

**Sci-Port, Louisiana's Science Center
Shreveport, Louisiana**

Financial Statements

As of and for the Years Ended June 30, 2016 and 2015

Sci-Port, Louisiana's Science Center
Shreveport, Louisiana

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Independent Auditors' Report

To the Board of Directors
Sci-Port, Louisiana's Science Center
Shreveport, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of Sci-Port, Louisiana's Science Center, (a nonprofit corporation) which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 Sci-Port, Louisiana's Science Center, as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Uncertainty Regarding Going Concern

The accompanying financial statements have been prepared assuming that Sci-Port, Louisiana's Science Center will continue as a going concern. As discussed in Note 18 to the financial statements, under existing circumstances, there is substantial doubt about the ability of Sci-Port, Louisiana's Science Center to continue as a going concern at June 30, 2016. Management's plans in regard to that matter also are described in Note 18. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to that matter.

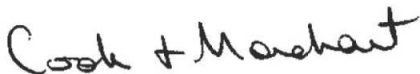
Other Matters

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 shown on page 18 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2017, on our consideration of Sci-Port, Louisiana's Science Center'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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sci-Port, Louisiana's Science Center's internal control over financial reporting and compliance.



Cook & Morehart
Certified Public Accountants
February 10, 2017

Sci-Port, Louisiana's Science Center
Shreveport, Louisiana
Statements of Financial Position
June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Assets		
Current assets:		
Cash and cash equivalents	\$	\$ 238,987
Accounts receivable	12,124	36,357
Grants receivable	8,911	41,611
Promises to give	178,020	51,479
Prepaid expenses	38,240	50,811
Inventory	34,443	22,024
Total current assets	<u>271,738</u>	<u>441,269</u>
Other assets:		
Endowment cash and cash equivalents	38,500	38,500
Long-term promises to give	40,645	58,525
Cash restricted for facility renovations	462,745	991,253
Promises to give restricted for facility renovations	205,146	243,912
Total other assets	<u>747,036</u>	<u>1,332,190</u>
Property and equipment:		
Fixed assets	13,214,497	12,442,522
Accumulated depreciation	(8,954,948)	(8,301,730)
Total property and equipment	<u>4,259,549</u>	<u>4,140,792</u>
Total Assets	<u>\$ 5,278,323</u>	<u>\$ 5,914,251</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 523,339	\$ 419,368
Accrued liabilities	159,279	168,488
Line of credit	252,500	251,250
Deferred revenue	14,062	25,124
Total current liabilities	<u>949,180</u>	<u>864,230</u>
Net assets:		
Unrestricted	3,222,079	3,501,676
Temporarily restricted	1,068,564	1,509,845
Permanently restricted	38,500	38,500
Total net assets	<u>4,329,143</u>	<u>5,050,021</u>
Total Liabilities and Net Assets	<u>\$ 5,278,323</u>	<u>\$ 5,914,251</u>

The accompanying notes are an integral part of the financial statements

Sci-Port, Louisiana's Science Center
Shreveport, Louisiana
Statement of Activities
For the Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, support and reclassifications				
Grants	\$ 1,126,942	\$ 209,326	\$	\$ 1,336,268
Admissions	466,148			466,148
Memberships	272,725			272,725
School partners	61,228			61,228
Summer camp and camp-ins	135,985			135,985
Birthday parties	61,855			61,855
Gift shop revenue	125,781			125,781
Café and food service	148,302			148,302
Special events	22,685			22,685
Fund raising event	43,102			43,102
Contributions:				
Capital campaign		170,075		170,075
Other	148,318			148,318
Other revenue	115,949			115,949
Net assets released from restrictions:				
Satisfaction of restrictions	820,682	(820,682)		
Total revenues, support and reclassifications	<u>3,549,702</u>	<u>(441,281)</u>		<u>3,108,421</u>
Expenses and losses				
Program services				
Exhibits and programs	1,950,585			1,950,585
Marketing	113,868			113,868
Operation	638,369			638,369
Gift shop	108,378			108,378
Café	154,457			154,457
Total program services	<u>2,965,657</u>			<u>2,965,657</u>
Supporting services				
Administrative and general	624,013			624,013
Information technology	94,761			94,761
Development	144,868			144,868
Total supporting services	<u>863,642</u>			<u>863,642</u>
Total operating expenses	<u>3,829,299</u>			<u>3,829,299</u>
Changes in net assets	(279,597)	(441,281)		(720,878)
Net assets as of beginning of year	<u>3,501,676</u>	<u>1,509,845</u>	<u>38,500</u>	<u>5,050,021</u>
Net assets as of end of year	<u>\$ 3,222,079</u>	<u>\$ 1,068,564</u>	<u>\$ 38,500</u>	<u>\$ 4,329,143</u>

