

ARTS COUNCIL OF NEW ORLEANS

D/B/A ARTS NEW ORLEANS

FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED

DECEMBER 31, 2020 AND 2019



ERICKSEN KRENTEL LLP

CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Management of the
Arts Council of New Orleans
d/b/a Arts New Orleans
New Orleans, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of Arts Council of New Orleans d/b/a Arts New Orleans (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 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.



To the Board of Directors and Management of the
Arts Council of New Orleans
d/b/a Arts New Orleans

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 Organization, and the changes in its net assets and its cash flows for the year ended December 31, 2020 in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of compensation, benefits, and other payments to the agency head, as required by Louisiana Revised Statute 24:513(A)(3), 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 our report dated September 23, 2021, on our consideration of the Organizations' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organizations' internal control over financial reporting and compliance.



ERICKSEN KRENTEL LLP

CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

To the Board of Directors and Management of the
Arts Council of New Orleans
d/b/a Arts New Orleans

Prior Period Financial Statements

The December 31, 2019 financial statements were reviewed by us and our report thereon, dated July, 13, 2020 stated we are not aware of any material modifications that should be made to those financial statements for them to be in conformity with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements as a whole.

September 23, 2021
New Orleans, Louisiana

Erickson Krentel, LLP
Certified Public Accountants

ARTS COUNCIL OF NEW ORLEANS
D/B/A ARTS NEW ORLEANS
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 (AUDITED) AND 2019 (REVIEWED)

	<u>2020</u>	<u>2019</u>
<u>CURRENT ASSETS:</u>		
Cash and cash equivalents	\$ 704,236	\$ 487,612
Restricted cash	159,513	167,145
Accounts receivable	577,507	84,353
Pledges receivable	-	1,700
Grants receivable	209,064	306,664
Prepaid expenses	9,305	-
Investments	4,656	4,307
Deposits	500	18,500
	<u>1,664,781</u>	<u>1,070,281</u>
<u>NON-CURRENT ASSETS:</u>		
Art collection	27,652	27,652
Capital assets, net	11,452	14,940
	<u>39,104</u>	<u>42,592</u>
Total non-current assets	<u>39,104</u>	<u>42,592</u>
Total assets	<u>\$ 1,703,885</u>	<u>\$ 1,112,873</u>
<u>CURRENT LIABILITIES:</u>		
Accounts payable	\$ 41,112	\$ 176,928
Accrued expenses	6,280	9,168
Grants payable	281,075	236,899
Refundable advances	388,577	51,802
	<u>717,044</u>	<u>474,797</u>
Total liabilities	<u>717,044</u>	<u>474,797</u>
<u>NET ASSETS:</u>		
Net assets without donor restrictions	570,873	497,021
Net assets with donor restrictions	415,968	141,055
	<u>986,841</u>	<u>638,076</u>
Total net assets	<u>986,841</u>	<u>638,076</u>
Total liabilities and net assets	<u>\$ 1,703,885</u>	<u>\$ 1,112,873</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

ARTS COUNCIL OF NEW ORLEANS
D/B/A ARTS NEW ORLEANS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020 (AUDITED)

	Without Donor Restrictions	With Donor Restrictions	Total
<u>SUPPORT AND OTHER REVENUES:</u>			
Grant income	\$ 272,327	\$ 678,047	\$ 950,374
Contributions	84,747	-	84,747
Contracts	335,942	628,025	963,967
Interest and investment income, net	668	-	668
Earned income	37,075	-	37,075
Other income	25,101	-	25,101
	<u>755,860</u>	<u>1,306,072</u>	<u>2,061,932</u>
Total support and other revenues			
Net assets released from restrictions	<u>1,031,159</u>	<u>(1,031,159)</u>	<u>-</u>
Total support and other revenues and releases from restrictions	<u>1,787,019</u>	<u>274,913</u>	<u>2,061,932</u>
<u>EXPENSES:</u>			
Program services:			
Artist services	707,398	-	707,398
Public art	684,788	-	684,788
Supporting services:			
Management and general	183,818	-	183,818
Fundraising	137,163	-	137,163
	<u>1,713,167</u>	<u>-</u>	<u>1,713,167</u>
Total expenses			
Change in net assets	73,852	274,913	348,765
Net assets, beginning of year	<u>497,021</u>	<u>141,055</u>	<u>638,076</u>
Net assets, end of year	<u>\$ 570,873</u>	<u>\$ 415,968</u>	<u>\$ 986,841</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

