

**Shreveport Regional Arts Council  
Shreveport, Louisiana**

**Financial Statements**

**As of and for the Year Ended June 30, 2019**

Shreveport Regional Arts Council  
Shreveport, Louisiana

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## Independent Auditors' Report

To the Board of Directors  
Shreveport Regional Arts Council  
Shreveport, Louisiana

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Shreveport Regional Arts Council, (a nonprofit corporation) which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, 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.

### ***Auditors' 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 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 Shreveport Regional Arts Council, as of June 30, 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.

### ***Effect of Adopting New Accounting Standard***

As described in Note 3 to the financial statements, Shreveport Regional Arts Council adopted the Financial Accounting Standards Board's Accounting Standard Update (ASU) No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended June 30, 2019. Our opinion is not modified with respect to this matter.

### ***Report on Summarized Comparative Information***

We have previously audited Shreveport Regional Arts Council's financial statements as of and for the year ended June 30, 2018, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 16, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived. Such information is consistent, in all material respects, with the financial statements from which it has been derived.

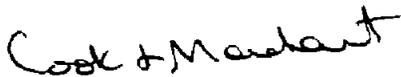
### ***Other Matters***

#### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information schedule shown on page 16 is presented for the purpose 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 November 20, 2019, on our consideration of Shreveport Regional Arts Council'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 Shreveport Regional Arts Council'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 Shreveport Regional Arts Council's internal control over financial reporting and compliance.



Cook & Morehart  
Certified Public Accountants  
November 20, 2019

Shreveport Regional Arts Council  
Shreveport, Louisiana  
Statement of Financial Position  
June 30, 2019  
(With Comparative Amounts for 2018)

Assets	<u>2019</u>	<u>2018</u>
Current assets:		
Cash and cash equivalents	\$ 524,494	\$ 419,458
Investments	979,565	955,862
Grants receivable	195,983	14,119
Other receivables	62,371	33,000
Prepaid expenses	8,917	9,693
Total current assets	<u>1,771,330</u>	<u>1,432,122</u>
Noncurrent assets:		
Cash - restricted	159,858	356,128
Promises to give - building renovations	153,563	149,875
Promises to give - artbreak	22,500	53,515
Deposits	1,147	1,225
Property and equipment, net	2,912,597	3,082,863
Land held for development	18,000	30,000
Total noncurrent assets	<u>3,267,665</u>	<u>3,673,606</u>
Total Assets	<u>\$ 5,038,995</u>	<u>\$ 5,105,728</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 24,962	\$ 24,613
Line of credit	484,592	
Grants payable	43,987	55,556
Refundable advance	21,250	
Accrued expenses	82,816	78,262
Total current liabilities	<u>657,607</u>	<u>158,431</u>
Long-term liabilities:		
Line of credit		<u>485,093</u>
Total Liabilities	<u>657,607</u>	<u>643,524</u>
Net assets		
With donor restrictions	511,922	595,607
Without donor restrictions	<u>3,869,466</u>	<u>3,866,597</u>
Total net assets	<u>4,381,388</u>	<u>4,462,204</u>
Total Liabilities and Net Assets	<u>\$ 5,038,995</u>	<u>\$ 5,105,728</u>

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

Shreveport Regional Arts Council  
Shreveport, Louisiana  
Statement of Activities  
For the Year Ended June 30, 2019  
(With Comparative Amounts for 2018)

