS, LOUISIANA

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ (738)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	825,666
Amortization	8,475
Investment earnings	(46,448)
Donated artwork	(4,291)
Change in discount on promises to give	(32,881)
Changes in operating assets and liabilities:	
Promises to give and other receivables	399,924
Prepaid expenses	5,963
Rent receivables	(321,469)
Accounts payable and accrued expenses	24,294
Net cash provided by operating activities	<u>858,495</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of investments	(21,000)
Proceeds from sales and maturities of investments	51,094
Purchases of property and equipment	(20,919)
Acquisition of note receivable	(277,000)
Net cash used in investing activities	<u>(267,825)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Payments on bonds payable	(716,000)
Net cash used in financing activities	<u>(716,000)</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS (125,330)

CASH AND CASH EQUIVALENTS:

Beginning of the year	3,613,961
End of the year	<u>\$ 3,488,631</u>

DISCLOSURE OF NON-CASH ITEMS:

Financial aid contribution in exchange for loan payment	<u>\$ 30,000</u>
In-kind revenue and expense	<u>\$ 183,212</u>
Interest expense subsidy	<u>\$ 323,677</u>

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

NEW ORLEANS CENTER FOR CREATIVE ARTS INSTITUTE
NEW ORLEANS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Nature of Activities

The New Orleans Center for Creative Arts Institute (the Institute) 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 Institute funds various classes and workshops for both NOCCA and the general public and provides financial aid to certain disadvantaged young artists enrolled in the program. The Institute 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 Institute continues to facilitate capital expansion projects, as described in Note 4, and provide furniture and equipment to NOCCA and oversee third party use of the facility.

These financial statements have been presented on a consolidated basis to include all accounts of the New Orleans Center for Creative Arts Institute and its subsidiaries.

The Institute's wholly owned subsidiary, The NOCCA Institute Culinary Operations, LLC (Culinary Operations), is a for profit entity that was formed in 2013. Culinary Operations manages and operates Press Street Gardens and 5 Press Art Gallery. These are retail operations open to the general public through special event rentals in order to increase earned income for the Institute while also providing educational and job training opportunities to NOCCA students, faculty, and alumni.

The Institute's wholly owned subsidiary, The NOCCA Institute Investments, Inc. (TNII), is a for profit entity that was formed in 2013. TNII owns 94% of NOCCA Real Estate, LLC (NOCCA Real Estate), a subsidiary of TNII. The remaining ownership of NOCCA Real Estate is held by a third party and an entity controlled by a private real estate developer. NOCCA Real Estate was created to develop the Forum building, as described in Note 3. TNII has no other activities.

All significant intra-entity account balances and transactions have been eliminated.

2. Summary of Significant Accounting Policies

Basis of presentation

The consolidated financial statements of the Institute 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 Institute's management and the board of directors.

NEW ORLEANS CENTER FOR CREATIVE ARTS INSTITUTE
NEW ORLEANS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 Institute 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 Institute is a nonprofit corporation organized under the laws of the State of Louisiana. The Institute 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, TNII, and NOCCA Real Estate for any potential tax effects as of June 30, 2019. The Institute has determined that no tax expense or provision or tax asset or liability should be provided for in the consolidated financial statements of the Institute.

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 Institute 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 Institute 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

For purposes of the consolidated statement of cash flows, the Institute 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 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.

NEW ORLEANS CENTER FOR CREATIVE ARTS INSTITUTE
NEW ORLEANS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (continued)

Investments

Investments are reported at fair value. Unrealized gains that are restricted by donors are reported as increases in net assets with donor restrictions. Unrealized gains absent restriction and unrealized losses are reported as increases and decreases in net assets without donor restrictions.

Interest earned on investments with donor restrictions is reported based on the existence or absence of donor-imposed restrictions.

Realized gains and losses are included in investment income. Realized gains and losses on the sales of investments are determined using the specific-identification method.

Art work

The Institute 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 Institute.

Property and equipment

Property and equipment acquisitions are recorded at cost except for those donated to the Institute, which are recorded at estimated fair value at the date of donation. Depreciation is determined using the straight-line method and is intended to allocate the cost of the assets over their estimated useful lives.

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.

NEW ORLEANS CENTER FOR CREATIVE ARTS INSTITUTE
NEW ORLEANS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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.

