

NEW ORLEANS FILM SOCIETY

FINANCIAL STATEMENTS

June 30, 2023 and 2022



CONTENTS

	Page(s)
Independent Auditors' Report	1-2
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4-5
Statements of Functional Expenses	6-7
Statements of Cash Flows	8
Notes to Financial Statements	9-16
Supplementary Information	
Schedule of Compensation, Benefits and other payments to Agency Heads	17
Government Auditing Standards Report	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	18-19
Schedule of Findings and Responses	20
Schedule of Prior Year Findings	21

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
New Orleans Film Society
New Orleans, Louisiana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of New Orleans Film Society (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Orleans Film Society as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of New Orleans Film Society 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 New Orleans Film Society's ability to continue as a going concern for one year after the date that the financial statements are issued or available to be issued.

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of New Orleans Film Society'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 New Orleans Film Society's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated December 18, 2023, on our consideration of New Orleans Film Society's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts and grants agreement and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering New Orleans Film Society's internal control over financial reporting and compliance.

Metairie, Louisiana
December 18, 2023

Wegmann Bazet, APC

NEW ORLEANS FILM SOCIETY
STATEMENTS OF FINANCIAL POSITION

June 30, 2023 and 2022

	2023	2022
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,203,770	\$ 1,253,418
Promises to give	45,950	365,251
Grants receivable	368,965	-
Prepaid expenses	11,378	11,122
Total current assets	1,630,063	1,629,791
Right of use assets - operating, net of accumulated amortization	32,320	-
Total assets	\$ 1,662,383	\$ 1,629,791
LIABILITIES		
Current liabilities		
Accounts payable and accrued expenses	\$ 22,582	\$ 55,595
Accrued payroll and related liabilities	4,336	1,873
Other current liabilities	617	7,609
Refundable advances	-	10,000
Contract liabilities	147,188	235,970
Current portion of operating lease obligations	22,600	-
Total current liabilities	197,323	311,047
Operating lease obligations, less current portion	9,720	-
Total liabilities	207,043	311,047
NET ASSETS		
Net assets		
Without donor restrictions		
Undesignated	1,026,818	847,557
Board designated for operating reserves	314,022	305,999
Total	1,340,840	1,153,556
With donor restrictions	114,500	165,188
Total net assets	1,455,340	1,318,744
Total liabilities and net assets	\$ 1,662,383	\$ 1,629,791

See accompanying Notes to Financial Statements.

NEW ORLEANS FILM SOCIETY
STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, support, and grants			
Donations	\$ 25,028	\$ 29,000	\$ 54,028
In-kind donations	526,140	-	526,140
Sponsorships	356,250	-	356,250
Ticket sales	106,252	-	106,252
Submission fees	143,928	-	143,928
Fundraising	104,203	-	104,203
Grants	249,024	464,271	713,295
Membership	153,840	-	153,840
Advertising	48,000	-	48,000
Other income	74,600	-	74,600
Net assets released from restrictions	543,959	(543,959)	-
	<u>2,331,224</u>	<u>(50,688)</u>	<u>2,280,536</u>
Expenses			
Program services			
New Orleans Film Festival	1,218,655	-	1,218,655
French Film Festival	125,501	-	125,501
Year round programing	105,359	-	105,359
Emerging Voices	84,977	-	84,977
South Summit	50,229	-	50,229
Southern Producers Lab	90,908	-	90,908
Supporting services			
General and administrative	143,192	-	143,192
Fundraising	325,119	-	325,119
	<u>2,143,940</u>	<u>-</u>	<u>2,143,940</u>
Change in net assets	187,284	(50,688)	136,596
Net assets			
Beginning of year	<u>1,153,556</u>	<u>165,188</u>	<u>1,318,744</u>
End of year	<u>\$ 1,340,840</u>	<u>\$ 114,500</u>	<u>\$ 1,455,340</u>

See accompanying Notes to Financial Statements.

