

NEW ORLEANS FILM SOCIETY

FINANCIAL STATEMENTS

June 30, 2021 and 2020



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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, 2021 and 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.

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, 2021 and 2020, 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.

Other matters

As discussed in Note 9 to the financial statements, during fiscal year 2021, the Organization adopted the provisions of ASU 2014-09 *Revenue from Contracts with Customers* (Topic 606). The change in accounting principle was applied retrospectively and the financial statements for 2020 have been retroactively restated for the change. Our opinion is not modified with respect to this change in accounting principle.

As discussed in Note 11 to the financial statements, during the year-end audit, management became aware that it had improperly applied certain accounting requirements imposed by Accounting Standard Update No. 2018-08 - *Accounting for Contributions Received and Contributions Made* (ASU 2018-08) and *Revenue Recognition* (Codified under Topic 605) in fiscal year 2020. Note 11 shows the effects of the correction of these errors. Our opinion is not modified with respect to these corrections.

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 Summary 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 March 31, 2022 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 agreements 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
March 31, 2022

Wegmann Bazet, APC

NEW ORLEANS FILM SOCIETY
STATEMENTS OF FINANCIAL POSITION

June 30, 2021 and 2020

	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,133,397	\$ 833,591
Accounts receivable	1,375	22,436
Grants receivable	9,500	178,750
Other receivables	80,774	874
Total current assets	<u>1,225,046</u>	<u>1,035,651</u>
Deposits	<u>2,060</u>	<u>2,060</u>
Total assets	<u><u>\$ 1,227,106</u></u>	<u><u>\$ 1,037,711</u></u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued expenses	\$ 21,615	\$ 21,425
Accrued payroll and related liabilities	-	667
Other current liabilities	3,982	7,041
Refundable advances	87,062	45,000
Contract liabilities	139,914	154,934
Current portion of long-term debt	10,340	34,900
Total current liabilities	<u>262,913</u>	<u>263,967</u>
Long-term debt, less current portion	<u>82,665</u>	<u>34,062</u>
Total liabilities	<u><u>345,578</u></u>	<u><u>298,029</u></u>
NET ASSETS		
Net assets		
Without donor restrictions		
Undesignated	538,347	374,176
Board designated	305,969	205,945
With donor restrictions	<u>37,212</u>	<u>159,561</u>
Total net assets	<u><u>881,528</u></u>	<u><u>739,682</u></u>
Total liabilities and net assets	<u><u>\$ 1,227,106</u></u>	<u><u>\$ 1,037,711</u></u>

See accompanying Notes to Financial Statements.

NEW ORLEANS FILM SOCIETY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, support, and grants			
Donations	\$ 612,048	\$ -	\$ 612,048
Sponsorships	184,250	-	184,250
Ticket sales	97,684	-	97,684
Submission fees	187,906	-	187,906
Grants	185,357	273,279	458,636
Membership	55,671	-	55,671
Advertising	9,000	-	9,000
Other income	96,098	-	96,098
Net assets released from restrictions	395,628	(395,628)	-
Total revenues, support, and grants	<u>1,823,642</u>	<u>(122,349)</u>	<u>1,701,293</u>
Expenses			
Program services			
New Orleans Film Festival	973,719	-	973,719
French Film Festival	83,137	-	83,137
Year round programing	54,282	-	54,282
Emerging Voices	95,800	-	95,800
Membership	44,884	-	44,884
South Summit	42,297	-	42,297
Southern Producers Lab	103,897	-	103,897
Supporting services			
Core activities	-	-	-
General and administrative	80,371	-	80,371
Fundraising	81,060	-	81,060
Mailing and printing	-	-	-
Membership	-	-	-
Total expenses	<u>1,559,447</u>	<u>-</u>	<u>1,559,447</u>
Change in net assets	264,195	(122,349)	141,846
Net assets			
Beginning of year	<u>580,121</u>	<u>159,561</u>	<u>739,682</u>
End of year	<u>\$ 844,316</u>	<u>\$ 37,212</u>	<u>\$ 881,528</u>

See accompanying Notes to Financial Statements.

