

**Shreveport Regional Arts Council  
Shreveport, Louisiana**

**Financial Statements**

**As of and for the Years Ended June 30, 2018 and 2017**

Shreveport Regional Arts Council  
Shreveport, Louisiana

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# COOK & MOREHART

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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, 2018 and 2017, 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, 2018 and 2017, 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.

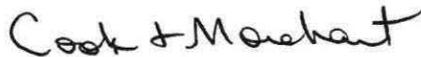
**Other Matters**

**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 November 16, 2018, 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  
November 16, 2018

Shreveport Regional Arts Council  
Shreveport, Louisiana  
Statements of Financial Position  
June 30, 2018 and 2017

Assets	<u>2018</u>	<u>2017</u>
Current assets:		
Cash and cash equivalents	\$ 419,458	\$ 440,692
Investments	955,852	987,840
Grants receivable	14,119	201,869
Other receivables	33,000	66,148
Prepaid expenses	<u>9,693</u>	<u>9,505</u>
Total current assets	<u>1,432,122</u>	<u>1,706,054</u>
Noncurrent assets:		
Cash - restricted	356,128	439,620
Promises to give - building renovations	149,875	194,901
Promises to give - artbreak	53,515	84,097
Deposits	1,225	1,700
Property and equipment, net	3,082,863	3,253,521
Land held for development	<u>30,000</u>	<u>18,000</u>
Total noncurrent assets	<u>3,673,606</u>	<u>3,991,839</u>
Total Assets	<u>\$ 5,105,728</u>	<u>\$ 5,697,893</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 24,613	\$ 54,398
Grants payable	55,556	36,128
Accrued expenses	<u>78,262</u>	<u>50,811</u>
Total current liabilities	<u>158,431</u>	<u>141,337</u>
Long-term liabilities:		
Line of credit	<u>485,093</u>	<u>470,785</u>
Total Liabilities	<u>643,524</u>	<u>612,122</u>
Net assets		
Unrestricted	3,866,597	4,300,689
Temporarily restricted	<u>595,607</u>	<u>785,082</u>
Total net assets	<u>4,462,204</u>	<u>5,085,771</u>
Total Liabilities and Net Assets	<u>\$ 5,105,728</u>	<u>\$ 5,697,893</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, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
Revenues, gains, support and reclassifications:			
Admissions sales and concessions	\$ 109,626	\$	\$ 109,626
Tuition and fees	20,436		20,436
Individual contributions	114,514		114,514
Business and industry contributions	25,200		25,200
Foundation grants	148,943	12,500	161,443
Government grants / contracts:			
City of Shreveport	477,750		477,750
Other governments	151,575		151,575
State of Louisiana	186,507		186,507
Special events -			
Christmas in the Sky	146,167		146,167
Sale of tax credits			
Investment return	62,694		62,694
Rental income	36,319		36,319
Miscellaneous income	5,926		5,926
Net assets released from restrictions			
Satisfaction of program restrictions	<u>201,975</u>	<u>(201,975)</u>	
 Total revenues, gains, support and reclassifications	 <u>1,687,632</u>	 <u>(189,475)</u>	 <u>1,498,157</u>
 Expenses:			
Supporting services -			
General and administrative	401,858		401,858
Special events fund raising - Christmas in the Sky	<u>186,012</u>		<u>186,012</u>
 Total supporting services	 <u>587,870</u>		 <u>587,870</u>
 Program services			
Artbreak	278,440		278,440
Artspace	390,089		390,089
Shreveport Common / Public Art	361,226		361,226
Arts Resource Center	<u>504,099</u>		<u>504,099</u>
 Total programs services	 <u>1,533,854</u>		 <u>1,533,854</u>
 Total expenses	 <u>2,121,724</u>		 <u>2,121,724</u>
 Change in net assets	 (434,092)	 (189,475)	 (623,567)
 Net assets, beginning of year	 <u>4,300,689</u>	 <u>785,082</u>	 <u>5,085,771</u>
 Net assets, end of year	 <u>\$ 3,866,597</u>	 <u>\$ 595,607</u>	 <u>\$ 4,462,204</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, 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)	
Total revenues, gains, support and reclassifications	3,291,026	(27,764)	3,263,262
Expenses:			
Supporting services -			
General and administrative	394,449		394,449
Special events fund raising - Christmas in the Sky	890,667		890,667
Total supporting services	1,285,116		1,285,116
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
Total programs services	1,692,640		1,692,640
Total expenses	2,977,756		2,977,756
Change in net assets	313,270	(27,764)	285,506
Net assets, beginning of year	3,987,419	812,846	4,800,265
Net assets, end of year	\$ 4,300,689	\$ 785,082	\$ 5,085,771