NEW ORLEANS FILM SOCIETY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, support, and grants			
Donations	\$ 66,725	\$ 27,500	\$ 94,225
In-kind donations	419,754	-	419,754
Sponsorships	133,600	-	133,600
Ticket sales	107,542	-	107,542
Submission fees	126,712	-	126,712
Fundraising	223,351	-	223,351
Grants	196,090	774,722	970,812
Membership	153,114	-	153,114
Advertising	16,000	-	16,000
Other income	64,728	-	64,728
Net assets released from restrictions	674,246	(674,246)	-
	<u>2,181,862</u>	<u>127,976</u>	<u>2,309,838</u>
Expenses			
Program services			
New Orleans Film Festival	968,586	-	968,586
French Film Festival	122,805	-	122,805
Year round programing	30,234	-	30,234
Emerging Voices	89,551	-	89,551
Membership	49,614	-	49,614
South Summit	76,250	-	76,250
Southern Producers Lab	97,716	-	97,716
Supporting services			
General and administrative	165,819	-	165,819
Fundraising	272,047	-	272,047
	<u>1,872,622</u>	<u>-</u>	<u>1,872,622</u>
Change in net assets	309,240	127,976	437,216
Net assets			
Beginning of year	<u>844,316</u>	<u>37,212</u>	<u>881,528</u>
End of year	<u>\$ 1,153,556</u>	<u>\$ 165,188</u>	<u>\$ 1,318,744</u>

See accompanying Notes to Financial Statements.

NEW ORLEANS FILM SOCIETY
STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2023

	Programming Services					Supporting Services		Total expenses	
	New Orleans Film Festival	French Film Festival	Year round Programming	Emerging Voices	South Summit	Southern Producers Lab	Fundraising		General and administrative
Advertising/marketing	\$ 12,955	\$ 2,000	\$ 300	\$ -	\$ -	\$ -	\$ 978	\$ 142	\$ 16,375
Artistic awards	46,875	-	-	22,150	4,300	26,750	-	-	100,075
Bad debt expense	-	-	-	-	-	-	11,074	-	11,074
Bank service charge	512	83	72	60	36	60	179	-	1,002
Board development	-	-	-	-	-	-	15	4,142	4,157
Contract labor fees	155,047	8,001	8,829	2,236	2,542	1,836	56,574	30,725	265,790
Dues and subscriptions	20,102	3,217	560	349	209	349	12,866	2,054	39,706
Equipment and software	15,000	2,397	1,200	1,017	624	-	3,408	3,187	26,833
Equipment rental	55,903	-	150	-	-	1,017	1,922	-	58,992
In-kind donations	422,338	11,431	6,417	4,872	973	5,347	65,451	9,313	526,142
Insurance	2,637	429	368	307	184	307	920	2,480	7,632
Other expenses	10	-	-	-	-	-	-	2,067	2,077
Workforce costs	49,172	11,039	4,860	5,064	4,495	5,064	15,425	15,419	110,538
Postage and delivery	2,387	218	168	-	-	-	454	116	3,343
Printing and reproduction	9,445	7,224	548	-	367	-	4,489	-	22,073
Rent expense -film	-	-	1,400	-	-	-	-	-	1,400
Rent expense - office	11,551	1,880	1,612	1,343	806	1,343	4,029	4,298	26,862
Rent expense - venue	31,132	7,000	17,346	-	-	-	10,500	-	65,978
Salary and wages	283,344	65,999	35,519	33,326	35,244	33,326	80,887	57,471	625,116
Special events	34,291	2,204	23,642	-	-	-	51,883	-	112,020
Sponsorships	1,318	-	-	-	-	-	-	-	1,318
Supplies	14,149	453	287	239	144	239	2,090	766	18,367
Taxes and licenses	-	103	-	-	-	-	-	-	103
Telephone and internet	2,448	428	330	275	165	275	826	831	5,578
Training and development	2,078	326	280	233	140	233	699	5,926	9,915
Travel and entertainment	45,961	1,069	1,471	13,506	-	14,762	450	4,255	81,474
Total expenses	\$ 1,218,655	\$ 125,501	\$ 105,359	\$ 84,977	\$ 50,229	\$ 90,908	\$ 325,119	\$ 143,192	\$ 2,143,940

See accompanying Notes to Financial Statements.

