

RESEARCH PARK CORPORATION

Audits of Consolidated Financial Statements

December 31, 2018 and 2017



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Independent Auditor's Report

To the Board of Directors
Research Park Corporation
Baton Rouge, Louisiana

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Research Park Corporation (the Corporation), a nonprofit organization, which comprise the consolidated statements of net position as of December 31, 2018 and 2017, and the related consolidated statements of revenues, expenses, and changes in net position and cash flows, for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Research Park Corporation as of December 31, 2018 and 2017, and the changes in its net position and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 9 be presented to supplement the consolidated financial statements. Such information, although not a part of the consolidated financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the consolidated financial statements, and other knowledge we obtained during our audit of the consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the consolidated financial statements that collectively comprise the Corporation's consolidated financial statements. The schedule of compensation, benefits, and other payments to agency head or chief executive officer is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The schedule of compensation, benefits, and other payments to agency head or chief executive officer is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of compensation, benefits, and other payments to agency head or chief executive officer is fairly stated, in all material respects, in relation to the consolidated 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 June 12, 2019 on our consideration of Research Park Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Research Park Corporation's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "LaForte".

A Professional Accounting Corporation

Covington, LA
June 12, 2019

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**RESEARCH PARK CORPORATION
BATON ROUGE, LOUISIANA**

Management's Discussion and Analysis

The Management's Discussion and Analysis of Research Park Corporation's (the Corporation) financial performance presents a narrative overview and analysis of Research Park Corporation's financial activities for the years ended December 31, 2018 and 2017. This document focuses on the current year's activity, resulting changes, and currently known facts in comparison with the prior year's information. Please read this document in conjunction with the additional information contained in the consolidated financial statements, which begin on page 10.

FINANCIAL HIGHLIGHTS

2018

The Corporation's assets exceed its liabilities (net position) at the close of fiscal year 2018 by \$17,875,817 which represents a 10.2% decrease in net position from the prior fiscal year. The Corporation experienced operating losses of \$2,553,876 in 2018. The Corporation had investment losses of \$669,714 for the year. Capital assets also decreased by 21% as the Corporation depreciated existing assets. The Corporation's main assets are a mix of capital assets of \$371,658, promissory note from Bon Carre' Business Center, LLC of \$3,830,552, and liquid assets of \$13,042,333, which consists primarily of investments in securities and cash.

2017

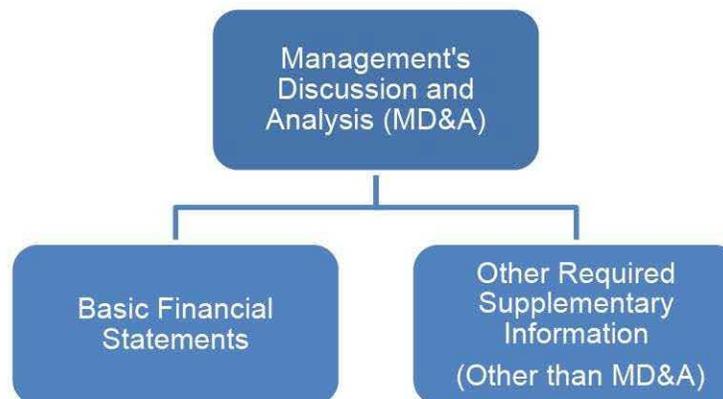
The Corporation's assets exceed its liabilities (net position) at the close of fiscal year 2017 by \$19,906,571, which represents a 2% increase in net position from the prior fiscal year. The Corporation experienced operating losses of \$3,186,470 in 2017. The Corporation had investment income of \$2,250,838 for the year. Capital assets also decreased 19% as the Corporation depreciated existing assets. The Corporation's main assets are a mix of capital assets of \$470,264, a promissory note from Bon Carre' Business Center, LLC of \$4,006,869, and liquid assets of \$14,562,667, which consists primarily of investments in securities and cash.

**RESEARCH PARK CORPORATION
BATON ROUGE, LOUISIANA**

Management's Discussion and Analysis

OVERVIEW OF THE FINANCIAL STATEMENTS

The following graphic illustrates the minimum requirements for Special Purpose Governments Engaged in Business-Type Activities established by Governmental Accounting Standards Board (GASB) Statement 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*.



These consolidated financial statements consist of two sections - Management's Discussion and Analysis (this section), and the consolidated financial statements (including the notes to the consolidated financial statements).

Basic Financial Statements

The consolidated financial statements present information for Research Park Corporation as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Consolidated Statements of Net Position; the Consolidated Statements of Revenues, Expenses and Changes in Net Position; and the Consolidated Statements of Cash Flows.

The “Consolidated Statements of Net Position” (page 10) present a summary of assets and liabilities with totals of each. The difference between total assets and total liabilities is net position and may provide a useful indicator of whether the financial position of the Corporation is improving or deteriorating.

The “Consolidated Statements of Revenues, Expenses, and Changes in Net Position” (pages 11 - 12) present information which shows how the Corporation's net position changed as a result of current year operations. Regardless of when cash is affected, all changes in net position are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The “Consolidated Statements of Cash Flows” (pages 13 - 14) present information showing how the Corporation's cash changed as a result of current year operations. The cash flow statement is prepared using the direct method and includes the reconciliation of operating income to net cash provided by operating activities (indirect method) as required by GASB 34.

**RESEARCH PARK CORPORATION
BATON ROUGE, LOUISIANA**

Management's Discussion and Analysis

FINANCIAL ANALYSIS OF THE CORPORATION

**Condensed Consolidated Statements of Net Position
December 31, 2018, 2017, and 2016**

	2018	2017	2016
Current Assets	\$ 1,454,685	\$ 1,490,258	\$ 1,430,064
Investments	16,319,093	18,101,052	17,662,008
Capital Assets	371,658	470,264	580,217
Total Assets	18,145,436	20,061,574	19,672,289
Liabilities	269,619	155,003	142,560
Total Net Position	\$ 17,875,817	\$ 19,906,571	\$ 19,529,729

All of the assets of the Corporation are unrestricted as to their specific use; that is, they can be used for any lawful purpose consistent with the by-laws and articles of incorporation. The investment portfolio, which was created as a result of the sale of land in 2005, decreased 11.2% in 2018 and increased 3.2% in 2017, due to economic conditions and the withdrawal of \$750,000 of funds in 2018 and \$1,450,000 of funds in 2017, used to support operating losses. During 2018, the Corporation received \$353,018 in principal and interest payments on the Note Receivable from Bon Carre' Business Center II, LLC, which was generated by the sale of the Corporation's equity interest in that entity in 2013. Capital assets decreased 21% in 2018, as the Corporation continued to depreciate existing assets, with little new spending. Liabilities increased 74% in 2018, due to the timing of a few large accounts payable outstanding at year end but paid early in 2019.

