

RESEARCH PARK CORPORATION

Audits of Consolidated Financial Statements

December 31, 2017 and 2016



Contents

| | |
|-------------------------------------|-------|
| Independent Auditor's Report | 1 - 3 |
|-------------------------------------|-------|

| | |
|---|-------|
| Required Supplementary Information Management's Discussion and Analysis | 5 - 9 |
|---|-------|

| | |
|---|---------|
| Consolidated Financial Statements | |
| Consolidated Statements of Net Position | 10 |
| Consolidated Statements of Revenues, Expenses, and Changes in Net Position | 11 - 12 |
| Consolidated Statements of Cash Flows | 13 - 14 |
| Notes to Consolidated Financial Statements | 15 - 29 |

| | |
|---|----|
| Other Supplementary Information Schedule of Compensation, Benefits, and Other Payments to Agency Head or Chief Executive Officer | 31 |
|---|----|

| | |
|--|---------|
| Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 32 - 33 |
|--|---------|

| | |
|---|----|
| Schedule of Findings and Responses | 34 |
|---|----|

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, 2017 and 2016, 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.

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

LOUISIANA • TEXAS

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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, 2017 and 2016, 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 March 10, 2018 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 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 Research Park Corporation's internal control over financial reporting and compliance.



A Professional Accounting Corporation

Covington, LA
March 10, 2018

**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, 2017 and 2016. 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

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 \$3,831,211, and liquid assets of \$14,562,667, which consists primarily of investments in securities and cash.

2016

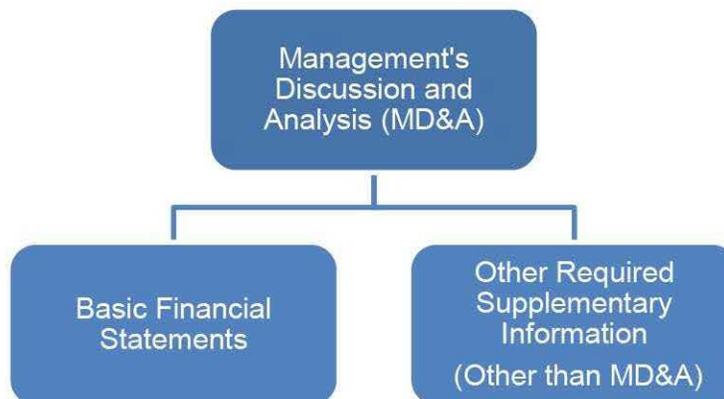
The Corporation's assets exceed its liabilities (net position) at the close of fiscal year 2016 by \$19,529,729, which represents a 7% decrease in net position from the prior fiscal year. The Corporation experienced operating losses of \$3,528,398 in 2016. The Corporation had investment income of \$686,772 for the year. Capital assets also decreased 24% as the Corporation depreciated existing assets, with little new spending. The Corporation's main assets are a mix of capital assets of \$580,217, a promissory note from Bon Carre' Business Center, LLC of \$4,007,498, and liquid assets of \$13,983,107, 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, 2017, 2016, and 2015**

| | 2017 | 2016 | 2015 |
|---------------------------|----------------------|----------------------|----------------------|
| Current Assets | \$ 1,490,258 | \$ 1,430,064 | \$ 1,324,371 |
| Investments | 18,101,052 | 17,662,008 | 19,084,882 |
| Capital Assets | 470,264 | 580,217 | 760,366 |
| Total Assets | 20,061,574 | 19,672,289 | 21,169,619 |
| Liabilities | 155,003 | 142,560 | 99,118 |
| Total Net Position | \$ 19,906,571 | \$ 19,529,729 | \$ 21,070,501 |

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, increased 3.2% in 2017 and decreased 7.5% in 2016 due to economic conditions and the withdrawal of \$1,450,000 of funds in 2017 and \$1,750,000 of funds in 2016, used to support operating losses. During 2017, the Corporation received \$354,280 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 19% in 2017, as the Corporation continued to depreciate existing assets, with little new spending. Liabilities increased 8% in 2017.

