THE NEW ORLEANS CENTER FOR CREATIVE ARTS INSTITUTE
NEW ORLEANS, LOUISIANA

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017

Postlethwaite & Netterville

A Professional Accounting Corporation

www.pncpa.com

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NEW ORLEANS, LOUISIANA

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017

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A Professional Accounting Corporation

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The New Orleans Center for Creative Arts Institute
New Orleans, Louisiana

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the New Orleans Center for Creative Arts Institute (a nonprofit organization) and subsidiaries (the Institute), which comprise the consolidated statement of financial position as of June 30, 2017, and the related consolidated statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the New Orleans Center for Creative Arts Institute and subsidiaries as of June 30, 2017, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in the Reporting Entity

As discussed in Note 1 to the financial statements, effective July 1, 2016, NOCCA Real Estate LLC is a subsidiary of the Institute. Our opinion is not modified with respect to that matter.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating financial statements on pages 22 through 24 are presented for purposes of additional analysis and are 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2017, on our consideration of the Institute's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

Postlethwaite & Netterville

Metairie, Louisiana
December 21, 2017

THE NEW ORLEANS CENTER FOR CREATIVE ARTS INSTITUTE
NEW ORLEANS, LOUISIANA

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017

A S S E T S

Current assets:	
Cash and cash equivalents, unrestricted	$ 2,825,628
Cash and cash equivalents, temporarily restricted	243,540
Receivables:	
Promises to give, current	348,982
Rent	-
Other	7,750
Inventory	3,307
Prepaid expenses	52,493
Total current assets	3,481,700
Art work	70,424
Promises to give, long-term, net of discount of $76,604	874,371
Rent receivables, long-term	1,071,563
Notes receivable	6,046,933
Property and equipment, net	26,690,007
Investments - funds held by the Greater New Orleans Foundation	1,084,795
Total assets	$ 39,319,793

L I A B I L I T I E S A N D N E T A S S E T S

Liabilities:	
Current liabilities:	
Accounts payable and accrued expenses	$ 223,708
Bonds payable, current portion	200,000
Total current liabilities	423,708
Bonds payable, net of unamortized bond issuance costs	10,536,811
Loans payable	12,560,000
Total liabilities	23,520,519
Net assets:	
Unrestricted	
NOCCA Institute and Subsidiaries	13,169,453
Noncontrolling interest in Subsidiary	102,035
Temporarily restricted	1,442,991
Permanently restricted	1,084,795
Total net assets	15,799,274
Total liabilities and net assets	$ 39,319,793

The accompanying notes are an integral part of this financial statement.

THE NEW ORLEANS CENTER FOR CREATIVE ARTS INSTITUTE
NEW ORLEANS, LOUISIANA

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenues				
Support:				
Special events, net of expenses of $90,816	$ 295,561	$ -	$ -	$ 295,561
Public performance series/exhibitions	20,818	-	-	20,818
Contributions and grants	1,271,301	78,077	-	1,349,378
Revenues:				
Investment income (loss) including realized and unrealized gains (losses) on funds held by the Greater New Orleans Foundation	26,116	-	83,833	109,949
Forum project				
Interest income on loans receivable	79,934	-	-	79,934
Interest expense subsidy	416,508	-	-	416,508
Sale of goods and services	567,509	-	-	567,509
Grants/allocations received from GNOF funds	-	43,395	(43,395)	-
Rental	990,146	-	-	990,146
Miscellaneous	140,248	-	-	140,248
Total support and revenues	3,808,141	121,472	40,438	3,970,051
Net assets released from restriction	1,007,910	(1,007,910)	-	-
Total support, revenues, and net assets released from restriction	4,816,051	(886,438)	40,438	3,970,051

(Continued)

THE NEW ORLEANS CENTER FOR CREATIVE ARTS INSTITUTE
NEW ORLEANS, LOUISIANA

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Expenses				
Contributions to NOCCA				
Artists in residence	72,084	-	-	72,084
Financial aid	243,318	-	-	243,318
NOCCA administration and department support	164,877	-	-	164,877
Cost of goods sold	244,167	-	-	244,167
Depreciation	842,758	-	-	842,758
Equipment	26,671	-	-	26,671
Garden	8,868	-	-	8,868
General and administrative	426,845	-	-	426,845
In-kind parking lot	48,618	-	-	48,618
In-kind office rent	29,400	-	-	29,400
Insurance	132,920	-	-	132,920
Interest	535,849	-	-	535,849
Licenses and permits	10,539	-	-	10,539
Facility rental expense	34,467			34,467
Press Street property taxes	26,734	-	-	26,734
Printing, mailing, and copying	38,246	-	-	38,246
Professional fees	263,815	-	-	263,815
Salaries and benefits	1,119,081	-	-	1,119,081
Total expenses	4,269,257	-	-	4,269,257
Excess of revenues over expenses	546,794	(886,438)	40,438	(299,206)
Noncontrolling interest of NOCCA Real Estate, LLC at date of consolidation (Note 16)	116,399	-	-	116,399
Changes in net assets	663,193	(886,438)	40,438	(182,807)
Net assets				
Beginning of the year	12,608,295	2,329,429	1,044,357	15,982,081
End of the year	$ 13,271,488	$ 1,442,991	$ 1,084,795	$ 15,799,274

The accompanying notes are an integral part of this financial statement.