ARTS COUNCIL OF NEW ORLEANS
D/B/A ARTS NEW ORLEANS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019 (REVIEWED)

	Without Donor Restrictions	With Donor Restrictions	Total
<u>SUPPORT AND OTHER REVENUES:</u>			
Grant income	\$ 277,164	\$ 769,967	\$ 1,047,131
Contributions	155,801	51,548	207,349
Contracts	187,320	293,756	481,076
Interest and investment income, net	930	-	930
Earned income	242,377	-	242,377
Other income	32,415	-	32,415
	896,007	1,115,271	2,011,278
Total support and other revenues			
Net assets released from restrictions	1,198,558	(1,198,558)	-
Total support and other revenues and releases from restrictions	2,094,565	(83,287)	2,011,278
<u>EXPENSES:</u>			
Program services:			
Artist services	649,107	-	649,107
Public art	975,924	-	975,924
Supporting services:			
Management and general	207,573	-	207,573
Fundraising	156,385	-	156,385
	1,988,989	-	1,988,989
Total expenses			
Change in net assets	105,576	(83,287)	22,289
Net assets, beginning of year	391,445	224,342	615,787
Net assets, end of year	\$ 497,021	\$ 141,055	\$ 638,076

See accompanying NOTES TO FINANCIAL STATEMENTS

ARTS COUNCIL OF NEW ORLEANS
D/B/A ARTS NEW ORLEANS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020 (AUDITED)

	<u>Program Services</u>		<u>Supporting Services</u>		<u>Total</u>
	<u>Artist Services</u>	<u>Public Art</u>	<u>Management and General</u>	<u>Fundraising</u>	
Salaries	\$ 82,550	\$ 152,208	\$ 92,500	\$ 83,167	\$ 410,425
Payroll taxes and benefits	22,840	36,505	19,433	22,491	101,269
Total salaries and related expenses	105,390	188,713	111,933	105,658	511,694
Artist fees and services	1,195	323,252	2,774	-	327,221
Professional and event fees	42,581	95,123	32,657	10,866	181,227
Occupancy	17,393	27,241	17,841	14,729	77,204
Travel, meetings, conferences, and courses	224	3,156	427	529	4,336
Supplies	1,745	42,213	675	3,218	47,851
Advertising	-	-	2,420	-	2,420
Insurance	2,050	3,679	2,236	1,995	9,960
Postage, printing, and duplicating	558	1,316	1,592	138	3,604
Depreciation	-	-	5,197	-	5,197
Bad debt expense	-	-	-	-	-
Other expenses	385	95	5,610	30	6,120
Regrants	535,877	-	-	-	535,877
Repairs and maintenance	-	-	456	-	456
Total functional expenses	<u>\$ 707,398</u>	<u>\$ 684,788</u>	<u>\$ 183,818</u>	<u>\$ 137,163</u>	<u>\$ 1,713,167</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

ARTS COUNCIL OF NEW ORLEANS
D/B/A ARTS NEW ORLEANS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019 (REVIEWED)

	<u>Program Services</u>		<u>Supporting Services</u>		<u>Total</u>
	<u>Artist Services</u>	<u>Public Art</u>	<u>Management and General</u>	<u>Fundraising</u>	
Salaries	\$ 58,000	\$ 147,872	\$ 86,667	\$ 84,250	\$ 376,789
Payroll taxes and benefits	21,955	29,113	15,983	18,462	85,513
Total salaries and related expenses	79,955	176,985	102,650	102,712	462,302
Artist fees and services	5,507	311,468	350	-	317,325
Professional and event fees	60,639	336,103	44,426	23,038	464,206
Occupancy	20,408	26,935	15,646	13,599	76,588
Travel, meetings, conferences, and courses	2,591	22,251	13,069	1,480	39,391
Supplies	2,757	38,052	1,124	3,270	45,203
Advertising	1,550	8,448	6,020	6,650	22,668
Insurance	2,015	11,933	2,588	2,587	19,123
Postage, printing, and duplicating	225	13,993	3,035	1,265	18,518
Depreciation	-	-	5,112	-	5,112
Bad debt expense	-	-	3,225	-	3,225
Other expenses	2,063	3,816	9,603	1,784	17,266
Regrants	471,297	-	-	-	471,297
Repairs and maintenance	100	25,940	725	-	26,765
Total functional expenses	<u>\$ 649,107</u>	<u>\$ 975,924</u>	<u>\$ 207,573</u>	<u>\$ 156,385</u>	<u>\$ 1,988,989</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

