

Louisiana Art and Science Museum, Inc.
Baton Rouge, Louisiana
December 31, 2017

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Independent Auditor's Report

The Board of Trustees
Louisiana Art and Science Museum, Inc.
Baton Rouge, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of Louisiana Art and Science Museum, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities 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 misstatement, whether due to fraud or error.

Auditor's 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 of 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 Louisiana Art and Science Museum, Inc., as of December 31, 2017, 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.

Report on Summarized Comparative Information

We have previously audited Louisiana Art and Science Museum, Inc.'s 2016 financial statements, and expressed an unmodified opinion on those audited financial statements in our report dated June 23, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of compensation, benefits, and other payments to agency head or chief executive officer, changes in unrestricted net assets by components, and changes in temporarily restricted net assets by components 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 21, 2018, on our consideration of Louisiana Art and Science Museum, Inc.'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 Louisiana Art and Science Museum, Inc.'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 Louisiana Art and Science Museum, Inc.'s internal control over financial reporting and compliance.

Hawthorn, Weymouth & Carroll, L.L.P.

June 21, 2018

Louisiana Art and Science Museum, Inc.
Statements of Financial Position
December 31, 2017 and 2016

A s s e t s

	<u>2017</u>	<u>2016</u>
Assets		
Cash and cash equivalents	\$ 217,368	\$ 65,064
Accounts and grants receivable	28,444	42,869
Inventory	29,040	35,782
Prepaid expenses	39,248	60,295
Contributions receivable	14,289	18,731
Investments	228,220	553,306
Investments - Endowment	2,914,550	2,669,645
Furniture and equipment	1,520,408	1,648,659
Leasehold improvements	878,890	1,307,326
Accumulated depreciation and amortization	(1,684,411)	(2,629,468)
Deposit on equipment order	-	244,381
Beneficial interest in investments held by others	646,350	624,800
Museum collection	-	-
	<u>\$ 4,832,396</u>	<u>\$ 4,641,390</u>

Liabilities and Net Assets

Liabilities		
Accounts payable	\$ 33,913	\$ 57,150
Accrued payroll and other liabilities	<u>121,127</u>	<u>118,649</u>
Total liabilities	<u>155,040</u>	<u>175,799</u>
Net Assets		
Unrestricted		
Designated by Board of Trustees	97,960	97,960
Undesignated	<u>771,310</u>	<u>655,468</u>
	869,270	753,428
Temporarily restricted	247,186	417,718
Permanently restricted	<u>3,560,900</u>	<u>3,294,445</u>
Total net assets	<u>4,677,356</u>	<u>4,465,591</u>
Total liabilities and net assets	<u>\$ 4,832,396</u>	<u>\$ 4,641,390</u>

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

Louisiana Art and Science Museum, Inc.
Statements of Activities
Year Ended December 31, 2017
With Summarized Comparative Totals for the Year Ended December 31, 2016

	<u>Un- restricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2017 Total</u>	<u>2016 Total</u>
Revenues, Gains and Other Support					
Government Appropriations					
East Baton Rouge City-Parish	\$ 842,000	\$ —	\$ —	\$ 842,000	\$ 842,000
Admissions	475,499	—	—	475,499	442,751
Memberships	120,466	—	—	120,466	124,707
Contributions	400,065	558	—	400,623	455,300
Grants	29,500	—	—	29,500	31,000
Investment income	39,245	153,397	266,455	459,097	197,624
Other revenue	313,348	—	—	313,348	290,735
Net assets released from restrictions	<u>324,487</u>	<u>(324,487)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total revenues, gains and other support	<u>2,544,610</u>	<u>(170,532)</u>	<u>266,455</u>	<u>2,640,533</u>	<u>2,384,117</u>
Expenses					
Programs					
Museum	922,471	—	—	922,471	952,163
Planetarium	766,620	—	—	766,620	823,838
Supporting services					
Fund raising	157,509	—	—	157,509	171,452
General and administrative	<u>582,168</u>	<u>—</u>	<u>—</u>	<u>582,168</u>	<u>587,848</u>
Total expenses	<u>2,428,768</u>	<u>—</u>	<u>—</u>	<u>2,428,768</u>	<u>2,535,301</u>
Increase (Decrease) in Net Assets	115,842	(170,532)	266,455	211,765	(151,184)
Net Assets					
Beginning of year	<u>753,428</u>	<u>417,718</u>	<u>3,294,445</u>	<u>4,465,591</u>	<u>4,616,775</u>
End of year	<u>\$ 869,270</u>	<u>\$ 247,186</u>	<u>\$ 3,560,900</u>	<u>\$ 4,677,356</u>	<u>\$ 4,465,591</u>