	Without Donor Restrictions	With Donor Restrictions	Totals 2019	Totals 2018
Revenues, gains, support and reclassifications:				
Admissions sales and concessions	\$ 94,856	\$	\$ 94,856	\$ 109,626
Tuition and fees	16,634		16,634	20,436
Individual contributions	29,545	3,487	33,032	114,514
Business and industry contributions	70,761	14,227	84,988	25,200
Foundation grants	100,946	45,000	145,946	161,443
Government grants / contracts:				
City of Shreveport	539,862	112,388	652,250	477,750
Other governments	158,750		158,750	151,575
State of Louisiana	185,534		185,534	186,507
Special events -				
Christmas in the Sky	1,421,690		1,421,690	146,167
Rental income	18,000		18,000	36,319
Interest and dividends	23,188		23,188	
Miscellaneous income	3,188		3,188	5,926
Net assets released from restrictions				
Satisfaction of program restrictions	258,787	(258,787)		
<b>Total revenues, gains, support and reclassifications</b>	<b>2,921,741</b>	<b>(83,685)</b>	<b>2,838,056</b>	<b>1,435,463</b>
Expenses:				
Supporting services -				
General and administrative	363,071		363,071	401,858
Special events fund raising - Christmas in the Sky	1,016,690		1,016,690	186,012
<b>Total supporting services</b>	<b>1,379,761</b>		<b>1,379,761</b>	<b>587,870</b>
Program services				
Artbreak	242,545		242,545	278,440
Artspace	388,245		388,245	390,089
Shreveport Common / Public Art	248,925		248,925	361,226
Arts Resource Center	496,189		496,189	504,099
<b>Total programs services</b>	<b>1,375,904</b>		<b>1,375,904</b>	<b>1,533,854</b>
<b>Total expenses</b>	<b>2,755,665</b>		<b>2,755,665</b>	<b>2,121,724</b>
<b>Changes in net assets from operations</b>	<b>166,076</b>	<b>(83,685)</b>	<b>82,391</b>	<b>(686,261)</b>
Nonoperating activities				
Transfer to new organization	(192,377)		(192,377)	
Investment return, net	29,170		29,170	62,694
<b>Change in net assets</b>	<b>2,869</b>	<b>(83,685)</b>	<b>(80,816)</b>	<b>(623,567)</b>
<b>Net assets, beginning of year</b>	<b>3,866,597</b>	<b>595,607</b>	<b>4,462,204</b>	<b>5,085,771</b>
<b>Net assets, end of year</b>	<b>\$ 3,869,466</b>	<b>\$ 511,922</b>	<b>\$ 4,381,388</b>	<b>\$ 4,462,204</b>

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

Shreveport Regional Arts Council  
Shreveport, Louisiana  
Statement of Functional Expenses  
For the Year Ended June 30, 2019  
(With Comparative Amounts for 2018)

	Support Services			Program Services			Totals 2019	Totals 2018	
	General and Administrative	Fund Raising - Christmas In the Sky	Artbreak	Artspace	Shreveport Common / Public Art	Arts Resource Center			Total Program Services
Admissions sales and concessions	\$	\$ 196,600	\$ 10,722	\$ 28,229	\$	\$ 6,231	\$ 45,182	\$ 241,782	\$ 15,477
Auction expense		113,915						113,915	
Awards			17,905				17,905	17,905	25,559
Bank charges	2,121	32,496	130	1,730	50	272	2,182	36,799	13,318
Bad debt									3,770
Contract labor	6,504	76,761	2,100	14,067		2,336	18,503	101,768	20,494
Depreciation expense	74,917			3,405	45,972	45,972	95,349	170,266	170,658
Dues and subscriptions	9,035	1,310	216	700	1,122	1,155	3,193	13,538	9,320
Development	801	21,015	7,368	40,146	3,118	258	50,890	72,706	
Employee benefits	10,670	12,335	6,116	9,409	5,328	4,700	25,553	48,558	87,034
Equipment and facility rentals	9,264	55,110	1,200	2,698	53		3,951	68,325	15,796
Event expenses		92,774	9,620	13,974			23,594	116,368	23,792
Grants to other agencies						320,705	320,705	320,705	297,281
Insurance expense	37,627	2,018	2,018	2,449	1,899	2,018	8,384	48,029	41,755
Interest	111			21,667			21,667	21,778	10,627
Internet	7,929	250	95	676			771	8,950	
Miscellaneous expense	1,354	7,107	1,694	875	454	60	3,083	11,544	38,645
Payroll taxes	6,219	11,131	5,605	10,276	4,127	4,530	24,538	41,888	51,233
Postage and freight	5,395	2,267	84	1,532	1,171	222	3,009	10,671	4,482
Professional artist fees		37,525	52,243	44,182	36,160	22,146	154,731	192,256	239,943
Professional services	13,648	21,111	11,383	13,872	79,567	15,956	120,778	155,537	148,628
Promotion and printing	344	38,671	5,559	3,764	2,233	1,027	12,583	51,598	78,638
Repair and maintenance	8,267	15,331		11,029	98	1,200	12,327	35,925	27,167
Salaries	113,911	156,178	77,239	140,852	51,189	59,679	328,959	599,048	593,506
Security	1,096	12,835		1,354	360	270	1,964	15,915	
Supplies and fees	27,264	94,303	22,948	12,887	4,274	1,092	41,201	162,768	143,909
Telephone	5,176							5,176	4,052
Travel									
Program Staff and board	19,376	14,382	7,035	8,472	11,750	6,360	33,617	33,617	37,540
Utilities	2,042	1,265	1,265				1,265	33,758	16,092
								4,572	3,008
	<u>\$ 363,071</u>	<u>\$ 1,016,690</u>	<u>\$ 242,545</u>	<u>\$ 388,245</u>	<u>\$ 248,925</u>	<u>\$ 496,189</u>	<u>\$ 1,375,904</u>	<u>\$ 2,755,665</u>	<u>\$ 2,121,724</u>

