Audits of Financial Statements

June 30, 2020 and 2019



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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Louisiana Philharmonic Orchestra (a non-profit organization) (the LPO), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Louisiana Philharmonic Orchestra as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of compensation, benefits, and other payments to agency head is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2020, on our consideration of the Louisiana Philharmonic Orchestra'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 Louisiana Philharmonic Orchestra'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 Louisiana Philharmonic Orchestra's internal control over financial reporting and compliance.

A Professional Accounting Corporation

Metairie, LA December 22, 2020

THE LOUISIANA PHILHARMONIC ORCHESTRA Statements of Financial Position June 30, 2020 and 2019

	202	0	2019		
Assets					
Current Assets					
Cash and Cash Equivalents	\$ 19	5,783 \$	2,305		
Contributions Receivable, Net	27	1,063	512,336		
State Tax Credit Receivable	1,68	7,515	930,781		
Other Current Assets		59,610	24,081		
Total Current Assets	2,21	13,971	1,469,503		
Property and Equipment, Net	3	31,394	348,027		
Other Assets					
Contributions Receivable Greater than One Year, Net	4*	10,674	721,417		
Interest in Endowment Trust	93	34,866	962,471		
Investments	21	17,245	200,473		
Total Assets	<u>\$ 4,10</u>)8,150 \$	3,701,891		
Liabilities and Net Assets					
Current Liabilities					
Liability for Outstanding Checks	\$	- \$	781		
Trade Accounts Payable and Accrued Liabilities	66	6,875	584,200		
Capital Lease Payable		852	13,922		
Deferred Revenue - Ticket Sales	32	24,385	547,781		
Lines of Credit	1,24	17,859	800,000		
Notes Payable	87	1,800	_		
Total Current Liabilities	3,11	1,771	1,946,684		
Total Liabilities	3,11	11,771	1,946,684		
Net Assets					
Without Donor Restrictions	(89	19,260)	(499,798)		
With Donor Restrictions	1,89	5,639	2,255,005		
Total Net Assets	99	16,379	1,755,207		
Total Liabilities and Net Assets	\$ 4,10)8,150 \$	3,701,891		

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

THE LOUISIANA PHILHARMONIC ORCHESTRA Statement of Activities For the Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support			
Earned Revenue	\$ 2,273,754	\$ -	\$ 2,273,754
Contributions	1,916,783	42,925	1,959,708
Other Income	234,534	-	234,534
Net Assets Released from Restrictions -			
Satisfaction of Purpose Restrictions			
for Orchestra Programs	364,375	(364,375)	=
Net Investment Gain	9,511	-	9,511
Distributions from Endowment	37,916	(37,916)	-
Total Revenues and Other Support	4,836,873	(359,366)	 4,477,507
Expenses			
Program Services			
Marketing	256,160	-	256,160
Education	340,993	-	340,993
Orchestra Programs	3,852,605	-	3,852,605
Supporting Services			
Fundraising and Development	201,395	-	201,395
Management and General	585,182	-	585,182
Total Expenses	5,236,335	-	5,236,335
Change in Net Assets	(399,462)	(359,366)	(758,828)
Net Assets, Beginning of Year	(499,798)	2,255,005	 1,755,207
Net Assets, End of Year	\$ (899,260)	\$ 1,895,639	\$ 996,379

THE LOUISIANA PHILHARMONIC ORCHESTRA Statement of Activities For the Year Ended June 30, 2019

	Without Donor With Donor Restrictions Restrictions					Total
Revenues and Other Support						
Earned Revenue	\$	3,017,325	\$	-	\$	3,017,325
Contributions		1,785,655		484,510		2,270,165
Other Income		252,354		-		252,354
Net Assets Released from Restrictions -						
Satisfaction of Purpose Restrictions						
for Orchestra Programs		300,779		(300,779)		-
Investment Income, Net - Excluding						
Unrealized Gains		48,612		-		48,612
Distributions from Endowment		37,233		(37,233)		_
Total Revenues and Other Support		5,441,958		146,498		5,588,456
Expenses						
Program Services						
Marketing		244,555		-		244,555
Education		491,847		-		491,847
Orchestra Programs		4,188,866		-		4,188,866
Supporting Services						
Fundraising and Development		258,855		-		258,855
Management and General		599,638		-		599,638
Total Expenses		5,783,761		-		5,783,761
Change in Net Assets		(341,803)		146,498		(195,305)
Net Assets, Beginning of Year		(157,995)		2,108,507		1,950,512
Net Assets, End of Year	\$	(499,798)	\$	2,255,005	\$	1,755,207