**RESEARCH PARK CORPORATION
BATON ROUGE, LOUISIANA**

Management's Discussion and Analysis

**Condensed Consolidated Statements of Revenues,
Expenses and Changes in Net Position
For the Years Ended December 31, 2018, 2017, and 2016**

	2018	2017	2016
Operating Revenues	\$ 616,446	\$ 636,338	\$ 337,792
Operating Expenses	<u>3,170,322</u>	3,822,808	3,866,190
Operating Loss	<u>(2,553,876)</u>	(3,186,470)	(3,528,398)
Non-Operating Revenues (Expenses)			
Tax Revenue - Cooperative Endeavor 2016	-	-	434,676
Tax Revenue - Cooperative Endeavor 2017	-	574,973	866,560
Tax Revenue - Cooperative Endeavor 2018	550,651	737,285	-
Tax Revenue - Cooperative Endeavor 2019	684,965	-	-
Investment Income (Loss), Net of Fees	(669,714)	2,250,838	686,772
Unrelated Business Income Tax Expense	(45,879)	-	-
Loss on Disposal of Assets	-	-	(700)
Other Income	<u>3,099</u>	216	318
Total Non-Operating Revenues, Net	<u>523,122</u>	3,563,312	1,987,626
Change in Net Position	<u>\$ (2,030,754)</u>	\$ 376,842	\$ (1,540,772)

2018

Operating revenues consist of income received from incubator clients, grant and sponsorship income and program income. For the year ended December 31, 2018, operating revenues decreased 3%. Operating expenses decreased by 17% due to significant reductions in salaries and wages, depreciation, IT outsourcing services, and marketing, as well as the expiration of a grant agreement with Innovation Catalyst. Net non-operating revenues decreased 85% due to unfavorable market conditions that decreased the Corporation's investment income.

2017

Operating revenues consist of income received from incubator clients, grant and sponsorship income, and program income. For the year ended December 31, 2017, operating revenues increased 88%, due primarily to new sponsorships and the federal grants secured in 2016. Operating expenses decreased by 1%, due to less mission driven investments made with external entities. Net non-operating revenues increased 79%, due to favorable market conditions that increased the Corporation's investment income.

**RESEARCH PARK CORPORATION
BATON ROUGE, LOUISIANA**

Management's Discussion and Analysis

CAPITAL ASSETS

As of December 31, 2018 the Corporation had approximately \$371,658 invested in capital assets net of accumulated depreciation, primarily composed of data equipment, office equipment, radio frequency R&D equipment, leasehold improvements and websites. This represented a decrease of 21% from the prior year as the Corporation continued to depreciate existing assets. The primary capital expenditure in 2018 was in new/updated computer equipment and leasehold improvements to the Louisiana Technology Park space.

As of December 31, 2017, the Corporation had approximately \$470,264 invested in capital assets net of accumulated depreciation, primarily composed of data equipment, office equipment, radio frequency R&D equipment, leasehold improvements, and websites. This represented a decrease of 19% from the prior year as the Corporation continued to depreciate existing assets. The primary capital expenditure in 2017 was leasehold improvements made to the Louisiana Technology Park space.

	2018	2017	2016
Capital Assets	<u><u>\$ 371,658</u></u>	<u><u>\$ 470,264</u></u>	<u><u>\$ 580,217</u></u>

ECONOMIC FACTORS AND NEXT YEAR'S OPERATIONS

The Corporation's management considered the following factors and indicators when setting 2019 budget and goals:

- Closeout of three federal grants from the Economic Development Administration and Delta Regional Authority;
- New programming planned by the Corporation's new wholly-owned subsidiary, NexusLA, LLC;
- Continued emphasis on raising funds from federal, state, and private entities;
- Mission driven investments made to support the Corporation's strategic partners;
- Commitment of funds to LSU Innovation Park.

Management expects to incur a net loss in 2019 similar to that in 2018. The net loss is supported by cash withdrawals from the investment portfolio.

CONTACTING RESEARCH PARK CORPORATION'S MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of Research Park Corporation's finances and to show the Corporation's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Genevieve Silverman, President & CEO of Research Park Corporation.

RESEARCH PARK CORPORATION
Consolidated Statements of Net Position
December 31, 2018 and 2017

	2018	2017
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 370,065	\$ 292,826
Taxes Receivable - Cooperative Endeavor 2019	684,965	-
Taxes Receivable - Cooperative Endeavor 2018	-	737,284
Interest Receivable	11,808	11,599
Other Receivables, Less Allowance for Uncollectible Accounts of \$24,825 and \$23,932 at 2018 and 2017, Respectively	156,394	218,923
Current Portion of Note Receivable - Bon Carre' Business Center	183,727	175,658
Prepaid Expenses	47,726	53,968
Total Current Assets	1,454,685	1,490,258
Investments		
Note Receivable - Bon Carre' Business Center	3,646,825	3,831,211
Investment in Securities (at Fair Value)	12,672,268	14,269,841
Total Investments	16,319,093	18,101,052
Capital Assets		
Furniture and Equipment	764,351	765,179
Leasehold Improvements	823,187	800,167
Software	273,430	273,430
Website	21,803	52,304
	1,882,771	1,891,080
Less: Accumulated Depreciation	(1,511,113)	(1,420,816)
Total Capital Assets, Net	371,658	470,264
Total Assets	\$ 18,145,436	\$ 20,061,574
Liabilities and Net Position		
Current Liabilities		
Accounts Payable	\$ 145,345	\$ 107,466
Accrued Expenses	115,098	41,382
Security Deposits	9,176	6,155
Total Current Liabilities	269,619	155,003
Total Liabilities	269,619	155,003
Net Position		
Net Investment in Capital Assets	371,658	470,264
Unrestricted	17,504,159	19,436,307
Total Net Position	17,875,817	19,906,571
Total Liabilities and Net Position	\$ 18,145,436	\$ 20,061,574