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

Shreveport Regional Arts Council  
Shreveport, Louisiana  
Statement of Cash Flows  
For the Year Ended June 30, 2019  
(With Comparative Amounts for 2018)

Operating Activities	2019	2018
Changes in net assets	\$ (80,816)	\$ (623,567)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	170,266	170,658
Realized and unrealized (gains) and losses on investments	(36,676)	(39,812)
Use of (receipt of) restricted cash	196,270	83,492
(Increase) decrease in operating assets:		
Grants receivable	(181,864)	187,750
Other receivables	(29,371)	33,148
Promises to give	27,327	75,608
Deposits	78	475
Prepaid expenses	776	(188)
Increase (decrease) in operating liabilities:		
Accounts payable	349	(29,785)
Grants payable	(11,569)	19,428
Accrued expenses	4,554	27,451
Deferred revenue	21,250	
Net cash provided (used) by operating activities	80,574	(95,342)
 Investing Activities		
Proceeds from sales of investments	12,963	71,800
Sale of land held for development	12,000	
Payments for property and equipment		(12,000)
Net cash provided by investing activities	24,963	59,800
 Financing Activities		
Proceeds from line of credit	212,000	340,000
Payments on line of credit	(212,501)	(325,692)
Net cash provided (used) by investing activities	(501)	14,308
 Net increase (decrease) in cash and cash equivalents	105,036	(21,234)
 Cash and cash equivalents as of beginning of year	419,458	440,692
 Cash and cash equivalents as of end of year	\$ 524,494	\$ 419,458
 Supplemental disclosure:		
Interest paid during the year on line of credit	\$ 21,667	\$ 10,627

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

Shreveport Regional Arts Council  
Shreveport, Louisiana  
Notes to Financial Statements  
June 30, 2019

(1) Summary of Significant Accounting Policies

A. Nature of Activities

The Shreveport Regional Arts Council (SRAC) is a private, nonprofit corporation governed by a board of directors and administered by a professional staff. SRAC's goal is to serve as an umbrella organization to enrich the quality of life within the region through the promotion of the Arts. SRAC's services, therefore, include providing cultural programming, scheduling and coordinating cultural activities, and other professional services directed toward its stated goal.

The following significant program services are included in the accompanying financial statements: Artbreak, Artspace, Shreveport Common / Public Art, Arts Resource Center, and Christmas in the Sky fundraising event.

B. Basis of Accounting

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

C. Use of 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 reported revenues and expenses. Actual results could differ from those estimates.

D. Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards. Under those standards, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions.

**Net assets without donor restrictions:** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objective of the organization. These net assets may be used at the discretion of SRAC's management and the board of directors.

**Net assets with donor restrictions:** Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of SRAC or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities. SRAC has adopted a policy to classify donor restricted contributions as without donor restriction to the extent that donor restrictions are met in the year the contribution was received.

E. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, SRAC considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

(Continued)

Shreveport Regional Arts Council  
Shreveport, Louisiana  
Notes to Financial Statements  
June 30, 2019  
(Continued)

F. Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period the promise to give is received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Management provides for probable uncollectible amounts through establishment of an allowance, based on its assessment of recent collection history and current donor relationships. Initial amounts recognized represent the fair value expected to be collected. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

G. Investments

Investments are stated at fair market value, based on quoted market prices

H. Fair Value Measurements

Generally accepted accounting principles establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities ("Level 1") and the lowest priority to unobservable inputs ("Level 3"). The three levels of the fair value hierarchy are described as follows:

Level 1. quoted prices (unadjusted) for identical assets or liabilities in active markets that the Organization has the ability to access as of the measurement date.

Level 2: significant other observable inputs than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3. significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

I. Property and Equipment

It is the policy of SRAC to capitalize all fixed assets with a unit cost of \$2,500 or more. Property, equipment, and leasehold improvements are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is provided on the straight-line method over the estimated useful lives of the assets. Amortization of leasehold improvements is provided on the straight-line method over the remaining term of the lease or the useful life of the improvement, whichever is shorter.

J Restricted and Unrestricted Revenue and Support

Support that is received is recorded as increase in net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions. When restrictions expire (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.

(Continued)

Shreveport Regional Arts Council  
Shreveport, Louisiana  
Notes to Financial Statements  
June 30, 2019  
(Continued)

In the absence of donor restrictions to the contrary, restrictions on contributions of property or equipment or on assets restricted to acquiring property or equipment expire when the property or equipment is placed in service.

K. Advertising Costs

SRAC uses advertising to promote its services among the community it serves. The costs of advertising are expensed as incurred. For the year ended June 30, 2019, advertising costs totaled \$61,827 and are included in development on the Statement of Functional Expenses.

L. Employee Benefit Plans

SRAC established a Simple Retirement Account plan for its full and part-time employees. An employee is eligible to participate in any calendar year if the employee received at least \$5,000 of compensation during each of the two preceding year calendar years and is reasonably expected to receive at least \$5,000 in compensation during the current calendar year. Participation is voluntary, and the employee may contribute up to \$7,000 per year. SRAC matches the employee's contribution up to 3% of the employee's annual compensation, or \$7,000, whichever is less. The contributions charged to expense for the year ended June 30, 2019 were \$13,098.

M. Income Tax Status

SRAC is a non-profit corporation and is exempt from state and federal income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to SRAC's tax-exempt purpose is subject to taxation as unrelated business income. SRAC had no such income for this audit period. The Organization's Form 990, Return of Organization Exempt from Income Tax, for the years ended June 30, 2016, 2017, 2018, and 2019 are subject to examination by the IRS, generally three years after they were filed.

N. Expense Allocation

The costs of providing certain activities of SRAC have been summarized on a functional basis in the statement of activities and in the statement of functional expense. Accordingly, certain costs have been allocated among programs and supported services benefited. Costs are directly charged to the functions they benefit. Facility related and supportive services expenses are allocated to each function based upon managements equitable determination.

O. Accrued Absences

SRAC's policy is to pay employees upon termination for vacation time accrued up to 160 hours maximum per employee with 0–5 years experience; up to 192 hours for employees with 6–10 years' experience; up to 240 hours for employees with 11–15 years experience; up to 288 hours for employees with 16–20 years experience; up to 336 hours for employees with 21–24 years' experience; up to 400 hours for employees with 25–30 years' experience; and up to 480 hours for employees with over 31 years' experience. An accrued liability for vacation time of \$64,052 is included in accrued expenses at June 30, 2019.

P. Inventory

Inventory consists of various small items held for resale in the gift space at Art Space and various beverages for Art Space events. Inventories are stated at the lower of cost or market determined by the first-in, first-out method.