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, 2018

	Support Services			Program Services			Totals	
	General and Administrative	Fund Raising - Christmas In the Sky	Artbreak	Artspace	Shreveport Common / Public Art	Arts Resource Center		Total Program Services
Admissions sales and concessions	\$	\$	\$ 4,058	\$	\$	\$ 11,419	\$ 15,477	\$ 15,477
Awards			21,659	3,900			25,559	25,559
Bank charges	8,243	1,937	307	2,143		688	3,138	13,318
Bad Debt	3,770							3,770
Contract labor	8,526	3,904	1,423		3,900	2,741	8,064	20,494
Depreciation expense	75,089			3,413	46,078	46,078	95,569	170,658
Dues and subscriptions	7,933	34		120	934	299	1,353	9,320
Employee benefits	20,213	18,824	11,967	15,509	11,595	8,926	47,997	87,034
Equipment and facility rentals	6,867	1,200	1,200	2,079	1,152	3,298	7,729	15,796
Event expenses		3,908	15,320		274	4,290	19,884	23,792
Grants to other agencies						297,281	297,281	297,281
Insurance expense	41,755							41,755
Interest				10,627			10,627	10,627
Miscellaneous expense	2,841	1,267	120	33,398	384	635	34,537	38,645
Payroll taxes	7,219	11,563	8,561	11,259	7,777	4,854	32,451	51,233
Postage and Freight	2,339	832	419	803	13	76	1,311	4,482
Professional artist fees	115	1,400	68,174	41,355	87,053	41,846	238,428	239,943
Professional services	47,184		6,834	15,418	71,539	7,653	101,444	148,628
Promotion and printing	3,893	6,502	5,831	59,758	2,221	433	68,243	78,638
Repair and maintenance	12,711			11,910	126	2,420	14,456	27,167
Salaries	91,765	126,465	97,037	126,911	88,008	63,320	375,276	593,506
Supplies and fees	38,713	2,486	23,711	44,588	33,596	815	102,710	143,909
Telephone	4,052							4,052
Travel								
Program	15,743	4,921	7,832		4,765	4,279	16,876	37,540
Staff and board	1,463	2	3,220	6,898	1,811	2,698	14,627	16,092
Utilities	1,424	767	767			50	817	3,008
	<u>\$ 401,858</u>	<u>\$ 186,012</u>	<u>\$ 278,440</u>	<u>\$ 390,089</u>	<u>\$ 361,226</u>	<u>\$ 504,099</u>	<u>\$ 1,533,854</u>	<u>\$ 2,121,724</u>

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

Shreveport Regional Arts Council  
Shreveport, Louisiana  
Statement of 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  
Statements of Cash Flows  
For the Years Ended June 30, 2018 and 2017

