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

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2018



Postlethwaite & Netterville

A Professional Accounting Corporation

www.pncpa.com

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

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2018

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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, 2018, and the related consolidated statements of activities and changes in net assets 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, 2018, 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 25, consolidating schedule of expenses by natural classifications on page 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 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 19, 2018, on our consideration of the Institute's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the Institute's internal control over financial reporting and compliance.

Postlethwaite & Netterville

Metairie, Louisiana
December 19, 2018

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018

A S S E T S

Current assets:	
Cash and cash equivalents, unrestricted	\$ 3,141,215
Cash and cash equivalents, temporarily restricted	472,746
Receivables:	
Promises to give, current	669,548
Other	194,827
Inventory	284
Prepaid expenses	54,209
	<hr/>
Total current assets	4,532,829
	<hr/>
Art work	74,674
Promises to give, long-term, net of discount of \$89,360	972,255
Rent receivables, long-term	1,500,188
Notes receivable	6,031,996
Property and equipment, net	25,949,105
Investments - funds held by the Greater New Orleans Foundation	1,137,276
	<hr/>
Total assets	\$ 40,198,323
	<hr/>

L I A B I L I T I E S A N D N E T A S S E T S

Liabilities:	
Current liabilities:	
Accounts payable and accrued expenses	\$ 60,398
Bonds payable, current portion	200,000
Loans payable, current portion	30,000
	<hr/>
Total current liabilities	290,398
	<hr/>
Bonds payable, net of unamortized bond issuance costs	10,063,536
Loans payable	12,500,000
	<hr/>
Total liabilities	22,853,934
	<hr/>
Net assets:	
Unrestricted:	
NOCCA Institute and Subsidiaries	13,808,289
Noncontrolling interest in Subsidiary	304,139
Temporarily restricted	2,106,164
Permanently restricted	1,125,797
	<hr/>
Total net assets	17,344,389
	<hr/>
Total liabilities and net assets	\$ 40,198,323
	<hr/>

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, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and Revenues:				
Support:				
Special events, net of expenses of \$192,209	\$ 280,867	\$ -	\$ -	\$ 280,867
Public performance series/exhibitions	38,833	-	-	38,833
Contributions and grants	2,064,387	1,261,559	-	3,325,946
Revenues:				
Investment and interest income	24,729	43,166	41,002	108,897
Forum project:				
Interest income on loans receivable	80,271	-	-	80,271
QZAB interest expense subsidy	362,641	-	-	362,641
Sale of goods and services	343,138	-	-	343,138
Rental	1,065,223	-	-	1,065,223
Miscellaneous	216,147	-	-	216,147
Total support and revenues	4,476,236	1,304,725	41,002	5,821,963
Net assets released from restriction	641,552	(641,552)	-	-
Total support, revenues, and net assets released from restriction	5,117,788	663,173	41,002	5,821,963

(Continued)

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

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Expenses:				
Program:				
NOCCA Direct Support:				
Artists-in-residence	123,155	-	-	123,155
Financial aid	302,482	-	-	302,482
Pilot academic programs	110,235	-	-	110,235
NOCCA administration and department support	62,231	-	-	62,231
NOCCA forum	667,054	-	-	667,054
Friends of NOCCA	77,733	-	-	77,733
Plessy Project	89,404	-	-	89,404
Facility rental expense	142,187	-	-	142,187
Garden	156,094	-	-	156,094
Gallery	58,192	-	-	58,192
Press Street Station	351,410	-	-	351,410
Marketplace	29,768	-	-	29,768
Culinary cost of goods sold	165,843	-	-	165,843
Other	5,577	-	-	5,577
Management and general:				
General and administrative	345,024	-	-	345,024
Depreciation	856,024	-	-	856,024
In-kind parking lot	48,618	-	-	48,618
In-kind office rent	29,400	-	-	29,400
QZAB Interest	486,669	-	-	486,669
Loss on disposal	3,165	-	-	3,165
Fundraising	166,583	-	-	166,583
Total expenses	<u>4,276,848</u>	<u>-</u>	<u>-</u>	<u>4,276,848</u>
 Changes in net assets	 840,940	 663,173	 41,002	 1,545,115
 Net assets				
Beginning of the year	<u>13,271,488</u>	<u>1,442,991</u>	<u>1,084,795</u>	<u>15,799,274</u>
 End of the year	 <u>\$ 14,112,428</u>	 <u>\$ 2,106,164</u>	 <u>\$ 1,125,797</u>	 <u>\$ 17,344,389</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, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 1,545,115
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	667,054
Amortization	8,475
Investment earnings	(84,168)
Donated artwork	(4,250)
Donated property and equipment (piano)	(101,519)
Change in discount on promises to give	(12,756)
Loss on disposal of property and equipment	(3,165)
Changes in operating assets and liabilities:	
Promises to give and other receivables	(524,887)
Prepaid expenses	1,307
Long term promises to give	(82,947)
Long term rent receivables	(428,625)
Accounts payable and accrued expenses	(163,310)
Net cash provided by operating activities	<u>816,324</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Net proceeds from sales and maturities of investments	31,687
Purchases of property and equipment	178,532
Net cash used in investing activities	<u>210,219</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Payments on bonds payable	(481,750)
Net cash used in financing activities	<u>(481,750)</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS

