

PRESERVATION HALL FOUNDATION, INC.

FINANCIAL STATEMENTS

December 31, 2023 and 2022



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Preservation Hall Foundation, Inc.
New Orleans, Louisiana

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Preservation Hall Foundation, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Preservation Hall Foundation, Inc. as of December 31, 2023 and 2022, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Preservation Hall Foundation, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Preservation Hall Foundation, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Preservation Hall Foundation, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Preservation Hall Foundation, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Compensation, Benefits and Other Payments to Agency Heads 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 June 26, 2024 on our consideration of Preservation Hall Foundation, Inc.'s, internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 Preservation Hall Foundation, Inc.'s internal control over financial reporting and compliance.

Metairie, Louisiana
June 26, 2024

Wegmann Bazet, APC

PRESERVATION HALL FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION

December 31, 2023 and 2022

	2023	2022
ASSETS		
Current assets		
6647	\$ 1,719,191	\$ 1,592,598
Cash restricted for campus project	1,251,241	-
Promises to give	-	2,075,000
ERC receivable	27,685	76,685
Other receivables	1,599	14,197
Prepaid expenses	36,925	6,994
Investments, at fair value	86,279	101,344
Due from related parties	30,929	62,472
Total current assets	3,153,849	3,929,290
Finance lease right-of-use asset	4,981,731	-
Property and equipment, net	12,564	13,653
Construction in progress	470,216	-
Other assets	25,000	-
Total assets	\$ 8,643,360	\$ 3,942,943
LIABILITIES		
Current liabilities		
Accounts payable and accrued expenses	\$ 90,012	\$ 76,726
Deferred revenue	43,500	9,375
Due to related party	2,276	2,687
Current portion of finance lease obligation	148,405	-
Total liabilities	284,193	88,788
Finance lease obligation, less current portion	4,682,011	-
Total liabilities	4,966,204	88,788
NET ASSETS		
Net assets		
Without donor restrictions		
Undesignated	605,229	1,719,155
Board designated	769,893	-
	1,375,122	1,719,155
With donor restrictions	2,302,034	2,135,000
Total net assets	3,677,156	3,854,155
Total liabilities and net assets	\$ 8,643,360	\$ 3,942,943

See accompanying Notes to Financial Statements.

PRESERVATION HALL FOUNDATION, INC.

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Contributions	\$ 909,278	\$ 664,115	\$ 1,573,393
Fundraising events	380,250	-	380,250
Grants	16,000	-	16,000
Program	148,104	-	148,104
Income on investments	70,228	-	70,228
Miscellaneous income	125,732	-	125,732
Net assets released from restrictions	497,081	(497,081)	-
	<u>2,146,673</u>	<u>167,034</u>	<u>2,313,707</u>
Total revenue			
Expenses			
Program services			
Archives	370,786	-	370,786
Education	414,063	-	414,063
Community engagement	181,842	-	181,842
Legacy	359,177	-	359,177
Supporting services			
Fundraising and development	487,209	-	487,209
General and administrative	677,629	-	677,629
	<u>2,490,706</u>	<u>-</u>	<u>2,490,706</u>
Total expenses			
Change in net assets	(344,033)	167,034	(176,999)
Net assets			
Beginning of year	<u>1,719,155</u>	<u>2,135,000</u>	<u>3,854,155</u>
End of year	<u>\$ 1,375,122</u>	<u>\$ 2,302,034</u>	<u>\$ 3,677,156</u>

See accompanying Notes to Financial Statements.

PRESERVATION HALL FOUNDATION, INC.

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Contributions	\$ 517,333	\$ 2,155,000	\$ 2,672,333
Fundraising events	382,152	-	382,152
Grants	206,450	-	206,450
Program	94,502	-	94,502
Income on investments	56,004	-	56,004
In-kind contributions and donations	8,500	-	8,500
Miscellaneous income	3,862	-	3,862
Net assets released from restrictions	125,000	(125,000)	-
Total revenue	<u>1,393,803</u>	<u>2,030,000</u>	<u>3,423,803</u>
Expenses			
Program services			
Archives	279,936	-	279,936
Education	384,992	-	384,992
Community engagement	127,392	-	127,392
Legacy	344,093	-	344,093
Supporting services			
Fundraising and development	480,437	-	480,437
General and administrative	415,263	-	415,263
Total expenses	<u>2,032,113</u>	<u>-</u>	<u>2,032,113</u>
Change in net assets	(638,310)	2,030,000	1,391,690
Net assets			
Beginning of year	<u>2,357,465</u>	<u>105,000</u>	<u>2,462,465</u>
End of year	<u>\$ 1,719,155</u>	<u>\$ 2,135,000</u>	<u>\$ 3,854,155</u>

See accompanying Notes to Financial Statements.

