# THE LOUISIANA PHILHARMONIC ORCHESTRA

Audits of Financial Statements

June 30, 2023 and 2022

LAPORTE
CPAs & BUSINESS ADVISORS

**Contents**

LaPorte, APAC
111 Veterans Blvd. | Suite 600
Metairie, LA 70005
504.835.5522 | Fax 504.835.5535
LaPorte.com

**Independent Auditor's Report**

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

**Report on the Audit of the Financial Statements**

**Opinion**
We have audited the accompanying financial statements of the Louisiana Philharmonic Orchestra (the LPO) (a non-profit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, 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 financial statements referred to above present fairly, in all material respects, the financial position of the LPO as of June 30, 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (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 LPO 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 the LPO'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 GAAS 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 GAAS 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 LPO'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 LPO'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.

**Report on 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 agency head is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. 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 January 9, 2025, on our consideration of the LPO's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 LPO'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 LPO's internal control over financial reporting and compliance.

LaPorte

A Professional Accounting Corporation

Metairie, LA
January 9, 2025

**THE LOUISIANA PHILHARMONIC ORCHESTRA**
**Statements of Financial Position**
**June 30, 2023 and 2022**

| | 2023 | 2022 |
|---|---|---|
| **Assets** | | |
| **Current Assets** | | |
| Cash and Cash Equivalents | $ 431,235 | $ 284,340 |
| Contributions Receivable, Net | 137,638 | 213,433 |
| State Tax Credit Receivable | 1,255,514 | 444,472 |
| Other Receivable | 83,778 | - |
| Investments | 870,924 | 241,230 |
| Other Current Assets | 64,657 | 11,838 |
| **Total Current Assets** | 2,843,746 | 1,195,313 |
| **Property and Equipment, Net** | 273,266 | 296,008 |
| **Other Assets** | | |
| Contributions Receivable Greater than One Year, Net | 25,781 | 395,749 |
| Interest in Endowment Trust | 1,028,001 | 994,471 |
| Operating Lease Right-of-Use Assets, Net | 288,496 | - |
| **Total Other Assets** | 1,342,278 | 1,390,220 |
| **Total Assets** | $ 4,459,290 | $ 2,881,541 |
| **Liabilities and Net Assets** | | |
| **Current Liabilities** | | |
| Trade Accounts Payable and Accrued Liabilities | $ 36,283 | $ 29,614 |
| Deferred Revenue - Ticket Sales | 334,652 | 296,231 |
| Line of Credit | 750,000 | 498,470 |
| Notes Payable, Current | 3,702 | 3,602 |
| Operating Lease Liabilities, Current Portion | 207,953 | - |
| **Total Current Liabilities** | 1,332,590 | 827,917 |
| **Long-Term Liabilities** | | |
| Notes Payable, Less Current Maturities | 141,170 | 146,398 |
| Operating Lease Liabilities, Less Current Portion | 104,561 | - |
| **Total Long-Term Liabilities** | 245,731 | 146,398 |
| **Total Liabilities** | 1,578,321 | 974,315 |
| **Net Assets** | | |
| Without Donor Restrictions | 1,088,045 | 402,143 |
| With Donor Restrictions | 1,792,924 | 1,505,083 |
| **Total Net Assets** | 2,880,969 | 1,907,226 |
| **Total Liabilities and Net Assets** | $ 4,459,290 | $ 2,881,541 |

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

**THE LOUISIANA PHILHARMONIC ORCHESTRA**
**Statement of Activities**
**For the Year Ended June 30, 2023**

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| **Revenues and Other Support** | | | |
| Earned Revenue - Ticket Sales and Season Subscriptions | $ 5,392,455 | $ - | $ 5,392,455 |
| Contributions | 2,702,559 | 658,191 | 3,360,750 |
| Contributions of Nonfinancial Assets | 17,550 | - | 17,550 |
| Other Income | 192,373 | - | 192,373 |
| Net Assets Released from Restrictions - Satisfaction of Purpose Restrictions for Orchestra Programs | 328,625 | (328,625) | - |
| Investment Return, Net | 112,075 | - | 112,075 |
| Distributions from Endowment | 41,725 | (41,725) | - |
| **Total Revenues and Other Support** | 8,787,362 | 287,841 | 9,075,203 |
| **Expenses** | | | |
| **Program Services** | | | |
| Orchestra Programs | 6,814,199 | - | 6,814,199 |
| Marketing | 266,742 | - | 266,742 |
| Education | 123,373 | - | 123,373 |
| **Supporting Services** | | | |
| Fundraising and Development | 256,513 | - | 256,513 |
| Management and General | 640,633 | - | 640,633 |
| **Total Expenses** | 8,101,460 | - | 8,101,460 |
| **Change in Net Assets** | 685,902 | 287,841 | 973,743 |
| **Net Assets, Beginning of Year** | 402,143 | 1,505,083 | 1,907,226 |
| **Net Assets, End of Year** | $ 1,088,045 | $ 1,792,924 | $ 2,880,969 |