The accompanying notes are an integral part of the financial statements

Sci-Port, Louisiana's Science Center
Shreveport, Louisiana
Statement of Activities
For the Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, support and reclassifications:				
Grants	\$ 665,602	\$ 291,778	\$	\$ 957,380
Admissions	576,343			576,343
Memberships	278,350			278,350
School partners	64,618			64,618
Summer camp and camp-ins	133,948			133,948
Birthday parties	74,749			74,749
Gift shop revenue	129,641			129,641
Café and food service	153,769			153,769
Special events	20,966			20,966
Fund raising event	93,334			93,334
Contributions:				
Capital campaign	127,103	1,381,788		1,508,891
Other	650,182			650,182
Interest income	14			14
Other revenue	167,062			167,062
Net assets released from restrictions:				
Satisfaction of restrictions	554,787	(554,787)		
Total revenues, support and reclassifications	<u>3,690,468</u>	<u>1,118,779</u>		<u>4,809,247</u>
Expenses and losses				
Program services				
Exhibits and programs	2,013,873			2,013,873
Marketing	118,319			118,319
Operation	651,849			651,849
Gift shop	110,026			110,026
Café	149,585			149,585
Total program services	<u>3,043,652</u>			<u>3,043,652</u>
Supporting services				
Administrative and general	590,736			590,736
Information technology	72,078			72,078
Development	157,619			157,619
Total supporting services	<u>820,433</u>			<u>820,433</u>
Total operating expenses	<u>3,864,085</u>			<u>3,864,085</u>
Changes in net assets	(173,617)	1,118,779		945,162
Net assets as of beginning of year	<u>3,675,293</u>	<u>391,066</u>	<u>38,500</u>	<u>4,104,859</u>
Net assets as of end of year	<u>\$ 3,501,676</u>	<u>\$ 1,509,845</u>	<u>\$ 38,500</u>	<u>\$ 5,050,021</u>

The accompanying notes are an integral part of the financial statements

Sci-Port, Louisiana's Science Center
Shreveport, Louisiana
Statement of Functional Expenses
For the Year Ended June 30, 2016

	Program Services					Supporting Services					Total Expenses
	Exhibits and Programs	Marketing	Operation	Gift Shop	Café	Total Program Services	Administrative and General	Information Technology	Development	Total Supporting Services	
Operating:											
Personnel benefits and related costs	\$ 1,107,043	\$ 83,082	\$ 149,632	\$ 40,187	\$ 59,589	\$ 1,439,533	\$ 299,691	\$ 78,486	\$ 94,195	\$ 472,372	\$ 1,911,905
Office supplies and postage	4,957	2,475	65	2,125	2,324	11,946	6,663	4,232	1,809	12,704	24,650
Printing and program support service	3,002	432		30	42	3,506	10,613	712	289	11,614	15,120
Operation services	5,864		282,956			288,820	19,262			19,262	308,082
Public relations and advertising	6,233	23,856				30,089			140	140	30,229
Professional and support services	82,914	1,002	67,775		307	151,998	104,216	11,331		115,547	267,545
Maintenance and repair services	7,966		137,941			145,907				-	145,907
Depreciation expense	496,237					496,237	177,446			177,446	673,683
Cost of programs	236,369	3,021		66,036	92,195	397,621	6,122		48,435	54,557	452,178
Total operating expenses	<u>\$ 1,950,585</u>	<u>\$ 113,868</u>	<u>\$ 638,369</u>	<u>\$ 108,378</u>	<u>\$ 154,457</u>	<u>\$ 2,965,657</u>	<u>\$ 624,013</u>	<u>\$ 94,761</u>	<u>\$ 144,868</u>	<u>\$ 863,642</u>	<u>\$ 3,829,299</u>

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

Sci-Port, Louisiana's Science Center
Shreveport, Louisiana
Statement of Functional Expenses
For the Year Ended June 30, 2015

