



Red River STEM, Inc.

FINANCIAL STATEMENTS

December 31, 2023



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REPORT





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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Red River STEM, Inc.
Shreveport, Louisiana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Red River STEM, Inc. (a Louisiana nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Red River STEM, Inc. as of December 31, 2023, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Red River STEM, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Compensation, Benefits, and Other Payments to Agency Head 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 Schedule of Compensation, Benefits, and Other Payments to Agency Head 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 4, 2024, on our consideration of Red River STEM, 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 Red River STEM, 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 Red River STEM, Inc.'s internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Shreveport, Louisiana
June 4, 2024



FINANCIAL STATEMENTS



Red River STEM, Inc.
Statement of Financial Position

<i>December 31,</i>	2023
Assets	
Current assets	
Cash and cash equivalents	\$ 186,300
Accounts receivable, net	41,613
Grants receivable	35,259
Contract assets	25,382
<hr/>	
Total current assets	288,554
<hr/>	
Property and equipment, net	466,906
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Total assets	\$ 755,460
<hr/> <hr/>	
Liabilities and Net Assets	
Current liabilities	
Accounts payable	\$ 145,050
Accrued liabilities	24,400
Contract liabilities	32,907
<hr/>	
Total current liabilities	202,357
<hr/>	
Total liabilities	202,357
<hr/>	
Net assets	
Without donor restrictions	463,312
With donor restrictions	89,791
<hr/>	
Total net assets	553,103
<hr/>	
Total liabilities and net assets	\$ 755,460
<hr/> <hr/>	

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

Red River STEM, Inc.
Statement of Activities

<i>For the year ended December 31, 2023</i>	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and support			
Grants	\$ 599,706	\$ 89,791	\$ 689,497
Contributions	213,550	-	213,550
City of Shreveport contract revenue	446,788	-	446,788
Admissions	673,834	-	673,834
IMAX	139,649	-	139,649
Outreach	31,863	-	31,863
Services	34,500	-	34,500
Summer and holiday camps	71,313	-	71,313
Birthday parties	67,022	-	67,022
Special event revenue	60,079	-	60,079
Concessions	115,600	-	115,600
Fundraisers	58,072	-	58,072
Other	45,153	-	45,153
Net assets released from restrictions	54,799	(54,799)	-
Total revenues and support	2,611,928	34,992	2,646,920
Expenses			
<i>Program services</i>			
Exhibits and programs	1,984,301	-	1,984,301
Outreach	21,580	-	21,580
Total program services	2,005,881	-	2,005,881
<i>Supporting services</i>			
Management and general	583,607	-	583,607
Fundraising	61,749	-	61,749
Total supporting services	645,356	-	645,356
Total expenses	2,651,237	-	2,651,237
Change in net assets	(39,309)	34,992	(4,317)
Net assets at beginning of year	502,621	54,799	557,420
Net assets at end of year	\$ 463,312	\$ 89,791	\$ 553,103

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

Red River STEM, Inc.
Statement of Functional Expenses

<i>For the year ended December 31, 2023</i>	Program Services			Supporting Services			2023 Total
	Exhibits and Programs	Outreach	Program Services Subtotal	Management and General	Fundraising	Supporting Services Subtotal	
Payroll and related expenses	\$ 960,469	\$ 11,683	\$ 972,152	\$ 293,486	\$ -	\$ 293,486	\$ 1,265,638
IMAX	163,427	-	163,427	-	-	-	163,427
Animal care	7,941	-	7,941	-	-	-	7,941
Utilities	328,172	-	328,172	11,302	-	11,302	339,474
Contract labor	45,151	-	45,151	1,555	-	1,555	46,706
Depreciation	131,340	-	131,340	19,518	-	19,518	150,858
Repairs and maintenance	78,330	-	78,330	2,698	-	2,698	81,028
Insurance	62,422	-	62,422	7,362	-	7,362	69,784
Supplies	156,048	8,736	164,784	12,961	-	12,961	177,745
Licenses and fees	36,369	-	36,369	45,403	-	45,403	81,772
Legal and professional fees	-	-	-	43,962	-	43,962	43,962
Advertising and promotions	-	-	-	125,325	19,400	144,725	144,725
Travel	14,632	1,161	15,793	-	-	-	15,793
Fundraising	-	-	-	-	42,349	42,349	42,349
Other	-	-	-	20,035	-	20,035	20,035
Total	\$ 1,984,301	\$ 21,580	\$ 2,005,881	\$ 583,607	\$ 61,749	\$ 645,356	\$ 2,651,237

