

**THE LOUISIANA PHILHARMONIC
ORCHESTRA**

Audits of Financial Statements

June 30, 2017 and 2016



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Independent Auditor's Report

To the Board of Trustees and Members of
the Louisiana Philharmonic Orchestra

Report on the Financial Statements

We have audited the accompanying financial statements of the Louisiana Philharmonic Orchestra (a non-profit organization) (the LPO), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities 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.

Auditor's 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 audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from 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 auditor's judgment, including the 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. 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 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 financial statements referred to above present fairly, in all material respects, the financial position of the Louisiana Philharmonic Orchestra as of June 30, 2017 and 2016, 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

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying schedule 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 November 6, 2017, on our consideration of the Louisiana Philharmonic Orchestra'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 Louisiana Philharmonic Orchestra's internal control over financial reporting and compliance.



A Professional Accounting Corporation

Metairie, LA
November 6, 2017

THE LOUISIANA PHILHARMONIC ORCHESTRA
 Statements of Financial Position
 June 30, 2017 and 2016

	2017	2016
Assets		
Current Assets		
Cash	\$ 89,551	\$ 33,259
Contributions Receivable, Net	632,048	544,711
State Tax Credit Receivable	606,695	636,774
Other Current Assets	101,624	64,485
Total Current Assets	1,429,918	1,279,229
Property and Equipment, Net	382,473	420,138
Other Assets		
Contributions Receivable Greater than One Year, Net	477,424	303,994
Interest in Endowment Trust	924,330	889,528
Investment Securities - at Fair Value	109,496	-
Total Assets	\$ 3,323,641	\$ 2,892,889
Liabilities and Net Assets		
Current Liabilities		
Trade Accounts Payable and Accrued Liabilities	\$ 358,894	\$ 90,035
Deferred Revenue - Ticket Sales	717,555	738,500
Total Current Liabilities	1,076,449	828,535
Long-Term Liabilities		
Line of Credit	249,809	247,978
Total Liabilities	1,326,258	1,076,513
Net Assets		
Unrestricted	(38,641)	(74,563)
Temporarily Restricted	444,817	434,534
Permanently Restricted	1,591,207	1,456,405
Total Net Assets	1,997,383	1,816,376
Total Liabilities and Net Assets	\$ 3,323,641	\$ 2,892,889

The accompanying notes are an integral part of these financial statements.

THE LOUISIANA PHILHARMONIC ORCHESTRA
Statement of Activities
For the Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and Other Support				
Earned Revenue	\$ 2,281,942	\$ -	\$ -	\$ 2,281,942
Contributions	2,202,121	344,661	100,000	2,646,782
Other Income	795,852	-	-	795,852
Net Assets Released from Restrictions - Satisfaction of Purpose Restrictions for Orchestra Programs	334,378	(334,378)	-	-
Investment Income, Net - Excluding Unrealized Gains	1,558	-	-	1,558
Distributions from Endowment	36,898	-	(36,898)	-
Total Revenues and Other Support	5,652,749	10,283	63,102	5,726,134
Expenses				
Orchestra Programs	4,277,036	-	-	4,277,036
Management and General	478,285	-	-	478,285
Marketing	540,118	-	-	540,118
Fundraising and Development	206,499	-	-	206,499
Education	123,063	-	-	123,063
Total Expenses	5,625,001	-	-	5,625,001
Endowment Return in Excess of Amounts Designated for Current Operations	-	-	71,700	71,700
Unrealized Gains from Investment Securities	8,174	-	-	8,174
Change in Net Assets	35,922	10,283	134,802	181,007
Net Assets, Beginning of Year	(74,563)	434,534	1,456,405	1,816,376
Net Assets, End of Year	\$ (38,641)	\$ 444,817	\$ 1,591,207	\$ 1,997,383

The accompanying notes are an integral part of these financial statements.

