

Louisiana Art and Science Museum, Inc.
Baton Rouge, Louisiana
December 31, 2019

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Independent Auditor's Report

The Board of Trustees
Louisiana Art and Science Museum, Inc.
Baton Rouge, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of Louisiana Art and Science Museum, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

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.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Louisiana Art and Science Museum, Inc., as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Louisiana Art and Science Museum, Inc.'s 2018 financial statements, and expressed an unmodified opinion on those audited financial statements in our report dated June 13, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of compensation, benefits, and other payments to agency head or chief executive officer, changes in net assets without donor restrictions by components, and changes in net assets with donor restrictions by components are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 September 22, 2020 on our consideration of Louisiana Art and Science Museum, Inc.'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 Louisiana Art and Science Museum, Inc.'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 Louisiana Art and Science Museum, Inc.'s internal control over financial reporting and compliance.

Hawthorn, Weymouth & Carroll, L.L.P.

September 22, 2020

Louisiana Art and Science Museum, Inc.
Statements of Financial Position
December 31, 2019 and 2018

Assets	<u>2019</u>	<u>2018</u>
Assets		
Cash and cash equivalents	\$ 200,754	\$ 130,317
Accounts and grants receivable	57,630	30,612
Inventory	29,841	26,018
Prepaid expenses	39,522	68,042
Contributions receivable	-	9,713
Investments	105,314	207,205
Investments - Endowment	2,984,591	2,589,033
Furniture and equipment	1,701,074	1,648,323
Leasehold improvements	878,890	878,890
Accumulated depreciation and amortization	(1,944,687)	(1,814,975)
Beneficial interest in investments held by others	652,469	610,103
Museum collection	<u>-</u>	<u>-</u>
Total assets	<u>\$ 4,705,398</u>	<u>\$ 4,383,281</u>
Liabilities & Net Assets		
Liabilities		
Accounts payable	\$ 25,810	\$ 65,114
Accrued payroll and other liabilities	<u>173,881</u>	<u>120,703</u>
Total liabilities	<u>199,691</u>	<u>185,817</u>
Net Assets		
Without donor restrictions		
Designated by Board of Trustees	204,922	204,922
Undesignated	<u>378,911</u>	<u>567,928</u>
	583,833	772,850
With donor restrictions	<u>3,921,874</u>	<u>3,424,614</u>
Total net assets	<u>4,505,707</u>	<u>4,197,464</u>
Total liabilities and net assets	<u>\$ 4,705,398</u>	<u>\$ 4,383,281</u>

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

Louisiana Art and Science Museum, Inc.
Statements of Activities
Years Ended December 31, 2019 and 2018

	<u>Without</u> <u>Donor</u> <u>Restrictions</u>	<u>With</u> <u>Donor</u> <u>Restrictions</u>	<u>2019</u> <u>Total</u>	<u>2018</u> <u>Total</u>
Revenues, Gains & Other Support				
Government Appropriations				
East Baton Rouge City-Parish	\$ 842,000	\$ -	\$ 842,000	\$ 842,000
Admissions	506,476	-	506,476	462,038
Memberships	93,885	-	93,885	101,737
Contributions	240,876	100,000	340,876	543,530
Grants	135,169	-	135,169	21,275
Investment income (loss)	20,050	595,140	615,190	(201,019)
Other revenue	296,631	-	296,631	289,874
Net assets released from restrictions	<u>197,880</u>	<u>(197,880)</u>	<u>-</u>	<u>-</u>
 Total revenues, gains & other support	 <u>2,332,967</u>	 <u>497,260</u>	 <u>2,830,227</u>	 <u>2,059,435</u>
Expenses				
Programs				
Museum	761,989	-	761,989	994,864
Planetarium	468,581	-	468,581	753,308
Supporting services	-	-	-	-
Fund raising	235,561	-	235,561	147,417
General & administrative	<u>1,055,853</u>	<u>-</u>	<u>1,055,853</u>	<u>643,738</u>
 Total expenses	 <u>2,521,984</u>	 <u>-</u>	 <u>2,521,984</u>	 <u>2,539,327</u>
 Increase (Decrease) in Net Assets	 (189,017)	497,260	308,243	(479,892)
Net Assets				
Beginning of year	<u>772,850</u>	<u>3,424,614</u>	<u>4,197,464</u>	<u>4,677,356</u>
 End of year	 <u>\$ 583,833</u>	 <u>\$3,921,874</u>	 <u>\$4,505,707</u>	 <u>\$4,197,464</u>

