

SHAW CENTER FOR THE ARTS, LLC
BATON ROUGE, LOUISIANA
FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022



ERICKSEN KRENTEL^{LLP}
CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Shaw Center for the Arts, LLC
Baton Rouge, Louisiana

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the Shaw Center for the Arts, LLC (a nonprofit organization) which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Shaw Center for the Arts, LLC as of June 30, 2023, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Shaw Center for the Arts, LLC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

The financial statements of the Shaw Center for the Arts, LLC as of and for the year ended June 30, 2022, were audited by other auditors whose report dated December 2, 2022, expressed an unqualified opinion on those financial statements.

Change in Accounting Principle

As discussed in Notes 1 and 6 to the financial statements, the Shaw Center for the Arts, LLC adopted FASB ASC 842, *Leases*, which resulted in the recognition of right-of-use asset and operating lease liability. Our opinion is not modified with respect to that matter.



To the Board of Directors of
Shaw Center for the Arts, LLC
December 28, 2023

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Shaw Center for the Arts, LLC's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Shaw Center for the Arts, LLC's internal control. Accordingly, no such opinion is expressed.



To the Board of Directors of
Shaw Center for the Arts, LLC
December 28, 2023

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Shaw Center for the Arts, LLC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included in Schedule "1" is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2023, on our consideration of the Shaw Center for the Arts, LLC'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Shaw Center for the Arts, LLC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Shaw Center for the Arts, LLC's internal control over financial reporting and compliance.

December 28, 2023
Baton Rouge, Louisiana

Erickson Krentel, LLP
Certified Public Accountants

FINANCIAL STATEMENTS

SHAW CENTER FOR THE ARTS, LLC
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<u>CURRENT ASSETS:</u>		
Cash and cash equivalents	\$ 18,460	\$ 159,285
Receivables:		
Rental	260,156	246,488
Other	28,185	1,520
Prepaid insurance	<u>11,785</u>	<u>17,355</u>
 Total current assets	 <u>318,586</u>	 <u>424,648</u>
 <u>PROPERTY AND EQUIPMENT, NET</u>	 <u>23,689,454</u>	 <u>24,731,408</u>
<u>OTHER ASSETS:</u>		
Right-of-use assets - operating lease, net	<u>8,658</u>	<u>-</u>
 Total assets	 <u>\$ 24,016,698</u>	 <u>\$ 25,156,056</u>
<u>CURRENT LIABILITIES:</u>		
Accounts payable	\$ 106,052	\$ 24,242
Accrued expenses and other current liabilities	1,609	15,169
Deferred revenue	307,095	335,165
Current portion of operating lease	<u>8,658</u>	<u>-</u>
 Total current liabilities	 <u>423,414</u>	 <u>374,576</u>
<u>NET ASSETS:</u>		
Net assets without donor restrictions, undesignated	<u>23,593,284</u>	<u>24,781,480</u>
 Total liabilities and net assets	 <u>\$ 24,016,698</u>	 <u>\$ 25,156,056</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

SHAW CENTER FOR THE ARTS, LLC
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<u>SUPPORT AND OTHER REVENUES:</u>		
Rental income	\$ 752,616	\$ 752,627
In-kind contributions	558,131	572,616
Grants	-	25,000
Event income	477,187	493,334
Special events and other	1,219	1,932
Interest	<u>1,384</u>	<u>89</u>
 Total support and other revenues	 <u>1,790,537</u>	 <u>1,845,598</u>
<u>EXPENSES:</u>		
Program	1,513,327	1,493,830
General and administrative	<u>1,465,406</u>	<u>1,458,091</u>
 Total expenses	 <u>2,978,733</u>	 <u>2,951,921</u>
 Change in net assets	 (1,188,196)	 (1,106,323)
 Net assets, beginning of year	 <u>24,781,480</u>	 <u>25,887,803</u>
 Net assets, end of year	 <u>\$ 23,593,284</u>	 <u>\$ 24,781,480</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

SHAW CENTER FOR THE ARTS, LLC
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023