544,793

CASH AND CASH EQUIVALENTS:

Beginning of the year	3,069,168
End of the year	<u>\$ 3,613,961</u>

RECONCILIATION OF CASH AND CASH EQUIVALENTS:

Cash and cash equivalents, unrestricted	\$ 3,141,215
Cash and cash equivalents, temporarily restricted	472,746
	<u>\$ 3,613,961</u>

DISCLOSURE OF NON-CASH ITEMS:

Financial aid contribution in exchange for loan payment	\$ 30,000
In-kind revenue and expense	\$ 301,705
Interest expense subsidy	<u>\$ 362,641</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 plan, facilitate, and develop capital expansion projects, as described in Note 3, and provide furniture and equipment to NOCCA and oversee third party use of the facility.

These financial statements have been consolidated 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, Press Street Station restaurant (closed in 2018), 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 an unrelated 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.

NEW ORLEANS CENTER FOR CREATIVE ARTS INSTITUTE
NEW ORLEANS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies

Basis of presentation

The financial statements of the Institute are presented on the accrual basis of accounting. Net assets, support and revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Institute and changes therein are classified and reported as follows:

- Unrestricted net assets - Net assets not subject to donor-imposed stipulations. The Institute reports restricted grants and contributions whose restrictions are met in the same reporting period as unrestricted support.
- Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Institute and/or the passage of time.
- Permanently restricted net assets - Net assets subject to donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled and removed by actions of the Institute pursuant to those stipulations.

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, 2018. 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.

NEW ORLEANS CENTER FOR CREATIVE ARTS INSTITUTE
NEW ORLEANS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (continued)

Promises to give

Unconditional promises to give are recognized as revenue or gains in the period received and as assets, decreases of liabilities, or expenses 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.

Investments

Investments in marketable securities with readily determinable fair values are reported at their fair value based on available market quotes in the consolidated statement of financial position and as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or law. Unrealized gains that are restricted by donors are reported as increases in temporarily restricted net assets. Unrealized gains absent restriction and unrealized losses are reported as increases and decreases in unrestricted net assets.

Interest earned on donor-restricted investments is reported based on the existence or absence of donor-imposed restrictions. The Institute's endowments provide for a certain percentage of current year earnings to be returned to the endowment for perpetual investment. The return of these earnings is reported as increases in permanently restricted net assets. The remaining earnings are recorded as increases in unrestricted net assets and are available to the Institute for distribution in accordance with the endowment agreement or may be returned to the endowment by the Institute for perpetual investment.

Realized gains and losses, and declines in value judged to be other than temporary, are included in net appreciation (depreciation) of investments. Realized gains and losses on the sales of securities are determined using the specific-identification method. A decline in the fair value of investments below cost, that is deemed to be other than temporary, results in a charge to change in net assets and the establishment of a new cost basis for the investment.

Bond issuance costs

Bond issuance costs are amortized over the period the bonds are expected to be outstanding using the straight-line method.

Donated art

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.

NEW ORLEANS CENTER FOR CREATIVE ARTS INSTITUTE
NEW ORLEANS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (continued)

Property and equipment

Property and equipment acquisitions are recorded at cost except for those donated to the Institute, which are recorded at estimated value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

Depreciation is determined using the straight-line method and is intended to allocate the cost of the assets over their estimated useful lives.