Operating Activities	2018	2017
Changes in net assets	\$ (623,567)	\$ 285,506
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	170,658	172,733
Realized and unrealized (gains) and losses on investments	(39,812)	(71,428)
Use of (receipt of) restricted cash	83,492	26,085
(Increase) decrease in operating assets:		
Grants receivable	187,750	(126,348)
Other receivables	33,148	4,326
Promises to give	75,608	(11,856)
Deposits	475	2,200
Inventory		3,154
Prepaid expenses	(188)	(595)
Increase (decrease) in operating liabilities:		
Accounts payable	(29,785)	31,938
Grants payable	19,428	(30,830)
Accrued expenses	27,451	(19,985)
Net cash provided (used) by operating activities	(95,342)	264,900
 Investing Activities		
Proceeds from sales of investments	71,800	
Payments for property and equipment	(12,000)	(3,387)
Net cash (used) by investing activities	59,800	(3,387)
 Financing Activities		
Proceeds from line of credit	340,000	241,166
Payments on line of credit	(325,692)	(267,224)
Net cash provided (used) by investing activities	14,308	(26,058)
 Net increase (decrease) in cash and cash equivalents	(21,234)	235,455
 Cash and cash equivalents as of beginning of year	440,692	205,237
 Cash and cash equivalents as of end of year	\$ 419,458	\$ 440,692
 Supplemental disclosure:		
Interest paid during the year on line of credit	\$ 10,627	\$ 12,100

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

Shreveport Regional Arts Council  
Shreveport, Louisiana  
Notes to Financial Statements  
June 30, 2018 and 2017

(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, 2018 and 2017  
(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 \$2,500 or more. Property, equipment, and leasehold improvements are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is provided on the straight-line method over the estimated useful lives of the assets. Amortization of leasehold improvements is provided on the straight-line method over the remaining term of the lease or the useful life of the improvement, whichever is shorter.

J. Restricted and Unrestricted Revenue and Support

Support that is 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, 2018 and 2017, advertising costs totaled \$64,265 and \$74,283 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, 2018 and 2017  
(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, 2018 and 2017 were \$9,299 and \$11,298, 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, 2015, 2016, 2017, and 2018 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 160 hours maximum per employee with 0–5 years experience; up to 192 hours for employees with 6–10 years experience; up to 240 hours for employees with 11–15 years experience; up to 288 hours for employees with 16–20 years experience; up to 336 hours for employees with 21–24 years experience; up to 400 hours for employees with 25–30 years experience; and up to 480 hours for employees with over 31 years' experience. An accrued liability for vacation time of \$44,459 and \$32,436 is included in accrued expenses at June 30, 2018 and 2017, 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, 2018 and 2017  
 (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 \$37,068 and \$51,732 at June 30, 2018 and 2017, respectively.

Approximately 99% and 99% of the promises to give for building renovations and artbreak for the years ended June 30, 2018 and 2017, 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, 2018 and 2017, SRAC had no significant concentrations of credit risk in relation to grant receivables.

(4) Restricted Assets

Assets restricted for building renovations, development of park, and artbreak at June 30, 2018 and 2017 consisted of the following:

	2018	2017
Cash	\$ 356,128	\$ 439,620
Promises to give	203,390	278,998
	\$ 559,518	\$ 718,618

Promises to give expected to be collected over more than one year are discounted at .12% for the years ended June 30, 2018 and 2017. The allowance for uncollectible promises to give at June 30, 2018 and 2017 was \$50,000 and \$53,100, respectively.

	2018	2017
Receivables in less than one year	\$ 54,000	\$ 95,900
Receivables in one to five years	150,000	185,000
	204,000	280,900
Less discounts to net present value	( 610)	( 1,902)
Net promises to give	\$ 203,390	\$ 278,998

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

	2018	2017
Promises to give – building renovations	\$ 149,875	\$ 194,901
Promises to give - artbreak	53,515	84,097
Total promises to give	\$ 203,390	\$ 278,998

(Continued)

Shreveport Regional Arts Council  
 Shreveport, Louisiana  
 Notes to Financial Statements  
 June 30, 2018 and 2017  
 (Continued)

(5) 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, 2018 consisted of the following:

	2018	
	Fair Value	Cost
Fixed income	\$ 290,228	\$ 296,532
Other assets	98,315	100,229
Equities	567,309	501,823
	\$ 955,852	\$ 898,584

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

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

Investment income (loss) for the years ended June 30, 2018 and 2017 consisted of the following:

	2018	2017
Interest and dividend income	\$ 22,882	\$ 24,344
Realized gain on sale on investments	103,299	21,660
Unrealized gains (losses) on investments	( 63,487)	62,768
	\$ 62,694	\$ 108,772

(6) Development of Shreveport Common

Shreveport Common was a program administered by SRAC at the request of the City of Shreveport until such time as Shreveport Common, Inc. received it's designation as a separate 501(c) 3 entity. Funds received by SRAC but not yet expended for the development of the Shreveport Common area are included in restricted cash and temporarily restricted net assets as of June 30, 2018 and 2017, totaling \$356,128 and \$439,620, respectively.

