

Cyberspace Innovation Center, Incorporated

Financial Statements

As of and for the Years Ended December 31, 2021 and 2020

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Independent Auditors' Report

To the Board of Directors
Cyberspace Innovation Center, Incorporated

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Cyberspace Innovation Center, Incorporated (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Cyberspace Innovation Center, Incorporated as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Cyberspace Innovation Center, Incorporated and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information schedule shown on page 16 is presented for the purpose of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, shown on page 17, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2022, on our consideration of the Cyberspace Innovation Center, Incorporated's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Cyberspace Innovation Center, Incorporated's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cyberspace Innovation Center, Incorporated's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Cook & Morehart", with a long horizontal flourish extending to the right.

Cook & Morehart
Certified Public Accountants
June 28, 2022

Cyberspace Innovation Center, Incorporated
 Statements of Financial Position
 December 31, 2021 and 2020

	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 7,787,377	\$ 5,795,829
Accounts receivable	62,156	121,049
Grants and contracts receivable	1,283,755	1,024,421
Prepaid expenses	134,908	87,943
Total current assets	9,268,196	7,029,242
Noncurrent assets:		
Property and equipment, net	5,063,300	5,205,469
Total Assets	\$ 14,331,496	\$ 12,234,711
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 556,982	\$ 485,220
Deferred revenue	210,442	245,026
Total current liabilities	767,424	730,246
Net assets		
Without donor restrictions	13,564,072	11,504,465
Total net assets	13,564,072	11,504,465
Total Liabilities and Net Assets	\$ 14,331,496	\$ 12,234,711

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

Cyberspace Innovation Center, Incorporated
 Statements of Activities
 For the Years Ended December 31, 2021 and 2020

	Without Donor Restrictions	
	2021	2020
Revenues and other support:		
Contractual revenue-grants	\$ 15,857,551	\$ 14,621,476
Lease income	1,090,588	1,111,717
Registration income	8,721	22,006
Interest income	10,892	11,551
Settlement income	537,000	
Other	56,115	108,885
Total revenues, gains, and support	17,560,867	15,875,635
Operating expenses:		
Supporting services		
Management and general	580,115	404,171
Programs services	14,921,145	13,320,048
Total operating expenses	15,501,260	13,724,219
Change in net assets	2,059,607	2,151,416
Net assets, beginning of year	11,504,465	9,353,049
Net assets, end of year	\$ 13,564,072	\$ 11,504,465

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

Cyberspace Innovation Center, Incorporated
Statement of Functional Expenses
For the Year Ended December 31, 2021

Program Services

	Partnership Intermediary Agreements PIA	DHS CETAP Program	Research Park Activity	Other	Total Program Services	Management and General	Total
Marketing	\$ 8,795	\$ 287,959	\$ 10,236	\$ 166	\$ 307,156	\$ 33,255	\$ 340,411
Security services	7,811		233,125		240,936		240,936
Utilities			602,033		602,033	15,437	617,470
IT Network support	91,504	115,995	16,285	84,036	307,820	13,812	321,632
Telephone and internet services	4,777		50,919		55,696	3,136	58,832
Travel	21,840	59,874	14,823	27,039	123,576	2,200	125,776
Rent		6,120	708,825		714,945	18,175	733,120
Events	2,679,549		1,861		2,681,410		2,681,410
Academic outreach		436,586		108,914	545,500		545,500
Insurance			792,974		792,974	41,577	834,551
Routine maintenance and services	9,681		1,138,465	5,343	1,153,489	20,094	1,173,583
Professional fees	12,750		25,807	12,750	51,307	35,852	87,159
Office	13,722	12,283		3,636	29,641	21,715	51,356
Contract labor	3,011,097	2,224,936	804,457	496,065	6,536,555	374,862	6,911,417
Other	26,573		9,079		35,652		35,652
Depreciation	322,025		420,430		742,455		742,455
Total expenses	\$ 6,210,124	\$ 3,143,753	\$ 4,829,319	\$ 737,949	\$ 14,921,145	\$ 580,115	\$ 15,501,260

