

**Shreveport Regional Arts Council
Shreveport, Louisiana**

Financial Statements

As of and for the Years Ended June 30, 2017 and 2016

Shreveport Regional Arts Council
Shreveport, Louisiana

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Shreveport Regional Arts Council, (a nonprofit corporation) which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Shreveport Regional Arts Council, as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information schedule shown on page 17 is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2017, on our consideration of Shreveport Regional Arts Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Shreveport Regional Arts Council's internal control over financial reporting and compliance.



Cook & Morehart
Certified Public Accountants
December 15, 2017

Shreveport Regional Arts Council
Shreveport, Louisiana
Statements of Financial Position
June 30, 2017 and 2016

Assets	2017	2016
Current assets:		
Cash and cash equivalents	\$ 440,692	\$ 205,237
Investments	987,840	916,412
Grants receivable	201,869	75,521
Other receivables	66,148	70,474
Unconditional promises to give-operations		3,141
Inventory		3,154
Prepaid expenses	9,505	8,910
Total current assets	1,706,054	1,282,849
Noncurrent assets:		
Long-term promises to give - operations		1,111
Cash - restricted	439,620	465,705
Promises to give - building renovations	194,901	262,890
Promises to give - artbreak	84,097	
Deposits	1,700	3,900
Property and equipment, net	3,271,521	3,440,866
Total noncurrent assets	3,991,839	4,174,472
Total Assets	\$ 5,697,893	\$ 5,457,321
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 54,398	\$ 22,460
Grants payable	36,128	66,958
Accrued expenses	50,811	70,796
Line of credit		496,842
Total current liabilities	141,337	657,056
Long-term liabilities:		
Line of credit	470,785	
Total Liabilities	612,122	657,056
Net assets		
Unrestricted	4,300,689	3,987,419
Temporarily restricted	785,082	812,846
Total net assets	5,085,771	4,800,265
Total Liabilities and Net Assets	\$ 5,697,893	\$ 5,457,321

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

Shreveport Regional Arts Council
Shreveport, Louisiana
Statement of Activities
For the Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Totals
Revenues, gains, support and reclassifications:			
Admissions sales and concessions	\$ 98,435	\$	\$ 98,435
Tuition and fees	14,915		14,915
Individual contributions	14,683		14,683
Business and industry contributions	144,309	130,000	274,309
Foundation grants	92,260	75,000	167,260
Government grants / contracts:			
City of Shreveport	535,120		535,120
Other governments	213,000		213,000
State of Louisiana	182,507		182,507
Special events -			
Christmas in the Sky	1,328,240		1,328,240
Sale of tax credits	92,361		92,361
Investment return	108,772		108,772
Miscellaneous income	191,234		191,234
Rental Income	42,426		42,426
Net assets released from restrictions			
Satisfaction of program restrictions	232,764	(232,764)	
	<u>3,291,026</u>	<u>(27,764)</u>	<u>3,263,262</u>
Total revenues, gains, support and reclassifications			
Expenses:			
Supporting services -			
General and administrative	394,449		394,449
Special events fund raising - Christmas in the Sky	890,667		890,667
	<u>1,285,116</u>		<u>1,285,116</u>
Program services			
Artbreak	276,976		276,976
Artspace	416,853		416,853
Shreveport Common / Public Art	504,015		504,015
Arts Resource Center	494,796		494,796
	<u>1,692,640</u>		<u>1,692,640</u>
Total programs services			
Total expenses	<u>2,977,756</u>		<u>2,977,756</u>
Change in net assets	313,270	(27,764)	285,506
Net assets, beginning of year	<u>3,987,419</u>	<u>812,846</u>	<u>4,800,265</u>
Net assets, end of year	<u>\$ 4,300,689</u>	<u>\$ 785,082</u>	<u>\$ 5,085,771</u>