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

Louisiana Art and Science Museum, Inc.
Statements of Cash Flows
Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows From Operating Activities		
Increase (Decrease) in net assets	\$ 211,765	\$ (151,184)
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities		
Realized/Unrealized investment (gain)	(143,611)	(138,613)
Realized/Unrealized investment (gain) attributable to permanently restricted assets	(266,455)	(6,278)
Depreciation and amortization	134,098	152,721
Change in value of contributions receivable	(558)	(687)
(Increase) Decrease in assets:		
Accounts and grants receivable	14,425	(10,566)
Contributions receivable	5,000	5,000
Inventory	6,742	(4,622)
Prepaid expenses	21,047	(4,404)
Deposit on equipment order	—	(244,381)
Increase (Decrease) in liabilities:		
Accounts payable	(23,237)	15,880
Accrued payroll and other liabilities	2,478	28,024
	<u>(38,306)</u>	<u>(359,110)</u>
Net cash used in operating activities		
Cash Flows From Investing Activities		
Payments for equipment and leasehold improvements	(278,086)	(17,635)
Proceeds from investment sales and maturities	1,387,265	972,731
Purchase of investments	(918,569)	(688,281)
	<u>190,610</u>	<u>266,815</u>
Net cash provided by (used in) investing activities		
Cash Flows From Financing Activities		
Investment gain attributable to permanently restricted assets	—	6,278
	<u>—</u>	<u>6,278</u>
Net cash provided by financing activities		
Net Increase (Decrease) in Cash and Cash Equivalents	152,304	(86,017)
Cash and Cash Equivalents, beginning of year	<u>65,064</u>	<u>151,081</u>
Cash and Cash Equivalents, end of year	<u>\$ 217,368</u>	<u>\$ 65,064</u>
Supplemental Schedule of Non-Cash Investing Activities		
Utilization of deposit for the acquisition of equipment	<u>\$244,381</u>	<u>\$ —</u>

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

Louisiana Art and Science Museum, Inc.
Notes to Financial Statements
December 31, 2017

Note 1-Summary of Significant Accounting Policies

A. Background and Purpose

Louisiana Art and Science Museum, Inc. (the "Museum") is a nonprofit corporation exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified as a public charity.

The Museum operates several projects and exhibits, such as the Irene W. Pennington Planetarium, Discovery Depot, and Science Station, devoted to the development of intellectual skills, creative abilities, and the acquisition of knowledge and inspiration of the present and future generations of Louisiana citizens. Revenues are derived primarily from contributed public and governmental support and admissions.

B. Basis of Accounting and Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting.

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 presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Museum's financial statements for the year ended December 31, 2016 from which the summarized information was derived.

The Museum reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Unrestricted net assets include those net assets whose use by the Museum is not restricted by donors, even though their use may be limited in other respects, such as by contract or board designation. Temporarily restricted net assets are those net assets whose use by the Museum have been limited by donors to (a) later periods of time or other specific dates or for (b) specified purposes, and primarily consist of the support of Planetarium operating costs and renovation projects and Louisiana Artists Collection Acquisitions. Permanently restricted net assets are those net assets received with donor-imposed restrictions limiting the Museum's use of the assets and primarily consist of Planetarium operations and the Equipment Endowment Fund which is invested in perpetuity, with the provision that 5% of end of year market value is expendable to support the Planetarium's annual operations and replace its equipment in the future. Also, funds held by the Baton Rouge Area Foundation (see Note 10) are permanently restricted. All other net assets, including board-designated or appropriated amounts, are legally unrestricted and are reported as unrestricted.

C. Use of Estimates

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

D. Cash and Cash Equivalents

For purposes of the statements of cash flows, the Museum considers all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents, except for cash equivalents subject to investment management direction.

Louisiana Art and Science Museum, Inc.
Notes to Financial Statements
December 31, 2017

Note 1-Summary of Significant Accounting Policies (Continued)

E. Contributed Support

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Museum reports gifts of cash and other assets as restricted if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period as received are reported as unrestricted support.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the estimated cash flows. The discounts on these amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts will be included in contribution revenue.

Management considers all promises to give and other receivables to be fully collectible, and accordingly, no allowance for uncollectible amounts is required.

F. Contributed Facilities and Services

The Museum occupies without charge certain premises located in government provided buildings. The value of this contribution is not reflected in these statements since there is no clearly measurable basis of the rental value of the historical building.

A number of unpaid volunteers have made significant contributions of their time to develop the Museum's programs, principally in fund raising and educational programs. The value of this contributed time is not reflected in these statements because the Museum does not control the performance of these volunteers.

G. Inventory

Inventory is stated at the lower of cost or net realizable value determined by the first-in, first-out method.

H. Investments

Investments in debt and equity securities are stated at fair value. Donations of investments are recorded at fair value at the date of donation. Investment income, including gains and losses on investments, interest and dividends, is included in the statement of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law.

I. Fair Value Measurements

The Museum follows FASB ASC 820, *Fair Value Measurements and Disclosures*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e. the "exit price") in an orderly transaction between market participants at the measurement date. FASB ASC 820 establishes a hierarchical framework which prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is impacted by a number of factors, including the type of investment and the characteristics specific to the investment.

