

Cyberspace Innovation Center, Incorporated

Financial Statements

As of and for the Years Ended December 31, 2018 and 2017

Table of Contents

	<u>Page No.</u>
Independent Auditors' Report	1 – 2
Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 – 13
Schedule of Compensation, Benefits and Other Payments to Agency Head	14
Schedule of Expenditures of Federal Awards	15
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>	16 – 17
Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	18 – 19
Schedule of Findings and Questioned Costs	20
Summary Schedule of Audit Findings – For Louisiana Legislative Auditor	21

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Independent Auditors' Report

To the Board of Directors
Cyberspace Innovation Center, Incorporated

Report on the Financial Statements

We have audited the accompanying financial statements of Cyberspace Innovation Center, Incorporated (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cyberspace Innovation Center, Incorporated, as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Effect of Adopting New Accounting Standard

As described in Note 2 to the financial statements, Cyberspace Innovation Center, Incorporated adopted the Financial Accounting Standards Board's Accounting Standard Update (ASU) No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended December 31, 2018. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited Cyberspace Innovation Center, Incorporated's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 28, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of compensation, benefits and other payments to agency head on page 14 and the schedule of expenditures of federal awards on page 15, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are 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, 2019, on our consideration of 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.



Cook & Morehart
Certified Public Accountants
June 28, 2019

Cyberspace Innovation Center, Incorporated
Statement of Financial Position
December 31, 2018
(with comparative amounts for 2017)

Assets	2018	2017
Current assets:		
Cash and cash equivalents	\$ 3,517,876	\$ 3,044,949
Accounts receivable	1,680	29,950
Grants and contracts receivable	887,831	162,610
Prepaid expenses	99,618	98,210
Total current assets	4,507,005	3,335,719
Noncurrent assets:		
Building - with donor restrictions	43,182,223	43,182,223
Property and equipment, net	4,633,747	3,965,271
	47,815,970	47,147,494
Total Assets	\$ 52,322,975	\$ 50,483,213
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 528,118	\$ 724,182
Deferred revenue	228,342	28,483
Total current liabilities	756,460	752,665
Net assets		
With donor restrictions	43,011,042	43,011,042
Without donor restrictions	8,555,473	6,719,506
Total net assets	51,566,515	49,730,548
Total Liabilities and Net Assets	\$ 52,322,975	\$ 50,483,213

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

Cyberspace Innovation Center, Incorporated
Statement of Activities
For the Year Ended December 31, 2018
(with comparative amounts for 2017)

	Without Donor Restrictions	With Donor Restrictions	Total 2018	Total 2017
Revenues and other support:				
Contractual revenue-grants	\$ 12,335,948	\$	\$ 12,335,948	\$ 4,494,337
Lease income	1,316,508		1,316,508	1,449,310
Registration income	33,127		33,127	28,119
Interest income	3,626		3,626	11,345
Other	191,788		191,788	374,243
Total revenues, gains, and support	<u>13,880,997</u>		<u>13,880,997</u>	<u>6,357,354</u>
Expenses:				
Supporting services				
Management and general	630,502		630,502	655,638
Programs services	11,414,528		11,414,528	7,952,093
Total expenses	<u>12,045,030</u>		<u>12,045,030</u>	<u>8,607,731</u>
Change in net assets	1,835,967		1,835,967	(2,250,377)
Net assets, beginning of year	<u>6,719,506</u>	<u>43,011,042</u>	<u>49,730,548</u>	<u>51,980,925</u>
Net assets, end of year	<u>\$ 8,555,473</u>	<u>\$ 43,011,042</u>	<u>\$ 51,566,515</u>	<u>\$ 49,730,548</u>

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, 2018
(with comparative amounts for 2017)

	Management and General	Program Services	Total 2018	Total 2017
Marketing	\$ 29,367	\$ 83,126	\$ 112,493	\$ 58,832
Events		323,204	323,204	172,783
Academic outreach		2,859,778	2,859,778	686,171
Insurance	44,393	589,786	634,179	501,043
Routine services building	26,092	1,017,574	1,043,666	1,127,723
Routine maintenance building	431	16,814	17,245	81,487
Professional fees	23,095	168,712	191,807	133,350
Office	62,208		62,208	126,311
Contract labor	359,794	3,720,746	4,080,540	2,860,828
Security services		521,369	521,369	515,265
Utilities	15,286	596,147	611,433	624,526
IT Network support	551	21,470	22,021	5,302
Telephone and internet services	1,328	51,785	53,113	49,462
Travel	9,342	364,326	373,668	312,295
Rent	13,500	537,018	550,518	556,442
Depreciation		525,168	525,168	506,086
Other	45,115	17,505	62,620	289,825
Total expenses	<u>\$ 630,502</u>	<u>\$ 11,414,528</u>	<u>\$ 12,045,030</u>	<u>\$ 8,607,731</u>