**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, 2017, 2016, and 2015**

| | 2017 | 2016 | 2015 |
|--|---------------------------|------------------------------|------------------------------|
| Operating Revenues | \$ 636,338 | \$ 337,792 | \$ 253,980 |
| Operating Expenses | <u>3,822,808</u> | 3,866,190 | 3,460,578 |
| Operating Loss | <u>(3,186,470)</u> | (3,528,398) | (3,206,598) |
| Non-Operating Revenues (Expenses) | | | |
| Tax Revenue - Cooperative Endeavor 2015 | - | - | 565,613 |
| Tax Revenue - Cooperative Endeavor 2016 | - | 434,676 | 717,433 |
| Tax Revenue - Cooperative Endeavor 2017 | 574,973 | 866,560 | - |
| Tax Revenue - Cooperative Endeavor 2018 | 737,285 | - | - |
| Investment Income (Loss), Net of Fees | 2,250,838 | 686,772 | (404,969) |
| Unrelated Business Income Tax Expense | - | - | - |
| Loss on Disposal of Assets | - | (700) | (5,515) |
| Other Income | 216 | 318 | 20 |
| Total Non-Operating Revenues, Net | <u>3,563,312</u> | 1,987,626 | 872,582 |
| Change in Net Position | <u>\$ 376,842</u> | <u>\$ (1,540,772)</u> | <u>\$ (2,334,016)</u> |

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.

2016

Operating revenues consist of income received from incubator clients, grant and sponsorship income, and program income. For the year ended December 31, 2016, operating revenues increased 33%, due primarily to new sponsorships and a new federal grant from the Economic Development Administration secured in 2016. Operating expenses increased 11.7%, due to program expenses associated with the new federal grant, as well as an increase in mission driven investments in partners such as Innovation Catalyst, Inc. and the Louisiana Small Business Rebirth Fund, established following the devastating flooding in the Baton Rouge region. Net non-operating revenues increased 127.8%, 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, 2017, the Corporation had approximately \$470,264 invested in capital assets, 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.

As of December 31, 2016, the Corporation had approximately \$580,217 invested in capital assets, primarily composed of data equipment, office equipment, radio frequency R&D equipment, leasehold improvements, and websites. This represented a decrease of 23.7% from the prior year as the Corporation continued to depreciate existing assets. The primary capital expenditure in 2016 was the buildout of a new web portal at www.nexus-la.org to provide entrepreneurs with links to capital providers, resource providers, and events occurring in the entrepreneurial ecosystem.

| | 2017 | 2016 | 2015 |
|----------------|--------------------------|--------------------------|--------------------------|
| Capital Assets | <u><u>\$ 470,264</u></u> | <u><u>\$ 580,217</u></u> | <u><u>\$ 760,366</u></u> |

ECONOMIC FACTORS AND NEXT YEAR'S OPERATIONS

The Corporation's management considered the following factors and indicators when setting 2018 budget and goals:

- Implementation of two federal grants secured in 2016 from the Economic Development Administration;
- New programming planned by the Corporation's new wholly-owned subsidiary, NexusLA, LLC;
- Continued emphasis on raising funds from federal, state, and private entities;
- Further contributions to Innovation Catalyst, Inc. to help establish a venture development organization and capital fund for the Baton Rouge region;
- Mission driven investments made to support the Corporation's strategic partners

Management expects to incur a net loss in 2018 similar to that in 2017. 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, Interim Executive Director of Research Park Corporation.

RESEARCH PARK CORPORATION
Consolidated Statements of Net Position
December 31, 2017 and 2016

| | 2017 | 2016 |
|---|----------------------|----------------------|
| Assets | | |
| Current Assets | | |
| Cash and Cash Equivalents | \$ 292,826 | \$ 328,597 |
| Taxes Receivable - Cooperative Endeavor 2018 | 737,284 | - |
| Taxes Receivable - Cooperative Endeavor 2017 | - | 866,560 |
| Interest Receivable | 11,599 | 12,248 |
| Other Receivables, Less Allowance for Uncollectible Accounts of \$24,825 and \$21,430 at 2017 and 2016, Respectively | 218,923 | 51,573 |
| Current Portion of Note Receivable - Bon Carre' Business Center | 175,658 | 167,942 |
| Prepaid Expenses | 53,968 | 3,144 |
| Total Current Assets | 1,490,258 | 1,430,064 |
| Investments | | |
| Note Receivable - Bon Carre' Business Center | 3,831,211 | 4,007,498 |
| Investment in Securities (at Fair Value) | 14,269,841 | 13,654,510 |
| Total Investments | 18,101,052 | 17,662,008 |
| Capital Assets | | |
| Furniture and Equipment | 765,179 | 762,405 |
| Leasehold Improvements | 800,167 | 644,741 |
| Software | 273,430 | 273,430 |
| Website | 52,304 | 52,304 |
| | 1,891,080 | 1,732,880 |
| Less: Accumulated Depreciation | (1,420,816) | (1,152,663) |
| Total Capital Assets, Net | 470,264 | 580,217 |
| Total Assets | \$ 20,061,574 | \$ 19,672,289 |
| Liabilities and Net Position | | |
| Current Liabilities | | |
| Accounts Payable | \$ 107,466 | \$ 108,098 |
| Accrued Expenses | 41,382 | 26,714 |
| Security Deposits | 6,155 | 7,649 |
| Deferred Revenue | - | 99 |
| Total Current Liabilities | 155,003 | 142,560 |
| Total Liabilities | 155,003 | 142,560 |
| Net Position | | |
| Net Investment in Capital Assets | 470,264 | 580,217 |
| Unrestricted | 19,436,307 | 18,949,512 |
| Total Net Position | 19,906,571 | 19,529,729 |
| Total Liabilities and Net Position | \$ 20,061,574 | \$ 19,672,289 |