NEW ORLEANS FILM SOCIETY
STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2022

	Programming Services						Supporting Services		Total expenses	
	New Orleans Film Festival	French Film Festival	Year round Programming	Emerging Voices	Membership	South Summit	Southern Producers Lab	Fundraising		General and administrative
Advertising/marketing	\$ 17,222	\$ 1,760	\$ -	\$ 284	\$ 591	\$ 2,119	\$ 284	\$ 1,150	\$ 342	\$ 23,752
Artistic expenses	42,550	-	675	44,150	-	13,750	55,050	-	-	156,175
Bad debt expense	-	-	-	-	1,500	-	-	6,000	-	7,500
Bank service charge	-	-	-	-	-	-	-	-	5	5
Board development	-	-	-	-	-	-	-	8,000	513	8,513
Contract labor fees	239,536	12,426	4,025	4,370	4,352	6,838	4,465	28,065	12,613	316,690
Dues and subscriptions	17,879	2,803	86	157	7,216	222	99	8,415	669	37,546
Equipment and software	16,290	3,262	493	930	567	1,200	-	2,272	2,607	27,621
Equipment rental	6,705	-	-	-	-	-	919	-	-	7,624
In-kind donations	302,277	13,853	500	-	-	-	-	54,088	49,036	419,754
Insurance	699	104	44	83	51	65	100	139	553	1,838
Other expenses	4,773	-	-	-	-	-	-	-	389	5,162
Workforce costs	36,008	8,885	3,588	5,166	5,276	7,330	5,091	10,425	10,161	91,930
Postage and delivery	2,135	360	-	-	-	-	-	1,113	58	3,666
Printing and reproduction	7,478	3,553	-	402	-	465	-	6,060	118	18,076
Rent expense -film	850	8,278	-	-	-	-	-	-	-	9,128
Rent expense - office	9,276	1,375	586	1,105	674	859	1,331	1,837	3,100	20,143
Rent expense - venue	35,350	8,000	-	239	-	500	-	-	-	44,089
Repairs and maintenance	-	-	-	-	-	-	-	-	328	328
Salary and wages	199,182	54,132	19,628	29,585	28,842	41,861	28,651	58,658	35,379	495,918
Special events	3,244	1,788	200	574	-	430	-	84,099	8	90,343
Sponsorships	1,500	-	-	-	-	-	-	-	-	1,500
Supplies	7,765	1,300	203	384	234	299	463	211	1,078	11,937
Telephone and internet	3,226	478	206	384	234	299	463	636	933	6,859
Training and development	1,220	-	-	-	-	-	-	338	45,662	47,220
Travel and entertainment	13,421	448	-	1,738	77	13	800	541	2,267	19,305
Total expenses	\$ 968,586	\$ 122,805	\$ 30,234	\$ 89,551	\$ 49,614	\$ 76,250	\$ 97,716	\$ 272,047	\$ 165,819	\$ 1,872,622

See accompanying Notes to Financial Statements.

NEW ORLEANS FILM SOCIETY
STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 136,596	\$ 437,216
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Forgiveness of Paycheck Protection Program loan	-	(93,005)
Operating lease asset amortization	21,608	-
(Increase) decrease in operating assets:		
Accounts receivable	319,301	(363,876)
Grants receivable	(368,965)	9,500
Other receivables	-	80,774
Prepaid expenses	(256)	(11,122)
Deposits	-	2,060
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(40,005)	37,607
Accrued payroll and related liabilities	2,463	1,873
Operating lease obligations	(21,608)	-
Refundable advances	(10,000)	(77,062)
Contract liabilities	(88,782)	96,056
Net cash (used) provided by operating activities	<u>(49,648)</u>	<u>120,021</u>
 Net (decrease) increase in cash	 (49,648)	 120,021
 Cash and cash equivalents at beginning of year	 <u>1,253,418</u>	 <u>1,133,397</u>
 Cash and cash equivalents at end of year	 <u><u>\$ 1,203,770</u></u>	 <u><u>\$ 1,253,418</u></u>

See accompanying Notes to Financial Statements.

