

THE WALLS PROJECT
BATON ROUGE, LOUISIANA
JUNE 30, 2025

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Walls Project
Baton Rouge, Louisiana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of The Walls Project (a nonprofit organization), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Walls Project as of June 30, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. 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 The Walls Project and to meet other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 The Walls Project's ability to continue as a going concern within 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 The Walls Project'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 The Walls Project'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.

Supplementary Information

Our audit was 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 an Agency Head and the accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 December 30, 2025, on our consideration of The Walls Project's 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 Walls Project'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 Walls Project's internal control over financial reporting and compliance.

S. A. Champagne & Co, LLP

*Baton Rouge, Louisiana
December 30, 2025*

THE WALLS PROJECT
STATEMENT OF FINANCIAL POSITION

June 30, 2025

ASSETS

CURRENT ASSETS

Cash	\$ 104,449
Accounts receivable, net of allowance for credit loss \$16,072	60,863
Pledge receivable	300,000
Contributions receivable	134,720
Prepaid expenses	21,781
	<hr/>
Total current assets	621,813

FIXED ASSETS

Right-of-use asset - financing, net	16,334
Right-of-use asset - operating, net	28,391
Furniture, fixtures, and equipment	81,423
	<hr/>
	126,148
Less accumulated depreciation	(32,275)
	<hr/>
	93,873

OTHER ASSETS

Curriculum digitization	86,911
Pledged receivable, net of current portion, net discount	157,994
Security deposit	5,070
	<hr/>
	249,975
	<hr/>
Total assets	<u>\$ 965,661</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts and other payables	\$ 216,233
Accrued salaries, taxes, and benefits	19,746
Deferred revenue	157,869
Operating lease liability	5,496
Financing lease liability	3,250
Current portion of long term debt	7,457
	<hr/>
Total current liabilities	410,051

LONG-TERM LIABILITIES

Operating lease liability, less current portion	10,617
Financing lease liability, less current portion	13,198
Long term debt	69,954
	<hr/>
Total liabilities	503,820

NET ASSETS

Without donor restrictions	(212,439)
With donor restrictions	674,280
	<hr/>
Total net assets	461,841
	<hr/>
Total liabilities and net assets	<u>\$ 965,661</u>

See accompanying notes to financial statements.

THE WALLS PROJECT
STATEMENT OF ACTIVITIES

Year Ended June 30, 2025

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Public support	\$ 780,264	\$ 715,136	\$ 1,495,400
Contributed nonfinancial assets	251,200	-	251,200
Program service	591,551	-	591,551
Grants	791,535	-	791,535
Other	605	-	605
Net assets released from restrictions:			
Satisfaction of program restrictions	159,180	(159,180)	-
	<u>2,574,335</u>	<u>555,956</u>	<u>3,130,291</u>
EXPENSES			
Functional:			
Program services	2,248,784	-	2,248,784
Management and general	189,858	-	189,858
Fundraising	96,008	-	96,008
	<u>2,534,650</u>	<u>-</u>	<u>2,534,650</u>
Change in net assets	39,685	555,956	595,641
Net assets - beginning of year	<u>(252,124)</u>	<u>118,324</u>	<u>(133,800)</u>
Net assets - end of year	<u>\$ (212,439)</u>	<u>\$ 674,280</u>	<u>\$ 461,841</u>

See accompanying notes to financial statements.

THE WALLS PROJECT
STATEMENT OF CASH FLOWS
Year Ended June 30, 2025

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 595,641
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation	9,381
Gain on disposition of assets	(605)
Non cash operating lease expense	(12,369)
Credit loss	18,071
Amortization of financing ROU asset	920
Decrease (increase) in:	
Pledge receivable	(457,994)
Accounts receivable	10,409
Contributions receivable	(134,720)
Prepaid expenses	(16,173)
Security deposits	(701)
Increase (decrease) in:	
Accounts and other payables	(36,853)
Accrued salaries, taxes, and benefits	7,139
Deferred revenue	109,584
Net cash provided by (used in) operating activities	<u>91,730</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from dispositions of assets	3,521
Acquisitions of equipment	(7,163)
Net cash provided by (used in) investing activities	<u>(3,642)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Principal payments on loan from member	(10,000)
Principal payments on long term debt	(9,601)
Principal payments on financing lease	(1,052)
Net cash provided by (used in) financing activities	<u>(20,653)</u>

NET INCREASE (DECREASE) IN CASH

Cash - beginning of year	37,014
Cash - end of year	<u>\$ 104,449</u>

SUPPLEMENTAL DISCLOSURES

Interest paid	<u>\$ 2,713</u>
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See accompanying notes to financial statements.