THE LOUISIANA PHILHARMONIC ORCHESTRA Statement of Functional Expenses For the Year Ended June 30, 2020

	Program Services						Supporting				
	M	arketing	Education		Orchestra Programs	Fundraising and Development		Management and General		Total	
Salaries and Wages	\$	199,832	\$	220,738	\$ 3,150,439	\$	162,658	\$	113,656	\$3,847,323	
Organizational Supplies and											
Advertising		•		7,305	72,411		13		928	80,657	
Services and Professional											
Fees		-		28,078	6,609		24,960		65,962	125,609	
Venue, Office, and Other		56,328		84,872	585,875		13,764		398,517	1,139,356	
Depreciation	***************************************	=		-	37,271		*		6,119	43,390	
Total	\$	256,160	\$	340,993	\$ 3,852,605	\$	201,395	\$	585,182	\$5,236,335	

THE LOUISIANA PHILHARMONIC ORCHESTRA Statement of Functional Expenses For the Year Ended June 30, 2019

	Program Services						Supporting			
						Fun	draising			
					Orchestra		and	Ma	nagement	
	M	arketing	E	ducation	Programs	Dev	/elopment	and	d General	Total
Salaries and Wages Organizational Supplies and	\$	184,335	\$	340,054	\$ 3,470,799	\$	193,365	\$	154,230	\$4,342,783
Advertising Services and Professional		50,054		5,378	150,330		5,231		7,950	218,943
Fees		-		6,503	_		52,962		110,898	170,363
Venue, Office, and Other		10,166		127,878	529,747		7,297		326,560	1,001,648
Depreciation		-		12,034	37,990		-		-	50,024
Total	\$	244,555	\$	491,847	\$ 4,188,866	\$	258,855	\$	599,638	\$5,783,761

THE LOUISIANA PHILHARMONIC ORCHESTRA Statements of Cash Flows For the Years Ended June 30, 2020 and 2019

		2020	2019
Cash Flows from Operating Activities			
Change in Net Assets	\$	(758,828)	\$ (195,305)
Adjustments to Reconcile Change in Net Assets			
to Net Cash Used in Operating Activities			
Depreciation and Amortization Expense		43,390	50,024
Endowment Gain		(10,310)	(39,856)
Net Realized and Unrealized Gain on Investments		(2,774)	(9,002)
Decrease (Increase) in Contributions Receivable		552,016	(43,586)
(Increase) Decrease in State Tax Credit Receivable		(756,734)	69,219
(Increase) Decrease in Other Current Assets		(35,529)	47,941
Decrease in Interest in Endowment Trust		37,916	37,233
Decrease in Liability for Outstanding Checks		(781)	´-
Increase in Trade Accounts Payable and		,	
Accrued Liabilities		82,674	145,757
Decrease in Deferred Revenue - Ticket Sales		(223,396)	(92,170)

Net Cash Used in Operating Activities		(1,072,356)	(29,745)
Cash Flows from Investing Activities			
Purchases of Investments		(32,422)	(83,859)
Proceeds from Sale of Investments		18,424	11,151
Purchase of Property and Equipment		(26,757)	 (36,227)
Net Cash Used in Investing Activities		(40,755)	(108,935)
Cash Flows from Financing Activities			
Repayments on Capital Lease Payable		(13,070)	(16,673)
Borrowings from Capital Lease Payable		(10,0.0)	30,595
Borrowings from Lines of Credit		447,859	1,201,007
Repayments on Lines of Credit		-	(1,099,653)
Borrowings from Notes Payable		871,800	-
Net Cash Provided by Investing Activities	-	1,306,589	115,276
Net Increase (Decrease) in Cash and Cash Equivalents		193,478	(23,404)
Cash and Cash Equivalents, Beginning of Year		2,305	 25,709
Cash and Cash Equivalents, End of Year		195,783	\$ 2,305
Supplemental Disclosures of Cash Flow Information			
Cash Paid During the Year for Interest	\$	51,200	\$ 65,914

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

Notes to Financial Statements

Note 1. Organization and Summary of Significant Accounting Policies

Organization

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

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.

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.

Marketing

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

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, 2020 and 2019, there were \$1,895,639 and \$2,255,005, respectively, of net assets with donor restrictions.

