

Red River STEM, Inc.

Financial Statements

December 31, 2018



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Red River STEM, Inc.
Table of Contents
December 31, 2018

	Page No.
REPORT	
Independent Auditors' Report	1
FINANCIAL STATEMENTS	
Statement of Financial Position as of December 31, 2018	3
Statement of Activities for the Period from Inception (July 11, 2018) through December 31, 2018	4
Statement of Functional Expenses for the Period from Inception (July 11, 2018) through December 31, 2018	5
Statement of Cash Flows for the Period from Inception (July 11, 2018) through December 31, 2018	6
Notes to Financial Statements	7
SUPPLEMENTARY INFORMATION	
Schedule of Compensation, Benefits, and Other Payments to Agency Head	14
Management Letter	15
Schedule of Findings and Responses	16



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Red River STEM, Inc.

We have audited the accompanying financial statements of Red River STEM, Inc. (a Louisiana non-profit corporation), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses and cash flows for the period from inception (July 11, 2018) through December 31, 2018, and the related notes to 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. 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 auditors' 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 auditors consider 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 Red River STEM, Inc. as of December 31, 2018, and the changes in its net assets and its cash flows for the period from inception (July 11, 2018) through December 31, 2018 in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was 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 is presented in accordance with Act 706 of the Louisiana Revised Statutes 24:513(A)(3) on page 14 for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Compensation, Benefits, and Other Payments to Agency Head is fairly stated in all material respects in relation to the financial statements as a whole.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Shreveport, Louisiana
September 30, 2019

Red River STEM, Inc.
Statement of Financial Position

<i>December 31,</i>	2018
Assets	
Current assets	
Cash and cash equivalents	\$ 61,286
Accounts receivable, net	43,288
Prepaid expenses	5,656
Total current assets	110,230
Total assets	\$ 110,230
Liabilities and Net Assets	
Current liabilities	
Accounts payable	\$ 25,761
Deferred revenue	10,310
Total current liabilities	36,071
Net assets	
Without donor restrictions	12,546
With donor restrictions	61,613
Total net assets	74,159
Total liabilities and net assets	\$ 110,230

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

Red River STEM, Inc.
Statement of Activities

<i>For the Period from Inception (July 11, 2018) through December 31, 2018</i>	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and support			
Grants	\$ 146,928	\$ 50,000	\$ 196,928
City of Shreveport contract revenue	163,246	-	163,246
Admissions	50,891	-	50,891
Power of Play	31,979	-	31,979
IMAX	17,935	-	17,935
Outreach	172	11,613	11,785
Birthday parties	6,750	-	6,750
Other	4,723	-	4,723
Total revenues and support	422,624	61,613	484,237
Expenses			
Program services			
Exhibits and programs	298,030	-	298,030
Total program services	298,030	-	298,030
Support services			
Management and general	112,048	-	112,048
Total supporting services	112,048	-	112,048
Total expenses	410,078	-	410,078
Change in net assets	12,546	61,613	74,159
Net assets, July 11, 2018 (date of inception)	-	-	-
Net assets, end of year	\$ 12,546	\$ 61,613	\$ 74,159

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

Red River STEM, Inc.
Statement of Functional Expenses

<i>For the Period from Inception (July 11, 2018) through December 31, 2018</i>	Program Services	Support Services	Total
	Exhibits and Programs	Management and General	
Expenses			
Café	\$ 296	\$ -	\$ 296
IMAX	6,640	-	6,640
Animal care	1,474	-	1,474
Camp expense	80	-	80
Payroll related	74,928	46,936	121,864
Utilities	100,631	3,466	104,097
Contract labor	23,283	42,293	65,576
Building maintenance	59,648	2,054	61,702
Insurance	13,661	2,084	15,745
Supplies	-	5,243	5,243
Fees and taxes	14,206	994	15,200
Advertising	-	7,485	7,485
Other	-	1,493	1,493
Travel	3,183	-	3,183
Total expenses	\$ 298,030	\$ 112,048	\$ 410,078