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

Louisiana Art and Science Museum, Inc.
Statements of Cash Flows
Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows From Operating Activities		
Increase (Decrease) in net assets	\$ 308,243	\$ (479,892)
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Realized/Unrealized investment (gain) loss	9,107	4,926
Realized/Unrealized investment (gain) loss attributable to assets with donor restrictions	(565,339)	270,026
Depreciation and amortization	129,712	130,564
Change in value of contributions receivable	(287)	(424)
(Increase) Decrease in assets:		
Accounts and grants receivable	(27,018)	(2,168)
Contributions receivable	10,000	5,000
Inventory	(3,823)	3,022
Prepaid expenses	28,520	(28,794)
Increase (Decrease) in liabilities:		
Accounts payable	(39,304)	31,201
Accrued payroll and other liabilities	<u>53,175</u>	<u>(424)</u>
Net cash used in operating activities	<u>(97,014)</u>	<u>(66,963)</u>
 Cash Flows From Investing Activities		
Payments for equipment and leasehold improvements	(52,751)	(127,915)
Proceeds from investment sales and maturities	1,463,826	1,171,639
Purchase of investments	<u>(1,243,624)</u>	<u>(1,063,812)</u>
Net cash provided by (used in) investing activities	<u>167,451</u>	<u>(20,088)</u>
 Net Increase (Decrease) in Cash and Cash Equivalents	 70,437	 (87,051)
 Cash and Cash Equivalents, beginning of year	 <u>130,317</u>	 <u>217,368</u>
 Cash and Cash Equivalents, end of year	 <u>\$ 200,754</u>	 <u>\$ 130,317</u>

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

Louisiana Art and Science Museum, Inc.
Notes to Financial Statements
December 31, 2019

Note 1-Summary of Significant Accounting Policies

A. Background and Purpose

Louisiana Art and Science Museum, Inc. (the “Museum”) is a nonprofit corporation exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified as a public charity.

The Museum operates several projects and exhibits, such as the Irene W. Pennington Planetarium, Discovery Depot, and Science Station, devoted to the development of intellectual skills, creative abilities, and the acquisition of knowledge and inspiration of the present and future generations of Louisiana citizens. Revenues are derived primarily from contributed public and governmental support and admissions.

B. Basis of Accounting and Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting.

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Museum’s financial statements for the year ended December 31, 2018 from which the summarized information was derived.

The Museum reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed on them by donors: net assets without donor restrictions and net assets with donor restrictions. Net assets without donor restrictions include those net assets whose use by the Museum is not restricted by donors, even though their use may be limited in other respects, such as by contract or board designation. 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 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 resource be maintained in perpetuity.

C. 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 and 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.

D. Cash and Cash Equivalents

For purposes of the statements of cash flows, the Museum considers all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents, except for cash equivalents subject to investment management direction.

Louisiana Art and Science Museum, Inc.
Notes to Financial Statements
December 31, 2019

Note 1-Summary of Significant Accounting Policies (Continued)

E. Contributed Support

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Museum reports gifts of cash and other assets as restricted if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period as received are reported as support without donor restrictions.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the estimated cash flows. The discounts on these amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts will be included in contribution revenue.

Management considers all promises to give and other receivables to be fully collectible, and accordingly, no allowance for uncollectible amounts is required.

F. Contributed Facilities and Services

The Museum occupies without charge certain premises located in government provided buildings. The value of this contribution is not reflected in these statements since there is no clearly measurable basis of the rental value of the historical building.

A number of unpaid volunteers have made significant contributions of their time to develop the Museum's programs, principally in fund raising and educational programs. The value of this contributed time is not reflected in these statements because the Museum does not control the performance of these volunteers.

G. Inventory

Inventory is stated at the lower of cost or net realizable value determined by the first-in, first-out method.

H. Investments

Investments in debt and equity securities are stated at fair value. Donations of investments are recorded at fair value at the date of donation. Investment income, including gains and losses on investments, interest and dividends, is included in the statement of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law.