Amounts reflected as Land Held for Development totaling \$30,000 and \$18,000 at June 30, 2018 and 2017, respectively, represent payments made by SRAC to purchase portions of property for the Shreveport Common area. Those purchases were made using funds received by SRAC which were restricted for the development of the area. The land will be transferred to the separate Shreveport Common, Inc. entity in the future.

Subsequent to June 30, 2018, additional property was purchased by SRAC in the amount of \$108,587, utilizing cash restricted for the development of the area.

(Continued)

Shreveport Regional Arts Council  
 Shreveport, Louisiana  
 Notes to Financial Statements  
 June 30, 2018 and 2017  
 (Continued)

(7) Property and Equipment

Property and equipment at June 30, 2018, with estimated depreciable life, are summarized as follows:

Furniture, fixtures, equipment	7 – 20 years	\$ 512,485
Leasehold improvements – construction in process	None	191,250
Leasehold improvements	5 – 10 years	<u>3,257,096</u>
		3,960,831
Accumulated Depreciation		<u>( 877,968)</u>
		<u>\$ 3,082,863</u>

Depreciation expense for the year ended June 30, 2018 was \$170,658.

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
Leasehold improvements	5 – 10 years	<u>3,257,096</u>
		3,977,786
Accumulated Depreciation		<u>( 724,265)</u>
		<u>\$ 3,253,521</u>

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

(8) Restrictions on Net Assets

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

	<u>2018</u>	<u>2017</u>
Artspace	\$ 149,875	\$ 174,501
Renovation of Central Fire Station		20,400
Development of Shreveport Common	356,128	439,620
Technology	12,500	
Artbreak	53,515	82,675
Artist Ecosystem	<u>23,589</u>	<u>67,886</u>
	<u>\$ 595,607</u>	<u>\$ 785,082</u>

(9) Designated Net Assets

The Board of Directors designated cash and investments at June 30, 2018 and 2017 totaling \$966,263 and \$1,039,446 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, 2018 and 2017, the Board designated \$157,500 and \$157,500, respectively, from funds received from the City of Shreveport to be used for regrants.

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

(Continued)

Shreveport Regional Arts Council  
 Shreveport, Louisiana  
 Notes to Financial Statements  
 June 30, 2018 and 2017  
 (Continued)

(10) Operating Leases

SRAC leases certain storage space and equipment under operating leases. Rental costs for these leases for the years ended June 30, 2018 and 2017 were \$12,225 and \$13,061, 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>	
2019	\$ 8,990
2020	6,576
2021	6,576
2022	<u>2,740</u>
Total minimum future rentals	<u>\$ 24,882</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, which was 3.76% at June 30, 2018. The balance on the line of credit as of June 30, 2018 and 2017 was \$485,093 and \$470,785, respectively. The line of credit is secured by any and all assets held by SRAC.

The line of credit was renewed on November 13, 2018, and has a maturity date of February 15, 2020. Interest expense incurred on the line of credit for the years ended June 30, 2018 and 2017 was \$10,627 and \$12,100, respectively. Interest on the line of credit is payable monthly.

(12) Accrued Expenses

Accrued expenses consisted of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Accrued leave payable	\$ 44,459	\$ 32,436
Accrued payroll and related benefits	<u>33,803</u>	<u>18,375</u>
	<u>\$ 78,262</u>	<u>\$ 50,811</u>

(13) Concentration of Revenue

During the years ended June 30, 2018 and 2017, SRAC received contractual revenue from state, parish, and city grants in the amount of \$815,832 and \$930,627, 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, 2018 and 2017 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, 2018 and 2017  
(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, 2018 and 2017 were \$40,413 and \$79,936, 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, 2018 and 2017 was \$280,298 and \$271,974 respectively.