THE WALLS PROJECT
STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2025

	Program Services				Total Program Services	Management and General	Fundraising	Total
	Create	Cultivate	Reactivate	One Rouge Coalition				
Contract services	\$ 164,517	\$ 319,705	\$ 47,703	\$ -	\$ 559,682	\$ 5,841	\$ 85,000	\$ 650,523
Salaries, taxes, & benefits	1,035,381	-	-	-	1,035,381	-	-	1,035,381
Insurance	-	19,153	1,873	-	21,026	22,136	-	43,162
Travel & auto	4,664	16,585	-	-	21,249	35,673	-	56,922
Office	-	145	-	1,306	1,451	51,779	250	53,480
Interest	-	-	-	-	-	2,713	-	2,713
Postage & printing	-	34	-	-	34	82	2,055	2,171
Software & licenses	-	-	-	-	-	-	5,389	5,389
Depreciation	-	6,285	-	-	6,285	3,096	-	9,381
Web development	-	-	-	2,043	2,043	-	-	2,043
Videography	-	-	-	886	886	-	-	886
Photography	1,200	-	-	-	1,200	-	-	1,200
Repairs & maintenance	-	1,351	-	-	1,351	629	-	1,980
Rent	21,654	243,470	-	-	265,124	46,034	-	311,158
Supplies	29,299	63,969	61,061	2,182	156,511	-	-	156,511
Coordinators & managers	8,650	27,549	46,018	40,344	122,561	3,804	-	126,365
Certifications	-	22,187	-	-	22,187	-	-	22,187
Credit loss	-	-	-	-	-	18,071	-	18,071
Meals & entertainment	1,993	9,519	17,090	-	28,602	-	3,314	31,916
Other	3,211	-	-	-	3,211	-	-	3,211
	<u>\$ 1,270,569</u>	<u>\$ 729,952</u>	<u>\$ 173,745</u>	<u>\$ 46,761</u>	<u>\$ 2,248,784</u>	<u>\$ 189,858</u>	<u>\$ 96,008</u>	<u>\$ 2,534,650</u>

See accompanying notes to financial statements.

THE WALLS PROJECT

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of activities

The Walls Project (the Organization) is a non-profit corporation exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is dedicated to dismantling societal barriers that hinder individuals from achieving safe, healthy, and prosperous lives. Its mission centers on creating equitable access to opportunities in the arts, technology, and community development, with a particular focus on underserved communities in East Baton Rouge Parish, Louisiana, South Dallas, Texas, Denver, Colorado and Durango, Colorado. Through innovative programs, strategic partnerships, and community engagement, The Organization empowers individuals to break free from cycles of poverty and build a brighter future through the following programs:

1. Create, the Arts Program of the Organization, is a dynamic initiative that collaborates with local artists, providing them with capacity-building opportunities and project management services. Our creative endeavors encompass a wide spectrum, including the production of awe-inspiring ten-story murals on high-rise buildings, the creation of interactive healing-arts sculptures within hospital environments, and the transformation of recycling signs into captivating mini-mural canvases for children. Through this program, Create not only beautifies our communities but also foster artistic talent, enhance public spaces, and promote creative expression.
2. Cultivate embodies the Organization's commitment to empowering young adults by providing diverse pathways to acquire essential skills for college and career readiness, all while emphasizing creative entrepreneurship and contributing to the betterment of our communities. Within this program, we proudly administer the Futures Fund, a comprehensive IT workforce development initiative for both adults and youth, featuring virtual coding courses that serve as a gateway to the Tech industry. Our dedication extends to offering various workshops and engaging youth-centered events, broadening local opportunities for residents seeking entry into the IT workforce. Additionally, Cultivate encompasses Baton Roots, our thriving Urban Agriculture program. Through this initiative, we cultivate a 5-acre garden at Howell Park in Baton Rouge, LA, and extend our operations to 11 housing authority sites and three public high schools. By seamlessly integrating these programs, we continue to foster growth, creativity, and community development.
3. Reactivate is our dedicated initiative aimed at combatting blight within the Baton Rouge and Dallas communities by harnessing the power of volunteerism. The cornerstone of this effort is our annual MLK Fest, a vibrant celebration that draws thousands of volunteers and residents each year. Additionally, we've expanded our impact by introducing Juneteenth celebrations in both Baton Rouge and Dallas, further engaging communities and fostering a sense of togetherness. In conjunction with these festivals, we organize numerous city clean-up projects throughout the year, offering opportunities for countless volunteers to contribute to the revitalization of their neighborhoods. Through these collective efforts, we remain steadfast in our mission to address blight and create more vibrant, welcoming communities.