THE NEW ORLEANS CENTER FOR CREATIVE ARTS INSTITUTE
NEW ORLEANS, LOUISIANA

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	$ (182,807)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	842,758
Amortization	8,475
Unrealized loss on investments	(81,871)
Donated artwork	(1,961)
NOCCA Real Estate noncontrolling interest at date of consolidation (Note 1, Note 16)	(116,399)
Changes in operating assets and liabilities:	
Promises to give and other receivables	734,673
Prepaid expenses	462
Long term promises to give	319,533
Long term rent receivables	(1,071,563)
Accounts payable and accrued expenses	(111,355)
Net cash provided by operating activities	339,945
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of investments	(1,962)
Net proceeds from sales and maturities of investments	43,395
Increase in accrued interest receivable	(14,937)
Purchases of property and equipment	(146,210)
NOCCA Real Estate cash at date of consolidation (Note 1)	36,759
Net cash used in investing activities	(82,955)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Payments on bonds payable	(642,000)
Payments on loan payable	(30,000)
Net cash used in financing activities	(672,000)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(415,010)
CASH AND CASH EQUIVALENTS	
Beginning of the year	3,484,178
End of the year	$ 3,069,168
RECONCILIATION OF CASH AND CASH EQUIVALENTS	
Cash and cash equivalents, unrestricted	$ 2,825,628
Cash and cash equivalents, temporarily restricted	243,540
	$ 3,069,168
DISCLOSURE OF NON-CASH ITEMS	
In-kind rent revenue and expense	$ 78,018
In-kind donations revenue and expense	$ 328,033
Interest expense subsidy	$ 416,508

The accompanying notes are an integral part of this financial statement.

NEW ORLEANS CENTER FOR CREATIVE ARTS INSTITUTE
NEW ORLEANS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Nature of Activities

The New Orleans Center for Creative Arts Institute (the Institute) is a nonprofit corporation which provides supplemental funding and community support for the New Orleans Center for Creative Arts (a program funded and administered by the State of Louisiana) (NOCCA). The Institute funds various classes and workshops and provides financial aid to certain disadvantaged young artists enrolled in the program. The Institute has acted as the planner, facilitator, developer and fund-raiser to provide a new facility, including furniture and equipment, for NOCCA. The facility has been completed and was transferred to and is owned and operated by the State of Louisiana for regional arts education. The Institute continues to plan, facilitate, and develop capital expansion projects, as described in Note 3, and provide furniture and equipment to NOCCA and oversee third party use of the facility.

These financial statements have been consolidated to include all accounts of the New Orleans Center for Creative Arts Institute and its subsidiaries.

The Institute's wholly owned subsidiary, The NOCCA Institute Culinary Operations, LLC (Culinary Operations), is a for profit entity that was formed in 2013. Culinary Operations manages and operates the Press Street Gardens, Press Street Station restaurant, and 5 Press Art Gallery. These are retail operations open to the general public to increase earned income for the Institute while also providing educational and job training opportunities to NOCCA students, faculty, and alumni.

The Institute's wholly owned subsidiary, The NOCCA Institute Investments, Inc. (TNII), is a for profit entity that was formed in 2013. TNII owns 94% of NOCCA Real Estate, LLC (NOCCA Real Estate), a subsidiary of TNII. The remaining ownership of NOCCA Real Estate is held by an unrelated third party and an entity controlled by a private real estate developer. NOCCA Real Estate was created to develop the Forum building, as described in Note 3. TNII has no other activities.

All significant intra-entity account balances and transactions have been eliminated.

Change in Reporting Entity

Under the operating agreement among the members of NOCCA Real Estate, until the development of the Forum was completed, the real estate developer entity maintained all operational control which could not be removed by the Institute. TNII's 94% investment in NOCCA Real Estate was previously reported as an investment under the equity method because TNII did not have operational control over NOCCA Real Estate. Effective July 1, 2016, operational control of NOCCA Real Estate was transferred from the real estate developer entity to the Institute. As a result, effective July 1, 2016, NOCCA Real Estate is a subsidiary of TNII and a consolidated entity in the financial statements of the Institute and its Subsidiaries.

2. Summary of Significant Accounting Policies

Basis of presentation

The financial statements of the Institute are presented on the accrual basis of accounting. Net assets, support and revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Institute and changes therein are classified and reported as follows:

- Unrestricted net assets - Net assets not subject to donor-imposed stipulations.
- Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Institute and/or the passage of time.
- Permanently restricted net assets - Net assets subject to donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled and removed by actions of the Institute pursuant to those stipulations.

Income taxes

The New Orleans Center for Creative Arts Institute is a nonprofit corporation organized under the laws of the State of Louisiana. The Institute is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code, and qualifies as an organization that is not a private foundation as defined in Section 509(a) of the Code. It is exempt from Louisiana income tax under the authority of R.S. 47:121(5).

Management has reviewed Culinary Operations, TNII, and NOCCA Real Estate for any potential tax effects as of June 30, 2017. The Institute has determined that no tax expense or provision or tax asset or liability should be provided for in the consolidated financial statements of the Institute.

