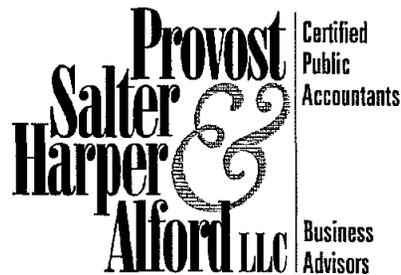


SHAW CENTER FOR THE ARTS, L.L.C.

FINANCIAL REPORT

June 30, 2017



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SHAW CENTER FOR THE ARTS, L.L.C.

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June 30, 2017

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Certified
Public
Accountants

Business
Advisors

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

To the Board of Directors
Shaw Center for the Arts, L.L.C.

We have audited the accompanying financial statements of the Shaw Center for the Arts, L.L.C., (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and cash flows for the years 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 audits. We conducted our audits 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 from 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 the Shaw Center for the Arts, L.L.C. as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of compensation, benefits and other payments to agency head on Schedule I is presented to comply with the requirements issued by the State of Louisiana, 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 November 22, 2017 on our consideration of Shaw Center for the Arts, L.L.C.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Shaw Center for the Arts, L.L.C.'s internal control over financial reporting and compliance.

Provost, Salter, Harper, & Alford LLC



Baton Rouge, Louisiana
November 22, 2017

SHAW CENTER FOR THE ARTS, LLC

Statements of Financial Position**June 30, 2017 and 2016**

| ASSETS | 2017 | 2016 |
|--|---------------|---------------|
| Current Assets | | |
| Cash and cash equivalents | \$ 505,001 | \$ 532,744 |
| Receivables: | | |
| Rental | 67,696 | 64,820 |
| Related parties | 419 | 1,529 |
| Other | 205 | 2,250 |
| Prepaid insurance | 7,530 | 7,233 |
| Total current assets | 580,851 | 608,576 |
| Property and Equipment, net | 29,839,064 | 30,878,699 |
| Total Assets | \$ 30,419,915 | \$ 31,487,275 |
| LIABILITIES AND NET ASSETS | | |
| Current Liabilities | | |
| Accounts payable | \$ 29,785 | \$ 55,969 |
| Accrued expenses and other current liabilities | 3,405 | 2,905 |
| Deferred revenue | 111,128 | 114,430 |
| Total current liabilities | 144,318 | 173,304 |
| Net Assets, Unrestricted | 30,275,597 | 31,313,971 |
| Total Liabilities and Net Assets | \$ 30,419,915 | \$ 31,487,275 |

SHAW CENTER FOR THE ARTS, LLC

Statements of Activities**Years Ended June 30, 2017 and 2016**

| | 2017 | 2016 |
|---------------------------------|----------------------------|----------------------------|
| SUPPORT | | |
| Rental income | \$ 753,015 | \$ 753,774 |
| Contributions and sponsorships | 359,315 | 338,453 |
| Event income | 206,976 | 147,682 |
| Special events and other | 13,447 | 13,600 |
| | <hr/> | <hr/> |
| Total Support | 1,332,753 | 1,253,509 |
| Expenses | | |
| Program: | | |
| Depreciation | 1,091,257 | 1,087,210 |
| Occupancy | 880,070 | 847,465 |
| Events | 75,142 | 48,627 |
| General and administrative: | | |
| Personnel | 216,708 | 206,690 |
| Professional | 45,131 | 42,898 |
| Insurance | 17,592 | 16,857 |
| Repair and maintenance | 27,367 | 22,800 |
| Supplies | 6,183 | 5,732 |
| Advertising | 7,006 | 5,854 |
| Other | 4,671 | 3,577 |
| | <hr/> | <hr/> |
| Total Expenses | 2,371,127 | 2,287,710 |
| Change in Net Assets | (1,038,374) | (1,034,201) |
| Net Assets, Unrestricted | | |
| Beginning of year | <hr/> 31,313,971 | <hr/> 32,348,172 |
| End of year | <hr/> \$ 30,275,597 | <hr/> \$ 31,313,971 |