A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4. The One Rouge Coalition is a dynamic response to the challenges exacerbated by the pandemic, aiming to drive transformative change in the East Baton Rouge Parish. With a network of over 400 organizations, this coalition leverages a collective impact model that unites various stakeholders. By championing strategic initiatives, programs, and collaborative teams, the coalition mobilizes community members to work together on systemic solutions. Through these efforts, we strive to enhance both individual and community capacities, promote economic prosperity, and establish a foundation of sustainability for those in need, fostering positive outcomes for individuals and communities alike.

Basis of accounting

The Organization prepares its financial statements on the accrual basis of accounting. Under this method of accounting, revenue is recognized when earned or billed, and expenses are recognized when goods or services are received and the obligation for payment is incurred.

Basis of presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC). The Organization reports information regarding its financial position and activities according to the two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets with donor restrictions to net assets without donor restrictions.

Support and revenue recognition

Contributions received, government support, and unconditional promises to give are measured at their fair values and are reported as an increase in net assets.

A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Organization recognizes revenue when it transfers promised goods or services in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods and services. To accomplish this, the Organization applies the following five-step process to achieve this core principle:

- Identification of the contract with the member;
- Identification of the performance obligations under the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the identified performance obligations; and
- Recognition of revenue when (or as) an entity satisfies the identified performance obligations.

Mural Revenue

Mural and garden and maintenance revenue consist of fees for the design and production of murals and garden maintenance throughout the nation. The Organization is contracted to design and produce the murals and provide maintenance services, including guidance on the artistic selection process and design selection process, coordination and facilitation of feedback. The Organization provides direction, supplies, and site management during the painting process. Revenue is recognized when the services occur.

Revenue Disaggregation

The Organization disaggregates revenue from contracts with customers into major revenue streams and based on the timing of recognized revenue. The Organization's revenue disaggregated based on timing of the transfer of goods or services as follows as of June 30, 2025:

Recognized at a point in time:	
Mural revenue	\$ 272,349
Garden and maintenance revenue	\$ 319,202

Contract Balances

The timing of revenue recognition, billings, and cash collections results in contract assets, receivables, and contract liabilities. The Organization's contract liabilities consist of deferred revenue for mural services in the amount of \$157,869 and \$48,285 as of June 30, 2025, and 2024. Deferred revenue will be recognized in the next twelve months. Accounts receivable related to contracts were \$60,863 and \$89,345 as of June 30, 2025, and 2024.

Payment terms

The Organization's mural revenue is billed in advance of the performance obligation with a 50% deposit due upon approval of scope of work and the remaining balance due at completion. All other revenue streams are collected in arrears with terms generally net thirty days.

A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Determination of the transaction price

The transaction price of a contract is the amount of consideration to which the Organization expects to be entitled in exchange for transferring promised goods or services to a customer. Transaction prices do not include amounts collected on behalf of third parties. To determine the contract price of a contract, the Organization considers its customary business practices as well as the terms of the contract

For the purpose of determining transaction prices, the Organization assumes that the services will be transferred to the customer as promised in accordance with existing contracts and that contracts will not be cancelled, renewed, or modified. Most of the Organization's contracts with customers have fixed transaction prices that are denominated in U.S. dollars and payable in cash.

For mural services, consideration paid for the services provided is collected at approval of the contract and at completion of the service. Therefore, at the time the revenue is recognized, the Organization does not estimate expected refunds for services nor does the Organization exclude any such amounts from revenue.

Donated services

Donated services are recognized as contributions (a) if the services create or enhance nonfinancial assets or (b) if specialized skills are required, are performed by people with those skills, and would otherwise be purchased by the Organization. These services are recorded based on the fair value of the services provided and reported as in-kind revenue on the Statement of Activities. Volunteer services are not recognized in the financial statements when the recognition criteria has not been met.

Use of estimates

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

Cash

For the purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with a maturity of three months or less when acquired to be cash.