ARTS COUNCIL OF NEW ORLEANS
D/B/A ARTS NEW ORLEANS
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 (AUDITED) AND 2019 (REVIEWED)

	<u>2020</u>	<u>2019</u>
<u>CASH FLOWS FROM (USED FOR) OPERATING</u>		
<u>ACTIVITIES:</u>		
Change in net assets	\$ 348,765	\$ 22,289
Adjustments to reconcile change in net assets to net cash from (used for) operating activities:		
Depreciation	5,197	5,112
Bad debt expense	-	3,225
Unrealized (gain) on investments	(349)	(606)
Decrease (increase) in:		
Accounts receivable	(493,154)	(78,131)
Pledges receivable	1,700	18,800
Grants receivable	97,600	-
Prepaid expenses	(9,305)	-
Deposits	18,000	(500)
Increase (decrease) in:		
Accounts payable	(135,816)	60,380
Accrued expenses	(2,888)	658
Grants payable	44,176	17,288
Refundable advances	336,775	35,066
	<u>210,701</u>	<u>83,581</u>
<u>CASH FLOWS FROM (USED FOR) INVESTING</u>		
<u>ACTIVITIES:</u>		
Purchases of fixed assets	<u>(1,709)</u>	<u>(7,934)</u>
Net cash (used for) investing activities	<u>(1,709)</u>	<u>(7,934)</u>
Net increase in cash, cash equivalents and restricted cash	208,992	75,647
Cash, cash equivalents and restricted cash at beginning of year	<u>654,757</u>	<u>579,110</u>
Cash, cash equivalents and restricted cash at end of year	<u>\$ 863,749</u>	<u>\$ 654,757</u>
Cash, cash equivalents and restricted cash as of December 31, 2020 and 2019 consist of the following:		
Cash and cash equivalents	\$ 704,236	\$ 487,612
Cash restricted for:		
Community Arts Grants Program	137,776	111,520
State of Louisiana Grants	19,635	3,823
Percent for Arts program	<u>2,102</u>	<u>51,802</u>
Cash, cash equivalents and restricted cash at end of year	<u>\$ 863,749</u>	<u>\$ 654,757</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

ARTS COUNCIL OF NEW ORLEANS
D/B/A ARTS NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 (AUDITED) AND 2019 (REVIEWED)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Arts Council of New Orleans d/b/a Arts New Orleans (Organization), a Louisiana non-profit corporation, is the City of New Orleans' officially designated arts agency. The Organization was formed in 1975 as a result of a merger of the Arts Council of Greater New Orleans and the Mayor's Committee for Arts and Cultural Development. The Organization's efforts are directed toward enhancing the cultural and artistic environment in the New Orleans metropolitan area and are as follows:

People – Inspiring and Connecting: Supporting participatory arts, youth arts education, and events that inspire and connect.

Place – Transforming Landscape: Emphasizing design solutions and a heightened awareness of the built environment.

Artists – Investing in our Cultural Assets: Professionalizing the capabilities of local artists and organizations while seeking markets and exchange opportunities.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. The financial statements of the Organization are prepared on the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred.

Basis of Presentation

The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-210-50-3, *Financial Statements of Not-for-Profit Organizations*. Under the provisions of the Codification, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors. The revenues received in conducting the mission of the Organization are included in this category.

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby, the donor has stipulated the funds be maintained in perpetuity.

