

THE WALLS PROJECT
BATON ROUGE, LOUISIANA
JUNE 30, 2023

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

The Board of Directors of
The Walls Project

We have reviewed the accompanying financial statements of The Walls Project (a nonprofit corporation), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA, and the standards applicable to review engagements contained in *Governmental Auditing Standards*, issued by the United States Comptroller. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of The Walls Project and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

The accompanying schedule of compensation, benefits, and other payments to the agency head is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The supplementary information has been subjected to the review procedures applied in our review of the basic financial statements. We are not aware of any material modifications that should be made to the supplementary information. We have not audited the supplementary information and, accordingly, do not express an opinion on such information.

Report on Agreed-Upon Procedures

In accordance with the Louisiana Governmental Audit Guide and the provisions of state law, we have issued a report, dated November 28, 2023, on the results of our agreed-upon procedures.

S. A. Champagne & Co, LLP

*Baton Rouge, Louisiana
November 28, 2023*

THE WALLS PROJECT
STATEMENTS OF FINANCIAL POSITION

June 30, 2023 and 2022
(See Independent Accountant's Review Report)

| ASSETS | 2023 | 2022 |
|--|------------|------------|
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 107,659 | \$ 52,157 |
| Pledges receivable, net | 165,640 | 216,632 |
| Prepaid expenses | 1,124 | 10,124 |
| Total current assets | 274,423 | 278,913 |
| PROPERTY AND EQUIPMENT | | |
| Furniture and office equipment | 54,531 | 52,140 |
| Curriculum digitization | 86,911 | 86,911 |
| Software development | 1,152 | 1,152 |
| Less accumulated depreciation | (16,619) | (11,635) |
| Total property and equipment, net | 125,975 | 128,568 |
| NON-CURRENT ASSETS | | |
| Security deposit | 2,741 | 149 |
| Total assets | \$ 403,139 | \$ 407,630 |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 202,529 | \$ 202,037 |
| Retirement payable | 1,110 | 2,489 |
| Long term debt (current portion) | 6,463 | 4,930 |
| Deferred revenue | 61,000 | - |
| Total current liabilities | 271,102 | 209,456 |
| NON-CURRENT LIABILITIES | | |
| Long term debt | 90,015 | 100,765 |
| Total liabilities | 361,117 | 310,221 |
| NET ASSETS | | |
| With donor restrictions | 246,438 | 292,426 |
| Without donor restrictions | (204,416) | (195,017) |
| Total net assets | 42,022 | 97,409 |
| Total liabilities and net assets | \$ 403,139 | \$ 407,630 |

See accompanying notes

THE WALLS PROJECT
STATEMENTS OF ACTIVITIES
For the years ended June 30, 2023 and 2022
(See Independent Accountant's Review Report)

| | 2023 | | | 2022 | | |
|--|-------------------------------|----------------------------|------------------|-------------------------------|----------------------------|------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| SUPPORT AND REVENUE | | | | | | |
| Public support | \$ 631,221 | \$ 623,578 | \$ 1,254,799 | \$ 289,829 | \$ 1,239,790 | \$ 1,529,619 |
| Inkind revenue | 242,700 | - | 242,700 | 240,000 | - | 240,000 |
| Program service | 68,794 | - | 68,794 | 1,020 | - | 1,020 |
| Net assets released from restrictions | 669,566 | (669,566) | - | 1,182,258 | (1,182,258) | - |
| Total support and revenue | <u>1,612,281</u> | <u>(45,988)</u> | <u>1,566,293</u> | <u>1,713,107</u> | <u>57,532</u> | <u>1,770,639</u> |
| EXPENSES | | | | | | |
| Program | 1,299,640 | - | 1,299,640 | 1,428,858 | - | 1,428,858 |
| Administration and general | 307,120 | - | 307,120 | 296,236 | - | 296,236 |
| Fundraising | 14,920 | - | 14,920 | 118,837 | - | 118,837 |
| Total expenses | <u>1,621,680</u> | <u>-</u> | <u>1,621,680</u> | <u>1,843,931</u> | <u>-</u> | <u>1,843,931</u> |
| Increase (decrease) in net assets | (9,399) | (45,988) | (55,387) | (130,824) | 57,532 | (73,292) |
| Net assets - beginning of year | <u>(195,017)</u> | <u>292,426</u> | <u>97,409</u> | <u>(64,193)</u> | <u>234,894</u> | <u>170,701</u> |
| Net assets - end of year | <u>\$ (204,416)</u> | <u>\$ 246,438</u> | <u>\$ 42,022</u> | <u>\$ (195,017)</u> | <u>\$ 292,426</u> | <u>\$ 97,409</u> |