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

## THE LOUISIANA PHILHARMONIC ORCHESTRA
## Statement of Activities
## For the Year Ended June 30, 2022

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| **Revenues and Other Support** | | | |
| Earned Revenue - Ticket Sales and Season Subscriptions | $ 1,272,663 | $ - | $ 1,272,663 |
| Contributions | 1,998,931 | 175,000 | 2,173,931 |
| Contributions of Nonfinancial Assets | 8,388 | - | 8,388 |
| Other Income | 236,012 | - | 236,012 |
| Net Assets Released from Restrictions - Satisfaction of Purpose Restrictions for Orchestra Programs | 359,957 | (359,957) | - |
| Investment Return, Net | (156,589) | - | (156,589) |
| Distributions from Endowment | 39,956 | (39,956) | - |
| Paycheck Protection Program Loan Forgiveness Income | 715,857 | - | 715,857 |
| **Total Revenues and Other Support** | 4,475,175 | (224,913) | 4,250,262 |
| **Expenses** | | | |
| **Program Services** | | | |
| Orchestra Programs | 3,088,467 | - | 3,088,467 |
| Marketing | 323,118 | - | 323,118 |
| Education | 85,219 | - | 85,219 |
| **Supporting Services** | | | |
| Fundraising and Development | 213,155 | - | 213,155 |
| Management and General | 616,376 | - | 616,376 |
| **Total Expenses** | 4,326,335 | - | 4,326,335 |
| **Change in Net Assets** | 148,840 | (224,913) | (76,073) |
| **Net Assets, Beginning of Year** | 253,303 | 1,729,996 | 1,983,299 |
| **Net Assets, End of Year** | $ 402,143 | $ 1,505,083 | $ 1,907,226 |

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

**THE LOUISIANA PHILHARMONIC ORCHESTRA**
**Statement of Functional Expenses**
**For the Year Ended June 30, 2023**

| | Program Services | | | Supporting Services | | |
|---|---|---|---|---|---|---|
| | Orchestra Programs | Marketing | Education | Fundraising and Development | Management and General | Total |
| Salaries and Wages | $ 3,065,187 | $ 155,439 | $ 72,200 | $ 134,952 | $ 226,924 | $ 3,654,702 |
| Organizational Supplies and Advertising | 124,886 | 6,632 | 3,282 | 1,520 | 18,162 | 154,482 |
| Services and Professional Fees | 2,927,699 | 1,354 | 21,304 | 13,509 | 47,968 | 3,011,834 |
| Venue, Office, and Other | 670,282 | 103,317 | 26,587 | 106,532 | 334,796 | 1,241,514 |
| Depreciation | 26,145 | - | - | - | 12,783 | 38,928 |
| **Total** | $ 6,814,199 | $ 266,742 | $ 123,373 | $ 256,513 | $ 640,633 | $ 8,101,460 |

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

## THE LOUISIANA PHILHARMONIC ORCHESTRA
## Statement of Functional Expenses
## For the Year Ended June 30, 2022

| | Program Services | | | Supporting Services | | |
|---|---|---|---|---|---|---|
| | Orchestra Programs | Marketing | Education | Fundraising and Development | Management and General | Total |
| Salaries and Wages | $ 2,466,148 | $ 180,002 | $ 66,539 | $ 131,179 | $ 253,523 | $ 3,097,391 |
| Organizational Supplies and Advertising | 82,354 | 411 | 1,281 | 2,270 | 6,912 | 93,228 |
| Services and Professional Fees | 68,276 | 10,000 | 10,125 | 30,595 | 83,139 | 202,135 |
| Venue, Office, and Other | 441,146 | 132,705 | 7,274 | 49,111 | 259,638 | 889,874 |
| Depreciation | 30,543 | - | - | - | 13,164 | 43,707 |
| **Total** | $ 3,088,467 | $ 323,118 | $ 85,219 | $ 213,155 | $ 616,376 | $ 4,326,335 |