Louisiana Art and Science Museum, Inc.
Notes to Financial Statements
December 31, 2017

Note 1-Summary of Significant Accounting Policies (Continued)

I. Fair Value Measurements (Continued)

The Museum utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Museum determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

Level I: Quoted prices (unadjusted) in active markets which are accessible at the measurement date.

Level II: Prices based on observable inputs corroborated by market data but no quoted active markets.

Level III: Prices based on unobservable inputs, including situations where there is little, if any, market activity for the assets or liabilities. The inputs used in the determination of fair value require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investments.

J. Property and Equipment

Property and equipment are reported at historical costs, except those arising from donations which are recorded at current values at the date of donation. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets as follows:

Furniture and equipment	3 - 10 years
Leasehold improvements	10 years

The Museum's policy is to capitalize betterments and renewals but to expense all maintenance and repairs when incurred.

Collections acquired by the Museum are not included in property and equipment. They are captioned on the statement of financial position with no dollar value, as they are not required to be capitalized. A further description of the collections is presented in Note 9.

K. Concentrations

The Museum operates its activities exclusively in Baton Rouge, Louisiana. Although its programs are varied, it is dependent on the economic condition of the Baton Rouge area to support its activities.

L. Income Taxes

Louisiana Art and Science Museum, Inc. has been recognized by the Internal Revenue Service as a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes. Accordingly, no provision for income taxes on related income has been included in the financial statements. The Museum has been classified as an organization other than a private foundation.

Louisiana Art and Science Museum, Inc.
Notes to Financial Statements
December 31, 2017

Note 1-Summary of Significant Accounting Policies (Continued)

L. Income Taxes (Continued)

Management has determined that there are no uncertain tax positions that would require recognition in the financial statements. If the Museum were to incur an income tax liability in the future, interest on any income tax liability would be reported as interest expense and penalties on any income tax would be reported as income taxes. Management's conclusions regarding uncertain tax positions may be subject to review and adjustment at a later date based on ongoing analysis of tax laws, regulations, and interpretations thereof as well as other factors.

M. Functional Allocation of Expenses

The costs of providing the various programs, fund-raising and other activities have been summarized on a functional basis in Note 11 of the financial statements. Accordingly, certain costs have been allocated among the programs and fund-raising activities benefitted.

N. Advertising

The Museum uses advertising to promote its programs among the community it serves. The production costs of advertising are expensed as incurred. During 2017 and 2016, advertising costs totaled \$35,112 and \$22,328, respectively.

Note 2-Contributions Receivable

Included in contributions receivable are the following unconditional promises to give as of December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Unconditional promises to give before amortized discount:		
Planetarium program support	\$ 15,000	\$ 20,000
Less: unamortized discount	<u>(711)</u>	<u>(1,269)</u>
Net unconditional promises to give	<u>\$ 14,289</u>	<u>\$ 18,731</u>
Amounts due in:		
Less than one year	\$ 5,000	\$ 5,000
One to five years	<u>10,000</u>	<u>15,000</u>
Total	<u>\$ 15,000</u>	<u>\$ 20,000</u>

The rate applied to discount these promises to give was 3% in 2017 and in 2016.

Louisiana Art and Science Museum, Inc.
Notes to Financial Statements
December 31, 2017

Note 3-Fair Value Measurements

Assets measured at fair value on a recurring basis comprise the following as of December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Investments - unrestricted	\$ 74,823	\$ 412,798
Investments - temporarily restricted	<u>153,397</u>	<u>140,508</u>
	228,220	553,306
Investments - endowment	<u>2,914,550</u>	<u>2,669,645</u>
 Total investments held by Museum	 3,142,770	 3,222,951
 Beneficial interest in investments held by others	 <u>646,350</u>	 <u>624,800</u>
 Total	 <u>\$3,789,120</u>	 <u>\$3,847,751</u>

The following table summarizes investments, by level, within the fair value hierarchy as of December 31, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Cash equivalent mutual funds	\$ 169,847	\$ -	\$ -	\$ 169,847
Equities				
Individual equities	1,122,504	-	-	1,122,504
Mutual funds	452,916	-	-	452,916
Fixed income				
Individual bonds	-	422,051	-	422,051
Mutual funds	237,318	-	-	237,318
Alternative investments				
Real estate investment trusts	388,092	-	-	388,092
Commodity specialty trading mutual funds	<u>350,042</u>	<u>-</u>	<u>-</u>	<u>350,042</u>
Total investments	2,720,719	422,051	-	3,142,770
 Beneficial interest in investments held by others	 <u>406,275</u>	 <u>45,142</u>	 <u>194,933</u>	 <u>646,350</u>
	 <u>\$3,126,994</u>	 <u>\$ 467,193</u>	 <u>\$ 194,933</u>	 <u>\$3,789,120</u>

Louisiana Art and Science Museum, Inc.
Notes to Financial Statements
December 31, 2017

Note 3-Fair Value Measurements (Continued)