NEW ORLEANS FILM SOCIETY
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2023 and 2022

1) Nature of activities

The New Orleans Film Society (the “Organization”) is a non-profit organization established in 1989 that discovers, cultivates, and amplifies diverse voices of filmmakers who tell the stories of our time. The Organization produces the Academy-accredited New Orleans Film Festival annually and invest year-round in building a vibrant film culture in the South to share transformative cinematic experiences with audiences, and connect dynamic filmmakers to career-advancing resources.

2) Summary of significant accounting policies

The significant accounting policies followed by the Organization are summarized as follows:

a) Financial statement presentation

The Financial Accounting Standards Board (“FASB”) promulgates accounting principles generally accepted in the United States of America and reporting standards for Not-for-Profit entities. The accompanying financial statements have been prepared in accordance with such principles.

b) Net assets

Contributions received are recorded as with donor restrictions or without donor restrictions, depending on the existence and nature of any donor restrictions. Support that is not restricted by the donor is reported as an increase in net assets without donor restrictions. All other donor restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

c) Cash and cash equivalents

All cash-related items having a maturity of three months or less, which are neither held for nor restricted by donors for long-term purposes, from the original maturity date are classified as cash and cash equivalents.

d) Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code. The Organization has filed for and received income tax exemptions in the various jurisdictions where it is required to do so. The Organization files Form 990 tax return in the U.S. federal jurisdiction and in various states.

The Organization adopted the provisions of Accounting Standard Codification (ASC) 740, *Accounting for Uncertainty in Income Taxes*. Management of the Organization believes it has no material uncertain tax positions and, accordingly, it has not recognized any liability for unrecognized tax benefits. With few exceptions, the Organization is not subject to U.S. federal, state and local income tax examinations by tax authorities beyond three years from the filing of those returns.

e) Fundraising

All expenses associated with the fundraising events are expensed as incurred.

NEW ORLEANS FILM SOCIETY
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2023 and 2022

2) Summary of significant accounting policies (continued)

f) Functional expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited. Where practicable, expenses are directly classified to specific program or supporting service categories. Costs that are not specifically identifiable within functional categories are classified using allocation methods. Allocated costs and methods include occupancy, software, hardware, subscriptions, supplies, insurance, salaries, payroll taxes, and employee benefits allocated based on time studies.

g) Use of estimates

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

h) Concentration of credit risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash deposits. The Organization may at times have cash on deposit at financial institutions that is in excess of federally insured limits. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. The Organization has not experienced any losses in such accounts. The Organization has no policy requiring collateral or other security to support its deposits.

i) Promises to give

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Conditional promises are recorded when all conditions have been met. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Cash or other assets received prior to the condition being met are recorded as refundable advances.

j) Donated services

Donated services are recognized as contributions if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills and would otherwise be purchased by the Organization.

k) In-kind donations

Noncash donations are recorded as contributions at their fair values at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose.

l) Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

NEW ORLEANS FILM SOCIETY
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2023 and 2022

2) Summary of significant accounting policies (continued)

m) Leases

Effective July 1, 2022, the Company adopted the amended provisions of ASC Topic 842, *Leases*, using the modified retrospective approach, impacting the reporting and disclosures for leases. Under the revised standard, the Company recognizes a liability representing the present value of future lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset over the lease term in the consolidated statements of financial position.

The Organization determines if an arrangement is a lease at inception of the contract and assesses the appropriate classification as finance or operating. Finance and operating lease liabilities represent the present value of minimum lease payments not yet paid. Lease assets represent the right to use an underlying asset and are based upon the lease liabilities. To determine the present value of lease payments, the Organization estimates an incremental borrowing rate which represents the rate used for a secured borrowing of a similar term as the lease. Variable lease payments that do not depend on an index or a rate, such as insurance and property taxes, are excluded from the measurement of the lease liability and are expensed when the obligation for that payment is incurred.