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

Cyberspace Innovation Center, Incorporated
Statement of Functional Expenses
For the Year Ended December 31, 2020

	Program Services				Total Program Services	Management and General	Total
	Partnership Intermediary Agreements PIA	DHS CETAP Program	Research Park Activity	Other			
Marketing	\$ 15,225	\$ 217,473	\$ 17,251	\$ 5,000	\$ 254,949	\$ 17,975	\$ 272,924
Security services	8,855		233,422	995	243,272		243,272
Utilities			481,156		481,156	12,337	493,493
IT Network support	95,335	120,731	20,644	14,458	251,168	6,440	257,608
Telephone and internet services	4,910		45,359		50,269	1,289	51,558
Travel	15,567	67,364	18,706	499	102,136	2,619	104,755
Rent		6,120	537,225		543,345	13,775	557,120
Events	2,432,893		498		2,433,391		2,433,391
Academic outreach		524,360		71,090	595,450		595,450
Insurance			654,401		654,401	34,954	689,355
Routine maintenance and services	9,758		1,337,417	1,291	1,348,466	19,435	1,367,901
Professional fees	52,880		33,504		86,384	21,970	108,354
Office	28,513	18,989		420	47,922	24,071	71,993
Contract labor	2,542,318	1,893,786	982,727	81,014	5,499,845	249,306	5,749,151
Other	2,715	2,934	616		6,265		6,265
Depreciation	275,988		445,641		721,629		721,629
Total expenses	\$ 5,484,957	\$ 2,851,757	\$ 4,808,567	\$ 174,767	\$ 13,320,048	\$ 404,171	\$ 13,724,219

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

Cyberspace Innovation Center, Incorporated
 Statements of Cash Flows
 For the Years Ended December 31, 2021 and 2020

	2021	2020
Operating Activities		
Changes in net assets	\$ 2,059,607	\$ 2,151,416
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	742,455	721,629
(Increase) decrease in operating assets:		
Grants and contracts receivable	(259,334)	274,888
Accounts receivable	58,893	(60,339)
Prepaid expenses	(46,965)	(1,967)
Increase (decrease) in operating liabilities:		
Accounts payable	71,762	336,114
Deferred revenue	(34,584)	158,268
Net cash provided by operating activities	2,591,834	3,580,009
Investing Activities		
Payments for improvements and equipment	(600,286)	(1,504,542)
Net cash (used) by investing activities	(600,286)	(1,504,542)
Net increase in cash and cash equivalents	1,991,548	2,075,467
Cash and cash equivalents as of beginning of year	5,795,829	3,720,362
Cash and cash equivalents as of end of year	\$ 7,787,377	\$ 5,795,829

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

Cyberspace Innovation Center, Incorporated
Notes to Financial Statements
December 31, 2021 and 2020

(1) Summary of Significant Accounting Policies

A. Nature of Activities

Cyberspace Innovation Center, Incorporated (CIC) is a nonprofit corporation organized under the laws of the State of Louisiana. The primary purpose of the CIC is to engage in activities to promote, facilitate, encourage, coordinate and aid scientific investigations, research, education, training and allied supportive services dedicated to the development of cyberspace technology, including technology to be utilized by the United States Air Force for the benefit of the United States and the general public. The CIC, including administrative offices, is located in Bossier City, Louisiana.

The CIC leases property located at 6300 East Texas Street, Bossier City, Louisiana from the City of Bossier City and the Parish of Bossier. The primary consideration for the lease is the CIC's agreement to assist the City, Parish and State goal of developing a high quality research park in close proximity to Barksdale Air Force Base which will enhance existing and future missions at Barksdale and create economic development and educational opportunities in the Bossier area. The CIC is responsible for the full development, operations, and maintenance of the property and shall sublease the property in order to advance the City, Parish and State goal. All revenues derived by the CIC in excess of reasonable expenses from the property are to be used solely for the development, operations and maintenance of such property and fulfilling the CIC's primary purpose.

