# NOLA BUSINESS ALLIANCE
# NEW ORLEANS, LOUISIANA

## FINANCIAL STATEMENTS

## DECEMBER 31, 2011

P&N Postlethwaite & Netterville

A Professional Accounting Corporation

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# NOLA BUSINESS ALLIANCE
# NEW ORLEANS, LOUISIANA

## FINANCIAL STATEMENTS

## DECEMBER 31, 2011

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**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of
NOLA Business Alliance
New Orleans, Louisiana

We have audited the accompanying statement of financial position of the NOLA Business Alliance (a nonprofit organization) (the Organization) as of December 31, 2011 and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended. The financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the NOLA Business Alliance as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued our report dated June 28, 2012, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Postlethwaite & Netterville

New Orleans, Louisiana
June 28, 2012



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NOLA BUSINESS ALLIANCE
NEW ORLEANS, LOUISIANA

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2011

ASSETS

| | | |
|---|---|---|
| **CURRENT ASSETS** | | |
| Cash and cash equivalents | $ | 415,608 |
| Grant receivable | | 125,000 |
| Pledges receivable, net of allowance of $10,000 | | 10,000 |
| Prepaid expenses | | 13,632 |
| Total current assets | | 564,240 |
| **NON-CURRENT ASSETS** | | |
| Property and equipment, net | | 90,310 |
| Deposits | | 6,755 |
| Total non-current assets | | 97,065 |
| **TOTAL ASSETS** | $ | 661,305 |

LIABILITIES AND NET ASSETS

| | | |
|---|---|---|
| **CURRENT LIABILITIES** | | |
| Accounts payable | $ | 77,172 |
| Deferred revenue | | 1,000 |
| Payroll liabilities | | 26,775 |
| Total current liabilities | | 104,947 |
| **NONCURRENT LIABILITIES** | | |
| Deferred rent liability | | 13,779 |
| Total noncurrent liabilities | | 13,779 |
| **TOTAL LIABILITIES** | | 118,726 |
| **NET ASSETS** | | |
| Unrestricted | | 542,579 |
| Total net assets | | 542,579 |
| **TOTAL LIABILITIES AND NET ASSETS** | $ | 661,305 |

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

NOLA BUSINESS ALLIANCE
NEW ORLEANS, LOUISIANA

## STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
## FOR THE YEAR ENDED DECEMBER 31, 2011

| | |
|---|---|
| **REVENUE AND OTHER SUPPORT** | |
| Grant revenue | $ 1,125,000 |
| Private contributions | 471,765 |
| In-kind contributions | 13,721 |
| Total revenues and other support | 1,610,486 |
| **EXPENSES** | |
| Program services | 616,794 |
| Management and general | 304,280 |
| Fundraising | 146,833 |
| Total expenses | 1,067,907 |
| **CHANGE IN UNRESTRICTED NET ASSETS** | 542,579 |
| Unrestricted net assets, beginning of year | - |
| Unrestricted net assets, end of year | $ 542,579 |

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

NOLA BUSINESS ALLIANCE
NEW ORLEANS, LOUISIANA

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2011

| | Program Services | Management and General | Fundraising | Total |
|---|---|---|---|---|
| Staffing Expenses | $ 332,602 | $ 110,312 | $ 109,268 | $ 552,182 |
| Professional Services | 182,960 | 130,894 | 37,500 | 351,354 |
| Travel & Business Development | 76,485 | - | - | 76,485 |
| Deferred Rent Expense | - | 13,779 | - | 13,779 |
| Insurance Expense | - | 11,784 | - | 11,784 |
| Continued Education | 4,595 | 6,540 | 65 | 11,200 |
| Bad debt expense | 10,000 | - | - | 10,000 |
| Communication Expenses | 985 | 8,485 | - | 9,470 |
| Depreciation Expense | - | 6,189 | - | 6,189 |
| Office Supplies | - | 6,138 | - | 6,138 |
| Dues/Memberships/Subscriptions | 2,150 | 3,763 | - | 5,913 |
| Advertising | 5,706 | - | - | 5,706 |
| Printing & Reproduction | 276 | 2,186 | - | 2,462 |
| Office Expense | - | 1,253 | - | 1,253 |
| Equipment Leases | 850 | 297 | - | 1,147 |
| Repairs & Maintenance | 185 | 883 | - | 1,068 |
| Tax, License & Fees | - | 1,009 | - | 1,009 |
| Postage & Delivery Charges | - | 751 | - | 751 |
| Bank Charges | - | 17 | - | 17 |
| Total | $ 616,794 | $ 304,280 | $ 146,833 | $ 1,067,907 |