	<u>General</u>		
	<u>Program Services</u>	<u>and Administrative</u>	<u>Total</u>
Salaries	\$ 106,832	\$ 130,573	\$ 237,405
Payroll taxes and employee benefits	<u>37,832</u>	<u>46,238</u>	<u>84,070</u>
Total salaries and related expenses	144,664	176,811	321,475
Advertising	10,856	-	10,856
Depreciation	502,561	614,242	1,116,803
Events	299,773	-	299,773
Insurance	10,172	12,433	22,605
Miscellaneous	3,538	3,066	6,604
Occupancy	503,307	611,852	1,115,159
Professional	22,701	27,746	50,447
Repair and maintenance	13,730	16,780	30,510
Supplies	<u>2,025</u>	<u>2,476</u>	<u>4,501</u>
Total functional expenses	<u>\$ 1,513,327</u>	<u>\$ 1,465,406</u>	<u>\$ 2,978,733</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

SHAW CENTER FOR THE ARTS, LLC
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Total</u>
Salaries	\$ 102,506	\$ 129,141	\$ 231,647
Payroll taxes and employee benefits	<u>36,110</u>	<u>44,135</u>	<u>80,245</u>
Total salaries and related expenses	138,616	173,276	311,892
Advertising	4,434	-	4,434
Depreciation	498,651	609,462	1,108,113
Events	295,849	-	295,849
Insurance	9,265	11,080	20,345
Miscellaneous	7,512	8,180	15,692
Occupancy	498,811	606,358	1,105,169
Professional	22,505	27,506	50,011
Repair and maintenance	15,417	18,844	34,261
Supplies	<u>2,770</u>	<u>3,385</u>	<u>6,155</u>
Total functional expenses	<u>\$ 1,493,830</u>	<u>\$ 1,458,091</u>	<u>\$ 2,951,921</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

SHAW CENTER FOR THE ARTS, LLC
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<u>CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES:</u>		
Change in net assets	\$ (1,188,196)	\$ (1,106,322)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	1,116,803	1,108,113
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(40,333)	45,086
Prepaid insurance	5,570	(8,388)
Increase (decrease) in:		
Accounts payable	81,810	(82,789)
Accrued expenses	(13,560)	7,468
Deferred revenue	(28,070)	(75,539)
	<u>(65,976)</u>	<u>(112,371)</u>
Net cash (used for) operating activities		
<u>CASH FLOWS FROM (USED FOR) INVESTING ACTIVITIES:</u>		
Purchase of equipment	<u>(74,849)</u>	<u>(125,690)</u>
Net cash (used for) investing activities	<u>(74,849)</u>	<u>(125,690)</u>
Net (decrease) in cash and cash equivalents	(140,825)	(238,061)
Cash and cash equivalents, beginning of year	<u>159,285</u>	<u>397,347</u>
Cash and cash equivalents, end of year	<u>\$ 18,460</u>	<u>\$ 159,285</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

SHAW CENTER FOR THE ARTS, LLC
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Shaw Center for the Arts (Shaw Center), a Louisiana limited liability company, is a not-for-profit organization that was formed to revitalize downtown Baton Rouge with a performing arts theater, arts and cultural center, a museum of art, and space for residential and commercial purposes. The project was made possible through a combination of public and private contributions.

The Shaw Center has two organizational members, which are the Douglas Manship Sr. Theater Complex, LLC and LSU Museum, LLC, each owning a 50%-member interest. The Douglas Manship Sr. Theater Complex, LLC is owned by the Baton Rouge Area Foundation, a not-for-profit organization. Additionally, the LSU Museum, LLC is owned by the LSU Property Foundation, LLC, a not-for-profit organization that is an affiliate of the LSU Foundation. These financial statements do not include any financial activity of the two members.

The State of Louisiana, LSU Foundation, the Baton Rouge Area Foundation and the City of Baton Rouge/Parish of East Baton Rouge have provided significant funding for the Shaw Center facility.

Basis of Accounting and Financial Reporting Framework

The financial statements of the Shaw Center have been prepared on the accrual basis of accounting and accordingly revenues and gains are recognized when earned, and expenses and losses are recognized when incurred in accordance with accounting principles generally accepted in the United States of America as promulgated by the Financial Accounting Standards Board (FASB).

Basis of Presentation

The financial statement presentation follows the recommendations of the FASB in its Accounting Standards Codification (ASC) 958-210-50-3, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958-210-50-3, the Shaw Center is required to report information regarding its financial position and activities according to two classes of net assets:

Net assets with donor restrictions - The part of net assets of a not-for-profit entity that is subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants).

Net assets without donor restrictions - The part of net assets of a not-for-profit entity that is not subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants).

SHAW CENTER FOR THE ARTS, LLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023 AND 2022

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents includes cash on hand, demand deposits with banks, and all highly liquid investments with an initial maturity of three months or less.