I. Fair Value Measurements

The Museum follows FASB ASC 820, *Fair Value Measurements and Disclosures*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e. the "exit price") in an orderly transaction between market participants at the measurement date.

Louisiana Art and Science Museum, Inc.
Notes to Financial Statements
December 31, 2019

Note 1-Summary of Significant Accounting Policies (Continued)

I. Fair Value Measurements (Continued)

FASB ASC 820 establishes a hierarchical framework which prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is impacted by a number of factors, including the type of investment and the characteristics specific to the investment.

The Museum utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Museum determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- Level I: Quoted prices (unadjusted) in active markets which are accessible at the measurement date.
- Level II: Prices based on observable inputs corroborated by market data but no quoted active markets.
- Level III: Prices based on unobservable inputs, including situations where there is little, if any, market activity for the assets or liabilities. The inputs used in the determination of fair value require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investments.

J. Property and Equipment

Property and equipment are reported at historical costs, except those arising from donations which are recorded at current values at the date of donation. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets as follows:

Furniture & equipment	3-10 years
Leasehold improvements	10 years

The Museum's policy is to capitalize betterments and renewals but to expense all maintenance and repairs when incurred.

Collections acquired by the Museum are not included in property and equipment. They are captioned on the statement of financial position with no dollar value, as they are not required to be capitalized. A further description of the collections is presented in Note 7.

Louisiana Art and Science Museum, Inc.
Notes to Financial Statements
December 31, 2019

Note 1-Summary of Significant Accounting Policies (Continued)

K. Concentrations

The Museum operates its activities exclusively in Baton Rouge, Louisiana. Although its programs are varied, it is dependent on the economic condition of the Baton Rouge area to support its activities.

L. Income Taxes

Louisiana Art and Science Museum, Inc. has been recognized by the Internal Revenue Service as a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes. Accordingly, no provision for income taxes on related income has been included in the financial statements. The Museum has been classified as an organization other than a private foundation.

Management has determined that there are no uncertain tax positions that would require recognition in the financial statements. If the Museum were to incur an income tax liability in the future, interest on any income tax liability would be reported as interest expense and penalties on any income tax would be reported as income taxes. Management's conclusions regarding uncertain tax positions may be subject to review and adjustment at a later date based on ongoing analysis of tax laws, regulations, and interpretations thereof as well as other factors.

M. Liquidity Management

As of December 31, 2019, the following financial assets could be made readily available within one year of the date of the statement of financial position to meet general expenditures:

Cash and cash equivalents	\$ 200,754
Receivables	57,630
Investments	<u>105,314</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 363,698</u>

As part of its liquidity management, the Museum has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations become due.

N. Functional Allocation of Expenses

The costs of providing the various programs, fund-raising and other activities have been summarized on a functional basis in Note 9 of the financial statements. Accordingly, certain costs have been allocated among the programs and fund-raising activities benefitted based on time estimates of employees and various allocation methodologies.

Louisiana Art and Science Museum, Inc.
Notes to Financial Statements
December 31, 2019

Note 1-Summary of Significant Accounting Policies (Continued)

O. Advertising

The Museum uses advertising to promote its programs among the community it serves. The production costs of advertising are expensed as incurred. During 2019 and 2018, advertising costs totaled \$49,546 and \$39,998, respectively.

P. Reclassification

Certain reclassifications have been made to the 2018 financial statements and notes to conform with the 2019 presentation. These reclassifications had no effect on net assets or the change in net assets of the prior year.

Note 2-Contributions Receivable

Included in contributions receivable are the following unconditional promises to give as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Unconditional promises to give before amortized discount:		
Planetarium program support	\$ -	\$ 10,000
Less: unamortized discount	<u>-</u>	<u>(287)</u>
Net unconditional promises to give	<u>\$ -</u>	<u>\$ 9,713</u>
Amounts due in:		
Less than one year	\$ -	\$ 5,000
One to five years	<u>-</u>	<u>5,000</u>
Total	<u>\$ -</u>	<u>\$ 10,000</u>

The rate applied to discount these promises to give was 3% in 2018.