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

**THE LOUISIANA PHILHARMONIC ORCHESTRA**
**Statements of Cash Flows**
**For the Years Ended June 30, 2023 and 2022**

| | 2023 | 2022 |
|---|---|---|
| **Cash Flows from Operating Activities** | | |
| Changes in Net Assets | **$ 973,743** | $ (76,073) |
| Adjustments to Reconcile Changes in Net Assets | | |
| to Net Cash Provided by Operating Activities | | |
| Depreciation | **38,928** | 43,707 |
| Investment Return, Net - Endowment | **(75,255)** | 95,760 |
| Investment Return, Net - Investments | **(45,608)** | 63,206 |
| Forgiveness of Paycheck Protection Program Loan | **-** | (715,857) |
| Amortization of Operating Lease Right-of-Use Assets | **192,738** | - |
| (Increase) Decrease in Operating Assets | | |
| Contributions Receivable | **445,763** | 255,623 |
| State Tax Credit Receivable | **(811,042)** | 637,703 |
| Other Receivable | **(83,778)** | - |
| Other Current Assets | **(52,819)** | 104,051 |
| Interest in Endowment Trust | **41,725** | 39,956 |
| Increase (Decrease) in Operating Liabilities | | |
| Trade Accounts Payable and Accrued Liabilities | **6,669** | (160,688) |
| Deferred Revenue - Ticket Sales | **38,421** | 121,494 |
| Operating Lease Liabilities | **(168,720)** | - |
| **Net Cash Provided by Operating Activities** | **500,765** | 408,882 |
| **Cash Flows from Investing Activities** | | |
| Purchases of Investments | **(599,842)** | (111,250) |
| Proceeds from Sale of Investments | **15,756** | 84,946 |
| Purchase of Property and Equipment | **(16,186)** | (36,520) |
| **Net Cash Used in Investing Activities** | **(600,272)** | (62,824) |
| **Cash Flows from Financing Activities** | | |
| Repayments on Capital Lease Payable | **-** | - |
| Borrowings from Lines of Credit | **251,530** | 701,162 |
| Repayments on Lines of Credit | **-** | (907,010) |
| Repayments on Notes Payable | **(5,128)** | - |
| **Net Cash Provided by (Used in) Financing Activities** | **246,402** | (205,848) |
| **Net Increase in Cash and Cash Equivalents** | **146,895** | 140,210 |
| **Cash and Cash Equivalents, Beginning of Year** | **284,340** | 144,130 |
| **Cash and Cash Equivalents, End of Year** | **$ 431,235** | $ 284,340 |
| **Supplemental Disclosures of Cash Flow Information** | | |
| Cash Paid During the Year for Interest | **$ 47,117** | $ 17,493 |
| Recognition of Operating Lease Right-of-Use Assets | **$ 481,234** | $ - |
| Operating Lease Liabilities Arising from Right-of-Use Assets | **$ 481,234** | $ - |

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

## Note 1. Organization and Summary of Significant Accounting Policies

### Organization

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

The Association operates the following programs:

***Orchestra Programs***

Orchestra programs consist of musician salaries and wages, artistic leadership and programming staff, guest artist and conductor expense, sheet music and licensing, and facility and equipment expense.

***Marketing***

Marketing consists of advertising, design, printing and promotion expense, and the salaries of employees working in the marketing and box office departments.

***Education***

Education consists of materials and supplies for educational activities, education concert and project expense, and the salaries of employees working on education and community outreach projects.

### Basis of Accounting

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

### Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Financial Statements of Not-for-Profit Organizations.* Under FASB ASC 958, the LPO is required to report information regarding its financial position and activities according to the existence or absence of donor-imposed restrictions.

Net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* - Net assets for general use that are not subject to donor-imposed restrictions.

*Net Assets With Donor Restrictions* - Net assets whose use is limited by donor-imposed time and/or purpose restrictions. Contributions with donor restrictions are reported as revenues with donor restrictions. Once funds are expended for their restricted purpose, these net assets with donor restrictions are released to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. As of June 30, 2023 and 2022, there were $1,792,924 and $1,505,083, respectively, of net assets with donor restrictions.

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

### Use of Estimates

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

### Contributions

Contributions are recorded as without donor restrictions or with donor restrictions, depending on the existence or nature of any donor restrictions. Support that is restricted by a donor is reported as an increase in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as support without donor restrictions.