	Program Services					Supporting Services					Total Expenses
	Exhibits and Programs	Marketing	Operation	Gift Shop	Café	Total Program Services	Administrative and General	Information Technology	Development	Total Supporting Services	
Operating:											
Personnel benefits and related costs	\$ 1,046,296	\$ 84,466	\$ 173,927	\$ 39,484	\$ 63,095	\$ 1,407,268	\$ 343,124	\$ 59,547	\$ 118,356	\$ 521,027	\$ 1,928,295
Office supplies and postage	4,009	1,867	69	2,378	6,458	14,781	9,516	2,335	2,252	14,103	28,884
Printing and program support service	30,625	1,142		87	50	31,904	9,148	4,145	929	14,222	46,126
Operation services	6,155		245,558		282	251,995	92,505	866		93,371	345,366
Public relations and advertising	1,235	26,086				27,321			230	230	27,551
Professional and support services	59,733	1,196	78,299			139,228	97,747	5,185	75	103,007	242,235
Maintenance and repair services	8,790		52,878		285	61,953					61,953
Depreciation expense	541,403		101,118			642,521	33,979			33,979	676,500
Cost of programs	315,627	3,562		68,077	79,415	466,681	4,717		35,777	40,494	507,175
Total operating expenses	<u>\$ 2,013,873</u>	<u>\$ 118,319</u>	<u>\$ 651,849</u>	<u>\$ 110,026</u>	<u>\$ 149,585</u>	<u>\$ 3,043,652</u>	<u>\$ 590,736</u>	<u>\$ 72,078</u>	<u>\$ 157,619</u>	<u>\$ 820,433</u>	<u>\$ 3,864,085</u>

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

Sci-Port, Louisiana's Science Center
Shreveport, Louisiana
Statements of Cash Flows
For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating Activities		
Changes in net assets	\$ (720,878)	\$ 945,162
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	673,683	676,500
(Gain)/Loss on retirement of property and equipment	318	
Contributions restricted for facility renovations	(161,600)	(1,135,166)
(Increase) decrease in operating assets:		
Accounts and grants receivable	56,933	(58,800)
Promises to give	(108,661)	14,098
Prepaid expenses	12,571	6,412
Inventory	(12,419)	(4,036)
Increase (decrease) in operating liabilities:		
Accounts payable	(63,346)	(105,109)
Accrued liabilities	(9,209)	(1,736)
Deferred revenue	(11,062)	(14,718)
Net cash provided (used) by operating activities	<u>(343,670)</u>	<u>322,607</u>
Investing Activities		
Use of cash restricted to long-term purposes	728,874	
Purchases of property and equipment	<u>(625,441)</u>	<u>(224,392)</u>
Net cash (used in) investing activities	<u>103,433</u>	<u>(224,392)</u>
Financing Activities		
Proceeds from line of credit	<u>1,250</u>	<u>1,250</u>
Net cash provided by financing activities	<u>1,250</u>	<u>1,250</u>
Net increase (decrease) in cash and cash equivalents	(238,987)	99,465
Cash and cash equivalents as of beginning of year	<u>238,987</u>	<u>139,522</u>
Cash and cash equivalents as of end of year	<u>\$</u>	<u>\$ 238,987</u>
Supplemental Disclosure:		
Cash paid for interest during the years ended June 30, 2016 and 2015, totaled \$13,212, and \$13,453, respectively.		
Non-cash investing and financing transaction:		
Acquisition of property		
Cost of property and equipment	\$ 792,758	\$
Vendor payables	<u>(167,317)</u>	<u></u>
Cash down payment for property and equipment	<u>\$ 625,441</u>	<u>\$</u>

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

Sci-Port, Louisiana's Science Center
Shreveport, Louisiana
Notes to Financial Statements
June 30, 2016 and 2015

(1) Summary of Significant Accounting Policies

A. Nature of Activities

Sci-Port, Louisiana's Science Center, (Sci-Port), is a private nonprofit organization incorporated November, 1988, under the laws of the State of Louisiana. Sci-Port is governed by a Board of Directors.

Sci-Port provides an educational and entertaining environment for people of all ages to explore and actively participate in the world of science and technology. Sci-Port develops a comprehensive view of the world through the interaction of science and the humanities and serves as a catalyst to encourage lifelong learning. Sci-Port's support comes primarily from donor contributions, government grants, admissions and memberships and other attendance based income.