NEW ORLEANS FILM SOCIETY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
	<u> </u>	<u> </u>	<u> </u>
Revenues, support, and grants			
Donations	\$ 1,160,447	\$ -	\$ 1,160,447
Fiscal sponsorship	5,000	-	5,000
Sponsorships	391,126	-	391,126
Ticket sales	208,999	-	208,999
Submission fees	246,681	-	246,681
Grants	238,639	393,486	632,125
Membership	37,678	-	37,678
Advertising	11,845	-	11,845
Other income	2,490	-	2,490
Net assets released from restrictions	259,425	(259,425)	-
	<u>2,562,330</u>	<u>134,061</u>	<u>2,696,391</u>
Total revenues, support, and grants			
Expenses			
Program services			
New Orleans Film Festival	1,705,792	-	1,705,792
French Film Festival	69,366	-	69,366
Year round programing	41,647	-	41,647
Emerging Voices	59,076	-	59,076
Industry outreach	38,080	-	38,080
Membership	35,067	-	35,067
Southern Producers Lab	66,335	-	66,335
Supporting services			
General and administrative	61,269	-	61,269
Fundraising	103,111	-	103,111
	<u>2,179,743</u>	<u>-</u>	<u>2,179,743</u>
Total expenses			
Change in net assets	382,587	134,061	516,648
Net assets			
Beginning of year	<u>197,534</u>	<u>25,500</u>	<u>223,034</u>
End of year	<u>\$ 580,121</u>	<u>\$ 159,561</u>	<u>\$ 739,682</u>

See accompanying Notes to Financial Statements.

NEW ORLEANS FILM SOCIETY
STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2021

	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	\$ 10,893	\$ 1,163	\$ 274	\$ -	\$ -	\$ 2,432	\$ -	\$ -	\$ 1,916	\$ 16,678
Artistic expenses	28,253	-	525	64,263	-	10,450	58,413	-	-	161,904
Bad debt expense	-	-	-	-	1,900	-	-	-	-	1,900
Board development	-	-	-	-	-	-	-	179	16,700	16,879
Contract labor fees	143,792	15,556	7,964	2,596	3,274	5,549	3,807	7,169	6,152	195,859
Dues and subscriptions	14,676	1,999	1,845	-	6,971	-	-	708	3,996	30,195
Equipment and software	44,870	2,567	3,078	-	-	331	-	80	5,624	56,550
In-kind donation	419,038	17,856	16,774	675	-	-	225	-	2,150	456,718
Interest expense	-	-	-	-	-	-	-	-	(130)	(130)
Insurance	25,650	2,205	1,221	2,056	2,283	1,647	3,015	5,044	12,621	55,742
Other expense	305	-	-	-	-	-	-	-	(277)	28
Postage and delivery	1,516	553	-	-	58	-	-	1,298	(8)	3,417
Printing and reproduction	5,488	1,247	-	-	-	898	-	2,474	-	10,107
Rent expense -film	2,050	6,114	143	-	-	-	-	-	-	8,307
Rent expense - office	4,545	488	270	455	506	364	668	1,117	297	8,710
Rent expense - venue	4,959	4,800	5,821	-	-	-	-	-	-	15,580
Salary and wages	253,519	27,233	15,076	25,394	28,198	20,337	37,239	62,292	16,610	485,898
Special events	(2,000)	849	498	-	1,293	-	-	(305)	-	335
Sponsorship	7,300	-	-	-	-	-	-	-	-	7,300
Supplies	4,764	101	366	-	-	-	-	-	1,222	6,453
Telephone and internet	3,610	388	215	361	401	289	530	887	236	6,917
Training and development	1,030	-	195	-	-	-	-	94	12,722	14,041
Travel and entertainment	(539)	18	17	-	-	-	-	23	540	59
Total expenses	\$ 973,719	\$ 83,137	\$ 54,282	\$ 95,800	\$ 44,884	\$ 42,297	\$ 103,897	\$ 81,060	\$ 80,371	\$ 1,559,447

See accompanying Notes to Financial Statements.