The lease term includes the initial contractual terms as well as any options to extend the lease when it is reasonably certain that the Organization will exercise that option. Leases with an initial term of 12 months or less are not recorded on the consolidated statements of financial position. Operating lease payments are charged on a straight-line basis to rent expense over the lease term and finance lease payments are charged to interest expense and amortization over the lease terms. Assets under finance leases are amortized in accordance with the Organization's normal depreciation policy for owned assets or over the lease term, if shorter.

The Organization evaluates whether events and circumstances have occurred that indicate right of use assets have been impaired. Measurement of any impairment of such assets is based on their fair values. Once a right of use asset for a lease is impaired, the carrying amount of the right of use asset is reduced through expense and the remaining balance is subsequently amortized on a straight-line basis. During 2022, the Organization determined that the carrying amount of right of use assets has not exceeded its fair value; accordingly, no impairment losses exist.

For periods prior to July 1, 2022, lease accounting was in accordance with the previously effective guidance of ASC Topic 840, *Leases*, where operating lease costs were expensed as incurred and non-cancellable future minimum operating lease payments were presented for disclosure only. In accordance with this standard the Organization had no operating lease agreements containing provisions for future rent increases.

n) Accounting standard recently adopted

The Organization adopted ASC Topic 842, *Leases*, on a modified retrospective basis and elected the transitional provisions eliminating the requirement to restate prior periods. The Organization also elected to not reassess the original conclusions reached regarding lease identification, lease classification and initial direct costs for leases entered into prior to the adoption of ASC Topic 842, *Leases*. Under the new guidance, lessees are required to recognize right of use assets and lease liabilities on the consolidated balance sheet for all leases greater than 12 months. Leases are classified as either finance or operating. The Organization recognized the following assets and liabilities as a result of the adoption of this standard:

NEW ORLEANS FILM SOCIETY
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2023 and 2022

2) Summary of significant accounting policies (continued)

n) Accounting standard recently adopted (continued)

2023

Assets obtained for operating lease liabilities	\$ 53,928
Liabilities assumed for operating lease assets	\$ (53,928)

o) Geographic concentration

The Organization's operations are concentrated within the southern United States, specifically in the Great New Orleans area. As a result, the Organization is subject to geographic concentration risk. Economic and environmental phenomena in the area could have a material impact on the Organization's operating results. Management regularly monitors this risk and has implemented strategies to diversify its operations and mitigate potential negative impacts.

p) Revenue and cost recognition

The Organization recognizes donations when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

Contributions received with both donor-imposed conditions and restrictions that are met in the same reporting period are reported as support without donor restrictions and increase net assets without donor restrictions.

Sponsorships can be comprised of an exchange element based on the value provided, and a contribution element for the difference between the total amount paid and the exchange element. The exchange portions of the sponsorships are recognized when the related performance obligations are met, and the contribution portion is recognized immediately.

The Organization generates revenue through the sale of tickets to its customers, film submission fees and membership fees. Revenue from these sources is recognized over time, as the performances obligations are met.

A portion of the Organization's revenue is derived from cost-reimbursable federal, state, and local contracts and grants, which are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions.

q) Description of net assets classification

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Financial Statements for Not-for-Profit Entities*, requires the net assets and changes in net assets be reported for two classifications – with donor restrictions and without donor restrictions based on the existence or absence of donor-imposed restrictions.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor-imposed restrictions or requirements that limit the use of the donation. A donor restriction ends when a time restriction is met, or a purpose restriction is accomplished. As restrictions are met, assets are reclassified to net assets without donor restrictions. Funds received with the stipulation that the funds be returned if specified future events fail to occur are accounted for as refundable advances until the conditions have been substantially met.