Grant revenues are recorded when the Institute has a right to reimbursement under the related grant, generally corresponding to the incurring of grant related costs by the Institute, or when otherwise earned under the terms of the grants. Grant receivables are stated at the amount management expects to collect from outstanding balances. Management considers subsequent collection results and writes off all year-end balances that are deemed to be not collectible. Accordingly, a valuation allowance was determined to be unnecessary.

Sales revenues for Culinary Operations are recognized when food items are sold or as services are provided. Accounts receivable are stated at the amount management expects to collect from outstanding balances.

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

In-kind support

The Institute and NOCCA have entered into a written agreement under which the Institute will rent office space from the school, in exchange for the services the Institute provides as part of its exempt purpose, including in-kind revenues, and the related expenses have been recorded for both transactions. The Institute records the value of in-kind support related to the free use of its office facilities, which amounted to \$29,400 for the year ended June 30, 2019.

The Institute 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, 2019. This in-kind 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 Institute recognized \$105,194 in revenues and expenses for other donated goods and services.

In-kind support is included in contributions and grants revenue on the consolidated statement of activities and changes in net assets.

NEW ORLEANS CENTER FOR CREATIVE ARTS INSTITUTE
NEW ORLEANS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 generally accepted accounting principles in the United States of America 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

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Institute adopted this ASU for the year ended June 30, 2019.

In November 2016, FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The ASU requires presentation of the total change in cash, cash equivalents, restricted cash, and restricted cash equivalents for the period in the statement of cash flows. The institute had no adjustments to the presentation of the statement of cash flows as a result of implementation of this ASU for the year ended June 30, 2019.

The adoption of these pronouncements had no impact on the Institute's total net assets.

Recent Accounting Pronouncements Issued But Not Yet Adopted

FASB has issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, to update its revenue recognition standard to clarify the principles of recognizing revenue and eliminate industry-specific guidance as well as help financial statement users better understand the nature, amount, timing, and uncertainty of revenue that is recognized. This ASU is effective for the Institute's June 30, 2020 year-end.

NEW ORLEANS CENTER FOR CREATIVE ARTS INSTITUTE
NEW ORLEANS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements Issued But Not Yet Adopted (continued)

In June 2018, the FASB issued ASU No. 2018-08 *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. This ASU is effective for the Institute's June 30, 2020 year end.

In February 2016, FASB issued ASU No. 2016-02, *Leases*. This accounting standard requires lessees to recognize assets and liabilities related to lease arrangements longer than 12 months on the balance sheet as well as additional disclosures. This ASU is effective for the Institute's June 30, 2022 year end.

The Institute is currently assessing the impact of these pronouncements on its consolidated financial statements.

3. Liquidity and Availability of Resources

The following represents the Institute's financial assets and those available to meet general expenditures over the next twelve months at June 30, 2019:

Financial assets at year end:	
Cash and cash equivalents	\$ 3,488,631
Promises to give and other receivables	1,470,598
Notes receivable	6,308,996
Investments	<u>1,153,633</u>
Total financial assets	12,421,858
Less amounts not available to be used within one year:	
Promises to give	650,188
Notes receivable	6,308,996
Investments with donor restrictions not to be met in less than a year	<u>1,153,633</u>
	<u>8,112,817</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 4,309,041</u>

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

NEW ORLEANS CENTER FOR CREATIVE ARTS INSTITUTE
NEW ORLEANS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. NOCCA Chevron Forum

Through its consolidated subsidiary, NOCCA Real Estate, the Institute 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 Institute)
- Tenant office space, including offices for the Institute

The Forum has a complex financing structure utilizing Quality Zone Academy Bonds (QZAB) in the amount of \$14,000,000 (the Bonds), federal and state New Markets Tax Credits (NMTC), Qualified Low Income Community Investment loans (OLICI Loans), and federal and state Historic Tax Credits. This financing arrangement was finalized in December 2013 (the Arrangement). Construction of the Forum was completed in the fall of 2014. The NOCCA Institute leases the building and subleases approximately 77% of the building to NOCCA for use as a school and 11% to the Recovery School District for office space. The remaining 12% is occupied and operated by the Institute in order to generate income for debt service and operations.