Louisiana Art and Science Museum, Inc.
Notes to Financial Statements
December 31, 2019

Note 3-Fair Value Measurements

Assets measured at fair value on a recurring basis comprise the following as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Investments – without donor restrictions	\$ -	\$ 70,940
Investments – with donor restrictions	<u>105,314</u>	<u>136,265</u>
	105,314	207,205
Investments - endowment	<u>2,984,591</u>	<u>2,589,033</u>
 Total investments held by Museum	 3,089,905	 2,796,238
 Beneficial interest in investments held by others	 <u>652,469</u>	 <u>610,103</u>
 Total	 <u>\$ 3,742,374</u>	 <u>\$ 3,406,341</u>

The following table summarizes investments, by level, within the fair value hierarchy as of December 31, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Cash equivalent mutual funds	\$ 233,466	\$ -	\$ -	\$ 233,466
Equities				
Individual equities	1,101,999	-	-	1,101,999
Mutual funds	532,926	-	-	532,926
Fixed income				
Individual bonds	-	468,599	-	468,599
Mutual funds	365,717	-	-	365,717
Alternative investments				
Real estate investment trusts	117,707	-	-	117,707
Commodity specialty trading mutual funds	<u>269,491</u>	<u>-</u>	<u>-</u>	<u>269,491</u>
 Total investments	 2,621,306	 468,599	 -	 3,089,905
 Beneficial interest in investments held by others	 <u>-</u>	 <u>-</u>	 <u>652,469</u>	 <u>652,469</u>
	<u>\$2,621,306</u>	<u>\$ 468,599</u>	<u>\$ 652,469</u>	<u>\$3,742,374</u>

Louisiana Art and Science Museum, Inc.
Notes to Financial Statements
December 31, 2019

Note 3-Fair Value Measurements (Continued)

The following table summarizes investments, by level, within the fair value hierarchy as of December 31, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Cash equivalent mutual funds	\$ 185,136	\$ -	\$ -	\$ 185,136
Equities				
Individual equities	1,016,596	-	-	1,016,596
Mutual funds	522,407	-	-	522,407
Fixed income				
Individual bonds	-	404,904	-	404,904
Mutual funds	243,533	-	-	243,533
Alternative investments				
Real estate investment trusts	152,864	-	-	152,864
Commodity trading mutual funds	<u>270,798</u>	<u>-</u>	<u>-</u>	<u>270,798</u>
 Total investments	 2,391,334	 404,904	 -	 2,796,238
 Beneficial interest in investments held by others	 <u>-</u>	 <u>-</u>	 <u>610,103</u>	 <u>610,103</u>
	<u>\$2,391,334</u>	<u>\$ 404,904</u>	<u>\$ 610,103</u>	<u>\$3,406,341</u>

Generally, for all investments and assets held in trust, fair value is determined by reference to quoted market prices and other relevant information generated by market transactions. For certain investments, fair value is determined by the present value of future cash inflows.

The following table presents the changes in fair value of Level 3 investments that are measured at fair value on a recurring basis:

	December 31,	
	<u>2019</u>	<u>2018</u>
Beginning balance	\$ 610,103	\$ 646,350
Net appreciation (depreciation)	<u>42,366</u>	<u>(36,247)</u>
 Ending balance	 <u>\$ 652,469</u>	 <u>\$ 610,103</u>

Louisiana Art and Science Museum, Inc.
Notes to Financial Statements
December 31, 2019

Note 3-Fair Value Measurements (Continued)

Investment activity for the years ended December 31, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Interest and dividend income	\$ 96,705	\$ 114,506
Realized/unrealized investment gains (losses)	556,232	(274,952)
Investment management fees	<u>(37,747)</u>	<u>(40,573)</u>
	<u>\$ 615,190</u>	<u>\$ (201,019)</u>

Note 4-Other Revenue

Other revenue is detailed as follows:

	<u>2019</u>	<u>2018</u>
Fund raising events (net of expenses of \$27,399 and \$26,985 for 2019 and 2018, respectively)	<u>\$ 160,711</u>	<u>\$ 167,575</u>
Workshops, programs & events, less expenses	<u>4,654</u>	<u>1,640</u>
Building use rental	<u>20,605</u>	<u>12,400</u>
Museum Shop - Sales	178,744	188,164
Museum Shop - Less cost of sales	<u>(80,461)</u>	<u>(91,595)</u>
	<u>98,283</u>	<u>96,569</u>
Birthday party revenue	23,235	24,517
Less birthday party expenses	<u>(11,204)</u>	<u>(13,864)</u>
	<u>12,031</u>	<u>10,653</u>
Miscellaneous	<u>347</u>	<u>1,037</u>
Total other revenue	<u>\$ 296,631</u>	<u>\$ 289,874</u>

