

Louisiana Art & Science Museum, Inc.
Baton Rouge, Louisiana
December 31, 2022

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Louisiana Art & Science Museum, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Louisiana Art & Science Museum, Inc. as of December 31, 2022, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Louisiana Art & Science Museum, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Louisiana Art & Science Museum, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Louisiana Art & Science Museum, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Louisiana Art & Science Museum, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

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

Report on Summarized Comparative Information

We have previously audited Louisiana Art & Science Museum, Inc.'s 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 24, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2023, on our consideration of Louisiana Art & Science Museum, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Louisiana Art & Science Museum, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Louisiana Art & Science Museum, Inc.'s internal control over financial reporting and compliance.

Hawthorn, Waymouth & Carroll, L.L.P.

June 29, 2023

Louisiana Art & Science Museum, Inc.
Statement of Financial Position
December 31, 2022
(With summarized comparative totals as of December 31, 2021)

	Assets	
	<u>2022</u>	<u>2021</u>
Assets		
Cash	\$ 516,001	\$ 1,437,064
Accounts and grants receivable	110,028	20,294
Inventory	27,681	29,849
Prepaid expenses	12,287	2,705
Investments	4,055,990	3,891,237
Beneficial interest in investments held by others	650,443	741,815
Property and equipment, net	430,835	438,769
Museum collection	<u>-</u>	<u>-</u>
 Total assets	 <u>\$ 5,803,265</u>	 <u>\$ 6,561,733</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 30,286	\$ 47,765
Accrued payroll and other liabilities	113,575	74,584
Deferred revenue	<u>81,667</u>	<u>92,000</u>
 Total liabilities	 <u>225,528</u>	 <u>214,349</u>
Net Assets		
Without donor restrictions		
Undesignated	670,324	1,841,888
Board Designated	<u>641,203</u>	<u>-</u>
	1,311,527	1,841,888
With donor restrictions	<u>4,266,210</u>	<u>4,505,496</u>
 Total net assets	 <u>5,577,737</u>	 <u>6,347,384</u>
 Total liabilities and net assets	 <u>\$ 5,803,265</u>	 <u>\$ 6,561,733</u>

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

Louisiana Art & Science Museum, Inc.
Statement of Activities
Year Ended December 31, 2022
(With summarized comparative totals for the year ended December 31, 2021)

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
Revenues, Gains & Other Support				
Government Appropriations				
East Baton Rouge City-Parish	\$ 816,610	\$ -	\$ 816,610	\$ 816,610
Admissions	328,844	-	328,844	155,420
Memberships	55,106	-	55,106	68,942
Contributions	262,841	94,120	356,961	663,802
Grants	228,744	-	228,744	126,607
Net investment income (loss)	(745,812)	-	(745,812)	476,830
Other revenue	491,632	-	491,632	176,099
Gain on extinguishment of debt	-	-	-	664,277
Net assets released from restrictions	<u>333,406</u>	<u>(333,406)</u>	<u>-</u>	<u>-</u>
Revenues, gains & other support	<u>1,771,371</u>	<u>(239,286)</u>	<u>1,532,085</u>	<u>3,148,587</u>
Expenses				
Programs				
Museum	1,615,635	-	1,615,635	719,731
Planetarium	400,975	-	400,975	550,926
Supporting services				
Fundraising	132,286	-	132,286	167,754
General and administrative	<u>152,836</u>	<u>-</u>	<u>152,836</u>	<u>199,955</u>
Total expenses	<u>2,301,732</u>	<u>-</u>	<u>2,301,732</u>	<u>1,638,366</u>
Increase (Decrease) in Net Assets	(530,361)	(239,286)	(769,647)	1,510,221
Net Assets				
Beginning of year	<u>1,841,888</u>	<u>4,505,496</u>	<u>6,347,384</u>	<u>4,837,163</u>
End of year	<u>\$ 1,311,527</u>	<u>\$ 4,266,210</u>	<u>\$ 5,577,737</u>	<u>\$ 6,347,384</u>

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

Louisiana Art & Science Museum, Inc.
Statement of Functional Expenses
Year Ended December 31, 2022
(With summarized comparative totals for the year ended December 31, 2021)

	<u>Programs</u>		<u>Supporting Services</u>			
	<u>Museum</u>	<u>Plane- tarium</u>	<u>Fund- raising</u>	<u>General and Admin- istrative</u>	<u>2022 Total</u>	<u>2021 Total</u>
Salaries, wages, and benefits	\$1,049,996	\$ 202,930	\$ 25,684	\$ 80,423	\$1,359,033	\$1,067,241
Administration	20,335	8,501	2,683	8,402	39,921	32,839
Communications and development	80,883	475	90,571	44,577	216,506	61,981
Curatorial	41,351	-	-	-	41,351	20,581
Educational	2,217	27	-	-	2,244	3,527
Facilities and utilities	328,846	63,247	3,084	5,714	400,891	249,049
Financial	14,281	6,676	8,107	6,965	36,029	22,157
Insurance	12,292	6,284	2,094	6,555	27,225	30,877
Planetarium show	-	14,197	-	-	14,197	33,377
Public programming	6,452	444	63	200	7,159	4,546
Special projects	29,651	-	-	-	29,651	-
Depreciation and amortization	29,331	98,194	-	-	127,525	112,191
	<u>\$1,615,635</u>	<u>\$ 400,975</u>	<u>\$ 132,286</u>	<u>\$ 152,836</u>	<u>\$2,301,732</u>	<u>\$1,638,366</u>