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

Shreveport Regional Arts Council
Shreveport, Louisiana
Statement of Activities
For the Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Totals
Revenues, gains, support and reclassifications:			
Admissions sales and concessions	\$ 163,326	\$	\$ 163,326
Tuition and fees	9,385		9,385
Individual contributions	128,760		128,760
Business and industry contributions	259,514		259,514
Foundation grants	337,343	157,954	495,297
Government grants / contracts:			
City of Shreveport	428,613		428,613
Other governments	249,000	65,000	314,000
State of Louisiana	314,482		314,482
Sale of tax credits	116,601		116,601
Miscellaneous income	664		664
Net assets released from restrictions			
Satisfaction of program restrictions	444,436	(444,436)	
	444,436	(444,436)	
Total revenues, gains, support and reclassifications	2,452,124	(221,482)	2,230,642
Expenses:			
Supporting services -			
General and administrative	448,972		448,972
Special events fund raising - Christmas in the Sky	155,965		155,965
	604,937		604,937
Program services			
Artbreak	288,534		288,534
Artspace	585,093		585,093
Nick Cave	483,029		483,029
Shreveport Common / Public Art	486,434		486,434
Arts Resource Center	538,544		538,544
	2,381,634		2,381,634
Total programs services	2,381,634		2,381,634
Total expenses	2,986,571		2,986,571
Change in net assets	(534,447)	(221,482)	(755,929)
Net assets, beginning of year	4,521,866	1,034,328	5,556,194
Net assets, end of year	\$ 3,987,419	\$ 812,846	\$ 4,800,265

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

Shreveport Regional Arts Council
Shreveport, Louisiana
Statement of Functional Expenses
For the Year Ended June 30, 2017

	Support Services			Program Services			Total Program Services	Totals
	General and Administrative	Fund Raising - Christmas In the Sky	Artbreak	Artspace	Shreveport Common / Public Art	Arts Resource Center		
Admissions sales and concessions	\$	\$	\$ 1,787	\$ 14,793	\$	\$ 3,852	\$ 20,432	\$ 20,432
Awards			21,500				21,500	21,500
Bank charges	10,307	37,911	158	2,353	4	450	2,965	51,183
Bad Debt	25,153							25,153
Depreciation expense	76,002			3,455	46,638	46,638	96,731	172,733
Dues and subscriptions	7,169	995		110	1,183	492	1,785	9,949
Employee benefits	19,998	22,545	12,401	13,440	15,207	9,263	50,311	92,854
Equipment and facility rentals	9,343	5,633	1,200	1,263	3,148	3,430	9,041	24,017
Event expenses		269,443	16,263		3,985	6,136	26,384	295,827
Grants to other agencies						285,867	285,867	285,867
Insurance expense	24,192	3,921	1,003	10,161	925		12,089	40,202
Interest	2,077			12,100			12,100	14,177
Miscellaneous expense	4,080	11,478	69	27,276	85	647	28,077	43,635
Payroll taxes	6,934	13,343	6,983	9,222	7,290	4,866	28,361	48,638
Postage and Freight	4,043	3,104	1,251	4,116	1,470	1,157	7,994	15,141
Professional artist fees		116,297	70,268	38,221	110,911	24,675	244,075	360,372
Professional services	55,872	49,109	5,746	20,213	162,532	16,391	204,882	309,863
Promotion and printing	1,703	35,621	9,520	96,890	29,950	11,974	148,334	185,658
Repair and maintenance	10,427	9,891		11,627	368		11,995	32,313
Salaries	92,114	178,089	92,082	122,445	96,319	63,778	374,624	644,827
Supplies and fees	21,662	114,639	31,511	15,658	11,673	3,951	62,793	199,094
Telephone	7,438							7,438
Travel								
Program	13,795	8,712	4,033		6,903	7,580	18,516	41,023
Staff and board	1,860	8,331	516	13,510	5,424	3,649	23,099	33,290
Utilities	280	1,605	685				685	2,570
	<u>\$ 394,449</u>	<u>\$ 890,667</u>	<u>\$ 276,976</u>	<u>\$ 416,853</u>	<u>\$ 504,015</u>	<u>\$ 494,796</u>	<u>\$ 1,692,640</u>	<u>\$ 2,977,756</u>

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

Shreveport Regional Arts Council
 Shreveport, Louisiana
 Statement of Functional Expenses
 For the Year Ended June 30, 2016