See accompanying notes

THE WALLS PROJECT
STATEMENTS OF CASH FLOWS
For the years ended June 30, 2023 and 2022
(See Independent Accountant's Review Report)

| | 2023 | 2022 |
|---|-------------|-------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Changes in net assets | \$ (55,387) | \$ (73,292) |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation | 4,984 | 4,983 |
| Decrease (increase) in | | |
| Pledges receivable | 50,992 | (30,466) |
| Prepaid expenses | 9,000 | 7,886 |
| Security deposits | (2,592) | (149) |
| Increase (decrease) in | | |
| Accounts payable | 492 | (201) |
| Retirement payable | (1,379) | 2,489 |
| Deferred revenue | 61,000 | (5,000) |
| Accrued interest | - | (3,838) |
| Total adjustments | 122,497 | (24,296) |
| Net cash provided by (used in) operating activities | 67,110 | (97,588) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of fixed assets | (2,391) | (31,523) |
| Net cash used in investing activities | (2,391) | (31,523) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Principal payments | (9,217) | (44,305) |
| Net cash provided by (used in) financing activities | (9,217) | (44,305) |
| Increase (Decrease) in cash | 55,502 | (173,416) |
| Cash - Beginning of year | 52,157 | 225,573 |
| Cash - End of year | \$ 107,659 | \$ 52,157 |

See accompanying notes

THE WALLS PROJECT
STATEMENTS OF FUNCTIONAL EXPENSES

For the year ended June 30, 2023
(See Independent Accountant's Review Report)

| | Program Services | | | | Administration and | | Total | |
|---------------------------|-------------------|-------------------|------------------|---------------------|---------------------|-------------------|------------------|---------------------|
| | Create | Cultivate | Reactivate | One Rouge Coalition | Total Program | General | | Fundraising |
| Contract services | \$ - | \$ - | \$ - | \$ 80,000 | \$ 80,000 | \$ - | \$ - | \$ 80,000 |
| Program management | - | - | - | - | - | - | - | - |
| Facilities and equipment | - | 240,000 | - | - | 240,000 | - | - | 240,000 |
| Salaries and wages | 45,719 | 424,710 | - | 78,597 | 549,026 | 127,584 | - | 676,610 |
| Curriculum development | - | - | - | - | - | - | - | - |
| Public art | 202,629 | 120 | 30,668 | - | 233,417 | 5,538 | - | 238,955 |
| Futures fund | 1,495 | 116,734 | - | - | 118,229 | 1,571 | - | 119,800 |
| Baton Roots | 625 | 46,637 | - | - | 47,262 | 5,770 | - | 53,032 |
| Development & fundraising | 2,457 | 5 | 27 | 343 | 2,832 | 30,058 | 14,816 | 47,706 |
| Murals | - | - | - | - | - | 1,800 | - | 1,800 |
| Insurance | - | - | - | - | - | - | - | - |
| Student stipends | - | - | - | - | - | - | - | - |
| Travel and auto | - | - | - | - | - | - | - | - |
| Office | - | - | - | 2,830 | 2,830 | 162 | - | 2,992 |
| Office and admin | 201 | 21,706 | 2,508 | 1,143 | 25,558 | 121,422 | 50 | 147,030 |
| Meals and entertainment | - | - | - | - | - | - | - | - |
| Dues and subscriptions | - | - | - | - | - | 1,250 | - | 1,250 |
| Interest | - | - | - | - | - | 2,783 | - | 2,783 |
| Gifts | - | - | - | - | - | - | - | - |
| Postage and printing | - | - | - | 156 | 156 | 588 | - | 744 |
| Software and licenses | - | - | - | 66 | 66 | 1,193 | - | 1,259 |
| Depreciation | - | - | - | - | - | 4,984 | - | 4,984 |
| Telephone | - | - | - | - | - | - | - | - |
| Web development | - | - | - | 264 | 264 | - | - | 264 |
| Bank charges | - | - | - | - | - | 1,872 | 54 | 1,926 |
| Videography | - | - | - | - | - | - | - | - |
| Photography | - | - | - | - | - | - | - | - |
| Background checks | - | - | - | - | - | - | - | - |
| Repairs and maintenance | - | - | - | - | - | 545 | - | 545 |
| | <u>\$ 253,126</u> | <u>\$ 849,912</u> | <u>\$ 33,203</u> | <u>\$ 163,399</u> | <u>\$ 1,299,640</u> | <u>\$ 307,120</u> | <u>\$ 14,920</u> | <u>\$ 1,621,680</u> |