Accounting Standards Codification (ASC) “Accounting for Uncertainty in Income Taxes” clarifies the accounting and disclosure for uncertain tax positions. This interpretation requires companies to use a prescribed model for assessing the financial statement recognition and measurement of all tax positions taken or expected to be taken in tax returns. The Institute applies a "more-likely-than-not" recognition threshold for all tax uncertainties. This approach only allows the recognition of those tax benefits that have a greater than fifty percent likelihood of being sustained upon examination by the taxing authorities. The Institute has reviewed its tax positions and determined there are no outstanding or retrospective tax positions with less than a 50% likelihood of being sustained upon examination by the taxing authorities.

Cash and cash equivalents

For purposes of the statement of cash flows, the Institute considers cash on deposit with financial institutions and all highly liquid investments in bank money market funds to be cash equivalents.

2. Summary of Significant Accounting Policies (continued)

Promises to give

Unconditional promises to give are recognized as revenue or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. All promises to give are deemed by management to be collectible. Promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows.

Investments

Investments in marketable securities with readily determinable fair values are reported at their fair value based on available market quotes in the consolidated statement of financial position and as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or law. Unrealized gains that are restricted by donors are reported as increases in temporarily restricted net assets. Unrealized gains absent restriction and unrealized losses are reported as increases and decreases in unrestricted net assets.

Interest earned on donor-restricted investments is reported based on the existence or absence of donor-imposed restrictions. The Institute's endowments provide for a certain percentage of current year earnings to be returned to the endowment for perpetual investment. The return of these earnings is reported as increases in permanently restricted net assets. The remaining earnings are recorded as increases in unrestricted net assets and are available to the Institute for distribution in accordance with the endowment agreement or may be returned to the endowment by the Institute for perpetual investment.

Realized gains and losses, and declines in value judged to be other than temporary, are included in net appreciation (depreciation) of investments. Realized gains and losses on the sales of securities are determined using the specific-identification method. A decline in the fair value of investments below cost, that is deemed to be other than temporary, results in a charge to change in net assets and the establishment of a new cost basis for the investment.

Bond issuance costs

Bond issuance costs are amortized over the period the bonds are expected to be outstanding using the straight-line method.

Donated art

The Institute capitalizes donated works of art which are valued at management's best estimate of net realizable value. Works of art are not depreciated by the Institute.

2. Summary of Significant Accounting Policies (continued)

Property and equipment

Property and equipment acquisitions are recorded at cost except for those donated to the Institute, which are recorded at estimated value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

Depreciation is determined using the straight-line method and is intended to allocate the cost of the assets over their estimated useful lives. Depreciation expense on the Institute's property and equipment for the year ended June 30, 2017 was $842,758.

Property and equipment consists of the following at June 30, 2017:

Land	$ 1,553,335
Land improvements	163,316
Land (NOCCA Real Estate)	502,944
Land improvements (NOCCA Real Estate)	25,699,433
Furniture, fixtures and equipment (Institute)	82,043
Furniture, fixtures and equipment (State)	2,114,696
Furniture, fixtures and equipment (Culinary)	666,411
Vehicles (Culinary)	7,920
	30,790,098
Less: Accumulated depreciation and amortization	(4,100,091)
	$ 26,690,007

Contributions and revenue recognition

Contributions received are classified as unrestricted, temporarily restricted, or permanently restricted support based on the existence or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Gifts of long-lived operating assets such as land, buildings or equipment are reported as unrestricted support, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

2. Summary of Significant Accounting Policies (continued)

Contributions and revenue recognition (continued)

Grant revenues represent various amounts received related to grant agreements with governmental agencies. Grant receivables are stated at the amount management expects to collect from outstanding balances. Management considered subsequent collection results and wrote off all year-end balances that were deemed to be not collectible. Accordingly, a valuation allowance was determined to be unnecessary.

Sales revenues for Culinary Operations are recognized when food items are sold or as services are provided. Accounts receivable are stated at the amount management expects to collect from outstanding balances.

Long term rental revenue related to leases with variable terms are recognized on a straight-line basis.

In-kind support

The Institute and NOCCA have entered into a written agreement under which the Institute will rent office space from the school, in exchange for the services the Institute provides as part of its exempt purpose, including in-kind revenues, and the related expenses have been recorded for both transactions. The Institute records the value of in-kind support related to the free use of its office facilities, which amounted to $29,400 for the year ended June 30, 2017.

The Institute records the value of in-kind support related to the free use of 111 parking spaces in the parking lot, which amounted to $48,618 for the year ended June 30, 2017. This in-kind rental support is calculated based on the fair rental of the parking space for a day with the consideration that the lot is usually occupied for sixty percent of the year.

The Institute recognized $250,015 in revenues and expenses for other donated goods and services.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

2. Summary of Significant Accounting Policies (continued)

Accounting Changes

In April 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs (ASU 2015-03)* which is included in in the Accounting Standards Codification (ASC) as topic ASC 835-30. Topic 835-30 requires that debt issuance costs be presented as a direct deduction from the carrying amount of the related debt liability, consistent with the presentation of debt discounts and also requires that the amortization be presented with interest expense. Prior to the issuance of ASU 2015-03, debt issuance costs were required to be presented as deferred charge assets, separate from the related debt liability. ASU 2015-03 does not change the recognition and measurement requirements for debt issuance costs. The Institute adopted ASU 2015-03 during the fiscal year ended June 30, 2017. The adoption of ASU 2015-03 resulted in the reclassification of $146,189 of unamortized debt issuance costs related to the Institute's long-term debt from assets to bonds payable within its Statement of Financial Position as of June 30, 2017. Other than this reclassification, the adoption of ASU 2015-03 did not have an impact on the Institute's financial statements.