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

Cyberspace Innovation Center, Incorporated
Statement of Cash Flows
For the Years Ended December 31, 2018
(with comparative amounts for 2017)

Operating Activities	2018	2017
Changes in net assets	\$ 1,835,967	\$ (2,250,377)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	525,168	506,086
(Increase) decrease in operating assets:		
Grants and contracts receivable	(725,221)	
Accounts receivable	28,270	542,251
Prepaid expenses	(1,408)	(21,141)
Increase (decrease) in operating liabilities:		
Accounts payable	(196,064)	250,910
Deferred revenue	199,859	(10,381)
Net cash provided (used) by operating activities	1,666,571	(982,652)
 Investing Activities		
Payments for improvements and equipment	(1,193,644)	(44,332)
Net cash (used) by investing activities	(1,193,644)	(44,332)
Net increase (decrease) in cash and cash equivalents	472,927	(1,026,984)
Cash and cash equivalents as of beginning of year	3,044,949	4,071,933
Cash and cash equivalents as of end of year	\$ 3,517,876	\$ 3,044,949

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

Cyberspace Innovation Center, Incorporated
Notes to Financial Statements
December 31, 2018

(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.

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.

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.

(Continued)

Cyberspace Innovation Center, Incorporated
Notes to Financial Statements
December 31, 2018
(Continued)

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 \$2,000. 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.

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 year ended December 31, 2018.

The CIC's Forms 990, *Return of Organization Exempt from Income Tax*, for the years 2016, 2017, and 2018 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 \$30,237 for the year ended December 31, 2018.

(Continued)

Cyberspace Innovation Center, Incorporated
Notes to Financial Statements
December 31, 2018
(Continued)

I. Contributions

Contributions received are recorded as increase 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, 2018 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.

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 expense. 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.

N. Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with general accepted accounting principles. Accordingly, such information should be read in conjunction with CIC's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

(2) Adoption of New Accounting Pronouncement

For the year ended December 31, 2018, CIC adopted the Financial Accounting Standard Update (ASU) No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net asset classifications, deficiencies in information about liquidity and availability of resources, and the lack of

(Continued)

Cyberspace Innovation Center, Incorporated
Notes to Financial Statements
December 31, 2018
(Continued)

consistency in the type of information provided about expenses and investment return between not-for-profit entities. The changes required by the update have been applied retrospectively to all periods presented. A key change required by ASU 2016-14 are the net asset classes used in the financial statements. Amount previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

(3) 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, 2018, 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, 2018, total cash balances held at financial institutions was \$3,712,460. Of this amount \$750,000 was secured by FDIC, and the remaining \$2,962,460 was unsecured.

(4) Property and Equipment

Property and equipment at December 31, 2018, with estimated depreciable life, are summarized as follows:

		<u>2018</u>	<u>2017</u>
Leasehold improvements	15 years	\$7,090,275	\$5,896,631
Computer equipment	3-5 years	582,734	582,734
Other equipment	3-5 years	63,735	63,735
Accumulated depreciation		<u>(3,102,997)</u>	<u>(2,577,829)</u>
		<u>\$4,633,747</u>	<u>\$3,965,271</u>

Depreciation expense for the year ended December 31, 2018 was 525,168.

(5) Building – With Donor Restrictions

Building – with donor restrictions at December 31, 2018 consist of a new building that was constructed on the existing premises that CIC operates and maintains. The funding for the new facility is primarily provided by a facility construction grant funded through a Cooperative Endeavor Agreement (CEA) with the State of Louisiana, Louisiana Department of Economic Development, Bossier Parish Police Jury, City of Bossier City, CIC and Computer Sciences Corporation. The CEA requires the new facility to remain owned by CIC until completion of construction. Upon completion, CIC shall donate ownership of the new facility to the City of Bossier City and the Bossier Parish Police Jury. CIC shall thereafter lease the new facility from the City of Bossier City and Bossier Parish Police Jury and sublease the new facility to Computer Sciences Corporation in accordance with the terms of the CEA. The building was substantially complete during 2016. Donation of the new facility had not taken place as of December 31, 2018.

