

NATIONAL PERFORMANCE NETWORK, INC.

FINANCIAL STATEMENTS

June 30, 2018 and 2017



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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of National Performance Network, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audit contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of National Performance Network, Inc. as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Summary of Compensation, Benefits and Other Payments to Agency Head is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated December 5, 2018 on our consideration of National Performance Network, Inc.'s internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering National Performance Network, Inc.'s internal control over financial reporting and compliance.

December 5, 2018

Wegman Tread & Company

NATIONAL PERFORMANCE NETWORK, INC.
STATEMENTS OF FINANCIAL POSITION

June 30, 2018 and 2017

	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	\$ 894,778	\$ 1,080,781
Certificate of deposits	1,588,000	2,088,000
Grants receivable	263,030	2,235,059
Prepaid expenses	17,109	3,903
Total current assets	<u>2,762,917</u>	<u>5,407,743</u>
Property and equipment, at cost less accumulated depreciation	<u>516,878</u>	<u>553,123</u>
Total assets	<u>\$ 3,279,795</u>	<u>\$ 5,960,866</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued expenses	\$ 84,135	\$ 86,896
Grants payable	435,921	526,671
Accrued payroll and related liabilities	32,918	36,464
Current portion of lease payable	1,024	3,067
Current portion of long-term debt	5,140	4,842
Total current liabilities	<u>559,138</u>	<u>657,940</u>
Long-term debt, less current portion	14,796	19,936
Lease payable, less current portion	<u>-</u>	<u>1,024</u>
Total liabilities	<u>573,934</u>	<u>678,900</u>
NET ASSETS		
Net assets		
Unrestricted	(1,035,039)	(1,067,005)
Temporarily restricted	3,740,900	6,348,971
Total net assets	<u>2,705,861</u>	<u>5,281,966</u>
Total liabilities and net assets	<u>\$ 3,279,795</u>	<u>\$ 5,960,866</u>

See accompanying Notes to Financial Statements.

NATIONAL PERFORMANCE NETWORK, INC.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues			
Contributions			
Foundation	\$ -	\$ 765,820	\$ 765,820
Corporation	-	2,700	2,700
Individual	34,919	-	34,919
Government Grants			
Federal	-	75,000	75,000
State	-	16,000	16,000
Local	-	12,500	12,500
Partner contributions	98,000	-	98,000
Dues	8,055	-	8,055
Registration and admissions	75,748	-	75,748
Contract and rental income	214,575	-	214,575
Other	1,160	-	1,160
Net assets released from restrictions	<u>3,480,091</u>	<u>(3,480,091)</u>	<u>-</u>
Total revenues	<u>3,912,548</u>	<u>(2,608,071)</u>	<u>1,304,477</u>
Expenses			
Program services			
Program	3,407,441	-	3,407,441
Supporting services			
Management and general	369,709	-	369,709
Fundraising	<u>103,432</u>	<u>-</u>	<u>103,432</u>
Total expenses	<u>3,880,582</u>	<u>-</u>	<u>3,880,582</u>
Change in net assets	31,966	(2,608,071)	(2,576,105)
Net assets			
Beginning of year	<u>(1,067,005)</u>	<u>6,348,971</u>	<u>5,281,966</u>
End of year	<u>\$ (1,035,039)</u>	<u>\$ 3,740,900</u>	<u>\$ 2,705,861</u>

See accompanying Notes to Financial Statements.

NATIONAL PERFORMANCE NETWORK, INC.

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2017

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

See accompanying Notes to Financial Statements.

NATIONAL PERFORMANCE NETWORK, INC.
STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2018

	<u>Programming Services</u>		<u>Management and General</u>	<u>Total Expenses</u>
	<u>Program</u>	<u>Fundraising</u>		
Communications	\$ 12,198	\$ 1,220	\$ 4,008	\$ 17,426
Contractor fees	58,789	916	8,245	67,950
Depreciation	26,096	2,900	7,249	36,245
Fees and services	19,329	1,252	14,856	35,437
Interest	1,095	53	207	1,355
Occupancy	99,041	9,654	51,231	159,926
Other	-	-	3,257	3,257
Payroll taxes and benefits	97,377	8,765	33,498	139,640
Postage and delivery	2,177	294	471	2,942
Printing	3,192	344	1,375	4,911
Professional fees	66,832	5,564	18,549	90,945
Program grants	1,719,463	-	-	1,719,463
Program activities	707,185	1,600	51,364	760,149
Promotions and marketing	12,220	453	315	12,988
Salaries and wages	460,597	51,898	130,463	642,958
Travel	121,850	18,519	44,621	184,990
Total expenses	<u>\$ 3,407,441</u>	<u>\$ 103,432</u>	<u>\$ 369,709</u>	<u>\$ 3,880,582</u>

See accompanying Notes to Financial Statements.

NATIONAL PERFORMANCE NETWORK, INC.
STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2017

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

See accompanying Notes to Financial Statements.