The Arrangement required the Institute to: (1) borrow \$14,000,000 of Bond proceeds (2) obtain a \$1,185,000 loan from a first commercial bank to bridge certain capital campaign donations, (3) obtain a \$2,110,479 loan from a second commercial bank to bridge a portion of the state historic tax credit equity and a portion of the developer fee donation, (4) sell approximately \$5 million of state historic tax credits which will produce approximately \$4 million in equity for the Institute, (5) loan \$6,031,996 in the aggregate to the commercial banks' investment funds, (6) own 94% of the membership interests in the Qualified Active Low-Income Community Business (QALICB), which interest is obtained through TNII, through a \$13,854,431 equity investment, (7) be a NMTC tax credit and environmental guarantor, (8) lease and sublease the Forum building, and (9) contribute \$1,400,000 in the form of a QZAB Match.

As of June 30, 2019, bonds payable equaled \$9,685,250. The bond loan matures on September 30, 2034 and has a fixed interest rate of 5.19%. Interest payments for the QZABs are 100% subsidized in the form of tax credits provided to the bond holders. In order to qualify as QZABs, 100% of the Bonds' proceeds net of the cost of issuance must be used for or by a qualified zone academy. The amount of subsidized loan interest for the year ended June 30, 2019 was \$323,677. Quarterly principal payments of \$50,000 began on March 14, 2015. On the maturity date, the remaining balance of all outstanding principal is due.

NEW ORLEANS CENTER FOR CREATIVE ARTS INSTITUTE
NEW ORLEANS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. NOCCA Chevron Forum (continued)

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, 2019. The balance of unamortized debt issuance costs is \$129,239.

Future minimum payments on the bonds are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>
2020	\$ 200,000
2021	200,000
2022	200,000
2023	200,000
2024	200,000
Thereafter	<u>8,685,250</u>
	<u>\$ 9,685,250</u>

Specified in the indenture agreement related to the Bonds, there are certain provisions that provide for the Institute to assign collateral interests in its ownership interests related to the Forum project, including any insurance or sale proceeds, membership interests in its subsidiaries, notes receivables and other rights related to the Arrangement.

The Institute used a portion of the Bond proceeds to make a \$4,596,000 loan (the Leverage Loan 1) to a first investor and a \$1,435,996 loan (the Leverage Loan 2) to a second investor (the Leverage Loans). The Leverage Loans were in turn used by these borrowers to make "Qualified Equity Investments" from which federal and state new market tax credits are generated. The Leverage Loans mature on September 30, 2034 and principal amortization begins on June 21, 2021. Prior to June 21, 2021, TNI will receive approximately \$79,934 in annual interest payments from the Leverage Loans. Interest income for the year ended June 30, 2019 is \$109,808.

As part of the Arrangement, a master lease was signed by NOCCA Master Tenant LLC with NOCCA Real Estate. In immediate succession, NOCCA Master Tenant, LLC sub-leased the Forum building to the Institute, which is further leasing the Forum building to NOCCA and other parties. Details of the lease between NOCCA Master Tenant, LLC and the Institute and the subleases to NOCCA and other parties are contained in Note 11.

Also as part of the Arrangement, the Institute has entered into three separate put/call agreements. For the first agreement, the investor has the right to put its 100% membership interest in NOCCA Master Tenant, LLC to the Institute, or a designee of the Institute, for the projected purchase price of \$372,052. The first investor may exercise this put right beginning on December 18, 2020 or at any time following a recapture of tax credits. Consequently, the Institute, or a designee of the Institute, must be prepared financially to purchase the first investor's membership interest. In the event the put option is not exercised, beginning February 18, 2021, the Institute, or a designee of the Institute, will have the right to acquire the first investor's membership interest for fair market value as determined at the time of exercise.

NEW ORLEANS CENTER FOR CREATIVE ARTS INSTITUTE
NEW ORLEANS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. NOCCA Chevron Forum (continued)

The Institute has entered into put/call agreements with two financial institutions. Pursuant to the agreements, commencing on December 18, 2020, the financial institutions have the right to put their 100% membership interest in their specified subsidiaries to the Institute, or a designee of the Institute, for \$1,000 each. In the event either put options are not exercised, the Institute, or a designee of the Institute, has a call option to acquire each respective membership interest at fair market value as determined at the time of exercise.