ARTS COUNCIL OF NEW ORLEANS
D/B/A ARTS NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020 (AUDITED) AND 2019 (REVIEWED)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

Accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents including bank repurchase agreements. The Organization investments in certificates of deposits in local financial institutions qualify as cash equivalents under this policy. Cash equivalents totaled \$101,612 for both years ended as of December 31, 2020 and 2019.

Restricted Cash

The City of New Orleans made it a requirement that the Organization hold cash restricted for the Community Arts Grants, State of Louisiana Grants, and the Percent of Art program (Note 8) in a designated bank account. At December 31, 2020 and 2019 the Organization held \$159,513 and \$167,145 in a separate bank account in connection with this agreement.

Accounts and Grants Receivable and Allowance for Doubtful Accounts

Grants and accounts receivable consist of amounts due to the Organization for services provided through December 31st that have not yet been collected. Management monitors the receivables and assesses the collectability of accounts on a monthly basis. The Organization records an allowance for uncollectible accounts based on an assessment of the receivables, taking into consideration the nature of the account and aging of the balance. For the years ended December 31, 2020 and 2019, management has determined that all amounts were collectible and no allowance was necessary.

Pledges Receivable

The Organization records unconditional promises to give as pledges receivable on the statements of financial position. Unconditional promises to give expected to be collected within one year are recorded at estimated net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at the present value of their net realizable value, using discount rates applicable to the years in which the promises are to be received. There were no pledges receivable as of December 31, 2020. Pledges receivable were \$1,700 as of December 31, 2019.

ARTS COUNCIL OF NEW ORLEANS
D/B/A ARTS NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020 (AUDITED) AND 2019 (REVIEWED)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments in marketable securities and mutual funds with readily determinable fair values and all investments in debt securities are reported at fair value in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities as increases or decreases in net assets without donor restrictions unless their use is with restrictions by explicit donor stipulations or law. Dividend, interest, and other investment income are recorded as increases in net assets without donor restriction unless the use is restricted by the donor.

FASB ASC topic 820, *Fair Value Measurements and Disclosures* emphasizes market-based measurement and, in doing so, stipulates a fair value hierarchy. The hierarchy is based on the type of inputs, or data used, to measure fair value. The fair value hierarchy is summarized below:

Level 1 lies at the top of the hierarchy; inputs are quoted prices in active markets.

Level 2 inputs are in the middle of the hierarchy, where data is adjusted from similar items traded in markets that are active markets or from identical or similar items in markets that are not active. Level 2 inputs do not stem directly from quoted prices.

Level 3 inputs are unobservable and require the entity to develop its own assumptions.

Investments other than mutual funds are valued at the fair value of the trust investments as reported to the Organization by the trustees and include the use of Net Asset Values (NAV) as the primary input to measure fair value.

Contributed Artwork

The Organization has paintings and sculptures in its possession. This artwork is recorded at its appraised value at the time of donation. The carrying value of the artwork at December 31, 2020 and 2019 was \$27,652.

Capital Assets

The Organization follows the practice of capitalizing, at cost, all expenditures for assets with an economic life greater than one year in excess of \$1,000. Depreciation is computed using the straight-line method over the estimated useful life of each asset.

Furniture and equipment	5 Years
Leasehold improvements	5 Years

ARTS COUNCIL OF NEW ORLEANS
D/B/A ARTS NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020 (AUDITED) AND 2019 (REVIEWED)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of Long-lived assets

The Organization reviews long-lived assets, consisting of property and equipment and contributed artwork, and cost in excess of net assets acquired, for impairment and determines whether an event or change in facts and circumstances indicates that their carrying amount may not be recoverable. The Organization determines the recoverability of the assets by comparing the carrying value of the asset to net future undiscounted cash flows that the asset is expected to generate. The impairment recognized is the amount by which the carrying amount exceeds the fair market value of the asset. There were no asset impairments recorded for the years ended December 31, 2020 and 2019.

Revenue Recognition

Contributions

Contributions are reported as increases in net assets with donor restrictions or net assets without donor restrictions depending on the existence and/or nature of any donor restrictions. Grants and contributions without donor restrictions are recorded as revenue when received or unconditionally pledged. Contributions with donor restrictions are recognized as revenues with donor restrictions and reported as releases from restrictions when a stipulated time restriction ends or purpose restriction is accomplished.