Accounts receivable and allowance for credit losses

Accounts receivable are stated at the amount management expects to collect. The Organization evaluates the collectability of its receivables using the current expected credit loss (CECL) model and records an allowance for credit losses when necessary. As of June 30, 2025, the Organization recorded an allowance for credit losses of \$16,072. This allowance reflects management's estimate of potential uncollectible amounts based on a review of individual account balances and overall credit risk. Changes in the allowance for credit losses are recognized in the statement of activities as credit loss expense.

Accounts receivable are presented net of the allowance for credit losses in the statement of financial position.

A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Prepaid expenses

Insurance and similar services which extend benefits over more than one accounting period as well as expenses incurred for future events have been recorded as prepaid.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is calculated on the straight-line basis over the estimated useful life of the assets as follows:

Furniture and equipment	5-7 years
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Costs of major additions and improvements are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

When property is retired or otherwise disposed of, the accounts are relieved of the applicable cost and accumulated depreciation, and any resulting gain or loss is reflected in operations.

Income tax status

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in the financial statements.

The Organization accounts for income taxes in accordance with the income tax accounting guidance included in the FASB ASC. Under this guidance, the Organization may recognize the tax effects from an uncertain tax position only if it is more likely than not that the tax position will be sustained upon examination by tax authorities. The Organization has evaluated its position regarding the accounting for uncertain tax positions and does not believe that it has any material uncertain tax positions.

Functional allocation of expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs are charged specifically to a program or function, and the remaining costs are allocated among programs, management, and fundraising. Contract service allocations are determined by management on an equitable basis based on time and effort.

Leases

The Organization determines whether an arrangement is or contains a lease at lease inception. On the commencement date, operating leases are recorded as operating lease right-of-use (ROU) assets in the statement of financial position while finance leases are recorded as finance lease (ROU) assets. Lease liabilities represent the Organization's contractual obligation to make lease payments over the lease term.

Lease liabilities are measured based on the net present value of future lease payments using the discount rate. The Organization additionally enters into short-term leases with a lease term of one year or less and has elected not to include these amounts in the ROU assets or lease liabilities. The Organization recognized expense for operating leases and short-term leases on a straight-line basis over the lease term.

A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Organization elected to use the risk-free rate as the discount rate for calculating ROU assets and liabilities in place of the incremental borrowing rate for the associated leases.

Pledges receivable

Pledge receivables that are expected to be collected in future years are recorded at fair value based on the present value of their estimated future cash flows and are discounted at the rate applicable to the year in which the pledge was made. Amortization of the discount is recorded as additional contribution revenue over the life of the pledge.

B: PLEDGE RECEIVABLES

The Organization has an unconditional pledge receivable from a single donor totaling \$870,000, pledged on September 1, 2024, to be collected over a three-year period. The pledge payment schedule is as follows:

- Year 1 payment due date October 15, 2024: \$400,000
- Year 2 payment due date October 1, 2025: \$300,000
- Year 3 payment due date October 1, 2026: \$170,000

The first-year payment of \$400,000 was received during the current reporting period ended June 30, 2025.

The third-year payment has been discounted to present value using the 3.73% Treasury par yield curve rate in effect at the pledge date. The discount recorded on the third-year payment is \$12,006.

As of June 30, 2025, the unconditional pledge receivable is presented as follows:

Receivable in less than one year	\$	300,000
Receivable in one to five years		170,000
Total pledge receivable		<u>470,000</u>
Less: discount on year 3		(12,006)
Net pledge receivable	\$	<u><u>457,994</u></u>

The pledge is reported as net assets with donor restrictions due to time restrictions. Management has evaluated the pledge receivable for collectability and determined that no allowance for uncollectible pledges is necessary as of June 30, 2025.

C: NON-CASH INVESTING AND FINANCING ACTIVITIES

During fiscal year 2025, the Organization acquired \$30,009 of an operating and \$17,501 of a financing right-of-use assets in exchange for lease obligations.

D: LIQUIDITY

The Organization has the following in financial assets available within one year of the balance sheet date to meet cash needs for general expenditures for the year ended June 30, 2025:

Cash	\$ 104,449
Accounts receivable, net	60,863
Pledge receivable	300,000
Contribution receivable	134,720
Less donor imposed restrictions	<u>(516,286)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 83,746</u>

As part of its liquidity management, the Organization strives to structure its financial assets to be available as general expenditures, liabilities, and other obligations become due.

