NEW ORLEANS CENTER FOR CREATIVE ARTS FOUNDATION
NEW ORLEANS, LOUISIANA

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021

P&N
Postlethwaite & Netterville
A Professional Accounting Corporation
pncpa.com

NEW ORLEANS CENTER FOR CREATIVE ARTS FOUNDATION
NEW ORLEANS, LOUISIANA

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021

CONTENTS

P&N
Postlethwaite & Netterville

30th Floor, Energy Centre, 1100 Poydras Street – New Orleans, LA 70163
One Galleria Blvd., Suite 2100 – Metairie, LA 70001
504-837-5990 Phone – 504-834-3609 Fax – pncpa.com

A Professional Accounting Corporation

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the New Orleans Center for Creative Arts Foundation (a nonprofit organization) and subsidiaries (collectively, the Foundation), which comprise the consolidated statement of financial position as of June 30, 2021, 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.

Postlethwaite & Netterville

Opinion

In our opinion, the consolidated financial statements referred to on the previous page present fairly, in all material respects, the financial position of the New Orleans Center for Creative Arts Foundation and subsidiaries as of June 30, 2021, 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 schedule of compensation, benefits and other payments to agency head on page 19 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 January 6, 2022, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

Postlethwaite & Netterville

Metairie, Louisiana
January 6, 2022

NEW ORLEANS CENTER FOR CREATIVE ARTS FOUNDATION
NEW ORLEANS, LOUISIANA

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021

ASSETS

Current assets:		
Cash and cash equivalents	$	3,263,061
Receivables:		
Promises to give, net of discount of $2,542		236,958
Other		22,333
Prepaid expenses and other assets		46,031
Total current assets		3,568,383
Art work		85,370
Promises to give, restricted for long-term purposes, net of discount of $1,059		8,941
Property and equipment, net		23,615,500
Investments - funds held by the Greater New Orleans Foundation		1,349,944
Total assets	$	28,628,138

LIABILITIES AND NET ASSETS

Liabilities:		
Current liabilities:		
Accounts payable and accrued expenses	$	60,233
Bonds payable, current portion		200,000
Loan payable, current portion		3,921
Total current liabilities		264,154
Long-term liabilities:		
Bonds payable, net of current portion and unamortized bond issuance costs		8,549,959
Loan payable, net of current portion		145,979
Total long-term liabilities		8,695,938
Total liabilities		8,960,092
Net assets:		
Without donor restrictions		16,799,973
With donor restrictions		2,868,073
Total net assets		19,668,046
Total liabilities and net assets	$	28,628,138

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

NEW ORLEANS CENTER FOR CREATIVE ARTS FOUNDATION
NEW ORLEANS, LOUISIANA

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues:			
Support:			
Contributions and grants	$ 352,382	$ 622,911	$ 975,293
Special event - gala, net of expenses of $58,717	61,878	-	61,878
Paycheck Protection Program loan forgiveness	150,967	-	150,967
Revenues:			
Investment income, net	10,512	275,698	286,210
Forum project:			
Interest income on loans receivable	53,244	-	53,244
QZAB interest expense subsidy	268,616	-	268,616
Sale of goods and services	202,642	-	202,642
Rental income	420,146	-	420,146
Miscellaneous	67,329	-	67,329
Total support and revenues	1,587,716	898,609	2,486,325
Net assets released from restriction	1,065,873	(1,065,873)	-
Total support, revenues, and net assets released from restriction	2,653,589	(167,264)	2,486,325
Expenses:			
Program	2,639,810	-	2,639,810
Management and general	644,684	-	644,684
Fundraising	147,485	-	147,485
Total expenses	3,431,979	-	3,431,979
Other income (expense):			
Gain on new market tax credit transaction	3,932,038	-	3,932,038
Changes in net assets	3,153,648	(167,264)	2,986,384
Net assets			
Beginning of the year	13,646,325	3,035,337	16,681,662
End of the year	$ 16,799,973	$ 2,868,073	$ 19,668,046