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. In-kind contributions received by the Organization for the years ended December 31, 2020 and 2019 were \$3,100 and \$4,600, respectively.

Earned Income

The Organization receives concession and ticket sales during its special events. Also, the Organization rents space for its monthly arts markets. These amounts are recognized into revenue on the date of the events, which is when the relevant performance obligations are fulfilled. The Organization has applied the newly adopted revenue recognition standard, ASU Topic 606, to the earned income revenue.

Contracted Services

The Organization provides public art services through contracts with municipalities, nonprofit organizations, and private companies. Because the primary beneficiary of the contracts are the general public and various artists, the contracted services are accounted for as non-exchange transactions. Advanced receipts of funds with contractual stipulations are treated as conditional contributions until the contracted services have been performed.

ARTS COUNCIL OF NEW ORLEANS
D/B/A ARTS NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020 (AUDITED) AND 2019 (REVIEWED)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Board Designated Net Assets

The Organization's governing board has designated \$288,263 and \$372,720 from net assets without donor restrictions to serve as an emergency reserve as of December 31, 2020 and 2019, respectively.

Interest Income

Interest income is allocated to restricted programs to fund certain costs when specifically required by applicable contracts or grants.

Advertising

The Organization expenses advertising as incurred. Advertising expense was \$2,420 and \$22,668 for the years ended December 31, 2020 and 2019, respectively, and is recorded as advertising expense in the statements of activities.

Expense Allocation

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and from state income tax under Section 121(5) of Title 47 of the Louisiana Revised Statutes of 1950. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

The Organization's evaluation as of December 31, 2020 revealed no tax positions that would have a material impact on the financial statements. The Organization does not believe that any reasonably possible changes will occur within the next twelve months that will have a material impact on the financial statements.

ARTS COUNCIL OF NEW ORLEANS
D/B/A ARTS NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020 (AUDITED) AND 2019 (REVIEWED)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements

On May 28, 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The ASU and all subsequently issued clarifying ASUs superseded the revenue recognition requirements and most industry-specific guidance in U.S. generally accepted accounting principles. The core principle of the new guidance is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new guidance also includes a cohesive set of disclosure requirements that will provide users of the financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The Organization has adjusted the presentation of these statements accordingly. The ASU have been applied retrospectively to all periods presented. The adoption had no material impact on the Organization's financial statements.

Date of Management's Review

Subsequent events have been evaluated through September 23, 2021 which is the date the financial statements were available to be issued.

(2) LIQUIDITY AND AVAILIBLTY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of December 31, 2020 and 2019, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. Amounts not available also include amounts set aside by the Board of Directors that could be drawn upon if the board approves that action.

	2020	2019
Financial assets	\$ 1,654,976	\$ 1,051,781
Less those unavailable for general expenditure within one year due to:		
Board designated net assets	(510,695)	(510,695)
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,144,281	\$ 541,086

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in certificates of deposit or an investment fund with a community foundation. Although the Organization does not intend to spend from its certificates of deposit or investment fund other than amounts appropriated for general expenditure as part of its annual budget approval process, amounts from those sources could be made available if necessary.

ARTS COUNCIL OF NEW ORLEANS
D/B/A ARTS NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020 (AUDITED) AND 2019 (REVIEWED)

(3) INVESTMENTS

The Organization maintains an unrestricted fund at the Greater New Orleans Foundation (GNOF). This fund is in an investment pool managed by GNOF and consists of equity, fixed income, money market funds and other investments determined by GNOF. The balance of the fund as of December 31, 2020 and 2019 was \$4,656 and \$4,307, respectively.