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, 2017 and 2016

| | 2017 | 2016 |
|---|--------------------|-------------|
| Revenues | | |
| Incubator Client Income | \$ 227,301 | \$ 248,662 |
| Grant and Sponsorship Income | 337,084 | 80,365 |
| Other Operating Income | 71,953 | 8,765 |
| | <hr/> | <hr/> |
| Total Revenues | 636,338 | 337,792 |
| | <hr/> | <hr/> |
| Expenses | | |
| Salaries and Wages | 967,341 | 821,878 |
| Innovation Catalyst, Inc. Contributions | 850,000 | 726,251 |
| Rent | 423,567 | 414,963 |
| Depreciation | 268,153 | 226,251 |
| Program Expenses | 231,403 | 42,310 |
| Employee Benefits | 197,570 | 178,354 |
| IT Outsourcing Services | 183,114 | 218,305 |
| Marketing | 119,364 | 113,782 |
| Consulting Fees | 70,999 | 136,783 |
| Grant to Sandbox | 60,000 | - |
| Payroll Taxes | 58,703 | 48,808 |
| Utilities | 56,760 | 55,738 |
| Travel Expenses | 46,817 | 29,589 |
| Professional Fees | 39,798 | 40,593 |
| Facility Maintenance and Repair | 36,618 | 35,032 |
| Grant to LSU Research and Technology Foundation | 36,000 | - |
| Telephone | 34,085 | 36,414 |
| Dues and Professional Development | 25,303 | 24,896 |
| Bad Debt | 25,000 | 17,011 |
| Insurance | 20,537 | 23,108 |
| Grant to Southern University Law Center | 20,000 | - |
| Computer Expenses | 18,270 | 20,407 |
| Office Supplies and Equipment | 15,150 | 15,523 |
| Meals and Entertainment | 9,761 | 9,070 |
| Postage and Printing | 5,495 | 5,393 |
| Miscellaneous Expenses | 3,000 | 731 |
| Grant to Louisiana Small Business Rebirth Fund | - | 125,000 |
| Grant to The Catalyst Fund | - | 500,000 |
| | <hr/> | <hr/> |
| Total Expenses | 3,822,808 | 3,866,190 |
| | <hr/> | <hr/> |
| Operating Loss | (3,186,470) | (3,528,398) |

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, 2017 and 2016

| | 2017 | 2016 |
|---|----------------------|---------------|
| Non-Operating Revenues (Expenses) | | |
| Hotel/Motel Tax Revenue - Cooperative Endeavor 2016 | - | 434,676 |
| Hotel/Motel Tax Revenue - Cooperative Endeavor 2017 | 574,973 | 866,560 |
| Hotel/Motel Tax Revenue - Cooperative Endeavor 2018 | 737,285 | - |
| Investment Income, Net of Fees | 2,250,838 | 686,772 |
| Loss on Disposal of Assets | - | (700) |
| Other Income | 216 | 318 |
| | <hr/> | <hr/> |
| Total Non-Operating Revenues, Net | 3,563,312 | 1,987,626 |
| | <hr/> | <hr/> |
| Change in Net Position | 376,842 | (1,540,772) |
| | <hr/> | <hr/> |
| Net Position - Beginning of the Year | 19,529,729 | 21,070,501 |
| | <hr/> | <hr/> |
| Net Position - End of the Year | \$ 19,906,571 | \$ 19,529,729 |
| | <hr/> <hr/> | <hr/> <hr/> |