The CIC has entered into a memorandum of understanding (MOU) with the U.S. Air Force to further develop relationships with State entities, academia, and regional businesses and industries, and tap into the technology of the Department of the Air Force. The MOU is entered into pursuant to the authority of U.S.C. 3715 "Use of Partnership Intermediaries" (PIA). This authority permits directors of Federal laboratories, such as those in the Department of the Air Force, to enter into MOU's with partnership intermediaries to perform services that increase the likelihood of success in the conduct of cooperative or joint activities of such Federal laboratory with small business firms, institutions of higher education and certain other educational institutions.

The CIC has developed a robust academic outreach and work force development program in order to build a sustainable knowledge-based workforce that can support the needs of government, industry and academia. The mission is to foster integrated curricular experiences across multiple disciplines in both university and K-12 environments. Objectives include: create a culture of educational innovation across a national network of college and K-12 faculty; provide a focal point for continued interdisciplinary collaboration in science, technology, engineering, and mathematics (STEM) education reform; serve as a catalyst for future research in cyber education; disseminate innovation best practices in education throughout the nation; emphasize professional development for K-12 teachers; and engage students across primary (K-5), secondary (6-12), and post-secondary levels. Funding is primarily through Federal grant awards from the U.S. Department of Homeland Security under the Cybersecurity Education and Training Assistance Program (CETAP).

B. Basis of Accounting

The financial statements of the CIC have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

(Continued)

Cyberspace Innovation Center, Incorporated
Notes to Financial Statements
December 31, 2021 and 2020
(Continued)

C. Basis of Presentation

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

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objective of the organization. These net assets may be used at the discretion of CIC's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of CIC or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities. CIC has adopted a policy to classify donor restricted contributions as without donor restriction to the extent that donor restrictions are met in the year the contribution was received.

Contributions are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their fair value.

D. Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents includes all cash on hand and cash on deposit with maturities of less than three months.

E. Property and Equipment

The CIC capitalizes property and equipment over \$5,000. Lesser amounts are expensed. Purchased property and equipment are capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit donor restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the CIC reports expirations of donor restrictions when the donated or acquired assets are placed in service. The CIC reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Property and equipment are depreciated using the straight-line method over estimated useful lives.

The Federal Government has a reversionary interest in property purchased with federal funds; its disposition as well as the ownership of any proceeds there from is subject to federal regulations. The use of assets purchased with federal funds is limited to the purposes intended by the funding agency.

(Continued)

Cyberspace Innovation Center, Incorporated
Notes to Financial Statements
December 31, 2021 and 2020
(Continued)

F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

G. Income Taxes

The CIC is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. Accordingly, no provision for income taxes has been made. However, should the CIC engage in activities unrelated to its exempt purpose, taxable income could result. The CIC had no unrelated business income for the years ended December 31, 2021 and 2020.

The CIC's Form 990, *Return of Organization Exempt from Income Tax*, for the years 2018, 2019, 2020, and 2021 are subject to examination by the IRS, generally for three years after they were filed.

H. Advertising

Advertising and promotion costs are expensed as incurred. Advertising expense totaled \$14,171 and \$17,533 for the years ended December 31, 2021 and 2020, respectively.

I. Contributions

Contributions received are recorded as increases in net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions. When restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. In the absence of donor restrictions to the contrary, restrictions on contributions of property or equipment or on assets restricted to acquiring property or equipment expire when the property or equipment is placed in service.

J. Deferred Revenue

Income from rent and other events are deferred and recognized over the periods to which the rent and events relate.