The accompanying notes are an integral part of the financial statements.

NOLA BUSINESS ALLIANCE
NEW ORLEANS, LOUISIANA

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011

| | | |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Change in net assets | $ | 542,579 |
| Adjustment to reconcile decrease in net assets to net cash used in operating activities: | | |
| Depreciation | | 6,189 |
| Bad debt expense | | 10,000 |
| Changes in assets and liabilities | | |
| Grant receivable | | (125,000) |
| Pledges receivable | | (20,000) |
| Prepaid expenses | | (13,632) |
| Deposits | | (6,755) |
| Accounts payable | | 77,172 |
| Deferred revenue | | 1,000 |
| Payroll liabilities | | 26,775 |
| Deferred rent liabiltiy | | 13,779 |
| Net cash provided by operating activities | | 512,107 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchases of property and equipment | | (96,499) |
| Net cash used in investing activities | | (96,499) |
| Net change in cash and cash equivalents | | 415,608 |
| **NET CHANGE IN CASH AND CASH EQUIVALENTS** | | |
| Cash and cash equivalents, beginning of year | | - |
| Cash and cash equivalents, end of year | $ | 415,608 |

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

NOLA BUSINESS ALLIANCE
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

## 1. Nature of Activities

NOLA Business Alliance (NOLABA) is a 501(c) (3) exempt organization. NOLABA was incorporated in the State of Louisiana in 2010 and is the official non-profit organization tasked with leading the economic development initiative for the City of New Orleans. Operations of the Organization began in fiscal 2011.

## 2. Summary of Significant Accounting Policies

### Basis of accounting

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, revenues are recognized when earned and expenses are recorded when incurred. Contributions are recognized when received or unconditionally promised. In-kind donations are recognized at their fair market value when received.

### Basis of presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets, as applicable: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. When a restriction is satisfied or expires, temporarily restricted net assets are reclassified to unrestricted net assets.

### Use of estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## 2. Summary of Significant Accounting Policies (continued)

### Income taxes

The Organization is a non-profit corporation that 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 Section 121(5) of Title 47 of the Louisiana Revised Statues of 1950. The Organization paid no federal income tax for the years ended December 31, 2011.

Accounting Standards Codification (ASC) *Accounting for Uncertainty in Income Taxes* policy, clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements. It also clarifies the application of accounting for income taxes by defining a criterion that an individual tax position must meet for any part of the benefit of that position to be recognized in an entity's financial statements. The interpretation requires recognition and measurement of uncertain income tax positions using a "more-likely-than-not" approach. The adoption of the provisions of the interpretation had no material impact on the Organization's financial statements. The organization's tax return for the year ended December 31, 2011 has not yet been filed.

### Cash and cash equivalents

For purposes of reporting cash flows, cash consists of cash and cash equivalents. The Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

### Funding receivable

Funding receivable comprised of amounts due from the City of New Orleans (the City). Amount due is governed by the Cooperative Endeavor Agreement signed by the Organization and the City in April 2011. No allowance for doubtful accounts is recorded against this receivable.

## 2. Summary of Significant Accounting Policies (continued)

### Property and equipment

All acquisitions of property and equipment in excess of $500 and all expenditures for repairs, maintenance, renewals and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are recorded at cost when purchased. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are capitalized and depreciated over the shorter of the life of the asset or the life of the lease. When items of equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the statements of activities.

