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

FINANCIAL STATEMENTS

JUNE 30, 2010

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Postlethwaite & Netterville
A Professional Accounting Corporation
Associated Offices in Principal Cities of the United States
www.pncpa.com

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of the New Orleans Center for Creative Arts Institute (a nonprofit organization) (the Institute) as of June 30, 2010, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Institute'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. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control over financial reporting. Accordingly, we express no such opinion. 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 New Orleans Center for Creative Arts Institute as of June 30, 2010, 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.

Postlethwaite & Netterville

Metairie, Louisiana
November 4, 2010

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

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2010

ASSETS

Current assets:		
Cash and cash equivalents, unrestricted	$	516,027
Cash and cash equivalents, temporarily restricted		1,018,627
Receivables:		
Promises to give, current		41,082
Other		250
Prepaid expenses		12,738
Total current assets		1,588,724
Art work		51,289
Promises to give, long-term, net of discount of $7,891		47,880
Property and equipment, net		1,450,622
Investments - funds held by the Greater New Orleans Foundation		852,376
Total Assets	$	3,990,891

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable and accrued expenses	$	32,587
Total liabilities		32,587
Net assets:		
Unrestricted		1,996,530
Temporarily restricted		1,109,398
Permanently restricted		852,376
Total net assets		3,958,304
Total Liabilities and Net Assets	$	3,990,891

The accompanying notes are an integral part of this statement.

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

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenues				
Support:				
Special events	$ 235,400	$ -	$ -	$ 235,400
Public performance series/exhibitions	54,382	-	-	54,382
Membership	101,946	-	-	101,946
Contributions and grants	279,234	800,874	50,000	1,130,108
Revenues:				
Investment income (loss) including realized and unrealized losses on funds held by the Greater New Orleans Foundation	13,338	-	87,901	101,239
Grants/allocations received from GNOF funds	-	1,100	(1,100)	-
Facility rental income	20,998	-	-	20,998
Total support and revenues	705,298	801,974	136,801	1,644,073
Net assets released from restriction	437,459	(437,459)	-	-
Total support, revenues and other support	1,142,757	364,515	136,801	1,644,073

(Continued)

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

STATEMENT OF ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Expenses				
Advertising	3,621	-	-	3,621
Contributions to NOCCA:				
Academic studio/curriculum design	34,266	-	-	34,266
Campus master planning	4,669	-	-	4,669
Culinary curriculum/pilot expenses	41,488	-	-	41,488
Riverfront department expenses	134,958	-	-	134,958
Depreciation	21,597	-	-	21,597
Dues and subscriptions	3,576	-	-	3,576
Facility rental expenses	7,098	-	-	7,098
Financial aid and visiting artists' expenses	241,100	-	-	241,100
Fundraising expenses	9,740	-	-	9,740
In-kind office rent	29,400	-	-	29,400
Insurance	38,545	-	-	38,545
Miscellaneous	17,574	-	-	17,574
Office expenses	17,220	-	-	17,220
Parking lot	48,618	-	-	48,618
Postage	2,100	-	-	2,100
Professional fees	40,250	-	-	40,250
Public performance series/exhibitions expenses	35,493	-	-	35,493
Repairs and maintenance	4,306	-	-	4,306
Salaries and benefits	381,428	-	-	381,428
Special events expenses	48,868	-	-	48,868
Telephone	2,690	-	-	2,690
Total expenses	1,168,605	-	-	1,168,605
Changes in net assets	(25,848)	364,515	136,801	475,468
Net assets				
Beginning of the year	2,022,378	744,883	715,575	3,482,836
End of the year	$ 1,996,530	$ 1,109,398	$ 852,376	$ 3,958,304

The accompanying notes are an integral part of this statement.