As of June 30, 2019, NOCCA Real Estate has Qualified Low-Income Community Investment (QLIC) loans with a total balance of \$12,500,000. The QLICs are each interest only until June 15, 2021 and bear interest at 1.00%. The QLICs are secured by a mortgage on the Forum building. Future minimum payments on the loans are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>
2020	\$ -
2021	477,204
2022	641,858
2023	648,300
2024	654,415
Thereafter	<u>10,078,223</u>
	<u>\$ 12,500,000</u>

As part of the loans, NOCCA Real Estate has entered into put/call agreements with two financial institutions. Pursuant to the agreements, commencing on October 22, 2020, the financial institutions have the right to put their 100% membership interest in their specified subsidiaries to the Institute, or a designee of the Institute, for \$1,000 each. In the event either put options are not exercised, NOCCA Real Estate, or a designee of the Institute, has a call option to acquire each respective membership interest at fair market value as determined at the time of exercise.

First NBC Bank (FNBC) was one of the financial institutions involved in the Forum transactions described in this note. As of April 28, 2017, FNBC was placed into receivership by the Federal Deposit Insurance Corporation (FDIC). During fiscal year 2018, the notes receivable and long-term debt with FNBC were purchased by Advantage Capital.

NOCCA Master Tenant

During the fiscal year ended June 30, 2019, the Institute loaned \$277,000 to 2831 Chartres Street Investments, LLC and executed a put/call agreement, as further described below:

NOCCA Master Tenant, LLC (third party lessee of NOCCA Real Estate described in Note 3 and Note 11) was bought by 2831 Chartres Street Investments, LLC by way of the put exercise for \$277,000 which was funded by a promissory note in favor of the Institute which bears an interest rate of 2% per annum, payable quarterly and principal balance being due and payable upon maturity on October 19, 2023. The note receivable is secured by a security and pledge agreement in favor of the Institute pledging 2831 Chartres Street Investment, LLC's interest in NOCCA Master Tenant, LLC.

NEW ORLEANS CENTER FOR CREATIVE ARTS INSTITUTE
NEW ORLEANS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. NOCCA Chevron Forum (continued)

NOCCA Master Tenant (continued)

The Institute entered into a put/call agreement with 2831 Chartres Street Investments, LLC. Pursuant to the agreement, commencing on December 19, 2020 and ending on June 30, 2021, 2831 Chartres Street Investments, LLC has the right to put all its interest in NOCCA Real Estate, LLC and NOCCA Master Tenant, LLC to the Institute for \$122,653 or the remaining balance of the note receivable. In the event that the put option is not exercised, the Institute has a call option to acquire the interests in NOCCA Real Estate, LLC and NOCCA Master Tenant, LLC for the lessor of the fair market value or the balance of the outstanding note receivable balance.

5. Concentrations

The Institute 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 Institute 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, 2019, unconditional promises to give consist of the following:

Long term pledges	\$ 706,666
Promises to give, current	732,050
Gross unconditional promises to give	<u>1,731,165</u>
Less unamortized discount	<u>(56,478)</u>
Net unconditional promises to give	<u>\$ 1,382,238</u>
Promises to give:	
Less than one year	\$ 732,050
Due in one to five years	650,188
	<u>\$ 1,382,238</u>

The effective interest rate used to discount the long-term unconditional promises to give is 3.5%.

7. Legacy

The Institute was a residuary principal beneficiary of a fractional interest of a charitable remainder trust which unwound in the current year. The Institute's distribution was \$373,832 which resulted in current year contributions revenue of \$330,895.

The Institute is the beneficiary of another 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.

NEW ORLEANS CENTER FOR CREATIVE ARTS INSTITUTE
NEW ORLEANS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. Property and Equipment

Property and equipment consists of the following at June 30, 2019:

Land (Institute)	\$ 1,553,335
Land improvements (Institute)	163,316
Land (NOCCA Real Estate)	502,944
Land improvements (NOCCA Real Estate)	25,699,433
Furniture, fixtures and equipment (Institute)	86,113
Furniture, fixtures and equipment (State)	2,230,126
Furniture, fixtures and equipment (Culinary)	666,411
Vehicles	19,656
	<hr/>
	30,921,334
Less: Accumulated depreciation and amortization	(5,776,974)
	<hr/>
	\$ 25,144,358

9. Net Assets with Donor Restrictions

Net assets with donor restrictions in the amount of \$877,694 which consist primarily of contributions received were released from donor restrictions by incurring expenses satisfying the purpose specified by donors and satisfaction of time requirements.