Notes to Financial Statements

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 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

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

Contributions Receivable

Contributions receivable consist of unconditional promises to give to the LPO. Unconditional promises to give are recognized as contribution revenue in the period received and are recorded at their net realizable value. At June 30, 2020 and 2019, all contributions receivable were considered to be fully collectible by management.

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.

Notes to Financial Statements

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

Endowments

As disclosed in Note 5, the LPO has several endowments where the recipient organization has variance power over the assets. Also, as disclosed in Note 5, the LPO is the beneficiary of one endowment where the recipient organization does not have variance power. As such, the endowment is recorded as an asset in the 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 without donor restrictions and consists of interest income, realized and unrealized gains and losses, less all investment expenses.

Tax Status

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

Donated Services and Materials

Donated services and materials, if significant in amount, are recorded as contributions at their fair market value, provided the donor has a clearly measurable and objective basis for determining their value. No value is assigned to other donated items if there is no ascertainable basis for assigning the value. During fiscal years 2020 and 2019, the LPO has recorded both revenues and expenses of \$28,071 and \$3,003, respectively, relating primarily to management and general expenses for donated professional services.

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.

Notes to Financial Statements

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

Recent Accounting Pronouncements - Adopted

In November 2016, the FASB issued Accounting Standards Update (ASU) 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force), which provides guidance on the presentation of the restricted cash and cash equivalents in the statement of cash flows. The LPO implemented ASU 2016-18, effective July 1, 2019. There was no impact on the LPO's financial statements as a result of the implementation of ASU 2016-18.

In June 2018, the FASB issued ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributed Made, which provides analysis and guidance on how the entity should identify between the two types of transactions, which would then determine which standard to follow (ASU 2014-09 or FASB Subtopic 958-605) in recognizing the revenue or expense of the transaction. The LPO has adopted ASU 2018-08. There was no impact on the LPO's financial statements as a result of the implementation of ASU 2018-08.

Recent Accounting Pronouncements - Not Yet Adopted

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which amends the existing accounts standards for revenue recognition. ASU 2014-09 is based on principles that govern the recognition of revenue at an amount an entity expects to be entitled to when products are transferred to customers. ASU 2014-09 will be effective for the LPO beginning in the year ending June 30, 2021, through early adoption is permitted. Management is currently evaluating the impact of adopting the new revenue standard on its financial statements.

In January 2016, the FASB issued ASU 2016-02, Leases (Topic 842). ASU 2016-02 requires that a lessee recognize the assets and liabilities that arise from leases classified as financing or operating leases. A lessee should recognize in the balance sheet a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. ASU 2016-02 will be effective for the LPO beginning in the year ending June 30, 2023. Management is currently evaluating the impact of the pending adoption of this standard on the LPO's financial statements.

Note 2. Concentration of Credit Risk

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

Notes to Financial Statements

Note 3. Contributions Receivable

Contributions receivable are as follows as of June 30, 2020 and 2019:

		2020		2019
Unconditional Promises to Give	*	074.000	•	E40.000
Receivable in Less than One Year Receivable in One to Five Years	\$	271,063 412,537	\$	512,336 776,148
Total Unconditional Promises to Give		683,600		1,288,484
Less: Discounts to Net Present Value		(1,863)		(54,731)
Net Unconditional Promises to Give		681,737	\$	1,233,753

Pledges expected to be received in more than one year were discounted at 0.16% and 1.92%, respectively, for June 30, 2020 and 2019.

Note 4. Property and Equipment

Property and equipment, net is summarized as follows as of June 30, 2020 and 2019:

	2020	2019
Music Library	\$ 236,434	\$ 230,147
Instruments, Production Equipment, and		
Administrative Equipment	1,168,370	1,163,217
Vehicles	22,885	-
	 1,427,689	1,393,364
Less: Accumulated Depreciation	 (1,096,295)	 (1,045,337)
Total	 331,394	\$ 348,027

Depreciation expense for the years ended June 30, 2020 and 2019 amounted to \$43,390 and \$50,024, respectively.

Note 5. Endowments

Several endowments have been established at the Greater New Orleans Foundation (GNOF) for the benefit of the LPO over which GNOF has variance power. GNOF utilizes an endowment spending policy to determine the amount available for distributions. Future distributions are subject to that policy. As such, these funds are not recorded as assets on the LPO's financial statements. As of June 30, 2020 and 2019, these endowments were valued at approximately \$1,890,274 and \$2,907,524, respectively. Distributions from these endowments, which are at the discretion of GNOF, were \$76,630 and \$75,260, respectively, during the years ended June 30, 2020 and 2019.