PRESERVATION HALL FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2023

	Program Activities				Supporting Activities		Total Expenses
	Archives	Education	Community Engagement	Legacy	General & Administrative	Fundraising & Development	
Salaries, wages and benefits	\$ 239,911	\$ 62,700	\$ 62,700	\$ 123,496	\$ 39,955	\$ 218,277	\$ 747,039
Archive expense	25,751	-	-	-	-	-	25,751
Program support	-	1,597	2,284	218,657	-	8,616	231,154
Bank and credit card fees	-	5,581	-	-	421	373	6,375
Dues and subscriptions	20	-	-	-	1,959	385	2,364
Events	7,563	-	-	-	-	-	7,563
Gifts	-	-	-	-	-	9,926	9,926
Grants	1,500	-	32,500	3,000	-	-	37,000
Professional services	52,714	255,739	77,131	8,132	486,327	171,341	1,051,384
Interest expenses	-	-	-	-	17,641	-	17,641
Insurance expense	-	-	-	-	12,197	-	12,197
Information technologies	-	3,688	-	-	38,352	-	42,040
Postage and shipping	70	88	-	70	402	1,749	2,379
Payroll handling fees	8,929	2,141	2,141	4,152	245	7,902	25,510
Marketing and promotion	685	3,125	5,086	70	6,105	1,395	16,466
Rent	31,525	48,800	-	1,600	53,095	18,530	153,550
Repairs and maintenance	-	-	-	-	2,085	-	2,085
Supplies	-	-	-	-	7,233	-	7,233
Travel	2,118	30,604	-	-	4,120	48,715	85,557
Depreciation	-	-	-	-	1,089	-	1,089
Utilities expense	-	-	-	-	6,403	-	6,403
	<u>\$ 370,786</u>	<u>\$ 414,063</u>	<u>\$ 181,842</u>	<u>\$ 359,177</u>	<u>\$ 677,629</u>	<u>\$ 487,209</u>	<u>\$ 2,490,706</u>

See accompanying Notes to Financial Statements.

PRESERVATION HALL FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2022

	Program Activities				Supporting Activities		Total Expenses
	Archives	Education	Community Engagement	Legacy	General & Administrative	Fundraising & Development	
Salaries, wages and benefits	\$ 90,454	\$ 150,359	\$ -	\$ 111,371	\$ 104,777	\$ 186,508	\$ 643,469
Program support	-	-	36,000	-	-	58,997	94,997
Bank and credit card fees	-	-	-	-	1,820	-	1,820
Charitable contributions	-	-	-	-	6,000	433	6,433
Dues and subscriptions	130	2,979	-	-	225	724	4,058
Gifts	-	-	-	-	9,817	-	9,817
Professional services	131,733	199,982	71,770	215,569	205,676	198,670	1,023,400
Insurance expense	-	-	-	-	8,563	-	8,563
Information technologies	-	-	-	-	31,792	-	31,792
Postage and shipping	-	-	-	-	3,506	128	3,634
Marketing and promotion	-	14,341	-	-	8,886	4,414	27,641
Rent	38,164	5,053	7,053	6,063	10,104	13,493	79,930
Supplies	16,758	2,463	298	10,163	-	-	29,682
Travel	2,161	9,368	11,824	391	17,373	16,355	57,472
Depreciation	-	-	-	-	1,089	-	1,089
Utilities expense	536	447	447	536	1,212	715	3,893
Other	-	-	-	-	4,423	-	4,423
	<u>\$ 279,936</u>	<u>\$ 384,992</u>	<u>\$ 127,392</u>	<u>\$ 344,093</u>	<u>\$ 415,263</u>	<u>\$ 480,437</u>	<u>\$ 2,032,113</u>

See accompanying Notes to Financial Statements.