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

NEW ORLEANS CENTER FOR CREATIVE ARTS FOUNDATION
NEW ORLEANS, LOUISIANA

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	Program							
	NOCCA Direct Support	Culinary	Forum	Other	Subtotal	Management & General	Fundraising	Total
Expenses								
Salaries and benefits	$ 289,079	$ 18,912	$ 84,840	$ 73,615	$ 466,446	$ 335,647	$ 145,057	$ 947,150
Depreciation and amortization	47,524	-	-	702,333	749,857	24,294	-	774,151
NOCCA faculty and administration support	79,615	-	49	-	79,664	-	-	79,664
Student Success program	243,714	-	-	-	243,714	-	-	243,714
Artists in residence	54,000	-	-	-	54,000	-	3,850	57,850
Culinary food and supplies	31,477	-	-	-	31,477	-	-	31,477
Student transportation study	26,250	-	-	-	26,250	-	-	26,250
Interest	268,616	-	-	47,833	316,449	8,475	-	324,924
Professional fees	103,367	500	-	-	103,867	105,634	-	209,501
Property taxes	182,582	-	-	-	182,582	-	-	182,582
Building operations	105,639	10,569	-	443	116,651	19,006	2,296	137,953
Insurance	82,154	-	-	-	82,154	28,326	-	110,480
Food & beverage cost of goods sold	32,147	37,690	-	-	69,837	-	-	69,837
Events	17,762	-	-	-	17,762	6,259	39,597	63,618
Repairs and maintenance	38,338	-	-	-	38,338	6,964	-	45,302
Rent	35,000	-	-	-	35,000	-	-	35,000
Administrative	2,689	-	-	12	2,701	28,647	3,460	34,808
Printing, mailing, and copying	6,878	-	-	1	6,879	1,316	11,889	20,084
Other	14,685	1,497	-	-	16,182	2,098	53	18,333
In-kind parking lot	-	-	-	-	-	48,618	-	48,618
In-kind office rent	-	-	-	-	-	29,400	-	29,400
Total expenses	$ 1,661,516	$ 69,168	$ 84,889	$ 824,237	$ 2,639,810	$ 644,684	$ 206,202	$ 3,490,696
Less expenses included with revenues on the consolidated statement of activities and changes in net assets								
Special events	-	-	-	-	-	-	(58,717)	(58,717)
Total expenses included in the expense section on the consolidated statement of activities and changes in net assets	$ 1,661,516	$ 69,168	$ 84,889	$ 824,237	$ 2,639,810	$ 644,684	$ 147,485	$ 3,431,979

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

NEW ORLEANS CENTER FOR CREATIVE ARTS FOUNDATION
NEW ORLEANS, LOUISIANA

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$	2,986,384
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation		765,676
Amortization		8,475
Investment earnings		(275,698)
Change in discount on promises to give		(13,798)
Gain on disposal of property and equipment		(1,811)
Gain on new market tax credit transaction		(3,932,038)
Changes in operating assets and liabilities:		
Promises to give and other receivables		540,719
Prepaid expenses		13,772
Rent receivables		85,202
Accounts payable and accrued expenses		(141,286)
Net cash provided by operating activities		35,597
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments		44,857
Purchases of property and equipment		8,475
Proceeds from sale of property and equipment		8,674
Net cash provided by investing activities		62,006
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on bonds payable		(342,002)
Net cash used in financing activities		(342,002)
Net change in cash and cash equivalents		(244,399)
Cash and cash equivalents, beginning of year		3,507,460
Cash and cash equivalents, end of year	$	3,263,061
DISCLOSURE OF NON-CASH ITEMS:		
In-kind revenue and expense	$	118,700
Interest expense subsidy	$	268,616
Settlement of new market tax credit receivable	$	6,252,982
Settlement of new market tax credit payable	$	12,500,000
DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid	$	47,833

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Nature of Activities

New Orleans Center for Creative Arts Foundation (the Foundation), formerly the New Orleans Center for Creative Arts 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 Foundation funds various classes and workshops for both NOCCA and the general public and provides financial aid (Student Success Program) to certain disadvantaged young artists enrolled in the program. The Foundation acted as the planner, facilitator, developer and fundraiser to provide a new facility, including furniture and equipment, for NOCCA. The facility was completed in January of 2000 and was transferred to and is owned and operated by the State of Louisiana for regional arts education. The Foundation continues to facilitate capital expansion projects, as needed and provide furniture and equipment to NOCCA and oversee third party use of the facility (see Note 4). On April 15, 2021, the New Orleans Center for Creative Arts Institute changes its name to New Orleans Center for Creative Arts Foundation.