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

Louisiana Art & Science Museum, Inc.
Statement of Cash Flows
Year Ended December 31, 2022
(With summarized comparative totals for the year ended December 31, 2021)

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities		
Increase (decrease) in net assets	\$ (769,647)	\$ 1,510,221
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Gain on extinguishment of debt	-	(664,277)
Realized/unrealized investment (gains) losses	804,033	(403,796)
Depreciation and amortization	127,525	112,191
(Increase) Decrease in assets:		
Accounts and grants receivable	(89,734)	(9,935)
Inventory	2,168	7,889
Prepaid expenses	(9,582)	29,818
Increase (Decrease) in liabilities:		
Accounts payable	(17,479)	25,467
Accrued payroll and other liabilities	38,991	5,912
Deferred revenue	<u>(10,333)</u>	<u>70,500</u>
Net cash provided by operating activities	<u>75,942</u>	<u>683,990</u>
 Cash Flows from Investing Activities		
Purchase of property and equipment	(119,591)	(55,097)
Distribution from beneficial interest in investments held by others	37,051	37,650
Distribution from investments	43,146	42,589
Purchase of investments	<u>(957,611)</u>	<u>(121,186)</u>
Net cash used in investing activities	<u>(997,005)</u>	<u>(96,044)</u>
 Cash Flows from Financing Activities		
Proceeds from note payable	<u>-</u>	<u>324,072</u>
Net cash provided by financing activities	<u>-</u>	<u>324,072</u>
 Net Increase (Decrease) in Cash	(921,063)	912,018
 Cash, beginning of year	<u>1,437,064</u>	<u>525,046</u>
 Cash, end of year	<u>\$ 516,001</u>	<u>\$ 1,437,064</u>

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

Louisiana Art & Science Museum, Inc.
Notes to Financial Statements
December 31, 2022

Note 1-Summary of Significant Accounting Policies

A. Background and Purpose

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

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

B. Basis of Accounting and Presentation

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

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Museum’s financial statements for the year ended December 31, 2021 from which the summarized information was derived.

The Museum reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed on them by donors: net assets without donor restrictions and net assets with donor restrictions. Net assets without donor restrictions include those net assets whose use by the Museum is not restricted by donors, even though their use may be limited in other respects, such as by contract or board designation. Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature, such as those that are restricted by a donor where the resource is to be maintained in perpetuity.

C. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

D. Recently Adopted Accounting Standard

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02 (ASC Topic 842), *Leases*. Under the new guidance, lessees are required to recognize for all leases (with the exception of short-term leases) at the commencement date: (1) a lease liability, which is a lessee’s obligation to make lease payments arising from a lease, measured on a discounted basis; and (2) a right-of-use asset, which is an asset that represents the lessee’s right to use, or control the use of, a specified asset for the lease term.

Louisiana Art & Science Museum, Inc.
Notes to Financial Statements
December 31, 2022

Note 1-Summary of Significant Accounting Policies (Continued)

D. Recently Adopted Accounting Standard (Continued)

On January 1, 2022, the Museum adopted ASC Topic 842 using the modified retrospective approach. The adoption did not have a material effect on the financial statements. Prior amounts were not adjusted and continue to be reported in accordance with the previous accounting under ASC Topic 840, *Leases*. The Museum elected the package of practical expedients permitted under the transition guidance which, among other things, allows carrying forward the historical classification of existing leases as of January 1, 2022. As a result of electing the transition guidance as described above, on January 1, 2022, the Museum was not required to record an operating lease right-of-use asset nor a corresponding lease liability.

E. Cash and Cash Equivalents

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

F. Contributed Support

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

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

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

G. Contributed Facilities and Services

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

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

H. Inventory

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

Louisiana Art & Science Museum, Inc.
Notes to Financial Statements
December 31, 2022

Note 1-Summary of Significant Accounting Policies (Continued)

I. Investments

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

J. Fair Value Measurements

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

Additional information regarding fair value measurements is presented in Note 5.

K. Property and Equipment

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

Furniture and equipment	3-10 years
Leasehold improvements	10 years

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

Collections acquired by the Museum are not included in property and equipment. They are captioned on the statement of financial position with no dollar value, as they are not required to be capitalized. A further description of the collections is presented in Note 8.