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, 2017 and 2016

| | 2017 | 2016 |
|---|--------------------|--------------------|
| Cash Flows from Operating Activities | | |
| Cash Received from: | | |
| Operating Receipts | \$ 442,395 | \$ 311,148 |
| Cash Paid for: | | |
| Salaries and Employee Benefits | (1,234,310) | (1,036,654) |
| General and Administrative Expenses | (951,615) | (925,828) |
| Grants and Contributions | (966,000) | (1,351,251) |
| Program Expenses | (231,403) | (42,310) |
| IT Outsourcing Services | (183,114) | (218,305) |
| Net Cash Used in Operating Activities | (3,124,047) | (3,263,200) |
| Cash Flows from Noncapital Financing Activities | | |
| Taxes Received | 1,441,534 | 1,152,109 |
| Net Cash Provided by Noncapital Financing Activities | 1,441,534 | 1,152,109 |
| Cash Flows from Capital Financing Activities | | |
| Capital Asset Purchases | (158,200) | (46,802) |
| Net Cash Used in Capital Financing Activities | (158,200) | (46,802) |
| Cash Flows from Investing Activities | | |
| Purchase of Investments and Certificates of Deposit | (5,432,864) | (6,963,925) |
| Proceeds from Sale of Investments and Certificates of Deposit | 6,659,340 | 8,549,250 |
| Principal Received from Bon Carre' Business Center | 168,571 | 161,169 |
| Other Income Received | 216 | 318 |
| Interest and Dividend Income Received | 409,679 | 356,770 |
| Net Cash Provided by Investing Activities | 1,804,942 | 2,103,582 |
| Change in Cash and Cash Equivalents | (35,771) | (54,311) |
| Cash and Cash Equivalents - Beginning of Year | 328,597 | 382,908 |
| Cash and Cash Equivalents - End of Year | \$ 292,826 | \$ 328,597 |

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, 2017 and 2016

| | 2017 | 2016 |
|--|------------------------------|------------------------------|
| Reconciliation of Operating Loss to Net | | |
| Cash Used in Operating Activities | | |
| Operating Loss | \$ (3,186,470) | \$ (3,528,398) |
| Adjustments to Reconcile Operating Loss to | | |
| Net Cash Used in Operating Activities | | |
| Depreciation | 268,153 | 226,251 |
| Bad Debt Expense | 25,000 | 17,011 |
| Changes in Operating Assets and Liabilities: | | |
| Other Receivables | (192,350) | (25,744) |
| Prepaid Expenses | (50,824) | 4,238 |
| Deferred Revenue | (99) | - |
| Accounts Payable | (631) | 50,463 |
| Accrued Expenses | 14,668 | (6,121) |
| Security Deposits | (1,494) | (900) |
| | <u>268,153</u> | <u>226,251</u> |
| | <u>(50,824)</u> | <u>4,238</u> |
| | <u>(99)</u> | <u>-</u> |
| | <u>(631)</u> | <u>50,463</u> |
| | <u>14,668</u> | <u>(6,121)</u> |
| | <u>(1,494)</u> | <u>(900)</u> |
| | <u>14,668</u> | <u>(6,121)</u> |
| | <u>(1,494)</u> | <u>(900)</u> |
| Net Cash Used in Operating Activities | <u>\$ (3,124,047)</u> | <u>\$ (3,263,200)</u> |

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, 2009 through June 30, 2018. (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 2009 - 2018 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, 2018 and 2017, the line item appropriation to the Fund was \$1,287,936 and \$1,441,533. 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, 2018 and 2017, 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 | 2017 Estimated Fair Value | 2016 Estimated Fair Value |
|---|--|--|
| Cash and Cash Equivalents | \$ 612,932 | \$ 557,408 |
| Domestic Equity | 6,851,804 | 6,335,758 |
| International and Emerging Markets Equity | 3,036,337 | 2,307,164 |
| Domestic Fixed Income | 2,308,056 | 2,742,761 |
| International and Emerging Markets Debt | 158,348 | 165,221 |
| REITs, MLPs, and Other Alternative Assets | 1,302,364 | 1,546,198 |
| Total | \$ 14,269,841 | \$ 13,654,510 |

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 \$292,825 and the bank balance was \$368,506. Of the bank balance, none was in excess of the federally insured amount at December 31, 2017.

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, 2017 and 2016.

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 | 2017 Estimated Fair Value | 2016 Estimated Fair Value |
|-------------------------------------|--|--|
| AAA | \$ 261,635 | \$ 312,341 |
| AA | 290,471 | 288,274 |
| A | 201,593 | 459,030 |
| BBB | 277,019 | 558,349 |
| BB | 266,104 | 346,642 |
| B | 100,529 | 221,933 |
| CCC | - | - |
| Not Rated | 1,069,053 | 626,778 |
| Total | \$ 2,466,404 | \$ 2,813,347 |

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 | 2017 Estimated Fair Value | 2016 Estimated Fair Value |
|-------------------|---------------------------------|---------------------------------|
| Less than 1 | \$ 86,694 | \$ 146,142 |
| 1 - 5 | 1,443,460 | 1,412,835 |
| 5 - 10 | 305,714 | 341,319 |
| 10 or More | 285,322 | 325,540 |
| Perpetual | 345,214 | 587,511 |
| Total | \$ 2,466,404 | \$ 2,813,347 |