These financial statements have been presented on a consolidated basis to include all accounts of the New Orleans Center for Creative Arts Foundation and its subsidiaries. The Foundation'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 Foundation while also providing educational and job training opportunities to NOCCA students, faculty, and alumni.

The Foundation's wholly owned subsidiary, TNI Investments, LLC (TNII), is a for profit entity that was formed in 2013. TNII owned 94% of NOCCA Real Estate, LLC (NOCCA Real Estate), a subsidiary of TNII. The remaining ownership of NOCCA Real Estate was 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. TNII had no other activities. As described in Note 4, TNII and NOCCA Real Estate were involved in a new market tax credit transaction that was closed out in December 2021. TNII was dissolved in March 2021, and NOCCA Real Estate was dissolved in June 2021.

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

2. Summary of Significant Accounting Policies

Basis of presentation

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

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

2. Summary of Significant Accounting Policies (continued)

Net Assets With Donor Restrictions – Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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

Income taxes

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

Management has reviewed Culinary Operations, TNII, and NOCCA Real Estate for any potential tax effects as of June 30, 2021. The Foundation has determined that no tax expense or provision or tax asset or liability should be provided for in the consolidated financial statements of the Foundation.

Accounting Standards Codification (ASC) "Accounting for Uncertainty in Income Taxes" clarifies the accounting and disclosure for uncertain tax positions. This interpretation requires companies to use a prescribed model for assessing the financial statement recognition and measurement of all tax positions taken or expected to be taken in tax returns. The Foundation applies a "more-likely-than-not" recognition threshold for all tax uncertainties. This approach only allows the recognition of those tax benefits that have a greater than fifty percent likelihood of being sustained upon examination by the taxing authorities. The Foundation has reviewed its tax positions and determined there are no outstanding or retrospective tax positions with less than a 50% likelihood of being sustained upon examination by the taxing authorities.

Cash and cash equivalents

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

Promises to give

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

2. Summary of Significant Accounting Policies (continued)

Investments

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

Art work

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

Property and equipment

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

The Foundation reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2021.

Bond issuance costs

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

Contributions and revenue recognition

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

2. Summary of Significant Accounting Policies (continued)

Contributions and revenue recognition (continued)

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

Sales revenues for Culinary Operations are recognized when food items are sold or as services are provided at a point in time. Revenue for these performance obligations, satisfied at a point in time, is generally recognized when goods or services are provided to customers and the Foundation is not required to provide additional goods or services related to that sale. The Organization does not have performance obligations that are unsatisfied or partially unsatisfied at June 30, 2021.

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

In-kind support

The Foundation and NOCCA have entered into a written agreement under which the Foundation will rent office space from the school, in exchange for the services the Foundation provides as part of its exempt purpose. In-kind revenues and the related expenses have been recorded for both transactions. The Foundation records the value of in-kind support related to the free use of its office facilities, which amounted to $29,400 for the year ended June 30, 2021.

The Foundation records the value of in-kind support related to the free use of 111 parking spaces in the parking lot, which amounted to $48,618 for the year ended June 30, 2021. This in-kind rental support is calculated based on the fair rental of the parking space for a day with the consideration that the lot is usually occupied for sixty percent of the year.

The Foundation recognized $40,682 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.

2. Summary of Significant Accounting Policies (continued)

Functional Expense Allocation

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

Use of estimates

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

Adoption of Recent Accounting Pronouncements

The Financial Accounting Standards Board (FASB) has issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, 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. The Foundation adopted this standard effective July 1, 2020. The adoption of this standard had no impact to the Foundation's net assets.

Recent Accounting Pronouncements Issued But Not Yet Adopted

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) issued ASU 2020-07, *Not-for-Profit Entities (Topic 958), Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU requires nonprofits to change their financial statement presentation and disclosure of contributed nonfinancial assets, or gifts-in-kind. The FASB issued the update in an effort to improve transparency in reporting nonprofit gifts-in-kind. The ASU requires the new standard to be applied retrospectively, with amendments taking effect for the Foundation's fiscal year ending June 30, 2022.