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

RESEARCH PARK CORPORATION
Consolidated Statements of Revenues, Expenses,
and Changes in Net Position
For the Years Ended December 31, 2018 and 2017

	2018	2017
Revenues		
Incubator Client Income	\$ 250,938	\$ 227,301
Grant and Sponsorship Income	361,522	337,084
Other Operating Income	3,986	71,953
	<hr/>	<hr/>
Total Revenues	616,446	636,338
Expenses		
Salaries and Wages	885,655	967,341
Innovation Catalyst, Inc. Contributions	478,500	850,000
Rent	428,019	423,567
Program Expenses	272,625	231,403
Employee Benefits	183,835	197,570
Depreciation	139,531	268,153
IT Outsourcing Services	110,941	183,114
Consulting Fees	97,500	70,999
Marketing	88,428	119,364
Professional Fees	60,722	39,798
Utilities	57,637	56,760
Payroll Taxes	54,645	58,703
Facility Maintenance and Repair	48,003	36,618
Dues and Professional Development	43,584	25,303
Telephone	35,251	34,085
Travel Expenses	32,891	46,817
Insurance	22,540	20,537
Office Supplies and Equipment	15,460	15,150
Computer Expenses	13,860	18,270
Meals and Entertainment	9,128	9,761
Miscellaneous Expenses	791	3,000
Postage and Printing	776	5,495
Bad Debt	-	25,000
Grant to LSU Research and Technology Foundation	-	36,000
Grant to Sandbox Communities LLC	60,000	60,000
Grant to Southern University Law Center	10,000	20,000
Grant to Southern University Foundation	20,000	-
	<hr/>	<hr/>
Total Expenses	3,170,322	3,822,808
	<hr/>	<hr/>
Operating Loss	(2,553,876)	(3,186,470)

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

RESEARCH PARK CORPORATION
Consolidated Statements of Revenues, Expenses,
and Changes in Net Position (Continued)
For the Years Ended December 31, 2018 and 2017

	2018	2017
Non-Operating Revenues (Expenses)		
Hotel/Motel Tax Revenue - Cooperative Endeavor 2017	-	574,973
Hotel/Motel Tax Revenue - Cooperative Endeavor 2018	550,651	737,285
Hotel/Motel Tax Revenue - Cooperative Endeavor 2019	684,965	-
Investment Income (Loss), Net of Fees	(669,714)	2,250,838
Unrelated Business Income Tax Expense	(45,879)	-
Other Income	3,099	216
	<hr/>	<hr/>
Total Non-Operating Revenues, Net	523,122	3,563,312
	<hr/>	<hr/>
Change in Net Position	(2,030,754)	376,842
	<hr/>	<hr/>
Net Position - Beginning of the Year	19,906,571	19,529,729
	<hr/>	<hr/>
Net Position - End of the Year	\$ 17,875,817	\$ 19,906,571
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The accompanying notes are an integral part of these consolidated financial statements.

RESEARCH PARK CORPORATION
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Cash Received from:		
Operating Receipts	\$ 681,995	\$ 442,395
Cash Paid for:		
Salaries and Employee Benefits	(1,118,219)	(1,234,310)
General and Administrative Expenses	(842,669)	(951,615)
Grants and Contributions	(568,500)	(966,000)
Program Expenses	(272,625)	(231,403)
IT Outsourcing Services	(110,941)	(183,114)
	<u>(2,230,959)</u>	<u>(3,124,047)</u>
Cash Flows from Noncapital Financing Activities		
Taxes Received	<u>1,287,935</u>	<u>1,441,534</u>
	<u>1,287,935</u>	<u>1,441,534</u>
Cash Flows from Capital Financing Activities		
Capital Asset Purchases	<u>(40,925)</u>	<u>(158,200)</u>
	<u>(40,925)</u>	<u>(158,200)</u>
Cash Flows from Investing Activities		
Purchase of Investments and Certificates of Deposit	(5,826,874)	(5,432,864)
Proceeds from Sale of Investments and Certificates of Deposit	6,382,431	6,659,340
Principal Received from Bon Carre' Business Center	176,317	168,571
Other Income Received	3,099	216
Unrelated Business Income Tax Paid	(45,879)	-
Interest and Dividend Income Received	372,094	409,679
	<u>1,061,188</u>	<u>1,804,942</u>
Change in Cash and Cash Equivalents	77,239	(35,771)
Cash and Cash Equivalents - Beginning of Year	<u>292,826</u>	<u>328,597</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 370,065</u></u>	<u><u>\$ 292,826</u></u>

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

RESEARCH PARK CORPORATION
Consolidated Statements of Cash Flows (Continued)
For the Years Ended December 31, 2018 and 2017

	2018	2017
Reconciliation of Operating Loss to Net		
Cash Used in Operating Activities		
Operating Loss	\$ (2,553,876)	\$ (3,186,470)
Adjustments to Reconcile Operating Loss to		
Net Cash Used in Operating Activities		
Depreciation	139,531	268,153
Bad Debt Expense	-	25,000
Changes in Operating Assets and Liabilities:		
Other Receivables	62,528	(192,350)
Prepaid Expenses	6,242	(50,824)
Deferred Revenue	-	(99)
Accounts Payable	37,879	(631)
Accrued Expenses	73,716	14,668
Security Deposits	3,021	(1,494)
	\$ (2,230,959)	\$ (3,124,047)

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

RESEARCH PARK CORPORATION

Notes to Consolidated Financial Statements

Note 1. Nature of Activities

The Research Park Corporation (the Corporation) was formed as a public nonprofit corporation in 1992. The State of Louisiana transferred a tract of land (at the State's cost) in 1993 to the Corporation to establish a research park. The purpose of the research park is to provide an area where various industries may set up their businesses while they are in the developmental stage. The research park is used to attract these businesses to Louisiana.

During the year ended December 31, 2001, the Corporation refocused its efforts to concentrate primarily on developing early-stage technology businesses. The Corporation formed Louisiana Technology Park, LLC (LTP) as a wholly-owned subsidiary of the Corporation to act as the technology business incubator for the development stage technology companies. LTP is adjacent to a commercial data center and commercial office space for technology companies. The commercial data center provides data storage and transmission capabilities to incubator companies.