Net investment income for the years ended December 31, 2017 and 2016, consisted of the following:

| | 2017 | 2016 |
|--|---------------------|-------------------|
| Interest and Dividend Income (Net of Fees) | \$ 409,679 | \$ 356,770 |
| Realized Gains (Losses) | 407,968 | (60,005) |
| Unrealized Gains | 1,433,191 | 390,007 |
| Total | \$ 2,250,838 | \$ 686,772 |

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:

| | 2017 | 2016 |
|--------------------------------------|---------------------|---------------------|
| Global/Emerging Markets Equity Funds | \$ 845,443 | \$ 566,912 |
| Individual Foreign Bonds | 158,348 | 165,221 |
| Individual Foreign Stocks | 2,185,632 | 1,740,252 |
| Total | \$ 3,189,423 | \$ 2,472,385 |

RESEARCH PARK CORPORATION

Notes to Consolidated Financial Statements

Note 5. Capital Assets

A summary of changes in capital assets at December 31, 2017 and 2016, is as follows:

| | 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 |

| | 2016 | | | |
|--------------------------|-------------------|---------------------|-----------------|-------------------|
| | Beginning Balance | Additions | Deletions | Ending Balance |
| Furniture and Equipment | \$ 741,576 | \$ 24,999 | \$ (4,170) | \$ 762,405 |
| Software | 273,430 | - | - | 273,430 |
| Website | 30,501 | 21,803 | - | 52,304 |
| Leasehold Improvements | 644,741 | - | - | 644,741 |
| | 1,690,248 | 46,802 | (4,170) | 1,732,880 |
| Accumulated Depreciation | (929,882) | (226,251) | 3,470 | (1,152,663) |
| Total | \$ 760,366 | \$ (179,449) | \$ (700) | \$ 580,217 |

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, 2017 and 2016, is as follows:

| 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 |
| December 31, 2016 | Level 1 | Level 2 | Level 3 | Total |
| Cash and Cash Equivalents | \$ 557,408 | \$ - | \$ - | \$ 557,408 |
| Equity Securities | 9,144,192 | - | - | 9,144,192 |
| Fixed Rate Capital Securities | 657,611 | - | - | 657,611 |
| Mutual Funds | 650,380 | - | - | 650,380 |
| Fixed Income Securities | | | | |
| U.S. Treasury Obligations | 296,248 | - | - | 296,248 |
| U.S. Agency Obligations | 185,172 | - | - | 185,172 |
| Corporate Bonds | - | 1,492,630 | - | 1,492,630 |
| International Bonds | - | 165,221 | - | 165,221 |
| Municipal Bonds | - | 27,630 | - | 27,630 |
| Total Investments by Fair Value Level | \$ 11,491,011 | \$ 1,685,481 | \$ - | \$ 13,176,492 |
| Investments Measured at the Net Asset Value | | | | |
| Multi-Adviser Hedge Fund | | | | 478,018 |
| Total Investments | | | | \$ 13,654,510 |

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.

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

| <u>December 31, 2016</u> | <u>Fair Value</u> | <u>Unfunded Commitments</u> | <u>Redemption Frequency</u> | <u>Redemption Notice Period</u> |
|--------------------------|-------------------|-----------------------------|-----------------------------|---------------------------------|
| Multi-Adviser Hedge Fund | <u>\$ 478,018</u> | N/A | N/A | N/A |

Note 7. Commitments

Lease Agreements

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, 2017 and 2016, were \$416,993 and \$409,563, 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 are as follows:

| | |
|--------------|-------------------|
| 2018 | \$ 471,511 |
| 2019 | <u>364,126</u> |
| Total | <u>\$ 835,637</u> |

RESEARCH PARK CORPORATION

Notes to Consolidated Financial Statements

Note 7. Commitments (Continued)

Innovation Catalyst, Inc.

During 2012, the Corporation worked in partnership with the Baton Rouge Area Chamber (BRAC) to create Innovation Catalyst, Inc., formerly known as Step One Ventures, Inc., a 501(c)(3) venture development organization. The function of Innovation Catalyst, Inc. is to help build the entrepreneurial ecosystem in the Baton Rouge Region by investing in high potential startup companies and collaborating with investors, incubators, and service providers to create a regional entrepreneurial network for coordinated marketing, talent development, minority and female inclusion, and service delivery.

The Corporation has entered into a cooperative endeavor agreement with Innovation Catalyst, effective December 5, 2012 and amended October 17, 2014, March 31, 2016, and January 1, 2018, which committed the Corporation to make cash contributions to Innovation Catalyst through December 31, 2018 to support operating expenses of the entity during its formative years. The terms of the amended agreement call for \$350,000 to be paid in 2018 in quarterly payments. Additional amounts may be authorized by the Corporation's Board of Directors. The Corporation also committed to provide in-kind contributions for staff assistance and office space. These contributions are subject to annual reporting and other deliverables.