NATIONAL PERFORMANCE NETWORK, INC.
STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ (2,576,105)	\$ 2,095,283
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	36,245	37,377
(Increase) decrease in operating assets:		
Grants receivable	1,972,029	(809,767)
Prepaid expenses	(13,206)	(1,739)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(2,761)	41,416
Accrued payroll and related liabilities	(3,546)	21,992
Grants payable	(90,750)	(125,412)
Net cash (used) provided by operating activities	<u>(678,094)</u>	<u>1,259,150</u>
Cash flows from investing activities:		
Redemptions of certificates of deposits	3,033,000	2,404,000
Purchases of certificates of deposits	(2,533,000)	(3,190,000)
Purchase of property and equipment	-	-
Net cash provided (used) by investing activities	<u>500,000</u>	<u>(786,000)</u>
Cash flows from financing activities:		
Repayments of lease payable	(3,067)	(3,067)
Repayments of long-term debt	(4,842)	(4,561)
Net cash used by financing activities	<u>(7,909)</u>	<u>(7,628)</u>
Net (decrease) increase in cash	(186,003)	465,522
Cash and cash equivalents at beginning of year	<u>1,080,781</u>	<u>615,259</u>
Cash and cash equivalents at end of year	<u>\$ 894,778</u>	<u>\$ 1,080,781</u>

See accompanying Notes to Financial Statements.

NATIONAL PERFORMANCE NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017

1) Nature of activities

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

2) Summary of significant accounting policies

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

(a) Financial statement presentation

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

(b) Contributions

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

(c) Cash and cash equivalents

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

(d) Certificates of deposit

Investments as of June 30, 2018 and 2017 represent certificates of deposit. Investments with a maturity of one year or less are classified as current.

(e) Grants receivable

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

NATIONAL PERFORMANCE NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017

2) Summary of significant accounting policies (continued)

(f) Depreciation of property and equipment

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

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

(g) Taxes

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

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

(h) Fundraising

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

(i) Use of estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(j) Concentration of credit risk

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

NATIONAL PERFORMANCE NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017

2) Summary of significant accounting policies (continued)

(k) Grants payable

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

(l) Unrestricted revenue and support

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

(m) Functional expenses

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

3) Restrictions on net assets

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

	<u>2018</u>	<u>2017</u>
Doris Duke Charitable Foundation	\$ 1,121,250	\$ 1,980,000
The Andrew Mellon Foundation	2,407,668	4,118,428
Ruth Fertel Foundation	25,000	-
Surdna Foundation	29,450	57,000
MAP Fund	-	35,526
New England Foundation for the Arts	27,891	-
Community Foundation of Greater Atlanta	78,856	95,596
National Endowment for the Arts	25,000	50,000
Other grants	25,785	12,421
Total temporarily restricted assets	<u>\$ 3,740,900</u>	<u>\$ 6,348,971</u>

NATIONAL PERFORMANCE NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017

4) Grants receivable

Grants receivable consisted of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
The Andrew W. Mellon Foundation	\$ -	\$ 1,310,000
Doris Duke Charitable Foundation	33,216	742,500
National Endowment for the Arts	125,000	100,000
Arts Council New Orleans	1,063	3,625
UNO Foundation	24,000	-
New England Foundation for the Arts	45,000	-
State of LA Dept treasury	4,000	-
State Events Trust Fund (Texas)	-	44,183
Surdna Foundation	30,000	30,000
Other grant receivable	751	4,751
Total grants receivable	<u>\$ 263,030</u>	<u>\$ 2,235,059</u>

As of June 30, 2018, 88% of total grants receivable was from four entities. As of June 30, 2017, 92% of total grants receivable was from two entities.

5) Property and equipment

Property and equipment consists of the following:

	<u>2018</u>	<u>2017</u>
Furniture and equipment	\$ 84,988	\$ 84,988
Leasehold improvements	636,287	636,287
Total costs	<u>721,275</u>	<u>721,275</u>
Less: accumulated depreciation	204,397	168,152
Property and equipment, net	<u>\$516,878</u>	<u>\$ 553,123</u>

Depreciation expense was \$36,245 and \$37,377 for the years ended June 30, 2018 and 2017, respectively.

6) Operating lease

On October 17, 2013, the Organization entered into an operating lease for the building used to house operations and an attached parking lot. The lease is for the term of 120 months and commenced April 1, 2014. Rent for the preoccupancy period was \$2,749 monthly; preoccupancy is the period between the lease commencing and the Organization occupying while renovations are ongoing. Starting in November 2015 the Organization began paying normal monthly rental payments of \$5,787 and the preoccupancy monthly rental payments of \$2,789 ceased. The Organization withdrew from the lease agreement effective September 30, 2018.