The following table summarizes investments, by level, within the fair value hierarchy as of December 31, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Cash equivalent mutual funds	\$ 76,927	\$ --	\$ --	\$ 76,927
Equities				
Individual equities	981,285	--	--	981,285
Mutual funds	632,718	--	--	632,718
Fixed income				
Individual bonds	--	411,989	--	411,989
Mutual funds	418,184	--	--	418,184
Alternative investments				
Real estate investment trusts	335,785	--	--	335,785
Commodity trading mutual funds	366,063	--	--	366,063
Total investments	<u>2,810,962</u>	<u>411,989</u>	<u>--</u>	<u>3,222,951</u>
Beneficial interest in investments held by others	<u>362,128</u>	<u>75,025</u>	<u>187,647</u>	<u>624,800</u>
	<u>\$3,173,090</u>	<u>\$ 487,014</u>	<u>\$ 487,014</u>	<u>\$3,847,751</u>

Generally, for all investments and assets held in trust, fair value is determined by reference to quoted market prices and other relevant information generated by market transactions. For certain investments, fair value is determined by the present value of future cash inflows.

The following table presents the changes in fair value of Level 3 investments that are measured at fair value on a recurring basis:

	December 31,	
	<u>2017</u>	<u>2016</u>
Beginning balance	\$ 187,647	\$ 191,625
Net appreciation (depreciation)	<u>7,286</u>	<u>(3,978)</u>
Ending balance	<u>\$ 194,933</u>	<u>\$ 187,647</u>

Investment activity for the years ended December 31, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
Interest and dividend income	\$ 89,876	\$ 94,768
Realized/unrealized investment gains	410,066	144,891
Investment management fees	<u>(40,845)</u>	<u>(42,035)</u>
	<u>\$ 459,097</u>	<u>\$ 197,624</u>

Louisiana Art and Science Museum, Inc.
Notes to Financial Statements
December 31, 2017

Note 4-Contribution Income

Contributions, which were recognized by the Museum during the years ended December 31, 2017 and 2016, are as follows:

	<u>2017</u>			<u>2016</u>
	<u>Un- restricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
Corporate	\$ 129,166	\$ -	\$ 129,166	\$ 109,186
Private	270,899	558	271,457	346,114
	<u>\$ 400,065</u>	<u>\$ 558</u>	<u>\$ 400,623</u>	<u>\$ 455,300</u>

Note 5-Grants

Further details of grant revenue received by the Museum follows:

	<u>2017</u>	<u>2016</u>
Arts Council of Greater Baton Rouge	\$ 7,000	\$ 1,000
Louisiana Division of the Arts	20,000	20,000
Junior League of Baton Rouge	2,500	-
Association of Science-Technology Centers	-	8,000
Screenscope	-	2,000
	<u>\$ 29,500</u>	<u>\$ 31,000</u>

Note 6-Other Revenue

Other revenue is detailed as follows:

	<u>2017</u>	<u>2016</u>
Fund raising events (net of expenses of \$26,849 \$27,304 for 2017 and 2016, respectively)	\$ 175,306	\$ 160,542
Workshops, programs and events, less expenses	4,461	8,097
Building use rental	15,100	9,975
Museum shop		
Sales	203,287	190,330
Less cost of sales	(105,867)	(97,688)
	<u>97,420</u>	<u>92,642</u>

(Continued)

Louisiana Art and Science Museum, Inc.
Notes to Financial Statements
December 31, 2017

Note 6-Other Revenue (Continued)

	<u>2017</u>	<u>2016</u>
(Continued)		
Birthday party revenue	\$ 33,476	\$ 35,115
Less birthday party expenses	<u>(13,383)</u>	<u>(17,253)</u>
	<u>20,093</u>	<u>17,862</u>
Miscellaneous	<u>968</u>	<u>1,617</u>
Total other revenue	<u>\$ 313,348</u>	<u>\$ 290,735</u>

Note 7-Endowment Funds

The Museum's endowment consists of two funds to support its Planetarium operations and equipment replacement. These funds are donor restricted. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Museum has adopted investment policies, approved by the Board of Trustees, for endowment assets that attempt to provide a predictable stream of funding for the Planetarium while maintaining the purchasing power of the endowment assets over the long-term. Accordingly, the investment policy seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risks. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5%, while growing the funds if possible. Although the Museum expects its endowment assets, over time, to produce an average rate of return in excess of 5% annually, actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

The donors of the Museum's endowment funds approved appropriation for distributions of 5% of the fund's fair value at year end preceding the year in which the distribution is planned with all investment income and appreciation restricted to the endowment fund.