See accompanying notes

THE WALLS PROJECT
STATEMENTS OF FUNCTIONAL EXPENSES

For the year ended June 30, 2022
(See Independent Accountant's Review Report)

| | Program Services | | | | Total Program | Administration and Fundraising | | Total |
|--------------------------|------------------|---------------------|------------------|------------------------|---------------------|--------------------------------------|-------------------|---------------------|
| | Create | Cultivate | Reactivate | One Rouge Coalition | | General | Fundraising | |
| Contract services | \$ 450 | \$ 156,678 | \$ - | \$ - | \$ 157,128 | \$ 52,539 | \$ 71,200 | \$ 280,867 |
| Program management | 3,450 | 141,007 | 450 | 49,341 | 194,248 | 7,559 | - | 201,807 |
| Facilities and equipment | 454 | 334,927 | - | - | 335,381 | 28,692 | - | 364,073 |
| Salaries and wages | - | 501,624 | 6,152 | 46,483 | 554,259 | 150,015 | - | 704,274 |
| Curriculum development | 100 | 1,659 | - | - | 1,759 | 1,913 | - | 3,672 |
| Community events | - | - | - | 1,968 | 1,968 | - | - | 1,968 |
| Murals | 66,911 | 1,117 | 32,033 | - | 100,061 | 6,675 | - | 106,736 |
| Insurance | - | 21,314 | - | - | 21,314 | 8,994 | - | 30,308 |
| Student stipends | - | 38,400 | - | - | 38,400 | - | - | 38,400 |
| Travel and auto | 1,045 | 4,867 | - | - | 5,912 | - | 44,092 | 50,004 |
| Office | - | 760 | - | - | 760 | 8,748 | 413 | 9,921 |
| Meals and entertainment | 218 | 562 | - | - | 780 | - | 2,257 | 3,037 |
| Dues and subscriptions | 208 | 8,594 | - | - | 8,802 | 4,349 | 875 | 14,026 |
| Interest | - | - | - | - | - | 3,407 | - | 3,407 |
| Gifts | - | - | - | - | - | 650 | - | 650 |
| Postage and printing | - | 33 | - | - | 33 | 2,430 | - | 2,463 |
| Software and licenses | - | 2,148 | - | 132 | 2,280 | 7,914 | - | 10,194 |
| Depreciation | - | - | - | - | - | 4,983 | - | 4,983 |
| Telephone | - | 68 | - | - | 68 | 2,495 | - | 2,563 |
| Web development | - | - | - | - | - | 72 | - | 72 |
| Bank charges | - | - | - | - | - | 1,484 | - | 1,484 |
| Videography | - | - | - | 5,100 | 5,100 | - | - | 5,100 |
| Photography | 500 | - | - | - | 500 | 3,150 | - | 3,650 |
| Background checks | - | 105 | - | - | 105 | - | - | 105 |
| Repairs and maintenance | - | - | - | - | - | 167 | - | 167 |
| | <u>\$ 73,336</u> | <u>\$ 1,213,863</u> | <u>\$ 38,635</u> | <u>\$ 103,024</u> | <u>\$ 1,428,858</u> | <u>\$ 296,236</u> | <u>\$ 118,837</u> | <u>\$ 1,843,931</u> |

See accompanying notes

THE WALLS PROJECT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of activities

The Walls Project (the Organization) is a non-profit corporation exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is dedicated to dismantling societal barriers that hinder individuals from achieving safe, healthy, and prosperous lives. Its mission centers on creating equitable access to opportunities in the arts, technology, and community development, with a particular focus on underserved communities in East Baton Rouge Parish, Louisiana, South Dallas, Texas, Denver, Colorado and Durango, Colorado. Through innovative programs, strategic partnerships, and community engagement, The Organization empowers individuals to break free from cycles of poverty and build a brighter future through the following programs:

1. Create, the Arts Program of the Organization, is a dynamic initiative that collaborates with local artists, providing them with capacity-building opportunities and project management services. Our creative endeavors encompass a wide spectrum, including the production of awe-inspiring ten-story murals on high-rise buildings, the creation of interactive healing-arts sculptures within hospital environments, and the transformation of recycling signs into captivating mini-mural canvases for children. Through this program, Create not only beautifies our communities but also foster artistic talent, enhance public spaces, and promote creative expression.
2. Cultivate embodies the Organization's commitment to empowering young adults by providing diverse pathways to acquire essential skills for college and career readiness, all while emphasizing creative entrepreneurship and contributing to the betterment of our communities. Within this program, we proudly administer the Futures Fund, a comprehensive IT workforce development initiative for both adults and youth, featuring virtual coding courses that serve as a gateway to the Tech industry. Our dedication extends to offering various workshops and engaging youth-centered events, broadening local opportunities for residents seeking entry into the IT workforce. Additionally, Cultivate encompasses Baton Roots, our thriving Urban Agriculture program. Through this initiative, we cultivate a 5-acre garden at Howell Park in Baton Rouge, LA, and extend our operations to 11 housing authority sites and three public high schools. By seamlessly integrating these programs, we continue to foster growth, creativity, and community development.
3. Reactivate is our dedicated initiative aimed at combatting blight within the Baton Rouge and Dallas communities by harnessing the power of volunteerism. The cornerstone of this effort is our annual MLK Fest, a vibrant celebration that draws thousands of volunteers and residents each year. Additionally, we've expanded our impact by introducing Juneteenth celebrations in both Baton Rouge and Dallas, further engaging communities and fostering a sense of togetherness. In conjunction with these festivals, we organize numerous city clean-up projects throughout the year, offering opportunities for countless volunteers to contribute to the revitalization of their neighborhoods. Through these collective efforts, we remain steadfast in our mission to address blight and create more vibrant, welcoming communities.

4. The One Rouge Coalitions is a dynamic response to the challenges exacerbated by the pandemic, aiming to drive transformative change in the East Baton Rouge Parish. With a network of over 400 organizations, this coalition leverages a collective impact model that unites various stakeholders. By championing strategic initiatives, programs, and collaborative teams, the coalition mobilizes community members to work together on systemic solutions. Through these efforts, we strive to enhance both individual and community capacities, promote economic prosperity, and establish a foundation of sustainability for those in need, fostering positive outcomes for individuals and communities alike.

Basis of accounting

The Organization prepares its financial statements on the accrual basis of accounting. Under this method of accounting, revenue is recognized when earned or billed, and expenses are recognized when goods or services are received and the obligation for payment is incurred.

Basis of presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC). The Organization reports information regarding its financial position and activities according to the two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets with donor restrictions to net assets without donor restrictions.

Support and revenue recognition

Contributions received, government support, and unconditional promises to give are measured at their fair values and are reported as an increase in net assets.

The Organization recognizes revenue when it transfers promised goods or services in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods and services. To accomplish this, the Organization applies the following five-step process to achieve this core principle:

A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

- Identification of the contract with the member;
- Identification of the performance obligations under the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the identified performance obligations; and
- Recognition of revenue when (or as) an entity satisfies the identified performance obligations.

Mural Revenue

Mural revenue consists of fees for the design and production of murals under two contracts with Baton Rouge Airport and Exxon Mobil Baton Rouge. The Organization is contracted to design and produce the murals, including guidance on the artist selection process and design selection process, coordination and facilitation of feedback. The Organization provides direction, supplies and site management during the painting process. Revenue is recognized when the services occur.

Revenue Disaggregation

The Organization disaggregates revenue from contracts with customers into major revenue streams and based on the timing of recognized revenue. The Organization's revenue disaggregated based on timing of the transfer of goods or services as follows as of June 30, 2023 and 2022:

| | <u>2023</u> | <u>2022</u> |
|--------------------------------|-------------|-------------|
| Recognized at a point in time: | | |
| Mural revenue | \$ 68,794 | \$ 0 |
| Other income | \$ 0 | \$ 1,020 |

Contract Balances

The timing of revenue recognition, billings, and cash collections results in contract assets, receivables, and contract liabilities. The Organization's contract liabilities consist of deferred revenue for mural services in the amount of \$61,000 and \$0 as of June 30, 2023 and 2022.

Payment terms

The Organization's mural revenue is billed in advance of the performance obligation with a 50% deposit due upon approval of scope of work and the remaining balance due at completion. All other revenue streams are collected in arrears with terms generally net thirty days.

Determination of the transaction price

The transaction price of a contract is the amount of consideration to which the Organization expects to be entitled in exchange for transferring promised goods or services to a customer. Transaction prices do not include amounts collected on behalf of third parties. To determine the contract price of a contract, the Organization considers its customary business practices as well as the terms of the contract. For the purpose of determining transaction prices, the Organization assumes that the services will be transferred to the customer as promised in accordance with existing contracts and that contracts will not be cancelled, renewed, or modified. Most of the Organization's contracts with customers have fixed transaction prices that are denominated in U.S. dollars and payable in cash.

A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

For mural services, consideration paid for the services provided is collected at approval of the contract and at completion of the service. Therefore, at the time the revenue is recognized, the Organization does not estimate expected refunds for services nor does the Organization exclude any such amounts from revenue.