In May 2015, the FASB issued ASU 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, which exempts investments measured using the net asset value (NAV) practical expedient in ASC 820, Fair Value Measurement, from categorization within the fair value hierarchy. The guidance requires retrospective application and is effective for public business entities for fiscal years, and interim periods within those years, beginning after December 15, 2015. For all other entities, the guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016. Early adoption is permitted. The Institute elected to early-adopt the provisions of this ASU. Accordingly, the amendment was retrospectively applied resulting in the elimination of investments measured using the NAV practical expedient from categorization within the fair value hierarchy and related disclosures.

Recent Accounting Pronouncements

On August 18, 2016, FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities.* Under the ASU, the number of net asset classes is decreased from three to two; enhanced disclosures of underwater endowments are required; reporting of expenses by function and nature, as well as an analysis of expenses by both function and nature is required; and qualitative information in the notes to the financial statements on how it manages its liquid available resources and liquidity risks is required. This ASU is effective for fiscal years beginning after December 15, 2017. Early application of the standard is permitted. The Institute is currently assessing the impact of this pronouncement on the financial statements.

In February 2016, 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. This ASU is effective for fiscal years beginning after December 15, 2019. The Institute is currently assessing the impact of this pronouncement on its financial statements.

3. NOCCA Forum Warehouse

Through its consolidated subsidiary, NOCCA Real Estate, the Institute owns a historic sister warehouse adjacent to the current campus into a 60,000 square foot learning environment for the purpose of NOCCA's expanded programs of the Academic Studio and Culinary Arts.

The NOCCA Forum Warehouse (the Forum) features:

- Math/science labs
- Fabrication studio for hands-on inquiry, robotics and engineering projects
- Project lab for creating work presentations
- Flexible classrooms
- Culinary Arts facilities
- Great Lobby and Dining Hall
- Café and art gallery for public access (operated by the Institute)
- Tenant office space, including offices for the Institute

The Forum has a complex financing structure utilizing Quality Zone Academy Bonds (QZAB) in the amount of $14,000,000 (the Bonds), federal and state New Markets Tax Credits (NMTC), Qualified Low Income Community Investment loans (OLICI Loans), and federal and state Historic Tax Credits. This financing arrangement was finalized in December 2013 (the Arrangement). Construction of the Forum was completed in the fall of 2014. The NOCCA Institute leases the building and subleases approximately 77% of the building to NOCCA for use as a school and 11% to the Recovery School District for office space. The remaining 12% is occupied and operated by the Institute in order to generate income for debt service and operations.

The Arrangement required the Institute to: (1) borrow $14,000,000 of Bond proceeds (2) obtain a $1,185,000 loan from a first commercial bank to bridge certain capital campaign donations, (3) obtain a $2,110,479 loan from a second commercial bank to bridge a portion of the state historic tax credit equity and a portion of the developer fee donation, (4) sell approximately $5 million of state historic tax credits which will produce approximately $4 million in equity for the Institute, (5) loan $6,031,996 in the aggregate to the commercial banks' investment funds, (6) own 94% of the membership interests in the Qualified Active Low-Income Community Business (QALICB), which interest is obtained through TNII, through a $13,854,431 equity investment, (7) be a NMTC tax credit and environmental guarantor, (8) lease and sublease the Forum building, and (9) contribute $1,400,000 in the form of a QZAB Match.

As of June 30, 2017, bonds payable equaled $10,883,000. The bond loan matures on September 30, 2034 and has a fixed interest rate of 5.19%. Interest payments for the QZABs are 100% subsidized in the form of tax credits provided to the bond holders. In order to qualify as QZABs, 100% of the Bonds' proceeds net of the cost of issuance must be used for or by a qualified zone academy. The amount of subsidized loan interest for the year ended June 30, 2017 was $416,508. Quarterly principal payments of $50,000 began on March 14, 2015. On the maturity date, the remaining balance of all outstanding principal is due.

3. NOCCA Forum Warehouse Project (continued)

In 2017, the Institute adopted the requirements in FASB ASC 835-30 to present bond issuance costs as a reduction of the carrying amount of the debt rather than as an asset. Amortization of the debt issuance costs is reported as interest expense on the Consolidated Statement of Activities and Changes in Net Assets and was $8,475 during the year ended June 30, 2017.

Future minimum payments on the bonds are as follows:

Year Ended June 30,	Principal
2018	$ 200,000
2019	200,000
2020	200,000
2021	200,000
2022	200,000
Thereafter	9,883,000
	$ 10,883,000

Specified in the indenture agreement related to the Bonds, there are certain provisions that provide for Institute to assign collateral interests in its ownership interests related to the Forum project, including any insurance or sale proceeds, membership interests in its subsidiaries, notes receivables and other rights related to the Agreement.