K. Grants and Contracts Receivable

Grants and contracts receivable represent amounts due from governmental agencies and contractors under contractual terms. CIC considers grants and contracts receivable at December 31, 2021 and 2020 to be fully collectible, accordingly, no allowance for doubtful accounts is required.

L. Accounts Receivable

Accounts receivable are stated at amounts management expects to collect from outstanding balances. Management provides for probable uncollectible amounts, after reasonable collection efforts, as bad debt expenses. Amounts deemed uncollectible are not material to the financial statements.

(Continued)

Cyberspace Innovation Center, Incorporated
Notes to Financial Statements
December 31, 2021 and 2020
(Continued)

M. Functional Expenses

The costs of providing certain activities of CIC have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among programs and supported services benefited. Costs are directly charged to the functions they benefit. Facility related and supportive services expenses are allocated to each function based upon managements equitable determination.

(2) Concentrations of Credit Risk

Concentrations of credit risk with respect to accounts receivable are limited due to the small number of receivables comprising the amount. Concentrations of credit risk with respect to grants and contracts receivable were limited due to the balances being comprised of amounts due from governmental agencies and contractors under contractual terms. As of December 31, 2021 and 2020, CIC had no significant concentrations of credit risk in relation to accounts and grants and contracts receivable.

The CIC maintains cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2020, total cash balances held at financial institutions was \$6,395,618. Of this amount \$1,752,111 was secured by FDIC, and the remaining \$4,643,507 was unsecured. At December 31, 2021, total cash balances held at financial institutions was \$7,966,081. Of this amount \$3,297,285 was secured by FDIC, and the remaining \$4,668,796 was unsecured.

(3) Property and Equipment

Property and equipment at December 31, 2021 and 2020, with estimated depreciable life, are summarized as follows:

		<u>2021</u>	<u>2020</u>
Leasehold improvements	15 years	\$8,295,590	\$8,295,590
Construction in progress		600,286	
Computer equipment	3-5 years	686,350	686,350
Other equipment	3-5 years	100,480	100,480
Accumulated depreciation		<u>(4,619,406)</u>	<u>(3,876,951)</u>
		<u>\$5,063,300</u>	<u>\$5,205,469</u>

Depreciation expense for the years ended December 31, 2021 and 2020 was \$742,455 and \$721,629, respectively. There is no depreciation on the construction in progress.

(4) Lease Related Party

CIC entered into an agreement with Bossier City and Bossier Parish to lease the 135,000 square foot building and all other improvements at 6300 East Texas Street, Bossier City, Louisiana 71111 (the Premises). The CIC agreed to develop, operate and maintain the Premises, as well as to promote the Premises as a research park and sublease the Premises under the terms and to persons and entities all of which advance the City, Parish and State goal of developing a high quality research park. As additional rent, the CIC agreed to pay all utilities, real estate taxes, maintenance expenses and insurance associated with the Premises. Effective November 1, 2011, the CIC began paying the Bossier Parish Police Jury monthly amounts in accordance with the terms of the lease. The terms of the lease are for a period of twenty-five years, unless terminated pursuant to the terms, covenants, and conditions of the lease. There is also an option to extend the lease for three consecutive terms of ten years. Amounts paid under this agreement for the years ended December 31, 2021 and 2020 totaled \$727,000 and \$551,000, respectively.

(Continued)

Cyberspace Innovation Center, Incorporated
Notes to Financial Statements
December 31, 2021 and 2020
(Continued)