Notes to Financial Statements

Note 5. Endowments (Continued)

The LPO has, in the statements of financial position, an interest in an endowment trust in the amount of \$934,866 and \$962,471 at June 30, 2020 and 2019, respectively. GNOF serves as the trustee of the trust. Distributions from the endowment trust were \$37,916 and \$37,233 for the periods ended June 30, 2020 and 2019, respectively.

Note 6. Investments and Fair Value of Financial Instruments

Investments consist of the following at June 30, 2020 and 2019:

		2020	2019
Mutual Funds and Exchange Traded Funds Cash and Cash Equivalents - Held for Investment	\$	217,245 2,864	\$ 200,473 2,305
Total	\$	220,109	\$ 202,778

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

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

- Level 1 Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities as of the reporting date. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.
- Level 2 Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly, as of the reporting date.
- Level 3 Valuations based on inputs that are unobservable and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

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

Notes to Financial Statements

Note 6. Investments and Fair Value of Financial Instruments (Continued)

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

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

Mutual Funds and Exchange Traded Funds: The fair value is determined by the daily closing price as reported by the fund. The funds are deemed to be actively traded.

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

June 30, 2020		Total	 Level 1	Le	vel 2		Level 3
Endowment Trust	\$	934,866	\$ -	\$	-	\$	934,866
Cash and Cash Equivalents		2,864	2,864		-		•
Mutual Funds and Exchange Traded Funds		217,245	 217,245		-		-
Total	\$ 1	1,154,975	\$ 220,109	\$	-	\$	934,866
June 30, 2019		Total	Level 1	Le	evel 2		Level 3
Endowment Trust	\$	962,471	\$ _	\$	_	\$	962,471
Cash and Cash Equivalents		2,305	2,305		-		-
Mutual Funds and Exchange Traded Funds		200,473	200,473		_		-
Total	\$ 1	1,165,249	\$ 202,778	\$	_	\$	962,471

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

June 30, 2020	Ве	Level 3 eginning Balance		nvestment s (Losses)	Net ayments nd Gifts	Pur	Net chases I Sales	in P	nange Present Value	Level 3 Ending Balance
Endowment Trust	\$	962,471	\$	10,311	\$ (37,916)	\$	-	\$	-	\$ 934,866
Total	\$	962,471	\$	10,311	\$ (37,916)	\$	=	\$	-	\$ 934,866
June 30, 2019	В	Level 3 eginning Balance	and	Realized Unrealized s (Losses)	Net ayments and Gifts	Pur	Net chases t Sales	in F	nange Present /alue	Level 3 Ending Balance
Endowment Trust	\$	959,847	\$	39,857	\$ (37,233)	\$	-	\$	_	\$ 962,471
Total	\$	959,847	\$	39,857	\$ (37,233)	\$	_	\$	_	\$ 962,471

Notes to Financial Statements

Note 7. Lines of Credit

The LPO has available a line of credit from a bank totaling \$800,000, bearing interest at the Wall Street Journal Prime rate, with a floor of 5.00% (5.00% at June 30, 2020). The line of credit matured July 1, 2020, but the maturity date was extended with the bank's consent. At June 30, 2020 and 2019, \$800,000 was drawn against this line of credit. The line of credit is secured by the Musical and Theatrical Production Income Tax Credit from the state of Louisiana.

The LPO also has available a line of credit from a bank totaling \$450,000, bearing interest at the greater of Wall Street Journal Prime rate or 4.50% (4.50% at June 30, 2020). The line of credit matures April 25, 2021. At June 30, 2020, \$447,859 was drawn against this line of credit. The line of credit is secured by the Musical and Theatrical Production Income Tax Credit from the state of Louisiana.