The following table sets forth by level, within the fair value hierarchy, the Organizations' assets at fair value as of December 31, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
GNOF investment pool	\$ -	\$ 4,656	\$ -	\$ 4,656
Total investments	<u>\$ -</u>	<u>\$ 4,656</u>	<u>\$ -</u>	<u>\$ 4,656</u>

The following table sets forth by level, within the fair value hierarchy, the Organizations' assets at fair value as of December 31, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
GNOF investment pool	\$ -	\$ 4,307	\$ -	\$ 4,307
Total investments	<u>\$ -</u>	<u>\$ 4,307</u>	<u>\$ -</u>	<u>\$ 4,307</u>

(4) CAPITAL ASSETS

Capital Assets are summarized as follows by major classification:

	<u>2020</u>	<u>2019</u>
Equipment, furniture and fixtures	\$ 38,886	\$ 37,177
Leasehold improvements	6,680	6,680
Less: accumulated depreciation	<u>(34,114)</u>	<u>(28,917)</u>
Net capital assets	<u>\$ 11,452</u>	<u>\$ 14,940</u>

Depreciation expense was \$5,197 and \$5,112 in fiscal years 2020 and 2019, respectively.

(5) GRANTS PAYABLE

Grants payable represent amounts owed to recipients of arts grants awarded by the Organization but not yet paid. Final payments are made upon receipt of final reports from the recipients. Grants payable totaled \$281,075 and \$236,899 for the years ended December 31, 2020 and 2019, respectively.

ARTS COUNCIL OF NEW ORLEANS
D/B/A ARTS NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020 (AUDITED) AND 2019 (REVIEWED)

(6) NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at December 31st:

	<u>2020</u>	<u>2019</u>
Purpose restrictions:		
Digital Equity program	\$ 27,625	\$ 2,351
Future Project program	-	13,575
Lafitte Greenway – Park to Plaza	-	17,000
Convention Center	260,000	-
New Orleans East project	25,000	-
Murals	1,164	-
Airport project	100,000	100,000
Project Heal program	<u>2,179</u>	<u>8,129</u>
Total	<u>\$ 415,968</u>	<u>\$ 141,055</u>

Net assets are released from restrictions by meeting the time restrictions or by incurring expenses satisfying the restricted purposes. Net assets were released from the following restrictions during the years ended December 31st:

	<u>2020</u>	<u>2019</u>
Restrictions accomplished:		
Arts Market	\$ -	\$ 3,000
Digital Equity program	2,796	22,650
Duncan Plaza program	-	34,661
LUNA Fête event	109,100	335,488
Project Heal program	10,950	26,232
Regrant programs	540,877	471,297
Unframed program	100,000	165,605
Airport	25,225	39,625
2019 operations	-	100,000
Adler future project	13,575	-
Lafitte Greenway – Park to Plaza	33,000	-
Convention Center	170,000	-
Murals	<u>25,636</u>	<u>-</u>
Total	<u>\$ 1,031,159</u>	<u>\$ 1,198,558</u>

ARTS COUNCIL OF NEW ORLEANS
D/B/A ARTS NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020 (AUDITED) AND 2019 (REVIEWED)

(7) GRANT INCOME – PAYCHECK PROTECTION PROGRAM

The Organization was granted a \$89,896 loan under the Paycheck Protection Program “PPP” administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The Organization initially recorded the loan as a refundable advance and subsequently recognized grant revenue in accordance with guidance for conditional contributions; that is, once the measurable performance or other barrier and right of return of the PPP loan no longer existed. The Organization has recognized \$89,896 as grant revenue for the year ended December 31, 2020. The Organization is required to repay the remaining advance of \$89,896 plus interest accrued at 1% per annum in monthly payments. The PPP loan and accrued interest are forgivable after a “covered period” (8 - 24 weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities. Principal and interest payments will be required through the maturity date, April 15, 2022. The loan forgiveness application has been submitted and still being processed as of the release of this report, but the Organization expects the loan to be forgiven.

(8) EMPLOYEE BENEFIT PLAN

The Organization has a 403(b) thrift plan that covers all employees. Participants can contribute a percentage of their compensation to the Plan and receive a 50% matching employer contribution up to 4% of their deferral. Employees are immediately fully vested in both employee and employer contributions. The Organization’s retirement contributions for the years ended December 31, 2020 and 2019 were \$4,750 and \$5,104, respectively. The expense for these contributions is included in salaries and benefits on the statements of functional expenses.