E: LONG TERM DEBT

On July 26, 2020, the Organization obtained a \$150,000 Economic Injury Disaster Loan (EIDL) from the Small Business Administration (SBA) related to the COVID-19 pandemic. The loan bears interest at 2.75% and is payable in 360 monthly installments of \$641, starting July 2021. The loan is secured by the Organization's receivables and equipment. The SBA will apply each installment payment first to pay interest accrued, then apply any remaining balance to reduce principal. Principal payments made as of June 30, 2025 amounted to \$9,602. The loan is secured by a security interest in substantially all business assets of the Organization.

Remaining principal payments on the EIDL loan are due as follows:

2026	\$ 7,457
2027	5,842
2028	6,004
2029	6,171
2030	6,343
2031 and later years	<u>45,594</u>
	<u>\$ 77,411</u>

F: SUBSEQUENT EVENTS

Subsequent events were evaluated through December 30, 2025, which is the date the financial statements were available to be issued.

G: LEASES

The Organization leases a truck under an agreement that is classified as an operating lease. The lease provided for monthly rent of \$500 and expires in April 2028. The lease has an option to purchase at the conclusion of the lease that management does not intend to exercise. The right-of-use assets and liabilities have been calculated using a risk-free discount rate of 3.69% and has a weighted average lease term remaining of 2.83 years as of June 30, 2025.

The Organization leases office equipment under an agreement that is classified as a finance lease. The lease provides for monthly rent of \$325 and expires in February 2030. The right-of-use assets and related liabilities have been calculated using a risk-free discount rate of 4.34% and has a weighted average lease term remaining of 4.67 years as of June 30, 2025. The lease cost for the finance lease includes the amortization of the right-of-use asset of \$920 for the year ended June 30, 2025, which is amortized on a straight-line basis, and interest expense of \$247, on the finance lease liability.

As of June 30, 2025, the right-to-use assets related to the operating and finance leases were as follows:

Operating lease right-of-use asset	
Cost	\$ 30,009
Accumulated amortization	<u>(1,618)</u>
	<u>\$ 28,391</u>
Financing lease right-of-use asset	
Cost	\$ 17,501
Accumulated amortization	<u>(1,167)</u>
	<u>\$ 16,334</u>

The future undiscounted lease payments required under the operating and finance leases are as follows for the year ending June 30, 2025:

Years Ending June 30	Operating Lease	Finance Lease	Total
2026	\$ 5,998	\$ 3,900	\$ 9,898
2027	5,998	3,900	9,898
2028	4,998	3,900	8,898
2029	-	3,900	3,900
2030	-	2,600	2,600
	<u>16,994</u>	<u>18,200</u>	<u>35,194</u>
Less amounts representing interest	<u>(881)</u>	<u>(1,752)</u>	<u>(2,633)</u>
	<u>\$ 16,113</u>	<u>\$ 16,448</u>	<u>\$ 32,561</u>

H: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of funds designated by donors or grantors for specific purposes or programs. At June 30, 2025, amounts restricted to use or time for specific programmatic areas were as follows:

Future funds	\$ 106,215
Baton roots	11,000
One rouge	4,071
Mural art	95,000
Pledge receivables	457,994
	<u>\$ 674,280</u>

I: CONTRIBUTED GOODS

The organization recognizes contributed nonfinancial assets (“CNFA”) – such as use of facilities, goods, equipment, and certain services – as contribution revenue at estimated fair value on the date received. Contributed services are recognized only if they require specialized skills and would otherwise be purchased or if they create or enhance nonfinancial assets. Fair value is estimated using observable market information; prevailing market rental rates for comparable properties (facility/rent), published rate cards or written quotes for services (legal fees). All CNFA were used in operations; none were monetized. There were no donor-imposed restrictions attached to CNFA in 2025.

During the year ended June 30, 2025, the Organization received the following CNFA that have been reflected as such in the accompanying statement of activities at fair market value. Related expenses appear in the statements of functional expenses under the captions noted below:

<u>Category</u>	<u>Expense account charged</u>	<u>Amount</u>
Facilities and equipment	Rent	\$ 240,000
Legal fees	Contract service	11,200
		<u>\$ 251,200</u>

J: RELATED PARTY TRANSACTIONS

The Organization shared office space with The Force Agency, which was owned by the executive director of the Organization. The Force Agency billed the Organization for monthly project management fees and out of pocket expense reimbursements until June 30, 2021. As of July 1, 2021, The Force Agency is no longer associated with the Organization as employees were hired on a W-2 basis.