Note 8. Notes Payable

In April 2020, the LPO received a Payroll Protection Program (PPP) loan through the Small Business Administration of the U.S. Federal Government in the amount of \$721,800. There are no collateral or personal guarantees associated with the loan. The loan was made available by and is forgivable under the Coronavirus Air, Relief, and Economic Security Act (CARES Act) if the LPO meets the criteria set forth in that Act. The loan is administered through a bank. If no portion of the loan is forgiven, the amount outstanding accrues interest at 1% per annum, matures two years from the date of origination, and requires eighteen monthly payments of \$40,628 commencing in November 2020 (a date delayed administratively as noted below). The LPO accepted and utilized the proceeds of the loan in accordance with the CARES Act in anticipation of (1) substantially all the loan qualifying for forgiveness under the CARES Act and (2) the process of forgiveness commencing on or before June 30, 2020. Consistent with the Congressional intent, all proceeds of the loan were expended during the period prescribed by the CARES Act (which concluded prior to June 30, 2020) for expenses that qualify for forgiveness, specifically over 75% of the expenditures being for personnel salaries and benefits that could not and would not have been disbursed in the absence of the loan. If loan proceeds were not received, management may have considered other savings strategies, including salary reductions and/or furloughs prior to June 30, 2020. Procedural (but not substantive) changes in the PPP by the Federal Government have resulted in the bank declining to accept forgiveness applications until the procedures are finalized, and that has delayed the resultant conversion of the loan to revenue in the form of a government grant. Hence, the revenue to which the expenditures incurred using PPP monies prior to June 30, 2020 are matched will not be recognized until the forgiveness application can be submitted to the bank and forgiveness is approved. If the forgiveness application submitted and accepted prior to June 30, 2020, revenue reported in the year ended June 30, 2020 could have potentially been increased by the amount approved for forgiveness up to \$721,800.

Notes to Financial Statements

Note 8. Notes Payable (Continued)

In May 2020, the LPO obtained a loan from a government-affiliated organization in the amount of \$150,000. This loan is payable in monthly installments of \$641, beginning 12 months from the date the promissory note was signed, and bears interest at 2.75%. The loan matures May 15, 2050 and is secured by equipment, receivables and other assets. The amount due at June 30, 2020 was \$150,000.

Note 9. Capital Lease Obligations

The LPO is the lessee of office furniture under a capital lease. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the assets. The assets are their estimated productive lives. Depreciation of assets under the capital lease is included in management and general for the years ended June 30, 2020 and 2019.

The following is a summary of equipment held under the capital lease:

	2020	2019
Equipment	\$ 30,595	\$ 30,595
Less: Accumulated Depreciation	 12,238	6,119
Net Book Value	\$ 18,357	\$ 24,476

Obligations under the capital lease consist of the following at June 30, 2020:

	2	020	 2019
Lease payable to a creditor, due in monthly installments of \$1,283, secured by furniture and equipment, final payment due July 2020,			
interest at 0.04%.	\$	852	\$ 13,922
		852	13,922
Less: Current Maturities		852	13,922
Total Long-Term Capital Lease Obligations	\$	_	\$ -

Notes to Financial Statements

Note 9. Capital Lease Obligations (Continued)

Payment obligations on the capital lease are as follows for June 30, 2020:

Year Ending

June 30,	A mount
2021	\$ 852
Total Minimum Lease Payments	852
Less: Amount Representing Interest	
Present Value of Net Minimum Lease Payments	\$ 852

Note 10. Net Assets with Donor Restrictions

Net assets with donor restrictions as of June 30, 2020 have the following donor restrictions on them:

Periods after June 30, 2020	\$ 824,000
Specific Programs and Purposes	 1,071,639
	941
Total	\$ 1,895,639

Net assets with donor restrictions, which are restricted for periods after June 30, 2020, consist primarily of the unreleased amount of grants received from PlayUSA, Oscar Tolmas Charitable Trust, Frank and Paulette Stewart, LPO Volunteers, Gia Maione Prima Foundation, and various individual gifts.

Note 11. Commitments

Rent expense for office and storage totaled \$63,525 and \$78,339, respectively, for the years ended June 30, 2020 and 2019.

Notes to Financial Statements

Note 11. Commitments (Continued)

The LPO leases office space, office furniture, performance space under rental agreements. Required minimum payments under these leases are as follows for June 30th:

\$ Amount 143,776
\$ 143,776
47,321
46,248
5,548
1,078
-
\$ 243,971
\$

Note 12. 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, 2020 and 2019 totaled \$39,466 and \$37,454, respectively.

Note 13. Endowment Fund

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

GNOF follows a Total Return Spending Policy for its endowment funds. Endowment funds are invested for maximum total return (within acceptable risk parameters), without distinction between income and capital gains. The market value of the fund is measured over the past 12 quarters, and a percentage of the average of those values is made available for grants. This method appropriately puts the focus on the long-term growth of the fund. This, in turn, encourages the appropriate use of equities in the fund, helping the fund to grow at a rate greater than inflation. The annual percentage for 2019 distributions is 4%. This percentage is evaluated each year and adjusted as necessary.