Endowment fund net asset composition at December 31, 2017 and 2016 were as follows:

	<u>December 31, 2017</u>		<u>December 31, 2016</u>	
	<u>Permanently Restricted</u>	<u>Total</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	<u>\$2,914,550</u>	<u>\$2,914,550</u>	<u>\$2,669,645</u>	<u>\$2,669,645</u>

Louisiana Art and Science Museum, Inc.
Notes to Financial Statements
December 31, 2017

Note 7-Endowment Funds (Continued)

Changes in endowment fund net assets during the years ended December 31, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
Endowment net assets, beginning of year	\$2,669,645	\$2,657,820
Contributions	—	—
Investment returns	398,302	152,333
Amounts appropriated for expenditures	<u>(153,397)</u>	<u>(140,508)</u>
Endowment net assets, end of year	<u>\$2,914,550</u>	<u>\$2,669,645</u>

Note 8-Beneficial Interest in Investments Held by Others

In the statement of financial position at December 31, 2017 and 2016, the aggregate transfers to a recipient organization, for which Louisiana Art and Science Museum, Inc. is specified as the beneficiary, amounted to \$646,350 and \$624,800, respectively, and is recorded as a beneficial interest in the investments held by the Baton Rouge Area Foundation. Variance power was not granted to the recipient organization. Amounts are distributed to the Museum quarterly based on 5% of the current market value of the investment account.

Note 9-Museum Collection

Louisiana Art and Science Museum, Inc. has approximately 4,000 objects in its permanent collection. The collection is varied with holdings in the areas of fine art, crafts, ethnographic artifacts, and natural science.

Objects for the collection are received mainly through donations of the objects and through private donations for the purchase of objects. Some objects are purchased with funds from other earned and unearned revenue sources. Due to the nature of record-keeping and cataloging of the collection, and the intangible value of the objects, it is not feasible to place a dollar value on the collection.

The Museum's stewardship policy is to acquire objects with intrinsic values within the scope of its long range goals. The Museum strives to provide proper conservation measures to protect the objects for posterity and exhibition. If objects are sold, those funds may only be used for future acquisitions to the collection.

Note 10-Restrictions on Net Assets

The composition of the Museum's permanently restricted net assets at December 31, 2017 and 2016 was as follows:

	<u>2017</u>	<u>2016</u>
Pennington Planetarium operations endowment	\$2,428,792	\$2,224,705
McMains Planetarium equipment endowment	<u>485,758</u>	<u>444,940</u>
(Continued - amounts brought forward)	2,914,550	2,669,645

Louisiana Art and Science Museum, Inc.
Notes to Financial Statements
December 31, 2017

Note 10-Restrictions on Net Assets (Continued)

	<u>2017</u>	<u>2016</u>
(Continued- amounts carried forward)	\$2,914,550	\$2,669,645
Beneficial Interest in Baton Rouge Area Foundation Agency endowments:		
Science Education	607,586	587,397
Adalie' Brent Memorial	<u>38,764</u>	<u>37,403</u>
Total permanently restricted net assets	<u>\$3,560,900</u>	<u>\$3,294,445</u>

Temporarily restricted net assets were available for the following purposes at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Planetarium operations	\$ 153,397	\$ 140,508
Planetarium program support	14,289	18,731
LA Artist Collection Acquisition	79,500	79,500
Planetarium projector upgrade	<u>—</u>	<u>178,979</u>
Total temporarily restricted net assets	<u>\$ 247,186</u>	<u>\$ 417,718</u>

Note 11-Functional Expenses

The costs of providing programs and other activities are summarized on a functional basis as follows:

	Programs		Supporting Services		2017 <u>Total</u>	2016 <u>Total</u>
	<u>Museum</u>	<u>Plane- tarium</u>	<u>Fund- raising</u>	<u>General and Admin- istrative</u>		
Salaries, wages, and benefits	\$ 694,954	\$ 525,501	\$ 151,385	\$ 367,079	\$1,738,919	\$1,752,343
Insurance	10,138	1,500	—	22,387	34,025	33,214
Services and professional fees	40,923	57,213	—	39,623	137,759	184,909
Supplies	35,957	12,324	—	22,826	71,107	80,049
Printing and postage	46,824	11,168	—	4,201	62,193	90,210
Occupancy	35,849	32,079	—	118,026	185,954	188,740
Travel	86	—	—	1,252	1,338	4,081
Conservation	1,727	—	—	—	1,727	3,846
Public relations and marketing	33,042	15,708	6,124	6,774	61,648	45,188
Depreciation and amortization	<u>22,971</u>	<u>111,127</u>	<u>—</u>	<u>—</u>	<u>134,098</u>	<u>152,721</u>
	<u>\$ 922,471</u>	<u>\$ 766,620</u>	<u>\$ 157,509</u>	<u>\$ 582,168</u>	<u>\$2,428,768</u>	<u>\$2,535,301</u>

Louisiana Art and Science Museum, Inc.
Notes to Financial Statements
December 31, 2017

Note 12-Commitments

The Museum leases its phone system under an operating lease expiring in 2020. Rental expense was \$4,080 and \$4,080 in 2017 and 2016, respectively. The minimum future rental payments under the non-cancellable lease are as follows:

2018	\$ 4,080
2019	4,080
2020	<u>3,740</u>
	<u>\$ 11,900</u>

Note 13-Concentration of Credit Risk

At various times during years 2017 and 2016, cash on deposit with one banking institution exceeded the amount insured by the Federal Deposit Insurance Corporation. Management monitors the financial condition of the financial institution on a regular basis, along with their balances in cash to minimize this potential risk.