The Institute used a portion of the Bond proceeds to make a $4,596,000 loan (the "Leverage Loan 1") to a first investor and a $1,435,996 loan (the "Leverage Loan 2") to a second investor (the "Leverage Loans"). The Leverage Loans were in turn used by these borrowers to make "Qualified Equity Investments" from which federal and state new market tax credits are generated. The Leverage Loans mature on September 30, 2034 and principal amortization begins on June 21, 2021. Prior to June 21, 2021, TNI will receive $79,934 in annual interest payments from the Leverage Loans. Interest income for the year ended June 30, 2017 is $79,934.

As part of the Arrangement, a master lease was signed by NOCCA Master Tenant LLC, an unrelated third party, with NOCCA Real Estate. In immediate succession, NOCCA Master Tenant, LLC sub-leased the Forum building to the Institute, which is further leasing the Forum building to NOCCA and other parties. Details of the lease between NOCCA Master Tenant, LLC and the Institute and the subleases to NOCCA and other parties are contained in footnote 11.

Also as part of the Arrangement, the Institute has entered into three separate put/call agreements. For the first agreement, the investor has the right to put its 100% membership interest in NOCCA Master Tenant, LLC to the Institute, or a designee of the Institute, for the projected purchase price of $372,052. The first investor may exercise this put right beginning on December 18, 2020 or at any time following a recapture of tax credits. Consequently, the Institute, or a designee of the Institute, must be prepared financially to purchase the first investor's membership interest. In the event the put option is not exercised, beginning February 18, 2021, the Institute, or a designee of the Institute, will have the right to acquire the first investor's membership interest for fair market value as determined at the time of exercise.

3. NOCCA Forum Warehouse Project (continued)

The Institute has entered into put/call agreements with two financial institutions. Pursuant to the agreements, commencing on December 18, 2020, the financial institutions have the right to put their 100% membership interest in their specified subsidiaries to the Institute, or a designee of the Institute, for $1,000 each. In the event either put options are not exercised, the Institute, or a designee of the Institute, has a call option to acquire each respective membership interest at fair market value as determined at the time of exercise.

As of June 30, 2017, NOCCA Real Estate has Qualified Low-Income Community Investment (QLICI) loans with a total balance of $12,500,000. The QLICIs are each interest only until June 15, 2021 and bear interest at 1.00%. The QLICIs are secured by a mortgage on the Forum building.

Future minimum payments on the loans are as follows:

Year Ended June 30,	Principal
2018	-
2019	-
2020	-
2021	477,204
2022	641,858
Thereafter	11,380,938
	12,500,000

As part of the loans, NOCCA Real Estate has entered into put/call agreements with two financial institutions. Pursuant to the agreements, commencing on October 22, 2020, the financial institutions have the right to put their 100% membership interest in their specified subsidiaries to the Institute, or a designee of the Institute, for $1,000 each. In the event either put options are not exercised, NOCCA Real Estate, or a designee of the Institute, has a call option to acquire each respective membership interest at fair market value as determined at the time of exercise.

First NBC Bank (FNBC) is one of the financial institutions involved in the Forum transactions described in this footnote. As of April 28, 2017, FNBC has been placed into receivership by the Federal Deposit Insurance Corporation (FDIC). Subsequent to year end, the notes receivable and long-term debt with FNBC were purchased by Advantage Capital. The impact, if any, on the valuation of the notes receivable or long-term debt is indeterminable at this time. Payments and receivables have continued to proceed as scheduled and no allowance is needed at this time.

4. Concentrations

The Institute has concentrated its credit risk for cash by maintaining deposits in financial institutions in New Orleans, Louisiana, which may at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (FDIC). The Institute has not experienced any losses and does not believe that significant credit risk exists as a result of this practice.

5. Net Assets Released

Temporarily restricted net assets in the amount of $926,430 which consist primarily of contributions received were released from donor restrictions by incurring expenses satisfying the purpose specified by donors and satisfaction of time requirements.

6. Restrictions on Assets

The following sets forth the composition of temporarily restricted net assets at June 30, 2017:

Charitable remainder trust	$ 42,925
Capital expansion	1,150,063
Financial aid and artists-in-residence	19.820
Other	230,183
Total	$ 1,442,991

Temporarily restricted net assets at June 30, 2017 consist of cash of $250,003 and promises to give of $1,192,988.

Permanently restricted net assets consist of funds totaling $1,084,795 held by the Greater New Orleans Foundation which are restricted for endowment purposes, the interest from which is available for operating and the artists in residence, financial aid, and library archive programs.

7. Promises to Give

At June 30, 2017, unconditional promises to give consist of the following:

Charitable remainder trust	$ 42,925
Long term pledges	908,050
Promises to give, current	348,982
Gross unconditional promises to give	1,299,957
Less unamortized discount	(76,604)
Net unconditional promises to give	$ 1,223,353
Pledges receivable:	
Less than one year	$ 348,982
Due in one to five years	831,446
Over five years	42,925
	$ 1,223,353

The effective interest rate used to discount the long-term unconditional promises to give is 3.5%.

8. Legacy

The Institute is a residuary principal beneficiary of a fractional interest of two charitable remainder trusts from donors. The Trustees have placed a value of $42,925 on the Institute's fractional interest in the trusts' assets at June 30, 2017.