Notes to Financial Statements

Note 13. Endowment Fund (Continued)

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

The 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, 2020 and 2019:

	Other					
		GNOF		Donor		Total
June 30, 2020	<u>En</u>	dowment	De	esignated	F	Restricted
Restricted Endowment Net Assets, Beginning of Year	\$	962,471	\$	666,877	\$	1,629,348
Distributions		(37,916)		-		(37,916)
Net Investment Gains		10,311		-		10,311
Restricted Endowment Net Assets, End of Year	\$	934,866	\$	666,877	\$	1,601,743
	Other					
	(GNOF		Donor		Total
June 30, 2019	En	dowment	De	esignated	F	Restricted
Restricted Endowment Net Assets,						
Beginning of Year	\$	959,847	\$	666,877	\$	1,626,724
Distributions		(37,233)		-		(37,233)
Net Investment Gains		39,857		_		39,857
Restricted Endowment Net Assets,						
End of Year	\$	962,471		666,877	\$	1,629,348

Notes to Financial Statements

Note 14. Uncertain Tax Positions

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

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

Note 15. Liquidity and Availability

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, 2020 and 2019:

		2020		2019	
Investments	\$	217,245	\$	200,473	
Contributions Receivable		271,063		512,336	
State Tax Receivable	***************************************	1,687,515		930,781	
Total		2,175,823	\$	1,643,590	

The LPO regularly monitors liquidity required to meet its operating needs and other contractual commitments. Expenditures are generally met within 30 days, 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. The LPO also has two lines of credit of \$450,000 and \$200,000 with a commercial bank that are available for times of unforeseen events. See Note 7 and Note 18 for further description of this line of credit.

Note 16. State Tax Credit Receivable

Included with earned revenue is a total of \$756,734 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 August 29, 2018 through August 29, 2020. 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, December 22, 2020, this report has been completed and submitted but the LPO is awaiting final certification from the state of Louisiana.

As of June 30, 2020, the total receivable relating to the tax credit was \$1,687,515. This represents the \$756,734 noted above for the current fiscal year, as well as the prior fiscal year receivable of \$930,781.

Notes to Financial Statements

Note 17. Risks and Uncertainties

On January 30, 2020, the Word Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern," and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the LPO operates.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted to amongst other provisions, provide emergency assistance for individuals, families and businesses affected by the coronavirus pandemic. As discussed in Note 8, the LPO's PPP loan may qualify for forgiveness. However, the LPO may be required to repay its PPP loan to the extent any balance remains unforgiven.

During the year ended June 30, 2020, the LPO experienced lower than expected subscription and concert income. It is unknown how long these and any other adverse conditions associated with the coronavirus will last and what the complete financial effect will be to the LPO.

Note 18. Subsequent Events

Management has evaluated subsequent events through the date the financial statements were available to be issued, December 22, 2020, and determined that the following required disclosure:

In August 2020, the \$800,000 line of credit with the bank was paid off.

In October 2020, a new line of credit with a bank was obtained. This line is for \$200,000, bearing interest at the greater of the Wall Street Journal Prime rate or 5.00%. The line of credit matures May 26, 2021.

There were no other subsequent events occurring after December 22, 2020 that have been evaluated for inclusion in these financial statements.



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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, 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated December 22,2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Louisiana Philharmonic Orchestra's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purposes of this Report

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

A Professional Accounting Corporation

Metairie, LA December 22, 2020

THE LOUISIANA PHILHARMONIC ORCHESTRA Schedule of Findings and Responses

For the Year Ended June 30, 2020

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?b. Significant deficiencies identified?None

3. Noncompliance material to the financial statements noted?

Federal Awards - Not applicable

Part II - Financial Statement Findings

None noted.

THE LOUISIANA PHILHARMONIC ORCHESTRA Schedule of Prior Audit Findings

For the Year Ended June 30, 2020

Prior Year Findings

2019-001 Late Submission of Audit Report to Legislative Auditor

Condition: The audit report was not filed within six months as required by state law

Status: Resolved

SUPPLEMENTARY INFORMATION

THE LOUISIANA PHILHARMONIC ORCHESTRA Schedule of Compensation, Benefits, and Other Payments to Agency Head For the Year Ended June 30, 2020

Louisiana Revised Statute (LRS) 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 quasipublic auditees. In 2015, Act 462 of the 2015 Regular Session of the Louisiana Legislature further amended LRS. 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

James Boyd, Executive Director (July 1, 2019 - December 31, 2019) Mimi Kruger, Executive Director (January 1, 2020 - June 30, 2020)

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