Note 14-Retirement Plan

The Museum maintains a 401(k) qualified retirement plan which covers substantially all full-time employees. Under current provisions of the Plan, which are subject to change, the Museum matches 100% of each eligible employee's contributions, not to exceed 3% of compensation. The Museum's contributions to the Plan totaled \$19,054 and \$18,958 for the years ended December 31, 2017 and 2016, respectively.

Note 15-Subsequent Events

The Museum evaluated all subsequent events through June 21, 2018, the date the financial statements were available to be issued. As a result, the Museum noted no subsequent events which require adjustment to, or disclosure in, these financial statements.

Supplementary Information

**Louisiana Art and Science Museum, Inc.
Schedule of Compensation, Benefits and Other
Payments to Agency Head or Chief Executive Officer
Year Ended December 31, 2017**

Agency Head Name: Carol S. Gikas, President and Executive Director

Purpose	Amount
Salary	\$148,599
Benefits - insurance	20,935
Benefits - retirement	1,845
Car allowance	0
Vehicle provided by government	0
Per diem	0
Reimbursements	160
Travel	0
Registration fees	0
Conference travel	0
Continuing professional education fees	0
Housing	0
Unvouchered expenses	0
Special meals	0

Louisiana Art and Science Museum, Inc.
Schedule of Changes in Unrestricted Net Assets by Components
Year Ended December 31, 2017

	<u>Balance</u> <u>12-31-16</u>	<u>Additions</u>	<u>Deductions</u>	<u>Fund</u> <u>Transfers</u>	<u>Balance</u> <u>12-31-17</u>
Designated					
Museum Collection - BRAF match	\$ 79,500	\$ --	\$ --	\$ --	\$ 79,500
Master Planning	<u>18,460</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>18,460</u>
	97,960	--	--	--	97,960
Undesignated	<u>655,468</u>	<u>2,220,123</u>	<u>(2,428,768)</u>	<u>324,487</u>	<u>771,310</u>
Totals	<u>\$ 753,428</u>	<u>\$2,220,123</u>	<u>\$ (2,428,768)</u>	<u>\$ 324,487</u>	<u>\$ 869,270</u>

Louisiana Art and Science Museum, Inc.
Schedule of Changes in Temporarily Restricted Net Assets by Components
Year Ended December 31, 2017

	<u>Balance</u> <u>12-31-16</u>	<u>Additions</u>	<u>Deductions</u>	<u>Fund</u> <u>Transfers</u>	<u>Balance</u> <u>12-31-17</u>
Temporarily Restricted					
Louisiana Artists Collection Acquisitions	\$ 79,500	\$ -	\$ -	\$ -	\$ 79,500
Planetarium operations	140,508	153,397	-	(140,508)	153,397
Planetarium program support	18,731	558	-	(5,000)	14,289
Planetarium projector upgrade	<u>178,979</u>	<u>-</u>	<u>-</u>	<u>(178,979)</u>	<u>-</u>
Totals	<u>\$ 417,718</u>	<u>\$ 153,955</u>	<u>\$ -</u>	<u>\$ (324,487)</u>	<u>\$ 247,186</u>



**HAWTHORN
WAYMOUTH
& CARROLL, L.L.P.**
Certified Public Accountants

Louis C. McKnight, III, CPA
Charles R. Pevey, Jr., CPA
David J. Broussard, CPA
Neal D. King, CPA
Brittany B. Thames, CPA

**Independent Auditor's 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***

The Board of Trustees
Louisiana Art and Science Museum, Inc.
Baton Rouge, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Louisiana Art and Science Museum, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 21, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Louisiana Art and Science Museum, Inc.'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 Louisiana Art and Science Museum, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

Hawthorn, Wainwright & Caswell, L.L.P.

June 21, 2018

Louisiana Art and Science Museum, Inc.
Schedule of Current Year Audit Findings
Year Ended December 31, 2017

Part I. Summary of Audit Results

- 1) An unmodified opinion has been expressed on the financial statements of Louisiana Art and Science Museum, Inc. as of and for the year ended December 31, 2017, and the related notes to the financial statements.
- 2) No deficiencies in internal control over financial reporting that we consider to be material weaknesses were identified.
- 3) No instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* were identified.
- 4) A single audit in accordance with *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* was not required.
- 5) A management letter was not issued.

Part II. Findings Related to an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

No findings were noted.

Louisiana Art and Science Museum, Inc.
Schedule of Prior Year Findings and Responses
Year Ended December 31, 2017

Part I. Findings Related to an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

No findings were noted.