THE LOUISIANA PHILHARMONIC ORCHESTRA
Statement of Activities
For the Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and Other Support				
Earned Revenue	\$ 2,266,333	\$ -	\$ -	\$ 2,266,333
Contributions	2,053,660	402,149	-	2,455,809
Other Income	930,918	-	-	930,918
Net Assets Released from Restrictions -				
Satisfaction of Purpose Restrictions				
for Orchestra Programs	407,974	(407,974)	-	-
Distributions from Endowment	38,026	-	(38,026)	-
Total Revenues and Other Support	5,696,911	(5,825)	(38,026)	5,653,060
Expenses				
Orchestra Programs	4,060,540	-	-	4,060,540
Management and General	569,518	-	-	569,518
Marketing	565,796	-	-	565,796
Fundraising and Development	308,013	-	-	308,013
Education	115,441	-	-	115,441
Total Expenses	5,619,308	-	-	5,619,308
Endowment Loss in Excess of Amount				
 Designated for Current Operations				
	-	-	(6,536)	(6,536)
Change in Net Assets	77,603	(5,825)	(44,562)	27,216
Net Assets, Beginning of Year	(152,166)	440,359	1,500,967	1,789,160
Net Assets, End of Year	\$ (74,563)	\$ 434,534	\$ 1,456,405	\$ 1,816,376

The accompanying notes are an integral part of these financial statements.

THE LOUISIANA PHILHARMONIC ORCHESTRA
Statements of Cash Flows
For the Years Ended June 30, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities		
Change in Net Assets	\$ 181,007	\$ 27,216
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities		
Depreciation and Amortization Expense	71,556	76,457
Endowment (Gain) Loss	(71,700)	6,536
Net Realized and Unrealized Gain on Investment Securities	(8,692)	-
(Increase) Decrease in Contributions Receivable	(260,767)	503,762
Decrease (Increase) in State Tax Credit Receivable	30,079	(636,774)
(Increase) Decrease in Other Current Assets	(37,139)	60,792
Decrease in Interest in Endowment Trust	36,898	38,026
Increase (Decrease) in Trade Accounts Payable and Accrued Liabilities	268,861	(307,711)
Decrease in Deferred Revenue - Ticket Sales	(20,945)	(69,005)
Net Cash Provided by (Used in) Operating Activities	189,158	(300,701)
Cash Flows from Investing Activities		
Purchases of Investment Securities	(113,993)	-
Proceeds from Sale of Investment Securities	13,188	-
Purchase of Property and Equipment	(33,891)	(18,980)
Net Cash Used in Investing Activities	(134,696)	(18,980)
Cash Flows from Financing Activities		
Repayments on Line of Credit	(858,150)	-
Borrowings on Line of Credit	859,980	247,978
Net Cash Provided by Investing Activities	1,830	247,978
Net Increase (Decrease) in Cash and Cash Equivalents	56,292	(71,703)
Cash and Cash Equivalents, Beginning of Year	33,259	104,962
Cash and Cash Equivalents, End of Year	\$ 89,551	\$ 33,259

The accompanying notes are an integral part of these financial statements.

THE LOUISIANA PHILHARMONIC ORCHESTRA

Notes to Financial Statements

Note 1. Organization and Summary of Significant Accounting Policies

Organization

The Louisiana Philharmonic Orchestra (the LPO) is a non-profit entity formed to establish an orchestra to perform classical and other music, to present programs, and to undertake other activities to further the enjoyment of classical and other music by the public.

Basis of Accounting

The LPO's financial statements are presented using the accrual method of accounting. Under this method, revenues are recognized in the period earned, and expenses are recognized in the period in which the benefit is realized. Revenues from ticket sales are recognized when the performances are given.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958, the LPO is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Use of Estimates

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

Contributions

The LPO accounts for grants and other contributions in accordance with FASB ASC 958-605, *Accounting for Contributions Received and Contributions Made*. In accordance with FASB ASC 958-605, contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending upon the existence or nature of any donor restrictions.

All donor-restricted contributions are reported as increases 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 a 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.

Cash

The LPO considers all money-market investment instruments and certificates of deposit with an original maturity of three months or less to be cash equivalents.