Accounts Receivable

Management believes that all receivables are collectible at June 30, 2023 and 2022; therefore, no allowance for doubtful accounts was recorded. The Shaw Center does not require collateral for its receivables. Accounts over 90 days past due at June 30, 2023 and 2022 totaled \$95,654 and \$105,567 respectively.

Property and Equipment

Purchased or constructed property and equipment are recorded at cost. Property and equipment are depreciated over their estimated useful lives at the time the asset is placed in service. Depreciation is computed on a straight-line basis over the following estimated useful lives:

Buildings	40 Years
Building improvements	40 Years
Equipment and software	3-5 Years
Signage	15 Years

Leases

The Shaw Center applies judgment in determining whether a contract contains a lease and whether a lease is classified as an operating lease or a finance lease. The Shaw Center determines the lease term as the non-cancellable term of the lease, which may include options to extend or terminate the lease when it is reasonably certain that the Shaw Center will exercise that option. The lease term is used in determining classification between operating lease and finance lease, calculating the lease liability and determining the incremental borrowing rate.

SHAW CENTER FOR THE ARTS, LLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023 AND 2022

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

For lease contracts that include extension and termination options, the Shaw Center applies judgment in evaluating whether it is reasonably certain to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date of the lease, the Shaw Center reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

The Shaw Center is required to discount lease payments using the rate implicit in the lease if that rate is readily available. If that rate cannot be readily determined, the lessee is required to use its incremental borrowing rate. The Shaw Center generally uses the incremental borrowing rate when initially recording leases. Information from the lessor regarding the fair value of underlying assets and initial direct costs incurred by the lessor related to the leased assets is not available.

The Shaw Center determines the incremental borrowing rate of each lease by estimating the credit rating of the Shaw Center at the time the lease is recognized, referencing market yields corresponding to the credit rating and weighted average life of the lease, and factoring in other lease-specific factors such as assumed collateral.

Functional Allocation of Expenses

The Shaw Center's operating costs have been allocated between program and management and general expenses based on direct identification when possible, and allocation if a single expenditure benefits more than one program or function. Expenditures that require allocation are allocated based utilization by personnel.

Net Assets

The Shaw Center's initial source of funding consisted of contributions dedicated to the construction of the Arts Block project. The Shaw Center recognized these contributions as net assets with donor restrictions. Net assets with donor restrictions are those whose use has been limited by donors to a specific time period or purpose. As the amounts were expended for their intended purpose, such support was reclassified to net assets without donor restrictions. All net assets with donor restrictions have been spent for their intended purposes. The Shaw Center does not have any net assets with donor restrictions at June 30, 2023 and 2022.

Revenue Recognition and Deferred Revenues

The Shaw Center receives the majority of its income through rental income, contributions, and sponsorships that are recognized when received. All contributions and sponsorships are considered to be available for unrestricted use unless specifically restricted by the donor.

SHAW CENTER FOR THE ARTS, LLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023 AND 2022

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition and Deferred Revenues (continued)

Restricted contributions or sponsorships whose restrictions are met during the same reporting period are recognized as unrestricted revenue.

Additionally, the Shaw Center receives income from the rental of space for scheduled events. These rental payments are often received in advance of the event date. Such amounts are recorded as event income when the related services are performed, or obligations are satisfied. Deferred revenue consists of accounts receivable and payments recorded in advance of the event date.

The value of in-kind contributions to the Shaw Center are recognized at the fair market value of benefit received, unless immaterial. See Note 3 for further details on in-kind contributions received.

Contribution of services are recognized in the financial statements if the service enhances or creates non-financial assets or requires specialized skills, are provided by individuals possessing these skills, and would typically be purchased if not provided by donation. The value of any donated time is not reflected in these statements since such services do not meet the definition as previously described.

Concentration of Credit Risk

Financial instruments which subject the Shaw Center to concentrations of credit risk consist primarily of receivables. Concentrations of credit risk for receivables are generally diversified due to the large number of entities and individuals that compose the Shaw Center's rental clients. Management believes the risk is limited.

The Shaw Center maintains its cash in bank deposit accounts at high credit quality financial institutions insured by the Federal Deposit Insurance Corporation. The bank deposits at times may exceed federally insured limits. At year end, there were no bank deposit accounts that exceeded the insured limit.