Part II. Management Letter

Not Applicable

Louisiana Art and Science Museum, Inc.
Agreed-Upon Procedures Report
December 31, 2017



**Independent Accountant's Report
on Applying Agreed-upon Procedures**

To the Board of Trustees of Louisiana Art and Science Museum, Inc. and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by Louisiana Art and Science Museum, Inc. and the Louisiana Legislative Auditor (LLA) on the control and compliance areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2017 through December 31, 2017. The Entity's management is responsible for those control and compliance 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 performed and the results thereof are set forth below. The procedure is stated first, followed by the results of the procedures presented in italics.

Written Policies and Procedures

1. Obtained and inspected the entity's written policies and procedures and observed that 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

The Entity does not have written policies and procedures on budgeting.

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

The Entity does not have written policies and procedures on purchasing.

c) ***Disbursements***, including processing, reviewing, and approving

No exceptions noted.

d) ***Receipts/Collections***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties,

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

The Entity's written policies and procedures on receipts/collections do not include management's actions to determine the completeness of all collections for each type of revenue.

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked

The Entity does not have written policies and procedures on payroll/personnel.

- 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

The Entity does not have written policies and procedures on contracting.

- 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

The Entity's written policies and procedures on credit cards do not specifically address criteria (2) allowable business uses and (4) required approvers of statements.

- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

The Entity's written policies and procedures on travel and expense reimbursement do not specifically address criteria (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

Board or Finance Committee

- 2. Obtained and inspected 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) Observed 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.

No exceptions noted.

- b) For those entities reporting on the governmental accounting model, observed 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, observed 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.*

No exceptions noted.

- c) For governmental entities, obtained the prior year audit report and observed 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, observed 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.

The Entity is not a governmental entity; therefore, this procedure is not applicable.

Bank Reconciliations

- 3. Obtained a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Asked management to identify the entity's main operating account. Selected the entity's main operating account. Randomly selected one month from the fiscal period, obtained and inspected the corresponding bank statement and reconciliation for the selected account, and observed 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);

The bank reconciliation does not include evidence that it was prepared within 2 months of the related statement closing date.

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

The bank reconciliation does not include evidence of review by a member of management or a board member who does not handle cash, post ledgers, or issue checks.

- 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

No exceptions noted.

Collections

- 4. Obtained 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. Selected the entity's only deposit site.

No exceptions noted.

- 5. For the deposit site selected, obtained a listing of collection locations and management's representation that the listing is complete. Randomly selected one collection location for the entity's only deposit site, obtained and inspected written policies and procedures relating to employee job duties (if no written policies or procedures, inquired of employees about their job duties) at the selected collection location, and observed that job duties are properly segregated at the selected collection location such that:

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

No exceptions noted.

- 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.

An employee both collects checks through the mail and prepares the deposits of these same checks.

- 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.

No exceptions noted.

- 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.

No exceptions noted.

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

No exceptions noted.

- 7. Randomly selected two deposit dates for the bank account selected for procedure #3 under “Bank Reconciliations” above (selected the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly selected a deposit if multiple deposits were made on the same day). Obtained supporting documentation for each of the 2 deposits and:

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

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

- d) Observed 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).

Neither deposit was made within one business day of receipt. One deposit was made three business days after receipt, and the other deposit was made two business days after receipt.

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

No exceptions noted.

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

- 8. Obtained a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Selected the entity's only location that processes payments.

No exceptions noted.

- 9. For each location selected under #8 above, obtained a listing of those employees involved with non-payroll purchasing and payment functions. Obtained written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquired of employees about their job duties), and observed 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.

We noted no requirement for there to be at least two employees 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.

No exceptions noted.

- 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.

We noted nothing that indicates that the employee responsible for processing payments is prohibited from adding/modifying vendor files nor did we note a policy or process through which another employee is responsible for periodically reviewing changes to vendor files.

- d) Either the employee/official responsible for signing checks mails the payments or gives the signed checks to an employee to mail who is not responsible for processing payments.

The employee responsible for signing checks gives the signed checks to the employee responsible for processing payments. The employee responsible for processing payments then places the signed checks in envelopes before giving them to the receptionist for delivery to the post office.

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

- a) Observed that the disbursement matched the related original invoice/billing statement.

No exceptions noted.

- b) Observed that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

No exceptions noted related to procedure # 9b.

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

11. Obtained 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. Obtained management's representation that the listing is complete.

No exceptions noted.

12. Using the listing prepared by management, selected all 3 cards that were used during the fiscal period. Randomly selected one monthly statement or combined statement for each card, obtained supporting documentation, and:

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

The monthly statements did not contain written evidence of review and approval.

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

No exceptions noted.

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly selected 10 transactions (or all transactions if less than 10) from each statement, and obtained supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observed that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

(1) One transaction was not supported by an original itemized receipt.

(2) Six transactions were not supported by written documentation of the business/public purpose.

(3) Two meal transactions were not supported by documentation of the individuals participating in the meals.