THE LOUISIANA PHILHARMONIC ORCHESTRA

Notes to Financial Statements

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Contributions Receivable

Contributions receivable consist of unconditional promises to give to the LPO. Unconditional promises to give are recognized as contribution revenue in the period received and are recorded at their net realizable value. At June 30, 2017 and 2016, contributions receivable were considered to be fully collectible by management.

Property and Equipment

Property and equipment, which includes sheet music, musical instruments, production equipment, and administrative equipment, are stated at cost, except for donated assets, which are recorded at fair market value on the date of the donation. It is the LPO's policy to capitalize all expenditures for these items. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range between three and twenty years for all property and equipment.

Deferred Revenue - Ticket Sales

The LPO promotes and collects season ticket sales for the subsequent season during the latter part of the current fiscal year. Costs incurred for the promotion of the following season are presented as deferred marketing costs, and revenues generated for the following season are presented as deferred revenue. Both the costs and revenues are recognized systematically throughout the next fiscal year as the season progresses and performances are held.

Permanently Restricted Net Assets

Permanently restricted net assets totaled \$1,591,207 and \$1,456,405, as of June 30, 2017 and 2016, respectively. These net assets consist of an interest in an endowment as well as contributions received with donor stipulations that require the assets to remain in perpetuity.

Endowments

As disclosed in Note 5, the LPO has several endowments where the recipient organization has variance power over the assets. Also, as disclosed in Note 5, the LPO is the beneficiary of one endowment where the recipient organization does not have variance power. As such, the endowment is recorded as an asset in the statements of financial position. Distributions from this endowment can be made twice a year at the discretion of the trustee in the amount of 4.0% of the average endowment balance for the past twelve quarters, not exceeding the expected long-term investment return of the endowment. Distributions are classified as unrestricted other income in the statements of activities.

Investments

Investments are carried at fair market value, based on quoted market prices for the investments. Investment income or loss (including realized gains and losses on investments, interest, and dividends) is included in the change in unrestricted net assets. Unrealized gains and losses on investments are treated as unrestricted non-operating income or loss in the statements of activities.

THE LOUISIANA PHILHARMONIC ORCHESTRA

Notes to Financial Statements

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Tax Status

The LPO is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Donated Services and Materials

Donated services and materials, if significant in amount, are recorded as contributions at their fair market value, provided the donor has a clearly measurable and objective basis for determining their value. No value is assigned to other donated items if there is no ascertainable basis for assigning the value. During fiscal years 2017 and 2016, the LPO has recorded both revenues and expenses of \$50,882 and \$93,488, respectively, relating primarily to management and general expenses for donated professional services.

Reclassification

Certain reclassifications have been made to the prior year statements in order for them to be in conformity with the current year presentation. Such reclassifications had no effect on net income as previously reported.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which amends the existing accounts standards for revenue recognition. ASU 2014-09 is based on principles that govern the recognition of revenue at an amount an entity expects to be entitled to when products are transferred to customers. The new standard is effective for fiscal years beginning after December 15, 2018, though early adoption is permitted. The new revenue standard may be applied retrospectively as of the date of adoption. Management is currently evaluating the impact of adopting the new revenue standard on its financial statements.

In January 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires that a lessee recognize the assets and liabilities that arise from leases classified as financing or operating leases. A lessee should recognize in the balance sheet a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. ASU 2016-02 is effective for financial statements issued for annual periods beginning after December 15, 2019. Management is currently evaluating the impact ASU 2016-02 will have on its financial statements.

THE LOUISIANA PHILHARMONIC ORCHESTRA

Notes to Financial Statements

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements (Continued)

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, "net assets with donor restrictions" and "net assets without donor restrictions," and expands disclosures about the nature and amount of donor restrictions. ASU 2016-14 is effective for annual periods beginning after December 15, 2017 and interim periods within fiscal years beginning after December 15, 2018, with early adoption permitted. Management is currently evaluating the impact the adoption of this guidance will have on its consolidated financial statements.