Impairment of long-lived assets is tested whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized only if the carrying amount is not recoverable and exceeds its fair value. There were no impairments recognized during 2011.

### Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support based on the existence and/or nature of any donor restrictions. Donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction.

### In-kind contributions

In-kind contributions are recognized 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. Management has estimated the value of in-kind contributions to be $13,721 for the year ended December 31, 2011.

### Promises to give

Unconditional promises to give are recognized as revenues 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 conditions on which they depend are substantially met and the promises become unconditional. The organization provides for estimated uncollectible for pledges receivable based on management's analysis of specific promises made. The allowance for pledges receivable was $10,000 at December 31, 2011.

## 2. Summary of Significant Accounting Policies (continued)

### Advertising

Advertising costs are expensed in the period in which the advertising occurs. During 2011, advertising costs totaled $5,706.

### Functional expenses

Generally, expenses are charged to each program or function based on direct expenditures incurred. Expenditures not directly chargeable are allocated to programs or functions based on the estimated percentage of time spent by the Organization's employees or the space utilized.

## 3. Property and Equipment

Property and equipment consisted of the following at December 31:

| | Useful Lives | 2011 |
|---|---|---|
| Furniture & Fixtures | 7 years | $18,578 |
| Office Equipment | 3 - 5 years | 59,966 |
| Leasehold improvements | 7 years | 17,956 |
| | | 96,499 |
| Accumulated depreciation | | (6,189) |
| | | $90,310 |

Depreciation expense for fiscal year ended December 31, 2011 was $6,189.

## 4. Commitments and Contingencies

### Lease Commitments

The Organization leases office space. The office space lease is for seventy five months. As the lease agreement has an escalation clause, the Organization has accrued deferred rent to normalize the annual lease payments over the terms of the lease. Deferred rent at December 31, 2011 is $13,779 and is included in non-current liabilities of the accompanying statement of financial position.

## 4. Commitments and Contingencies (continued)

Lease Commitments

Future obligations under operating lease agreements are as follows at December 31, 2011:

| Fiscal Years | | |
|---|---|---|
| 2012 | $ | 81,059 |
| 2013 | | 83,677 |
| 2014 | | 85,095 |
| 2015 | | 85,095 |
| 2016 | | 86,513 |
| Thereafter | | 95,259 |

## 5. Financial Instruments and Credit Concentration

The Organization maintains its cash balance in one financial institution in New Orleans, Louisiana. The balance is insured by the Federal Deposit Insurance Corporation up to $250,000. At December 31, 2011, the Organization's uninsured cash balance totaled $202,467.

## 6. Cooperative Endeavor Agreement

The Organization and the City of New Orleans (the City) entered into a cooperative endeavor agreement (CEA) effective April 1, 2011, for the Organization to provide strategic planning, business retention and expansion, business development and overall economic development to the City of New Orleans. The CEA provides for the City to fund $1,500,000 to the Organization as compensation for the economic development services to be provided over the term of one year. The Organization agrees to raise a minimum of $500,000 annually through fundraising activities. For the year ended December 31, 2011, the Organization recognized $1,125,000 from the City.

## 7. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 28, 2012 and determined that there were no other items for disclosure.

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

To the Board of Directors of
NOLA Business Alliance
New Orleans, Louisiana

We have audited the financial statements of NOLA Business Alliance (the Organization) (a nonprofit organization) as of and for the year ended December 31, 2011, and have issued our report thereon dated June 28, 2012. 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.

## Internal Control Over Financial Reporting

The Organization's management is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures 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 Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the organization's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of 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 determination of financial statement amounts. 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.

We noted certain other matters that we reported to management of the Organization in a separate letter dated June 28, 2012.



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This report is intended solely for the information and use of the Board of Directors, management, State of Louisiana Legislative Auditor's Office, and is not intended to be and should not be used by anyone other than these specified parties.

Postlethwaite & Netterville

New Orleans, Louisiana
June 28, 2012