Donated services

Donated services are recognized as contributions (a) if the services create or enhance nonfinancial assets or (b) if specialized skills are required, are performed by people with those skills, and would otherwise be purchased by the Organization. These services are recorded based on the fair value of the services provided and reported as in-kind revenue on the Statement of Activities. Volunteer services are not recognized in the financial statements when the recognition criteria has not been met.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash

For the purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with a maturity of three months or less when acquired to be cash.

Allowance for uncollectible accounts

An allowance for uncollectible accounts is established based on prior experience and management's assessment of collectability. Management maintains an allowance of \$5,500 as of June 30, 2023 and 2022.

Prepaid expenses

Insurance and similar services which extend benefits over more than one accounting period as well as expenses incurred for future events have been recorded as prepaid.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is calculated on the straight-line basis over the estimated useful life of the assets as follows:

| | |
|-------------------------|-----------|
| Furniture and equipment | 5-7 years |
|-------------------------|-----------|

Costs of major additions and improvements are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

When property is retired or otherwise disposed of, the accounts are relieved of the applicable cost and accumulated depreciation, and any resulting gain or loss is reflected in operations.

A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax status

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in the financial statements.

The Organization accounts for income taxes in accordance with the income tax accounting guidance included in the FASB ASC. Under this guidance, the Organization may recognize the tax effects from an uncertain tax position only if it is more likely than not that the tax position will be sustained upon examination by tax authorities. The Organization has evaluated its position regarding the accounting for uncertain tax positions and does not believe that it has any material uncertain tax positions.

Functional allocation of expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs are charged specifically to a program or function, and the remaining costs are allocated among programs, management, and fundraising. Contract service allocations are determined by management on an equitable basis based on time and effort.

Adoption of new accounting standards

Effective July 1, 2022, the Organization adopted the requirements of FASB ASC 842, *Leases*. This new standard establishes a right-of-use (ROU) model that requires a lessee to record an ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. Leases with a term of less than 12 months will not record a ROU asset and lease liability and the payments will be recognized into profit or loss on a straight-line basis over the lease term.

The Organization adopted the standard using the modified retrospective method. Accordingly, the results reporting periods beginning after July 1, 2022 are presented under ASC 842, while prior period amounts are not adjusted and continue to be reported under the accounting standards in effect during those periods.

The Organization elected to adopt the package of practical expedients available under the transition guidance with the new standard. This package includes the following: relief from determination of lease contracts included in existing or expiring leases at the point of adoption, relief from having to re-evaluate the classification of leases in effect at the point of adoption, and relief from reevaluation of existing leases that have initial direct costs associated with the execution of the lease contract. The Organization also elected to adopt the practical expedient to use hindsight to determine the lease term and assess the impairment of the right of use assets.

The new standard requires that leases with a lease term of more than 12 months be classified as either finance or operating leases. Leases are classified as finance leases when the Organization expects to consume a major part of the economic benefits of the leased assets over the remaining lease term. Conversely, if the Organization is not expected to consume a major part of the economic benefits of the leased assets, then they are classified as operating leases. The lease classification

A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

affects both the pattern and presentation of expense recognized in the statement of activities, the categorization of assets and liabilities on the statement of financial position, and classification of cash flows in the statement of cash flows.

Total lease cost consists of two components; amortization expense related to the write-off of the right-to-use assets and interest expense from lease obligations.

For financing leases, the total lease cost is recorded on an accelerated basis whereby interest expense is recorded using the effective interest method and right-of-use assets are amortized on a straight-line basis over the remaining lease term. For operating leases, total lease cost is measured and recorded on a straight-line basis over the lease term.

Lease obligations are measured and recorded at the present value of future lease payments using a discount rate. Because the Organization generally does not have access to the rate implicit in each lease, lease obligations are measured using the risk-free rate as the discount rate.

Right-of-use assets are generally measured and recorded at the sum of the lease obligation, any initial direct costs to consummate the lease, and any lease payments made on or before the commencement date.

Adoption of this ASU did not have a material impact to the Organization's financial statements.

B: PLEDGES RECEIVABLE

The pledges receivable balance as of June 30, 2023 and 2022, consists of the following:

| | 2023 | 2022 |
|--------------------------------------|-------------------|-------------------|
| Individual donors | \$ - | \$ 21,226 |
| Corporate donors | 76,015 | 7,835 |
| Foundation grants | 42,000 | 77,400 |
| Government grants | 53,125 | 115,671 |
| | <u>\$ 171,140</u> | <u>\$ 222,132</u> |
| Less allowance for doubtful accounts | (5,500) | (5,500) |
| | <u>\$ 165,640</u> | <u>\$ 216,632</u> |

All receivables are due within one year of June 30, 2023.