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

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

3. Liquidity and Availability of Resources

The following represents the Foundation's financial assets and those available to meet general expenditures over the next twelve months at June 30, 2021:

Financial assets at year end:	
Cash and cash equivalents	$ 3,263,061
Promises to give, net	245,899
Receivables - other	22,333
Investments	1,349,944
Total financial assets	4,881,237
Less amounts not available to be used within one year:	
Promises to give	8,941
Net assets with perpetual donor restrictions	709,471
	718,412
Financial assets available to meet general expenditures over the next twelve months	$ 4,162,825

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

4. NOCCA Chevron Forum and Bonds Payable

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

The NOCCA Chevron Forum (the Forum) features:

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

4. NOCCA Chevron Forum and Bonds Payable (continued)

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

The Arrangement required the Foundation 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 Foundation, (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.

The put options on the new market tax credits were exercised on December 22, 2020. As a result of the option being exercised, the related notes receivable were paid and the notes payable were repaid and terminated. The put option between NOCCA Master Tenant, LLC and NOCCA Real Estate was also exercised and the related agreements terminated, resulting in the termination of the rent receivable previously recorded. Simultaneously, NOCCA Real Estate transferred the Forum property to the NOCCA Foundation.

As of December 2020, NOCCA Real Estate's non-controlling party distributed its non-controlling net asset interest to the Foundation. Thus, at June 30, 2021 there is no remaining non-controlling interest in the Foundation.

As of June 30, 2021, bonds payable equaled $8,862,250. 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, 2021 was $268,616. Quarterly principal payments of $50,000 began on March 14, 2015. On the maturity date, the remaining balance of all outstanding principal is due.

Amortization of the debt issuance costs is reported as interest expense on the consolidated statement of activities and changes in net assets and was $8,475 during the year ended June 30, 2021. The balance of unamortized debt issuance costs is $112,291.

4. NOCCA Chevron Forum and Bonds Payable (continued)

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

Year Ended June 30,	Principal
2022	$ 200,000
2023	200,000
2024	200,000
2025	200,000
2026	200,000
Thereafter	7,862,250
	$ 8,862,250

5. Concentrations

The Foundation has concentrated its credit risk for cash by maintaining deposits in financial institutions in New Orleans, Louisiana, which may at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (FDIC). The Foundation has not experienced any losses and does not believe that significant credit risk exists as a result of this practice.

6. Promises to Give

At June 30, 2021, unconditional promises to give consist of the following:

Long term pledges	$ 249,500
Less unamortized discount	(3,601)
Net unconditional promises to give	$ 245,899

Promise to give:	
Less than one year	$ 239,500
Due in one to five years	10,000
	$ 249,500

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

7. Legacy

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

8. Property and Equipment

Property and equipment consists of the following at June 30, 2021:

Land	$ 2,056,279
Land improvements	163,316
Building and improvements	25,699,433
Furniture, fixtures and equipment	737,597
Furniture, fixtures and equipment (State)	2,275,973
Vehicles	19,656
	30,952,254
Less: Accumulated depreciation and amortization	(7,336,754)
	$ 23,615,500

9. Net Assets with Donor Restrictions

Net assets with donor restrictions in the amount of $1,065,873 were released from donor restrictions by incurring expenses satisfying the purpose specified by donors and the expiration of time restrictions.

The following sets forth the composition of net assets with donor restrictions at June 30, 2021:

Pledges receivable (restricted as to purpose and time)	$ 245,899
Student Success Program and artists-in-residence	291,020
NOCCA program/department support	396,950
GNOF - Student Success Program, library, and general operating (restricted as to purpose and time)	1,349,944
Other	584,260
Total	$ 2,868,073

Funds totaling $1,349,944 are held by the Greater New Orleans Foundation, $709,471 is restricted in perpetuity and the earnings are restricted as to time and purpose as they are to be used for specific purposes and programs such as the artists-in-residence program, the Student Success Program, and library archive programs.

10. Line of Credit and Long-Term Debt

In addition to the financing amounts called for under the Arrangement, the Foundation has a $750,000 uncollateralized line of credit with a financial institution at a variable interest rate based on the prime lending rate (3.25% at June 30, 2021). The Foundation had not drawn on the line of credit as of June 30, 2021. The line of credit expires on April 15, 2022.