PRESERVATION HALL FOUNDATION, INC.
STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ (176,999)	\$ 1,391,690
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	1,089	1,089
In-kind contributions and donations	-	(8,500)
ERC receivable	49,000	-
Net gain on investments	(76,935)	(55,954)
Amortization of finance lease, right-of-use asset	11,095	-
Promises to give restricted for campus project	(500,000)	-
(Increase) decrease in operating assets:		
Promises to give	75,000	(1,492,200)
Other receivables	12,598	(6,197)
Prepaid expenses	(29,931)	(6,994)
Due from related parties	31,543	153,924
Other assets	(25,000)	-
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	13,286	(17,776)
Deferred revenue	34,125	(87,981)
Due to related party	(411)	(690)
Net cash used by operating activities	<u>(581,540)</u>	<u>(129,589)</u>
Cash flows from investing activities:		
Purchases for construction in progress	(470,216)	-
Purchases of property and equipment	-	(2,431)
Purchase of investments	(92,000)	-
Proceeds from sale of investments	184,000	-
Net cash used by investing activities	<u>(378,216)</u>	<u>(2,431)</u>
Cash flows from financing activities:		
Collections of promises to give restricted to campus projects	2,500,000	-
Repayments of lease liability	(162,410)	-
Net cash provided by financing activities	<u>2,337,590</u>	<u>-</u>
Net increase (decrease) in cash, cash equivalents, and restricted cash	1,377,834	(132,020)
Cash, cash equivalents, and restricted cash at beginning of year	<u>1,592,598</u>	<u>1,724,618</u>
Cash, cash equivalents, and restricted cash at end of year	<u>\$ 2,970,432</u>	<u>\$ 1,592,598</u>

See accompanying Notes to Financial Statements.

PRESERVATION HALL FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2023 and 2022

1) Description of the Foundation and activities

Preservation Hall Foundation, Inc. (“Foundation”) is a nonprofit organization established to honor and embody Preservation Hall, LLC’s (“Hall”) intrinsic ethos and practices. The Foundation supports music education, academic research, historical archiving and promotional outreach campaigns to create greater awareness and appreciation for traditional New Orleans jazz and the communities that support it. The Foundation protects, preserves and perpetuates the musical and cultural traditions of New Orleans through four program areas:

Education: Preservation Hall lessons include content focused on the introductory and advanced techniques for the range of instruments in a traditional jazz band, stylistic tips, as well as cultural and historic context of New Orleans music.

Legacy: The Foundation provides members over the age of 60 with a stable income stream for their public roles as educators and neighborhood musicians through monthly stipends as well as daytime employment opportunities related to the Foundation’s education program. The Foundation also provides monthly grants as well as other support and services including transportation, lawn care services, bereavement and emergency funds among others.

Archives: The Foundation has been a repository of a variety of recordings, photographs, film reels, contracts, memorabilia and other artifacts which are housed in storage units, the back office, and hard drives of digital files.

Community engagement: The Foundation dedicates resources to provide a Preservation Hall ensemble at free community events. The Foundation also provides small grants to local artist and organizations who are collaborators and whose work the Foundation seeks to support and perpetuate.

2) Summary of significant accounting policies

Significant accounting policies are summarized below.

a) Basis of presentation

The financial statements of the Foundation have been prepared in accordance with U.S. generally accepted accounting principles (“US GAAP”), which require the Foundation to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a six-month reserve for emergency relief grants and operations.

Net assets with donor restrictions: Net assets subject to donor restrictions. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Foundation reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

PRESERVATION HALL FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2023 and 2022

2) Summary of significant accounting policies (continued)

b) Cash and cash equivalents

All cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, are considered to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to the campus project are excluded from this definition.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statements of financial position to the sum of the corresponding amounts within the statements of cash flows:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 1,719,191	\$ 1,592,598
Cash restricted to campus project	1,251,241	-
Total cash, cash equivalents, and restricted cash	<u>\$ 2,970,432</u>	<u>\$ 1,592,598</u>

c) Receivables and credit policies

Program service receivables consist primarily of amounts from educational programs for students. The receivables are stated at the amount management expects to collect from outstanding balances. An estimated allowance for credit losses is maintained to reduce the receivables to their carrying amount, which approximates fair value. Accounts are written off when management deems the account to be uncollectible. Recoveries of accounts previously written off are recorded when received. The allowance is estimated based on specific review of customer accounts as well as historical collection experience and current economic and business conditions. Management believes that as of December 31, 2023 and 2022, there are no uncollectible accounts, therefore, no allowance is considered necessary.

d) Promises to give

The Foundation records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. An allowance for uncollectible promises to give is determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. Management believes that as of December 31, 2023 and 2022, there are no uncollectible accounts, therefore, no allowance is considered necessary.

e) Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Foundation 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, and those differences could be material.

PRESERVATION HALL FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2023 and 2022

2) Summary of significant accounting policies (continued)

f) 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, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Until that point, any amounts received are recorded as refundable advances.