During the year ended December 31, 2002, the Corporation formed Bon Carre' Development Company, LLC (BCDC) as a wholly-owned subsidiary of the Corporation, for the purpose of purchasing Bon Carre' Town Center's mortgage note and approximately 18½ acres of land relating to that development. (See Note 8.) BCDC currently holds a promissory note from Bon Carre Business Center, LLC as its only asset.

During the year ended December 31, 2016, the Corporation formed NexusLA, LLC (NexusLA) as a wholly-owned subsidiary of the Corporation to connect the innovation and entrepreneurship community to resources, opportunities, and solutions by implementing strategic initiatives that increase regional collaboration, access to capital, and technology workforce diversity.

Two percent of the hotel-motel tax collections in East Baton Rouge Parish is dedicated to the East Baton Rouge Community Improvement Fund. A portion of the tax monies collected by the Community Improvement Fund is allocated to the Corporation (see Note 3).

Note 2. Summary of Significant Accounting Policies

Reporting Entity

Government Accounting Standards Board (GASB) Statement 14, as amended, establishes criteria for determining the governmental reporting entity and component units that should be included within a reporting entity. Under provisions of this Statement, the Corporation is considered a primary government entity since it is a public nonprofit corporation that has a separately appointed governing body and is legally separate. The Corporation has three component units, Louisiana Technology Park, LLC, NexusLA, LLC, and Bon Carre' Development Company, LLC, defined by GASB Statement 14 as other legally separate organizations for which the Corporation is financially accountable. These entities are reported as blended component units and are thus consolidated with Research Park Corporation for reporting purposes. There are no other primary governments with which the Corporation has a significant relationship.

RESEARCH PARK CORPORATION

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Basis of Accounting

The Corporation is considered to be a proprietary-type fund and is presented as a business-type activity. Proprietary funds are used to account for governmental activities that are similar to those found in the private sector where the determination of operating income and changes in net assets is necessary or useful to sound financial administration. The accounting principles generally accepted in the United States of America (GAAP) used for proprietary funds are generally those applicable to similar businesses in the private sector (accrual basis of accounting). Under the accrual basis of accounting, revenues are recognized in the accounting period in which they were earned, and expenses are recognized in the period incurred.

Income Taxes

Research Park Corporation is a tax-exempt entity under Section 501(c)(3) of the Internal Revenue Code. Generally, the income of these organizations is presumed to be tax exempt. However, this exemption is related to the purpose for which the organization was organized. In the event that the entity generates income from an unrelated trade or business, that income would be subject to unrelated business income tax (UBIT).

Compensated Absences

All full-time employees earn from 20 to 25 days of paid time off (PTO) leave each year, depending on length of service with the Corporation. Upon separation, all earned unused PTO leave will be paid.

Cash

For purposes of reporting cash flows, cash includes highly liquid investments with original maturities of three months or less, with the exception of money markets. Money markets are utilized as part of the long-term investment portfolio and are therefore classified as investments.

Estimates

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

RESEARCH PARK CORPORATION

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Non-exchange transactions, in which the Corporation receives value without directly giving value in return, include funding related to the cooperative endeavor agreements entered into for the State of Louisiana's fiscal years ending June 30, 2017 through June 30, 2019. (See Note 3.) Funds received from cooperative endeavor agreements that are unrelated to capital outlay are recognized in the period in which the Corporation is eligible to receive the funding. The state fiscal 2017 - 2019 cooperative endeavor agreements are considered to be non-operating activities as they are funded by hotel/motel tax revenue. Hotel/motel tax revenue is considered measurable when the underlying transaction generating the tax occurs. All funds received in the form of a donation are considered non-operating revenue.

Investments

Investments in securities are reported at estimated fair value except for short-term and money market investments with a maturity of one year or less, which are reported at cost which approximates fair value. Fair value is based on the last reported sales price if available; if not available, fair value is based on estimated fair value. Realized gains and losses and changes in unrealized gains and losses on investments recorded at estimated fair value are included in investment income. Investments include money market accounts, investments in domestic and foreign common stock, investments in domestic and foreign corporate and government debt, commodities and gold, hedge funds, mutual funds, real estate investment trusts, and master limited partnerships.

Capital Assets

All capital assets are capitalized at historical cost or estimated historical costs for assets where actual cost is not available. The Corporation maintains a threshold level of \$500 or more for capitalizing assets.

All capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed by the Corporation, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 3 to 8 years.

Net Position

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB No. 63, net position is classified into three components: net investment in capital assets, restricted, and unrestricted.

RESEARCH PARK CORPORATION

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Net Position (Continued)

These classifications are defined as follows:

Net Investment in Capital Assets

This component of net position consists of the historical cost of capital assets, including any restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.

Restricted

This component of net position consists of assets that have constraints that are externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted

All other net position is reported in this category.

Note 3. Cooperative Endeavor Agreements

Two percent of the hotel/motel sales tax collections for East Baton Rouge Parish is dedicated to the East Baton Rouge Parish Community Improvement Fund. For the State's fiscal year ended June 30, 2019 and 2018, the line item appropriation to the Fund was \$1,287,936 and \$1,287,936. Governor Edwards issued Executive Order JBE 2016-38, dated July 22, 2016, which requires a comprehensive cooperative endeavor agreement between the transferring agency and the Corporation in order to receive funding from the line item appropriation. The Corporation entered into this cooperative endeavor agreement with the State for the State's fiscal years ending June 30, 2019 and 2018, and must submit quarterly cost reports for review and approval by the Department of the Treasury before funds are released to the Corporation.

Note 4. Cash and Investments

Statement number 40 of the Governmental Accounting Standards Board (GASB 40), *Deposits and Investment Risk Disclosures*, established and modified disclosure requirements related to investment risk. This section describes various types of investment risk and the Corporation's exposure to each type.

RESEARCH PARK CORPORATION

Notes to Consolidated Financial Statements

Note 4. Cash and Investments (Continued)

The following table presents the estimated fair value of investments permissible under the rules, objectives, and guidelines of the Corporation as of December 31:

Investment Type	2018 Estimated Fair Value	2017 Estimated Fair Value
Cash and Cash Equivalents	\$ 518,866	\$ 612,932
Domestic Equity	6,320,509	6,851,804
International and Emerging Markets Equity	2,595,561	3,036,337
Domestic Fixed Income	1,793,990	2,308,056
International and Emerging Markets Debt	157,804	158,348
REITs, MLPs, and Other Alternative Assets	1,285,538	1,302,364
Total	\$ 12,672,268	\$ 14,269,841

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of bank failure, the Corporation's deposits may not be returned to it. Deposits are carried at cost. The carrying amount of deposits is separately displayed on the balance sheet as cash and cash equivalents. At year-end, the carrying amount of the Corporation's deposits was \$370,065 and the bank balance was \$408,711. Of the bank balance, none was in excess of the federally insured amount at December 31, 2018.