Vacation and Sick Leave

Employees of the Shaw Center receive up to 20 days of vacation and 10 days of sick leave annually. Unused days lapse and are not paid upon employee's termination or retirement. As a result, the leave is recognized as an expense when taken. Accordingly, amounts related to such absences have not been accrued.

Advertising

The Shaw Center expenses advertising costs as incurred. Advertising expenses of \$10,856 and \$4,434 were incurred for the years ended June 30, 2023 and 2022, respectively.

SHAW CENTER FOR THE ARTS, LLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023 AND 2022

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Shaw Center is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Shaw Centers's tax-exempt purpose is subject to taxation as unrelated business income.

The Shaw Center's evaluation as of June 30, 2023 and 2022 revealed no tax positions that would have a material impact on the financial statements. The 2019 through 2023 tax years remain subject to examination by the IRS. The Shaw Center does not believe that any reasonably possible changes will occur within the next twelve months that will have a material impact on the financial statements.

Reclassifications.

Certain amounts in the financial statements have been reclassified to conform to current year financial statement presentation.

New Accounting Pronouncements – Adopted

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), which supersedes existing guidance for accounting for leases under Topic 840, *Leases*. The FASB also subsequently issued the following additional ASUs, which amend and clarify Topic 842: ASU 2018-01, *Land Easement Practical Expedient for Transition to Topic 842*; ASU 2018-10, *Codification Improvements to Topic 842, Leases*; ASU 2018-11, *Leases (Topic 842): Targeted Improvements*; ASU 2018-20, *Narrow-scope Improvements for Lessors*; ASU 2019-01, *Leases (Topic 842): Codification Improvements*; and ASU 2021-09, *Discount Rate for Lessees That are Not Public Business Entities*. The most significant change in the new leasing guidance is the requirement to recognize right-of-use (ROU) assets and lease liabilities for operating leases on the balance sheet. The Shaw Center adopted these ASUs effective July 1, 2022, and utilized all of the available practical expedients.

Date of Management Review

Management has evaluated subsequent events through December 28, 2023, which is the date the financial statements were available to be issued.

(2) LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Shaw Center has \$306,801 and \$407,293 available within one year of the balance sheet date to meet cash needs for general expenditure at June 30, 2023 and 2022, respectively.

As part of Shaw Center's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

SHAW CENTER FOR THE ARTS, LLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023 AND 2022

(3) PROPERTY AND EQUIPMENT

Details of property and equipment as of June 30, 2023 and 2022 are as follows:

	2023	2022
Buildings	\$ 42,133,600	\$ 42,133,600
Building improvements	1,085,678	1,062,122
Equipment and software	347,092	295,799
Signage	40,122	40,122
License	3,699	3,699
Less: accumulated depreciation	(19,920,737)	(18,803,934)
Net property and equipment	\$ 23,689,454	\$ 24,731,408

The State of Louisiana owns the land on which the facility is located. See Note 5. Depreciation expense was \$1,116,803 and \$1,108,113 for the years ended June 30, 2023 and 2022, respectively.

(4) IN-KIND CONTRIBUTIONS

In-kind contributions for the years ended June 30, 2023 and 2022, included in the financial statements, were as follows:

	2023	2022
Utilities	\$ 558,131	\$ 572,616

Shaw's policy related to these in-kind contributions is to utilize them in the period received to cover the expenses related to utility services and certain repairs and maintenance.

The State of Louisiana, through the cooperative endeavor agreement, has agreed to provide repair and maintenance, and utility services for the Shaw Center, as well as the related chilled water system. However, any property leased to commercial tenants is excluded from the State's commitment. Finally, this commitment is subject to annual appropriation by the Legislature of the State of Louisiana. In the event that funds are not authorized, the Shaw Center will be responsible for such expenses.

The contributions are determined at fair market value based on the actual cost. These amounts are recorded as in-kind contributions and program service and general and administrative expenses on the accompanying statements of activities.

All in-kind contributions received from the State are restricted to the use of utility services and the repairs and maintenance specified in the endeavor agreement.

SHAW CENTER FOR THE ARTS, LLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023 AND 2022

(5) RETIREMENT PLAN

The Shaw Center offers retirement benefits to eligible employees electing to establish a 401(k)-retirement account and includes a contribution of 4% of eligible compensation. Participants are fully vested in contributions made to their retirement account. During the years ended June 30, 2023 and 2022, the Shaw Center contributed \$14,180 and \$13,688, respectively, for participants.