### Cash and Cash Equivalents

For the purposes of the statement of cash flows, the LPO considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

### Financial Instruments and Credit Risk

The LPO manages its deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by the LPO to be creditworthy. At times, amounts on deposit may exceed federally insured limits. To date, the LPO has not experienced losses in any of these accounts. Credit risk associated with contributions receivable is considered to be limited due to high historical collection rates and because all of the outstanding amounts are due from patrons and other entities that are supportive of the LPO's mission. Investments are made by investment managers whose performance is monitored by the LPO. Although the fair values of investments are subject to fluctuation on a year-to-year basis, the LPO believes that the investment policies and guidelines are prudent for the long-term welfare of the LPO.

### Contributions Receivable

Contributions receivable consist of unconditional promises to give to the LPO. Unconditional promises to give are recognized as contribution revenue in the period received and are recorded at their net realizable value. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to contributions receivable. Management believes all accounts are fully collectible and, accordingly, no allowance is required.

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

### Endowments

As disclosed in Note 4, the LPO has several endowments where the recipient organization has variance power over the assets. Also, as disclosed in Note 4, the LPO is the beneficiary of one endowment where the recipient organization does not have variance power. As such, the endowment is recorded as an asset in the statement of financial position. Distributions from this endowment can be made twice a year at the discretion of the trustee in the amount of 4.0% of the average endowment balance for the past twelve quarters, not exceeding the expected long-term investment return of the endowment. Distributions are classified as unrestricted other income in the statement of activities.

### Investments

Investments are carried at fair market value, based on quoted market prices for the investments. Net investment return is reported in the statement of activities and changes in net assets without donor restrictions and consists of interest income, realized and unrealized gains and losses, less all investment expenses.

### Property and Equipment

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

### Deferred Revenue - Ticket Sales

The LPO promotes and collects season ticket sales for the subsequent season during the latter part of the current fiscal year. Costs incurred for the promotion of the following season are presented as deferred marketing costs, and revenues generated for the following season are presented as deferred revenue. Both the costs and revenues are recognized systematically throughout the next fiscal year as the season progresses and performances are held. The deferred revenue balance at July 1, 2021 was $174,737.

### Operating Leases

Effective July 1, 2022, the LPO accounts for leases under FASB ASC Topic 842, *Leases*, which requires lessees to record right-of-use (ROU) assets and related lease obligations on the statements of financial position. The ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments over that term.

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

### Operating Leases (Continued)

Operating ROU assets and liabilities are recognized at commencement based on the present value of lease payments over the lease term. ROU assets also include any lease payments made prior to lease commencement and exclude lease incentives. The lease term is the noncancelable period of the lease and includes options to extend or terminate the lease when it is reasonably certain that an option will be exercised. The LPO has elected the private company alternative available in ASC 842 to use a risk free rate over a similar term in computing the present value of lease payments. Lease expense for operation lease payments is recognized on a straight-line basis over the lease term.

As permitted by the standard, the LPO elected, for all asset classes, the short-term lease exemption. A short-term lease is a lease that, at the commencement date, has a term of twelve months or less and does not include an option to purchase the underlying asset.

### Tax Status

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

### Contributions of Nonfinancial Assets

Donated nonfinancial assets are recorded as contributions at their fair market value at the date of donation. Contributed services are valued and reported at the estimated fair value based on current rates for similar services. During fiscal years 2023 and 2022, the LPO has recognized $17,550 and $8,338, respectively, of contributed nonfinancial assets primarily related to donated goods and management and general professional services.

### Revenue Recognition

Earned Revenue - Ticket Sales and Season Subscriptions

Single ticket sales, which are generally nonrefundable, are recorded as revenues during the period for which they are collected. The performance obligation consists of the single concert being held. This performance obligation is fully performed within the fiscal year.

Season subscriptions, which are also generally nonrefundable, are recorded as revenues over the season for which they are collected, which is generally a nine month period. The performance obligations consist of multiple concert performances over the course of the nine month season being held. These performance obligations are fully performed within the season. If the performance obligation is not met, the amounts received will be deferred to the period for which the season is completed.

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

### Functional Allocation of Expenses

The costs of providing the program services and other activities have been summarized on a functional basis in the statement of activities. The statement 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. Expenses are allocated on a reasonable basis that is consistently applied. When possible, expenses are first allocated by direct identification and then allocation if an expenditure benefits more than one program or function. The expenses that are allocated include staff salaries and benefits, supplies and travel, services and professional fees, office and occupancy, depreciation, and other expenses, which are allocated to functions based off estimates of time and effort.