C: NON-CASH INVESTING AND FINANCING ACTIVITIES

There were no non-cash investing and financing activities for the year ended June 30, 2023 and 2022.

D: LIQUIDITY

The Organization has the following in financial assets available within one year of the balance sheet date to meet cash needs for general expenditures for the year ended June 30, 2023. The Organization had no financial assets available within one year of the balance sheet date to meet cash needs for general expenditures for the year ended June 30, 2022.

| | <u>2023</u> | <u>2022</u> |
|--|------------------|--------------------|
| Cash | \$ 107,659 | \$ 52,157 |
| Pledges receivable | 165,640 | 216,632 |
| Less donor imposed restrictions | <u>(246,438)</u> | <u>(292,426)</u> |
| Financial assets available to meet cash needs for general expenditure within one year | <u>\$ 26,861</u> | <u>\$ (23,637)</u> |

E: LONG TERM DEBT

On July 26, 2020, the Organization obtained a \$150,000 Economic Injury Disaster Loan (EIDL) from the Small Business Administration (SBA) related to the COVID-19 pandemic. The loan bears interest at 2.75% and is payable in 360 monthly installments of \$641, starting July 2021. The loan is secured by the Organization's receivables and equipment. The SBA will apply each installment payment first to pay interest accrued, then apply any remaining balance to reduce principal. Principal payments made as of June 30, 2023 amounted to \$9,217.

Remaining principal payments on the EIDL loan are due as follows:

| | |
|----------------------|------------------|
| 2024 | \$ 6,463 |
| 2025 | 5,282 |
| 2026 | 5,429 |
| 2027 | 5,580 |
| 2028 | 5,735 |
| 2029 and later years | <u>67,989</u> |
| | <u>\$ 96,478</u> |

F: LEASE COMMITMENTS

The Organization leases office space under an agreement that is classified as an operating lease. This lease provides for monthly rent of \$1,200 and is on a month to month basis. The lease can be terminated by either party with written notice at least 30 days prior to the automatic renewal date.

G: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of June 30, 2023 and 2022, are restricted for the Cultivate and One Rouge Coalition programs.

H: NON-CASH CONTRIBUTIONS

During the years ended June 30, 2023 and 2022, the Organization received the following non-cash contributions that have been reflected as such in the accompanying statement of activities. The corresponding expenses are included in the Schedule of Functional Expenses in the appropriate categories:

| | <u>2023</u> | <u>2022</u> |
|-----------------------------|-------------------|-------------------|
| Facilities and equipment | \$ 240,000 | \$ 240,000 |
| Murals | 1,800 | - |
| Futures fund | 900 | - |
| Total in kind contributions | <u>\$ 242,700</u> | <u>\$ 240,000</u> |

I: RELATED PARTY TRANSACTIONS

The Organization shared office space with The Force Agency, which was owned by the executive director of the Organization. The Force Agency billed the Organization for monthly project management fees and out of pocket expense reimbursements until June 30, 2021. As of July 1, 2021, The Force Agency is no longer associated with the Organization as employees were hired on a W-2 basis.

As of June 30, 2023, the Organization owed The Force Agency \$90,388, which was classified as an account payable and \$91,193 as of June 30, 2022.

J: SUBSEQUENT EVENTS

Subsequent events were evaluated through November 28, 2023, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

THE WALLS PROJECT
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS
TO AGENCY HEAD

For the year ended June 30, 2023
(See Independent Accountant's Review Report)

Agency Head
Casey Phillips, Director and Development

| Purpose | Amount |
|----------------|---------------|
| Salary | \$20,780 |

LOUISIANA ATTESTATION QUESTIONNAIRE
(For Attestation Engagements of Quasi-public Agencies)

August 3, 2023 (Date Transmitted)

L.A. Champagne & Co., LLP (CPA Firm Name)

4911 Bennington Ave (CPA Firm Address)

Baton Rouge, LA 70808 (City, State Zip)

In connection with your engagement to apply agreed-upon procedures to the control and compliance matters identified below, as of June 30, 2023 (date) and for the year then ended, and as required by Louisiana Revised Statute (R.S.) 24:513 and the *Louisiana Governmental Audit Guide*, we make the following representations to you.

Federal, State, and Local Awards

We have detailed for you the amount of federal, state, and local award expenditures for the fiscal year, by grant and grant year.

Yes No N/A

All transactions relating to federal, state, and local grants have been properly recorded within our accounting records and reported to the appropriate state, federal, and local grantor officials.