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010

CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$	475,468
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Depreciation		21,597
Unrealized loss on investments		(73,385)
Changes in operating assets and liabilities:		
Promises to give and other receivables		277,099
Prepaid expenses		3,229
Long term promises to give		(6,329)
Accounts payable and accrued expenses		(64,428)
Net cash provided by operating activities		633,251
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments		(64,516)
Proceeds from sales of investments		1,100
Purchases of property and equipment		(7,401)
Purchases of art work		(475)
Net cash used in investing activities		(71,292)
NET INCREASE IN CASH AND CASH EQUIVALENTS		561,959
CASH AND CASH EQUIVALENTS		
Beginning of the year		972,695
End of the year	$	1,534,654
RECONCILIATION OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents, unrestricted	$	516,027
Cash and cash equivalents, temporarily restricted		1,018,627
	$	1,534,654
DISCLOSURE OF NON-CASH ITEMS		
In-kind rent revenue and expense	$	29,400
In-kind donations and expenses		51,273
Total non-cash items	$	80,673

The accompanying notes are an integral part of this statement.

NEW ORLEANS CENTER FOR CREATIVE ARTS INSTITUTE
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. 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 provide furniture and equipment to NOCCA and oversees third party use of the facility.

2. Summary of Significant Accounting Policies

Organization and Income Taxes

The 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).

In July 2006, the FASB issued Accounting for Uncertainty in Income Taxes, which 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.

As a result of implementing this approach, the Institute has reviewed its tax positions and determined there were no outstanding or retrospective tax positions with less than a 50% likelihood of being sustained upon examination by the taxing authorities; therefore implementation of this standard has not had a material effect on the Institute.

The Institute's tax returns for the years ended December 31, 2009, 2008, 2007, and 2006 remain open and subject to examination by taxing authorities. The Institute's 2009 tax return has not been filed as of the report date.

2. Summary of Significant Accounting Policies (continued)

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.

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 money market funds to be cash equivalents.

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 statements 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.

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

Investments (continued)

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.

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 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.

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.

NOTES TO FINANCIAL STATEMENTS

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, 2010 was $21,597.

The Institute purchased, or acquired by means of donation, approximately $1,452,000 of furniture and equipment for the NOCCA at June 30, 2001. The Institute formally gave NOCCA the right of use of the furniture and equipment in the Cooperative Endeavor Agreement at the beginning of fiscal year 2001. The NOCCA Institute purchased recording studio equipment in fiscal year 2003 for approximately $205,000, which is also included in the formal right of use given to NOCCA. During the year ended June 30, 2008, the Institute acquired land adjacent to existing facilities for $1,204,553. Property and equipment that is used by the State in the operation of NOCCA has a net book value of $8,607.

Property and equipment consists of the following at June 30, 2010:

Land	$ 1,391,033
Land improvements	163,316
Furniture, fixtures and equipment (Institute)	93,729
Furniture, fixtures and equipment (State)	1,690,053
	3,338,131
Less: Accumulated depreciation and amortization	(1,887,509)
	$ 1,450,622

In-kind support

The Institute records the value of in-kind support related to the free use of its office facilities, which amounted to approximately $29,400 for the year ended June 30, 2010. This in-kind rental was received from NOCCA through an agreement described in the following paragraph.

2. Summary of Significant Accounting Policies (continued)

In-kind support (continued)

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.

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.

Reclassifications

Certain accounts in the 2009 financial statements have been reclassified to conform to the current year presentation.

3. 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 maximum loss that would have resulted from that risk totaled $1,078,877 at June 30, 2010 for the excess of the deposit liabilities reported by the bank over amounts that would have been covered by the FDIC.

4. Restrictions on Assets

Temporarily restricted net assets at June 30, 2010 are available for the following purposes or periods:

Charitable remainder trust	$ 55,771
Strategic expansion and capital needs of NOCCA	600,000
Subsequent year's activities	453,627
Total	$ 1,109,398

Temporarily restricted net assets at June 30, 2010 consist of cash of $1,018,627 and promises to give of $90,771.

4. Restrictions on Assets (continued)

Permanently restricted net assets consist of funds totaling $852,376 held by the Greater New Orleans Foundation which are restricted for endowment purposes, the interest from which is available for the artists in residence, financial aid, and library programs.

5. Net Assets Released

Net assets in the amount of $437,459 which consist primarily of contributions received were released from donor restrictions by incurring expenses satisfying the purpose specified by donors.

6. Line of Credit

The Institute has a $500,000 uncollateralized line of credit with a financial institution at the prime lending rate of 4.0% at June 30, 2010. The Institute had not drawn on the line of credit as of June 30, 2010. The line of credit expires on November 30, 2010.