For investments, custodial credit risk is the risk that the Corporation will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured and are not registered in the name of the Corporation. The Corporation had no custodial credit risk related to investments for the years ended December 31, 2018 and 2017.

Credit Risk

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The standardized rating systems are a good tool with which to assess credit risk on debt obligations.

RESEARCH PARK CORPORATION

Notes to Consolidated Financial Statements

Note 4. Cash and Investments (Continued)

Credit Risk (Continued)

The following table shows the ratings for the years ended December 31:

Standard & Poor's Rating	2018 Estimated Fair Value	2017 Estimated Fair Value
AAA	\$ 296,092	\$ 261,635
AA	180,453	290,471
A	168,162	201,593
BBB	320,327	277,019
BB	128,490	266,104
B	43,384	100,529
CCC	-	-
Not Rated	814,886	1,069,053
Total	\$ 1,951,794	\$ 2,466,404

U.S. Treasury notes, although not rated by S&P, are included in the chart above in the AAA category, which is the Moody's rating. Alternative or structured investments have not been included in the ratings above as they are not traded and, therefore, have not been rated. Redemption of these investments relies solely on the companies which provide the contracts and their ability to repay the underlying obligation.

Concentration of credit risk relates to the risk of loss attributed to a magnitude of the Corporation's investments in a single issuer. The Corporation has no investments in any single issuer that represented 5% or more of the total investments other than the U.S. Government.

Interest Rate Risk

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment. The risk is applicable to debt investments with fair values that are sensitive to changes in interest rates. One indicator of the measure of interest rate risk is the dispersion of maturity dates for debt instruments, excluding fixed income mutual funds.

RESEARCH PARK CORPORATION

Notes to Consolidated Financial Statements

Note 4. Cash and Investments (Continued)

Interest Rate Risk (Continued)

The following table shows the maturity dates for the years ended December 31:

Maturity in Years	2018 Estimated Fair Value	2017 Estimated Fair Value
Less than 1	\$ 993	\$ 86,694
1 - 5	1,255,677	1,443,460
5 - 10	374,798	305,714
10 or More	320,326	285,322
Perpetual	-	345,214
Total	\$ 1,951,794	\$ 2,466,404

Net investment income (loss) for the years ended December 31, 2018 and 2017, consisted of the following:

	2018	2017
Interest and Dividend Income (Net of Fees)	\$ 372,093	\$ 409,679
Realized Gains (Losses)	677,946	407,968
Unrealized Gains	(1,719,753)	1,433,191
Total	\$ (669,714)	\$ 2,250,838

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The following table presents those foreign investment instruments which have potential exposure to foreign currency risk for the years ended December 31:

	2018	2017
Global/Emerging Markets Equity Funds	\$ 893,320	\$ 845,443
Individual Foreign Bonds	157,804	158,348
Individual Foreign Stocks	1,702,241	2,185,632
Total	\$ 2,753,365	\$ 3,189,423

RESEARCH PARK CORPORATION

Notes to Consolidated Financial Statements

Note 5. Capital Assets

A summary of changes in capital assets at December 31, 2018 and 2017, is as follows:

	2018			
	Beginning Balance	Additions	Deletions	Ending Balance
Furniture and Equipment	\$ 765,179	\$ 17,905	\$ (18,733)	\$ 764,351
Software	273,430	-	-	273,430
Website	52,304	-	(30,501)	21,803
Leasehold Improvements	800,167	23,020	-	823,187
	1,891,080	40,925	(49,234)	1,882,771
Accumulated Depreciation	(1,420,816)	(139,531)	49,234	(1,511,113)
Total	\$ 470,264	\$ (98,606)	\$ -	\$ 371,658

	2017			
	Beginning Balance	Additions	Deletions	Ending Balance
Furniture and Equipment	\$ 762,405	\$ 2,774	\$ -	\$ 765,179
Software	273,430	-	-	273,430
Website	52,304	-	-	52,304
Leasehold Improvements	644,741	155,426	-	800,167
	1,732,880	158,200	-	1,891,080
Accumulated Depreciation	(1,152,663)	(268,153)	-	(1,420,816)
Total	\$ 580,217	\$ (109,953)	\$ -	\$ 470,264

Note 6. Fair Value

The Corporation's investments measured and reported at fair value are classified according to the following hierarchy:

- Level 1 - Investments reflect prices quoted in active markets.
- Level 2 - Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active.
- Level 3 - Investments reflect prices based upon unobservable sources.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk.

RESEARCH PARK CORPORATION

Notes to Consolidated Financial Statements

Note 6. Fair Value (Continued)

Investments classified in Level 1 of the fair value hierarchy are valued directly from a predetermined primary external pricing vendor. Assets classified in Level 2 are subject to pricing by an alternative pricing source due to lack of information available by the primary vendor.

The valuation of the Corporation's investments measured at fair value at December 31, 2018 and 2017, is as follows:

December 31, 2018	Level 1	Level 2	Level 3	Total
Cash and Cash Equivalents	\$ 518,866	\$ -	\$ -	\$ 518,866
Equity Securities	7,633,225	-	-	7,633,225
Fixed Rate Capital Securities	-	-	-	-
Mutual Funds	2,019,117	-	-	2,019,117
Fixed Income Securities				
U.S. Treasury Obligations	206,350	-	-	206,350
U.S. Agency Obligations	50,585	19,731	-	70,316
Corporate Bonds	961,560	540,095	-	1,501,655
Convertible Bonds	-	37,954	-	37,954
Municipal Bonds	24,963	110,556	-	135,519
Total Investments by Fair Value Level	\$ 11,414,666	\$ 708,336	\$ -	12,123,002
Investments Measured at the Net Asset Value				
Multi-Adviser Hedge Fund				549,266
Total Investments				\$ 12,672,268
December 31, 2017	Level 1	Level 2	Level 3	Total
Cash and Cash Equivalents	\$ 612,932	\$ -	\$ -	\$ 612,932
Equity Securities	9,063,117	-	-	9,063,117
Fixed Rate Capital Securities	338,158	-	-	338,158
Mutual Funds	1,611,634	-	-	1,611,634
Fixed Income Securities				
U.S. Treasury Obligations	238,507	-	-	238,507
U.S. Agency Obligations	156,711	-	-	156,711
Corporate Bonds	950,053	588,293	-	1,538,346
Convertible Bonds	-	128,788	-	128,788
Municipal Bonds	-	63,994	-	63,994
Total Investments by Fair Value Level	\$ 12,971,112	\$ 781,075	\$ -	13,752,187
Investments Measured at the Net Asset Value				
Multi-Adviser Hedge Fund				517,654
Total Investments				\$ 14,269,841