L. Revenue Recognition

The Museum has multiple revenue streams that are accounted for as exchange transactions including admission fees, memberships, building use rental, store sales, and birthday parties. Because the Museum’s performance obligations relate to contracts with a duration that do not exceed one year, the Museum has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a), *Revenue from Contracts with Customers*, and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. Revenues are recorded net of any sales taxes charged to customers.

Admission fees – the Museum charges stated admission fees, collects and recognizes revenue upon sale for access to the Museum’s galleries, exhibitions and Planetarium.

Memberships – the Museum sells memberships of various categories that typically last for a one-year term. The Museum recognizes membership ratably over the membership term. Payment is received at the point of membership sale.

Louisiana Art & Science Museum, Inc.
Notes to Financial Statements
December 31, 2022

Note 1-Summary of Significant Accounting Policies (Continued)

L. Revenue Recognition (Continued)

Other – revenue from building use rental, store sales, and birthday parties are recognized at a point in time upon sale to the customer. The Museum collects cash at the point of sale or credit card receipts within a few days of the sale.

M. Income Taxes

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

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

N. Liquidity Management

As of December 31, 2022, the following financial assets could be made readily available within one year of the date of the statement of financial position to meet general expenditures:

Cash	\$ 516,001
Accounts and grants receivable	110,028
Investments	<u>4,055,990</u>
Total financial assets, at December 31, 2022	4,682,019
Less, those unavailable for general expenditures within one year, due to:	
Donor-restricted investments	(3,222,540)
Donor-restricted contributions	<u>(393,227)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,066,252</u>

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

O. Functional Allocation of Expenses

The costs of providing the various programs, fund-raising and other activities have been summarized on a functional basis in the statement of functional expenses. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and fundraising activities benefitted based on time estimates of employees and various allocation methodologies.

Louisiana Art & Science Museum, Inc.
Notes to Financial Statements
December 31, 2022

Note 1-Summary of Significant Accounting Policies (Continued)

P. Advertising

The Museum uses advertising to promote its programs among the community it serves. The production costs of advertising are expensed as incurred. Advertising costs totaled \$20,601 for the year ended December 31, 2022.

Q. Leases

Under ASC Topic 842, *Leases*, the Museum determines if an arrangement is a lease at inception primarily based on the determination of the party responsible for directing the use of an underlying asset within a contract. Thereafter, the Museum performs an analysis to classify the lease as either an operating lease or a finance lease. Operating lease right-of-use assets would represent the Museum's right to use an underlying asset for the lease term, and lease liabilities would represent the Museum's obligation to make lease payments arising from the lease. Operating lease right-of-use assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term.

The Museum elected to not apply the recognition of ASC Topic 842 to short-term leases with terms of 12 months or less which do not include an option to purchase the underlying asset nor to leases with total lease amounts less than \$5,000. These lease payments are recognized as operating expenses on a straight-line basis over the lease term. The Museum elected to account for lease and non-lease components as a single lease component.

Additional information and disclosures required by ASC Topic 842 are presented in Note 13.

Note 2-Investments

Investments held by the Museum are comprised of the following as of December 31, 2022:

Cash equivalents	\$ 239,222
Equity securities	2,142,225
Fixed income securities	1,082,283
Alternative investments	<u>592,260</u>
Total investments held by Museum	4,055,990
Beneficial interest in investments held by others	<u>650,443</u>
Total	<u>\$ 4,706,433</u>

Additional information and disclosures regarding the fair value of investments are presented in Note 5.

Louisiana Art & Science Museum, Inc.
Notes to Financial Statements
December 31, 2022

Note 2-Investments (Continued)

Investment activity for the year ended December 31, 2022 consisted of the following:

Interest and dividend income	\$ 107,614
Realized/unrealized investment gains (losses)	(804,033)
Investment management fees	<u>(49,393)</u>
Net investment income (loss)	<u>\$ (745,812)</u>

Note 3-Board-Designated and Donor-Restricted Endowments

The Museum has board-designated and donor-restricted endowment funds to support its Planetarium operations, to support future capital expenditures, and to serve as a reserve. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

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

The Museum's endowment funds consisted of the following at December 31, 2022:

Board-designated	\$ 418,257
Unappropriated appreciation of donor-restricted gifts	222,540
Donor-restricted historical gift corpus	<u>3,000,000</u>
Total endowment funds	<u>\$ 3,640,797</u>

Louisiana Art & Science Museum, Inc.
Notes to Financial Statements
December 31, 2022

Note 3-Board-Designated and Donor-Restricted Endowments (Continued)

Changes in the Museum's endowment consisted of the following during the year ended December 31, 2022:

	<u>Board Designated</u>	<u>Unappropriated Appreciation</u>	<u>Donor Corpus</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 392,147	\$ 3,000,000	\$ 3,392,147
Contributions	850,000	-	-	850,000
Investment losses	(431,743)	-	-	(431,743)
Amounts appropriated for expenditures	<u>-</u>	<u>(169,607)</u>	<u>-</u>	<u>(169,607)</u>
 Endowment net assets, end of year	 <u>\$ 418,257</u>	 <u>\$ 222,540</u>	 <u>\$ 3,000,000</u>	 <u>\$ 3,640,797</u>

Note 4-Beneficial Interest in Investments Held by Others

In the statement of financial position at December 31, 2022, the aggregate transfers to a recipient organization, for which Louisiana Art & Science Museum, Inc. is specified as the beneficiary, amounted to \$650,443, and is recorded as a beneficial interest in the investments held by the Baton Rouge Area Foundation. Variance power was not granted to the recipient organization. Amounts are distributed to the Museum quarterly based on 5% of the current market value of the investment account.

Note 5-Fair Value Measurements

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

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

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

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

Louisiana Art & Science Museum, Inc.
Notes to Financial Statements
December 31, 2022

Note 5-Fair Value Measurements (Continued)

The following table summarizes, by level within the fair value hierarchy as of December 31, 2022, the composition of all assets measured at fair value on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments held by Museum				
Cash equivalent mutual funds	\$ 239,222	\$ -	\$ -	\$ 239,222
Equities				
Individual equities	1,368,191	-	-	1,368,191
Mutual funds	774,034	-	-	774,034
Fixed income				
Individual bonds	-	366,040	-	366,040
Mutual funds	716,243	-	-	716,243
Alternative investments				
Real estate investment trusts	246,623	-	-	246,623
Commodity specialty trading mutual funds	345,637	-	-	345,637
Total investments held by Museum	<u>3,689,950</u>	<u>366,040</u>	<u>-</u>	<u>4,055,990</u>
Beneficial interest in investments held by others	<u>-</u>	<u>650,443</u>	<u>-</u>	<u>650,443</u>
Total assets measured at fair value	<u>\$ 3,689,950</u>	<u>\$ 1,016,483</u>	<u>\$ -</u>	<u>\$ 4,706,433</u>

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

Note 6-Property and Equipment

The following is a breakdown of property and equipment as of December 31, 2022:

Furniture and equipment	\$ 1,737,036
Leasehold improvements	953,144
Construction in progress	<u>65,570</u>
	2,755,750
Less: accumulated depreciation and amortization	<u>(2,324,915)</u>
Property and equipment, net	<u>\$ 430,835</u>

Note 7-Commitments

Commitments for the remaining balance of the dome lighting project totaled \$94,430 as of December 31, 2022.

Louisiana Art & Science Museum, Inc.
Notes to Financial Statements
December 31, 2022

Note 8-Museum Collection

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

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

Note 9-Net Assets with Donor Restrictions

The composition of the Museum's net assets with donor restrictions at December 31, 2022 was as follows:

Pennington Planetarium operations endowment	\$ 2,685,440
McMains Planetarium equipment endowment	<u>537,100</u>
	<u>3,222,540</u>
Beneficial Interest in Baton Rouge Area	
Foundation Agency endowments:	
Science Education	611,049
Adalie' Brent Memorial	<u>39,394</u>
	<u>650,443</u>
Museum operations	
Ascension Parish School Programs	15,000
BASF Kids' Lab Weekend Programs	15,000
Pop-Up BASF Kids' Lab Programming	12,000
BASF Kids' Lab Summer Programs	7,000
Free First Sunday Sponsorship	<u>6,000</u>
	<u>55,000</u>
Planetarium operations	<u>169,607</u>
Dome lighting	<u>84,430</u>
LA Artist Collection Acquisition	<u>79,500</u>
Acquisitions & exhibitions	<u>4,690</u>
Total net assets with donor restrictions	<u><u>\$ 4,266,210</u></u>

Louisiana Art & Science Museum, Inc.
Notes to Financial Statements
December 31, 2022

Note 9-Net Assets with Donor Restrictions (Continued)

Changes in the Museum's net assets with donor restrictions for the year ended December 31, 2022 consisted of the following:

	<u>Balance</u> <u>12/31/21</u>	<u>Additions</u>	<u>Deductions</u>	<u>Fund</u> <u>Transfers</u>	<u>Balance</u> <u>12/31/22</u>
With Donor Restrictions					
Planetarium endowments	\$ 3,392,147	\$ -	\$ -	\$ (169,607)	\$ 3,222,540
Beneficial interest in investments held by others	741,815	-	(91,372)	-	650,443
Museum operations	63,500	55,000	(63,500)	-	55,000
Planetarium operations	178,534	-	(178,534)	169,607	169,607
Dome lighting	50,000	34,430	-	-	84,430
Louisiana Artists Collection Acquisitions	79,500	-	-	-	79,500
Acquisitions & exhibitions	-	4,690	-	-	4,690
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net assets with donor restrictions	<u>\$ 4,505,496</u>	<u>\$ 94,120</u>	<u>\$ (333,406)</u>	<u>\$ -</u>	<u>\$ 4,266,210</u>