	Support Services				Program Services			Total Program Services	Totals
	General and Administrative	Fund Raising - Christmas In the Sky	Artbreak	Artspace	Shreveport Common / Public Art	Nick Cave	Arts Resource Center		
Admissions sales and concessions	\$	\$	\$	\$ 9,721	\$	\$	\$	\$ 9,721	\$ 9,721
Awards			22,921	4,000				26,921	26,921
Bank charges	9,819	883	86	4,087	140	498	294	5,105	15,807
Bad Debt		16,430							16,430
Depreciation expense	62,376			4,482	37,865		37,865	80,212	142,588
Dues and subscriptions	5,827	995			844	135	30	1,009	7,831
Employee benefits	25,282	12,342	10,055	20,289	17,088	259	7,045	54,736	92,360
Equipment and facility rentals	8,892	1,300	1,300	17,561	1,099	40,840		60,800	70,992
Event expenses	2,723	10,313	22,151	17,391	2,470	32,781	158	74,951	87,987
Grants to other agencies							381,042	381,042	381,042
Insurance expense	67,775					1,909		1,909	69,684
Interest	4,577								4,577
Miscellaneous expense	5,521	173		15,544	2,915	311		18,770	24,464
Payroll taxes	8,215	6,904	5,786	13,988	12,224	158	6,386	38,542	53,661
Postage and Freight	9,683	333		1,795	814	12,914	189	15,712	25,728
Professional artist fees		5,075	66,178		79,988	241,038	9,543	396,747	401,822
Professional services	49,382	4,464	23,020	125,272	135,460	74,509	9,353	367,614	421,460
Promotion and printing	8,343	1,095	13,218	75,939	4,243	7,898	65	101,363	110,801
Repair and maintenance	12,466			10,619	1,665			12,284	24,750
Salaries	110,291	90,950	75,408	161,684	161,930	2,115	84,282	485,419	686,660
Supplies and fees	23,616	2,200	43,204	92,038	21,883	40,114	74	197,313	223,129
Telephone	13,877								13,877
Travel									
Program	18,252	2,473	4,737	10,683	5,442	26,912	1,924	49,698	70,423
Staff and board	2,055	35	139		364	361	294	1,158	3,248
Utilities			331			277		608	608
	<u>\$ 448,972</u>	<u>\$ 155,965</u>	<u>\$ 288,534</u>	<u>\$ 585,093</u>	<u>\$ 486,434</u>	<u>\$ 483,029</u>	<u>\$ 538,544</u>	<u>\$ 2,381,634</u>	<u>\$ 2,986,571</u>

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

Shreveport Regional Arts Council
Shreveport, Louisiana
Statements of Cash Flows
For the Years Ended June 30, 2017 and 2016

Operating Activities	2017	2016
Changes in net assets	\$ 285,506	\$ (755,929)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	172,733	142,588
Realized and unrealized (gains) and losses on investments	(71,428)	25,800
Use of (receipt of) restricted cash	26,085	1,894
(Increase) decrease in operating assets:		
Grants receivable	(126,348)	65,362
Other receivables	4,326	(19,409)
Promises to give	(11,856)	139,414
Deposits	2,200	(2,459)
Inventory	3,154	-
Prepaid expenses	(595)	(1,279)
Increase (decrease) in operating liabilities:		
Accounts payable	31,938	(29,774)
Grants payable	(30,830)	36,015
Accrued expenses	(19,985)	(15,551)
Net cash provided (used) by operating activities	264,900	(413,328)
 Investing Activities		
Payments for property and equipment	(3,387)	(668,596)
Net cash (used) by investing activities	(3,387)	(668,596)
 Financing Activities		
Proceeds from line of credit	241,166	500,000
Payments on line of credit	(267,224)	(3,158)
Net cash provided (used) by investing activities	(26,058)	496,842
 Net increase (decrease) in cash and cash equivalents	235,455	(585,082)
 Cash and cash equivalents as of beginning of year	205,237	790,319
 Cash and cash equivalents as of end of year	\$ 440,692	\$ 205,237
 Supplemental disclosure:		
Interest paid during the year on line of credit	\$ 12,100	\$ 4,577

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

Shreveport Regional Arts Council
Shreveport, Louisiana
Notes to Financial Statements
June 30, 2017 and 2016

(1) Summary of Significant Accounting Policies

A. Nature of Activities

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

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

B. Basis of Accounting

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

C. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could differ from those estimates.

D. Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards. Under those standards, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

E. Cash and Cash Equivalents

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

F. Promises to Give

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

G. Investments

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

(Continued)

Shreveport Regional Arts Council
Shreveport, Louisiana
Notes to Financial Statements
June 30, 2017 and 2016
(Continued)

H. Fair Value Measurements

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

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

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

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

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

I. Property and Equipment

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

J. Restricted and Unrestricted Revenue and Support

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

K. Advertising Costs

SRAC uses advertising to promote its services among the community it serves. The costs of advertising are expensed as incurred. For the years ended June 30, 2017 and 2016, advertising costs totaled \$74,283 and \$76,111 respectively and are included in promotions on the Statements of Functional Expenses.

(Continued)

Shreveport Regional Arts Council
Shreveport, Louisiana
Notes to Financial Statements
June 30, 2017 and 2016
(Continued)

L. Employee Benefit Plans

SRAC established a Simple Retirement Account plan for its full and part-time employees. An employee is eligible to participate in any calendar year if the employee received at least \$5,000 of compensation during each of the two preceding year calendar years and is reasonably expected to receive at least \$5,000 in compensation during the current calendar year. Participation is voluntary, and the employee may contribute up to \$7,000 per year. SRAC matches the employee's contribution up to 3% of the employee's annual compensation, or \$7,000, whichever is less. The contributions charged to expense for the years ended June 30, 2017 and 2016 were \$11,928 and \$15,795, respectively.

M. Income Tax Status

SRAC is a non-profit corporation and is exempt from state and federal income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to SRAC's tax-exempt purpose is subject to taxation as unrelated business income. SRAC had no such income for this audit period. The Organization's Form 990, Return of Organization Exempt from Income Tax, for the years ended June 30, 2014, 2015, 2016, and 2017 are subject to examination by the IRS, generally three years after they were filed.

N. Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities and in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

O. Accrued Absences

SRAC's policy is to pay employees upon termination for vacation time accrued up to 80 hours maximum per employee with 0–5 years experience; up to 96 hours for employees with 5–10 years experience; up to 120 hours for employees with 10–15 years experience; up to 144 hours for employees with 15–20 years experience; and up to 168 hours for employees with over 20 years' experience. An accrued liability for vacation time of \$32,436 and \$53,002 is included in accrued expenses at June 30, 2017 and 2016, respectively.

P. Inventory

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

(2) Agreement for Services

Under a formal agreement for services between the City of Shreveport (the City) and SRAC, the City agrees to provide technical assistance in the planning and implementation of programs, use of certain facilities, office space and personnel and funding for programming. The fair value of the technical assistance received and use of the facilities, office space and personnel is not reasonably determinable and is not recorded as revenue. SRAC also agrees to provide certain programming services under the agreement.

(Continued)

Shreveport Regional Arts Council
 Shreveport, Louisiana
 Notes to Financial Statements
 June 30, 2017 and 2016
 (Continued)

(3) Concentrations of Credit Risk

SRAC maintains cash balances at financial institutions and a money market account held by an investment broker. The Federal Deposit Insurance Corporation (FDIC) insures accounts up to \$250,000 at financial institutions. Securities Investor Protection Corporation (SIPC) insures funds on deposit with the investment broker up to \$500,000. SRAC had uninsured cash balances of \$51,732 and \$35,575 at June 30, 2017 and 2016, respectively.

Approximately 99% and 99% of the promises to give for building renovations, development of arts district, artspace, and artist regrants for the years ended June 30, 2017 and 2016, respectively, were from three donors.

Concentrations of credit risk with respect to grant receivables are limited due to these amounts being due from governmental agencies under contractual terms. As of June 30, 2017 and 2016, SRAC had no significant concentrations of credit risk in relation to grant receivables.

(4) Promises to Give - Operations

Unconditional promises to give at June 30, 2016 are as follows:

Receivable in less than one year	\$	3,141
Receivable in one to five years		<u>1,111</u>
Net unconditional promises to give	\$	<u><u>4,252</u></u>

Amounts shown are net of an allowance for uncollectible promises of \$1,000. Promises receivable expected to be collected over more than one year are discounted at 1.9%.