Property and equipment consists of the following at June 30, 2018:

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)	84,899
Furniture, fixtures and equipment (State)	2,230,126
Furniture, fixtures and equipment (Culinary)	666,411
	<hr/>
	30,900,464
Less: Accumulated depreciation and amortization	(4,951,359)
	<hr/>
	\$ 25,949,105

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 promises to give are not recognized until the conditions on which they depend have been substantially met.

Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities and changes in net assets as net assets released from restrictions.

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.

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)

Grant revenues represent various amounts received related to grant agreements with governmental agencies. Grant receivables are stated at the amount management expects to collect from outstanding balances. Management considered subsequent collection results and wrote off all year-end balances that were 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, 2018.

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, 2018. 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 Institute recognized \$223,687 in revenues and expenses for other donated goods and services.

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.

NEW ORLEANS CENTER FOR CREATIVE ARTS INSTITUTE
NEW ORLEANS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (continued)

Reclassification

Certain accounts in the 2017 financial statements have been reclassified to conform to the current year presentation.

Recent Accounting Pronouncements

On August 18, 2016, FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Under the ASU, the number of net asset classes is decreased from three to two; enhanced disclosures of underwater endowments are required; reporting of expenses by function and nature, as well as an analysis of expenses by both function and nature is required; and qualitative information in the notes to the financial statements on how it manages its liquid available resources and liquidity risks is required. This ASU is effective for the Institute's June 30, 2019 year end.

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. This ASU is effective for the Institute's June 30, 2019 year end.

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.

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, 2021 year end.

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

NEW ORLEANS CENTER FOR CREATIVE ARTS INSTITUTE
NEW ORLEANS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. NOCCA Chevron Forum

Through its consolidated subsidiary, NOCCA Real Estate, the Institute developed a historic sister 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, 2018, bonds payable equaled \$10,401,250. 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, 2018 was \$362,641. 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

3. 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, 2018. The balance of unamortized debt issuance costs is \$137,714.

Future minimum payments on the bonds are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>
2019	\$ 200,000
2020	200,000
2021	200,000
2022	200,000
2023	200,000
Thereafter	9,401,250
	<u>\$ 10,401,250</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, 2018 is \$80,271.

As part of the Arrangement, a master lease was signed by NOCCA Master Tenant LLC, an unrelated third party, 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

3. 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, 2018, NOCCA Real Estate has Qualified Low-Income Community Investment (QLICI) loans with a total balance of \$12,500,000. The QLICIs are each interest only until June 15, 2021 and bear interest at 1.00%. The QLICIs 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>
2019	\$ -
2020	-
2021	477,204
2022	641,858
2023	648,300
Thereafter	10,732,638
	<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. The impact, if any, on the valuation of the notes receivable or long-term debt is indeterminable at this time. Payments and receivables have continued to proceed as scheduled and management has determined that no allowance is needed at this time.

4. 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.

NEW ORLEANS CENTER FOR CREATIVE ARTS INSTITUTE
NEW ORLEANS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. Net Assets Released

Temporarily restricted net assets in the amount of \$641,552 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.

6. Restrictions on Assets

The following sets forth the composition of temporarily restricted net assets at June 30, 2018:

Charitable remainder trust	\$ 42,280
Capital projects	1,599,639
Financial aid and artists-in-residence	125,470
GNOF – financial aid	11,481
Other	327,294
Total	<u>\$ 2,106,164</u>

Permanently restricted net assets consist of funds totaling \$1,125,797 held by the Greater New Orleans Foundation which are restricted for endowment purposes, the interest from which is available for operating and the artists-in-residence, financial aid, and library archive programs.

7. Promises to Give

At June 30, 2018, unconditional promises to give consist of the following:

Charitable remainder trust	\$ 42,280
Long term pledges	1,019,335
Promises to give, current	669,548
Gross unconditional promises to give	<u>1,731,163</u>
Less unamortized discount	(89,360)
Net unconditional promises to give	<u>\$ 1,641,803</u>
Promises to give:	
Less than one year	\$ 669,548
Due in one to five years	900,989
Over five years	71,266
	<u>\$ 1,641,803</u>

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

NEW ORLEANS CENTER FOR CREATIVE ARTS INSTITUTE
NEW ORLEANS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. Legacy

The Institute is a residuary principal beneficiary of a fractional interest of two charitable remainder trusts from donors. The Trustees have placed a value of \$42,280 on the Institute's fractional interest in one trust's assets at June 30, 2018.