Note 10-Net Assets Without Donor Restrictions

Changes in the Museum's net assets without donor restrictions for the year ended December 31, 2022 consisted of the following:

	<u>Balance</u> <u>12/31/21</u>	<u>Additions</u>	<u>Deductions</u>	<u>Fund</u> <u>Transfers</u>	<u>Balance</u> <u>12/31/22</u>
Undesignated	\$ 1,841,888	\$ 1,450,168	\$ (2,301,732)	\$ (320,000)	\$ 670,324
Board Designated					
The SEED	-	222,946	-	220,000	442,946
Capital Outlay / Prudent Reserve	-	98,257	-	-	98,257
Atrium	-	-	-	100,000	100,000
Total Board Designated	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net assets without donor restrictions	<u>\$ 1,841,888</u>	<u>\$ 1,771,371</u>	<u>\$ (2,301,732)</u>	<u>\$ -</u>	<u>\$ 1,311,527</u>

Louisiana Art & Science Museum, Inc.
Notes to Financial Statements
December 31, 2022

Note 11-Other Revenue

Other revenue is comprised of the following for the year ended December 31, 2022:

Fundraising events	\$ 320,935
Workshops, programs & events, less expenses	21,988
Building use rental	40,450
Museum shop, less cost of goods sold	78,715
Birthday party revenue	<u>29,544</u>
Other revenue	<u>\$ 491,632</u>

Note 12-Concentration of Credit Risk

At various times during the year ended December 31, 2022, cash on deposit with one banking institution exceeded the amount insured by the Federal Deposit Insurance Corporation. Management monitors the financial condition of the financial institution on a regular basis, along with their balances in cash to minimize this potential risk.

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

Note 13-Operating Lease

The Museum leases a postage machine under a non-cancellable lease expiring in January 2023. The lease includes an option to renew or terminate at the Museum's discretion. The lease terms do not include periods covered by this option as it is not reasonably certain that the Museum will renew. The Museum's lease agreements do not contain any material residual value guarantees or restrictive covenants.

Operating lease expense amounted to \$1,438 for the year ended December 31, 2022 and is included in administration expense on the statement of functional expenses.

Note 14-Retirement Plan

The Museum maintains a 401(k) qualified retirement plan which covers substantially all full-time employees. Under current provisions of the Plan, which are subject to change, the Museum matches 100% of each eligible employee's contributions, not to exceed 3% of compensation. The Museum's contributions to the Plan totaled \$15,633 for the year ended December 31, 2022.

Note 15-Reclassifications

Certain amounts in the prior year summarized financial statements have been reclassified to conform with the current year presentation. These reclassifications had no effect on total net assets or the change in net assets of the prior year.

Louisiana Art & Science Museum, Inc.
Notes to Financial Statements
December 31, 2022

Note 16-Subsequent Events

The Museum evaluated all subsequent events through June 29, 2023, the date the financial statements were available to be issued. As a result, management noted no subsequent events that required adjustment to, or disclosure in, these financial statements.

Supplementary Information

**Louisiana Art & Science Museum, Inc.
 Schedule of Compensation, Benefits and Other
 Payments to Agency Head or Chief Executive Officer
 Year Ended December 31, 2022**

Agency Head Name: Serena M. Pandos, President and Executive Director

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 149,441
Benefits - insurance	10,240
Benefits - retirement	4,777
Car allowance	-
Vehicle provided by government	-
Per diem	-
Reimbursements	2,247
Travel	208
Registration fees	-
Conference travel	120
Continuing professional education fees	-
Housing	-
Unvouchered expenses	-
Special meals	-



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

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

**Independent Auditor's Report on Internal Control over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Louisiana Art & Science Museum, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, 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 June 29, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Louisiana Art & Science Museum, 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 Louisiana Art & Science Museum, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Louisiana Art & Science Museum, Inc.'s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hawthorn, Waymouth & Carroll, LLP.

June 29, 2023

Louisiana Art & Science Museum, Inc.
Schedule of Current Year Audit Findings
Year Ended December 31, 2022

Part I. Summary of Audit Results

- 1) An unmodified opinion has been expressed on the financial statements and related note disclosures of Louisiana Art & Science Museum, Inc. as of and for the year ended December 31, 2022.
- 2) No deficiencies in internal control over financial reporting that we consider to be material weaknesses were identified.
- 3) No instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* were identified.
- 4) A single audit in accordance with *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* was not required.
- 5) A management letter was not issued.

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

No findings were noted.

Louisiana Art & Science Museum, Inc.
Schedule of Prior Year Findings
Year Ended December 31, 2022

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

No findings were noted.

Part II. Management Letter

No management letter was issued for the year ended December 31, 2021.