(5) Consulting Service Agreement

From its inception, the administrative and operational services of Cyberspace Innovation Center, Incorporated have been performed under the leadership of Mr. Craig Spohn through an agreement between Broadmoor Consulting, LLC and the City of Bossier City and Bossier Parish Police Jury. Broadmoor Consulting, LLC is a single member limited liability company owned by Mr. Spohn. Mr. Spohn is Executive Director of CIC and was a member of the Board of Directors until January 24, 2012. The City of Bossier City and the Bossier Parish Police Jury provided the necessary funding for such operations until October 31, 2010. Since then, the Board of Directors for Cyberspace Innovation Center, Incorporated has approved a resolution to replace the City of Bossier City and the Bossier Parish Police Jury as the funding agent for the Cyberspace Innovation Center, Incorporated with a management agreement with Broadmoor Consulting, LLC. Furthermore, the resolution established a policy requiring approval from the Board of Directors for any changes to this or any other agreement entered into by Cyberspace Innovation Center, Incorporated to thus ensure the necessary check and balance policies were established to provide Board insight and approval. Amounts paid to Broadmoor Consulting, LLC during the years ended December 31, 2021 and 2020 for the administrative and operational services pursuant to the agreement totaled \$6,213,733 and \$5,501,850, respectively, to provide the staff necessary (approximately 50–55 staff) to operate, lease, maintain and develop the CIC and the National Cyber Research Park. Amounts owed to Broadmoor Consulting, LLC at December 31, 2021 and 2020 was \$539,876 and \$485,397, respectively.

(6) Evaluation of Subsequent Events

The CIC has evaluated subsequent events through June 28, 2022, the date on which the financial statements were available to be issued.

(7) Contractual Revenue – Grants

During the years ended December 31, 2021 and 2020, CIC received contractual revenue from governmental agencies and contractors in the amount of \$15,857,551 and \$14,621,476, respectively. The continued existence of those funds are based on contractual renewals with the various funding sources.

(8) Operating Lease

CIC leases equipment under an operating lease. Rental cost on this lease for the years ended December 31, 2021 and 2020 was \$2,695 and \$2,940, respectively. Commitments under this lease agreement, which had an initial term in excess of one year, are as follows:

<u>Year Ended</u> <u>December 31,</u>	<u>Amount</u>
2022	\$ <u>490</u>

(9) Lease Income

CIC subleases the existing premises to advance the mission to create economic development and educational opportunities as detailed in footnote 1. Lease income reported as revenue in the statement of activities for the years ended December 31, 2021 and 2020 was \$1,090,588 and \$1,111,717, respectively.

(Continued)

Cyberspace Innovation Center, Incorporated
Notes to Financial Statements
December 31, 2021 and 2020
(Continued)

Future minimum lease income for leases having initial or remaining noncancellable lease terms in excess of one year are as follows:

Year Ended December 31,	Amount
2022	<u>\$ 157,431</u>

(10) Liquidity and Availability of Financial Assets

CIC monitors its liquidity so that it is able to meet its operating needs and other contractual commitments while maximizing the investment of its excess operating cash. CIC has the following financial assets that could readily be made available within one year of the balance sheet to fund expenses without limitations:

	2021	2020
Financial assets at year-end:		
Cash and cash equivalents	\$ 7,787,377	\$ 5,795,829
Accounts receivable	62,156	121,049
Grant receivable	<u>1,283,755</u>	<u>1,024,421</u>
Total financial assets	\$ 9,133,288	\$ 6,941,299
Less amounts not available to be used within one year	()	()
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 9,133,288</u>	<u>\$ 6,941,299</u>

In addition to financial assets available to meet general expenditures over the year, CIC operates with a balanced budget and anticipates covering its general expenditures using the income generated from contractual agreements and lease income. The Statement of Cash Flows identifies the sources and uses of CIC's cash and shows positive cash generated by operations of \$2,591,834 and \$3,580,009 for fiscal years ending December 31, 2021 and 2020, respectively.

(11) Settlement Income

Included in revenues and other support in the statement of activities for the year ended December 31, 2021, is an amount of \$537,000 which represents a one time settlement arising from a dispute over lease violations.