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

9. 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, 2018). The Institute had not drawn on the line of credit as of June 30, 2018. The line of credit expires on April 15, 2019.

10. Term Loan

In April 2013, the Institute entered into an agreement to borrow \$120,000 to finance the start-up phase of the Café in the NOCCA Forum. The institute requested and received the loan funds in May 2014. The outstanding balance on the loan as of June 30, 2018 is \$30,000. Principal will be due in four annual installments of \$30,000 beginning in January 2016. The loan will not yield any interest. However, if payments are not made by the due date, the interest rate will be 5% per annum on the remaining outstanding balance. The first loan payment was forgiven and the lender entered into an agreement with the Institute to forgive the annual loan payments in the form of annual contributions to the Institute's financial aid program. This remaining \$30,000 contribution pledge is included in promises to give on the statement of financial position.

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.

NEW ORLEANS CENTER FOR CREATIVE ARTS INSTITUTE
NEW ORLEANS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Operating Leases (continued)

Minimum future lease receipts as of June 30, 2018, are as follows:

<u>Year ended June 30,</u>	<u>Minimum Rent</u>
2019	\$ 140,000
2020	140,000
2021	140,000
2022	775,000
2023	775,000
Thereafter	8,912,500
	<u>\$ 10,882,500</u>

As described in Note 3, the Institute entered into an operating lease with NOCCA Master Tenant, LLC for the NOCCA Chevron Forum. 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 \$207,500 for the year ended June 30, 2018.

Future minimal rental payments under the lease are as follows:

<u>Year ended June 30,</u>	<u>Minimum Rent</u>
2019	\$ 207,500
2020	207,500
2021	207,500
2022	207,500
2023	207,500
Thereafter	1,919,375
	<u>\$ 2,956,875</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. On February 1, 2015, the Institute leased facilities to the Recovery School District for \$9,400 a month through January 31, 2020.

Minimum future lease receipts from subleases as of June 30, 2018, are as follows:

<u>Year ended June 30,</u>	<u>Minimum Rent</u>
2019	\$ 300,800
2020	253,800
2021	188,000
2022	188,000
2023	188,000
Thereafter	266,333
	<u>\$ 1,384,934</u>

NEW ORLEANS CENTER FOR CREATIVE ARTS INSTITUTE
NEW ORLEANS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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, 2018 totaled \$5,728. Any unexpended distribution is reinvested in the endowment and is classified as permanently restricted. The amounts reported as temporarily and permanently restricted at June 30, 2018 are \$11,481 and \$1,137,278, respectively.

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 permanently restricted net assets. Earnings, including appreciation, that are not required by the donor to be reinvested in corpus are maintained in unrestricted net assets.

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 temporarily restricted 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, 2018:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 1,084,795	\$ 1,084,795
Investment gain			
Interest income	-	2,054	2,054
Net appreciation (realized and unrealized)	43,166	38,948	82,114
Total investment gain	43,166	41,002	84,168
Appropriation of endowment assets for expenditures	(31,685)	-	(31,685)
Endowment net assets, end of year	<u>\$ 11,481</u>	<u>\$ 1,125,797</u>	<u>\$ 1,137,278</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 2 of the fair value hierarchy.

NEW ORLEANS CENTER FOR CREATIVE ARTS INSTITUTE
NEW ORLEANS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. Fair Value of Financial Instruments (continued)

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.

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, 2018 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, 2018, the Institute made \$47,147 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, 2017	\$ 15,492,160	\$ 307,114	\$ 15,799,274
Excess of revenues over expenses for the year ended June 30, 2018	<u>1,548,052</u>	<u>(2,975)</u>	<u>1,545,115</u>
Balance at June 30, 2018	<u>\$ 17,040,250</u>	<u>\$ 304,139</u>	<u>\$ 17,344,389</u>

NEW ORLEANS CENTER FOR CREATIVE ARTS INSTITUTE
NEW ORLEANS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

17. Subsequent Events

Management has evaluated subsequent events through the date that the consolidated financial statements were available to be issued, December 19, 2018, and determined that no additional disclosures are necessary except as noted below. No subsequent events occurring after this date have been evaluated for inclusion in these consolidated financial statements.

Subsequent to year end, the Institute loaned \$277,000 to 2831 Chartres Street Investments, LLC (an unrelated third party) and executed a put/call agreement, as further described below:

NOCCA Master Tenant, LLC (unrelated 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 security and pledge agreement in favor of the Institute pledging 2831 Chartres Street Investment, LLC's interest in NOCCA Master Tenant, LLC.