(Continued)

Cyberspace Innovation Center, Incorporated
Notes to Financial Statements
December 31, 2018
(Continued)

(6) Net Assets With Donor Restrictions

Net assets with donor restrictions at December 31, 2018 consist of construction of a new facility that upon completion of construction will be donated to the City of Bossier City and the Bossier Parish Police Jury, as stipulated by a Cooperative Endeavor Agreement with the State of Louisiana, Louisiana Department of Economic Development. Donation of the new facility had not taken place as of December 31, 2018.

(7) 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 year ended December 31, 2018 was \$540,000.

(8) 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 – Broadmoor Consulting, LLC agreement. 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 year ended December 31, 2018 for the administrative and operational services pursuant to the agreement was \$3,806,622 to provide the staff necessary (approximately 35 staff) to operate, lease, maintain and develop the CIC and the National Cyber Research Park. Amounts due to Broadmoor Consulting, LLC at December 31, 2018 was \$411,585.

(9) Evaluation of Subsequent Events

The CIC has evaluated subsequent events through June 28, 2019, the date on which the financial statements were available to be issued.

(10) Contractual Revenue – Grants

During the year ended December 31, 2018, CIC received contractual revenue from governmental agencies and contractors in the amount of \$11,319,070. The continued existence of those funds are based on contractual renewals with the various funding sources.

(Continued)

Cyberspace Innovation Center, Incorporated
Notes to Financial Statements
December 31, 2018
(Continued)

(11) Operating Lease

CIC leases equipment under an operating lease. Rental cost on this lease for the year ended December 31, 2018 was \$2,940. Commitments under this lease agreement, which had an initial term in excess of one year, are as follows:

Year Ended December 31,	Amount
2019	\$ 2,940
2020	2,940
2021	2,940
2022	490
	\$ 9,310

(12) 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 year ended December 31, 2018 was \$1,316,508.

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
2019	\$ 481,199
2020	340,058
2021	76,000
	\$ 897,257

(13) Contingencies

CIC is involved in one lawsuit. The potential loss or outcome is not presently determinable.

(Continued)

Cyberspace Innovation Center, Incorporated
Notes to Financial Statements
December 31, 2018
(Continued)

(14) 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:

Financial assets at year-end:	<u>2018</u>
Cash and cash equivalents	\$ 3,517,876
Accounts receivable	1,680
Grant receivable	<u>887,831</u>
Total financial assets	4,407,387
 Less amounts not available to be used within one year	 (_____)
 Financial assets available to meet cash needs for general expenditures within one year	 <u>\$ 4,407,387</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 \$1,666,571 for fiscal year ending December 31, 2018.

Cyberspace Innovation Center, Incorporated
Schedule of Compensation, Benefits and Other Payments To Agency Head
For the Year Ended December 31, 2018

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, 2018.

Cyberspace Innovation Center, Incorporated
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018

Federal Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Pass-Through to Sub-Recipients	Expenditures
<u>U.S. Department of Homeland Security</u>				
Direct Program:				
CETAP - Cybersecurity Education and Training Assistance Program	97.127	2013-PD-127-000001		\$ 5,575,323
CETAP - Cybersecurity Education and Training Assistance Program	97.127	18-PDCTP-000002		398,580
Total U.S. Department of Homeland Security				5,973,903
<u>U.S. Department of Defense</u>				
Direct Program:				
Air Force Partnership Intermediary Agreement				
Air Force Global Strike Command		FA6800-17-H-0001		412,305
Air Force Global Strike Command		FA6800-18-H-0001		4,391,806
Total U.S. Department of Defense				4,804,111
Total Federal Expenditures			\$	\$ 10,778,014

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, 2018. 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 minimus 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, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 28, 2019.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 may exist that have not been identified.

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 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.

A handwritten signature in black ink that reads "Cook & Morehart". The signature is written in a cursive style with a long horizontal flourish extending to the right.

Cook & Morehart
Certified Public Accountants
June 28, 2019

COOK & MOREHART

Certified Public Accountants

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Report on Compliance For Each Major Program and 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

We have audited Cyberspace Innovation Center, Incorporated's, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Cyberspace Innovation Center, Incorporated's major federal programs for the year ended December 31, 2018. 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.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Cyberspace Innovation Center, Incorporated's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Cyberspace Innovation Center, Incorporated's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Cyberspace Innovation Center, Incorporated's compliance.