The following program and supporting services are included in the accompanying financial statements:

Exhibits and Programs – Encourages people of all ages to have a better understanding of science through a variety of educational programs including birthday parties, summer camps, public and school workshops, Imax films, interactive programs, exhibit demonstrations, and various outreach activities provided both within and outside the science center.

Marketing – Provides promotions, advertising, newsletters and services necessary to inform the public about the Center's programs and to expand its audiences.

Operations – Provides the services and functions necessary to operate and maintain the building.

Gift Shop – Accounts for the operation of a gift shop within the Center that sells various science related items.

Café – Accounts for the operation of a cafe within the Center that sells various food items.

Management, Administrative and General – Includes the functions necessary to provide coordination and implementation of Sci-Port's mission and program strategy; support administrative governance of the Board of Directors; manage the financial and budgetary responsibilities of Sci-Port and promote the Center's programs to a broad based audience.

Information Technology – Supports Sci-Port's electronic data transmission and storage needs, including email, file servers, backups, shared data files, internet access and use, virus protection, hardware maintenance, and troubleshooting.

Development – Provides the services necessary to encourage and secure private financial support from individuals, foundations, and corporations, as well as efforts to obtain government funding and other grants.

B. Basis of Accounting

The financial statements of Sci-Port have been prepared on the accrual basis of accounting.

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

(Continued)

Sci-Port, Louisiana's Science Center
Shreveport, Louisiana
Notes to Financial Statements
June 30, 2016 and 2015
(Continued)

Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets

D Income Tax Status

Sci-Port is a non-profit corporation and is exempt from state and federal income taxes under Section 501 (c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to Sci-Port's tax-exempt purpose is subject to taxation as unrelated business income. Sci-Port had no such income for this audit period. The Organization's Form 990, Return of Organization Exempt from Income Tax, for the years ended June 30, 2013, 2014, 2015, and 2016 are subject to examination by the IRS, generally three years after they were filed.

E. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

F Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, Sci-Port considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

G Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

H. Inventory

Inventory consists of various small items held for resale in the gift shop and food items available for sale in the café, contained in the science center. Inventories are stated at the lower of cost or market determined by the first-in, first-out method.

I Property and Equipment

Sci-Port capitalizes all expenditures for property and equipment in excess of \$1,000. Purchased property and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, Sci-Port reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Sci-Port reclassifies temporarily restricted net assets to unrestricted net assets at that time. Leasehold improvements are capitalized and amortized over the term of the lease or the estimated useful life of the improvements, whichever is less. Exhibits with a limited display life have been capitalized and amortized over their useful lives. Depreciation is computed using the straight-line method over the estimated useful life of each asset.

(Continued)

Sci-Port, Louisiana's Science Center
Shreveport, Louisiana
Notes to Financial Statements
June 30, 2016 and 2015
(Continued)

J. Deferred Revenue

Income from summer camp registration fees, special events, and birthday party deposits not yet expended are deferred and recognized over the periods to which the amounts relate.

K. Restricted and Unrestricted Revenue

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions.

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose of restriction is accomplished) in the reporting period in which the support is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

L. Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by Sci-Port.

M. Donated Assets

Noncash donations are recorded as contributions at their estimated fair value at the date of donation.

N. Donated Property and Equipment

Donations of property and equipment are recorded as contributions at their estimated fair value at date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, Sci-Port reports expiration of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Sci-Port reclassifies temporarily restricted net assets to unrestricted net assets at that time.

O. Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

P. Retirement Obligations

Sci-Port offers a 401(K) plan for its employees. Employees with at least one year of service may contribute up to 85% of their gross wages to the plan. Sci-Port may make matching contributions

(Continued)

Sci-Port, Louisiana's Science Center
Shreveport, Louisiana
Notes to Financial Statements
June 30, 2016 and 2015
(Continued)

equal to a discretionary percentage and up to a discretionary percentage of a participant's compensation or discretionary dollar amount, both to be determined by the Employer on a uniform basis for all participants. The amount contributed to the plan for the years ended June 30, 2016 and 2015 was \$3,781 and \$2,615, respectively.