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

Red River STEM, Inc.
Statement of Cash Flows

<i>For the Period from Inception (July 11, 2018) through December 31,</i>	2018
Cash flows from operating activities	
Change in net assets	\$ 74,159
Change in assets and liabilities	
Decrease (increase) in	
Accounts receivable, net	(43,288)
Prepaid expenses	(5,656)
Increase (decrease) in	
Accounts payable	25,761
Deferred revenue	10,310
Net cash provided by operating activities	61,286
Net increase in cash and cash equivalents	61,286
Cash and cash equivalents - beginning of period	-
Cash and cash equivalents - end of period	\$ 61,286

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

NOTE 1: NATURE OF ORGANIZATION

Nature of the Organization

Red River STEM, Inc. (“STEM”) is a non-profit corporation formed under the laws of the State of Louisiana. STEM provides an educational and entertaining environment for people of all ages to explore and actively participate in the world of science and technology. STEM develops a comprehensive view of the world through the interaction of science and the humanities and serves as a catalyst to encourage lifelong learning. STEM’s support comes primarily from donor contributions, government grants, admissions and memberships.

STEM entered into a cooperative endeavor agreement (the “CEA”) on August 1, 2018 with the City of Shreveport (the “City”) to manage and operate the Sci-Port Discover Center (the “Center”). The term of the agreement is to continue to December 2043, unless otherwise terminated. The agreement may be renewed by parties for subsequent twenty-five year terms following the expiration of the primary term. STEM or the City have the option to terminate the CEA at any time for any reason within 90 days prior written notice.

Financial Statement Presentation

The financial statements are presented in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 958-205, *Not-for-Profit Entities, Presentation of Financial Statements*.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 revenues and expenses during the reporting period. Actual results could differ from those estimates. Management believes that these estimates and assumptions provide a reasonable basis for the fair presentation of the financial statements.

Basis of Accounting

The financial statements of STEM have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

STEM considers all highly liquid debt instruments with a remaining maturity at date of purchase of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and credit to accounts receivable. Changes in the valuation allowance have not been material to the financial statements.

Concentrations of Credit Risk

For the period from inception (July 11, 2018) through December 31, 2018, 72% of STEM's total revenue was from two organizations.

The demand deposit balances, as reflected in the banks' records, are insured by the Federal Deposit Insurance Corporation up to \$250,000. As of December 31, 2018, STEM had no uninsured balances.

Income Taxes

STEM has applied for exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code and comparable state law as a charitable organization whereby only unrelated business income, as defined by Section 509(a)(1) of the Code is subject to federal income tax. STEM has filed Form 1023 under a provision that will retroactively grant tax exempt status to the date of incorporation. The request is expected to be granted retroactively; accordingly, no provision for income taxes has been recorded in the financial statements.

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively. Contributions are recognized when cash, or other assets, and unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the restriction.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Promises to Give

Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Deferred Revenue

Income from membership fees, summer camp registration fees, special events, and birthday party deposits received in advance is deferred and recognized over the periods to which the fees and deposits relate.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by STEM. No amounts related to donated services have been recorded for the period from inception (July 11, 2018) through December 31, 2018.

Expense Allocations

The costs of providing programs and other activities have been summarized on a functional basis in the Statement of Activities. The Statement of Functional Expenses presents the natural classification of expenses by function. Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated are payroll, contract labor, and insurance, which are allocated on the basis of estimates of time and effort; and utilities and building maintenance, which are allocated based on square footage.

Advertising

STEM uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred. For the period from inception (July 11, 2018) through December 31, 2018, STEM recorded advertising costs of \$7,485.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Asset Reclassifications

Contributions received are recorded as increases in without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions. Contributions received with donor-imposed conditions and restrictions that are met in the same reporting period are reported as support without donor restrictions and increase net assets without donor restrictions. When a restriction expires, with donor restrictions net assets are reclassified to without donor restrictions net assets and reported in the Statement of Activities as net assets released from restrictions.

Accounting Guidance Not Yet Adopted

Accounting Standards Update 2014-09

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This guidance specifies that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU and its amendments will supersede the revenue recognition requirements in Topic 605, *Revenue Recognition*, and most industry specific guidance. For nonpublic entities, these amendments are effective for annual reporting periods beginning after December 15, 2018. Early adoption with certain restrictions is permitted for nonpublic entities. STEM is currently evaluating the impact of the guidance on its financial statements.