(9) CONCENTRATIONS

The Organization maintains its cash and cash equivalent balances in local financial institutions, which may, at times, exceed amounts covered by Federal Deposit Insurance Corporation (FDIC) insurance of up to \$250,000 per financial institution. The Organization’s cash balance exceeded the FDIC insurance limit by \$518,729 and \$345,169 for the years ended December 31, 2020 and 2019, respectively. The Organization has not experienced any losses in these accounts and management believes they are not exposed to any significant credit risk.

Revenues from three sources represents approximately 63% of total revenues for the year ended December 31, 2020. Revenues from two sources represented approximately 39% of total revenues earned for the year ended December 31, 2019. Two major grantors represented 93% and 88% of receivables at December 31, 2020 and 2019, respectively.

ARTS COUNCIL OF NEW ORLEANS
D/B/A ARTS NEW ORLEANS
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020 (AUDITED) AND 2019 (REVIEWED)

(10) COMMITMENTS

Operating Leases

Commencing on September 1, 2017, the Organization began leasing office space under a five-year agreement. Monthly lease payments through February 2020 are \$4,890 and from March 2020 through August 2022 are \$5,135. The lease was cancelled in September 2020, which included a cancellation payment of \$22,297 and forfeiture of the Organizations deposit of \$18,000. The rental expense under this lease incurred totaled \$68,023 and \$58,680 for the years ended December 31, 2020 and 2019, respectively, and is included in occupancy expense on the statements of functional expenses..

The Organization leases office equipment with base monthly payments of \$289, plus a varying usage fee on a lease expiring in 2022, which includes a repair and maintenance service agreement. The rental expense under this lease totaled \$3,682 and \$4,842 for the years ended December 31, 2020 and 2019, respectively, and is included in occupancy expense on the statements of functional expenses.

The Organization also rents equipment and space for its programming events on a short-term basis. The event and equipment rental expense incurred for short-term rentals totaled \$23,459 and \$197,652 for the years ended December 31, 2020 and 2019 respectively, and is included in professional and event fees on the statements of functional expenses.

The Organization entered into a month-to-month rental agreement starting in September 2020 for four storage units with a base monthly payment of \$860, plus an additional \$100 insurance fee. The total rental expense under this lease for the year ended December 31, 2020 was \$2,975 and is included in occupancy expense on the statements of functional expenses.

Future minimum lease payments on the long-term leases in effect as of December 31, 2020 are as follows:

2021	\$	3,468
2022		<u>3,179</u>
Total	\$	<u>6,647</u>

(11) CONTRACTS WITH CITY OF NEW ORLEANS

Since 1986, the Organization has entered into annual agreements with the City of New Orleans (the City) relating to the establishment of the Percent for Art Program under which one percent of the cost of eligible city capital projects is used to fund certain works of art. The Organization’s ongoing tasks include developing an Annual Art Plan to carry out the implementation of selected art projects, and short-term and long-term coordination and planning for the program.

ARTS COUNCIL OF NEW ORLEANS
D/B/A ARTS NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020 (AUDITED) AND 2019 (REVIEWED)

(11) CONTRACTS WITH CITY OF NEW ORLEANS (CONTINUED)

The Organization records grants funds received in excess of expenditures as a refundable advance until they are expended for the purpose of the contract or until the funds are returned to the appropriate funding source. The Organization incurred expenditures of \$130,000 per year in 2020 and 2019 for administrative duties performed to accomplish the agreed upon tasks. Refundable advances totaled \$388,577 and \$51,802 in 2020 and 2019, respectively, all of which was related to the Percent for Art Program.

(12) ENDOWMENT FUNDS

Annually, the Organization receives distributions from several endowment funds established at the Greater New Orleans Foundation (GNOF). These funds are in an investment pool managed by GNOF. The funds were donated to GNOF for the benefit of the Organization. GNOF utilizes an endowed 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 Organization's financial statements. The balances of these funds are as follows:

<u>Fund</u>	<u>Initial Donation</u>	<u>Net Appreciation</u>	<u>Balance December 31, 2020</u>	<u>Balance December 31, 2019</u>
Koch	\$ 210,000	\$ 158,330	\$ 368,330	\$ 355,657
Billion	50,000	64,977	114,977	111,021
Stern	25,000	67,808	92,808	89,615

Distributions received from these funds totaled \$21,049 and \$20,380 for the years ended December 31, 2020 and 2019, respectively, and are included in contributions on the statements of activities.