(Continued)

Shreveport Regional Arts Council  
 Shreveport, Louisiana  
 Notes to Financial Statements  
 June 30, 2019  
 (Continued)

Q. Comparative Financial Information

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 a presentation in conformity with general accepted accounting principles. Accordingly, such information should be read in conjunction with SRAC's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

(2) Agreement for Services

Under a formal cooperative endeavor agreement between the City of Shreveport (the City) and SRAC, the City agrees to provide use of certain facilities, office space, funding for programming. The fair value of the use of the facilities and office space is not reasonably determinable and is not recorded as revenue. SRAC also agrees to provide certain programming services under the agreement to promote, encourage, carry on and aid in the establishment, production and promotion of the arts for the benefit of the citizens of the City of Shreveport and surrounding areas. SRAC also serves as the City's Arts Administrator, provides technical and administrative support to the City and local artists, and serves as the arts grant (re-grant) agency on behalf of the City.

(3) Adoption of New Accounting Pronouncement

For the year ended June 30, 2019, Shreveport Regional Arts Council adopted the Financial Accounting Standard Update (ASU) No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net asset classifications, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. The changes required by the update have been applied retrospectively to all periods presented. A key change required by ASU 2016-14 are the net asset classes used in the financial statements. Amount previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

(4) Restricted Assets

Assets restricted for building renovations, development of park, and Artbreak at June 30, 2019, consisted of the following:

	2019
Cash	\$ 159,858
Promises to give	176,063
	\$ 335,921

Promises to give expected to be collected over more than one year are discounted at .12% for the year ended June 30, 2019. The allowance for uncollectible promises to give at June 30, 2019, was \$2,500.

	2019
Receivables in less than one year	\$ 51,500
Receivables in one to five years	125,000
	176,500
Less discounts to net present value	( 437)
Net promises to give	\$ 176,063

(Continued)

Shreveport Regional Arts Council  
 Shreveport, Louisiana  
 Notes to Financial Statements  
 June 30, 2019  
 (Continued)

Promises to give are reflected in the accompanying Statements of Financial Position as follows:

	2019
Promises to give – building renovations	\$ 153,563
Promises to give - artbreak	22,500
Total promises to give	\$ 176,063

(5) Concentrations of Credit Risk

SRAC maintains cash balances at financial institutions and a money market account held by an investment broker. The Federal Deposit Insurance Corporation (FDIC) insures accounts up to \$250,000 at financial institutions. Securities Investor Protection Corporation (SIPC) insures funds on deposit with the investment broker up to \$500,000. There were no uninsured cash balances at June 30, 2019.

Approximately 99% of the promises to give for building renovations and artbreak for the years ended June 30, 2019 were from three donors.

Concentrations of credit risk with respect to grant receivables are limited due to these amounts being due from governmental agencies under contractual terms. As of June 30, 2019, SRAC had no significant concentrations of credit risk in relation to grant receivables.

(6) Investments

Investments in equity securities are presented in the financial statements at fair value using level 1 fair value measures (quoted prices in active markets).

Investments as of June 30, 2019 consisted of the following:

	2019	
	Fair Value	Cost
Fixed income mutual funds	\$ 364,106	\$ 352,380
Other assets	48,741	48,139
Equity funds	566,718	497,932
	\$ 979,565	\$ 898,451

Investment income (loss) for the year ended June 30, 2019 consisted of the following:

	2019
Realized gain on sale on investments	\$ 11,457
Unrealized gains (losses) on investments	25,219
	\$ 36,676

(7) Refundable Advances

SRAC records grant funds received in excess of expenditures as a refundable advance until they are expended for the purpose of the contract or until the funds are returned to the appropriate funding source.

(Continued)

Shreveport Regional Arts Council  
 Shreveport, Louisiana  
 Notes to Financial Statements  
 June 30, 2019  
 (Continued)

(8) Development of Shreveport Common

Shreveport Common was a program administered by SRAC at the request of the City of Shreveport until such time as Shreveport Common, Inc. received its designation as a separate 501(c) 3 entity. Shreveport Common, Inc., obtained its designation as a separate 501(c) 3 during the year ended June 30, 2019. Funds received by SRAC but not yet expended for the development of the Shreveport Common area are included in restricted cash and net assets with donor restrictions as of June 30, 2019, totaling \$159,858.