The Institute is the beneficiary of a charitable remainder trust which the value of the trust is not readily determinable. No amounts have been reflected in the financial statements relating to this trust.

9. Line of Credit

In addition to the financing amounts called for under the Arrangement, the Institute has a $750,000 uncollateralized line of credit with a financial institution at a variable interest rate based on the prime lending rate (4.25% at June 30, 2017). The Institute had not drawn on the line of credit as of June 30, 2017. The line of credit expires on April 15, 2018.

10. Term Loan

In April 2013, the Institute entered into an agreement to borrow $120,000 to finance the start-up phase of the Café in the NOCCA Forum. The institute requested and received the loan funds in May 2014. The outstanding balance on the loan as of June 30, 2017 is $60,000. Principal will be due in four annual installments of $30,000 beginning in January 2016. The loan will not yield any interest. However, if payments are not made by the due date, the interest rate will be 5% per annum on the remaining outstanding balance. The first loan payment was forgiven and the lender entered into an agreement with the Institute to forgive the annual loan payments in the form of annual contributions to the Institute's financial aid program. This remaining $60,000 contribution pledge is included in promises to give on the Statement of Financial Position.

11. Operating Leases

NOCCA Real Estate leases the NOCCA Forum Warehouse to NOCCA Master Tenant, LLC for $35,000 per quarter until June 2021 and $193,750 per quarter thereafter until the lease expires on December 31, 2034. Rent revenue related to this lease agreement has been straight-lined on the Statement of Activities and Changes in Net Assets.

11. Operating Leases (continued)

Minimum future lease receipts as of June 30, 2017, are as follows:

Year ended June 30,	Minimum Rent
2018	$ 440,800
2019	440,800
2020	393,800
2021	328,000
2022	963,000
Thereafter	10,141,833
	$ 12,708,234

As described in Note 3, the Institute entered into an operating lease with NOCCA Master Tenant, LLC for the NOCCA Forum Warehouse. The lease began during the year ended June 30, 2015, and will end on the eighteenth anniversary of the commencement of the lease. Rental expense under the lease was $207,500 for the year ended June 30, 2017.

Future minimal rental payments under the lease are as follows:

Year ended June 30,	Minimum Rent
2018	$ 207,500
2019	207,500
2020	207,500
2021	207,500
2022	207,500
Thereafter	2,126,875
	$ 3,164,375

The Institute subleases part of the NOCCA Forum Warehouse to lessees under operating lease agreements. On December 1, 2014, the Institute leased facilities to the New Orleans Center for Creative Arts for $15,666.67 per month through November 30, 2024. On February 1, 2015, the Institute leased facilities to the Recovery School District for $9,400 a month through January 31, 2020.

11. Operating Leases (continued)

Minimum future lease receipts from subleases as of June 30, 2017, are as follows:

Year ended June 30,	Minimum Rent
2018	$ 300,800
2019	300,800
2020	253,800
2021	188,000
2022	188,000
Thereafter	454,333
	$ 1,685,733

12. Funds Held by the Greater New Orleans Foundation

The Institute maintains several endowment funds at the Greater New Orleans Foundation (GNOF). These funds are in an investment pool managed by The Investment Fund for Foundations (TIFF). TIFF managers monitor investment returns for each of the funds. The amount available for distribution is equal to 4% of the previous twelve quarters average fund balance, with September 30th of the previous year being the most recent quarter. In addition, the funds are charged a fee of 0.5% annually. Fees paid to GNOF for the year ended June 30, 2017 totaled $5,391. Any unexpended distribution is reinvested in the endowment and is classified as permanently restricted. The amount reported as permanently restricted at June 30, 2017 is $1,084,795.

The Board of Directors (the Board) of the Institute is of the belief that they have a strong fiduciary duty to manage the assets of the Institute's endowments in the most prudent manner possible. The Board recognizes the intent is to protect the donor with respect to expenditures from endowments. If this intent is clearly expressed by the donor, whether the intent is in a written gift instrument or not, the intent of the donor is followed. If not expressed, the Board ensures the assets of the endowment are spent in a prudent manner which considers the purpose of the fund, current economic conditions, and preservation of the fund. To follow these principles, the historic value of the fund is always maintained in permanently restricted net assets. Earnings, including appreciation, that are not required by the donor to be reinvested in corpus are maintained in unrestricted net assets.

The Board of Directors of the NOCCA Institute recognizes its responsibility to be good stewards of its donors' gifts and honor the intent for which the gifts were made. When a donor wishes to make a gift that will produce an annual grant/scholarship in perpetuity benefiting a restricted or unrestricted program, the Institute transfers the gift to GNOF to establish an endowed fund for the donors' specified purpose to provide for prudent investment of principal that cannot be used for other purposes.

Other donations that are temporarily restricted and expect to be expended in the short term are deposited into interest-bearing cash accounts subject to FDIC insurance coverage.

12. Funds Held by the Greater New Orleans Foundation (continued)

The table below represents the endowment related activity for the fiscal year ending June 30, 2017:

	Permanently Restricted
Endowment net assets, beginning of year	$ 1,044,357
Investment gain	
Interest income	1,963
Net appreciation (realized and unrealized)	81,870
Total investment gain	83,833
Appropriation of endowment assets for expenditures	(43,395)
Endowment net assets, end of year	$ 1,084,795

13. Fair Value of Financial Instruments

FASB ASC 820, *Fair Value Measurements and Disclosures*, defines fair value, establishes a framework for measuring fair value, and expands disclosure about fair value. Fair value concepts are applied in recording investments.