(13) NEW ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board (FASB) has issued Accounting Standards Update (Update) No. 2016-02, "Leases." This Update seeks to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and by disclosing key information about leasing arrangements. Deferring the effective date of Update No. 2016-02, the FASB has issued Update No. 2019-10, "Financial Instruments-Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Lease (Topic 842)." Update No. 2019-10 permits entities to apply the guidance in Update No. 2016-02 to annual reporting periods beginning after December 15, 2020, and to interim reporting periods within annual reporting periods beginning after December 15, 2021. The FASB further delayed the implementation date by one year through ASU 2020-05 "Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)." Entities may now apply the guidance in Update No. 2016-02 to annual reporting periods beginning after December 15, 2021, and to interim reporting periods within annual reporting periods beginning after December 15, 2022. The Organization plans to adopt this Update as applicable by the effective date.

ARTS COUNCIL OF NEW ORLEANS
D/B/A ARTS NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020 (AUDITED) AND 2019 (REVIEWED)

(13) NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

The Financial Accounting Standards Board (FASB) has issued Accounting Standard Update (Update) No. 2020-07, “*Not-for-Profit Entities Topic (958)*.” This Update seeks to increase transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in this Update address certain stakeholders’ concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by NFP’s, as well as the amount of those contributions used in an NFP’s programs and other activities. This Update will be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted. The Organization plans to adopt this Update as applicable by the effective date.

(14) RISKS AND UNCERTAINTIES

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. It is anticipated that these impacts will continue for some time. There has been no immediate impact to the Organization’s operations.

(15) SUBSEQUENT EVENTS

As of February 1, 2021, the Organization received a second loan from the Small Business Administration under the Paycheck Protection Program (PPP) in response to COVID-19 relief efforts in the sum of \$99,460. The loan accrues interest at 1% and is due February 1, 2026, however, the PPP loans and accrued interest are forgivable after a “covered period” (10 months) if the borrower sustains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities. As of the release of this report, the Organization has not yet applied for forgiveness for the second PPP loan.

ARTS COUNCIL NEW ORLEANS
D/B/A ARTS NEW ORLEANS
 SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO AGENCY HEAD
FOR THE YEAR ENDED DECEMBER 31, 2020

(See Independent Accountants' Review Report)

	Alphonse Smith Executive Director	Joycelyn Reynolds Executive Director
Time served	1/1/2020-8/1/2020	8/1/2020 - 12/31/2020
Total compensation, benefits, and other payments	\$ -	\$ -

There were no payments for the benefit of the Executive Director that were derived from the public funds (state and/or local governmental funds and/or federal funds passed through a state or local government agency) that ACNO receives.



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

To the Board of Directors and Management of the
Arts Council of New Orleans
d/b/a Arts New Orleans

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 Arts Council of New Orleans d/b/a Arts New Orleans (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 23, 2021.

Internal Control Over Financial Reporting

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



ERICKSEN KRENTEL LLP

CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

To the Board of Directors and Management of the
Arts Council of New Orleans
d/b/a Arts New Orleans

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

September 23, 2021
New Orleans, Louisiana

Ericksen Krentel, LLP
Certified Public Accountants

ARTS COUNCIL NEW ORLEANS
D/B/A ARTS NEW ORLEANS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2020

SECTION I SUMMARY OF AUDITORS' REPORTS

1. The auditors' report expresses an unmodified opinion on the financial statements of Arts Council of New Orleans d/b/a Arts New Orleans.
2. No significant deficiencies or material weaknesses disclosed during the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements were reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
4. A management letter was issued for the year ended December 31, 2020.

SECTION II FINANCIAL STATEMENT FINDINGS

NOT APPLICABLE

**ARTS COUNCIL NEW ORLEANS
D/B/A ARTS NEW ORLEANS
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2020**

SECTION I - FINDINGS RELATED TO THE FINANCIAL STATEMENTS

NOT APPLICABLE

SECTION II – MANAGEMENT LETTER ITEMS

NOT APPLICABLE