SHAW CENTER FOR THE ARTS, LLC

Statements of Cash Flows**Years Ended June 30, 2017 and 2016**

| | 2017 | 2016 |
|--|-------------------|-------------------|
| Cash Flows From Operating Activities | | |
| Change in net assets | \$ (1,038,374) | \$ (1,034,201) |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities | | |
| Depreciation | 1,091,257 | 1,087,210 |
| (Increase) decrease in: | | |
| Accounts receivable | 279 | 1,261 |
| Prepaid insurance | (297) | (123) |
| Increase (decrease) in: | | |
| Accounts payable and accrued expenses | (25,684) | (5,460) |
| Deferred revenue | (3,302) | 6,870 |
| Net Cash Provided By (Used In) Operating Activities | <u>23,879</u> | <u>55,557</u> |
| Cash Flows From Investing Activities | | |
| Purchase of equipment | <u>(51,622)</u> | <u>(15,149)</u> |
| Net Cash Provided By (Used In) Investing Activities | <u>(51,622)</u> | <u>(15,149)</u> |
| Net Increase (Decrease) In Cash And Cash Equivalents | <u>(27,743)</u> | <u>40,408</u> |
| Cash And Cash Equivalents | | |
| Beginning | <u>532,744</u> | <u>492,336</u> |
| Ending | <u>\$ 505,001</u> | <u>\$ 532,744</u> |

SHAW CENTER FOR THE ARTS, L.L.C.

Notes to Financial Statements

June 30, 2017

1. Nature of Organization and Significant Accounting Policies

Nature of Organization. The Shaw Center for the Arts, L.L.C. (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, L.L.C. and LSU Museum, L.L.C., each owning a 50% member interest. The Douglas Manship Sr. Theater Complex, L.L.C. is owned by the Baton Rouge Area Foundation, a not-for-profit organization. Additionally, the LSU Museum, L.L.C. is owned by the LSU Property Foundation, L.L.C., 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.

A summary of the Shaw Center's significant accounting policies follows:

Basis of Accounting. The Shaw Center maintains its records and reports its income using the accrual method of accounting, and prepares its financial statements in accordance with accounting principles generally accepted in the United States of America. The significant accounting policies are described below to enhance the usefulness of the financial statements.

The Shaw Center reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Shaw Center does not have temporarily or permanently restricted net assets. The statement of activities presents expenses of the Shaw Center's operations functionally as program, fundraising/special events, and general and administrative.

Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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. Estimates are used primarily when accounting for depreciation.

SHAW CENTER FOR THE ARTS, L.L.C.

Notes to Financial Statements, Continued

June 30, 2017

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, 2017 and 2016; 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, 2017 and 2016 totaled \$43,954 and \$37,560 respectively.

Fixed Assets and Depreciation. Purchased or constructed fixed assets are recorded at cost. Fixed assets are depreciated over their estimated useful lives at the time the asset is placed in service using the straight-line method.

For financial statement presentation the Shaw Center provides for depreciation using the straight-line method of depreciation over the following estimated useful lives:

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

Temporarily Restricted 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 temporarily restricted. As the amounts are expended for their intended purpose, such support was reclassified to unrestricted assets. Amounts that are not spent from restricted funding sources have been classified as temporarily restricted net assets. All temporarily restricted net assets have been spent for their intended purposes.

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. 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.

SHAW CENTER FOR THE ARTS, L.L.C.

Notes to Financial Statements, Continued

June 30, 2017

Concentration of Credit. 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 bank deposit accounts exceeded the insured limit by \$256,922.

In-kind Contributions. 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.

Vacation and Sick Leave. Employees of the Shaw Center receive up to 20 days 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 \$7,006 and \$5,854 were incurred for the years ended June 30, 2017 and 2016, respectively.

Income Taxes. The Shaw Center is a non-profit organization and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

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

Subsequent Events. In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through November 22, 2017, the date the financial statements were available to be issued.

SHAW CENTER FOR THE ARTS, L.L.C.

Notes to Financial Statements, Continued

June 30, 2017

2. Fixed Assets

| | 2017 | 2016 |
|--------------------------|----------------------|----------------------|
| Buildings | \$ 42,133,600 | \$ 42,133,600 |
| Building improvements | 880,409 | 880,409 |
| Equipment and software | 117,233 | 65,611 |
| Signage | 40,122 | 40,122 |
| | <u>43,171,364</u> | <u>43,119,742</u> |
| Accumulated depreciation | <u>(13,332,300)</u> | <u>(12,241,043)</u> |
| Fixed assets, net | <u>\$ 29,839,064</u> | <u>\$ 30,878,699</u> |

The State of Louisiana owns the land on which the facility is located. See Note 5. Depreciation expense was \$1,091,257 and \$1,087,210 for the years ended June 30, 2017 and 2016, respectively.

3. Significant Sources of Revenue

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 Shaw Center recognized \$354,315 and \$338,353 for these services for 2017 and 2016, respectively.