(12) Net Assets

Net assets at December 31, 2021 and 2020, consisted of the following:

	2021	2020
Net Assets Without Donor Restrictions:		
Undesignated	\$ 8,500,772	\$ 6,298,996
Net investment in property and equipment	<u>5,063,300</u>	<u>5,205,469</u>
Total net assets without donor restrictions	<u>\$ 13,564,072</u>	<u>\$ 11,504,465</u>

(Continued)

Cyberspace Innovation Center, Incorporated
Notes to Financial Statements
December 31, 2021 and 2020
(Continued)

(13) Uncertainty

As a result of the COVID-19 Coronavirus, economic uncertainties have arisen which are likely to negatively impact financial resources. While the duration on the economic impact is expected to be temporary, there is considerable uncertainty around the duration. The related financial impact and duration cannot be reasonably estimated at this time.

(14) New Accounting Pronouncement

In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, "Revenue from Contracts with Customers." This Standard, along with its related amendments, requires organizations to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The adoption of this standard in 2020 did not have a material effect on the Organization's financial statements and required no adjustment.

(15) Commitments

CIC has entered into agreements and have committed to certain technology improvements at the facility. The project is estimated to cost approximately \$1,258,000. At December 31, 2021, costs of \$600,286 had been incurred for this project.

Cyberspace Innovation Center, Incorporated
Schedule of Compensation, Benefits and Other Payments To Agency Head
For the Year Ended December 31, 2021

Agency Head: Craig C. Spohn, Executive Director

There were no payments for compensation, benefits and other derived from public funds during the year ended December 31, 2021.

Cyberspace Innovation Center, Incorporated
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021

Federal Grantor / Pass-Through Grantor / Program Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Sub-Recipients	Total Federal Expenditures
<u>U.S. Department of Homeland Security</u>				
Direct Program:				
CETAP - Cybersecurity Education and Training Assistance Program	97.127	18-PDCTP-000002		\$ 4,417,851
Total U.S. Department of Homeland Security				4,417,851
<u>U.S. Department of Defense</u>				
Direct Program:				
Air Force Partnership Intermediary Agreement				
Air Force Global Strike Command	None	FA6800-18-H-0001		10,066,187
Total U.S. Department of Defense				10,066,187
Total Federal Expenditures			\$	\$ 14,484,038

NOTE A: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Cyberspace Innovation Center, Incorporated under programs of the federal government for the ended December 31, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Cyberspace Innovation Center, Incorporated, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Cyberspace Innovation Center, Incorporated.

NOTE B: Summary of Significant Accounting Policies

- (1) The accompanying schedule of expenditures of federal awards is prepared on the accrual basis of accounting.
- (2) Cyberspace Innovation Center, Incorporated did not elect to use the 10 percent de minimis indirect cost rate.

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

Independent Auditors' Report

To the Board of Directors
Cyberspace Innovation Center, Incorporated

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Cyberspace Innovation Center, Incorporated., (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 28, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Cyberspace Innovation Center, Incorporated's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cyberspace Innovation Center, Incorporated's internal control. Accordingly, we do not express an opinion on the effectiveness of Cyberspace Innovation Center, Incorporated'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.



Cook & Morehart
Certified Public Accountants
June 28, 2022

COOK & MOREHART

Certified Public Accountants

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Report on Compliance For Each Major Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Independent Auditors' Report

To the Board of Directors
Cyberspace Innovation Center, Incorporated

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Cyberspace Innovation Center, Incorporated's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on Cyberspace Innovation Center, Incorporated's major federal program for the year ended December 31, 2021. Cyberspace Innovation Center, Incorporated's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Cyberspace Innovation Center, Incorporated complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibility under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Cyberspace Innovation Center, Incorporated and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Cyberspace Innovation Center, Incorporated's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Cyberspace Innovation Center, Incorporated's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Cyberspace Innovation Center, Incorporated's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Cyberspace Innovation Center, Incorporated's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Cyberspace Innovation Center, Incorporated's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Cyberspace Innovation Center, Incorporated's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Cyberspace Innovation Center, Incorporated's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in

internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Cook & Morehart
Certified Public Accountants
June 28, 2022

Cyberspace Innovation Center, Incorporated
Summary Schedule of Prior Audit Findings
December 31, 2021

There were no findings in the prior year audit for the year ended December 31, 2020.

