

NEW ORLEANS FILM SOCIETY

FINANCIAL STATEMENTS

June 30, 2022 and 2021



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	9-14
Supplementary Information	
Summary of Compensation, Benefits and other payments to Agency Heads	15
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>	16-17
Schedule of Findings and Responses	18
Schedule of Prior Year Findings	19

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, 2022 and 2021, 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, 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 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 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 January 3, 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 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
January 3, 2023

Wegmann Bazet, APC

NEW ORLEANS FILM SOCIETY
STATEMENTS OF FINANCIAL POSITION

June 30, 2022 and 2021

	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,253,418	\$ 1,133,397
Accounts receivable	365,251	1,375
Grants receivable	-	9,500
Other receivables	-	80,774
Prepaid expenses	11,122	-
Total current assets	1,629,791	1,225,046
Deposits	-	2,060
Total assets	\$ 1,629,791	\$ 1,227,106
LIABILITIES		
Current liabilities		
Accounts payable and accrued expenses	\$ 55,595	\$ 21,615
Accrued payroll and related liabilities	1,873	-
Other current liabilities	7,609	3,982
Refundable advances	10,000	87,062
Contract liabilities	235,970	139,914
Current portion of long-term debt	-	10,340
Total current liabilities	311,047	262,913
Long-term debt, less current portion	-	82,665
Total liabilities	311,047	345,578
NET ASSETS		
Net assets		
Without donor restrictions		
Undesignated	847,557	538,347
Board designated	305,999	305,969
With donor restrictions	165,188	37,212
Total net assets	1,318,744	881,528
Total liabilities and net assets	\$ 1,629,791	\$ 1,227,106

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
	<u> </u>	<u> </u>	<u> </u>
Revenues, support, and grants			
Donations	\$ 486,479	\$ 27,500	\$ 513,979
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	<u>674,246</u>	<u>(674,246)</u>	<u>-</u>
Total revenues, support, and grants	<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
Gala	222,727	-	222,727
Supporting services			
General and administrative	165,819	-	165,819
Fundraising	<u>49,320</u>	<u>-</u>	<u>49,320</u>
Total expenses	<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 ACTIVITIES
For the Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, support, and grants			
Donations	\$ 529,602	\$ -	\$ 529,602
Sponsorships	184,250	-	184,250
Ticket sales	97,684	-	97,684
Submission fees	180,976	-	180,976
Grants	192,287	273,279	465,566
Membership	138,117	-	138,117
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	1,823,642	(122,349)	1,701,293
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			
General and administrative	80,371	-	80,371
Fundraising	81,060	-	81,060
Total expenses	1,559,447	-	1,559,447
Change in net assets	264,195	(122,349)	141,846
Net assets			
Beginning of year	580,121	159,561	739,682
End of year	\$ 844,316	\$ 37,212	\$ 881,528

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	Gala	Membership	South Summit	Southern Producers Lab	Fundraising		General and administrative
Advertising/marketing	\$ 17,222	\$ 1,760	\$ -	\$ 284	\$ 564	\$ 591	\$ 2,119	\$ 284	\$ 586	\$ 342	\$ 23,752
Artistic awards	42,550	-	675	44,150	-	-	13,750	55,050	-	-	156,175
Bad debt expense	-	-	-	-	6,000	1,500	-	-	-	-	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	14,707	4,352	6,838	4,465	13,358	12,613	316,690
Dues and subscriptions	17,879	2,803	86	157	8,173	7,216	222	99	242	669	37,546
Equipment and software	16,290	3,262	493	930	1,722	567	1,200	-	550	2,607	27,621
Equipment rental	6,705	-	-	-	-	-	-	919	-	-	7,624
In-kind donation	302,277	13,853	500	-	54,088	-	-	-	-	49,036	419,754
Insurance	699	104	44	83	93	51	65	100	46	553	1,838
Other expense	4,773	-	-	-	-	-	-	-	-	389	5,162
Workforce costs	36,008	8,885	3,588	5,166	7,357	5,276	7,330	5,091	3,068	10,161	91,930
Postage and delivery	2,135	360	-	-	180	-	-	-	933	58	3,666
Printing and reproduction	7,478	3,553	-	402	3,268	-	465	-	2,792	118	18,076
Rent expense -film	850	8,278	-	-	-	-	-	-	-	-	9,128
Rent expense - office	9,276	1,375	586	1,105	1,231	674	859	1,331	606	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	40,496	28,842	41,861	28,651	18,162	35,379	495,918
Special events	3,244	1,788	200	574	84,099	-	430	-	-	8	90,343
Sponsorship	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	425	234	299	463	211	933	6,859
Training and development	1,220	-	-	-	-	-	-	-	338	45,662	47,220
Travel and entertainment	13,421	448	-	1,738	324	77	13	800	217	2,267	19,305
Total expenses	\$ 968,586	\$ 122,805	\$ 30,234	\$ 89,551	\$ 222,727	\$ 49,614	\$ 76,250	\$ 97,716	\$ 49,320	\$ 165,819	\$ 1,872,622