The following sets forth the composition of net assets with donor restrictions at June 30, 2019:

Capital projects (restricted as to purpose and time)	\$ 1,315,270
Financial aid and artists-in-residence	144,374
Alumni project	373,832
NOCCA program/department support	298,235
GNOF – financial aid (restricted as to purpose and time)	1,153,633
Other	214,441
Total	<hr/>
	\$ 3,499,785

Funds totaling \$1,153,633 are held by the Greater New Orleans Foundation, \$688,471 is restricted in perpetuity and the earnings are restricted as to time and purpose as they are to be used for operating and the artists-in-residence, financial aid, and library archive programs.

10. Line of Credit

In addition to the financing amounts called for under the Arrangement, the Institute has a \$750,000 uncollateralized line of credit with a financial institution at a variable interest rate based on the prime lending rate (5% at June 30, 2019). The Institute had not drawn on the line of credit as of June 30, 2019. The line of credit expires on April 15, 2020.

NEW ORLEANS CENTER FOR CREATIVE ARTS INSTITUTE
NEW ORLEANS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Operating Leases

NOCCA Real Estate leases the NOCCA Forum Warehouse to NOCCA Master Tenant, LLC for \$35,000 per quarter until June 2021 and \$193,750 per quarter thereafter until the lease expires on December 31, 2034. Rent revenue related to this lease agreement has been straight-lined on the statement of activities and changes in net assets.

Minimum future lease receipts as of June 30, 2019, are as follows:

<u>Year ended June 30,</u>	<u>Minimum Rent</u>
2020	\$ 140,000
2021	140,000
2022	775,000
2023	775,000
2024	775,000
Thereafter	8,137,500
	<u>\$ 10,742,500</u>

As described in Note 3, the Institute entered into an operating lease with NOCCA Master Tenant, LLC for the NOCCA Chevron Forum payable in quarterly payments of \$51,875. The lease began during the year ended June 30, 2015, and will end on the eighteenth anniversary of the commencement of the lease. Rental expense under the lease was \$138,750 for the year ended June 30, 2019. Rental payments for the current year were reduced due to NOCCA Master Tenant, LLC transition of ownership described in Note 4 and verbal agreements between the lessor and lessee.

Future minimal rental payments under the lease are as follows:

<u>Year ended June 30,</u>	<u>Minimum Rent</u>
2020	\$ 207,500
2021	207,500
2022	207,500
2023	207,500
2024	207,500
Thereafter	1,711,875
	<u>\$ 2,749,375</u>

The Institute subleases part of the NOCCA Chevron Forum to lessees under operating lease agreements. On December 1, 2014, the Institute leased facilities to the New Orleans Center for Creative Arts for \$15,667 per month through November 30, 2024.

NEW ORLEANS CENTER FOR CREATIVE ARTS INSTITUTE
NEW ORLEANS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Operating Leases (continued)

Minimum future lease receipts from subleases as of June 30, 2019, are as follows:

<u>Year ended June 30,</u>	<u>Minimum Rent</u>
2020	\$ 188,000
2021	188,000
2022	188,000
2023	188,000
2024	188,000
Thereafter	78,333
	<u>\$ 1,018,334</u>

12. Funds Held by the Greater New Orleans Foundation

The Institute 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, 2019 totaled \$5,686. Any unexpended distribution is reinvested in the endowment.

The Board of Directors (the Board) of the Institute is of the belief that they have a strong fiduciary duty to manage the assets of the Institute'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 Institute 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 Institute 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.

NEW ORLEANS CENTER FOR CREATIVE ARTS INSTITUTE
NEW ORLEANS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

The table below represents the endowment related activity for the fiscal year ending June 30, 2019:

Endowment net assets, beginning of year	\$ 1,137,278
Investment income, net	46,443
Additions to endowment assets	21,000
Appropriation of endowment assets for expenditures	<u>(51,091)</u>
Endowment net assets, end of year	<u>\$ 1,153,630</u>

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.

Investments of the Institute are held in pooled assets managed by GNOF. The values of the Institute’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 Institute 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.