(2) Concentrations of Credit Risk

Financial instruments that potentially subject Sci-Port to concentrations of credit risk consist principally of temporary cash investments, grants receivable, and promises to give receivables. For the year ended June 30, 2016, 83% of the promises to give were from eight donors. For the year ended June 30, 2015, 83% of the promises to give were from four donors. Concentrations of credit risk with respect to grant receivables are limited due to these amounts being due from governmental agencies under contractual terms. As of June 30, 2016 and 2015, Sci-Port had no significant concentrations of credit risk in relation to grants receivable.

Sci-Port maintains its cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2016, Sci-Port had cash balances totaling \$491,403, of which \$250,175 was secured by FDIC insurance. At June 30, 2015 cash balances totaled \$1,330,580, of which \$250,847 was secured by FDIC insurance.

(3) Promises to Give

Sci-Port conducts ongoing fund-raising campaigns to provide funds for needed exhibits, programs, equipment, and costs related to the existing facility, including the space center. Promises receivable expected to be collected over more than one year are discounted using rates of .04% for the operating campaign and 1.90% for the space center campaign. Amounts shown are net of an allowance for doubtful accounts of \$57,412 and \$40,824 at June 30, 2016 and 2015, respectively.

	<u>2016</u>	<u>2015</u>
Receivable in less than one year	\$ 178,020	\$ 51,479
Receivable in one to five years	42,803	59,247
Less discounts to present value	<u>(2,158)</u>	<u>(722)</u>
Long-term portion	<u>40,645</u>	<u>58,525</u>
Net unconditional promises to give at June 30	<u>\$ 218,665</u>	<u>\$ 110,004</u>

(4) Assets Restricted for Facility Expansion

Sci Port began a campaign to raise money for renovations of its facility to include a new children's museum area. Assets restricted for facility expansion at June 30, 2016 and 2015 consisted of the following:

	<u>2016</u>	<u>2015</u>
Cash	\$ 462,745	\$ 991,253
Promises to give	<u>205,146</u>	<u>243,912</u>
	<u>\$ 667,891</u>	<u>\$ 1,235,165</u>

(Continued)

Sci-Port, Louisiana's Science Center
Shreveport, Louisiana
Notes to Financial Statements
June 30, 2016 and 2015
(Continued)

Promises receivable expected to be collected over more than one year are discounted at .04% for the year ended June 30, 2016 and 2015. Promises receivable are recorded at their net realizable value. Allowance for uncollectible promises receivable totaled \$38,626 and \$55,213 at June 30, 2016 and 2015, respectively.

	2016	2015
Receivable in less than one year	\$ 109,215	\$ 96,508
Receivable in one to five years	<u>97,971</u>	<u>150,880</u>
	207,186	247,388
Less discounts to net present value	<u>(2,040)</u>	<u>(3,476)</u>
Net promises to give	<u>\$ 205,146</u>	<u>\$ 243,912</u>

(5) Operating Leases

During the years ended June 30, 2016 and 2015, Sci-Port leased certain equipment under operating leases. Rental costs for the years ended June 30, 2016 and 2015 were \$16,943 and \$17,391, respectively.

Commitments under lease agreements having initial or remaining non-cancelable lease terms in excess of one year are as follows:

<u>Year Ended June 30</u>	<u>Amount</u>
2017	\$ 16,883
2018	16,883
2019	4,688
2020	623
2021	<u>468</u>
	<u>\$ 39,545</u>

(6) Property and Equipment

At June 30, 2016, property and equipment consisted of the following:

	<u>Estimated Useful Life</u>	<u>Costs</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Exhibits in progress		\$ 927,468	\$	\$ 927,468
Leasehold improvements	20 years	261,123	138,970	122,153
Vehicle	5 years	74,732	65,009	9,723
Furniture and equipment	3 – 7 years	988,585	903,987	84,598
Permanent exhibits	10 years	7,929,034	6,874,222	1,054,812
Building	30 years	<u>3,033,555</u>	<u>972,760</u>	<u>2,060,795</u>
		<u>\$ 13,214,497</u>	<u>\$ 8,954,948</u>	<u>\$ 4,259,549</u>

Depreciation expense for the year ended June 30, 2016 was \$673,683.