Accounting Standards Update 2018-08

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. This new guidance is effective for transactions in which an entity serves as a resource recipient for fiscal years beginning after December 15, 2018. Early adoption is permitted. STEM is currently evaluating the impact of the guidance on its financial statements.

Date of Management Review

STEM has evaluated all subsequent events through September 30, 2019, the date which the financial statements were available to be issued, concluding there were no events requiring disclosure.

Red River STEM, Inc.
Notes to Financial Statements

NOTE 3: ACCOUNTS RECEIVABLE

The following table contains information regarding the composition of accounts receivable as of December 31, 2018.

<i>December 31,</i>	2018
Community Foundation grants	\$ 41,776
City of Shreveport CEA	172
Admissions	1,340
Total accounts receivables	43,288
Less: allowance for doubtful accounts	-
Accounts receivable, net	\$ 43,288

NOTE 4: LIQUIDITY AND AVAILABILITY OF FUNDS

STEM's financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are as follows:

<i>December 31,</i>	2018
Cash and cash equivalents	\$ 61,286
Accounts receivable, net	43,288
Total financial assets available to meet general expenditures within the next 12 months	\$ 105,574

STEM is primarily supported by memberships, admissions, the cooperative endeavor agreement with the City of Shreveport, and grants received from the Community Foundation of North Louisiana as part of its fiscal sponsorship described in Note 9. As part of the STEM's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. STEM's net assets with donor restrictions are available for general expenditures within one year of December 31, 2018, because the restrictions on the net assets are expected to be met by conducting the normal activity of STEM's programs in the coming year. Accordingly, the related resources have been included in the quantitative information detailing the financial assets available to meet general expenditures within one year.

NOTE 5: DEFERRED REVENUE

Deferred revenue at December 31, 2018, was comprised of \$10,310 of 2019 general admission memberships.

NOTE 6: RESTRICTION/LIMITATIONS ON NET ASSETS

Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following specified purposes:

<i>December 31,</i>	2018
Operation of the Center	\$ 25,000
Community outreach	36,613
Total net assets with donor restrictions	\$ 61,613

NOTE 7: COOPERATIVE ENDEAVOR AGREEMENT WITH THE CITY OF SHREVEPORT

Under the terms of the CEA, the City shall provide appropriations of approximately \$135,000 annually. The City reimburses STEM for water services, gas/electric services, liability insurance on the building and property, and annual license with IMAX Corp. STEM is responsible for the management and operation of the Center and may impose and collect admission fees, ticket fees, and other fees and charges comparable to those in effect at other centers. STEM is responsible for submitting an operating and capital budget to the City each year.

Certain assets consisting of buildings, structures, improvements, immovable property, furnishings, fixtures, equipment and exhibits purchased with the City of Shreveport or State of Louisiana funds are owned by the City of Shreveport. The value of the land and buildings purchased with City of Shreveport or State of Louisiana funds and occupied or operated by STEM is not included in the accompanying financial statements. Title to such land and buildings are held by the City of Shreveport.

NOTE 8: SCI-PORT FOUNDATION

Sci-Port Foundation (the "Foundation") is a separate tax exempt organization under Section 501 (c)(3) of the Internal Revenue Code. The Foundation was established during 2001 to support, benefit and carryout the purposes of Sci-Port Discover Center through encouraging, motivating and facilitating donations to the Foundation for the benefit of the operator of the Center, receiving and managing funds contributed to the Foundation for the benefit of the Center, and making distributions of income and principal to or for the benefit of the Center.

NOTE 9: FISCAL SPONSORSHIP

As of December 31, 2018, the Community Foundation of North Louisiana (the “CFNLA”) serves as fiscal sponsor of STEM. The CFNLA accepts tax-deductible donations on behalf of STEM and administers the disbursement of those funds to STEM. The CFNLA has variance power over the contributions received on behalf of STEM. The CFNLA’s fiscal sponsorship of STEM is a temporary arrangement until STEM receives its 501 (c)(3) exempt status from the IRS. For the period from inception (July 11, 2018) through December 31, 2018, \$196,928 from CFNLA was recognized as Grants revenue. At December 31, 2018, grants from CFNLA totaling \$41,776 are included as Accounts Receivable.

NOTE 10: CONTINGENT LIABILITIES

STEM receives grants that are subject to review and audit by the agencies providing the funding. Such reviews and audits could result in expenses being disallowed under the terms and conditions of the grants. In the opinion of management, such disallowances, if any, would be immaterial.