NEW ORLEANS FILM SOCIETY
STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2020

	Programming Services						Supporting Services		Total Expenses	
	New Orleans Film Festival	French Film Festival	Year Round Programming	Emerging Voices	Industry Outreach	Membership	Southern Producers Lab	Fundraising		General and Administrative
Advertising/marketing	\$ 12,489	\$ 1,335	\$ 1,137	\$ -	\$ -	\$ 124	\$ -	\$ 34	\$ 150	\$ 15,269
Artistic expenses	13,587	-	6,155	18,800	-	-	28,200	-	-	66,742
Board development	-	-	-	-	-	-	-	59	7,399	7,458
Contract labor fees	217,128	12,411	4,024	6,825	6,007	3,147	12,178	11,409	11,043	284,172
Dues and subscriptions	16,018	-	350	-	16	4,236	-	693	6,022	27,335
Equipment and software	57,363	-	1,660	-	-	-	100	-	4,838	63,961
Fundraising expense	-	-	-	-	-	-	-	4,559	-	4,559
In-kind donation	884,505	14,008	11,100	-	-	900	-	880	2,537	913,930
Interest expense	-	-	-	-	-	-	-	-	130	130
Insurance	19,501	1,780	941	1,262	1,368	1,496	1,821	4,304	12,818	45,291
Merchandise	2,741	-	-	-	-	-	-	-	-	2,741
Other expense	11	-	-	-	-	-	-	-	-	11
Postage and delivery	2,962	654	8	-	-	671	-	670	397	5,362
Printing and reproduction	19,094	3,389	-	-	-	767	-	1,020	407	24,677
Rent expense -film	1,250	7,795	1,064	-	-	-	-	-	-	10,109
Rent expense - office	12,540	502	1,254	-	3,762	-	2,508	2,006	2,508	25,080
Rent expense - venue	89,583	8,000	3,030	-	-	-	-	-	-	100,613
Repairs and maintenance	422	-	-	-	-	-	-	-	665	1,087
Salary and wages	213,713	18,218	10,253	11,768	14,035	21,354	16,444	72,142	9,446	387,373
Special events	46,368	344	-	-	-	1,889	50	4,437	-	53,088
Sponsorship	20,175	-	-	-	-	-	-	-	-	20,175
Supplies	10,349	656	-	-	-	431	-	54	2,302	13,792
Telephone and internet	1,132	45	113	-	340	-	226	181	226	2,263
Training and development	450	-	-	-	1,338	-	-	-	-	1,788
Travel and entertainment	64,411	229	558	20,421	11,214	52	4,808	663	381	102,737
Total expenses	\$ 1,705,792	\$ 69,366	\$ 41,647	\$ 59,076	\$ 38,080	\$ 35,067	\$ 66,335	\$ 103,111	\$ 61,269	\$ 2,179,743

See accompanying Notes to Financial Statements.

NEW ORLEANS FILM SOCIETY
STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 141,846	\$ 516,648
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Forgiveness of Paycheck Protection Program loan	(68,962)	-
(Increase) decrease in operating assets:		
Accounts receivable	21,061	32,123
Grants receivable	169,250	(178,680)
Prepaid expenses	-	15,726
Other receivables	(79,900)	(804)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(2,869)	14,206
Accrued payroll and related liabilities	(667)	-
Refundable advances	42,062	34,781
Contract liabilities	(15,020)	(90,454)
Net cash provided by operating activities	<u>206,801</u>	<u>343,546</u>
Cash flows from financing activities:		
Borrowings under Paycheck Protection Program	<u>93,005</u>	<u>68,962</u>
Net cash provided by financing activities	<u>93,005</u>	<u>68,962</u>
Net increase in cash	299,806	412,508
Cash and cash equivalents at beginning of year	<u>833,591</u>	<u>421,083</u>
Cash and cash equivalents at end of year	<u>\$ 1,133,397</u>	<u>\$ 833,591</u>

See accompanying Notes to Financial Statements.