During the year ended June 30, 2019, additional property was purchased by SRAC in the amount of \$108,587, utilizing cash restricted for the development of the area. This property was purchased in the name of Shreveport Common Inc., and is not reflected in SRAC's assets. The purchase of this property as well as other related costs are reflected as Transfer to New Organization in the statement of activities.

Amounts reflected as Land Held for Development totaling \$18,000 at June 30, 2019, represent payments made by SRAC to purchase portions of property for the Shreveport Common area. Those purchases were made using funds received by SRAC which were restricted for the development of the area. The land will be transferred to the separate Shreveport Common, Inc. entity in the future.

(9) Property and Equipment

Property and equipment at June 30, 2019, with estimated depreciable life, are summarized as follows:

Furniture, fixtures, equipment	7 – 20 years	\$ 512,485
Leasehold improvements – construction in process	None	191,250
Leasehold improvements	5 – 10 years	<u>3,257,096</u>
		3,960,831
Accumulated Depreciation		<u>( 1,048,234)</u>
		<u>\$ 2,912,597</u>

Depreciation expense for the year ended June 30, 2019 was \$170,266.

(10) Operating Leases

SRAC leases certain storage space and equipment under operating leases. Rental costs for these leases for the year ended June 30, 2019, totaled \$10,574. Commitments under lease agreements having initial or remaining non-cancellable terms in excess of one year are as follows:

<u>For the Year Ending June 30,</u>	
2020	\$ 6,625
2021	7,296
2022	7,296
2023	7,296
2024	7,296
2025	<u>3,648</u>
Total minimum future rentals	<u>\$ 39,457</u>

(Continued)

Shreveport Regional Arts Council  
 Shreveport, Louisiana  
 Notes to Financial Statements  
 June 30, 2019  
 (Continued)

(11) Net Assets

Net assets at June 30, 2019, consisted of the following:

Net Assets Without Donor Restrictions:	
Undesignated net assets	\$ 2,711,108
Designated Net Assets:	
Grants to other organizations	157,500
Friends With You Program	5,598
Board designated reserves	<u>995,260</u>
Total Designated for use for programs	<u>1,158,358</u>
Total net assets without donor restrictions	<u>3,869,466</u>
Net Assets With Donor Restrictions:	
Subject to expenditure for specified purpose –	
Restricted for Friends With You Program	165,374
Restricted for Development of Shreveport Common	159,858
Restricted for Artist Ecosystem	899
Restricted for Artspace	149,563
Restricted for Renovation of Central Fire Station	4,000
Restricted for Artbreak	<u>32,228</u>
Total net assets with donor restrictions	<u>511,922</u>
Total Net Assets	<u>\$ 4,381,388</u>

(12) Accrued Expenses

Accrued expenses consisted of the following at June 30, 2019:

	<u>2019</u>
Accrued leave payable	\$ 64,052
Accrued payroll and related benefits	<u>18,764</u>
	<u>\$ 82,816</u>

(13) Line of Credit

SRAC has a revolving line of credit in the amount of \$500,000. Interest accrues at 3.00 percentage points over the LIBOR index, which was 5.0176% at June 30, 2019. The balance on the line of credit as of June 30, 2019 was \$484,592. The line of credit is secured by certain financial assets held in an investment account.

The line of credit was renewed on November 13, 2018, and has a maturity date of February 15, 2020. Interest expense incurred on the line of credit for the year ended June 30, 2019 was \$21,667. Interest on the line of credit is payable monthly.

(Continued)

Shreveport Regional Arts Council  
 Shreveport, Louisiana  
 Notes to Financial Statements  
 June 30, 2019  
 (Continued)

(14) Liquidity and Availability of Financial Assets

SRAC monitors its liquidity so that it is able to meet its operating needs and other contractual commitments while maximizing the investment of its excess operating cash. SRAC has the following financial assets that could readily be made available within one year of the balance sheet to fund expenses without limitations:

Financial assets at year-end:	
Cash and cash equivalents	\$ 524,494
Investments	979,565
Grant receivables	195,983
Other receivables	62,371
Cash restricted	<u>159,858</u>
Total financial assets	1,922,271
Less amounts not available to be used within one year:	
Net assets with donor restrictions	( 511,922)
Less designated assets which are designated for program use	<u>( 163,098)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,247,251</u>

As reflected above, certain designated assets are designated for program use. These assets limited to use, as reflected in Note 11, are not available for general expenditures within the next year and are, therefore, deducted from the amounts noted above. However, designated amounts could be made available, if necessary.