Louisiana Art & Science Museum, Inc.
Statewide Agreed-Upon Procedures Report
December 31, 2022



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

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

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2022 through December 31, 2022. Louisiana Art & Science Museum, Inc.'s management is responsible for those C/C areas identified in the SAUPs.

Louisiana Art & Science Museum, Inc. has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period January 1, 2022 through December 31, 2022. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

1) Written Policies and Procedures

A. Obtained and inspected the entity's written policies and procedures and observed whether they address each of the following categories and subcategories if applicable to public funds and the entity's operations:

i. **Budgeting**, including preparing, adopting, monitoring, and amending the budget.

No exceptions were found as a result of this procedure.

ii. **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.

No exceptions were found as a result of this procedure.

iii. **Disbursements**, including processing, reviewing, and approving.

No exceptions were found as a result of this procedure.

iv. **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).

No exceptions were found as a result of this procedure.

- v. **Payroll/Personnel**, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee rates of pay or approval and maintenance of pay rate schedules.
- No exceptions were found as a result of this procedure.*
- vi. **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- No exceptions were found as a result of this procedure.*
- vii. **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- No exceptions were found as a result of this procedure.*
- viii. **Credit Cards (and debit cards, fuel cards, purchase 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).
- No exceptions were found as a result of this procedure.*
- ix. **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.
- The Louisiana Code of Ethics is not applicable to this entity.*
- x. **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- Entity does not have any debt; therefore, this procedure is not applicable.*
- xi. **Information Technology 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.
- No exceptions were found as a result of this procedure.*
- xii. **Prevention of Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.
- Louisiana R.S. 42:342-344 is not applicable to this entity.*

2) *Board or Finance Committee*

- A. Obtained and inspected the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and
- i. Observed that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

No exceptions were found as a result of this procedure.

- ii. For those entities reporting on the governmental accounting model, observed whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds. Alternatively, for those entities reporting on the not-for-profit accounting model, observed that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.

No exceptions were found as a result of this procedure.

- iii. For governmental entities, obtained the prior year audit report and observed the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observed that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.

Entity does not report on the governmental accounting model; therefore, this procedure is not applicable.

- iv. Observed whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.

Entity did not have any prior year audit findings; therefore, this procedure is not applicable.

3) *Bank Reconciliations*

- A. Obtained a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Asked management to identify the entity's main operating account. Selected the entity's main operating account and randomly selected 4 additional accounts (or all accounts if less than 5). Randomly selected one month from the fiscal period, obtained and inspected the corresponding bank statement and reconciliation for each selected account, and observed that:

- i. Bank reconciliations included evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);

No exceptions were found as a result of this procedure.

- ii. Bank reconciliations included written evidence that a member of management or a board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

No exceptions were found as a result of this procedure.

- iii. Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

No exceptions were found as a result of this procedure.

4) Collections (excluding electronic funds transfers)

- A. Obtained a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly selected 5 deposit sites (or all deposit sites if less than 5).

No exceptions were found as a result of this procedure.

- B. For each deposit site selected, obtained a listing of collection locations and management's representation that the listing is complete. Randomly selected one collection location for each deposit site (e.g., 5 collection locations for 5 deposit sites), obtained and inspected written policies and procedures relating to employee job duties (if there are no written policies or procedures, then inquire of employees about their job duties) at each collection location, and observed that job duties are properly segregated at each collection location such that

- i. Employees responsible for cash collections do not share cash drawers/registers;

No exceptions were found as a result of this procedure.

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

No exceptions were found as a result of this procedure.

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

No exceptions were found as a result of this procedure.

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

No exceptions were found as a result of this procedure.

- C. Obtained from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observed that the bond or insurance policy for theft was in force during the fiscal period.

No exceptions were found as a result of this procedure.

- D. Randomly selected two deposit dates for each of the bank accounts selected for Bank Reconciliations procedure #3A. Obtained supporting documentation for each of the deposits and:

- i. Observed that receipts are sequentially pre-numbered.

No exceptions were found as a result of this procedure.

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

No exceptions were found as a result of this procedure.

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

No exceptions were found as a result of this procedure.

- iv. Observed that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).

No exceptions were found as a result of this procedure.

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

No exceptions were found as a result of this procedure.

5) Non-Payroll Disbursements (excluding card purchases, travel reimbursements, and petty cash purchases)

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

No exceptions were found as a result of this procedure.

- B. For each location selected under procedure #5A above, obtained a listing of those employees involved with non-payroll purchasing and payment functions. Obtained written policies and procedures relating to employee job duties, and observed that job duties are properly segregated such that

- i. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order or making the purchase;

No exceptions were found as a result of this procedure.

- ii. At least two employees are involved in processing and approving payments to vendors;

No exceptions were found as a result of this procedure.

- iii. 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;

No exceptions were found as a result of this procedure.

- iv. 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; and

No exceptions were found as a result of this procedure.

- v. Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.