Program service fees, exchange-type grants and contract revenues are recognized when services are provided. Program fees, payments under exchange-type grants and contracts received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred.

g) Concentrations of credit risk

Deposit concentration risk is managed by placing cash, money market accounts, and certificates of deposit with financial institutions believed by the Foundation to be creditworthy. Deposits at each bank are insured by the Federal Deposit Insurance Corporation up to specific limits and amounts at each investment firm are insured by the Securities Investor Protection Corporation up to specific limits. At times, amounts on deposit may exceed insured limits. To date, no losses have been experienced in any of these accounts. Credit risk associated with accounts receivable and promises to give are limited due to high historical collection rates.

The Foundation received 70% and 33% of its contributions from two donors for the years ended December 31, 2023 and 2022, respectively. The Foundation received 77% and 90% of its grants from one grantor for the years ended December 31, 2023 and 2022, respectively.

h) Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

i) Construction in progress

Construction in progress is stated at cost, which includes the cost of construction and other direct cost attributed to the construction. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and put into use.

j) Right of use leased assets and liabilities

Right to use leased assets and the related liabilities are recognized at the lease commencement date and represent the Foundation's right to use an underlying asset and lease obligations for the lease term. Right to use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to place the lease asset into service. Right to use leased assets are amortized over the shorter of the lease term or the useful life of the underlying asset using the straight-line method.

PRESERVATION HALL FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2023 and 2022

2) Summary of significant accounting policies (continued)

k) Property and equipment

Property and equipment additions over \$2,500 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 5 to 7 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

l) Income taxes

The Foundation is organized as a nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as organizations described in IRC Section 501(c)(3). In a letter dated August 14, 2021, the IRS issued a determination letter stating that the Foundation meets the requirements for classification as a public charity. The Foundation is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Foundation is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. The Foundation has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Management believes that the Foundation has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Foundation would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred. With few exceptions, the Foundation is no longer subject to federal or state tax examinations beyond three years from the filing of those returns.

m) Advertising costs

Advertising costs are expensed as incurred and approximated \$16,500 and \$27,600 during the years ended December 31, 2023 and 2022, respectively.

n) Functional expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, some expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, benefits, payroll taxes and professional services which are allocated on the basis of estimates of time and effort.

PRESERVATION HALL FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2023 and 2022

2) Summary of significant accounting policies (continued)

o) In-kind contributions and donations

Contributed nonfinancial assets include donated professional services, donated equipment, and other in-kind contributions which are recorded at the respective fair values of the goods or services received. In addition to contributed nonfinancial assets, volunteers may contribute time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. The Foundation received \$-0- and \$8,500 of donated equipment for the years ended December 31, 2023 and 2022, respectively. The equipment was valued using estimated prices for identical equipment. No significant contributions or services were received during the years ended December 31, 2023 and 2022.

3) Availability and liquidity

Financial assets available for general expenditure, that is, without donor restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	<u>2023</u>
Cash and cash equivalents	\$ 1,719,191
Receivables	29,284
Operating investments	86,279
	<u>\$ 1,834,754</u>

As a part of the Foundation’s liquidity plan, excess cash is invested in money market accounts. The Foundation anticipates collecting sufficient revenue from contributions, fundraising events and program services to cover general expenditures over the next twelve months.

4) Promises to give

Promises to give totaling \$-0- and \$2,000,000 received during the years ended December 31, 2023 and 2022, respectively, were restricted by donors for the campus project.

5) Net assets with donor restrictions

The restrictions on net assets as of December 31, 2023 and 2022 relate to the following:

	<u>2023</u>	<u>2022</u>
Specific purpose		
Education	\$ 24,315	\$ 10,000
Campus project	2,277,719	2,125,000
	<u>\$ 2,302,034</u>	<u>\$ 2,135,000</u>

PRESERVATION HALL FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2023 and 2022

5) Net assets with donor restrictions (continued)

Net assets released from net assets with donor restrictions are as follows:

	<u>2023</u>	<u>2022</u>
Specific purpose		
Education	\$ 24,800	\$ 5,000
Campus project	347,281	-
Archives	10,000	-
Musician support	15,000	15,000
Development	100,000	-
South Arts	-	40,000
New Orleans and Co.	-	65,000
	<u>\$ 497,081</u>	<u>\$ 125,000</u>

6) Related parties

The Foundation records payments of expenses made during the year in lieu of rent with entities owned in part by board members as due from related parties on the statements of financial position.

At December 31, 2023 and 2022, related party receivables from these entities totaled \$30,929 and \$62,472, respectively. The Foundation received no donated goods from related parties during the years ended December 31, 2023 and 2022.

