THE LOUISIANA PHILHARMONIC ORCHESTRA

Audits of Financial Statements

June 30, 2022 and 2021

LAPORTE
CPAs & BUSINESS ADVISORS

Contents

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Independent Auditor's Report

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

Opinion

We have audited the accompanying financial statements of Louisiana Philharmonic Orchestra (a non-profit organization) (the LPO), which comprise the statements of financial position as of June 30, 2022 and 2021, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements (collectively, 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, 2022 and 2021, 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.

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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 11, 2023, 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 Louisiana Philharmonic Orchestra's internal control over financial reporting and compliance.

LaPorte

A Professional Accounting Corporation

Metairie, LA
January 11, 2023

THE LOUISIANA PHILHARMONIC ORCHESTRA
Statements of Financial Position
June 30, 2022 and 2021

	2022	2021
Assets		
Current Assets		
Cash and Cash Equivalents	$ 284,340	$ 144,130
Contributions Receivable, Net	213,433	234,945
State Tax Credit Receivable	444,472	1,082,175
Other Current Assets	11,838	115,889
Total Current Assets	954,083	1,577,139
Property and Equipment, Net	296,008	303,195
Other Assets		
Contributions Receivable Greater than One Year, Net	395,749	629,860
Interest in Endowment Trust	994,471	1,130,187
Investments	241,230	278,132
Total Assets	$ 2,881,541	$ 3,918,513
Liabilities and Net Assets		
Current Liabilities		
Trade Accounts Payable and Accrued Liabilities	$ 29,614	$ 190,302
Deferred Revenue - Ticket Sales	296,231	174,737
Line of Credit	498,470	704,318
Notes Payable, Current	3,602	3,504
Total Current Liabilities	827,917	1,072,861
Long-Term Liabilities		
Notes Payable, Less Current Maturities	146,398	862,353
Total Long-Term Liabilities	146,398	862,353
Total Liabilities	974,315	1,935,214
Net Assets		
Without Donor Restrictions	402,143	253,303
With Donor Restrictions	1,505,083	1,729,996
Total Net Assets	1,907,226	1,983,299
Total Liabilities and Net Assets	$ 2,881,541	$ 3,918,513

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
Other Income	244,400	-	244,400
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 Activities
For the Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support			
Earned Revenue - Ticket Sales and Season Subscriptions	$ 832,091	$ -	$ 832,091
Contributions	1,684,413	216,506	1,900,919
Other Income	536,917	-	536,917
Net Assets Released from Restrictions - Satisfaction of Purpose Restrictions for Orchestra Programs	343,681	(343,681)	-
Investment Return, Net	287,724	-	287,724
Distributions from Endowment	38,468	(38,468)	-
Paycheck Protection Program Loan Forgiveness Income	721,800	-	721,800
Total Revenues and Other Support	4,445,094	(165,643)	4,279,451
Expenses			
Program Services			
Orchestra Programs	2,242,645	-	2,242,645
Marketing	254,841	-	254,841
Education	56,639	-	56,639
Supporting Services			
Fundraising and Development	183,488	-	183,488
Management and General	554,918	-	554,918
Total Expenses	3,292,531	-	3,292,531
Change in Net Assets	1,152,563	(165,643)	986,920
Net Assets, Beginning of Year	(899,260)	1,895,639	996,379
Net Assets, End of Year	$ 253,303	$ 1,729,996	$ 1,983,299

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	$ 631,243
Organizational Supplies and Advertising	82,354	411	1,281	2,270	6,912	10,874
Services and Professional Fees	68,276	10,000	10,125	30,595	83,139	133,859
Venue, Office, and Other	441,146	132,705	7,274	49,111	259,638	448,728
Depreciation	30,543	-	-	-	13,164	13,164
Total	$ 3,088,467	$ 323,118	$ 85,219	$ 213,155	$ 616,376	$ 1,237,868

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, 2021

	Program Services			Supporting Services		
	Orchestra Programs	**Marketing**	**Education**	**Fundraising and Development**	**Management and General**	**Total**
Salaries and Wages	$ 1,841,314	$ 161,271	$ 43,070	$ 136,737	$ 241,218	$ 582,296
Organizational Supplies and Advertising	22,396	186	-	300	17,663	18,149
Services and Professional Fees	45,410	19,000	10,258	32,912	61,579	123,749
Venue, Office, and Other	303,017	74,384	3,311	13,539	226,104	317,338
Depreciation	30,508	-	-	-	8,354	8,354
Total	$ 2,242,645	$ 254,841	$ 56,639	$ 183,488	$ 554,918	$ 1,049,886