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.

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

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018

	The NOCCA Institute	Culinary Operations	TNII	Eliminations	Total
<u>ASSETS</u>					
Current assets:					
Cash and cash equivalents, unrestricted	\$ 2,988,564	\$ 7,964	\$ 144,687	\$ -	\$ 3,141,215
Cash and cash equivalents, temporarily restricted	472,746	-	-	-	472,746
Receivables:					
Promises to give, current	669,548	-	-	-	669,548
Other	193,827	1,000	-	-	194,827
Inventory	-	284	-	-	284
Prepaid expenses	53,008	1,201	-	-	54,209
Due from subsidiary	1,571,130	-	-	(1,571,130)	-
Total current assets	5,948,823	10,449	144,687	(1,571,130)	4,532,829
Art work	73,918	756	-	-	74,674
Promises to give, long-term, net of discount of \$89,360	972,255	-	-	-	972,255
Notes receivable	6,031,996	-	-	-	6,031,996
Rent receivables, long-term	-	-	1,500,188	-	1,500,188
Property and equipment, net	1,748,161	445,050	23,755,894	-	25,949,105
Investments - funds held by the Greater New Orleans Foundation	1,137,276	-	-	-	1,137,276
Investment in Culinary Operations	398,610	-	-	(398,610)	-
Investment in TNII	13,574,960	-	-	(13,574,960)	-
Total assets	\$ 29,885,999	\$ 456,255	\$ 25,400,769	\$ (15,544,700)	\$ 40,198,323
<u>LIABILITIES AND NET ASSETS</u>					
Liabilities:					
Current liabilities:					
Accounts payable and accrued expenses	\$ 50,392	\$ 10,006	\$ -	\$ -	\$ 60,398
Bonds payable, current portion	200,000	-	-	-	200,000
Loans payable, current portion	30,000	-	-	-	30,000
Due to parent	-	1,358,382	212,748	(1,571,130)	-
Total current liabilities	280,392	1,368,388	212,748	(1,571,130)	290,398
Bonds payable, net of unamortized bond issuance costs	10,063,536	-	-	-	10,063,536
Loans payable	-	-	12,500,000	-	12,500,000
Total liabilities	10,343,928	1,368,388	12,712,748	(1,571,130)	22,853,934
Net assets:					
Unrestricted:					
NOCCA Institute and Subsidiaries	16,310,110	(912,133)	12,383,882	(13,973,570)	13,808,289
Noncontrolling interest in Subsidiary	-	-	304,139	-	304,139
Temporarily restricted	2,106,164	-	-	-	2,106,164
Permanently restricted	1,125,797	-	-	-	1,125,797
Total net assets	19,542,071	(912,133)	12,688,021	(13,973,570)	17,344,389
Total liabilities and net assets	\$ 29,885,999	\$ 456,255	\$ 25,400,769	\$ (15,544,700)	\$ 40,198,323

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, 2018

	The NOCCA Institute			TNI Total	Culinary Operations	TNI	Eliminations	Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		Unrestricted	Unrestricted		
Support and Revenues:								
Support:								
Special events, net of expenses	\$ 280,867	\$ -	\$ -	\$ 280,867	\$ -	\$ -	\$ -	\$ 280,867
Public performance series/exhibitions	38,833	-	-	38,833	-	-	-	38,833
Contributions and grants	1,748,844	1,261,559	-	3,010,403	42,747	272,796	-	3,325,946
Revenues:								
Investment and interest income	24,729	43,166	41,002	108,897	-	-	-	108,897
Forum project:								
Interest income on loan receivable	80,271	-	-	80,271	-	-	-	80,271
Interest expense subsidy	362,641	-	-	362,641	-	-	-	362,641
Sale of goods and services	-	-	-	-	343,138	-	-	343,138
Rental	457,961	-	-	457,961	38,637	568,625	-	1,065,223
Miscellaneous	200,050	-	-	200,050	23,997	-	(7,900)	216,147
Total support and revenues	3,194,196	1,304,725	41,002	4,539,923	448,519	841,421	(7,900)	5,821,963
Net assets released from restriction	641,552	(641,552)	-	-	-	-	-	-
Total support, revenues, and net assets released from restriction	3,835,748	663,173	41,002	4,539,923	448,519	841,421	(7,900)	5,821,963