Louisiana Art and Science Museum, Inc.
Notes to Financial Statements
December 31, 2019

Note 5-Endowment Funds

The Museum's endowment consists of two funds to support its Planetarium operations and equipment replacement. These funds are donor restricted. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Museum has adopted investment policies, approved by the Board of Trustees, for endowment assets that attempt to provide a predictable stream of funding for the Planetarium while maintaining the purchasing power of the endowment assets over the long-term. Accordingly, the investment policy seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risks. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5%, while growing the funds if possible. Although the Museum expects its endowment assets, over time, to produce an average rate of return in excess of 5% annually, actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk. The donors of the Museum's endowment funds approved appropriation for distributions of 5% of the fund's fair value at year end preceding the year in which the distribution is planned with all investment income and appreciation restricted to the endowment fund. This spending policy approved by the donors does not require the preservation of fair value of their original or subsequent gifts to the funds. Endowment fund net asset composition at December 31, 2019 and 2018 were as follows:

	December 31, 2019		December 31, 2018	
	<u>With Donor</u>		<u>With Donor</u>	
	<u>Restrictions</u>	<u>Total</u>	<u>Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	<u>\$ 2,984,591</u>	<u>\$ 2,984,591</u>	<u>\$ 2,589,033</u>	<u>\$ 2,589,033</u>

Changes in endowment fund net assets during the years ended December 31, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Endowment net assets, beginning of year	\$ 2,589,033	\$ 2,914,550
Contributions	-	-
Investment returns (losses)	552,642	(189,252)
Amounts appropriated for expenditures	<u>(157,084)</u>	<u>(136,265)</u>
Endowment net assets, end of year	<u>\$ 2,984,591</u>	<u>\$ 2,589,033</u>

Louisiana Art and Science Museum, Inc.
Notes to Financial Statements
December 31, 2019

Note 6-Beneficial Interest in Investments Held by Others

In the statement of financial position at December 31, 2019 and 2018, the aggregate transfers to a recipient organization, for which Louisiana Art and Science Museum, Inc. is specified as the beneficiary, amounted to \$652,469 and \$610,103, respectively, and is recorded as a beneficial interest in the investments held by the Baton Rouge Area Foundation. Variance power was not granted to the recipient organization. Amounts are distributed to the Museum quarterly based on 5% of the current market value of the investment account.

Note 7-Museum Collection

Louisiana Art and Science Museum, Inc. has approximately 4,000 objects in its permanent collection. The collection is varied with holdings in the areas of fine art, crafts, ethnographic artifacts, and natural science. Objects for the collection are received mainly through donations of the objects and through private donations for the purchase of objects. Some objects are purchased with funds from other earned and unearned revenue sources. Due to the nature of record-keeping and cataloging of the collection, and the intangible value of the objects, it is not feasible to place a dollar value on the collection.

The Museum's stewardship policy is to acquire objects with intrinsic values within the scope of its long-range goals. The Museum strives to provide proper conservation measures to protect the objects for posterity and exhibition. If objects are sold, those funds may only be used for future acquisitions to the collection.

Note 8-Net Assets With Donor Restrictions

The composition of the Museum's net assets with donor restrictions at December 31, 2019 and 2018 was as follows:

	<u>2019</u>	<u>2018</u>
Pennington Planetarium operations endowment	\$ 2,487,159	\$ 2,157,528
McMains Planetarium equipment endowment	<u>497,432</u>	<u>431,505</u>
	<u>2,984,591</u>	<u>2,589,033</u>
Beneficial Interest in Baton Rouge Area Foundation Agency endowments:		
Science Education	613,288	573,528
Adalie' Brent Memorial	<u>39,181</u>	<u>36,575</u>
	<u>652,469</u>	<u>610,103</u>
Museum operational support	100,000	-
Planetarium operations	105,314	136,265
Planetarium program support	-	9,713
LA Artist Collection Acquisition	<u>79,500</u>	<u>79,500</u>
Total net assets with donor restrictions	<u>\$ 3,921,874</u>	<u>\$ 3,424,614</u>