NEW ORLEANS CENTER FOR CREATIVE ARTS INSTITUTE
NEW ORLEANS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. Fair Value of Financial Instruments (continued)

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, 2019 due to the short-term nature of these accounts.

14. Defined Contribution Plans

The Institute has 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 Institute. For the year ended June 30, 2019, the Institute made \$44,918 in employer matching and discretionary contributions to the plan.

15. Changes in Consolidated Net Assets

The following table depicts the changes in consolidated net assets attributable to the controlling financial interest of the Institute and the noncontrolling interest as it relates to NOCCA Real Estate.

	<u>Controlling Interest</u>	<u>Noncontrolling interest</u>	<u>Total</u>
Balance at June 30, 2018	\$ 17,040,250	\$ 304,139	\$ 17,344,389
Excess of expenses over revenues for the year ended June 30, 2019	<u>27,243</u>	<u>(27,981)</u>	<u>(738)</u>
Balance at June 30, 2019	<u>\$ 17,067,493</u>	<u>\$ 276,158</u>	<u>\$ 17,343,651</u>

16. Subsequent Events

Management has evaluated subsequent events through the date that the consolidated financial statements were available to be issued, December 23, 2019, and determined that no disclosures are necessary. No subsequent events occurring after this date have been evaluated for inclusion in these consolidated financial statements.

THE NEW ORLEANS CENTER FOR CREATIVE ARTS INSTITUTE
NEW ORLEANS, LOUISIANA

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019

	The NOCCA Institute	Culinary Operations	TNII	Eliminations	Total
<u>ASSETS</u>					
Current assets:					
Cash and cash equivalents, without donor restrictions	\$ 3,358,622	\$ 70,815	\$ 59,194	\$ -	\$ 3,488,631
Receivables:					
Other	48,450	8,899	-	-	57,349
Prepaid expenses	48,331	199	-	-	48,530
Due from subsidiary	1,639,806	-	-	(1,639,806)	-
Total current assets	5,095,209	79,913	59,194	(1,639,806)	3,594,510
Art work	78,209	756	-	-	78,965
Promises to give, restricted for long-term purposes, net of discount of \$56,479	1,382,238	-	-	-	1,382,238
Notes receivable	6,308,996	-	-	-	6,308,996
Rent receivables, long-term	-	-	1,821,657	-	1,821,657
Property and equipment, net	1,699,360	391,436	23,053,562	-	25,144,358
Investments - funds held by the Greater New Orleans Foundation	1,153,630	-	-	-	1,153,630
Investment in Culinary Operations	398,610	-	-	(398,610)	-
Investment in TNII	13,574,960	-	-	(13,574,960)	-
Total assets	\$ 29,691,212	\$ 472,105	\$ 24,934,413	\$ (15,613,376)	\$ 39,484,354
<u>LIABILITIES AND NET ASSETS</u>					
Liabilities:					
Current liabilities:					
Accounts payable and accrued expenses	\$ 75,089	\$ 9,603	\$ -	\$ -	\$ 84,692
Bonds payable, current portion	200,000	-	-	-	200,000
Due to parent	-	1,427,058	212,748	(1,639,806)	-
Total current liabilities	275,089	1,436,661	212,748	(1,639,806)	284,692
Bonds payable, net of unamortized bond issuance costs	9,356,011	-	-	-	9,356,011
Loans payable	-	-	12,500,000	-	12,500,000
Total liabilities	9,631,100	1,436,661	12,712,748	(1,639,806)	22,140,703
Net assets:					
Without donor restrictions					
NOCCA Institute and Subsidiaries	16,560,327	(964,556)	11,945,507	(13,973,570)	13,567,708
Noncontrolling interest in Subsidiary	-	-	276,158	-	276,158
With donor restrictions	3,499,785	-	-	-	3,499,785
Total net assets	20,060,112	(964,556)	12,221,665	(13,973,570)	17,343,651
Total liabilities and net assets	\$ 29,691,212	\$ 472,105	\$ 24,934,413	\$ (15,613,376)	\$ 39,484,354

See accompanying independent auditors' report.