(5) Restricted Assets

Assets restricted for building renovations, development of arts district, artspace, art projects, and artist regrants at June 30, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
Cash	\$ 439,620	\$ 465,705
Promises to give	<u>278,998</u>	<u>262,890</u>
	<u><u>\$ 718,618</u></u>	<u><u>\$ 728,595</u></u>

(Continued)

Shreveport Regional Arts Council
Shreveport, Louisiana
Notes to Financial Statements
June 30, 2017 and 2016
(Continued)

Promises receivable expected to be collected over more than one year are discounted at .12% for the years ended June 30, 2017 and 2016. The allowance for uncollectible promises receivable at June 30, 2017 and 2016 was \$53,100 and \$27,705, respectively.

	<u>2017</u>	<u>2016</u>
Receivables in less than one year	\$ 95,900	\$ 73,660
Receivables in one to five years	185,000	190,000
	<u>280,900</u>	<u>263,660</u>
Less discounts to net present value	(1,902)	(770)
Net promises to give	<u>\$ 278,998</u>	<u>\$ 262,890</u>

(6) Investments

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

Investments as of June 30, 2017 consisted of the following:

	<u>2017</u>	
	<u>Fair Value</u>	<u>Cost</u>
Fixed income	\$ 282,904	\$ 280,942
Other assets	98,295	98,679
Equities	606,641	487,407
	<u>\$ 987,840</u>	<u>\$ 867,028</u>

Investments as of June 30, 2016 consisted of the following:

	<u>2016</u>	
	<u>Fair Value</u>	<u>Cost</u>
Fixed income	\$ 265,783	\$ 261,278
Other assets	110,482	113,599
Equities	540,147	483,424
	<u>\$ 916,412</u>	<u>\$ 858,301</u>

Investment income (loss) for the years ended June 30, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
Interest and dividend income	\$ 24,344	\$ 16,237
Realized gain on sale on investments	21,660	6,005
Unrealized gains (losses) on investments	62,768	(39,376)
	<u>\$ 108,772</u>	<u>\$ (17,134)</u>

(Continued)

Shreveport Regional Arts Council
 Shreveport, Louisiana
 Notes to Financial Statements
 June 30, 2017 and 2016
 (Continued)

(7) Property and Equipment

Property and equipment at June 30, 2017, with estimated depreciable life, are summarized as follows:

Furniture, fixtures, equipment	7 – 20 years	\$ 529,440
Leasehold improvements – construction in process	None	191,250
Land – Caddo Commons		18,000
Leasehold improvements	5 – 10 years	<u>3,257,096</u>
		3,995,786
Accumulated Depreciation		<u>(724,265)</u>
		<u>\$ 3,271,521</u>

Depreciation expense for the year ended June 30, 2017 was \$172,733.

Property and equipment at June 30, 2016, with estimated depreciable life, are summarized as follows:

Furniture, fixtures, equipment	7 – 20 years	\$ 526,053
Leasehold improvements – construction in process	None	191,250
Land – Caddo Commons		18,000
Leasehold improvements	5 – 10 years	<u>3,257,096</u>
		3,992,399
Accumulated Depreciation		<u>(551,533)</u>
		<u>\$ 3,440,866</u>

Depreciation expense for the year ended June 30, 2016 was \$142,588.

(8) Restrictions on Net Assets

Temporarily restricted net assets are available for the following purposes or periods:

	<u>2017</u>	<u>2016</u>
Artspace	\$ 174,501	\$ 199,501
Renovation of Central Fire Station	20,400	63,389
Development of Shreveport Common	439,620	465,704
Christmas in the Sky		15,000
Stan Lewis Festival - Unscene		65,000
Club 101 – Operating Campaign		4,252
Artbreak	82,675	
Artist Ecosystem	67,886	
	<u>\$ 785,082</u>	<u>\$ 812,846</u>

(9) Designated Net Assets

The Board of Directors designated cash and investments at June 30, 2017 and 2016 totaling \$1,039,446 and \$963,688 respectively to insure that SRAC's resources will remain stable regardless of potential changes in public or private funding.

For the years ended June 30, 2017 and 2016, the Board designated \$157,500 and \$157,500, respectively, from funds received from the City of Shreveport to be used for grantees.

(Continued)

Shreveport Regional Arts Council
 Shreveport, Louisiana
 Notes to Financial Statements
 June 30, 2017 and 2016
 (Continued)

Both of the above items are included in unrestricted net assets on the Statements of Financial Position.