In addition to financial assets available to meet general expenditures over the year, SRAC operates with a balanced budget and anticipates covering general expenditures using the income generated from contractual agreements with governmental agencies and contributions. The Statement of Cash Flows identifies the sources and uses of the SRAC's cash and shows positive cash generated by operations of \$80,574 for fiscal year ending June 30, 2019.

(15) Concentration of Revenue

During the year ended June 30, 2019, SRAC received contractual revenue from state, parish, and city grants in the amount of \$996,534. The continued existence of these funds is based on annual contract renewals with various funding sources.

Approximately fifty per cent (50%) of revenue for the year ended June 30, 2019, was derived from SRAC's biennial fund raiser, "Christmas in the Sky."

(16) Grants Payable

Grants payable at June 30, 2019 represents amounts owed to recipients of arts grants awarded by SRAC but not yet paid. Final payments are made upon receipt of final reports from the recipients.

(Continued)

Shreveport Regional Arts Council  
Shreveport, Louisiana  
Notes to Financial Statements  
June 30, 2019  
(Continued)

(17) Grants Receivable

Various funding sources provide reimbursement of allowable costs under contracts or agreements. These balances represent amounts due from funding sources at June 30, 2019, but received after that date.

(18) Donated Materials, Facilities, and Services

Various materials and services were donated to SRAC by various individuals and organizations. Donated materials and services for the year ended June 30, 2019 were \$61,587, were recorded at fair market value at the date of donation, and have been included in revenue and expenses for this year.

(19) Endowment Account with Community Foundation of North Louisiana

SRAC entered into an agreement with the Community Foundation of North Louisiana (CFNL). The agreement establishes an Agency Endowment Fund at CFNL called "Arts Forever Fund" (Fund). All property of the Fund belongs to CFNL. The fund will be used for support of the charitable purposes of SRAC. Net income and capital appreciation of the Fund, as governed by CFNL's Spending Policy, will be paid and distributed to SRAC at least annually, for as long as SRAC is a Qualified Charitable Organization.

No transfers were made to the fund during the year ended June 30, 2019. The fair market value of the fund at June 30, 2019, was \$279,422.

(20) Subsequent Events

Subsequent events have been evaluated through November 20, 2019, the date the financial statements were available to be issued.

(21) Commitments

SRAC has entered into a contract for a public art exhibit, "Friends With You," in the amount of \$200,000. Costs incurred under this contract as of June 30, 2019 totaled approximately \$30,000, with the remaining amounts to be incurred subsequent to June 30, 2019.

Shreveport Regional Arts Council  
Shreveport, Louisiana  
Schedule of Compensation, Benefits, and Other Payments to Agency Head  
For the Year Ended June 30, 2019

Agency Head: Pam Atchison, Executive Director

The following payments were made from public funds:

<u>Purpose</u>	<u>Amount Paid with Public Funds</u>
Salary	\$ 14,970
Travel	29

# COOK & MOREHART

*Certified Public Accountants*

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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

## Independent Auditors' Report

To the Board of Directors  
Shreveport Regional Arts Council  
Shreveport, 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 Shreveport Regional Arts Council (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019 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 November 20, 2019.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Shreveport Regional Arts Council'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 the Shreveport Regional Arts Council's internal control. Accordingly, we do not express an opinion on the effectiveness of Shreveport Regional Arts Council'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 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.

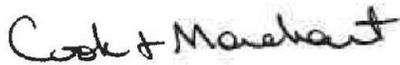
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 Shreveport Regional Arts Council'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.



Cook & Morehart  
Certified Public Accountants  
November 20, 2019

Shreveport Regional Arts Council  
Shreveport, Louisiana  
Summary Schedule of Audit Findings  
June 30, 2019

**Summary Schedule of Prior Audit Findings**

There were no findings for the prior year audit for the year ended June 30, 2018.