FASB ASC 820 establishes a fair value hierarchy which prioritizes inputs to valuation techniques used to measure fair value. The term "inputs" refers broadly to the assumptions that market participants would use in pricing an asset or liability. Inputs may be based on independent market data ("observable inputs") or they may be internally developed ("unobservable inputs"). The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad categories. These levels include Level 1, unadjusted quoted prices in active markets for identical assets or liabilities; Level 2, directly or indirectly observable inputs other than quoted prices for the asset or liability, such as the quoted market prices for similar assets or liabilities; and Level 3, unobservable inputs for use when little or no market data exists, therefore, requiring an entity to develop its own assumptions. The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of the unobservable inputs.

Investments of the Institute are held in pooled assets managed by the TIFF. The values of the Institute's investments in this pool are based on information provided by the Greater New Orleans Foundation. These investments are reported at net asset value (NAV) which approximates fair value. There are no lockup provisions of these investments.

Investments measured at fair value using the NAV practical expedient have not been categorized in the fair value hierarchy, and has no fixed redemption frequency or notice periods, and no unfunded commitments as of June 30, 2017.

13. Fair Value of Financial Instruments (continued)

The method described above may produce fair value calculations that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Institute believes its valuation methods are appropriate and consistent with those of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The fair value of cash and cash equivalents, accounts receivable, current promises to give, and accounts payable approximates book value at June 30, 2017 due to the short-term nature of these accounts.

14. Functional Allocation of Expenses

Expenses have been reported on the statement of activities and changes in net assets by natural classification for the year ended June 30, 2017. To present the total expenses by functional classifications, expenses are charged to program services and supporting services (management and general expenses and fundraising expenses) on the basis of management's estimate of periodic time and expense evaluations.

Management and general expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the Institute.

Total expenses for the year ended June 30, 2017 are allocated as follows:

Program services	$ 3,607,201
Supporting services:	
Management and general	518,035
Fundraising	144,021
Total expenses	$ 4,269,257

15. Defined Contribution Plans

The Institute has 401(k) plan that is available to all employees who work over 1,000 hours in a twelve-month period and who have attained 60 days of service at the Institute. For the year ended June 30, 2017, the Institute made $43,390 in employer matching and discretionary contributions to the plan.

16. Changes in Consolidated Net Assets

The following note depicts the changes in consolidated net assets attributable to the controlling financial interest of the Institute and the noncontrolling interest as it relates to NOCCA Real Estate.

	Controlling Interest	Noncontrolling interest	Total
Balance at June 30, 2016	$ 15,982,081	$ -	$ 15,982,081
Noncontrolling interest of NOCCA Real Estate at date of consolidation (July 1, 2016)	-	116,399	116,399
Excess of expenses over revenues for the year ended June 30, 2017	(284,842)	(14,364)	(299,206)
Balance at June 30, 2017	$ 15,697,239	$ 102,035	$ 15,799,274

17. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 21, 2017, and determined that no additional disclosures are necessary. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

THE NEW ORLEANS CENTER FOR CREATIVE ARTS INSTITUTE
NEW ORLEANS, LOUISIANA

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017

	The NOCCA Institute	Culinary Operations	TNII	Eliminations	Total
ASSETS					
Current assets:					
Cash and cash equivalents, unrestricted	$ 2,733,629	$ 15,437	$ 76,562	$ -	$ 2,825,628
Cash and cash equivalents, temporarily restricted	243,540	-	-	-	243,540
Receivables:					
Promises to give, current	348,982	-	-	-	348,982
Other	7,750	-	-	-	7,750
Inventory	-	3,307	-	-	3,307
Prepaid expenses	44,577	7,916	-	-	52,493
Due from subsidiary	1,255,666	-	-	(1,255,666)	-
Total current assets	4,634,144	26,660	76,562	(1,255,666)	3,481,700
Art work	69,668	756	-	-	70,424
Promises to give, long-term, net of discount of $76,604	874,371	-	-	-	874,371
Notes receivable	6,046,933	-	-	-	6,046,933
Rent receivables, long-term	-	-	1,071,563	-	1,071,563
Property and equipment, net	1,729,274	502,506	24,458,227	-	26,690,007
Investments - funds held by the Greater New Orleans Foundation	1,084,795	-	-	-	1,084,795
Investment in Culinary Operations	398,610	-	-	(398,610)	-
Investment in TNII	13,567,060	-	-	(13,567,060)	-
Total assets	$ 28,404,855	$ 529,922	$ 25,606,352	$ (15,221,336)	$ 39,319,793
LIABILITIES AND NET ASSETS					
Liabilities:					
Current liabilities:					
Accounts payable and accrued expenses	$ 47,657	$ 20,051	$ 156,000	$ -	$ 223,708
Bonds payable, current portion	200,000	-	-	-	200,000
Due to parent	-	1,042,918	212,748	(1,255,666)	-
Total current liabilities	247,657	1,062,969	368,748	(1,255,666)	423,708
Bonds payable, net of unamortized bond issuance costs	10,536,811	-	-	-	10,536,811
Loans payable	60,000	-	12,500,000	-	12,560,000
Total liabilities	10,844,468	1,062,969	12,868,748	(1,255,666)	23,520,519
Net assets:					
Unrestricted					
NOCCA Institute and Subsidiaries	15,032,601	(533,047)	12,635,569	(13,965,670)	13,169,453
Noncontrolling interest in Subsidiary	-	-	102,035	-	102,035
Temporarily restricted	1,442,991	-	-	-	1,442,991
Permanently restricted	1,084,795	-	-	-	1,084,795
Total net assets	17,560,387	(533,047)	12,737,604	(13,965,670)	15,799,274
Total liabilities and net assets	$ 28,404,855	$ 529,922	$ 25,606,352	$ (15,221,336)	$ 39,319,793