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, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Changes in Net Assets	**$ (76,073)**	$ 986,920
Adjustments to Reconcile Changes in Net Assets		
to Net Cash Provided by (Used in) Operating Activities		
Depreciation	**43,707**	38,862
Investment Return, Net - Endowment	**95,760**	(233,789)
Investment Return, Net - Investments	**63,206**	(58,578)
Forgiveness of Paycheck Protection Program Loan	**(715,857)**	(721,800)
(Increase) Decrease in Operating Assets		
Contributions Receivable	**255,623**	(183,068)
State Tax Credit Receivable	**637,703**	605,340
Other Current Assets	**104,051**	(56,279)
Interest in Endowment Trust	**39,956**	38,468
Increase (Decrease) in Operating Liabilities		
Trade Accounts Payable and Accrued Liabilities	**(160,688)**	(476,573)
Deferred Revenue - Ticket Sales	**121,494**	(149,648)
Net Cash Provided by (Used in) Operating Activities	**408,882**	(210,145)
Cash Flows from Investing Activities		
Purchases of Investments	**(111,250)**	(14,901)
Proceeds from Sale of Investments	**84,946**	12,592
Purchase of Property and Equipment	**(36,520)**	(10,663)
Net Cash Used in Investing Activities	**(62,824)**	(12,972)
Cash Flows from Financing Activities		
Repayments on Capital Lease Payable	**-**	(852)
Borrowings from Lines of Credit	**701,162**	256,459
Repayments on Lines of Credit	**(907,010)**	(800,000)
Proceeds from Paycheck Protection Program Loan	**-**	715,857
Net Cash (Used in) Provided by Investing Activities	**(205,848)**	171,464
Net Increase (Decrease) in Cash and Cash Equivalents	**140,210**	(51,653)
Cash and Cash Equivalents, Beginning of Year	**144,130**	195,783
Cash and Cash Equivalents, End of Year	**$ 284,340**	$ 144,130
Supplemental Disclosure of Cash Flow Information		
Cash Paid During the Year for Interest	**$ 17,493**	$ 29,535

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.

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, 2022 and 2021, there were $1,505,083 and $1,729,996, 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 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 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 the beginning of the fiscal year was $174,737.

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 2022 and 2021, the LPO has recorded both revenues and expenses of $8,388 and $5,588, respectively, relating primarily to management and general expenses for donated professional services.

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

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.

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 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 a material impact on the LPO's financial statements.

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

Recent Accounting Pronouncements - Not Yet Adopted

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. A lessee should recognize in the statement of financial position 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. In June 2020, the FASB issued ASU 2020-05 which defers the effective date of ASU 2016-02 one year, making it effective for annual reporting periods beginning after December 15, 2021. Management is currently evaluating the impact that ASU 2016-02 will have on the financial statements.

Note 2. Contributions Receivable

Contributions receivable are as follows as of June 30, 2022 and 2021:

	2022	2021
Unconditional Promises to Give		
Receivable in Less than One Year	**$ 213,433**	$ 234,945
Receivable in One to Five Years	**405,029**	630,217
Total Unconditional Promises to Give	**618,462**	865,162
Less: Discounts to Net Present Value	**(9,280)**	(357)
Net Unconditional Promises to Give	**$ 609,182**	$ 864,805

Pledges expected to be received in more than one year were discounted at 2.80% and 0.07%, respectively, for June 30, 2022 and 2021.

Note 3. Property and Equipment

Property and equipment, net is summarized as follows as of June 30, 2022 and 2021:

		2022		2021
Music Library	**$**	**249,399**	$	240,868
Instruments, Production Equipment, and Administrative Equipment		**1,202,588**		1,174,599
Vehicles		**22,885**		22,885
		1,474,872		1,438,352
Less: Accumulated Depreciation		**(1,178,864)**		(1,135,157)
Total	**$**	**296,008**	$	303,195

Depreciation expense for the years ended June 30, 2022 and 2021 amounted to $43,707 and $38,862, 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 $994,471 and $1,130,187 at June 30, 2022 and 2021, respectively. GNOF serves as the trustee of the trust. Distributions from the endowment trust were $39,956 and $38,468 for the periods ended June 30, 2022 and 2021, 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 year ended June 30, 2022:

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)

Composition of and changes in endowment net assets were as follows for the year ended June 30, 2021:

June 30, 2021	GNOF Endowment	Other Donor Designated	Total Restricted
Restricted Endowment Net Assets, Beginning of Year	$ 934,866	$ 666,877	$ 1,601,743
Distributions	(38,468)	-	(38,468)
Net Investment Return	233,789	-	233,789
Restricted Endowment Net Assets, End of Year	$ 1,130,187	$ 666,877	$ 1,797,064

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 2021 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.