Yes No N/A

The reports filed with federal, state, and local agencies are properly supported by books of original entry and supporting documentation.

Yes No N/A

We have complied with all applicable specific requirements of all federal, state, and local programs we administer, to include matters contained in the OMB Compliance Supplement, matters contained in the grant awards, eligibility requirements, activities allowed and unallowed, and reporting and budget requirements.

Yes No N/A

Open Meetings

Our meetings, as they relate to public funds, have been posted as an open meeting as required by R.S. 42:11 through 42:28 (the open meetings law). **Note: Please refer to Attorney General Opinion No. 13-0043 and the guidance in the publication "[Open Meeting FAQs](#)," available on the Legislative Auditor's website to determine whether a non-profit agency is subject to the open meetings law.**

Yes No N/A

Budget

For each federal, state, and local grant we have filed with the appropriate grantor agency a comprehensive budget for those grants that included the purpose and duration, and for state grants included specific goals and objectives and measures of performance

Yes No N/A

Reporting

We have had our financial statements reviewed in accordance with R.S. 24:513.

Yes No N/A

We did not enter into any contracts that utilized state funds as defined in R.S. 39:72.1 A. (2); and that were subject to the public bid law (R.S. 38:2211, et seq.), while the agency was not in compliance with R.S. 24:513 (the audit law).

Yes No N/A

We have complied with R.S. 24:513 A. (3) regarding disclosure of compensation, reimbursements, benefits and other payments to the agency head, political subdivision head, or chief executive officer.

Yes No N/A

We have complied with R.S. 24:515.2 regarding reporting of pre- and post- adjudication court costs, fines and fees assessed or imposed; the amounts collected; the amounts outstanding; the amounts retained; the amounts disbursed, and the amounts received from disbursements.

Yes No N/A

Prior-Year Comments

We have resolved all prior-year recommendations and/or comments.

Yes No N/A

General

We acknowledge that we are responsible for the Agency's compliance with the foregoing laws and regulations and the internal controls over compliance with such laws and regulations.

Yes No N/A

We acknowledge that we are responsible for determining that that the procedures performed are appropriate for the purposes of this engagement.

Yes No N/A

We have evaluated our compliance with these laws and regulations prior to making these representations.

Yes No N/A

We have provided you with all relevant information and access under the terms of our agreement.

Yes No N/A

We have disclosed to you all known noncompliance of the foregoing laws and regulations, as well as any contradictions to the foregoing representations.

Yes No N/A

We are not aware of any material misstatements in the information we have provided to you.

Yes No N/A

We have disclosed to you any communications from regulatory agencies, internal auditors, other independent practitioners or consultants, and others concerning noncompliance with the foregoing laws and regulations, including communications received during the period under examination; and will disclose to you any such communication received between the end of the period under examination and the date of your report.

Yes No N/A

We will disclose to you, the Legislative Auditor, and the applicable state grantor agency/agencies all known noncompliance and other events subsequent to the date of this representation and the date of your report that could have a material effect on our compliance with laws and regulations and the internal

controls with such laws and regulations, or would require adjustment or modification to the results of the agreed-upon procedures.

Yes No N/A

The previous responses have been made to the best of our belief and knowledge.

| | | | |
|-----------------------|------------------|--------------------|-------------|
| <u>Thomas Donley</u> | <u>CFO</u> | <u>Aug 3, 2023</u> | <u>Date</u> |
| <u>Matt Zagoti</u> | <u>Treasurer</u> | <u>Aug 3, 2023</u> | <u>Date</u> |
| <u>Casey Phillips</u> | <u>President</u> | <u>Aug 3, 2023</u> | <u>Date</u> |



**INDEPENDENT ACCOUNTANT’S REPORT ON APPLYING
AGREED-UPON PROCEDURES**

The Board of Directors of
The Walls Project

We have performed the procedures enumerated below, which were agreed to by the management of The Walls Project and the Legislative Auditor (the specified parties), on the Organization’s compliance with certain laws and regulations contained in the accompanying Louisiana Attestation Questionnaire during the fiscal year ended June 30, 2023, as required by Louisiana Revised Statute 24:513 and *the Louisiana Governmental Audit Guide*. The Management of The Walls Project is responsible for its financial records and compliance with applicable laws and regulations. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Federal, State, and Local Awards

1. Obtain the list of federal, state, and local government grant award expenditures for the fiscal year, by grant and grant year, from the Agency’s management.