The entity's written policies and procedures do not specifically address the electronic disbursement of funds.

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

- i. Observed whether the disbursement, whether by paper or electronic means, matched the related original itemized invoice and supporting documentation indicates that deliverables included on the invoice were received by the entity, and

No exceptions were found as a result of this procedure.

- ii. Observed whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under procedure #5B above, as applicable.

No exceptions were found as a result of this procedure.

- D. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3A, randomly selected 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observed that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy.

For two of the five electronic disbursements selected, there was no evidence of approval by an authorized check signer. Additionally, one of the five disbursements lacked secondary approval per entity policy.

6) Credit Cards/Debit Cards/Fuel Cards/Purchase Cards (Cards)

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

No exceptions were found as a result of this procedure.

- B. Using the listing prepared by management, randomly selected 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly selected one monthly statement or combined statement for each card. Obtained supporting documentation, and

- i. Observed whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved) by someone other than the authorized card holder; and

No exceptions were found as a result of this procedure.

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

Two of the five cards had finance charges and late fees assessed on the monthly statement selected.

- C. Using the monthly statements or combined statements selected under procedure #6B above, excluding fuel cards, randomly selected 10 transactions (or all transactions if less than 10) from each statement, and obtained supporting documentation for the transactions. For each transaction, observed that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

For one of the transactions selected, there was no documentation supporting the business/public purpose, nor was there documentation of the individuals participating in the meal.

7) Travel and Travel-Related Expense Reimbursements (excluding card transactions)

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

- i. If reimbursed using a per diem, observed that the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov);

No exceptions were found as a result of this procedure.

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

No exceptions were found as a result of this procedure.

- iii. Observed that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observed that the documentation includes the names of those individuals participating) and other documentation required by Written Policies and Procedures procedure #1A(vii); and

No exceptions were found as a result of this procedure.

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

No exceptions were found as a result of this procedure.

8) Contracts

- A. Obtained from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. Obtained management's representation that the listing is complete. Randomly selected 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and

- i. Observed whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law;

No exceptions were found as a result of this procedure.

- ii. Observed whether the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter);

No exceptions were found as a result of this procedure.

- iii. If the contract was amended (e.g., change order), observed that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, the documented approval); and

No exceptions were found as a result of this procedure.

- iv. Randomly selected one payment from the fiscal period for each of the 5 contracts, obtained the supporting invoice, agreed the invoice to the contract terms, and observed that the invoice and related payment agreed to the terms and conditions of the contract.

No exceptions were found as a result of this procedure.

9) Payroll and Personnel

- A. Obtained a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly selected 5 employees or officials, obtained related paid salaries and personnel files, and agreed paid salaries to authorized salaries/pay rates in the personnel files.

No exceptions were found as a result of this procedure.

- B. Randomly selected one pay period during the fiscal period. For the 5 employees or officials selected under procedure #9A above, obtained attendance records and leave documentation for the pay period, and

- i. Observed that all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory);

No exceptions were found as a result of this procedure.

- ii. Observed whether supervisors approved the attendance and leave of the selected employees or officials;

No exceptions were found as a result of this procedure.

- iii. Observed that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records; and

No exceptions were found as a result of this procedure.

- iv. Observed the rate paid to the employees or officials agrees to the authorized salary/pay rate found within the personnel file.

No exceptions were found as a result of this procedure.

- C. Obtained a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly selected two employees or officials and obtained related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agreed the hours to the employee's or official's cumulative leave records, agreed the pay rates to the employee's or official's authorized pay rates in the employee's or official's personnel files, and agreed the termination payment to entity policy.

No exceptions were found as a result of this procedure.

- D. Obtained management's representation that employer and employee portions of third-party payroll related amounts have been paid, and any associated forms have been filed, by required deadlines.

No exceptions were found as a result of this procedure.

10) Ethics

The Louisiana Code of Ethics is not applicable to the entity; therefore, these procedures are not applicable.

- A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtained ethics documentation from management, and
 - i. Observed whether the documentation demonstrates that each employee/official completed one hour of ethics training during the calendar year as required by R.S. 42:1170; and
 - ii. Observed whether the entity maintains documentation which demonstrates that each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.
- B. Inquired and/or observed whether the agency has appointed an ethics designee as required by R.S. 42:1170.

11) Debt Service

Entity does not have any debt; therefore, these procedures are not applicable.

- A. Obtained a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Selected all debt instruments on the listing, obtained supporting documentation, and observed that State Bond Commission approval was obtained for each debt instrument issued as required by Article VII, Section 8 of the Louisiana Constitution.
- B. Obtained a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly selected one bond/note, inspected debt covenants, obtained supporting documentation for the reserve balance and payments, and agreed actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

12) Fraud Notice

-
- A. Obtained a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Selected all misappropriations on the listing, obtained supporting documentation, and observed that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled as required by R.S. 24:523.