(10) Operating Leases

SRAC leases certain storage space and equipment under operating leases. Rental costs for these leases for the years ended June 30, 2017 and 2016 were \$13,061 and \$13,906, respectively. Commitments under lease agreements having initial or remaining non-cancellable terms in excess of one year are as follows:

<u>For the Year Ending June 30,</u>	
2018	\$ 9,219
2019	8,414
2020	6,000
2021	6,000
2022	<u>2,500</u>
Total minimum future rentals	<u>\$ 32,133</u>

(11) Line of Credit

SRAC has a revolving line of credit in the amount of \$500,000. Interest accrues at 3.00 percentage points over the LIBOR index for the year ended June 30, 2017. The balance on the line of credit as of June 30, 2017 and 2016 was \$470,785 and \$496,842, respectively. The line of credit is secured by any and all assets held by SRAC.

The line of credit was renewed on November 18, 2016, and has a maturity date of November 18, 2018. Interest expense incurred on the line of credit for the years ended June 30, 2017 and 2016 was \$12,100 and \$4,577, respectively. Interest on the line of credit is payable monthly.

(12) Accrued Expenses

Accrued expenses consisted of the following at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Accrued leave payable	\$ 32,436	\$ 53,002
Accrued payroll and related benefits	18,375	17,794
	<u>\$ 50,811</u>	<u>\$ 70,796</u>

(13) Concentration of Revenue

During the years ended June 30, 2017 and 2016, SRAC received contractual revenue from state, parish, and city grants in the amount of \$930,627 and \$1,057,095, respectively. The continued existence of these funds is based on annual contract renewals with various funding sources.

Approximately forty-one per cent of revenue for the year ended June 30, 2017, was derived from SRAC's biennial fund raiser, "Christmas in the Sky."

(14) Grants Payable

Grants payable at June 30, 2017 and 2016 represent amounts owed to recipients of arts grants awarded by SRAC but not yet paid. Final payments are made upon receipt of final reports from the recipients.

(Continued)

Shreveport Regional Arts Council
Shreveport, Louisiana
Notes to Financial Statements
June 30, 2017 and 2016
(Continued)

(15) Donated Materials, Facilities, and Services

Various materials and services were donated to SRAC by various individuals and organizations. Donated materials and services for the years ended June 30, 2017 and 2016 were \$79,936 and \$94,932, respectively, were recorded at fair market value at the date of donation, and have been included in revenue and expenses for this year.

(16) Endowment Account with Community Foundation of Shreveport–Bossier

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

The fair market value of the fund at June 30, 2017 and 2016 was \$271,974 and \$256,949 respectively.

(17) Subsequent Events

On August 8, 2017, SRAC signed a contract for fabrication of public art work in the amount of \$40,000.

Subsequent events have been evaluated through December 15, 2017, the date the financial statements were available to be issued.

(18) Commitments

SRAC has entered into a contract for the design and management of the Shreveport Commons Art District totaling approximately \$300,000. Costs incurred under this contract as of June 30, 2017 totaled approximately \$191,250, with the remaining amounts to be incurred subsequent to June 30, 2017.

(19) Grants Receivable

Various funding sources provide reimbursement of allowable costs under contracts or agreements. These balances represent amounts due from funding sources at June 30, 2017 and 2016, but received after those dates.

(20) Related Party

During the year ended June 30, 2016, SRAC made payments totaling \$50,000 to a board member and another individual for a commissioned Public Artwork, ‘The Flame’. An independent Jury Panel selected the duo for the Commission via a nationally publicized “Call to Artists.” It is SRAC’s policy to include Professional Artists as members of the Board of Directors and to allow them to compete (via independent Jury Panels with no SRAC Board or Staff representation) for Commissions.

Shreveport Regional Arts Council
Shreveport, Louisiana
Schedule of Compensation, Benefits, and Other Payments to Agency Head
For the Year Ended June 30, 2017

Agency Head: Pam Atchison, Executive Director

The following payments were made from public funds:

<u>Purpose</u>	<u>Amount Paid with Public Funds</u>
Salary	\$ 28,942
Benefits - insurance	545
Reimbursements	93

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Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards*

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the Standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Shreveport Regional Arts Council (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017 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 December 15, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Shreveport Regional Arts Council's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Shreveport Regional Arts Council's internal control. Accordingly, we do not express an opinion on the effectiveness of Shreveport Regional Arts Council's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Cook & Morehart
Certified Public Accountants
December 15, 2017

Shreveport Regional Arts Council
Shreveport, Louisiana
Summary Schedule of Audit Findings
June 30, 2017

Summary Schedule of Prior Audit Findings

There were no findings for the prior year audit for the year ended June 30, 2016.