NEW ORLEANS FILM SOCIETY
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2023 and 2022

3) Net assets with donor restrictions

Net assets released from restrictions for the years ended June 30, 2023 and 2022 are as follows:

	2023	2022
Purpose restrictions satisfied:		
South Arts Presentation Grant	\$ -	\$ 4,532
City of New Orleans	35,000	35,000
Arts Council of New Orleans	29,376	12,062
Private Donation	500	-
Ettinger Foundation	5,000	-
Louisiana Division of the Arts	-	5,000
Small Business Administrative	-	93,005
Hollywood Foreign Press Association	5,000	-
John Carlo Monti Award	500	1,000
Community Foundation of Western North Carolina, Inc.	4,000	2,000
Perspective Fund	-	35,712
Louisiana Endowment for the Humanities	10,000	10,000
Louisiana Project Grant	3,083	-
The Hellis Foundation	21,000	21,000
Ford Foundation	125,000	125,000
Greater New Orleans Foundation	10,000	-
Shuttered Venue Operating Grant	-	241,935
Harrah's Community Support Grant	3,000	-
National Endowment for the Arts	175,000	84,000
New Orleans Tourism and Cultural Fund	110,000	-
New Orleans Jazz & Heritage	3,500	4,000
Time restriction satisfied: Festival	4,000	-
Total net assets released from restrictions	\$ 543,959	\$ 674,246

Net assets with donor restrictions as of June 30, 2023 and 2022 are as follows:

	2023	2022
Subject to expenditure in subsequent periods:		
Greater New Orleans Foundation	\$ 10,000	\$ 10,000
Private donation	500	1,000
Louisiana Endowment for the Humanities	-	10,000
Ford Foundation	-	125,000
Andy Warhol Foundation	100,000	-
John Carlo Monti Award	4,000	4,500
Arts Council of New Orleans	-	14,688
Total net assets with donor purpose restrictions	\$ 114,500	\$ 165,188

4) Board designated unrestricted net assets

As of June 30, 2023 and 2022, the Board of Directors of New Orleans Film Society designated \$314,022 and \$305,999, respectively, as a general operating reserve.

NEW ORLEANS FILM SOCIETY
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2023 and 2022

5) Operating lease

The Company leases office space under an agreement, which is classified as an operating lease. The lease does not contain a significant residual value guaranty and does not impose significant restrictions or covenants.

At June 30, 2023, the remaining lease term for the operating lease was approximately 1 year. The discount rate for the operating lease was 4.5%.

The table below presents certain information related to lease costs for the year ended June 30, 2023:

Operating lease cost	\$ 23,592
Short-term lease cost	<u>3,270</u>
Total lease costs	<u><u>\$ 26,862</u></u>

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

<u>For the years ending June 30:</u>	<u>Amount</u>
2024	\$ 23,592
2025	<u>9,830</u>
Total	33,422
Less: present value discount	<u>(1,102)</u>
Lease liability	32,320
Less: current portion of lease liability	<u>(22,600)</u>
Long term portion of lease liability	<u><u>\$ 9,720</u></u>

The following is related to the Company's lease accounting policy under ASC Topic 840 for the year ended June 30, 2022.

Future minimum lease payments under non-cancelable operating lease agreements as of June 30, 2022 are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2024	\$ 9,830

6) In-kind donations

For the years ended June 30, 2023 and 2022, contributed nonfinancial assets recognized within the statements of activities included the following:

	<u>2023</u>	<u>2022</u>
Advertising	\$ 82,915	\$ 98,376
Auction items	6,670	21,500
Prizes	71,000	95,558
Event production	272,380	64,564
Professional services	81,368	131,957
Software	7,437	7,799
Travel	<u>4,370</u>	<u>-</u>
	<u><u>\$ 526,140</u></u>	<u><u>\$ 419,754</u></u>

Donated goods services are recognized at fair value based on current rates for similar goods and services. Donated auction items are valued at the sales price received during the auction on the day of the event. All gifts-in-kind received during the years ended June 30, 2023 and 2022 were unrestricted.