NEW ORLEANS FILM SOCIETY
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020

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) Contributions

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 statement 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 from the original maturity date are classified as cash and cash equivalents.

(d) Accounts receivable

Accounts are considered overdue if uncollected within ninety days of the original invoice. No allowance for uncollectible accounts has been provided, as management has evaluated the accounts and believes they are all collectible.

(e) 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.

NEW ORLEANS FILM SOCIETY
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020

2) Summary of significant accounting policies (continued)

(f) Fundraising

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

(g) Functional expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement 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, salaries, payroll taxes and employee benefits allocated based on time studies.

(h) 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

(i) 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.

(j) 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.

(k) 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.

The Organization received volunteer help and other donated services to assist with the film festival. The estimated value of the contributed services for the years ended June 30, 2021 and 2020 was \$456,718 and \$913,930 respectively.

NEW ORLEANS FILM SOCIETY
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020

2) Summary of significant accounting policies (continued)

(l) Donated property and equipment

Noncash donations are recorded as contributions at their fair values at the date of donations. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. There was no donated property and equipment for 2021 or 2020

(m) New accounting pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. This accounting standard requires lessees to recognize assets and liabilities related to lease arrangements longer than 12 months on the balance sheet as well as additional disclosures. The updated guidance is effective for annual periods beginning after December 15, 2021. The Organization is currently assessing the impact of this pronouncement on its financial statements.

The Organization adopted ASU No. 2014-09 *Revenue from Contracts with Customers (Topic 606)*. This guidance requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which entities expect to be entitled in exchange for those goods or services. The Organization adopted this update in 2021 under the full retrospective method. Note 9 reflects the changes that resulted from the adoption of this standard.

In September 2020, the FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This accounting standard improves transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations through enhancements to presentation and disclosure. The standard is effective for annual periods beginning after December 15, 2021. Management is currently assessing the impact of this pronouncement on its financial statements.

(n) Geographic concentration

The Organization's operations are concentrated in the Greater New Orleans area. Accordingly, economic and environmental phenomena in the area would very likely have an impact on the Organization's operating results.

(o) 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.

(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.

NEW ORLEANS FILM SOCIETY
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020

2) Summary of significant accounting policies (continued)

(p) Revenue and cost recognition (continued)

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) Reclassification

Certain amounts in the prior year financial statements have been reclassified to conform to the current presentation. Total net assets are unchanged due to these reclassifications.

3) Net assets with donor restrictions

Net assets released from restrictions for the year ended June 30, 2021 are as follows:

	<u>2021</u>
Purpose restrictions satisfied:	
National Endowment for the Arts	\$ 30,000
South Arts Resilience Fund Award	59,273
Perspective Fund	14,294
The Hellis Foundation	15,000
Ford Foundation	100,000
New Orleans Jazz & Heritage	3,500
Louisiana Division of the Arts	<u>14,000</u>
Time restriction satisfied:	
New Orleans Film Festival 2020	<u>159,561</u>
Total net assets released from restrictions	<u><u>\$ 395,628</u></u>

NEW ORLEANS FILM SOCIETY
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020

3) Net assets with donor restrictions (continued)

Net assets with donor restrictions as of June 30, 2021 are as follows:

	<u>2021</u>
Subject to expenditure in subsequent periods:	
Private donation	10,000
Perspective fund	<u>27,212</u>
Total net assets with donor purpose restrictions	<u><u>\$ 37,212</u></u>

4) Operating lease

On August 1, 2021, the Organization re-entered into an operating lease for office space. The lease expires July 31, 2022. Future minimum lease payment under the lease are as follows:

<u>Year Ending</u>	<u>Amount</u>
June 30, 2022	\$ 20,020
June 30, 2023	1,820

Total rent expense under the lease for the years ended June 30, 2021 and 2020 was \$8,710 and \$25,080, respectively.