Note 2. Concentration of Credit Risk

The LPO periodically maintains cash in bank accounts in excess of insured limits. The LPO has not experienced any losses and does not believe that significant credit risk exists as a result of this practice.

Note 3. Contributions Receivable

Contributions receivable are as follows as of June 30th:

	2017	2016
Unconditional Promises to Give		
Receivable in Less than One Year	\$ 632,048	\$ 544,711
Receivable in One to Five Years	502,625	305,066
Total Unconditional Promises to Give	1,134,673	849,777
Less: Discounts to Net Present Value	(25,201)	(1,072)
Net Unconditional Promises to Give	\$ 1,109,472	\$ 848,705

Pledges expected to be received in more than one year were discounted at 1.24%.

THE LOUISIANA PHILHARMONIC ORCHESTRA

Notes to Financial Statements

Note 4. Property and Equipment

Property and equipment, net is summarized as follows for June 30th:

	2017	2016
Office Furniture and Equipment	\$ 484,788	\$ 482,586
Music Library	186,207	150,554
Instruments and Related Equipment	642,307	646,270
	<u>1,313,302</u>	<u>1,279,410</u>
Less: Accumulated Depreciation	(930,829)	(859,272)
Total	<u>\$ 382,473</u>	<u>\$ 420,138</u>

Depreciation expense for the years ended June 30, 2017 and 2016, amounted to \$71,556 and \$76,457, respectively.

Note 5. Endowments

Several endowments have been established at the Greater New Orleans Foundation (GNOF) for the benefit of the LPO over which GNOF has variance power. GNOF utilizes an endowment spending policy to determine the amount available for distributions. Future distributions are subject to that policy. As such, these funds are not recorded as assets on the LPO's financial statements. As of June 30, 2017 and 2016, these endowments were valued at approximately \$1,868,183 and \$1,797,049, respectively. Distributions from these endowments, which are at the discretion of GNOF, were \$74,694 and \$77,779, during the years ended June 30, 2017 and 2016, respectively.

The LPO has, in the statements of financial position, an interest in an endowment trust in the amount of \$924,330 and \$889,528, at June 30, 2017 and 2016, respectively. GNOF serves as the trustee of the trust. Distributions from the endowment trust were \$36,898 and \$38,026, for the periods ended June 30, 2017 and 2016, respectively.

Note 6. Investment Securities

In accordance with the *Not-for-Profit Entities* Topic of the FASB ASC, the LPO reports securities at fair value:

	2017	2016
Mutual Funds and Exchange Traded Funds	\$ 107,828	\$ -
Cash and Cash Equivalents - Held for Investment	1,668	-
Total	<u>\$ 109,496</u>	<u>\$ -</u>

THE LOUISIANA PHILHARMONIC ORCHESTRA

Notes to Financial Statements

Note 6. Investment Securities (Continued)

A summary of the investment income for the years ended June 30, 2017 and 2016 is as follows:

	2017	2016
Interest and Dividend Income	\$ 1,642	\$ -
Realized Gains, Net	755	-
Expenses	<u>(839)</u>	-
Total Investment Income, Excluding Unrealized Gains from Investment Securities	1,558	-
Unrealized Gains from Investment Securities	<u>7,937</u>	-
Total	<u>\$ 9,495</u>	<u>\$ -</u>

Investments are managed by a money manager, focusing on different investment strategies to provide diversity to the investment portfolio.

Note 7. Line of Credit

The LPO has available a line of credit from a bank totaling \$250,000, bearing interest at 1.5% over LIBOR (1.72% at June 30, 2017), maturing July 2017. At June 30, 2017, \$249,809 was drawn against this line of credit. The line of credit is unsecured.

Note 8. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods as of June 30, 2017:

Periods after June 30, 2017	\$ 89,868
Specific Programs and Purposes	<u>354,949</u>
Total	<u>\$ 444,817</u>

Temporarily restricted net assets restricted for periods after June 30, 2017, consist primarily of the unreleased amount of grants received from Oscar Tolmas Trust, Gia Maione Prima Foundation, Selley Foundation (GNOF), Carnegie Hall, and various individual gifts.