Louisiana Art and Science Museum, Inc.
Notes to Financial Statements
December 31, 2019

Note 9-Functional Expenses

The costs of providing programs and other activities are summarized on a functional basis as follows:

	Programs		Supporting Services		2019 <u>Total</u>	2018 <u>Total</u>
	<u>Museum</u>	<u>Plane- tarium</u>	<u>Fund- raising</u>	<u>General and Admin- istrative</u>		
Salaries, wages, & benefits	\$ 557,653	\$ 245,198	\$ 209,613	\$ 758,534	\$1,770,998	\$1,715,582
Insurance	12,803	-	-	22,999	35,802	34,285
Services & professional fees	79,988	60,850	12,764	57,122	210,724	229,771
Supplies	9,764	6,433	8,936	28,492	53,625	76,118
Printing & postage	36,586	8,060	6,207	5,234	56,087	66,505
Occupancy	27,262	33,880	1,405	139,898	202,445	207,070
Travel	2	-	-	1,068	1,070	1,894
Public relations & marketing	11,842	3,314	24,035	42,506	81,697	64,678
Conservation	4,223	-	-	-	4,223	16,044
Art acquisition	3,000	-	-	-	3,000	23,801
Depreciation & amortization	<u>18,866</u>	<u>110,846</u>	<u>-</u>	<u>-</u>	<u>129,712</u>	<u>130,564</u>
	761,989	468,581	262,960	1,055,853	2,549,383	2,566,312
Less: Gala expenses netted with revenue	<u>-</u>	<u>-</u>	<u>(27,399)</u>	<u>-</u>	<u>(27,399)</u>	<u>(26,985)</u>
	<u>\$ 761,989</u>	<u>\$ 468,581</u>	<u>\$ 235,561</u>	<u>\$1,055,853</u>	<u>\$2,521,984</u>	<u>\$2,539,327</u>

Note 10-Commitments

The Museum leases its phone system under an operating lease expiring in 2020. Rental expense was \$4,080 in 2019 and 2018, respectively. The minimum future rental payments under the non-cancellable lease are as follows:

2020	<u>\$ 3,740</u>
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Note 11-Concentration of Credit Risk

At various times during years 2019 and 2018, cash on deposit with one banking institution exceeded the amount insured by the Federal Deposit Insurance Corporation. Management monitors the financial condition of the financial institution on a regular basis, along with their balances in cash to minimize this potential risk.

Louisiana Art and Science Museum, Inc.
Notes to Financial Statements
December 31, 2019

Note 12-Retirement Plan

The Museum maintains a 401(k) qualified retirement plan which covers substantially all full-time employees. Under current provisions of the Plan, which are subject to change, the Museum matches 100% of each eligible employee's contributions, not to exceed 3% of compensation. The Museum's contributions to the Plan totaled \$12,530 and \$15,934 for the years ended December 31, 2019 and 2018, respectively.

Note 13-Subsequent Events

Management of the Museum evaluated all subsequent events through September 22, 2020, the date the financial statements were available to be issued. As a result of the spread of a novel coronavirus (COVID-19), economic uncertainties have arisen which could negatively impact the Museum. Other financial impact could occur though such potential impact is unknown at this time.

Supplementary Information

**Louisiana Art and Science Museum, Inc.
Schedule of Compensation, Benefits and Other
Payments to Agency Head or Chief Executive Officer
Year Ended December 31, 2019**

Agency Head Name: President and Executive Director

Purpose	Carol S. Gikas (01/01/19 - 01/31/19)	Serena M. Pandos (02/01/19 - 12/31/19)
Salary	\$ 42,324	\$ 137,633
Benefits - insurance	5,308	7,067
Benefits - retirement	1,270	-
Car allowance	-	-
Vehicle provided by government	-	-
Per diem	-	-
Reimbursements	76	5,107
Travel	-	-
Registration fees	-	-
Conference travel	-	-
Continuing professional education fees	-	-
Housing	-	-
Unvouchered expenses	-	-
Special meals	-	-

Louisiana Art and Science Museum, Inc.
Schedule of Changes in Net Assets Without Donor Restrictions by Components
Years Ended December 31, 2019