NATIONAL PERFORMANCE NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017

6) Operating lease (continued)

The minimum lease payments are as follows:

<u>Year Ending</u>	<u>Amount</u>
2019	\$ 18,228

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

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

On August 27, 2018, the Organization entered into an operating lease for the building used to house operations. The lease is for a term of 60 months and commenced October 1, 2018. The lease expires in September 2023.

The minimum lease payments are as follows:

<u>Year Ending</u>	<u>Amount</u>
2019	\$ 18,000
2020	26,250
2021	29,250
2022	31,800
2023	35,100
Thereafter	9,000

Total rent expense under the operating leases was \$72,912 and \$70,311 for the years ended June 30, 2018 and 2017, respectively.

7) Capital lease

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

The minimum lease liability payments are as follows:

<u>Year Ending</u>	<u>Amount</u>
2019	\$ 1,024

8) Related party transactions

Members of the Board of Directors were reimbursed for out-of-pocket expenses resulting from their participant in the Organization's activities in the amount of \$1,608 and \$590 for the years ended June 30, 2018 and 2017, respectively.

NATIONAL PERFORMANCE NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017

9) Long-term debt

Long-term debt consist of the following:

	<u>2018</u>	<u>2017</u>
Note payable to lessor with interest at 6%, to cover the costs of an elevator in the building, in monthly principal and interest payments of approximately \$516. This loan matures January 2022.	\$ 19,936	\$ 24,778
Total long-term debt	<u>19,936</u>	<u>24,778</u>
Less current portion	<u>(5,140)</u>	<u>(4,842)</u>
Total long-term debt	<u>\$ 14,796</u>	<u>\$ 19,936</u>

The maturities of long-term debt are as follows:

2019	\$	5,140
2020		5,459
2021		5,794
2022		3,543

10) Program expenses

During the years ended June 30, 2018 and 2017, the Organization provided subsidies totaling \$1,719,463 and \$1,951,986, respectively, to artists and artistic organizations under various programs it administers. Under certain programs, the subsidy provided by the Organization is expected to be matched by one or more participating partners, as detailed below, for the Organization's four major programs for the years ended June 30, 2018 and 2017:

	Subsidy Provided by National Performance Network		Anticipated Matching Subsidy from Partner Organizations	
	2018	2017	2018	2017
Artist Engagement Fund	\$ 407,226	\$ 691,684	\$ 975,590	\$ 1,278,417
Community Program	-	29,048	-	84,190
Creation and Development Program	355,000	545,500	1,837,136	1,729,638
LANE Program	842,443	740,659	631,832	624,031
	<u>1,604,669</u>	<u>2,006,891</u>	<u>3,444,558</u>	<u>3,716,276</u>
Unmatched subsidies	154,544	114,998	-	-
Prior years subsidy adjustment	(39,750)	(169,903)	-	-
	<u>\$ 1,719,463</u>	<u>\$ 1,951,986</u>	<u>\$ 3,444,558</u>	<u>\$ 3,716,276</u>

NATIONAL PERFORMANCE NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017

10) Program expenses (continued)

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

The Organization also provides fiscal sponsorship and financial services for New Orleans, Louisiana based cultural projects. Fiscal sponsorship and financial services consisted of the following as of June 30, 2018 and 2017:

	2018	2017
Revenue related to fiscally sponsored projects	\$ 365,517	\$ 414,210
Expenses related to fiscally sponsored projects	394,578	279,265
Change in net assets	\$ (29,061)	\$ 134,945
Temporarily restricted net assets related to fiscally sponsored projects		
Current year change in net assets	\$ (29,061)	\$ 134,945
Net assets at beginning of year	217,128	82,183
Total net assets temporarily restricted to fiscally sponsored projects	\$ 188,067	\$ 217,128

11) Economic dependence

In 2018, the Organization received approximately 33% of its revenue from two funding sources. In 2017, the Organization received approximately 83% of its revenue from two funding sources.

12) Fair value measurement

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

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

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

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

NATIONAL PERFORMANCE NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017

12) Fair value measurement (continued)

The investments are valued at fair value. The valuation methodologies used for assets measured at fair value are as follows. Level 1 assets consist of a certificate of deposit. The Organization has no Level 2 or 3 assets. There have been no changes in these methodologies used at June 30, 2018 and 2017.

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

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2018 and 2017:

	Total Fair Value Assets as of June 30, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificates of Deposit	\$ 1,588,000	\$ 1,588,000	\$ -	\$ -

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

13) Net asset deficit

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

14) Subsequent events

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



WEGMANN DAZET & COMPANY

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of National Performance Network, Inc., which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 5, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered National Performance Network, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of National Performance Network, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of National Performance Network, Inc.'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether National Performance Network, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not

express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

December 5, 2018

Wegmann, Street & Company

NATIONAL PERFORMANCE NETWORK, INC.
SUMMARY OF COMPENSATION, BENEFITS, AND OTHER
PAYMENTS TO AGENCY HEAD
For the Year Ended June 30, 2018

SUMMARY OF COMPENSATION

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