NOTE 11: CONCENTRATION OF RISK

Credit Risk

Credit risk with respect to contributions receivable is limited due to the number and credit worthiness of the corporations and individuals who comprise the contributor base. Substantially all contributors are located in Louisiana. Accounts receivable are stated at the amount management expects to collect from outstanding balances. STEM establishes an allowance for doubtful accounts based upon factors surrounding the credit risk of specific donors, historical trends and other information. Generally, STEM does not require collateral or other security to support receivables. At December 31, 2018, STEM considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been established.

Geographic Concentration

STEM conducts its operations solely in Northwest Louisiana, and, therefore, is subject to risks from changes in local economic conditions. A downturn in the local economy could cause a decrease in funding from the City of Shreveport in addition to a decrease in contributions and grants.

Supplementary Information

Red River STEM, Inc.
Schedule of Compensation, Benefits, and Other
Payments to Agency Head for the Period from Inception
(July 11, 2018) through December 31, 2018

Agency Head Name: Diane Clark, Executive Director

Purpose	Amount*
Salary and other compensation	\$ -
Benefits-insurance (health insurance premiums)	\$ -
Benefits-retirement	\$ -
Deferred compensation	\$ -
Car allowance	\$ -
Vehicle provided by agency	\$ -
Per diem	\$ -
Reimbursements	\$ -
Travel	\$ -
Registration fees	\$ -
Conference travel	\$ -
Housing	\$ -
Unvouchered expenses (example: travel advances, etc.)	\$ -
Special meals	\$ -
Other	\$ -

* The Agency Head does not receive compensation, benefits, and other payments that are derived from public funds.



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Board of Directors and Management
Red River STEM, Inc.

In planning and performing our audit of the financial statements of Red River STEM, Inc. ("STEM") as of December 31, 2018 and for the period from inception (July 11, 2018) through December 31, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered Red River STEM, Inc.'s internal control over financial reporting (internal control) as a basis for designing 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 STEM's internal control. Accordingly, we do not express an opinion on the effectiveness of STEM's internal control.

During the course of our audit, we became aware of a matter, Finding 2018-001, that is an opportunity for STEM to strengthen internal control. The schedule of findings that accompanies this letter summarizes our comments and suggestions regarding this matter. This letter does not affect our report dated September 30, 2019, on the financial statements of Red River STEM, Inc. We will review the status of this comment during our next audit engagement.

This communication is intended solely for the information and use of management, the Board of Directors, others within the organization, and the State of Louisiana Legislative Auditor and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Red River STEM, Inc.'s written response to the finding identified in our audit has not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Shreveport, Louisiana
September 30, 2019

Red River STEM, Inc. Schedule of Findings and Responses

Current Year Audit Findings and Responses

2018-001: Late Submission of Audit Report to the Louisiana Legislative Auditor

Criteria or Specific Requirement: Louisiana R.S. 24:513A(5)(a)(i) requires audit reports to be filed with the Louisiana Legislative Auditor within six months of the close of an entity's fiscal year.

Condition: Red River STEM, Inc.'s audit report as of December 31, 2018 and for the period from inception (July 11, 2018) through December 31, 2018 was not completed within the six month deadline per R.S. 24:513A(5)(a)(i).

Cause: Red River STEM, Inc. was formed on July 11, 2018. The audit engagement letter called for the audit to be completed by May 31, 2019; however, as that date was approaching, it became apparent that the Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code (Form 1023) would not be completed and filed by that date. Red River STEM, Inc. timely requested and was granted an extension until September 30, 2019 in which to have the audit completed and filed with the Louisiana State Legislative Auditor's Office.

Effect: Red River STEM, Inc. did not meet the statutorily established compliance requirements of the State of Louisiana, but did meet the filing requirements as agreed to by the office of the Louisiana Legislative Auditor in accordance with the granted extension.

Recommendation: We recommend Red River STEM, Inc. submit its audit report within the six month deadline as required by R.S. 24:513 (5)(a)(i).

Views of responsible officials and corrective action plan: We are in agreement with the finding. In the future, audits will be completed and submitted timely.

Prior Year Audit Findings and Responses

Not Applicable