**Corrective Action Plan for Current Year Audit Findings**

There are no findings for the current year audit for the year ended June 30, 2019.

# COOK & MOREHART

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## Independent Accountants' Report on Applying Agreed-Upon Procedures

To the Board of Directors  
Shreveport Regional Arts Council  
Shreveport, Louisiana  
and the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by the Shreveport Regional Arts Council (a nonprofit organization), and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2018 through June 30, 2019. The Shreveport Regional Arts Council's (SRAC) management is responsible for those C/C 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 and associated findings are as follows:

### ***Written Policies and Procedures***

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
  - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget
  - b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
  - c) ***Disbursements***, including processing, reviewing, and approving
  - d) ***Receipts/Collections***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff

procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- k) **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.

SRAC provided written policies and procedures addressing all of the above.

#### **Board (or Finance Committee, if applicable)**

Testing not required for this area for the fiscal period July 1, 2018 through June 30, 2019, due to no exceptions being noted in prior year.

#### **Bank Reconciliations**

Testing not required for this area for the fiscal period July 1, 2018 through June 30, 2019, due to no exceptions being noted in prior year

#### **Collections**

Testing not required for this area for the fiscal period July 1, 2018 through June 30, 2019, due to no exceptions being noted in prior year

***Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)***

- 8 Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

Management provided the requested information, along with management's representation that the listing is complete

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase
- b) At least two employees are involved in processing and approving payments to vendors
- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

SRAC's policies and procedures included all of the requirements listed, except as noted below:

*Exception:* The same individual employee who is responsible for processing payments also mails the payments.

*Management's Response* Every invoice is approved by an employee outside of the accounting department.

10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

- a) Observe that the disbursement matched the related original invoice/billing statement.
- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable

Management provided the requested information, along with management's representation that the listing is complete. For the transactions selected for testing, the disbursements matched the related original invoices and included evidence of segregation of duties, with the following exception:

*Exception.* Signed checks are returned to the employee who processes payments for mailing.

*Management's Response:* Every invoice is approved by an employee outside of the accounting department.

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

Testing not required for this area for the fiscal period July 1, 2018 through June 30, 2019, due to no exceptions being noted in prior year

### ***Travel and Expense Reimbursement***

Testing not required for this area for the fiscal period July 1, 2018 through June 30, 2019, due to no exceptions being noted in prior year.

### ***Contracts***

Testing not required for this area for the fiscal period July 1, 2018 through June 30, 2019, due to no exceptions being noted in prior year.

### ***Payroll and Personnel***

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

Management provided the requested information, along with management's representation that the listing is complete. For the 5 employees selected for testing, the paid salaries agreed with the authorized salaries/pay rates in the personnel files.

17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
- a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). Observe that supervisors approved the attendance and leave of the selected employees/officials.
  - b) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

SRAC's policy does not require daily attendance and leave records for salaried employees. However, leave time taken was documented for transactions tested.

*Exception:* For the transactions selected for testing, the daily attendance was not documented. Transactions tested were for salaried employees.

*Management Response:* SRAC's policy does not require daily attendance and leave records for salaried employees. However, leave time taken was documented for transactions tested.

18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

Management provided the requested information, along with management's representation that the listing is complete. The terminated employee selected for testing was paid in accordance with the employees' leave records and authorized pay rates.

19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Management provided representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers compensation premiums were paid and the associated forms were filed, by the required deadlines

***Ethics (excluding nonprofits)***

Not applicable to nonprofit organizations

***Debt Service (excluding nonprofits)***

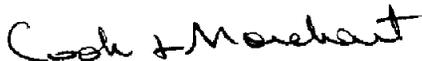
Not applicable to nonprofit organizations.

***Other***

Testing not required for this area for the fiscal period July 1, 2018 through June 30, 2019, due to no exceptions being noted in prior year.

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 C/C 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 C/C 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



Cook & Morehart  
Certified Public Accountants  
November 20, 2019