As of June 30, 2025, the Organization owed The Force Agency \$74,992, which was classified as an account payable.

K: CURRICULUM DIGITIZATION

The Organization capitalized costs related to the digitization of its program curriculum, which is expected to provide benefit to the Organization over an indefinite period. Management has determined that the curriculum digitization asset has an indefinite useful life because there is no foreseeable limit to the period over which the asset is expected to contribute to the Organization's cash flows. Accordingly, the asset is not amortized but is tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired. As of June 30, 2025, the carrying amount of the curriculum digitization asset was \$86,911. No impairment losses were recognized during the year ended June 30, 2025.

SUPPLEMENTAL INFORMATION

THE WALLS PROJECT
SCHEDULE OF COMPENSATION, BENEFITS, AND
OTHER PAYMENTS TO AGENCY HEAD

Year End June 30, 2025

Agency Head: Casey Phillips, Chief Executive Officer

<u>Purpose</u>	<u>Amount</u>
Salary and benefits	\$ 13,437

See auditor's report on supplementary information

THE WALLS PROJECT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2025

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM CLUSTER TITLE	ASSISTANCE LISTING NUMBER	GRANT NUMBER	TOTAL FEDERAL EXPENDITURES
U. S. Department of Agriculture			
Direct programs:			
Inflation Reduction Act Urban and Community Forestry Program	10.727	24-DG-11083150-555-1	\$ 785,813
Total Federal Expenditures			<u>\$ 785,813</u>

See notes to schedule of expenditures of federal awards

THE WALLS PROJECT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2025

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of The Walls Project under programs of the federal government for the year ended June 30, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of The Walls Project, it is not intended to and does not present the financial position, changes in net assets, or cash flows of The Walls Project.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

The Walls Project has elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

4. Subrecipient Activity

The Walls Project did not pass federal funds through to subrecipients during the year ended June 30, 2025.

Kimberly G. Sanders, CPA, MBA
Neal Fortenberry, CPA
Wayne Dussel, CPA, CFE
Jonathan Clark, CPA



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**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***

Board of Directors
The Walls Project
Baton Rouge, 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 The Walls Project (the Organization), which comprise the statement of financial position as of June 30, 2025, 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 December 30, 2025.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Walls Project's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Walls Project's internal control. Accordingly, we do not express an opinion on the effectiveness of The Walls Project'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Walls Project'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. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

L. A. Champagne & Co, LLP

Baton Rouge, Louisiana

December 30, 2025

Kimberly G. Sanders, CPA, MBA
Neal Fortenberry, CPA
Wayne Dussel, CPA, CFE
Jonathan Clark, CPA



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Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Directors of The Walls Project
Baton Rouge, Louisiana

Opinion on Each Major Federal Program

We have audited The Walls Project's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of The Walls Project's major federal programs for the year ended June 30, 2025. The Walls Project's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, The Walls Project complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of The Walls Project and to meet other ethical responsibilities, in accordance with relevant ethical requirements relating to the audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of The Walls Project's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to The Walls Project's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on The Walls Project's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about The Walls Project's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Walls Project's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of The Walls Project's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of The Walls Project's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during the audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

S. A. Champagne & Co, LLP

Baton Rouge, LA
December 30, 2025

THE WALLS PROJECT
SUMMARY OF AUDIT RESULTS AND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2025

A: SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of The Walls Project.
2. No significant deficiencies in internal controls relating to the audit of the financial statements are reported in the "Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Governmental Auditing Standards*."
3. No instances of noncompliance material to the financial statements were disclosed during the audit.
4. No significant deficiencies in internal controls over compliance with requirements applicable to major federal award programs are reported in the "Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance."
5. The auditor's report on compliance for the major federal award programs expresses an unmodified opinion.
6. There were no reportable audit findings relative to the major federal awards programs for The Walls Project.
7. The program tested as major programs is as follows:

U.S. Department of Agriculture
ALN 10.727 – Inflation Reduction Act Urban & Community Forestry
Program
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. The Walls Project was not determined to be a low-risk auditee.

B: FINDINGS – FINANCIAL STATEMENTS AUDIT

There were no findings that are required to be reported in this section of the report.

C: FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT

There are no findings that are required to be reported in this section of the report.

D: SUMMARY OF PRIOR YEAR FINDINGS – FINANCIAL STATEMENT AUDIT

There are no findings that are required to be reported in this section of the report.