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

14. Obtained 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 selected 5 reimbursements, obtained the related expense reimbursement forms/prepaid expense documentation for each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected;

- a) If reimbursed using a per diem, agreed the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

No exceptions noted.

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

No exceptions noted.

- c) Observed that 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).

No exceptions noted.

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

Two of the five employee reimbursements selected for testing lacked written approval by someone other than the person receiving reimbursement.

Contracts

- 15. Obtained 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. Obtained management's representation that the listing is complete. Selected all 2 contracts from the listing, excluding the practitioner's contract, and:

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

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

- d) Randomly selected one payment from the fiscal period for each of the contracts selected, obtained the supporting invoice, agreed the invoice to the contract terms, and observed that the invoice and related payment agreed to the terms and conditions of the contract.

The payment selected for one of the contracts was not supported by an invoice; however, the payment agreed to the terms and conditions of the contract.

Payroll and Personnel

16. Obtained a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly selected five employees/officials, obtained their related paid salaries and personnel files, and agreed paid salaries to authorized salaries/pay rates in the personnel files.

No exceptions noted.

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

- a) Observed that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

Daily attendance of salaried employees is not documented.

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

The attendance and leave records of one employee did not include written supervisor approval for the pay period tested.

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

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

Other

20. Obtained a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Selected all misappropriations on the listing,

obtained supporting documentation, and observed 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 asserted it is not aware of any misappropriations of public funds or assets.

21. Observed that 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.

The notice required by R.S. 24:523.1 was not posted on the Entity's website.

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 control and compliance 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 control and compliance 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.

Hawthorn, Weymouth & Carroll, L.L.P.

June 28, 2018

June 29, 2018

TO: Legislative Auditor
RE: Reply to Statewide Agreed Upon Procedures Report

Written Policies and Procedures. For those established procedures for which there is not a policy in written form, one will be written and approved by the Board. The Museum expects to take action on these items during 2018.

Bank Reconciliations. In the future, reconciliations will be signed and dated by the director.

Collections. After the mail is opened, the checks pass through the hands of two other employees, one of which is the bookkeeper, before the checks are then given back to the person who opened the mail and who creates the deposit. In the future, a 4th employee will be assigned to create deposits.

It is not always possible for us to make deposits within one business day of receipt due to being open six days a week (Tuesday through Sunday), and not all employees involved in the steps of collecting receipts, reconciling, and making deposits are always present at work on the same day. We understand that this procedure is designed for municipal governments where the state cash management law requires daily deposits; however, the Museum will continue to make deposits as early as is practical.

Non-payroll Disbursements.

A written policy will be created for a board-determined dollar amount limit for approval to purchase. Other written policies will be created as recommended.

Credit Card/Debit Cards.

A written policy for recommend procedures will be created for board approval.

Regarding 13 (1). This one transaction has an original credit card receipt attached to the credit card statement. It was not itemized because one was not provided by the vendor. This transaction is related to 13 (3) below.

Regarding 13 (2), With respect to the items noted, the Museum feels that transactions, with the exception of one, were clear relative to business purpose based on the information present on the invoice and the employee signing or initialing the receipt, and that a written business purpose statement would have been redundant. To the extent a business purpose might not be clear for a disbursement, the Museum will document the business purpose moving forward.

Regarding 13 (3). Both "meal" transactions were not for "restaurant meals." Both were for food offered to any employee at work on a specific day. One was for \$12.68 for sausages for a monthly employee get-together before work for a cup of coffee and a breakfast snack to celebrate that month's employee birthdays. The other was for pizza delivered to the museum for any staff and volunteers in the building so they would not have to stop working in order to be ready for the gala that evening. Both receipts state that the purpose was for staff. We did not record which staff members ate pizza or sausages. In the future, those who participate will be asked to sign a sheet.

Travel-Related Expenses. The employee fills out a sheet for reimbursement that includes purpose of expense; this is attached to the check when management signs it. In the future, management will also sign the sheet submitted by person requesting reimbursement.

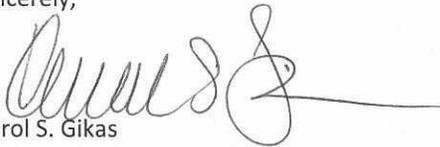
Contracts. Management will require invoice in addition to the contract before making payment.

Payroll and Personnel. Monthly, all salaried employees complete a form that reports the date and amount of hours absent for each date they are absent, plus the reason, such as doctor appointment, illness, vacation or personal time. This form is approved by a supervisor. If the employee is not absent, the employee is in attendance. No action will be taken by the Museum since we don't believe the current situation is deficient.

R.S. 24:523.1 has since been added to the website as a result of this report.

Thank you again for your services and recommendations offered to improve financial practices at the Museum.

Sincerely,

A handwritten signature in black ink, appearing to read 'Carol S. Gikas', with a long horizontal flourish extending to the right.

Carol S. Gikas
President & Executive Director
Louisiana Art & Science Museum