	<u>Balance</u> <u>12/31/2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Fund</u> <u>Transfers</u>	<u>Balance</u> <u>12/31/2019</u>
Designated					
Museum Collection - BRAF match	\$ 79,500	\$ -	\$ -	\$ -	\$ 79,500
Master Planning – The Seed	<u>125,422</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>125,422</u>
	204,922	-	-	-	204,922
Undesignated	<u>567,928</u>	<u>2,332,967</u>	<u>(2,521,984)</u>	<u>-</u>	<u>378,911</u>
Totals	<u>\$ 772,850</u>	<u>\$2,332,967</u>	<u>\$(2,521,984)</u>	<u>\$ -</u>	<u>\$ 583,833</u>

Louisiana Art and Science Museum, Inc.
Schedule of Changes in Net Assets With Donor Restrictions by Components
Years Ended December 31, 2019

	<u>Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Fund</u>	<u>Balance</u>
	<u>12/31/2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>12/31/2019</u>
With Donor Restrictions					
Louisiana Artists Collection Acquisitions	\$ 79,500	\$ -	\$ -	\$ -	\$ 79,500
Museum operational support	-	100,000	-	-	100,000
Planetarium operations	136,265	-	-	(30,951)	105,314
Planetarium program support	9,713	-	-	(9,713)	-
Planetarium endowments	2,589,033	552,774	-	(157,216)	2,984,591
Beneficial interest in investments held by others	<u>610,103</u>	<u>42,366</u>	<u>-</u>	<u>-</u>	<u>652,469</u>
Totals	<u>\$ 3,424,614</u>	<u>\$ 695,140</u>	<u>\$ -</u>	<u>\$ (197,880)</u>	<u>\$ 3,921,874</u>



**HAWTHORN
WAYMOUTH
& CARROLL, L.L.P.**
Certified Public Accountants

Louis C. McKnight, III, CPA
Charles R. Pevey, Jr., CPA
David J. Broussard, CPA
Brittany B. Thames, CPA
Kevin M. Rodriguez, CPA
Blaine M. Crochet, CPA

**Independent Auditor's 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***

The Board of Trustees
Louisiana Art and Science Museum, Inc.
Baton Rouge, Louisiana

We have audited, in accordance with the 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 Louisiana Art and Science Museum, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 22, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Louisiana Art and Science Museum, Inc.'s internal control over financial reporting (internal control) to determine the audit 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 Louisiana Art and Science Museum, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Louisiana Art and Science Museum, Inc.'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Louisiana Art and Science Museum, Inc.'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hawthorn, Weymouth & Carroll, L.L.P.

September 22, 2020

Louisiana Art and Science Museum, Inc.
Schedule of Current Year Audit Findings
Year Ended December 31, 2019

Part I. Summary of Audit Results

- 1) An unmodified opinion has been expressed on the financial statements of Louisiana Art and Science Museum, Inc. as of and for the year ended December 31, 2019, and the related notes to the financial statements.

- 2) No deficiencies in internal control over financial reporting that we consider to be material weaknesses were identified.

- 3) No instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* were identified.

- 4) A single audit in accordance with *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* was not required.

- 5) A management letter was not issued.

Part II. Findings Related to an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

- No findings were noted.

Louisiana Art and Science Museum, Inc.
Schedule of Prior Year Findings
December 31, 2019

Part I. Findings Related to an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

- No findings were noted.

Part II. Management Letter

- Not Applicable

Louisiana Art and Science Museum, Inc.

Agreed-Upon Procedures Report

December 31, 2019



**Independent Accountant's Report
on Applying Agreed-upon Procedures**

To the Members of the Board of Trustees of Louisiana Art and Science Museum, Inc. and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by Louisiana Art and Science Museum, Inc. (Entity) and the Louisiana Legislative Auditor (LLA) on the control and compliance areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2019 through December 31, 2019. The Entity's management is responsible for those control and compliance areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this 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 performed and the results thereof are set forth below. The procedures are stated first, followed by the results of the procedures presented in italics.

Written Policies and Procedures

1. Obtained and inspected the entity's written policies and procedures and observed that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
 - a) ***Disaster Recovery/Business Continuity***, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

The entity's written policies and procedures for disaster recovery/business continuity do not specifically address criteria (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, and (5) timely application of all available system and software patches/updates.