THE LOUISIANA PHILHARMONIC ORCHESTRA

Notes to Financial Statements

Note 9. Commitments

Rent expense for office and storage totaled \$59,190 and \$57,980, for the years ended June 30, 2017 and 2016, respectively.

The LPO leases performance space under a rental agreement. Required minimum payments under this lease are as follows for June 30th:

2018	\$ 228,750
2019	<u>229,125</u>
Total	<u>\$ 457,875</u>

Note 10. Functional Expenses

The LPO's expenses classified by functional category for the years ended June 30, 2017 and 2016, are as follows:

June 30, 2017	Orchestra Programs	Management and General	Marketing	Fundraising and Development	Education	Total
Salaries and Wages	\$ 3,489,411	\$ 154,471	\$ 194,366	\$ 129,252	\$ 114,601	\$ 4,082,101
Supplies and Travel	93,090	29,774	143,674	3,844	-	270,382
Services and Professional Fees	75,566	18,333	-	-	-	93,899
Venue, Office, and Other	560,580	262,540	202,078	73,403	8,462	1,107,063
Depreciation and Amortization	58,389	13,167	-	-	-	71,556
Total	<u>\$ 4,277,036</u>	<u>\$ 478,285</u>	<u>\$ 540,118</u>	<u>\$ 206,499</u>	<u>\$ 123,063</u>	<u>\$ 5,625,001</u>

June 30, 2016	Orchestra Programs	Management and General	Marketing	Fundraising and Development	Education	Total
Salaries and Wages	\$ 3,371,144	\$ 227,288	\$ 152,248	\$ 161,224	\$ 90,254	\$ 4,002,158
Supplies and Travel	76,610	36,447	235,836	6,365	-	355,258
Services and Professional Fees	64,967	16,117	-	521	-	81,605
Venue, Office, and Other	489,993	271,035	177,712	139,903	25,187	1,103,830
Depreciation and Amortization	57,826	18,631	-	-	-	76,457
Total	<u>\$ 4,060,540</u>	<u>\$ 569,518</u>	<u>\$ 565,796</u>	<u>\$ 308,013</u>	<u>\$ 115,441</u>	<u>\$ 5,619,308</u>

THE LOUISIANA PHILHARMONIC ORCHESTRA

Notes to Financial Statements

Note 11. Pension Plan

The LPO participates in the American Federation of Musicians' and Employers' Pension Fund (the Fund). The Fund covers every orchestral musician employed by the LPO. Under the terms of the Fund, the LPO contributes 4.36% of base wages for the LPO employees and 4.36% of all wages of subs and extras for musical services (as described in the AFM's Wage Scale Book). The amount contributed to the Fund for the years ended June 30, 2017 and 2016, totaled \$37,717 and \$32,870, respectively.

Note 12. Fair Value of Financial Instruments

The LPO follows the provisions of the *Fair Value Measurement* Topic of the FASB ASC. Accordingly, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The *Fair Value Measurement* Topic of the FASB ASC establishes a fair value hierarchy for inputs used in measuring fair market value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on the best information available in the circumstances.

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities as of the reporting date. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly, as of the reporting date.

Level 3 - Valuations based on inputs that are unobservable and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The LPO's measurements of fair value are made on a recurring basis, and their valuation techniques for assets and liabilities recorded at fair value are as follows:

Endowment Fund: The fair value is determined by the use of the calculated net asset value per ownership share.

Mutual Funds and Exchange Traded Funds: The fair value is determined by the net asset value (NAV) of shares held at year-end.