Schedule of Findings and Questioned Costs
December 31, 2021

A. Summary of Audit Results

Financial Statements

Type of audit report issued : Unmodified

Internal control over financial reporting :

Material weaknesses identified : yes no
Significant deficiencies identified : yes none reported

Noncompliance material to financial statements noted :

yes no

Federal Awards

Internal control over major programs :

Material weaknesses identified : yes no
Significant deficiencies identified : yes none reported

Type of auditors' report issued on compliance for major federal programs : Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)

yes no

Identification of major federal programs :

Air Force Global Strike Command FA6800-18-H-0001

Dollar threshold used to distinguish between type A and type B programs : \$750,000

Auditee qualified as low risk :

yes no

B. Findings – Financial Statements Audit – None.

C. Findings and Questioned Costs – Major Federal Award Programs Audit – None.

Cyberspace Innovation Center, Incorporated
Summary Schedule of Audit Findings
Schedule for Louisiana Legislative Auditor
December 31, 2021

Summary Schedule of Prior Audit Findings

There were no findings, questioned costs, or management letter comments for the prior year audit for the year ended December 31, 2020.

Current Year Audit Findings

There are no findings, questioned costs, or management letter comments for the current year audit for the year ended December 31, 2021.

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Independent Accountants' Report on Applying Agreed-Upon Procedures

To the Board of Commissioners
Cyberspace Innovation Center, Incorporated
and the Louisiana Legislative Auditor

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2021 through December 31, 2021. The Cyberspace Innovation Center, Incorporated's management is responsible for those C/C areas identified in the SAUPs.

Cyberspace Innovation Center, Incorporated has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period January 1, 2021 through December 31, 2021. Additionally, LLA has agreed to and acknowledges that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity's operations:
 - 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/Collections***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collection for each type of revenue or agency fund additions (including periodic confirmation with outside

parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.
- 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 of statements, 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 Statutes (R.S.)42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosures/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- k) **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.
- l) **Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

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

Board or Finance Committee

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

The Board of Directors of the Cyberspace Innovation Center, Incorporated met in accordance with the organization's bylaws.

b) For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds. Alternately, for those entities reporting on the nonprofit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.

Board minutes referenced financial activity relating to public funds.

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

Cyberspace Innovation Center, Incorporated is not a governmental entity.

Bank Reconciliations

3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:

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

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

Bank reconciliations selected included evidence that they were prepared within 2 months of the related statement closing date.

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

Bank reconciliations selected included evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation.

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

Exception: For the accounts tested, there were three (3) items totaling \$315 that were outstanding for more than 12 months.

Management's Response: It is Management's policy to follow up on all significant items.

Collections

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

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

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

- a) Employees that are responsible for cash collections do not share cash drawers/registers.

Cash drawers/registers are not used, due to no currency being collected by the organization.

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

The employee responsible for collecting is responsible for preparing/making bank deposits; however, another employee is responsible for reconciling collection documentation to the deposit.

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

Exception: The employee responsible for collecting cash is responsible for posting entries to the general ledger

Management's Response: Management reviews all financial activity monthly.

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

Exception: The employee responsible for collecting cash is responsible for reconciling cash collections to the general ledger.

Management's Response: Management reviews all financial activity monthly.

- 6. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe the bond or insurance policy for theft was enforced during the fiscal period.

All employees are covered under a blanket theft policy.

- 7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). Obtain supporting documentation for each of the 10 deposits and:

- a) Observe that receipts are sequentially pre-numbered.

Cyberspace Innovation Center, Incorporated does not utilize sequentially pre-numbered receipt books.

- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

For the deposits selected for testing, collection documentation was traced to the deposit slips.

- c) Trace the deposit slip total to the actual deposit per the bank statement.