### Recent Accounting Pronouncements - Adopted

In September 2020, the FASB issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets.* The standard addresses measurement of contributed nonfinancial assets recognized by not-for-profit organizations and enhances disclosures with respect to these contributions. The ASU is applied on a retrospective basis and was effective for annual periods beginning after June 15, 2021. The adoption of ASU 2020-07 did not have an impact on the LPO's financial statements or on the manner of recognizing donated services. See contributions of nonfinancial assets disclosure above for treatment of donated services.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases.* Under the new guidance, lessees are required to recognize a ROU asset and lease liability on the statements of financial position for all leases with terms longer than 12 months. The recognition, measurement, and presentation of expense and cash flows arising from a lease by a lessee have not significantly changed from current U.S. GAAP.

The LPO adopted ASU 2016-02 as of July 1, 2022 using the modified retrospective approach and applied the package of practical expedients in transitioning to the new guidance. Electing the package of practical expedients allowed the LPO to carry forward its prior conclusions on lease definition, lease classification, and initial direct costs related to the existing leases as of the adoption date. Both at transition and for new leases thereafter, ROU assets and lease liabilities are initially recognized based on the present value of future minimum lease payments over the least term. Upon adoption of ASU 2016-12, the LPO recognized ROU assets and liabilities of $481,234, with no cumulative effect adjustment to the opening balance of net assets.

## Note 2. Contributions Receivable

Contributions receivable are as follows as of June 30, 2023 and 2022:

| | 2023 | 2022 |
|---|---|---|
| **Unconditional Promises to Give** | | |
| Receivable in Less than One Year | $ 137,638 | $ 213,433 |
| Receivable in One to Five Years | 28,335 | 405,029 |
| Total Unconditional Promises to Give | 165,973 | 618,462 |
| Less: Discounts to Net Present Value | (2,554) | (9,280) |
| **Net Unconditional Promises to Give** | $ 163,419 | $ 609,182 |

Pledges expected to be received in more than one year were discounted at 5.40% and 2.80%, respectively, for June 30, 2023 and 2022.

## Note 3. Property and Equipment

Property and equipment, net is summarized as follows as of June 30, 2023 and 2022:

| | 2023 | 2022 |
|---|---|---|
| Music Library | $ 257,319 | $ 249,399 |
| Instruments, Production Equipment, and Administrative Equipment | 1,210,853 | 1,202,588 |
| Vehicles | 22,885 | 22,885 |
| | 1,491,057 | 1,474,872 |
| Less: Accumulated Depreciation | (1,217,791) | (1,178,864) |
| **Total** | $ 273,266 | $ 296,008 |

Depreciation expense for the years ended June 30, 2023 and 2022 amounted to $38,928 and $43,707, respectively.

## Note 4. Endowment Fund and Endowments

The LPO has an endowment with the Greater New Orleans Foundation (GNOF). In the statements of financial position, the interest in this endowment trust is $1,028,001 and $994,471 at June 30, 2023 and 2022, respectively. GNOF serves as the trustee of the trust. Distributions from the endowment trust were $41,725 and $39,956 for the periods ended June 30, 2023 and 2022, respectively.

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

Composition of and changes in endowment net assets were as follows for the years ended June 30, 2023 and 2022:

| **June 30, 2023** | **GNOF Endowment** | **Other Donor Designated** | **Total Restricted** |
|---|---|---|---|
| **Restricted Endowment Net Assets, Beginning of Year** | **$ 994,471** | **$ 666,877** | **$ 1,661,348** |
| **Distributions** | **(41,725)** | **-** | **(41,725)** |
| **Net Investment Return** | **75,255** | **-** | **75,255** |
| **Restricted Endowment Net Assets, End of Year** | **$ 1,028,001** | **$ 666,877** | **$ 1,694,878** |

| June 30, 2022 | GNOF Endowment | Other Donor Designated | Total Restricted |
|---|---|---|---|
| Restricted Endowment Net Assets, Beginning of Year | $ 1,130,187 | $ 666,877 | $ 1,797,064 |
| Distributions | (39,956) | - | (39,956) |
| Net Investment Return | (95,760) | - | (95,760) |
| Restricted Endowment Net Assets, End of Year | $ 994,471 | $ 666,877 | $ 1,661,348 |

## Note 4. Endowments and Endowment Fund (Continued)

The following is GNOF's policies for endowment funds.