NEW ORLEANS FILM SOCIETY
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2023 and 2022

7) Contract assets and liabilities

The Organization generates revenue through the sale of tickets to its customers, film submission fees and membership fees and other events. The Organization recognizes revenue over time as the performance obligations are met. The portion of receipts for the performance obligation not met creates a contract liability, the portion of revenue for which the performance obligation was met, but not yet collected creates a contract asset. The following table depicts activities from contract assets and contract liabilities for 2023 and 2022:

	2023	2022
Contract assets	\$ 29,685	\$ 27,255
Contract liabilities	(176,873)	(263,225)
Net contract liabilities	\$ (147,188)	\$ (235,970)

8) Promises to give

Unconditional promises to give are estimated to be collected as follows at June 30, 2023 and 2022:

	2023	2022
Within one year	\$ 45,950	\$ 365,251

The Organization has written off \$11,074 and \$7,500 of promises to give as bad debt for the year ended June 30, 2023 and 2022, respectively. Management has evaluated the accounts and believes the remaining promises to give are all collectible.

9) Paycheck Protection Program

On March 25, 2021, the Organization received a second loan under the Paycheck Protection Program “PPP” administered by a Small Business Administration (SBA) approved partner in the amount of \$93,005. The loan is uncollateralized and is fully guaranteed by the Federal government. The Organization was eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. On October 7, 2021, the Small Business Administration forgave the loan principal and the related interest in the amount of \$93,005 and \$496, respectively.

10) Supplemental cash flow disclosures

	2023	2022
Right-of-use assets obtained in exchange for operating lease liabilities	\$ 53,928	\$ -
Forgiveness of Paycheck Protection Program loan	\$ -	\$ 93,005

NEW ORLEANS FILM SOCIETY
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2023 and 2022

11) 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:

Cash and cash equivalents	\$ 1,203,770
Accounts receivable	45,950
Grants receivable	368,965
Total	<u>\$ 1,618,685</u>

12) Employee retention tax credit

The CARES Act provides an employee retention credit which is a refundable tax credit against certain employment taxes of up to \$5,000 per employee for eligible employers. The tax credit is equal to 50% of qualified wages paid to employees during a quarter, capped at \$10,000 of qualified wages per employee through December 31, 2020. Additional relief provisions were passed by the U.S. government, which extended and slightly expanded the qualified wage caps on these credits through September 30, 2021. Based on these additional provisions, the tax credit was increased to 70% of qualified wages paid to employees during a quarter from January 1, 2021 to September 30, 2021, and the limit on qualified wages per employee was increased to \$10,000 of qualified wages per quarter.

The Organization qualified for the tax credit under the CARES Act during fiscal year ended June 30, 2022 and recorded \$57,813 related to the CARES employee retention credit, which has been presented as other income on the statements of activities.

13) Subsequent events

Management evaluated subsequent events through the date of the auditors' report, the date which the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

NEW ORLEANS FILM SOCIETY
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER
PAYMENTS TO AGENCY HEADS

For the Year Ended June 30, 2023

SUMMARY OF COMPENSATION

Sarah Escalante
Executive Director

	<u>2023</u>
Salary	\$ 29,556
Benefits	1,492
Phone allowance	600
Travel allowance	<u>475</u>
	<u>\$ 32,123</u>

GOVERNMENT AUDITING STANDARD REPORT

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

Board of Directors
New Orleans Film Society
New Orleans, Louisiana

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 New Orleans Film Society (the Organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated December 18, 2023.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified.

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 New Orleans Film Society's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance, and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Metairie, Louisiana
December 18, 2023

Wegmann Dazet, APC

NEW ORLEANS FILM SOCIETY
Schedule of Findings and Responses
For the Year Ended June 30, 2023

Part I – Summary of Auditors’ Results

Financial Statements

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

Federal Awards

Not applicable

Part II – Financial Statement Findings

None

NEW ORLEANS FILM SOCIETY
Schedule of Prior Year Findings
For the Year Ended June 30, 2023

Part I – Summary of Auditors’ Results

Financial Statements

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

Federal Awards

Not applicable

Part II – Financial Statement Findings

None