7. Promises to Give

At June 30, 2010, unconditional promises to give consist of the following:

Charitable remainder trust	$	55,771
Pledges receivable – other		41,082
Gross unconditional promises to give		96,853
Less unamortized discount		(7,891)
Net unconditional promises to give	$	88,962

Pledges receivable:		
Less than one year	$	41,082
Over five years		47,880
	$	88,962

The effective interest rate used to discount the long-term unconditional promises to give is 5.1%.

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 approximately $55,771 on the Institute's fractional interest in the trusts' assets at June 30, 2010.

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. Funds Held by the Greater New Orleans Foundation

The Institute maintains several endowment funds at the Greater New Orleans Foundation. 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 the Greater New Orleans Foundation for the year ended June 30, 2010 totaled $4,001. Any unexpended distribution is reinvested in the endowment and is classified as permanently restricted. The amount deemed to be permanently restricted at June 30, 2010 is $852,376.

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 benefiting a restricted or unrestricted program, the Institute transfers the gift to the Greater New Orleans Foundation 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.

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

The table below represents the endowment related activity for the fiscal year ending June 30, 2010:

	Permanently Restricted
Endowment net assets, beginning of year	$ 715,575
Investment return:	
Investment net income	14,516
Net depreciation (realized and unrealized)	73,385
Total investment return	87,901
Subtotal	803,476
Contributions	50,000
Appropriation of endowment assets for expenditures	(1,100)
Endowment net assets, end of year	$ 852,376

10. Investment Income

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended June 30, 2010:

	Unrestricted	Permanently Restricted	Totals
Investment income	$ 13,338	$ 14,516	$ 27,854
Realized gain (loss)	-	4,790	4,790
Unrealized gain (loss)	-	68,595	68,595
Total	$ 13,338	$ 87,901	$ 101,239

11. Fair Value of Financial Instruments

In September 2006, the FASB issued *Fair Value Measurements,* which establishes a framework for measuring fair value in accordance with Generally Accepted Accounting Principles (GAAP) and expands disclosures about fair value measurements.

The adoption of *Fair Value Measurements* did not have a significant impact on the Institute's financial statements or disclosures and adoption of *Fair Value Measurements* for non-financial assets and liabilities did not have a significant impact on its financial statements.

11. Fair Value of Financial Instruments (continued)

The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability on the measurement date. The three levels are defined as follows:

- Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for an identical asset or liability in an active market.
- Level 2 – inputs to the valuation methodology include quoted prices for a similar asset or liability in an active market or model-derived valuations in which all significant inputs are observable for substantially the full term of the asset or liability.
- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement of the asset or liability.

The following table presents financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2010 by *Fair Value Measurements* valuation hierarchy:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Signficant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Greater New Orleans Foundation Investments	$ 334,387	$ 449,714	$ 68,275	$ 852,376
Unconditional promises to give	-	-	47,880	47,880
	$ 334,387	$ 449,714	$ 116,155	$ 900,256

The fair value of cash and cash equivalents, accounts receivable, current promises to give, and accounts payable approximates book value at June 30, 2010 due to the short-term nature of these accounts.

11. Fair Value of Financial Instruments (continued)

The table below sets forth the Institute's level 3 assets for the year ending June 30, 2010:

	Greater New Orleans Foundation Investments	Unconditional promises to give	Total
Balance, beginning of the year	$ 715,575	$ 41,551	$ 757,126
Realized gains/(losses), net	4,790	-	4,790
Unrealized gains/(losses) relating to instruments held at year end	68,595	2,669	71,264
Purchases, sales, and earnings, net	63,416	-	63,416
Gifts	-	3,660	3,660
Balance, end of the year	$ 852,376	$ 47,880	$ 900,256

12. Functional Allocation of Expenses

Expenses have been reported on the statement of activities by natural classification for the year ended June 30, 2010. 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, 2010 are allocated as follows:

Program services	$ 835,817
Supporting services:	
Management and general	189,880
Fundraising	142,908
Total expenses	$ 1,168,605

13. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, November 4, 2010, and determined that no events occurred that require disclosure.