Corrective Action Plan for Current Year Audit Findings

There are no findings for the current year audit for the year ended June 30, 2017.

COOK & MOREHART

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Independent Accountants' Report on Applying Agreed-Upon Procedures

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

We have performed the procedures enumerated below, which were agreed to by the Shreveport Regional Arts Council (a nonprofit organization), and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2016 through June 30, 2017. The Shreveport Regional Arts Council's (SRAC) management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of Government Auditing Standards. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The Statewide Agreed-Upon Procedures were performed only on the public funds received and expended by Shreveport Regional Arts Council during the period of July 1, 2016 through June 30, 2017.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:
 - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget
 - b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
 - c) ***Disbursements***, including processing, reviewing, and approving
 - d) ***Receipts***, including receiving, recording, and preparing deposits
 - e) ***Payroll/Personnel***, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers

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

Board (or Finance Committee, if applicable)

- 2. Obtain and review the board/committee minutes for the fiscal period, and:
 - a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.
The Board of Directors of SRAC met in accordance with the agency's bylaws.
 - b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).
 - If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

The minutes of the Board of Directors of SRAC included references to budget-to-actual comparisons

- c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.
The minutes of the Board of Directors of SRAC did reference non-budgetary financial information for at least one meeting during the fiscal period.

Bank Reconciliations

- 3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.
Management provided the requested information, along with management's representation that the listing is complete.
- 4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). For

each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- a) Bank reconciliations have been prepared;
Bank reconciliations were prepared for each month.
- b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation;
The bank reconciliations contained evidence that a member of management reviewed and approved the bank reconciliations.
- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

Collections

5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

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

6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). For each cash collection location selected:

- a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

Each person responsible for collecting cash was insured under SRAC's blanket crime insurance policy. Each person responsible for collecting cash was not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account. Each person responsible for collecting cash was not required to share the same cash register or drawer with another employee.

- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

SRAC has written procedures to reconcile cash collections to the general ledger by a person not responsible for collections.

- c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:

- Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day

of collection, report the number of days from receipt to deposit for each day at each collection location.

For the week selected, deposits were processed onsite on the day received, and into the appropriate bank account within one day.

- Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

For the week selected, daily cash collections were completely supported by collection documentation.

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and 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) by a person who is not responsible for collections.

SRAC has written procedures which define a process to determine completeness of collections, including electronic transfers, for each revenue source by a person not responsible for collections.

Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)

8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.

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

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:
 - a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.
 - b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.
 - c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

Purchase orders are not required by entity policy for all transactions. Department heads are responsible for ensuring projects are properly budgeted prior to incurrence of expenses.

Exception: SRAC does not utilize a purchase order system. Therefore, none of the twenty-five invoices selected for testing included a requisition/purchase order or equivalent.

Management's Response: SRAC does not use a purchase order system. Department heads ensure expenses are budgeted before incurring. Unbudgeted expenses must be approved by the Assistant Director or the Executive Director and include an estimate of total expense. Approved invoices and expense payments are reviewed and approved monthly by the Assistant Director. Two authorized board members review and sign all checks after reviewing supporting documentation. No staff is authorized to sign checks.

10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

SRAC's policy is that new vendors can only be added to the purchasing/disbursement system by the Accounting Director after Executive Director approval. The Executive Director is not responsible for processing payments.

11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

SRAC's policy states that the Assistant Director reviews and approves all invoices and that all checks require two authorized signatures by the Board of Directors. The Board of Directors are not responsible for initiating or recording purchases.

12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

SRAC's supply of unused checks is maintained in a locked location. All checks require two authorized signatures by the Board of Directors. No member of the Board of Directors has access to unused check stock.

13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

Persons with signatory authority do not use a signature stamp or signature machine.

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

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

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

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder.