(Continued)

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

CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018

	The NOCCA Institute			TNI Total	Culinary Operations	TNII	Eliminations	Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		Unrestricted	Unrestricted		
Expenses:								
Program:								
NOCCA Direct Support								
Artists-in-residence	123,155	-	-	123,155	-	-	-	123,155
Financial aid	302,482	-	-	302,482	-	-	-	302,482
Pilot academic programs	110,235	-	-	110,235	-	-	-	110,235
NOCCA administration and department support	62,231	-	-	62,231	-	-	-	62,231
NOCCA forum	667,054	-	-	667,054	-	-	-	667,054
Friends of NOCCA	77,733	-	-	77,733	-	-	-	77,733
Plessy Project	89,404	-	-	89,404	-	-	-	89,404
Facility rental expense	142,187	-	-	142,187	-	-	-	142,187
Garden	-	-	-	-	156,094	-	-	156,094
Gallery	-	-	-	-	58,192	-	-	58,192
Press Street Station	-	-	-	-	351,410	-	-	351,410
Marketplace	-	-	-	-	29,768	-	-	29,768
Cost of goods sold	-	-	-	-	165,843	-	-	165,843
Other	3,075	-	-	3,075	2,502	-	-	5,577
Management and general								
General and administrative	274,041	-	-	274,041	6,340	64,643	-	345,024
Depreciation	99,400	-	-	99,400	54,291	702,333	-	856,024
In-kind parking lot	48,618	-	-	48,618	-	-	-	48,618
In-kind office rent	29,400	-	-	29,400	-	-	-	29,400
QZAB Interest	362,641	-	-	362,641	-	124,028	-	486,669
Loss on disposal	-	-	-	-	3,165	-	-	3,165
Fundraising	166,583	-	-	166,583	-	-	-	166,583
Total expenses	<u>2,558,239</u>	<u>-</u>	<u>-</u>	<u>2,558,239</u>	<u>827,605</u>	<u>891,004</u>	<u>-</u>	<u>4,276,848</u>
Excess of revenues over expenses	1,277,509	663,173	41,002	1,981,684	(379,086)	(49,583)	(7,900)	1,545,115
Changes in net assets	1,277,509	663,173	41,002	1,981,684	(379,086)	(49,583)	(7,900)	1,545,115
Net assets								
Beginning of the year	15,032,601	1,442,991	1,084,795	17,560,387	(533,047)	12,737,604	(13,965,670)	15,799,274
End of the year	<u>\$ 16,310,110</u>	<u>\$ 2,106,164</u>	<u>\$ 1,125,797</u>	<u>\$ 19,542,071</u>	<u>\$ (912,133)</u>	<u>\$ 12,688,021</u>	<u>\$ (13,973,570)</u>	<u>\$ 17,344,389</u>

See accompanying independent auditors' report.

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

CONSOLIDATING SCHEDULE OF EXPENSES BY NATURAL CLASSIFICATION
FOR THE YEAR ENDED JUNE 30, 2018

	The NOCCA Institute	Culinary Operations	TNII	Total
Expenses				
Salaries and benefits	\$ 732,195	\$ 299,543	\$ -	\$ 1,031,738
Depreciation	99,400	54,291	702,333	856,024
General and administrative	463,946	202,193	-	666,139
Interest	372,016	-	124,028	496,044
NOCCA Direct Support	431,681	10,860	-	442,541
Professional fees	110,221	53,455	64,643	228,319
Cost of goods sold	-	179,908	-	179,908
Facility rental expense	131,712	-	-	131,712
Insurance	92,907	12,743	-	105,650
Repairs and maintenance	54,086	-	-	54,086
In-kind parking lot	48,618	-	-	48,618
In-kind office rent	29,400	-	-	29,400
Press Street property taxes	23,807	-	-	23,807
Garden	-	22,307	-	22,307
Printing, mailing, and copying	7,055	1,395	-	8,450
Licenses and permits	-	3,902	-	3,902
Loss on disposal	-	3,165	-	3,165
Total expenses	<u>\$ 2,597,044</u>	<u>\$ 843,762</u>	<u>\$ 891,004</u>	<u>\$ 4,331,810</u>

See accompanying independent auditors' report.

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, 2018

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 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, 2018, and the related consolidated statements of activities 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 19, 2018.

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 19, 2018