(6) LEASES

The Shaw Center elected to adopt FASB ASC 842, *Leases*, using the optional transition method that allows the Shaw Center to initially apply the new lease standard at the adoption date and recognize a cumulative effect adjustment to the opening balance of retained earnings in the period of adoption. As such, disclosure requirements follow ASC 840 for the year ended June 30, 2022 and follow ASC 842 for the year ended June 30, 2023.

Lessor

The Shaw Center has a leasing arrangement with its members, Douglas Manship Sr. Theater Complex, LLC (which is subleased to and paid by Douglas Manship Sr. Theater Complex Holding, Inc.) and LSU Museum, LLC, for occupying certain areas of the arts building. The leases have a ninety-nine-year term. The two members are obligated to pay a pro-rata share of the operating expenses of the Shaw Center and on-going support from these organizations is essential to sustain the operations of the Shaw Center. During June 30, 2023 and 2022, the Shaw Center received rent of \$284,830 from Manship Theatre and \$438,090 from LSU Museum each year from these two organizations.

The Shaw Center also has a leasing arrangement with The Downtown Redevelopment, LLC to sub-lease certain areas for retail, commercial, and residential use. The Downtown Redevelopment, LLC, an affiliate of the Baton Rouge Area Foundation, is required to build facilities to meet the needs of sub-leased tenants. During each of the years ended June 30, 2023 and 2022, the Shaw Center received \$29,549 from this lease arrangement as rental income.

Lessee

The land on which the facilities are located is owned by the State of Louisiana and is leased to the Shaw Center through Louisiana State University (LSU) for a ninety-nine-year term beginning November 15, 2002. There are no scheduled payments associated with this lease as the financial contributions made to build the Shaw Center project have been accepted as the consideration.

SHAW CENTER FOR THE ARTS, LLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023 AND 2022

(6) LEASES (CONTINUED)

Leases Under ASC 840 – June 30, 2022

The Shaw Center has an operating lease for office equipment for \$1,247, plus applicable taxes, a month for 60 months, expiring on January 22, 2024. Prior to implementation of FASB 842, *Leases*, rental expense under this lease is \$1,247 per month for the year ended June 30, 2022. There was \$14,964 in rent expense associated with this lease for the year ended June 30, 2022.

Leases Under ASC 842 – June 30, 2023

Effective July 1, 2022, the Shaw Center adopted FASB 842, *Leases*. The 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 income statement. Leases with a term of less than 12 months will not record a right of use asset and lease liability and the payments will be recognized into profit or loss on a straight-line basis over the lease term.

The Shaw Center elected to adopt FASB ASC 842, *Leases*, using the optional transition method that allows the Shaw Center to initially apply the new lease standard at the adoption date and recognize a cumulative effect adjustment to the opening balance of retained earnings in the period of adoption.

The Shaw Center 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 determination of lease contracts included in existing or expiring leases at the point of adoption, relief from having to reevaluate 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 Shaw Center 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. Lastly the Shaw Center elected to adopt the risk-free discount rate to calculate the lease asset and liability.

Additional information about the Shaw Center's leases is as follows for the year ended June 30, 2023:

Leases Costs (included in operating expenses):

Operating lease costs	\$ <u>14,964</u>
Cash paid for amounts included in measuring	
Operating lease liabilities:	
Operating cash flows from operating lease	\$ 14,964
Lease assets obtained in exchange for lease obligations:	
Operating leases	22,213
Weighted Average Remaining Lease Term	7 months
Weighted Average Discount Rate	2.47%

SHAW CENTER FOR THE ARTS, LLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023 AND 2022

(6) LEASES (CONTINUED)

The maturities of operating lease liabilities as of June 30, 2023:

Year ending June 30,	
2024	\$ 8,729
Less: interest	<u>(71)</u>
Present value of lease liabilities	<u>\$ 8,658</u>

(7) RELATED PARTY TRANSACTIONS

The Shaw Center has two organizational members, which are the Douglas Manship Sr. Theater Complex, LLC and LSU Museum, LLC, as described in Note 1. As further described in Note 6, the Shaw Center has lease agreements with these two members. See Note 6 for details of those agreements.

(8) NEW ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board (FASB) has issued Accounting Standards Update (Update) No. 2016-13, “*Financial Instruments-Credit Losses*.” The main objective of this Update is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. To achieve this objective, the amendments in this Update replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The amendments in this Update are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Shaw Center plans to adopt this Update as applicable by the effective date.