For each card selected for testing, there were attributes indicating that someone other than the authorized card holder reviewed and approved the monthly statements and supporting documentation for the items selected for testing.

- b) Report whether finance charges and/or late fees were assessed on the selected statements.

There were no finance charges or late fees assessed on the cards selected for testing.

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the cards selected (i.e. each of the cards should have one month of transactions subject to testing).

- a) For each transaction, report whether the transaction is supported by:

- An original itemized receipt (i.e., identifies precisely what was purchased)

Transactions tested were supported by original itemized receipts.

- Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.

The business purpose was documented for purchases on the cards selected for testing. The charges for meals on the selected cards contained documentation of the business purpose and the individuals participating.

- Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

No other documentation is required by SRAC's written credit card policy.

- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.

We compared each transaction tested to the agency's written policies. There were no exceptions noted.

- c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

SRAC's documentation met the requirements of Article 7, Section 14.

Travel and Expense Reimbursement

17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

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

18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.

SRAC's policy is to reimburse the actual costs of travel, meals, lodging, and other expenses directly related to accomplishing business travel objectives. Per diem rates are not used. SRAC's policy is to reimburse employees for use of personal vehicles at the federal allowable mileage rate at the time of travel. The federal allowable mileage rate used for mileage did not exceed the GSA rate.

19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

The reimbursements selected were supported with documentation in accordance with SRAC's written policies.

- b) Report whether each expense is supported by:

- An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]

Each expense selected was supported by an itemized receipt.

- Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).

The business purpose was documented on each invoice selected for testing.

- Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

No other documentation was required.

- c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

SRAC's documentation met the requirements of Article 7, Section 14.

- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

For each expense selected for testing, the expense and related documentation was reviewed and approved in writing by someone other than the person receiving reimbursement.

Contracts

- 20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

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

- 21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:

- a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.

For the five contract vendors selected for testing, there were formal, written contracts supporting the services arrangement and the amounts paid.

- b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:

- If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)

The contracts selected were not subject to the Louisiana Public Bid Law or Procurement Code.

- If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.

For the contracts selected, there was evidence that quotes were obtained.

- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.

None of the contracts selected for testing were amended.

- d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.

The largest payment selected for testing from each of the five vendor contracts was supported by invoices that agreed with the terms of the contract.

- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

SRAC's policy is for the Executive Committee of the Board of Directors to approve contracts over \$1,000. All of the contracts selected for testing were over that amount, and had approval by the Executive Director who was given authority to sign all contracts by the Board of Directors.

Payroll and Personnel

22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete.

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

Randomly select five employees/officials, obtain their personnel files, and:

- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

For transactions tested, payments were made in accordance with the terms of the approved pay rates.

- b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

For the transactions selected for testing, changes made to hourly pay rates/salaries were approved in writing and in accordance with written policy.

23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:

- a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory).

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

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

Management Response: SRAC does not record daily attendance for its very small staff of 10-12 salaried employees. However, SRAC does require that leave time be approved by the Executive Director and recorded for salaried employees.

- b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.

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

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

Management Response: SRAC does not record daily attendance for its very small staff of 10-12 salaried employees. However, SRAC does require that leave time be approved by the Executive Director and recorded for salaried employees.

- c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

SRAC maintained written leave records on those selected employees/officials that earn leave.

- 24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

Management provided the requested information, along with management's representation that the listing is complete. There was one employee terminated during the fiscal period. Termination payment was made in accordance with policy and approved by management.

- 25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

Employee and employer portions of payroll taxes and retirement contributions, as well as required reporting forms, were submitted to the applicable agencies by the required deadlines.

Ethics (excluding nonprofits)

- 26. Using the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.

Not applicable to nonprofit organizations.

- 27. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the entity's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

Not applicable to nonprofit organizations.

Debt Service (excluding nonprofits)

- 28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.

Not applicable to nonprofit organizations.

- 29. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

Not applicable to nonprofit organizations.

30. If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

Not applicable to nonprofit organizations.

Other

31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Management is not aware of any misappropriation of public funds or assets.

32. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

SRAC has posted on its premises and website the notice required by R.S. 24:523.1.

33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

We have not observed or identified any exceptions regarding management's representations in the above procedures.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.



Cook & Morehart
Certified Public Accountants
December 15, 2017