In addition to the above payments under the cooperative endeavor agreement, the Corporation paid \$1,500,000 to Innovation Catalyst, Inc. over a 3-year period, under a grant agreement effective October 1, 2014. The funds were committed to support The Catalyst Fund, a subsidiary of Innovation Catalyst, Inc. and a separate 501(c)(3) nonprofit corporation, to make investments in seed and early stage enterprises in East Baton Rouge Parish and the surrounding region. These contributions are subject to annual reporting and other deliverables.

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.

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. At December 31, 2017, the Corporation recorded a receivable of \$75,823 due from the grantor.

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 November 14, 2018, 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, 2017, the Corporation recorded a receivable of \$47,547 due from the grantor.

RESEARCH PARK CORPORATION

Notes to Consolidated Financial Statements

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, 2017 and 2016, were \$54,266 and \$50,366, respectively.

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, 2017 and 2016:

| 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 |
| December 31, 2016 | | | | | | |
| Assets | | | | | | |
| Current Assets | \$ 1,174,583 | \$ 84,137 | \$ 171,344 | \$ - | \$ - | \$ 1,430,064 |
| Other Assets | 18,386,805 | - | 4,007,498 | - | (4,732,295) | 17,662,008 |
| Capital Assets | - | 559,625 | - | 20,592 | - | 580,217 |
| Total Assets | \$ 19,561,388 | \$ 643,762 | \$ 4,178,842 | \$ 20,592 | \$ (4,732,295) | \$ 19,672,289 |
| Liabilities and Net Position | | | | | | |
| Current Liabilities | \$ 31,659 | \$ 110,901 | \$ - | \$ - | \$ - | \$ 142,560 |
| Total Liabilities | 31,659 | 110,901 | - | - | - | 142,560 |
| Net Position | | | | | | |
| Net Investment in Capital Assets | - | 559,625 | - | 20,592 | - | 580,217 |
| Unrestricted | 19,529,729 | (26,764) | 4,178,842 | - | (4,732,295) | 18,949,512 |
| Total Net Position | 19,529,729 | 532,861 | 4,178,842 | 20,592 | (4,732,295) | 19,529,729 |
| Total Liabilities and Net Position | \$ 19,561,388 | \$ 643,762 | \$ 4,178,842 | \$ 20,592 | \$ (4,732,295) | \$ 19,672,289 |

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, 2017 and 2016:

| 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 |
| December 31, 2016 | | | | | | |
| Revenues | | | | | | |
| Incubator Client Income | \$ - | \$ 248,662 | \$ - | \$ - | \$ - | \$ 248,662 |
| Grant and Sponsorship Income | 72,365 | 8,000 | - | - | - | 80,365 |
| Other Operating Income | - | 8,765 | - | - | - | 8,765 |
| Total Revenues | 72,365 | 265,427 | - | - | - | 337,792 |
| Expenses | | | | | | |
| Operating Expenses | 2,148,617 | 1,491,322 | - | - | - | 3,639,939 |
| Depreciation | - | 225,040 | - | 1,211 | - | 226,251 |
| Total Expenses | 2,148,617 | 1,716,362 | - | 1,211 | - | 3,866,190 |
| Operating Loss | (2,076,252) | (1,450,935) | - | (1,211) | - | (3,528,398) |
| Non-Operating Revenues (Expenses) | | | | | | |
| Tax Revenue | 1,301,236 | - | - | - | - | 1,301,236 |
| Investment Income, Net | 10,344 | 12 | 191,873 | - | 484,543 | 686,772 |
| Transfers | (776,218) | 1,205,375 | (450,960) | 21,803 | - | - |
| Loss on Disposal of Assets | - | (700) | - | - | - | (700) |
| Other | 118 | 200 | - | - | - | 318 |
| Total Non-Operating Revenues (Expenses) | 535,480 | 1,204,887 | (259,087) | 21,803 | 484,543 | 1,987,626 |
| Change in Net Position | (1,540,772) | (246,048) | (259,087) | 20,592 | 484,543 | (1,540,772) |
| Net Position - Beginning of the Year | 21,070,501 | 778,909 | 4,437,929 | - | (5,216,838) | 21,070,501 |
| Net Position - End of the Year | \$ 19,529,729 | \$ 532,861 | \$ 4,178,842 | \$ 20,592 | \$ (4,732,295) | \$ 19,529,729 |