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

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

Year Ended June 30,	Principal
2022	$ 3,921
2023	3,724
2024	3,828
2025	3,935
2026	4,044
Thereafter	130,448
	$ 149,900

11. Operating Leases

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

Minimum future lease receipts from leases as of June 30, 2021, are as follows:

Year Ended June 30,	
2022	$ 300,800
2023	244,400
2024	188,000
2025	78,333
	$ 811,533

12. Funds Held by the Greater New Orleans Foundation

The Foundation maintains several endowment funds at the Greater New Orleans Foundation (GNOF). These funds are in an investment pool managed by GNOF. GNOF managers monitor investment returns for each of the funds. The amount available for distribution is equal to 4% of the previous twelve quarters average fund balance, with September 30th of the previous year being the most recent quarter. In addition, the funds are charged a fee of 0.5% annually. Fees paid to GNOF for the year ended June 30, 2021 totaled \$4,696. Any unexpended distribution is reinvested in the endowment.

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

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

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

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

The table below represents the endowment related activity for the fiscal year ending June 30, 2021:

Endowment net assets, beginning of year	$ 1,119,103
Investment income, net	275,698
Additions to endowment assets	-
Appropriation of endowment assets for expenditures	(44,857)
Endowment net assets, end of year	$ 1,349,944

13. Fair Value of Financial Instruments

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

FASB ASC 820 establishes a fair value hierarchy which prioritizes inputs to valuation techniques used to measure fair value. The term "inputs" refers broadly to the assumptions that market participants would use in pricing an asset or liability. Inputs may be based on independent market data ("observable inputs") or they may be internally developed ("unobservable inputs"). The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad categories. These levels include Level 1, unadjusted quoted prices in active markets for identical assets or liabilities; Level 2, directly or indirectly observable inputs other than quoted prices for the asset or liability, such as the quoted market prices for similar assets or liabilities; and Level 3, unobservable inputs for use when little or no market data exists, therefore, requiring an entity to develop its own assumptions. The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of the unobservable inputs.

13. Fair Value of Financial Instruments (continued)

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

The method described above may produce fair value calculations that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with those of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The fair value of cash and cash equivalents, accounts receivable (except for charitable remainder trust which is measured at fair value of the assets held by the trust), current promises to give, and accounts payable approximates book value at June 30, 2021 due to the short-term nature of these accounts.

14. Defined Contribution Plans

The Foundation has a 401(k) plan that is available to all employees who work over 1,000 hours in a twelve-month period and who have attained 60 days of service at the Foundation. For the year ended June 30, 2021, the Foundation made $22,635 in employer matching and discretionary contributions to the plan.

15. Paycheck Protection Program

In February 2021, the Foundation applied for and was approved for a $150,967 loan under the Paycheck Protection Program administered by the Small Business Administration as part of the relief efforts related to COVID-19 pandemic. The Foundation is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The loan is uncollateralized. The Foundation recognized the loan as an unconditional contribution, which is recorded in the consolidated statement of activities and changes in net assets for the year ended June 30, 2021, having met the conditions for forgiveness by incurring eligible expenditures. In October 2021 the Foundation received notice of forgiveness of the loan.

16. Subsequent Events

Management has evaluated subsequent events through the date that the consolidated financial statements were available to be issued, January 6, 2022, and determined that other than the matters regarding the Paycheck Protection Program described in Note 15, there were no other events occurred that require additional disclosure. No events after this date have been evaluated for inclusion in the consolidated financial statements.

SUPPLEMENTARY INFORMATION

NEW ORLEANS CENTER FOR CREATIVE ARTS FOUNDATION
NEW ORLEANS, LOUISIANA

SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO AGENCY HEAD FOR THE YEAR ENDED JUNE 30, 2021

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.

P&N
Postlethwaite & Netterville

30th Floor, Energy Centre, 1100 Poydras Street – New Orleans, LA 70163
One Galleria Blvd., Suite 2100 – Metairie, LA 70001
504-837-5990 Phone – 504-834-3609 Fax – pncpa.com

A Professional Accounting Corporation

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of New Orleans Center for Creative Arts Foundation (a nonprofit organization) and subsidiaries (collectively, the Foundation), which comprise the consolidated statement of financial position as of June 30, 2021, 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 January 6, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's 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.

Postlethwaite & Netterville

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation'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 consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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
January 6, 2022