Opinion on Each Major Federal Program

In our opinion, Cyberspace Innovation Center, Incorporated, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

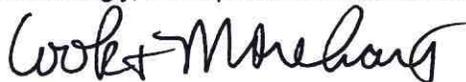
Report on Internal Control Over Compliance

Management of Cyberspace Innovation Center, Incorporated is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Cyberspace Innovation Center, Incorporated's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness Cyberspace Innovation Center, Incorporated's 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Cook & Morehart
Certified Public Accountants
June 28, 2019

Cyberspace Innovation Center, Incorporated
 Summary Schedule of Prior Audit Findings
 December 31, 2018

There were no findings in the prior year audit for the year ended December 31, 2017.

Schedule of Findings and Questioned Costs
 December 31, 2018

A. Summary of Audit Results

Financial Statements

Type of audit report issued : Unmodified

Internal control over financial reporting :

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

Noncompliance material to financial statements noted :

_____	yes	v	no
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Federal Awards

Internal control over major programs :

Material weaknesses identified :	_____	yes	v	no
Significant deficiencies identified :	_____	yes	v	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	v	no
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Identification of major federal programs :

Air Force Global Strike Command	FA6800-17-H-0001
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 :	v	yes	_____	no
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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, 2018

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, 2017.

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, 2018.

COOK & MOREHART

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Independent Accountants' Report on Applying Agreed-Upon Procedures

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

We have performed the procedures enumerated below, which were agreed to by the Cyberspace Innovation Center, Incorporated (CIC) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2018 through December 31, 2018. Cyberspace Innovation Center, Incorporated's (CIC) management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

Testing not required for this area for fiscal year January 1, 2018 through December 31, 2018 due to no exceptions being noted in prior year.

Board (or Finance Committee, if applicable)

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 for CIC met with a quorum on a frequency in accordance with the board's bylaws.
 - b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons,

if budgeted) for major proprietary funds. *Alternately, for those entities reporting on the non-profit 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.*

Minutes referenced a review of financial activity related to public funds.

- c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted 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 unrestricted fund balance in the general fund.

CIC 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:

- 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.

Bank reconciliations selected did not have items that have been outstanding for more than 12 months. Except as noted below:

Exception: There was no indication that management had researched items that had been outstanding for more than 12 months from the statement closing date on two (2) of the four bank accounts tested.

Management's Response: Management will review old outstanding items and follow up as deemed necessary.

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:

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

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

There are no cash drawers utilized by CIC.

- 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.

Job duties are properly segregated.

- 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.

Job duties are properly segregated.

- 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.

Job duties are properly segregated.

6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

All employees are covered by a blanket insurance policy for theft.

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.

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

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

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

CIC does not utilize sequentially pre-numbered receipts, receipts and other documentation were traced to the deposit slip (as applicable), the deposit slip total was located on the bank statement, the deposit was made within one business day, and the actual deposit was traced to the general ledger.

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

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.

CIC's written policies and procedures and employee job duties provide for the segregation of duties as noted above, except for as noted below:

Exception: The employee that processes payments also modifies vendor files in the accounting software.

Management's Response: All vendor payments are approved by management prior to payments being made.

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

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

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

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

Testing not required for this area for fiscal year January 1, 2018 through December 31, 2018 due to no exceptions being noted in prior year.

Travel and Expense Reimbursement

Testing not required for this area for fiscal year January 1, 2018 through December 31, 2018 due to no exceptions being noted in prior year.

Contracts

11. 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:

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

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

The contracts selected for testing did not require board approval.

- c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.

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 that 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 payment agreed to the terms and conditions of the contract.

Payroll and Personnel

Testing not required for this area for fiscal year January 1, 2018 through December 31, 2018 due to no exceptions being noted in prior year.

Ethics (excluding nonprofits)

Not applicable to nonprofit organizations.

Debt Service (excluding nonprofits)

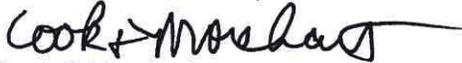
Not applicable to nonprofit organizations

Other

Testing not required for this area for the fiscal period January 1, 2018 through December 31, 2018, due to no exceptions being noted in prior year.

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

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



Cook & Morehart
Certified Public Accountants
June 28, 2019