See accompanying independent auditors' report.

THE NEW ORLEANS CENTER FOR CREATIVE ARTS INSTITUTE
NEW ORLEANS, LOUISIANA

CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2017

	The NOCCA Institute				Culinary Operations	TNII		
	Unrestricted	Temporarily Restricted	Permanently Restricted	TNI Total	Unrestricted	Unrestricted	Eliminations	Total
Support and Revenues								
Support:								
Special events, net of expenses	$ 295,561	$ -	$ -	$ 295,561	$ -	$ -	$ -	$ 295,561
Public performance series/exhibitions	20,818	-	-	20,818	-	-	-	20,818
Contributions and grants	1,117,958	78,077	-	1,196,035	85,439	67,904	-	1,349,378
Revenues:								
Investment income (loss) including realized and unrealized gains (losses) on funds held by the Greater New Orleans Foundation	26,116	-	83,833	109,949	-	-	-	109,949
Forum project								
Interest income on loan receivable	79,934	-	-	79,934	-	-	-	79,934
Interest expense subsidy	416,508	-	-	416,508	-	-	-	416,508
Sale of goods and services	-	-	-	-	567,509	-	-	567,509
Grants/allocations received from GNOF funds	-	43,395	(43,395)	-	-	-	-	-
Rental	387,143	-	-	387,143	34,378	568,625	-	990,146
Miscellaneous	140,248	-	-	140,248	-	-	-	140,248
Total support and revenues	2,484,286	121,472	40,438	2,646,196	687,326	636,529	-	3,970,051
Net assets released from restriction	1,007,910	(1,007,910)	-	-	-	-	-	-
Total support, revenues, and net assets released from restriction	3,492,196	(886,438)	40,438	2,646,196	687,326	636,529	-	3,970,051

(Continued)

THE NEW ORLEANS CENTER FOR CREATIVE ARTS INSTITUTE
NEW ORLEANS, LOUISIANA

CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2017

	The NOCCA Institute				Culinary Operations	TNII		
	Unrestricted	Temporarily Restricted	Permanently Restricted	TNI Total	Unrestricted	Unrestricted	Eliminations	Total
Expenses								
Contributions to NOCCA								
Artists in residence	72,084	-	-	72,084	-	-	-	72,084
Financial aid	243,318	-	-	243,318	-	-	-	243,318
NOCCA administration and department support	164,877	-	-	164,877	-	-	-	164,877
Cost of goods sold	-	-	-	-	244,167	-	-	244,167
Depreciation	85,680	-	-	85,680	54,745	702,333	-	842,758
Equipment	26,671	-	-	26,671	-	-	-	26,671
Garden	-	-	-	-	8,868	-	-	8,868
General and administrative	322,139	-	-	322,139	104,706	-	-	426,845
In-kind parking lot	48,618	-	-	48,618	-	-	-	48,618
In-kind office rent	29,400	-	-	29,400	-	-	-	29,400
Insurance	117,173	-	-	117,173	15,747	-	-	132,920
Interest	424,983	-	-	424,983	-	110,866	-	535,849
Licenses and permits	7,900	-	-	7,900	2,639	-	-	10,539
Facility rental expense	34,467	-	-	34,467	-	-	-	34,467
Press Street property taxes	25,658	-	-	25,658	-	1,076	-	26,734
Printing, mailing, and copying	35,446	-	-	35,446	2,800	-	-	38,246
Professional fees	122,939	-	-	122,939	79,226	61,650	-	263,815
Salaries and benefits	604,904	-	-	604,904	514,177	-	-	1,119,081
Total expenses	2,366,257	-	-	2,366,257	1,027,075	875,925	-	4,269,257
Excess of revenues over expenses	1,125,939	(886,438)	40,438	279,939	(339,749)	(239,396)	-	(299,206)
Noncontrolling interest of NOCCA Real Estate, LLC at date of consolidation (Note 16)	-	-	-	-	-	116,399	-	116,399
Changes in net assets	1,125,939	(886,438)	40,438	279,939	(339,749)	(122,997)	-	(182,807)
Net assets								
Beginning of the year	13,906,662	2,329,429	1,044,357	17,280,448	(193,298)	12,860,601	(13,965,670)	15,982,081
End of the year	$ 15,032,601	$ 1,442,991	$ 1,084,795	$ 17,560,387	$ (533,047)	$ 12,737,604	$ (13,965,670)	$ 15,799,274

See accompanying independent auditors' report.