THE LOUISIANA PHILHARMONIC ORCHESTRA

Notes to Financial Statements

Note 12. Fair Value of Financial Instruments (Continued)

Recurring Fair Value Measurements

The valuation of the LPO's assets and liabilities measured at fair value on a recurring basis are as follows:

June 30, 2017	Total	Level 1	Level 2	Level 3
Endowment Trust	\$ 924,330	\$ -	\$ -	\$ 924,330
Cash and Cash Equivalents	1,668	1,668	-	-
Mutual Funds and Exchange Traded Funds	107,828	107,828	-	-
Total	\$ 1,033,826	\$ 109,496	\$ -	\$ 924,330

June 30, 2016	Total	Level 1	Level 2	Level 3
Endowment Trust	\$ 889,528	\$ -	\$ -	\$ 889,528
Total	\$ 889,528	\$ -	\$ -	\$ 889,528

The changes in investments measured at fair value for which the LPO has used Level 3 inputs to determine fair value are as follows:

June 30, 2017	Level 3 Beginning Balance	Net Realized and Unrealized Gains (Losses)	Net Payments and Gifts	Net Purchases and Sales	Change in Present Value	Level 3 Ending Balance
Endowment Trust	\$ 889,528	\$ 71,700	\$ (36,898)	\$ -	\$ -	\$ 924,330
Total	\$ 889,528	\$ 71,700	\$ (36,898)	\$ -	\$ -	\$ 924,330

June 30, 2016	Level 3 Beginning Balance	Net Realized and Unrealized Gains (Losses)	Net Payments and Gifts	Net Purchases and Sales	Change in Present Value	Level 3 Ending Balance
Endowment Trust	\$ 934,090	\$ (6,536)	\$ (38,026)	\$ -	\$ -	\$ 889,528
Total	\$ 934,090	\$ (6,536)	\$ (38,026)	\$ -	\$ -	\$ 889,528

Note 13. Endowment Fund

As disclosed in Note 5, the LPO has an endowment with GNOF. The following is GNOF's policies for endowment funds.

GNOF follows a Total Return Spending Policy for its endowment funds. Endowment funds are invested for maximum total return (within acceptable risk parameters), without distinction between income and capital gains. The market value of the fund is measured over the past 12 quarters, and a percentage of the average of those values is made available for grants. This method appropriately puts the focus on the long-term growth of the fund. This, in turn, encourages the appropriate use of equities in the fund, helping the fund to grow at a rate greater than inflation. The annual percentage for 2016 distributions is 4%. This percentage is evaluated each year and adjusted as necessary.

THE LOUISIANA PHILHARMONIC ORCHESTRA

Notes to Financial Statements

Note 13. Endowment Fund (Continued)

The primary financial objective for GNOF is to increase the real (inflation-adjusted) purchasing power of endowment assets and income after accounting for endowment spending, inflation, and costs of investment management. Endowment assets are invested in a well diversified asset mix, which includes equity securities, fixed income securities, and alternative investments, which is intended to meet this objective. GNOF has established a 5% real rate of return objective for GNOF's portfolio. Actual returns in any given year may vary from this amount. Investment assets and allocation between asset classes and strategies are managed to not expose the endowment assets to unacceptable levels of risk.

The permanently restricted net assets also consist of contributions received which are held in a savings account with a financial institution.

Composition of and changes in endowment net assets were as follows for the year ended June 30, 2017:

<u>June 30, 2017</u>	GNOF Endowment	Other Donor Designated	Total Permanently Restricted
Permanently Restricted Endowment			
Net Assets, Beginning of Year	\$ 889,528	\$ 566,877	\$ 1,456,405
Contributions	-	100,000	100,000
Distributions	(36,898)	-	(36,898)
Net Appreciation in Endowment	<u>71,700</u>	-	<u>71,700</u>
Permanently Restricted Endowment			
Net Assets, End of Year	<u>\$ 924,330</u>	<u>\$ 666,877</u>	<u>\$ 1,591,207</u>

Composition of and changes in endowment net assets were as follows for the year ended June 30, 2016:

<u>June 30, 2016</u>	GNOF Endowment	Other Donor Designated	Total Permanently Restricted
Permanently Restricted Endowment			
Net Assets, Beginning of Year	\$ 934,090	\$ 566,877	\$ 1,500,967
Distributions	(38,026)	-	(38,026)
Net Depreciation in Endowment	<u>(6,536)</u>	-	<u>(6,536)</u>
Permanently Restricted Endowment			
Net Assets, End of Year	<u>\$ 889,528</u>	<u>\$ 566,877</u>	<u>\$ 1,456,405</u>

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Notes to Financial Statements

Note 14. Uncertain Tax Positions

Accounting principles generally accepted in the United States of America provide accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. The LPO believes that it has appropriate support for any tax positions taken, and management has determined that there are no uncertain tax positions that are material to the financial statements.