Note 4. Endowments and Endowment Fund (Continued)

Additionally, several endowments have been established at the Greater New Orleans Foundation (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, 2022 and 2021, these endowments were valued at approximately $2,012,155 and $2,285,134, respectively. Distributions from these endowments, which are at the discretion of GNOF, were $80,768 and $77,749, respectively, during the years ended June 30, 2022 and 2021.

Note 5. Investments

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.

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.

Note 5. Investments (Continued)

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 valuation of the LPO's assets measured at fair value on a recurring basis at June 30, 2022 and 2021 were as follows:

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**

June 30, 2021	Total	Level 1	Level 2	Level 3
Investments				
Cash Equivalent	$ 4,034	$ 4,034	$ -	$ -
Endowment Trust	1,130,187	-	-	1,130,187
Mutual Funds and Exchange Traded Funds	278,132	278,132	-	-
Total	$ 1,412,353	$ 282,166	$ -	$ 1,130,187

Note 6. Line of Credit

The LPO has 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 matures March 8, 2023. At June 30, 2022, $498,470 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 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: 2023 - $3,602, 2024 - $3,702, 2025 - $3,805, 2026 - $3,911, 2027 - $4,020, thereafter - $130,960.

Note 8. Net Assets with Donor Restrictions

Net assets with donor restrictions as of June 30, 2022 have the following donor restrictions on them:

Periods after June 30, 2022	$	100,000
Specific Programs and Purposes		1,405,083
Total	$	1,505,083

Net assets with donor restrictions, which are restricted for periods after June 30, 2022, consist primarily of the unreleased amount of grants received from Oscar J. Tolmas Charitable Trust, Gia Maione Prima Foundation, Arts New Orleans, Paulette and Frank Stewart, and various individual gifts.

Note 9. Commitments

Rent expense for office and storage totaled $64,220 and $60,915, respectively, for the years ended June 30, 2022 and 2021.

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

Year Ending June 30,	Amount
2023	$ 183,880
2024	23,320
2025	18,850
2026	17,772
2027	16,291
Total	$ 260,113

Note 10. 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, 2022 and 2021 totaled $34,972 and $19,170, respectively.

Note 11. 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 12. 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, 2022 and 2021:

	2022	2021
Cash and Cash Equivalents	**$ 284,340**	$ 144,130
Investments	**241,230**	278,132
Contributions Receivable, Net	**213,433**	234,945
State Tax Credit Receivable	**444,472**	1,082,175
Total	**$ 1,183,475**	$ 1,739,382

Note 13. State Tax Credit Receivable

Included with earned revenue is a total of $442,081 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 17, 2020 through August 17, 2022. 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 11, 2023, this report has been completed and submitted but the LPO is awaiting final certification from the State of Louisiana.

As of June 30, 2022, the total receivable relating to the tax credit was $444,472. This represents the $442,081 noted above for the current fiscal year.

Note 14. Subsequent Events

Management has evaluated subsequent events through the date the financial statements were available to be issued, January 11, 2023, and determined that the following event occurred that requires disclosure:

In October 2022, the LPO obtained an $840,000 line of credit with a bank. This line has a variable interest rate and a maturity date of April 2024. As of the report date, no advances have been taken against this line of credit.

There were no other subsequent events occurring after January 11, 2023 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 statement of the Louisiana Philharmonic Orchestra (the LPO), which comprise the statement of financial position as of June 30, 2022, 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 11, 2022.

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.

An Independently Owned Member, RSM US Alliance
RSM US Alliance member firms are separate and independent businesses and legal entities that are responsible for their own acts and omissions, and each is separate and independent from RSM US LLP. RSM US LLP is the U.S. member firm of RSM International, a global network of independent audit, tax, and consulting firms. Members of RSM US Alliance have access to RSM International resources through RSM US LLP but are not member firms of RSM International.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 11, 2022

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?	No

Federal Awards - Not applicable

Part II - Financial Statement Findings

None noted.

SUPPLEMENTARY INFORMATION

THE LOUISIANA PHILHARMONIC ORCHESTRA
Schedule of Compensation, Benefits, and Other Payments to Agency Head
For the Year Ended June 30, 2022

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
Scott Harrison

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.