THE NEW ORLEANS CENTER FOR CREATIVE ARTS INSTITUTE
NEW ORLEANS, LOUISIANA

CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2019

	The NOCCA Institute			Culinary	TNII		Eliminations	Total
	Without Donor Restrictions	With Donor Restrictions	TNI Total	Without Donor Restrictions	Without Donor Restrictions			
Support and Revenues:								
Support:								
Special events, net of expenses of \$197,339	171,442	\$ -	\$ 171,442	\$ -	\$ -	\$ -	\$ -	\$ 171,442
Public performance series/exhibitions	23,769	-	23,769	-	-	-	-	23,769
Contributions and grants	731,632	1,129,161	1,860,793	43,470	-	-	-	1,904,263
Revenues:								
Investment and interest income	45,228	46,448	91,676	-	-	-	-	91,676
Forum project:								
Interest income on loan receivable	64,997	-	64,997	-	-	-	-	64,997
Interest expense subsidy	323,677	-	323,677	-	-	-	-	323,677
Sale of goods and services	19,934	-	19,934	95,292	-	-	-	115,226
Rental	586,742	-	586,742	76,573	426,469	-	-	1,089,784
Miscellaneous	9,327	-	9,327	1,710	-	-	-	11,037
Total support and revenues	1,976,748	1,175,609	3,152,357	217,045	426,469	-	-	3,795,871
Net assets released from restriction	907,785	(907,785)	-	-	-	-	-	-
Total support, revenues, and net assets released from restriction	2,884,533	267,824	3,152,357	217,045	426,469	-	-	3,795,871
Expenses:								
Program	1,928,084	-	1,928,084	262,528	828,166	-	-	3,018,778
Management and general	581,294	-	581,294	6,940	64,659	-	-	652,893
Fundraising	124,938	-	124,938	-	-	-	-	124,938
Total expenses	2,634,316	-	2,634,316	269,468	892,825	-	-	3,796,609
Changes in net assets	250,217	267,824	518,041	(52,423)	(466,356)	-	-	(738)
Net assets								
Beginning of the year	16,310,110	3,231,961	19,542,071	(912,133)	12,688,021	(13,973,570)	-	17,344,389
End of the year	\$ 16,560,327	\$ 3,499,785	\$ 20,060,112	\$ (964,556)	\$ 12,221,665	\$ (13,973,570)	-	17,343,651

See accompanying independent auditors' report.

THE NEW ORLEANS CENTER FOR CREATIVE ARTS INSTITUTE
NEW ORLEANS, LOUISIANA

CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	The NOCCA Institute							
	Program					Management & General	Fundraising	Total
	Forum	NOCCA Direct Support	Plessy Project	Facility Rentals & Press Street	Total Program			
Expenses								
Salaries and benefits	178,674	184,492	53,124	61,910	478,200	218,025	118,574	814,799
Depreciation and amortization	49	59,211	-	-	59,260	18,935	-	78,195
Occupancy	104,876	1,460	-	3,920	110,256	19,782	1,476	131,514
Administrative	556	1,868	3,796	3,511	9,731	39,975	1,150	50,856
Advertising	-	5,138	-	356	5,494	13,539	439	19,472
Events	-	18,557	-	9,120	27,677	4,724	175,392	207,793
Travel & entertainment	-	2,302	-	84	2,386	44,164	8	46,558
Interest	323,677	-	-	-	323,677	-	-	323,677
Artists in residence	-	86,808	-	-	86,808	-	-	86,808
Financial aid	-	290,485	-	-	290,485	-	-	290,485
NOCCA special programs	-	80,941	-	-	80,941	-	-	80,941
Department support	-	57,454	-	-	57,454	-	-	57,454
NOCCA administration & other	-	51,822	-	-	51,822	-	-	51,822
Professional fees	28,749	1,465	-	4,574	34,788	102,404	5,350	142,542
Cost of goods sold	-	-	-	-	-	-	-	-
Forum rent	138,750	-	-	-	138,750	-	-	138,750
Insurance	88,999	-	-	-	88,999	16,941	-	105,940
Repairs and maintenance	46,127	4,058	1,640	403	52,228	8,367	35	60,630
In-kind parking lot	-	-	-	-	-	29,400	-	29,400
In-kind office rent	-	-	-	-	-	48,618	-	48,618
Press Street property taxes	23,343	-	-	-	23,343	-	-	23,343
Garden	-	-	-	-	-	-	-	-
Printing, mailing, and copying	56	4,215	1	1,513	5,785	16,420	19,853	42,058
Licenses and permits	-	-	-	-	-	-	-	-
Loss on disposal	-	-	-	-	-	-	-	-
Total expenses	<u>\$ 933,856</u>	<u>\$ 850,276</u>	<u>\$ 58,561</u>	<u>\$ 85,391</u>	<u>\$ 1,928,084</u>	<u>\$ 581,294</u>	<u>\$ 322,277</u>	<u>\$ 2,831,655</u>

See accompanying independent auditors' report.