(Continued)

Sci-Port, Louisiana's Science Center
Shreveport, Louisiana
Notes to Financial Statements
June 30, 2016 and 2015
(Continued)

At June 30, 2015, property and equipment consisted of the following:

	<u>Estimated Useful Life</u>	<u>Costs</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Exhibits in progress		\$ 195,577	\$	\$ 195,577
Leasehold improvements	20 years	261,124	125,376	135,748
Vehicle	5 years	74,732	51,632	23,100
Furniture and equipment	3 – 7 years	965,191	892,102	73,089
Permanent exhibits	10 years	7,912,343	6,360,978	1,551,365
Building	30 years	3,033,555	871,642	2,161,913
		<u>\$ 12,442,522</u>	<u>\$ 8,301,730</u>	<u>\$ 4,140,792</u>

Depreciation expense for the year ended June 30, 2015 was \$676,500.

Sci-Port entered into a cooperative endeavor agreement on September 29, 1998 with the City of Shreveport to manage and operate the Sci-Port, Louisiana's Science Center facility. The term of the agreement is for ten (10) years. Subject to the consent of the City of Shreveport, Sci-Port shall have the right and option to extend the agreement for four (4) additional successive periods of five (5) years each following the expiration of the primary term. The agreement was extended in 2008 in accordance with the terms of the agreement. Certain assets consisting of buildings, structures, improvements, immovable property, furnishings, fixtures, equipment and exhibits purchased with the City of Shreveport or State of Louisiana funds are owned by the City of Shreveport.

The value of the land and buildings purchased with City of Shreveport or State of Louisiana funds and occupied or operated by Sci-Port is not included in the accompanying financial statements. Title to such land and buildings are held by the City of Shreveport.

Furnishings, fixtures, equipment and exhibits purchased with the City of Shreveport or State of Louisiana funds are included in the accompanying financial statements because, although title is held by the City of Shreveport, the full economic value of their use is now and will continue to be in perpetuity held by Sci-Port. The City of Shreveport grants to Sci-Port the exclusive rights to use those assets as long as Sci-Port operates the Science Center under the agreement previously mentioned. These assets consisted of the following at June 30, 2016 and 2015:

	<u>2015</u>		<u>2015</u>	
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>
Exhibits	\$ 1,903,258	\$ 1,384,326	\$ 1,903,258	\$ 1,287,787
Theater equipment	1,410,340	1,234,048	1,410,340	1,163,531
	<u>\$ 3,313,598</u>	<u>\$ 2,451,318</u>	<u>\$ 3,313,598</u>	<u>\$ 2,451,318</u>

Depreciation on these assets for the years ended June 30, 2016 and 2015 was \$167,056 and \$167,057, which is included in the total depreciation of \$673,683 and \$676,500 for the years ended June 30, 2016 and 2015, respectively.

Sci-Port entered into a cooperative endeavor agreement with the State of Louisiana whereby Sci-Port received capital outlay funds for construction of a new space center addition to Sci-Port's existing facility. The City of Shreveport also agreed to provide a portion of the funding for the project. Construction costs paid with capital outlay funds from the State of Louisiana and with Sci-Port donations are reflected in the accompanying financial statements. Costs of construction paid for by the City of Shreveport are not reflected in the accompanying financial statements.

(Continued)

Sci-Port, Louisiana's Science Center
Shreveport, Louisiana
Notes to Financial Statements
June 30, 2016 and 2015
(Continued)

Sci-Port also receives funds from the City of Shreveport and the State of Louisiana to supplement the cost of operations. These contracts are subject to annual contract renewals. To the extent that property and equipment are deemed purchased with these funds, title or ownership may revert to the City of Shreveport or the State of Louisiana.

(7) Accrued Liabilities

Accrued liabilities consisted of the following:

	2016	2015
Accrued leave payable	\$ 94,534	\$ 95,501
Accrued payroll	30,156	48,195
Payroll and sales taxes payable	34,589	24,792
	<u>\$ 159,279</u>	<u>\$ 168,488</u>

(8) Temporarily Restricted Net Assets

The temporarily restricted net assets at June 30, 2016 and 2015 consist of campaign donations, miscellaneous contributions, and grant funds received for specific purposes defined by the donor and grant agreements of which the restrictions were not met as of that date. Details are as follows:

	2016	2015
Space center expansion campaign	\$ 20,827	\$ 42,374
Operating campaign	65,995	67,630
Children's museum	679,022	1,235,165
After-school program	35,412	46,146
AAAS Science in summer camps	7,183	13,153
IT infrastructure upgrades	2,488	63,100
Programs and exhibits	254,317	36,277
Miscellaneous contributions	3,320	6,000
	<u>\$ 1,068,564</u>	<u>\$ 1,509,845</u>

(9) Permanently Restricted Net Assets

Permanently restricted net assets at June 30, 2016 and 2015, consist of contributions for an admissions endowment and contributions for an education outreach endowment. The investment earnings from these endowments are restricted for admissions assistance and education outreach.