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, 2017 and 2016:

| 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 | \$ 248,633 | \$ 12,724 | \$ 31,469 | \$ - | \$ - | \$ 292,826 |

| December 31, 2016 | Research Park Corporation | Louisiana Technology Park | Bon Carre' Development Company | NexusLA | Eliminations | Total |
|--|---------------------------------|---------------------------------|--------------------------------------|-------------|--------------|-------------------|
| Net Cash Provided by (Used in) | | | | | | |
| Operating Activities | \$ (2,068,566) | \$ (1,194,634) | \$ - | \$ - | \$ - | \$ (3,263,200) |
| Net Cash Provided by (Used in) | | | | | | |
| Noncapital Financing Activities | 375,891 | 1,205,375 | (450,960) | 21,803 | - | 1,152,109 |
| Net Cash Provided by (Used in) | | | | | | |
| Capital and Related Financing Activities | - | (24,999) | - | (21,803) | - | (46,802) |
| Net Cash Provided by (Used in) | | | | | | |
| Investing Activities | 1,750,340 | 200 | 353,042 | - | - | 2,103,582 |
| Change in Cash and Cash Equivalents | 57,665 | (14,058) | (97,918) | - | - | (54,311) |
| Cash and Cash Equivalents - Beginning of Year | 233,590 | 47,998 | 101,320 | - | - | 382,908 |
| Cash and Cash Equivalents - End of Year | \$ 291,255 | \$ 33,940 | \$ 3,402 | \$ - | \$ - | \$ 328,597 |

Note 12. Subsequent Events

The Corporation has evaluated subsequent events through the date that the consolidated financial statements were available to be issued, March 10, 2018, 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, 2017

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
Dr. Byron C. Clayton

| | |
|---|--------------------------|
| Salary and Other Direct Compensation | |
| Gross Salary | \$ 286,000 |
| Total Salary and Other Direct Compensation | <u>286,000</u> |
| Employee Benefits | |
| Medical and Dental Insurance | 32,531 |
| Life and Long-Term Disability Insurance Premiums | 1,835 |
| 401k Contributions | <u>20,020</u> |
| Total Employee Benefits | <u>54,386</u> |
| Other Payments | |
| Cell Phone Reimbursement | 1,200 |
| Travel/Conferences | 7,936 |
| Meals/Entertainment | <u>682</u> |
| Total Other Payments | <u>9,818</u> |
| Total Compensation, Benefits, and Other Payments to Agency Head or Chief Executive Officer | <u><u>\$ 350,204</u></u> |

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, 2017, 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 March 10, 2018.

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 "LaPorte".

A Professional Accounting Corporation

Covington, LA
March 10, 2018

RESEARCH PARK CORPORATION
Schedule of Findings and Responses
For the Year Ended December 31, 2017

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, 2017 - December 31, 2017

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, 2017 through December 31, 2017. 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. Note: Ethics requirements are not applicable to nonprofits.
- 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 j) except for the following items. The Corporation's policy on contracts did not address legal review. The Corporation's policy on travel and expense reimbursement did not address dollar thresholds by category of expense.

Board (or Finance Committee, if applicable)

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

Results: This Corporation met quarterly throughout 2017 in accordance with the bylaws. The minutes of the meetings referenced review of the financial statements, financial reports, and budgets for each month. The minutes referenced approval of non-budgetary financial information during one of the meetings.

Bank Reconciliations

3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

Results: Obtained a listing of client bank accounts from management and management's representation the listing is complete.

4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three-year rotating basis (if more than five accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:
 - a) Bank reconciliations have been prepared;
 - b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and
 - c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

Results: Selected one-third of the bank accounts and noted that all bank reconciliations have been prepared, all reconciliations include evidence that a member of management has reviewed the reconciliation, and the documentation contained evidence reflecting there was research of reconciling items that have been outstanding for more than 6 months.

Collections

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

Results: Obtained a listing of cash/check/money order collection locations from management and management's representation the listing is complete.

6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three-year rotating basis (if more than five locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each cash collection location selected:
 - a) Obtain existing written documentation (e.g., insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

- b) Obtain existing written documentation (e.g., sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.
- c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:
 - Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.
 - Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

Results: Selected the single cash collection location and noted that the employee that collects cash is covered under the Corporation's insurance policy. The employee responsible for collecting cash is not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the relate bank account, and is not required to share the same cash register or drawer with another employee.

The Corporation has a formal process to reconcile cash collections to the general ledger by a person who is not responsible for cash collection in the collection location selected.

For the week of cash collections selected, the deposits were made within one day of collection and all daily cash collections were completely supported by documentation.

- 7. Obtain existing written documentation (e.g., policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.

Results: The Corporation has a process specifically defined to determine completeness of all collections by a person who is not responsible for collections.

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

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

Results: Obtained a listing of disbursements from management and management's representation that the listing was complete.