5) Board designated unrestricted net assets

As of June 30, 2021 and 2020, the Board of Directors of New Orleans Film Society designated \$305,969 and \$205,945, respectively, as a general operating reserve.

6) Paycheck protection program

In April 2020, the Organization received a \$68,962 loan by a Small Business Administration (SBA) approved partner. The loan was uncollateralized and was 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 March 24, 2021, the Small Business Administration forgave the loan principal and the related interest in the amount of \$68,962 and \$642, respectively.

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 is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements.

The Organization has initially recorded the loan as a refundable advance and will record the forgiveness in accordance with guidance for conditional contributions when there is no longer a measurable performance or other barrier and a right to return of the PPP loan or when such conditions are explicitly waived. Proceeds from the loan are eligible for forgiveness if the Organization maintains employment levels during its 24-week covered period and uses the funds for certain payroll, rent, and utility expenses. No contribution revenue has been recorded for the year ended June 30, 2021. The Organization may be required to repay any remaining balance, plus interest accrued at 1% per annum in

NEW ORLEANS FILM SOCIETY
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020

6) Paycheck protection program (continued)

monthly payments after the six-month covered period. Principal and interest payments may be required through the maturity date, March 25, 2026.

7) Liquidity and availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$	1,133,397
Accounts receivable		1,375
Grants receivable		9,500
Other receivables		80,774
		80,774
Total	\$	1,225,046

8) Coronavirus (COVID-19)

The COVID-19 pandemic has impacted and could further impact the Organization’s operations and the operations of the Organization’s suppliers and vendors as a result of quarantines, facility closures, and travel and logistics restrictions. The extent to which the COVID-19 pandemic impacts the Organization’s business, results of operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to the duration, spread, severity, and impact of the COVID-19 pandemic, the effects of the COVID-19 pandemic on the organization’s customers, suppliers, and vendors and the remedial actions and stimulus measures adopted by local and federal governments, and to what extent normal economic and operating conditions can resume.

Even after the COVID-19 pandemic has subsided, the Organization may continue to experience adverse impacts to its business as a result of any economic recession or depression that has occurred or may occur in the future. Therefore, the Organization cannot reasonably estimate the impact at this time.

9) Change in accounting principle

During fiscal year 2021, the Organization adopted the provisions of ASU 2014-09 *Revenue from Contracts with Customers* (Topic 606). The change in accounting principle was applied retrospectively and the financial statements for 2020 have been retroactively restated for the change. The effect on the 2020 financial statements is summarized in the following table:

	<u>Previously Reported</u>	<u>After change in accounting principle</u>
Contract asset	\$ 34,514	\$ -
Contract liabilities	2,202	154,934
Submission fees revenue	187,906	246,681

NEW ORLEANS FILM SOCIETY
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020

10) 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 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Contract assets	\$ 28,842	\$ 32,312
Contract liabilities	<u>(168,756)</u>	<u>(187,246)</u>
Net contract liabilities	<u>\$ (139,914)</u>	<u>\$ (154,934)</u>

11) Prior year error corrections

During the year-end audit, management became aware that it had improperly applied certain accounting requirements imposed by Accounting Standard Update No. 2018-08 - *Accounting for Contributions Received and Contributions Made* (ASU 2018-08). The effect on the 2020 financial statements is summarized in the following table and are properly reflected on the 2020 financial statements:

	<u>Previously Reported</u>	<u>Restated</u>
Grants receivable	\$ -	\$ 178,750
Grants revenue	498,375	632,125
Refundable advances	-	45,000

During the year-end audit, management became aware that it had improperly applied certain accounting requirements imposed by Accounting Standard Update *Revenue Recognition* (Topic 605) in fiscal year 2020. The effect on the 2020 financial statements is summarized in the following table and are properly reflected on the 2020 financial statements:

	<u>Previously Reported Prior to the effects of Topic 606 Implementation</u>	<u>Restated Prior to the Effects of Topic 606 Implementation</u>
Contract liabilities	\$ 2,202	\$ 154,934
Accounts receivable	56,948	22,436
Submission fees revenue	187,906	246,681