(10) Third Party Reimbursement

During the years ended June 30, 2016 and 2015, Sci-Port received contractual revenue from state, federal, parish, and city grants in the amount of \$829,282 and \$740,305, respectively. The continued existence of these funds is based on annual contract renewals with various funding sources.

(11) Donated Materials, Facilities, and Services

Various materials and services were donated to Sci-Port by various individuals and organizations. Donated materials and services for the years ended June 30, 2016 and 2015 were \$63,418 and \$137,319, respectively, were recorded at fair market value at the date of donation, and have been included in revenue and expenses for this year.

(Continued)

Sci-Port, Louisiana's Science Center
Shreveport, Louisiana
Notes to Financial Statements
June 30, 2016 and 2015
(Continued)

In addition, during the year ended June 30, 2016 and 2015, the Caddo Parish and Bossier Parish school boards hired an employee to serve as the Sci-Port Education Coordinator. The amounts that the school boards paid for the salary and benefits of this position totaled \$190,923 and \$172,145 for the years ended June 30, 2016 and 2015, respectively. These amounts were reflected as grants revenue and education expenses.

(12) Donor-Imposed Restricted Cash

Sci-port did not maintain sufficient cash balances to comply with donor-imposed restrictions. As of June 30, 2016, donor-imposed restricted cash on hand should have been \$812,070. Actual cash on hand totaled \$462,745, resulting in a shortage of \$349,325.

(13) Sci-Port Foundation

Sci-Port Foundation is a separate tax exempt organization under Section 501 (c) (3) of the Internal Revenue Code. The Foundation was established during 2001 to support, benefit and carryout the purposes of Sci-Port, Louisiana's Science Center through encouraging, motivating and facilitating donations to the Foundation for the benefit of Sci-Port, receiving and managing funds contributed to the Foundation for the benefit of Sci-Port, and making distributions of income and principal to or for the benefit of Sci-Port.

Sci-Port Foundation and Sci-Port, Louisiana's Science Center maintain separate Boards of Directors. They do not meet the consolidation criteria.

(14) Deferred Revenue

Deferred revenue at June 30, 2016 and 2015 was comprised of the following:

	2016	2015
Summer camp and camp-ins	\$ 10,857	\$ 22,052
Miscellaneous	815	1,384
Special Events	900	593
Birthday parties	1,490	1,095
	<u>\$ 14,062</u>	<u>\$ 25,124</u>

(15) Line of credit

Sci-Port has a line of credit with a local bank. The line is secured by all inventory, accounts, equipment, general intangibles, and fixtures of Sci-Port. Borrowings under the line are limited to a maximum of \$250,000. Interest is payable monthly at the bank's prime rate (effective rate at June 30, 2016 was 5.25%). The line of credit has a maturity date of August 28, 2016. Balance outstanding at June 30, 2016 was \$252,500, balance outstanding at June 30, 2015 was \$251,250. Interest paid during the years ended June 30, 2016 and 2015, was \$13,212 and \$13,453 respectively. The line of credit was paid in full by the issuance of a promissory note in January 2017.

(16) Subsequent Events

Subsequent events have been evaluated through February 10, 2017, the date the financial statements were available to be issued.

In September 2016, Sci-Port obtained a loan in the amount of \$100,000 from an entity in which a board member is an officer and owner. The loan is a zero-interest loan and is payable in full upon demand.

(Continued)

Sci-Port, Louisiana's Science Center
Shreveport, Louisiana
Notes to Financial Statements
June 30, 2016 and 2015
(Continued)

In October 2016, Sci-Port received a loan from the Sci-Port Foundation in the amount of \$420,000.

In January 2017, Sci-Port obtained a promissory note in the amount of \$257,000. The note paid off the prior line of credit. The note bears interest at 4.99 percent and is payable in eighty-four payments of \$3,630. Two of the guarantors of the loan are current board members of Sci-Port.