4. 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, 2017 and 2016, the Shaw Center contributed \$5,511 and \$6,795, respectively, for participants.

SHAW CENTER FOR THE ARTS, L.L.C.

Notes to Financial Statements, Continued

June 30, 2017

5. Operating Leases

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.

The Shaw Center has a leasing arrangement with its members, Douglas Manship Sr. Theater Complex, L.L.C. (which is subleased to and paid by Douglas Manship Sr. Theater Complex Holding, Inc.) and LSU Museum, L.L.C, 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 2017 and 2016, the Shaw Center received rent of \$722,920 each year from these two organizations. Additionally, amounts due from related parties at June 30, 2017 and 2016 were \$419 and \$1,529, respectively.

The Shaw Center also has a leasing arrangement with The Downtown Redevelopment, L.L.C. to sub-lease certain areas for retail, commercial, and residential use. The Downtown Redevelopment, L.L.C., 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, 2017 and 2016, the Shaw Center received \$29,549 from this lease arrangement as rental income.

6. Income Taxes

The Shaw Center follows FASB ASC 740-10-25, *Accounting for Uncertainty in Income Taxes*. The Shaw Center would recognize accrued interest and penalties associated with uncertain tax provisions, if any, as part of the income tax provision. The Shaw Center continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

The Shaw Center's evaluation on June 30, 2017 and 2016 revealed no uncertain tax positions that would have a material impact on the financial statements. The Shaw Center's federal information return is subject to possible examination by the taxing authorities until the expiration of the related statute of limitations on the information return. In general, the federal information return has a three year statute of limitations.

SHAW CENTER FOR THE ARTS, LLC

*Schedule of Compensation, Benefits and Other Payments to
Agency Head*

Year Ended June 30, 2017

The Shaw Center for the Arts, LLC does not have any personnel that meet the definition of Agency Head, therefore no compensation, benefits or other payments are reported.



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**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, L.L.C.
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 Shaw Center for the Arts, L.L.C., (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated November 22, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Shaw Center for the Arts, L.L.C.'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 Shaw Center for the Arts, L.L.C.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Shaw Center for the Arts, L.L.C.'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be 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 over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies (2017-001, 2017-002).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Shaw Center for the Arts, L.L.C.'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 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, L.L.C.'s Response to Findings

Shaw Center for the Arts, L.L.C.'s response to the findings identified in our audit are described in the accompanying schedule of findings and responses. Shaw Center for the Arts, L.L.C.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 result 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.

Provost, Salter, Harper, & Alford LLC



Baton Rouge, Louisiana
November 22, 2017

SHAW CENTER FOR THE ARTS, L.L.C.

Schedule of Findings and Responses

June 30, 2017

Section I- Internal Control Findings

Item 2017-001 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.

Management's response: 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.

Item 2017-002 Financial statements are required to be prepared in accordance with generally accepted accounting principles.

Criteria: Management is responsible for the preparation of financial statements in accordance with generally accepted accounting principles.

Condition: The Shaw Center of the Arts, LLC does not have a certified public accountant on staff with the technical expertise to prepare financial statements in accordance with generally accepted accounting principles.

SHAW CENTER FOR THE ARTS, L.L.C.

Schedule of Findings and Responses, Continued

June 30, 2017

Cause: Management has concluded that it is not cost effective to hire a certified public accountant with the technical expertise to prepare financial statements in accordance with generally accepted accounting principles.

Effect: Material misstatements in the financial statements could go undetected.

Recommendation: Management should continue to evaluate the cost and related benefit of retaining a certified public accountant with technical expertise sufficient to prepare financial statements in accordance with generally accepted accounting principles.

Management's response: The size of the office's accounting and administrative staff does not warrant retaining personnel with such specialized expertise. The Board of Directors believe that the staff is fully competent to perform their assigned duties and has determined it is most cost effective to request that the auditor assist with preparing the financial statements to be presented in accordance with generally accepted accounting principles. We will continue to monitor this issue on an annual basis.

SHAW CENTER FOR THE ARTS, L.L.C.

Schedule of Prior Year Findings***June 30, 2017***

| RefNo. | Fiscal Year Finding Initially Occurred | Description of Finding | Status of the Finding | Current Year Finding RefNo. |
|---------------|---|--|----------------------------------|--|
| 2016-001 | 2014 | Internal Controls over cash transactions and financial oversight | Unresolved | 2017-001 |
| 2016-002 | 2014 | Financial statements are required to be prepared in accordance with generally accepted accounting principals | Unresolved | 2017-002 |