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
Bank service charge	-	-	-	-	-	-	-	-	(151)	(151)
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
Insurance	25,650	2,205	1,221	2,056	2,283	1,647	3,015	5,044	12,621	55,742
Other expense	305	-	-	-	-	-	-	-	(256)	49
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
STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ 437,216	\$ 141,846
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Forgiveness of Paycheck Protection Program loan	(93,005)	(68,962)
(Increase) decrease in operating assets:		
Accounts receivable	(363,876)	21,061
Grants receivable	9,500	169,250
Other receivables	80,774	(79,900)
Prepaid expenses	(11,122)	-
Deposits	2,060	-
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	37,607	(2,869)
Accrued payroll and related liabilities	1,873	(667)
Refundable advances	(77,062)	42,062
Contract liabilities	96,056	(15,020)
Net cash provided by operating activities	<u>120,021</u>	<u>206,801</u>
Cash flows from financing activities:		
Borrowings under Paycheck Protection Program	<u>-</u>	<u>93,005</u>
Net cash provided by financing activities	<u>-</u>	<u>93,005</u>
Net increase in cash	120,021	299,806
Cash and cash equivalents at beginning of year	<u>1,133,397</u>	<u>833,591</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,253,418</u></u>	<u><u>\$ 1,133,397</u></u>

See accompanying Notes to Financial Statements.

NEW ORLEANS FILM SOCIETY
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2022 and 2021

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 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 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. The Organization has not established an allowance for doubtful accounts. However, if a customer is unable to pay their account, the Organization may write off the outstanding balance to bad debt expense. The Organization has written off \$7,500 and \$1,900 of accounts receivable as bad debt for the year ended June 30, 2022 and 2021, respectively. Management has evaluated the accounts and believes the remaining accounts receivable 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, 2022 and 2021

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 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.

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 festivals. The estimated value of the contributed services for the years ended June 30, 2022 and 2021 was \$419,753 and \$456,718 respectively.

NEW ORLEANS FILM SOCIETY
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2022 and 2021

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 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. There was no donated property and equipment for 2022 or 2021.

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 statement of financial position as well as additional disclosures. The updated guidance was effective for annual periods beginning after December 15, 2021. The Organization is currently assessing the impact of this pronouncement on its financial statements.

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 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.

o) 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.

NEW ORLEANS FILM SOCIETY
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2022 and 2021

2) Summary of significant accounting policies (continued)

p) 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.

3) Net assets with donor restrictions

Net assets released from restrictions for the years ended June 30, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Purpose restrictions satisfied:		
South Arts Presentation Grant	\$ 4,532	\$ -
South Arts Resilience Fund Award	-	59,273
City of New Orleans	35,000	-
Arts Council of New Orleans	12,062	-
Louisiana Division of the Arts	5,000	14,000
Small Business Administrative	93,005	-
John Carlo Monti Award	1,000	-
Community Foundation of Western North Carolina, Inc.	2,000	-
Perspective Fund	35,712	14,294
Louisiana Endowment for the Humanities	10,000	-
The Hellis Foundation	21,000	15,000
Ford Foundation	125,000	100,000
Shuttered Venue Operating Grant	241,935	-
National Endowment for the Arts	84,000	30,000
New Orleans Jazz & Heritage	4,000	3,500
Time restriction satisfied: Festival	-	159,561
Total net assets released from restrictions	<u>\$ 674,246</u>	<u>\$ 395,628</u>

Net assets with donor restrictions as of June 30, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Subject to expenditure in subsequent periods:		
Greater New Orleans Foundation	\$ 10,000	\$ -
Private donation	1,000	10,000
Perspective fund	-	27,212
Louisiana Endowment for the Humanities	10,000	-
Ford Foundation	125,000	-
John Carlo Monti Award	4,500	-
Arts Council of New Orleans	14,688	-
Total net assets with donor purpose restrictions	<u>\$ 165,188</u>	<u>\$ 37,212</u>

NEW ORLEANS FILM SOCIETY
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2022 and 2021

4) Board designated unrestricted net assets

As of June 30, 2022 and 2021, the Board of Directors of New Orleans Film Society designated \$305,999 and \$305,969, respectively, as a general operating reserve.

5) Operating lease

On December 1, 2022, the Organization re-entered into an operating lease for office space. The lease expires November 30, 2023. Future minimum lease payment under the lease are as follows:

<u>Year ending</u>	<u>Amount</u>
June 30, 2023	\$ 21,762
June 30, 2024	9,830

Total rent expense under the lease for the years ended June 30, 2022 and 2021 was \$20,143 and \$8,710, respectively.

6) 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 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Contract assets	\$ 27,255	\$ 28,842
Contract liabilities	<u>(263,225)</u>	<u>(168,756)</u>
Net contract liabilities	<u>\$ (235,970)</u>	<u>\$ (139,914)</u>

7) 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 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.

NEW ORLEANS FILM SOCIETY
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2022 and 2021

8) 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	\$ 1,253,418
Accounts receivable	365,251
	<hr/>
Total	<u>\$ 1,618,669</u>

9) 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.

10) 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.

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.

11) 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
SUMMARY OF COMPENSATION, BENEFITS, AND OTHER
PAYMENTS TO AGENCY HEADS
For the Year Ended June 30, 2022

SUMMARY OF COMPENSATION

Sarah Escalante
Executive Director

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

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, 2022, 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 January 3, 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 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.

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.

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*.

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
January 3, 2023

Wegmann Bazet, APC

NEW ORLEANS FILM SOCIETY
Schedule of Findings and Responses
For the Year Ended June 30, 2022

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?	No
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, 2021

Part I – Summary of Auditors’ Results

Financial Statements

4. Type of auditors’ report:	Unmodified
5. Internal control over financial reporting:	
a. Material weakness identified?	Yes
b. Significant deficiencies identified?	Yes
6. 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**

Finding: 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.

Status: Resolved 7/1/2021

2021-02 **Inadequate Segregation of Duties**

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

Status: Resolved 4/1/2022