GNOF follows a Total Return Spending Policy for its endowment funds and to determine the amount available for distributions. Endowment funds are invested for maximum total return (within acceptable risk parameters), without distinction between income and capital gains. The market value of the fund is measured over the past 12 quarters, and a percentage of the average of those values is made available for grants. This method appropriately puts the focus on the long-term growth of the fund. This, in turn, encourages the appropriate use of equities in the fund, helping the fund to grow at a rate greater than inflation. The annual percentage for 2022 distributions is 4%. This percentage is evaluated each year and adjusted, as necessary.

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

Additionally, several endowments have been established at the GNOF for the benefit of the LPO over which GNOF has variance power. As discussed above, GNOF utilizes an endowment spending policy to determine the amount available for distributions. Future distributions are subject to that policy. As such, these funds are not recorded as assets on the LPO's financial statements. As of June 30, 2023 and 2022, these endowments were valued at approximately $2,080,055 and $2,012,155, respectively. Distributions from these endowments, which are at the discretion of GNOF, were $84,278 and $80,768, respectively, during the years ended June 30, 2023 and 2022.

## Note 5. Investments and Fair Value Measurement

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

## Note 5. Investments and Fair Value Measurement (Continued)

The *Fair Value Measurement* Topic establishes a hierarchy for ranking the quality and reliability of the information used to determine fair values. ASC 820 requires that assets and liabilities earned at fair value be classified and disclosed in one of the following three categories:

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

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

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

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

A description of the valuation methodologies used for assets measured at fair value is as follows:

- Mutual funds and exchange traded funds are valued at the closing price reported on the active market on which the individual securities are traded.

- The fair value of the endowment fund is determined by the use of the calculated net asset value per ownership share.

The methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the LPO believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain assets measured at fair value could result in a different fair value measurement at the reporting date.

## Note 5. Investments and Fair Value Measurement (Continued)

The valuation of the LPO's assets measured at fair value on a recurring basis at June 30, 2023 and 2022 were as follows:

| **June 30, 2023** | **Total** | **Level 1** | **Level 2** | **Level 3** |
|---|---|---|---|---|
| **Investments** | | | | |
| **Cash Equivalent** | **$ 10,256** | **$ 10,256** | **$ -** | **$ -** |
| **Endowment Trust** | **1,028,001** | **-** | **-** | **1,028,001** |
| **Mutual Funds and Exchange Traded Funds** | **-** | **-** | **-** | **-** |
| **Total** | **$ 1,038,257** | **$ 10,256** | **$ -** | **$ 1,028,001** |

| June 30, 2022 | Total | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| Investments | | | | |
| Cash Equivalent | $ 3,187 | $ 3,187 | $ - | $ - |
| Endowment Trust | 994,471 | - | - | 994,471 |
| Mutual Funds and Exchange Traded Funds | 241,230 | 241,230 | - | - |
| Total | $ 1,238,888 | $ 244,417 | $ - | $ 994,471 |

The changes in investments measured at fair value for which the LPO has used Level 3 inputs to determine fair value for the year ended June 30, 2023 and 2022 are as follows:

| **June 30, 2023** | **Level 3 Beginning Balance** | **Net Realized and Unrealized Gains (Losses)** | **Sales** | **Purchases** | **Net Transfers In (Out) of Level 3** | **Level 3 Ending Balance** |
|---|---|---|---|---|---|---|
| **Investments** | **$ 994,471** | **$ 75,255** | **$ -** | **$ -** | **$ (41,725)** | **$ 1,028,001** |
| **Total** | **$ 994,471** | **$ 75,255** | **$ -** | **$ -** | **$ (41,725)** | **$ 1,028,001** |

| June 30, 2022 | Level 3 Beginning Balance | Net Realized and Unrealized Gains (Losses) | Sales | Purchases | Net Transfers In (Out) of Level 3 | Level 3 Ending Balance |
|---|---|---|---|---|---|---|
| Investments | $ 1,130,187 | $ (95,760) | $ - | $ - | $ (39,956) | $ 994,471 |
| Total | $ 1,130,187 | $ (95,760) | $ - | $ - | $ (39,956) | $ 994,471 |

## Note 6. Line of Credit

The LPO has available a line of credit from a bank totaling $840,000, bearing interest at a variable rate based on changes in the prime rate (8.75% at June 30, 2023). This line of credit matures April 30, 2024. At June 30, 2023, $750,000 was drawn against this line of credit. The line of credit is secured the Musical and Theatrical Production Income Tax Credit from the State of Louisiana.