(17) Subsequent Events

On September 4, 2018, SRAC signed a contract for lighting and labor for the Christmas In The Sky event in the amount of \$73,000.

Subsequent events have been evaluated through November 16, 2018, 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, 2018 totaled approximately \$191,250, with the remaining amounts to be incurred subsequent to June 30, 2018.

SRAC has entered into a contract for the purchase of property for the Shreveport Common park. Under the contract, SRAC was required to make a \$12,000 deposit, with the remaining amount of \$108,587 to be incurred subsequent to June 30, 2018.

SRAC has entered into a contract for consulting services related to the development of Caddo Common totaling \$60,000. Costs incurred under this contract as of June 30, 2018 totaled approximately \$30,000, with the remaining amounts to be incurred subsequent to June 30, 2018, and reimbursed by the City of Shreveport.

(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, 2018 and 2017, but received after those dates.

Shreveport Regional Arts Council  
Shreveport, Louisiana  
Schedule of Compensation, Benefits, and Other Payments to Agency Head  
For the Year Ended June 30, 2018

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	\$ 22,705
Benefits - insurance	959
Reimbursements	280

# COOK & MOREHART

*Certified Public Accountants*

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

## Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the Standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Shreveport Regional Arts Council (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 16, 2018.

### Internal Control Over Financial Reporting

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

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

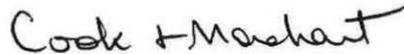
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

### Compliance and Other Matters

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

### Purpose of this Report

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



Cook & Morehart  
Certified Public Accountants  
November 16, 2018

Shreveport Regional Arts Council  
Shreveport, Louisiana  
Summary Schedule of Audit Findings  
June 30, 2018

**Summary Schedule of Prior Audit Findings**

There were no findings for the prior year audit for the year ended June 30, 2017.

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

There are no findings for the current year audit for the year ended June 30, 2018.

# COOK & MOREHART

*Certified Public Accountants*

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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, 2017 through June 30, 2018. The Shreveport Regional Arts Council's (SRAC) management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

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

Testing not required for this area for the fiscal period July 1, 2017 through June 30, 2018, due to no exceptions being noted in prior year.

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

Testing not required for this area for the fiscal period July 1, 2017 through June 30, 2018, due to no exceptions being noted in prior year.

### ***Bank Reconciliations***

Testing not required for this area for the fiscal period July 1, 2017 through June 30, 2018, due to no exceptions being noted in prior year.

### ***Collections***

Testing not required for this area for the fiscal period July 1, 2017 through June 30, 2018, due to no exceptions being noted in prior year.

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

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

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

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

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

SRAC's written policies and procedures and employee job duties provide for the segregation of duties as noted above, with the following exception:

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

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

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

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

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

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

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

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

Testing not required for this area for the fiscal period July 1, 2017 through June 30, 2018, due to no exceptions being noted in prior year.

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

Testing not required for this area for the fiscal period July 1, 2017 through June 30, 2018, due to no exceptions being noted in prior year.

### ***Contracts***

Testing not required for this area for the fiscal period July 1, 2017 through June 30, 2018, due to no exceptions being noted in prior year.

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

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

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

17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

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

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

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

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

- b) Observe that supervisors approved the attendance and leave of the selected employees/officials.

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

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

- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

The transactions selected for testing were included in SRAC's cumulative leave records.

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

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

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

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

***Ethics (excluding nonprofits)***

Not applicable to nonprofit organizations.

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

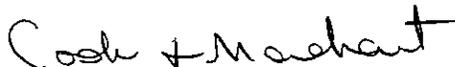
Not applicable to nonprofit organizations.

***Other***

Testing not required for this area for the fiscal period July 1, 2017 through June 30, 2018, due to no exceptions being noted in prior year.

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

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



Cook & Morehart  
Certified Public Accountants  
November 16, 2018