NEW ORLEANS FILM SOCIETY
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020

11) Prior year error corrections (continued)

The table below summarizes the effect on net assets as the result of the corrections disclosed above and the change in accounting principle disclosed on Note 9:

	Previously Reported	Effects of the following:		Restated
		Topics 605 and 606	ASU 2018-08	
Changes in Net Assets				
Undesignated	\$ 427,672	\$ (187,246)	\$ 133,750	\$ 374,176
Board designated	205,945	-	-	205,945
With donor restrictions	159,561	-	-	159,561
	<u>\$ 793,178</u>			<u>\$ 739,682</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, 2021 and recorded \$80,774 related to the CARES Employee Retention credit, which has been presented as other receivables on the statements of financial position and other income on the statements of activities.

13) Subsequent events

On October 7, 2021, the Organization received notification that the PPP loan disclosed in Note 6, has been fully forgiven by the Small Business Administration.

On October 29, 2021, the Organization was awarded the Shuttered Venue Operations Grant in the amount of \$241,934 from the U.S. Small Business Administration. The Organization will have to use these funds to cover the decline in income from live events.

On November 24, 2021, the Organization filed for employee retention tax credits under the CARES Act provisions. These credits were for the months of July, August, and September of calendar year 2021. The amount expected to be received is \$57,813.

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

NEW ORLEANS FILM SOCIETY
SUMMARY OF COMPENSATION, BENEFITS, AND OTHER
PAYMENTS TO AGENCY HEADS
For the Year Ended June 30, 2021

SUMMARY OF COMPENSATION

Monika Leska
Acting Executive Director

Fallon Young
Former Executive Director

- None of the agency head's compensation was derived from state and/or local assistance.

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, 2021, 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 March 31, 2022.

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 the 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. However, as described in the accompanying Schedule of Findings and Responses, we did identify certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2021-01 to be a material weakness.

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. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2021-02 to be significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

New Orleans Film Society's Responses to Findings

The New Orleans Film Society's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The New Orleans Film Society's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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
March 31, 2022

Wegmann Bazet, APC

NEW ORLEANS FILM SOCIETY
Schedule of Findings and Responses
For the Year Ended June 30, 2021

Part I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report:	Unmodified
2. Internal control over financial reporting:	
a. Material weakness identified?	Yes
b. Significant deficiencies identified?	Yes
3. Noncompliance material to the financial statements noted?	No

Federal Awards Not applicable

Part II – Financial statement Findings

2021-01 Grants Revenue, Submissions Fees Revenue, Deferred Revenue, Receivables and Refundable Advances

Condition: In testing the grants and submissions revenue balances, we noted that revenue was incorrectly recorded.

Cause: The Organization was improperly applying certain accounting requirements imposed by Accounting Standard Update No. 2018-08 - Accounting for Contributions Received and Contributions Made (ASU 2018-08) and Revenue Recognition (Codified under Topic 605) in fiscal year 2020.

Effect: Grants revenue, submission fee revenue, deferred revenue, the related receivables and refundable advances were improperly recorded.

Recommendation: We recommend the Organization to consider adding persons experienced in generally accepted accounting principles for non-profit entities to their staff.

Response: Management plans to record and track grants revenue, submission fees revenue, deferred revenue, receivables, and refundable advances in separate schedule documents and implement a regular review by the Finance Committee.

2021-02 Inadequate Segregation of Duties

Condition: Segregation of duties is inadequate to provide effective internal control.

Cause: The Organization employs a small number of people in day-to-day operations.

Effect: Without proper segregation of duties, errors within the financial records or fraud could be undetected.

Recommendation: We recommend the Organization to consider adding persons experienced in generally accepted accounting principles for non-profit entities to its staff.

Response: Management plans to strengthen the regular review of internal controls by the Finance Committee and work to improve the aforementioned control where weaknesses are found.

NEW ORLEANS FILM SOCIETY
Schedule of Prior Year Findings and Responses
For the Year Ended June 30, 2021

None