The Organization provided us with the following list of expenditures for federal, state, and local government grant awards for the year ended June 30, 2023:

| Federal, State, or Local Grant Name | Grant Year | CFDA No. (if applicable) | Amount |
|--|------------|--------------------------|----------|
| Louisiana Department of Agriculture & Forestry, Specialty Crop Block Grant Program #21SCBPLA1040-00 | 2023 | 10.170 | \$ 7,224 |
| Build Baton Rouge | 2023 | | \$ 3,312 |

| | | | |
|---|------|--------|-----------|
| Louisiana Office of Student Financial Assistance La Gear Up #1840-0740 | 2023 | | \$ 47,500 |
| Louisiana Project Grants – BRAAM Mural Project | 2023 | | \$ 7,842 |
| City of Baton Rouge – MLK Fest | 2023 | | \$ 25,150 |
| Louisiana Department of Culture, Recreation and Tourism, Office of Cultural Development, Division of the Arts | 2023 | 45.025 | \$ 9,100 |
| National Endowment for the Arts #18857494121 | 2023 | 45.024 | \$ 30,000 |

2. For each federal, state, and local grant award, randomly select six disbursements from each grant administered during the fiscal year, provided that no more than 30 disbursements are selected.
3. Obtain documentation for the disbursements selected in Procedure 2. Compare the selected disbursements to supporting documentation, and report whether the disbursements agree to the amount and payee in the supporting documentation.
Each of the selected disbursements agreed to the amount and payee in the supporting documentation.
4. Report whether the selected disbursements were coded to the correct fund and general ledger account.
Each of the selected disbursements were coded to the correct fund and general ledger account.
5. Report whether the selected disbursements were approved in accordance with the Organization’s policies and procedures.
Each of the selected disbursements were approved by the Executive Director, which is in accordance with their policies and procedures.
6. For each selected disbursement made for federal grant awards, obtain the *Compliance Supplement* for the applicable federal program. For each disbursement made for a state or local grant award, or for a federal program not included in the *Compliance Supplement*, obtain the grant agreement. Compare the documentation for each disbursement to the program compliance requirements or the requirements of the grant agreement relating to activities allowed or unallowed, eligibility, and reporting; and report whether the disbursements comply with these requirements.
Each of the selected disbursements met the requirements of the related grant agreement.

7. Obtain the close-out reports, if required, for any program selected in Procedure 2 that was closed out during the fiscal year. Compare the close-out reports, if applicable, with the Organization's financial records; and report whether the amounts in the close-out reports agree with the Organization's financial records.

No program selected in Procedure 2 was closed out in the current fiscal year.

Open Meetings

8. Obtain evidence from management that agendas for meetings recorded in the minute book were posted as required by Louisiana Revised Statute 42:11 through 42:28 (the open meetings law), and report whether there were any exceptions. Note: Please refer to the Attorney General Opinion No. 13-0043 and the guidance in the publication "Open Meeting FAQs," available on the Legislative Auditor's website at <http://appl.la.state.la.us/llala.nsf>, to determine whether a non-profit agency is subject to the open meetings law.

The Organization is not required to comply with LA R.S. 42:11 through 42:28 (the open meetings law) because the Organization is not a public body.

Budget

9. For each grant exceeding five thousand dollars, obtain the comprehensive grant budgets that the Organization provided to the applicable federal, state or local grantor agency. Report whether the budgets for federal, state or local grants included the purpose and duration of the grants; and whether the budgets for state grants also included specific goals, objectives, and measures of performance.

The Organization provided a comprehensive budget to each applicable agency for the programs mentioned previously. These budgets specified the anticipated uses of the funds and estimate of the duration of the project.

State Audit Law

10. Report whether the agency provided for a timely report in accordance with R.S. 24:513.

The Organization's report was submitted to the Legislative Auditor before the statutory due date.

11. Inquire of management and report whether the agency entered into any contracts that utilized state funds as defined in R.S. 39:72.1 A. (2); and that were subject to the public bid law (R.S. 38:2211, et seq.), while the agency was not in compliance with R.S. 24:513 (the audit law).

The Organization's management represented that the Organization did not enter into any contracts during the fiscal year that were subject to the public bid law.

Prior Comments

12. Obtain and report management's representation as to whether any prior year suggestions, exceptions, recommendations, and/or comments have been resolved.

There were no prior year suggestions, exceptions, recommendations or commented from the prior year, as represented in the current year management representation letter.

This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the Organization's compliance with the foregoing matters. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures; other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on the Organization's compliance with certain laws and regulations contained in the accompanying Louisiana Attestation Questionnaire, as required by Louisiana Revised Statute 24:513 and the Louisiana Governmental Audit Guide, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

S. A. Champagne & Co, LLP

Baton Rouge, Louisiana

November 28, 2023