Not applicable; there were no misappropriations of public funds or assets identified during the fiscal period.

- B. Observed that the entity has posted, on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

No exceptions were found as a result of this procedure.

13) Information Technology Disaster Recovery/Business Continuity

- A. Performed the following procedures:

- i. Obtained and inspected the entity's most recent documentation that it has backed up its critical data (if there is no written documentation, then inquire of personnel responsible for backing up critical data) and observed evidence that such backup (a) occurred within the past week, (b) was not stored on the government's local server or network, and (c) was encrypted.

We performed the procedure and discussed the results with management.

- ii. Obtained and inspected the entity's most recent documentation that it has tested/verified that its backups can be restored (if there is no written documentation, then inquire of personnel responsible for testing/verifying backup restoration) and observed evidence that the test/verification was successfully performed within the past 3 months.

We performed the procedure and discussed the results with management.

- iii. Obtained a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly selected 5 computers and observed while management demonstrated that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

We performed the procedure and discussed the results with management.

- B. Randomly selected 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in procedure #9C. Observed evidence that the selected terminated employees have been removed or disabled from the network.

No exceptions were found as a result of this procedure.

14) Prevention of Sexual Harassment

Louisiana R.S. 42:342-344 is not applicable to this entity; therefore, these procedures are not applicable.

- A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtained sexual harassment training documentation from management, and observed that the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year as required by R.S. 42:343.
- B. Observed that the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).
- C. Obtained the entity's annual sexual harassment report for the current fiscal period, observed that the report was dated on or before February 1, and observed it includes the applicable requirements of R.S. 42:344:
- i. Number and percentage of public servants in the agency who have completed the training requirements:

- ii. Number of sexual harassment complaints received by the agency;
- iii. Number of complaints which resulted in a finding that sexual harassment occurred;
- iv. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action;
and
- v. Amount of time it took to resolve each complaint.

We were engaged by Louisiana Art & Science Museum, Inc. to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, 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.

We are required to be independent of Louisiana Art & Science Museum, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended 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.

Hawthorn, Waymouth & Carroll, L.L.P.

June 16, 2023

Hawthorn, Waymouth & Carroll

Please find the following responses to the SAUP exceptions found in the recent audit report.

Page 7- #5 Non-Payroll Disbursements – Item B. v. and Item D.

B. v.

Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.

The entity's written policies and procedures do not specifically address the electronic disbursement of funds.

The entity's Financial Operations Manual has been updated to specifically state that check signers must approve release of electronic disbursements of any kind, in Section III., item B, page 4:

"B. CHECK SIGNERS

It is the policy of the organization to give check-signing authority to the following positions:

- **Chair- Elect of the LASM Board of Trustees**
- **Secretary of the LASM Board of Trustees**
- **Chair of the LASM Board of Trustees**
- **Treasurer of the LASM Board of Trustees-**
- **President & Executive Director**

Two signatures are required on all checks over \$2,500.

It is the organization's policy that those with check signing authority must approve the release of electronic disbursements, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer or some other electronic means."

D.

Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3A, randomly selected 5 non-payroll related electronic disbursements (or all electronic disbursements if less than 5) and observed that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy.

For two of the five electronic disbursements selected, there was no evidence of approval by an authorized check signer. Additionally, one of the five disbursements lacked secondary approval per entity policy.

To ensure adequate payments are being made on time, with required approvals made, the President & Executive Director will receive automated requests from Chase Bank for issuing approval for release of any kind of electronic disbursement, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer or some other electronic means.

For disbursements requiring the approval of two authorized check signers, the President & Executive Director will obtain written approval to be filed with the ACH release paperwork associated with payment.

Furthermore, these procedures have been updated into the Financial Operations Manual.

Page 8- #6 Credit Cards – Item V. ii. And Item C.

V. ii. Observed that finance charges and late fees were not assessed on the selected statements.

Two of the five cards had finance charges and late fees assessed on the monthly statement selected.

The finance charges and late fees were made on two cards under the previous Finance Officer, who is no longer with the organization.

C. Using the monthly statements or combined statements selected under procedure #6B above, excluding fuel cards, randomly selected 10 transactions (or all transactions if less than (10) from each statement, and obtained supporting documentation for the transactions. For each transaction, observed that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

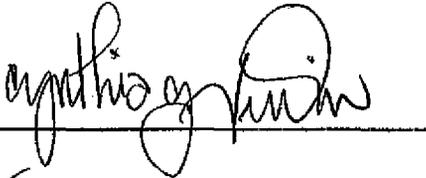
For one of the transactions selected, there was no documentation supporting the business/public purpose, nor was there documentation of the individuals participating in the meal.

Staff will be reminded, and the policy reinforced regarding the importance of documenting the purpose of the expense and the individuals participating in the meal.

Respectfully submitted,

Signature: 

Title: PRESIDENT & EXECUTIVE DIRECTOR

Signature: 

Title: FINANCE OFFICER