## Note 6. Line of Credit (Continued)

For the fiscal year ended June 30, 2022, the LPO had available a line of credit from a bank totaling $540,000, bearing interest at a variable rate based on changes in the prime rate (5.25% at June 30, 2022). This line of credit matured March 8, 2023. At June 30, 2022, $498,470 was drawn against this line of credit. The line of credit was secured by the Musical and Theatrical Production Income Tax Credit from the State of Louisiana.

## Note 7. Notes Payable

On March 27, 2020, Congress enacted the Coronavirus Aid, Relief, and Economic Security (CARES) Act which established the Paycheck Protection Program (the Program). The Program was created to assist small businesses in paying their employees and certain expenses during the COVID-19 crisis, and is guaranteed by the Small Business Administration (SBA). The LPO entered into a loan under the Program and received $715,857 on January 28, 2021. The LPO applied for forgiveness within the ten month Loan Forgiveness Covered Period as defined in the Program rules. During this ten month time, payments were deferred. The loan was forgiven on September 21, 2021 and therefore, no payments of principal or interest were made by the LPO.

The LPO has a note payable with the SBA totaling $150,000. This note is secured by equipment, receivables, and other assets and bears interest at 2.75%. Monthly payments of $641 were due to commence on May 15, 2021, with the final installment at maturity in May 2050. The maturities of the note payable for the years subsequent to June 30, 2022 are as follows: 2024 - $3,702, 2025 - $3,805, 2026 - $3,911, 2027 - $4,020, 2028 - $4,132, thereafter - $125,303.

## Note 8. Leases

The LPO leases office space, office furniture, and performance space under rental agreements for various amounts over the term of the leases, ranging from $154 to $27,000, expiring in various years, with the latest being 2027.

Operating lease assets and obligations included in the accompanying statement of financial position as of June 30, 2023 are as follows:

| | | |
|---|---|---|
| Right-of-Use Assets Under Operating Leases | $ | 288,496 |
| Lease Obligations Under Operating Leases | $ | 312,514 |

## Note 8. Leases (Continued)

Maturities of lease obligations as of June 30, 2023 are as follows:

| Year Ending June 30, | Amount |
|---|---|
| 2024 | $ 214,220 |
| 2025 | 67,850 |
| 2026 | 21,872 |
| 2027 | 17,772 |
| Total Undiscounted Cash Flows | 321,714 |
| Less: Imputed Interest | (9,200) |
| **Lease Obligations Under Operating Leases** | $ 312,514 |

The following table summarizes the weighted-average remaining lease term and discount rate associated with long-term operating leases at June 30, 2023:

| | |
|---|---|
| Weighted Average Remaining Lease Term (in Years) | 2.7 |
| Weighted Average Discount Rate | 2.85% |

The LPO recognized $180,220 and $64,220 in lease costs in rent on the accompanying statements of activities for each of the years ended June 30, 2023 and 2022, respectively.

The following summarizes the supplemental cash flow information related to operating leases recognized during the year ended June 30, 2023 in the statement of cash flows:

| | Period Ended June 30, 2023 |
|---|---|
| Cash Paid for Amounts Included in the Measurement of Operating Lease Liabilities (Operating Cash Flows) | $ 180,220 |

## Note 9. Net Assets with Donor Restrictions

Net assets with donor restrictions as of June 30, 2023 have the following donor restrictions on them:

| | |
|---|---|
| Periods after June 30, 2023 | $ 65,000 |
| Specific Programs and Purposes | 1,727,924 |
| **Total** | $ 1,792,924 |

Net assets with donor restrictions, which are restricted for periods after June 30, 2023, consist of the unreleased amount of the grant received from the Gia Maione Prima Foundation.

## Note 10. Contributed Nonfinancial Assets

During fiscal years 2023 and 2022, the LPO has recognized $17,550 and $8,338, respectively, of contributed nonfinancial assets primarily related to donated goods and management and general professional services.

## Note 11. Pension Plan

The LPO participates in the American Federation of Musicians' and Employers' Pension Fund (the Fund). The Fund covers every orchestral musician employed by the LPO. Under the terms of the Fund, the LPO contributes 4.36% of base wages for the LPO employees and 4.36% of all wages of subs and extras for musical services (as described in the AFM's Wage Scale Book). The amount contributed to the Fund for the years ended June 30, 2023 and 2022 totaled $40,896 and $34,972, respectively.