SUPPLEMENTARY INFORMATION

SHAW CENTER FOR THE ARTS, LLC
SCHEDULE OF COMPENSATION, BENEFITS,
AND OTHER PAYMENTS TO AGENCY HEAD
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Priscilla Simpson</u>
Time served	7/1/2022 through 6/30/2023
Salary	\$ -
Benefits - insurance (health and dental)	-
Benefits - cell phone	-
	-
Total compensation, benefits, and other payments	\$ <u><u>-</u></u>

*Note: Priscilla Simpson does not receive salary or related benefits from public sources.

**OTHER REPORTING REQUIRED BY
*GOVERNMENT AUDITING STANDARDS***



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

To the Board of Directors
Shaw Center for the Arts, LLC
Baton Rouge, Louisiana

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Shaw Center for the Arts, LLC, (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 28, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Shaw Center for the Arts, LLC's internal control over financial reporting (internal control) as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Shaw Center for the Arts, LLC's internal control. Accordingly, we do not express an opinion on the effectiveness of Shaw Center for the Arts, LLC's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal controls, described in the accompanying schedule of findings and responses as items 2023-001 that we consider to be a significant deficiency.

To the Board of Directors and Management of
Shaw Center for the Arts, LLC
December 28, 2023

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Shaw Center for the Arts, LLC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Shaw Center for the Arts, LLC's Response to Findings

Government Auditing Standards require the auditor to perform limited procedures on the Shaw Center for the Arts, LLC's response to the findings identified in our audit and described in the accompanying schedule of findings. Shaw Center for the Arts, LLC's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

December 28, 2023
Baton Rouge, Louisiana

Ericksen Krentel, LLP
Certified Public Accountants

SHAW CENTER FOR THE ARTS, LLC
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2023

I. SUMMARY OF AUDITORS' REPORTS

1. The auditors' report expresses an unmodified opinion on the financial statements of The Shaw Center for the Arts, LLC.
2. A significant deficiency in internal control relating to the audit of the financial statements was reported in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Prepared in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements were reported in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Prepared in Accordance with *Government Auditing Standards*.
4. A management letter was not issued for the year ended June 30, 2023.

II. FINDINGS – FINANCIAL STATEMENT AUDIT

Significant Deficiency

Finding 2023-001 Internal Controls Over Cash Disbursement Transactions

Criteria: An effective internal accounting control system that safeguards assets and reasonably insures the reliability of the accounting records.

Condition: We noted that there is a lack of segregation of duties with respect to cash transactions. The same person has the ability to authorize transactions, record transactions, and has custody of assets involved in the transaction. These duties allow the same person to have access to both the assets and the recordkeeping, which increases the risk for misappropriation of assets.

Cause: Due to the small size of the organization, a proper segregation of duties is not possible with respect to cash transactions.

Effect: The lack of segregation of duties increases the risk for misappropriation of assets.

Recommendation: Although adequate segregation of duties is not feasible with current personnel, we recommend that the Organization continue to implement, when possible, mitigating procedures to address and minimize the risk of misappropriation of assets.

SHAW CENTER FOR THE ARTS, LLC
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2023

II. FINDINGS – FINANCIAL STATEMENT AUDIT (CONTINUED)

Views of Responsible Officials: Management continues to assess its risk and where feasible has implemented some mitigating controls, such as authorization of disbursements by individuals not associated with the financial reporting process, monthly review of the financial statements by the Treasurer, and the Board of Directors performs a quarterly review of the financial statements, current bank statements and bank reconciliations, a cash disbursements report for the current month, the current schedule of deferred revenues, and a budget vs. actual analysis.

SHAW CENTER FOR THE ARTS, LLC
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023

I. INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS

Finding 2022-001 – Internal Controls Over Cash Transactions and Financial Oversight

Condition: We noted that there is a lack of segregation of duties with respect to cash transactions. The same person has the ability to authorize transactions, record transactions, and has custody of assets involved in the transaction. These duties allow the same person to have access to both the assets and the recordkeeping, which increases the risk for misappropriation of assets

This finding has not been resolved as of June 30, 2023.

Finding 2022-002 – Financial statements are required to be prepared in accordance with GAAP

Condition: The Shaw Center does not have controls in place to prepare financial statements in accordance with GAAP.

This finding has been resolved as of June 30, 2023.

II. MANAGEMENT LETTER

Not applicable.