(continued)

THE NEW ORLEANS CENTER FOR CREATIVE ARTS INSTITUTE
NEW ORLEANS, LOUISIANA

CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

Expenses	Culinary						TNII					Total
	Program				Management & General	Fundraising	Total	Management & General			Total	
	Marketplace	Gallery	Press Street Garden	Press Street Station Restaurant				Program	Fundraising	Total		
Salaries and benefits	13,160	13,080	58,780	26,028	237	-	111,285	-	-	-	-	926,084
Depreciation and amortization	-	-	-	53,613	-	-	53,613	702,333	-	-	702,333	834,141
Occupancy	-	-	6,290	15,316	-	-	21,606	-	-	-	-	153,120
Other	809	24	882	315	3,099	-	5,129	-	64,659	-	64,659	120,644
Advertising	2	54	1,236	1,283	1,229	-	3,804	-	-	-	-	23,276
Events	-	-	-	-	-	-	-	-	-	-	-	207,793
Travel & entertainment	121	-	40	-	99	-	260	-	-	-	-	46,818
Interest	-	-	-	-	-	-	-	125,833	-	-	125,833	449,510
Artists in residence	-	-	-	-	-	-	-	-	-	-	-	86,808
Financial aid	-	-	-	-	-	-	-	-	-	-	-	290,485
NOCCA special programs	-	-	-	-	-	-	-	-	-	-	-	80,941
Department support	-	-	-	-	-	-	-	-	-	-	-	57,454
NOCCA administration & other	-	-	-	-	-	-	-	-	-	-	-	51,822
Professional fees	660	240	8,275	6,425	-	-	15,600	-	-	-	-	158,142
Cost of goods sold	3,068	284	42	45,359	-	-	48,753	-	-	-	-	48,753
Rent	-	-	-	-	-	-	-	-	-	-	-	138,750
Insurance	-	-	219	(292)	2,276	-	2,203	-	-	-	-	108,143
Repairs and maintenance	-	-	(25)	1,665	-	-	1,640	-	-	-	-	62,270
In-kind parking lot	-	-	-	-	-	-	-	-	-	-	-	29,400
In-kind office rent	-	-	-	-	-	-	-	-	-	-	-	48,618
Property taxes	-	-	-	-	-	-	-	-	-	-	-	23,343
Garden	-	-	1,030	-	-	-	1,030	-	-	-	-	1,030
Printing, mailing, and copying	2,703	-	23	10	-	-	2,736	-	-	-	-	44,794
Licenses and permits	-	-	-	1,809	-	-	1,809	-	-	-	-	1,809
Total expenses	\$ 20,523	\$ 13,682	\$ 76,792	\$ 151,531	\$ 6,940	\$ -	\$ 269,468	\$ 828,166	\$ 64,659	\$ -	\$ 892,825	\$ 3,993,948

See accompanying independent auditors' report.

(concluded)

THE NEW ORLEANS CENTER FOR CREATIVE ARTS INSTITUTE
NEW ORLEANS, LOUISIANA

SCHEDULE OF COMPENSATION, BENEFITS AND OTHER
PAYMENTS TO AGENCY HEAD
FOR THE YEAR ENDED JUNE 30, 2019

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 Institute 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.



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A Professional Accounting Corporation

INDEPENDENT AUDITOR'S 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
the New Orleans Center for Creative Arts Institute

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 Institute (a nonprofit organization) and subsidiaries (the Institute), which comprise the consolidated statement of financial position as of June 30, 2019, 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 23, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Institute'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 the Institute's internal control. Accordingly, we do not express an opinion on the effectiveness of the Institute'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 the Institute'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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Postlethwaite & Netterville

Metairie, Louisiana
December 23, 2019