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g., purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:
- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.
 - b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.
 - c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; (2) a receiving report showing receipt of goods purchased, or electronic equivalent; and (3) an approved invoice.

Results: The supporting documentation for the 25 randomly selected disbursements demonstrated each of the required elements in a), b), and c) listed above without exception.

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

Results: The person responsible for processing payments has the ability to add vendors to the Corporation's purchasing/disbursement system.

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

Results: There are instances where the person who has signatory authority or the ability to make the final authorization has the ability to initiate the purchase.

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

Results: The unused check supply is maintained in a locked location but a person with signatory authority has access to the checks.

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

Results: No exceptions noted. Checks are maintained under sufficient control until mailed.

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

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

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

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]
- b) Report whether finance charges and/or late fees were assessed on the selected statements.

Results: Selected 3 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.

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e., each of the 10 cards should have one month of transactions subject to testing).

- a) For each transaction, report whether the transaction is supported by:
 - An original itemized receipt (i.e., identifies precisely what was purchased).
 - Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
 - Other documentation that may be required by written policy (e.g., purchase order, written authorization).
- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e., transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.

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

Results: Of the 32 total transactions examined on the 3 statements selected, 1 item did not have a receipt. There were no exceptions identified to the criteria listed in b) and c) above.

Travel and Expense Reimbursement

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

Results: Obtained the general ledger and filtered for travel reimbursements during the fiscal year from management and management's representation that the general ledger is complete.

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

Results: Obtained the policy and noted no dollar amounts are specified in the policy, but the Corporation reimburses mileage using the IRS rate for the calendar year.

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

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

- b) Report whether each expense is supported by:

- An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]
- Documentation of the business/public purpose. (Note: For meal charges, there should also be documentation of the individuals participating.)
- Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance).

- c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g., hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.
- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Results: The largest travel expense selected for each of the three persons selected was supported by the documentation listed in criteria a) through d).

Contracts

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

Results: Obtained a listing of all contracts in effect during the fiscal year from management and management's representation that the listing is complete.

21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:
- a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.
 - b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:
 - If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder).
 - If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.
 - c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.
 - d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.
 - e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g., Lawrason Act or Home Rule Charter).

Results: There was a written contract for each of the vendors selected. None of the contracts were subject to the criteria in item b). None of the contracts were amended. The supporting invoices and payments complied with the terms and conditions of the contract. All of the contracts were properly approved.

Payroll and Personnel

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

- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.
- b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

Results: Obtained the listing of employees with their related salaries and management's representation that the listing is complete. The compensation paid to the five selected employees was in accordance with the terms and conditions of the employment contract or pay rate structure and any changes made to pay rate during the fiscal year were approved in writing and in accordance with written policy.

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

- a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
- b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.
- c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

Results: All of the documentation listed in items a), b), and c) above were present for the five employees randomly selected.

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

Results: Obtained the listing of employees that terminated during the fiscal year and management's representation that the listing is complete. There were no termination payments made during the year.

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

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

Ethics (excluding nonprofits)

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

Results: The Corporation is a nonprofit and is excluded.

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

Results: The Corporation is a nonprofit and is excluded.

Debt Service (excluding nonprofits)

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

Results: The Corporation is a nonprofit and is excluded.

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

Results: The Corporation is a nonprofit and is excluded.

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

Results: The Corporation is a nonprofit and is excluded.

Other

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

Results: Our inquiry of management regarding misappropriations of public funds or assets identified no such instances of misappropriations.

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

Results: The Corporation has posted on its premises and website, the notice required by R.S. 24:523.1

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

Results: No exceptions regarding management's representations were noted.

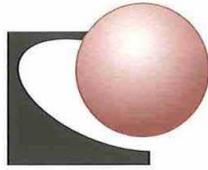
This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to perform, and did not perform, an examination or review, 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
March 10, 2018



RESEARCH PARK CORPORATION

May 15, 2018

RE: Management response to agreed-upon procedures report for the period January 1, 2017 – December 31, 2017

Item 1: Management has added language to the procedures to outline a process for contract review, approval and monitoring by management, legal counsel and/or the Board of Directors. Language was also added to the travel and expense reimbursement policy outlining the dollar thresholds by category of expense. These additions will be approved by the Board of Directors in 2018.

Items 10, 11, 12: Research Park Corporation operates with a small staff of less than 10 full-time employees and only two employees have access to the financial system. Due to these constraints, we are not able to adjust internal procedures to conform with the AUP guidelines set forth in these items without significant disruption to the organization.

I can be reached at (225) 215-0087 or gen@nexus-la.org if you have any questions regarding this response.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Genevieve Silverman', written in a cursive style.

Genevieve Silverman

Interim Executive Director