## Note 12. Uncertain Tax Positions

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

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

## Note 13. Liquidity and Availability

The LPO regularly monitors liquidity required to meet its operating needs and other contractual commitments. Expenditures are met utilizing the financial resources the LPO has available. In addition, the LPO operates with a budget to monitor sources and uses of funds throughout the year.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at June 30, 2023 and 2022:

| | **2023** | 2022 |
|---|---|---|
| Cash and Cash Equivalents | **$ 431,235** | $ 284,340 |
| Investments | **870,924** | 241,230 |
| Contributions Receivable, Net | **137,638** | 213,433 |
| State Tax Credit Receivable | **1,255,514** | 444,472 |
| **Total** | **$ 2,695,311** | $ 1,183,475 |

## Note 14. State Tax Credit Receivable

Included with earned revenue is a total of $813,433 related to a musical and theatrical production tax credit for the State of Louisiana. This amount represents a calculated amount based on a cost report of live production expenditures produced by the LPO during the period from June 30, 2021 through June 30, 2023. This cost report is required to be audited by an independent accounting firm. The audited cost report is subsequently submitted to the State of Louisiana (Louisiana Department of Economic Development) for certification. As of the report date, January 9, 2025, this report has been completed and submitted but the LPO is awaiting final certification from the State of Louisiana.

As of June 30, 2023, the total receivable relating to the tax credit was $1,255,514. This represents the $813,433 noted above for the current fiscal year and an amount of $442,081 recognized in the prior fiscal year.

## Note 15. Subsequent Events

Management has evaluated subsequent events through the date the financial statements were available to be issued, January 9, 2025, and determined that the following events occurred that require disclosure:

Two new lease agreements were signed. The first has a term of September 1, 2023 through May 31, 2024 and the other has a term of September 1, 2024 through May 31, 2025. They both have various rental payments due over the terms of the leases.

## Note 15. Subsequent Events (Continued)

In December 2023, the LPO obtained an $840,000 line of credit with a bank. This line has a variable interest rate and a maturity date of June 2025. As of the report date, $800,000 had been drawn against this line of credit.

In October 2024, an extension was granted for the line of credit with a bank that was outstanding as of the year ended June 30, 2023. The due date has been extended to January 2025 and as of the report date, the balance on this line of credit is $840,000.

There were no other subsequent events occurring after January 9, 2025 that have been evaluated for inclusion in these financial statements.

LaPorte
CPAs & BUSINESS ADVISORS

LaPorte, APAC
111 Veterans Blvd. | Suite 600
Metairie, LA 70005
504.835.5522 | Fax 504.835.5535
LaPorte.com

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

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Louisiana Philharmonic Orchestra (the LPO), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities and changes in net assets, 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 January 9, 2025.

**Report on Internal Control Over Financial Reporting**
In planning and performing our audit of the financial statements, we considered the LPO's internal control over financial reporting (internal control) 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 the LPO's internal control. Accordingly, we do not express an opinion on the effectiveness of the LPO's internal control.

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

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

**Report on Compliance and Other Matters**
As part of obtaining reasonable assurance about whether the LPO'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 audits and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as items 2023-001.

**Louisiana Philharmonic Orchestra's Response to Findings**
*Government Auditing Standards* requires the auditor to perform limited procedures on the LPO's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The LPO's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

**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 LPO's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the LPO's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

LaPorte

A Professional Accounting Corporation

Metairie, LA
January 9, 2025

## Part I - Summary of Auditor's Results

Financial Statements

| | |
|---|---|
| 1. Type of auditors' report issued: | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified? | None |
| 3. Noncompliance material to the financial statements noted? | Yes |

Federal Awards - Not applicable

## Part II - Financial Statement Findings

### 2023-001 Late Audit Submission

*Criteria:* Louisiana Revised Statute 24:513 requires the audit report of local auditees to be completed within six months of the close of the local auditee's fiscal year.

*Condition:* The LPO failed to meet the 6 month requirement.

*Cause:* Turnover within the accounting department.

*Effect:* Noncompliance with LRS 24:513.

*Recommendation:* We recommend that management implement a plan to ensure timely reporting.

*Management's Response:* Management will institute such a plan.

# SUPPLEMENTARY INFORMATION

**THE LOUISIANA PHILHARMONIC ORCHESTRA**
**Schedule of Compensation, Benefits, and Other Payments to Agency Head**
**For the Year Ended June 30, 2023**

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

**Agency Head**
Anwar Nasir

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

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

See independent auditor’s report.