(16) Commitment

Sci-Port entered into an agreement in October 2013 for design, fabrication, and installation services for a new children's museum within Sci-Port in the amount of \$1,900,743. As of June 30, 2016, \$778,852 has been incurred, with the remaining \$1,121,891, to be incurred in future years. Funding is expected to be obtained through an ongoing capital campaign.

(17) Restatement

Management determined that the previously issued financial statements for the year ended June 30, 2015 required correction due to an inadvertent overstatement of pledge receivables. The promises to give restricted for facility renovations, temporarily restricted capital campaign revenue, and ending temporarily restricted net assets as of June 30, 2015, have been restated by \$1,000,000, to correct the overstatement.

(18) Contingency – Going Concern

As shown in the accompanying financial statements, as of June 30, 2016 and 2015, Sci-Port's current liabilities exceeded its current assets by \$677,442 and \$422,961, respectively. Those factors create an uncertainty about Sci-Port's ability to continue as a going concern.

Management and the Board of Directors are developing plans to raise operating funds through special outreach efforts and a fundraising campaign. Also, the Board of Directors instituted a strategic Development Committee to pursue other revenue producing ventures to raise operating funds. The financial statements do not include any adjustments that might be necessary if Sci-Port is unable to continue as a going concern.

Sci-Port, Louisiana's Science Center
Shreveport, Louisiana
Schedule of Compensation, Benefits and Other Payments to Agency Head
For the Year Ended June 30, 2016

Agency Head Ann S. Fumarolo, President

No public funds were paid to agency head during the year ended June 30, 2016

COOK & MOREHART

Certified Public Accountants

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STUART L. REEKS, CPA
J. PRESTON DELAUNE, CPA

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
Sci-Port, Louisiana's Science Center
Shreveport, 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 Sci-Port, Louisiana's Science Center (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016 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 February 10, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Sci-Port, Louisiana's Science Center'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 Sci-Port, Louisiana's Science Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Sci-Port, Louisiana's Science Center'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiencies in internal control, described in the accompanying Summary Schedule of Audit Findings as item 2016-001, that we consider to be a material weakness.

Compliance and Other Matters

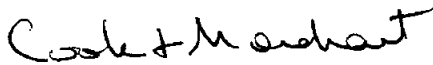
As part of obtaining reasonable assurance about whether Sci-Port, Louisiana's Science Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Summary Schedule of Audit Findings as item 2016-002.

Sci-Port, Louisiana's Science Center's Response to Findings

Sci-Port, Louisiana's Science Center's response to the findings identified in our audit is described in the accompanying summary schedule of audit findings. Sci-Port, Louisiana's Science Center's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.



Cook & Morehart
Certified Public Accountants
February 10, 2017

Sci-Port, Louisiana's Science Center
Shreveport, Louisiana
Summary Schedule of Audit Findings for the Louisiana Legislative Auditor
June 30, 2016

Summary Schedule of Prior Audit Findings

There were no findings for the prior year audit ended June 30, 2015.

Corrective Action Plan for Current Year Audit Findings

There are two findings for the current year audit for the year ended June 30, 2016, as noted below.

2016-001 – Material Weakness

Criteria: Controls should be in place to ensure that funds received with donor-imposed restrictions not be used for purposes other than those stipulated by donors.

Condition- Material Weakness: As of June 30, 2016, donor-imposed restricted cash on hand should have been \$812,070. Actual cash on hand totaled \$462,745, resulting in a shortage of \$349,325.

Cause: Sci-Port's programs and operations were not adequately budgeted to ensure sufficient unrestricted revenues to cover the expenses of those programs and operations. Restricted funds were used for operations.

Effect: Donor-restricted cash was used for purposes other than those originally intended by the donors.

Recommendation: We recommend that the Sci-Port not use restricted funds for purposes other than those as intended by donors. We further recommend that management and the Board of Directors meet on a periodic basis to monitor the agency's financial position and to formulate financial plans to monitor the use of restricted funds to ensure funds are not used for purposes other than those as intended by donors.

Management's Response: We have developed a systematic reporting system that tracks all donor restricted dollars and have a running balance at all time. It will be reviewed at the Executive Committee Meetings.

2016-002 – Finding

Finding: Sci-Port did not submit the audit report for the fiscal year ended June 30, 2016 timely in accordance with state law.

Recommendation: We recommend that Sci-Port submit its audit report timely in the future.

Management's Response: We will schedule our audit for August of 2017.