RESEARCH PARK CORPORATION

Notes to Consolidated Financial Statements

Note 6. Fair Value (Continued)

The fair value of the multi-adviser hedge fund has been determined using the net asset value (NAV) per share (or its equivalent) of the investment. The investment objective of the multi-adviser hedge fund is to achieve capital appreciation principally through investing in investment funds managed by third-party investment managers that employ a variety of alternative investment strategies. No redemptions are permitted.

December 31, 2018	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Multi-Adviser Hedge Fund	<u>\$ 549,266</u>	N/A	N/A	N/A

December 31, 2017	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Multi-Adviser Hedge Fund	<u>\$ 517,654</u>	N/A	N/A	N/A

Note 7. Commitments

Beginning January 1, 2005, LTP entered into a formal lease agreement for a term of 10 years with Bon Carre' Business Center II, LLC. Effective January 1, 2015, the Corporation exercised a 5-year option agreement, which extended the lease term to December 31, 2019. Rent during the option period 2015 - 2019 is \$9.69 per square foot. Rental payments for the years ended December 31, 2018 and 2017, were \$421,440 and \$416,993, respectively, under this lease. During 2015, LTP entered into a lease agreement for telephone equipment and software with a 36-month term. Effective November 1, 2017, LTP entered into a contract for data storage and services with a 12-month term. The future minimum lease payments for all leases is \$364,129 for the year ended December 31, 2019.

Note 8. Note Receivable from Bon Carre' Business Center

On December 31, 2002, the Corporation, through its subsidiary, Bon Carre' Development Company, LLC, purchased the mortgages, consent judgment, and, to the extent they had any viability, the notes of Bon Carre' Town Center from First Tennessee Bank for \$8,160,121. In connection with the above transaction, the Corporation also purchased land at a cost of \$839,879. On March 28, 2003, the Corporation sold its entire interest in the above land and mortgage note to Bon Carre' Business Center II, LLC for which it received \$9 million. The Corporation subsequently purchased a 26.56% interest in Bon Carre' Business Center II, LLC's and BCBC Land, LLC's (collectively referred to as BCBC) common stock for \$2,125,900, plus 3,000 units of cumulative non-voting 9% preferred stock totaling \$3,000,000 for a total purchase price of \$5,125,900. On December 1, 2013, the Corporation sold its entire equity interest in BCBC, including common stock, preferred stock, and outstanding dividends receivable, to Bon Carre' Business Center II in exchange for \$750,000 cash and a promissory note of \$4,650,000.

RESEARCH PARK CORPORATION

Notes to Consolidated Financial Statements

Note 9. Federal Grants

In 2017, the Corporation received a \$52,500 federal grant from the Delta Regional Authority to support the Bayou Classic BizTech Challenge, a tech-based entrepreneurship program to foster entrepreneurship at Historically Black Colleges and Universities in Louisiana and surrounding states. The project offers entrepreneurship education and a showcase event for participants, as well as continuing technical assistance for student teams creating businesses. The grant period is December 7, 2017 to December 6, 2018, and requires the Corporation to expend the \$52,500 of federal funds, as well as a matching contribution of \$50,878, consistent with the scope of work outlined in the award documents. The Corporation must also provide reporting on a quarterly basis as stated in the Award and receive funds on a cost reimbursement basis. At December 31, 2018, the Corporation recorded a receivable of \$20,059 due from the grantor.

In 2016, the Corporation was awarded a \$280,000 federal grant from the Economic Development Administration under the Economic Adjustment Assistance program to fund the Ecosystem Mapping Initiative. The project will deliver an online portal listing the steps and resources needed for an entrepreneur to start and/or scale a business. The grant period is July 1, 2016 to September 30, 2018, and requires the Corporation to expend the \$280,000 of federal funds, as well as a matching contribution of \$70,000, consistent with the scope of work outlined in the Financial Assistance Award. The Corporation must also provide reporting on a semi-annual basis as stated in the Award, and receive funds on a cost reimbursement basis.

Also in 2016, the Corporation was awarded a \$250,000 federal grant from the Economic Development Administration under the Regional Innovation Strategies Seed Fund Support program to fund the Louisiana Deal Flow Accelerator. The project will help increase the quantity, quality, and diversity of applications to the seed and angel capital entities in the region, as well as spread awareness of these entities to potential investors and entrepreneurs. The grant period is November 15, 2016 to April 30, 2019, and requires the Corporation to expend the \$250,000 of federal funds, as well as a matching contribution of \$250,000, consistent with the scope of work outlined in the Financial Assistance Award. The Corporation must also provide reporting on a semi-annual basis as stated in the Award, and receive funds on a cost reimbursement basis. At December 31, 2018, the Corporation recorded a receivable of \$71,609 due from the grantor.

Note 10. Retirement Plan

The Corporation adopted a 401(K) plan in 2002 which covers substantially all of its employees. The Corporation contributes 4% of all eligible employees' salaries and matches 100% of each employee's salary deferrals up to 3% of their compensation. The contributions for the years ended December 31, 2018 and 2017, were \$44,233 and \$54,266, respectively.