Penalties and interest assessed by income taxing authorities, if any, would be included in income tax expense.

Note 15. State Tax Credit Receivable

Included with earned revenue is a total of \$606,695 related to a musical and theatrical production tax credit for the State of Louisiana. This amount represents a calculated amount based on a cost report of live production expenditures produced by the LPO during the period from June 9, 2015 through June 9, 2017. This cost report is required to be audited by an independent accounting firm. The audited cost report is subsequently submitted to the State of Louisiana (Louisiana Department of Economic Development) for certification. As of the report date, November 6, 2017, this report has been completed and final certification has been received from the State of Louisiana.

Note 16. Subsequent Events

In accordance with ASC 855, management has evaluated subsequent events through November 6, 2017, the date these financial statements were available to be issued and determined that the following required disclosure:

On September 5, 2017, a new line of credit with a bank was signed. This line of credit is for \$300,000, bears interest at LIBOR, is payable immediately upon demand by the bank, and is secured by a guarantee from a Board of Trustees member.

There were no other material subsequent events that required recognition or additional disclosure in these financial statements.

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

Independent Auditor's Report

To the Board of Trustees and Members of
the Louisiana Philharmonic Orchestra

We have audited, 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, the financial statements of the Louisiana Philharmonic Orchestra (the LPO), which comprise the statement of financial position as of June 30, 2017, 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 November 16, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the LPO'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 LPO's internal control. Accordingly, we do not express an opinion on the effectiveness of the LPO'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 Louisiana Philharmonic Orchestra'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 audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Purposes 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 LPO'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 LPO'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 Louisiana Legislative Auditor as a public document.

A handwritten signature in cursive script that reads "LaForte".

A Professional Accounting Corporation

Metairie, LA
November 6, 2017

SUPPLEMENTARY INFORMATION

THE LOUISIANA PHILHARMONIC ORCHESTRA
Schedule of Compensation, Benefits, and Other Payments to
Agency Head
For the Year Ended June 30, 2017

Louisiana Revised Statute 24:513(A)(3) as amended by Act 706 of the 2014 Regular Legislative Session requires that the total compensation, reimbursements, and benefits of an agency head or political subdivision head or chief executive officer related to the position, including but not limited to travel, housing, unvouchered expense, per diem, and registration fees be reported as a supplemental report within the financial statement of local government and quasi-public auditees. In 2015, Act 462 of the 2015 Regular Session of the Louisiana Legislature further amended R.S. 24:513(A)(3) to clarify that nongovernmental entities or not-for-profit entities that received public funds shall report only the use of public funds for the expenditures itemized in the supplemental report.

Agency Head
James Boyd, CEO

Purpose	Compensation and Benefits Funded by Use of Public Funds
Salary	\$0
Bonus	\$0
Benefits - Insurance	\$0
Benefits - Retirement	\$0
Car Allowance (Lease, Insurance, Gasoline)	\$0
Vehicle Provided by LPO (Taxable Fringe Benefit) Amount Reported on W-2	\$0
Per Diem	\$0
Reimbursements (Electronic Devices)	\$0
Local Entertainment/Sales	\$0
Registration Fees	\$0
Conference/Sales Mission Travel	\$0
Local Transportation/Parking	\$0
Continuing Professional Education Fees	\$0
Housing	\$0
Unvouchered Expenses	\$0
Dues and Subscriptions	\$0

* Compensation and Benefits for Agency Head were funded using private funds.

See independent auditor's report.