For the deposits selected for testing, the actual deposit was traced to the bank statement.

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

Exception: There was no evidence that deposits were made within one business day.

Management's Response: It is Management's policy to make deposits as deem necessary in a timely manner.

- e) Trace the actual deposit per the bank statement to the general ledger.

For the deposits selected for testing, all were traced to the general ledger.

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

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

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

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

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

Cyberspace Innovation Center, Incorporated's written policies and procedures and employee job duties provide for the segregation of duties as noted except as follows:

Exception: The employee responsible for processing payments to vendors can add vendors to the software.

Management's Response: All purchases are approved by Management.

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

- a) Observe whether the disbursement matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity.
- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Management provided the requested information, along with management's representation that the listing is complete. For the transactions selected for testing, the disbursement matched the related original invoice and included evidence of segregation of duties, except as noted below:

Exception: The employee responsible for processing payments to vendors can add vendors to the software.

Management's Response: All purchases are approved by Management.

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

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

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

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

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

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

- b) Observe that finance charges and late fees were not assessed on the selected statements.

None of the statements selected for testing contained finance charges and or late fees.

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e., each card should have 10 transactions subject to testing). For each transaction, observe it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny. For each transaction, report whether the transaction is supported by:

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

Transactions tested were supported by original itemized receipts.

- 2) Written documentation of the business/public purpose.

Transactions tested were supported with the business purpose documentation.

- 3) Documentation of the individuals participating in meals (for meal charges only).

Transactions selected for testing were supported by individuals participating in the meals.

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

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

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

Cyberspace Innovation Center, Incorporated reimburses actual costs.

b) If reimbursed using actual costs, observe the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

For the items tested for the reimbursement, there were no exceptions noted.

c) Observe each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

For the items tested for the reimbursement, there were no exceptions noted.

d) Observe each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

For the items tested for the reimbursement, there were no exceptions noted.

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. Alternately, the practitioner may use an equivalent selection source, such as an active vendor list. Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

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

Contracts selected for testing were not subject to the Louisiana Public Bid Law.

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

Contracts tested were approved in accordance with the organization's policy.

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

The contracts selected for testing were not amended.

d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe the invoice and related payment agreed to the terms and conditions of the contract.

For the invoices selected for testing, invoices agreed to the contract terms, and the related payments agreed to the terms and conditions of the contract.

Payroll and Personnel

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

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

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

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

For the transactions selected for testing, daily attendance and leave was documented.

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

For the transactions selected for testing, daily attendance and leave was documented.

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

For the transactions selected for testing, leave accrued or taken was reflected in cumulative leave records.

d) Observe the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.

For the transactions selected for testing, the rate of pay to the employees agreed to the authorized salary/pay rate found within the personnel file.

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

Cyberspace Innovation Center, Incorporated did not pay out any termination payments during the fiscal period.

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

Management provided representation that employer and employee portions of third party payroll related amounts, including payroll taxes, retirement contributions, health insurance premiums, garnishments, and workers' compensation premiums, have been paid, and any associated forms have been filed, by required deadlines.

Ethics

Not applicable to nonprofit organizations.

Debt Service

Not applicable to nonprofit organizations.

Fraud Notice

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Management of Cyberspace Innovation Center, Incorporated represented that there were no misappropriations of public funds and assets during the fiscal period.

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

We observed Cyberspace Innovation Center, Incorporated has posted on its premises the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud waste, or abuse of public funds.

Information Technology Disaster Recovery/Business Continuity

25. Perform the following procedures, verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."

a) Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.

b) Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.

c) Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

We performed the procedures and discussed the results with management.

Sexual Harassment

Not applicable to Cyberspace Innovation Center, Incorporated.

We were engaged by Cyberspace Innovation Center, Incorporated, to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of Cyberspace Innovation Center, Incorporated, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

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



Cook & Morehart
Certified Public Accountants
June 28, 2022