Collections

2. Obtained a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. The entity's only deposit site was used for the procedures in this section.

No exceptions were found as a result of this procedure.

3. For the entity's only deposit site, obtained a listing of collection locations and management's representation that the listing is complete. Randomly selected one collection location for the entity's only deposit site, obtained and inspected written policies and procedures relating to employee job duties at the selected collection location, and observed that job duties are properly segregated at the selected collection location such that:

- a) Employees that are responsible for cash collections do not share cash drawers/registers.

No exceptions were found as a result of this procedure.

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

No exceptions were found as a result of this procedure.

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

No exceptions were found as a result of this procedure.

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

No exceptions were found as a result of this procedure.

4. Inquired of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

No exceptions were found as a result of this procedure.

5. Randomly selected two deposit dates from the entity's main operating account (selected the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly selected a deposit if multiple deposits were made on the same day). Obtained supporting documentation for each of the two deposits and:

- a) Observed that receipts are sequentially pre-numbered.

No exceptions were found as a result of this procedure.

- b) Traced sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

No exceptions were found as a result of this procedure.

- c) Traced the deposit slip total to the actual deposit per the bank statement.

No exceptions were found as a result of this procedure.

- d) Observed that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than ten miles from the collection location or the deposit is less than \$100).

No exceptions were found as a result of this procedure.

- e) Traced the actual deposit per the bank statement to the general ledger.

No exceptions were found as a result of this procedure.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

- 6. Obtained from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtained management's representation that the listing is complete.

No exceptions were found as a result of this procedure.

- 7. The entity's four cards that were used during the fiscal period were used for the procedures in this section. Randomly selected one monthly statement or combined statement for each card, obtained supporting documentation, and:

- a) Observed that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]

No exceptions were found as a result of this procedure.

- b) Observed that finance charges and late fees were not assessed on the selected statements.

One statement reflects an assessment of a late fee.

- 8. Using the monthly statements or combined statements selected under # 7 above, excluding fuel cards, randomly selected 10 transactions (or all transactions if less than 10) from each statement, and obtained supporting documentation for the transactions. For each transaction, observed that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

Two transactions were not supported by written documentation of the business/public purpose.

Travel and Travel-related Expense Reimbursements (excluding card transactions)

- 9. Obtained from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly selected 5 reimbursements, obtained the related expense reimbursement forms/prepaid expense

documentation for each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

- a) If reimbursed using a per diem, agreed the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

No exceptions were found as a result of this procedure.

- b) If reimbursed using actual costs, observed that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

No exceptions were found as a result of this procedure.

- c) Observed that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observed that the documentation includes the names of those individuals participating) and other documentation required by written policy.

No exceptions were found as a result of this procedure.

- d) Observed that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Two of the five reimbursements selected lacked written evidence of review and approval by someone other than the person receiving reimbursement.

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 those control and compliance areas identified in the SAUPs. 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 those control and compliance areas identified in the SAUPs, 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 LLA as a public document.

Hawthorn, Wymouth & Carroll, L.L.P.

September 28, 2020

September 29, 2020

Legislative Auditor

Re: Response to Summary of Exceptions Noted
Louisiana Art and Science Museum, Inc
Year Ended December 31, 2019

We have reviewed the Exceptions noted with regards to the Statewide Agreed-upon Procedures for the Louisiana Art & Science Museum, Inc. for the Year Ended December 31, 2019.

With regards to all exception to proscribed policies and procedures we take seriously these findings and have taken the following actions to address any deficiencies:

Written Policies and Procedures – Disaster Recovery/Business Continuity – Management will review existing policies and procedures, and implement the necessary changes to specifically address: Identification of critical data and frequency of data backups, storage backups in locations isolated from the network, and periodic testing of backups for recovery. We will also assure use of antivirus software on all systems, and the timely application of all available system and software patches/updates will be implemented.

Credit Card/Debit Cards/Fuel Card/P-Cards and Travel Reimbursements - Exceptions Noted in the forgoing areas will be addressed with the implementation of a Purchase Order Procedure System that is current under development for implementation in the near future, which will control the authorization and approval process for expenditures, both operating and administrative.



Serena Pandos
President & Executive Director
Louisiana Art & Science Museum, Inc.