7) Fair value measurements

Certain assets are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity’s own assumptions about the assumptions market participants would use in pricing the asset based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, inputs are developed using the best information available in the circumstances.

PRESERVATION HALL FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2023 and 2022

7) Fair value measurements (continued)

At December 31, 2023 and 2022, the Foundation’s investments consisted of equity funds totaling \$86,279 and \$101,344, respectively. All investments as of December 31, 2023 and 2022 were considered Level 1 investments. There were no transfers between levels during fiscal years 2023 or 2022.

8) Property and equipment

Property and equipment are summarized as follows:

	<u>2023</u>	<u>2022</u>
Furniture and equipment	\$ 18,902	\$ 18,902
Less accumulated depreciation	(6,338)	(5,249)
	<u>\$ 12,564</u>	<u>\$ 13,653</u>

9) Shared services agreement

The Foundation and the Hall have entered a Shared Services Agreement which expires December 31, 2024 whereby the Foundation has agreed to share specific staff services and equipment. The Hall has agreed to reimburse the Foundation for the cost of those staff services and equipment.

Payment terms related to shared staff services should not exceed the actual cost incurred by the Foundation and are calculated based on time dedicated to providing services to the Hall on a proportional pro rata basis not to exceed \$10,000 per month, unless approved in writing. The agreement can be terminated in 90 days by either party with a written notice. Shared services payments for the years ended December 31, 2023 and 2022 were \$39,955 and \$34,271, respectively.

10) Leases

The Foundation subleases office, venue, and laboratory space in New Orleans, Louisiana under a finance lease agreement. The Foundation includes in the determination of the right-of-use assets and lease liabilities any renewal options when the options are reasonably certain to be exercised. The Foundation’s finance lease provides for increases in future minimum annual rental payments. The lease does not contain significant residual value guarantees and does not impose significant restrictions or covenants. As of December 31, 2023, the remaining weighted-average lease term for this lease was 37.5 years and the weighted-average discount rate was 4.24%.

The Foundation has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on straight-line basis.

Total lease costs for the years ended December 31, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Short-term lease cost	\$ 142,455	\$ 79,930
Finance lease cost		
Interest expense	17,641	-
Amortization of right-of-use asset	11,095	-
	<u>\$ 171,191</u>	<u>\$ 79,930</u>

PRESERVATION HALL FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2023 and 2022

10) Leases (continued)

The future minimum lease payments under the noncancelable finance lease with terms greater than one year are listed below as of December 31, 2023:

<u>Year ending December 31st</u>	<u>Amount</u>
2024	\$ 347,151
2025	185,742
2026	198,196
2027	205,999
2028	205,999
Thereafter	<u>9,236,965</u>
Total	10,380,052
Less: interest	<u>(5,549,636)</u>
Present value of lease obligation	4,830,416
Less current portion	<u>(148,405)</u>
Lease obligation, less current portion	<u><u>\$ 4,682,011</u></u>

Supplemental cash flows information for the right-of-use asset obtained in exchange for finance lease obligation was \$4,992,826 and \$-0- for the years ended December 31, 2023 and 2022, respectively.

11) Deferred revenue

Contract liabilities are reported as deferred revenue in the accompanying statements of financial position. The following table provides information about significant changes in deferred revenue for the years ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Deferred revenue, beginning of year	\$ 9,375	\$ 97,356
Increases in deferred revenue due to cash received	122,002	171,391
Deferred revenue recognized for performance obligations satisfied	<u>(87,877)</u>	<u>(259,372)</u>
Deferred revenue, end of year	<u><u>\$ 43,500</u></u>	<u><u>\$ 9,375</u></u>

12) Subsequent events

The Foundation has evaluated subsequent events through the date of the auditor's report, the date which the financial statements were available to be issued. Management feels that there were no material subsequent events that required recognition or additional disclosures 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

To the Board of Directors of
Preservation Hall Foundation, Inc.
New Orleans, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Preservation Hall Foundation, Inc., which comprise the statement of financial position as of December 31, 2023, 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 June 26, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Preservation Hall Foundation, Inc.'s internal control over financial reporting (internal control) as a basis for designing 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 Preservation Hall Foundation, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Preservation Hall Foundation, Inc.'s internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Preservation Hall Foundation, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Metairie, Louisiana
June 26, 2024

Wegmann Bazet, APC

PRESERVATION HALL FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2023

SUMMARY OF COMPENSATION

Greg Lucas, Executive Director

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