RESEARCH PARK CORPORATION

Notes to Consolidated Financial Statements

Note 11. Combining Component Unit Information

The following tables include condensed combining statements of net position information for the Corporation and its component units as of December 31, 2018 and 2017:

December 31, 2018	Research Park Corporation	Louisiana Technology Park	Bon Carre' Development Company	NexusLA	Eliminations	Total
Assets						
Current Assets	\$ 1,062,018	\$ 177,464	\$ 215,203	\$ -	\$ -	\$ 1,454,685
Other Assets	16,930,600	-	3,646,825	-	(4,258,332)	16,319,093
Capital Assets	2,817	362,785	-	6,056	-	371,658
Total Assets	\$ 17,995,435	\$ 540,249	\$ 3,862,028	\$ 6,056	\$ (4,258,332)	\$ 18,145,436
Liabilities and Net Position						
Current Liabilities	\$ 119,618	\$ 150,001	\$ -	\$ -	\$ -	\$ 269,619
Total Liabilities	119,618	150,001	-	-	-	269,619
Net Position						
Net Investment in Capital Assets	2,817	362,785	-	6,056	-	371,658
Unrestricted	17,873,000	27,463	3,862,028	-	(4,258,332)	17,504,159
Total Net Position	17,875,817	390,248	3,862,028	6,056	(4,258,332)	17,875,817
Total Liabilities and Net Position	\$ 17,995,435	\$ 540,249	\$ 3,862,028	\$ 6,056	\$ (4,258,332)	\$ 18,145,436

December 31, 2017	Research Park Corporation	Louisiana Technology Park	Bon Carre' Development Company	NexusLA	Eliminations	Total
Assets						
Current Assets	\$ 1,160,923	\$ 122,208	\$ 207,127	\$ -	\$ -	\$ 1,490,258
Other Assets	18,777,366	-	3,831,211	-	(4,507,525)	18,101,052
Capital Assets	1,077	455,863	-	13,324	-	470,264
Total Assets	\$ 19,939,366	\$ 578,071	\$ 4,038,338	\$ 13,324	\$ (4,507,525)	\$ 20,061,574
Liabilities and Net Position						
Current Liabilities	\$ 32,795	\$ 122,208	\$ -	\$ -	\$ -	\$ 155,003
Total Liabilities	32,795	122,208	-	-	-	155,003
Net Position						
Net Investment in Capital Assets	1,077	455,863	-	13,324	-	470,264
Unrestricted	19,905,494	-	4,038,338	-	(4,507,525)	19,436,307
Total Net Position	19,906,571	455,863	4,038,338	13,324	(4,507,525)	19,906,571
Total Liabilities and Net Position	\$ 19,939,366	\$ 578,071	\$ 4,038,338	\$ 13,324	\$ (4,507,525)	\$ 20,061,574

RESEARCH PARK CORPORATION

Notes to Consolidated Financial Statements

Note 11. Combining Component Unit Information (Continued)

The following tables include condensed combining statements of revenues, expenses, and changes in net position information for the Corporation and its component units for the years ended December 31, 2018 and 2017:

December 31, 2018	Research Park Corporation	Louisiana Technology Park	Bon Carre' Development Company	NexusLA	Eliminations	Total
Revenues						
Incubator Client Income	\$ -	\$ 250,938	\$ -	\$ -	\$ -	\$ 250,938
Grant and Sponsorship Income	173,668	11,500	-	176,354	-	361,522
Other Operating Income	-	3,986	-	-	-	3,986
Total Revenues	173,668	266,424	-	176,354	-	616,446
Expenses						
Operating Expenses	904,251	1,497,775	-	628,765	-	3,030,791
Depreciation	1,186	131,077	-	7,268	-	139,531
Total Expenses	905,437	1,628,852	-	636,033	-	3,170,322
Operating Loss	(731,769)	(1,362,428)	-	(459,679)	-	(2,553,876)
Non-Operating Revenues (Expenses)						
Tax Revenue	1,235,616	-	-	-	-	1,235,616
Investment Income, Net	(1,095,794)	185	176,702	-	249,193	(669,714)
Transfers	(1,393,555)	1,296,628	(353,012)	449,939	-	-
Unrelated Business Income Tax Expense	(45,879)	-	-	-	-	(45,879)
Other	627	-	-	2,472	-	3,099
Total Non-Operating Revenues (Expenses)	(1,298,985)	1,296,813	(176,310)	452,411	249,193	523,122
Change in Net Position	(2,030,754)	(65,615)	(176,310)	(7,268)	249,193	(2,030,754)
Net Position - Beginning of the Year	19,906,571	455,863	4,038,338	13,324	(4,507,525)	19,906,571
Net Position - End of the Year	\$ 17,875,817	\$ 390,248	\$ 3,862,028	\$ 6,056	\$ (4,258,332)	\$ 17,875,817

December 31, 2017	Research Park Corporation	Louisiana Technology Park	Bon Carre' Development Company	NexusLA	Eliminations	Total
Revenues						
Incubator Client Income	\$ -	\$ 227,301	\$ -	\$ -	\$ -	\$ 227,301
Grant and Sponsorship Income	268,694	68,390	-	-	-	337,084
Other Operating Income	61,183	10,770	-	-	-	71,953
Total Revenues	329,877	306,461	-	-	-	636,338
Expenses						
Operating Expenses	2,055,829	1,498,826	-	-	-	3,554,655
Depreciation	173	260,712	-	7,268	-	268,153
Total Expenses	2,056,002	1,759,538	-	7,268	-	3,822,808
Operating Loss	(1,726,125)	(1,453,077)	-	(7,268)	-	(3,186,470)
Non-Operating Revenues (Expenses)						
Tax Revenue	1,312,258	-	-	-	-	1,312,258
Investment Income, Net	1,840,302	57	185,709	-	224,770	2,250,838
Transfers	(1,049,593)	1,375,806	(326,213)	-	-	-
Loss on Disposal of Assets	-	-	-	-	-	-
Other	-	216	-	-	-	216
Total Non-Operating Revenues (Expenses)	2,102,967	1,376,079	(140,504)	-	224,770	3,563,312
Change in Net Position	376,842	(76,998)	(140,504)	(7,268)	224,770	376,842
Net Position - Beginning of the Year	19,529,729	532,861	4,178,842	20,592	(4,732,295)	19,529,729
Net Position - End of the Year	\$ 19,906,571	\$ 455,863	\$ 4,038,338	\$ 13,324	\$ (4,507,525)	\$ 19,906,571

RESEARCH PARK CORPORATION

Notes to Consolidated Financial Statements

Note 11. Combining Component Unit Information (Continued)

The following tables include condensed combining statements of cash flow information for the Corporation and its component units for the years ended December 31, 2018 and 2017:

December 31, 2018	Research Park Corporation	Louisiana Technology Park	Bon Carre' Development Company	NexusLA	Eliminations	Total
Net Cash Provided by (Used in) Operating Activities	\$ (628,551)	\$ (1,149,997)	\$ -	\$ (452,411)	\$ -	\$ (2,230,959)
Net Cash Provided by (Used in) Noncapital Financing Activities	(105,620)	1,296,628	(353,012)	449,939	-	1,287,935
Net Cash Provided by (Used in) Capital and Related Financing Activities	(2,926)	(37,999)	-	-	-	(40,925)
Net Cash Provided by (Used in) Investing Activities	705,697	-	353,019	2,472	-	1,061,188
Change in Cash and Cash Equivalents	(31,400)	108,632	7	-	-	77,239
Cash and Cash Equivalents - Beginning of Year	248,633	12,724	31,469	-	-	292,826
Cash and Cash Equivalents - End of Year	<u>\$ 217,233</u>	<u>\$ 121,356</u>	<u>\$ 31,476</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 370,065</u>
December 31, 2017	Research Park Corporation	Louisiana Technology Park	Bon Carre' Development Company	NexusLA	Eliminations	Total
Net Cash Provided by (Used in) Operating Activities	\$ (1,883,759)	\$ (1,240,288)	\$ -	\$ -	\$ -	\$ (3,124,047)
Net Cash Provided by (Used in) Noncapital Financing Activities	391,941	1,375,806	(326,213)	-	-	1,441,534
Net Cash Provided by (Used in) Capital and Related Financing Activities	(1,250)	(156,950)	-	-	-	(158,200)
Net Cash Provided by (Used in) Investing Activities	1,450,446	216	354,280	-	-	1,804,942
Change in Cash and Cash Equivalents	(42,622)	(21,216)	28,067	-	-	(35,771)
Cash and Cash Equivalents - Beginning of Year	291,255	33,940	3,402	-	-	328,597
Cash and Cash Equivalents - End of Year	<u>\$ 248,633</u>	<u>\$ 12,724</u>	<u>\$ 31,469</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 292,826</u>

Note 12. Subsequent Events

The Corporation has evaluated subsequent events through the date that the consolidated financial statements were available to be issued, June 12, 2019, and determined that there were no events that require disclosure.

OTHER SUPPLEMENTARY INFORMATION

RESEARCH PARK CORPORATION
Schedule of Compensation, Benefits, and Other Payments
to Agency Head or Chief Executive Officer
For the Year Ended December 31, 2018

Louisiana Revised Statute 24:513(A)(3) as amended by Act 706 of the 2014 Regular Legislative Session requires that the total compensation, reimbursements, and benefits of an agency head or political subdivision head or chief executive officer related to the position, including but not limited to travel, housing, unvouchered expense, per diem, and registration fees be reported as a supplemental report within the financial statements of local government and quasi-public auditees. In 2015, Act 462 of the 2015 Regular Session of the Louisiana Legislature further amended R.S. 24:513(A)(3) to clarify that nongovernmental entities or not-for-profit entities that received public funds shall report only the use of public funds for the expenditures itemized in the supplemental report.

President/CEO
Genevieve Silverman

Salary and Other Direct Compensation

Gross Salary	\$ 170,743
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Total Salary and Other Direct Compensation	<u>170,743</u>
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Employee Benefits

Medical and Dental Insurance	26,466
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Life and Long-Term Disability Insurance Premiums	818
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401k Contributions	<u>11,952</u>
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Total Employee Benefits	<u>39,236</u>
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Other Payments

Travel	7,792
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Meals/Entertainment	869
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Telephone	1,300
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Dues/Development	<u>7,366</u>
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Total Other Payments	<u>17,327</u>
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Total Compensation, Benefits, and Other Payments
to Agency Head or Chief Executive Officer

\$ 227,306

See independent auditor's report.

**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 Auditor's Report

To the Board of Directors
Research Park Corporation
Baton Rouge, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Research Park Corporation (the Corporation), a nonprofit organization, which comprise the consolidated statement of net position as of December 31, 2018, and the related consolidated statement of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated June 12, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation'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 Research Park Corporation's consolidated 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

A handwritten signature in cursive script that reads "LaForte".

A Professional Accounting Corporation

Covington, LA
June 12, 2019

RESEARCH PARK CORPORATION
Schedule of Findings and Responses
For the Year Ended December 31, 2018

Part I - Summary of Auditor's Results

Financial Statements

Type of Auditor's Report Issued	Unmodified
Internal Control Over Financial Reporting:	
• Material Weakness(es) Identified?	No
• Significant Deficiency(ies) Identified?	None reported
Noncompliance Material to Financial Statements Noted?	No

Part II - Financial Statement Findings

None.

AGREED-UPON PROCEDURES REPORT
Research Park Corporation

Independent Accountant's Report
On Applying Agreed-Upon Procedures

For the Period January 1, 2018 - December 31, 2018

To the Board of Directors
Research Park Corporation
7117 Florida Boulevard
Baton Rouge, LA 70806

We have performed the procedures enumerated below, which were agreed to by Research Park Corporation (the Corporation), on the control and compliance (C/C) areas identified in the RPC's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal year January 1, 2018 through December 31, 2018. The Corporation's management is responsible for those C/C areas identified in the SAUPs.

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.

Our procedures and associated results 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.
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.
- j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Results: The Corporation's written policies and procedures address each of the applicable financial/business functions listed above in items a) through h). Items i) and j) are not applicable to the Corporation.

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

2. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, 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.

Results: Obtained a listing of all active cards from management and management's representation that the listing is complete.

3. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
 - a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder.
 - b) Observe that finance charges and late fees were not assessed on the selected statements.

Results: Selected 5 cards used during the year. There was evidence that the monthly statements were reviewed or approved, in writing, by someone other than the authorized card holder. There were no finance charges or late fees assessed on the selected statements.

4. Using the monthly statements or combined statements selected under #3 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

Results: No exceptions found as a result of this procedure.

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to perform, and did not perform, an examination or review, the objective of which would be the expression of an opinion or conclusion. 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.

This report is intended solely for the use of management and Board of Directors of Research Park Corporation and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



A Professional Accounting Corporation

Covington, LA
June 12, 2019