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

Red River STEM, Inc.
Statement of Cash Flows

For the year ended December 31, 2023

2023

Operating Activities

Change in net assets	\$	(4,317)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation		150,858
Change in assets and liabilities		
Accounts receivable		33,690
Grants receivable		(35,259)
Contract assets		4,572
Prepaid expenses		38,760
Accounts payable		(25,551)
Accrued liabilities		5,469
Refundable advance		(80,000)
Contract liabilities		(8,609)

Net cash provided by (used in) operating activities		79,613
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Investing Activities

Purchase of property and equipment		(50,992)
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Net cash provided by (used in) investing activities		(50,992)
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Net change in cash and cash equivalents		28,621
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Cash and cash equivalents at beginning of period		157,679
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Cash and cash equivalents at end of period	\$	186,300
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Schedule of Certain Cash Flow Information

Cash paid for interest	\$	-
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The accompanying footnotes are an integral part of these financial statements.

Note 1: DESCRIPTION OF THE ORGANIZATION

Red River STEM, Inc. (RRSTEM) is a non-profit corporation formed under the laws of the State of Louisiana. RRSTEM provides an educational and entertaining environment for people of all ages to explore and actively participate in the world of science and technology. RRSTEM develops a comprehensive view of the world through the interaction of science and the humanities and serves as a catalyst to encourage lifelong learning. RRSTEM's support comes primarily from donor contributions, government grants, admissions, and memberships.

RRSTEM entered into a cooperative endeavor agreement (the CEA) on August 1, 2018 with the City of Shreveport (the City) to manage and operate the Sci-Port Discovery Center (the Center), see Note 8. The term of the agreement is to continue through December 2043, unless otherwise terminated. The agreement may be renewed by the parties for subsequent twenty-five year terms following the expiration of the primary term. RRSTEM or the City have the option to terminate the CEA at any time for any reason with 90 days prior written notice.

RRSTEM's program services consist of the following:

Exhibits and Programs – Sci-Port Discovery Center provides a fun, educational environment for people of all ages to explore and actively engage in the world of science, technology, engineering, and mathematics.

Outreach – RRSTEM's outreach staff provide educational programs designed to spark interest and curiosity in students about different science topics that have been appropriately adapted for varying age levels.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

Use of Estimates

The preparation of U.S. GAAP financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, 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. Estimates that are particularly susceptible to significant change in the near term are related to the allocation of functional expenses.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash and cash equivalents include cash and all highly liquid investments with an original maturity of three months or less.

Accounts Receivable

Accounts receivable represent amounts owed to RRSTEM which are expected to be collected within twelve months and are presented in the statements of financial position net of the allowance for credit losses.

Allowance for Credit Losses

Management evaluates its receivables on an ongoing basis by analyzing customer relationships and previous payment histories. The allowance for credit losses is management's best estimate of the amount of expected credit losses in the existing accounts based on current market conditions. Historically, losses on uncollectible accounts have been within management's expectations. The allowance for credit losses is reviewed on a periodic basis to ensure there is sufficient reserve to cover any potential credit losses. When receivables are considered uncollectible, they are charged against the allowance for credit losses. Collections on accounts previously written off are included in the change in net assets as received.

Promises to Give

Conditional promises to give are not recognized in the financial statements until the conditions are substantially met or explicitly waived by the donor. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Promises that remain uncollected more than one year after their due dates are written off unless the donors indicate that payment is merely postponed.

Contract Assets

Contract assets consist of unbilled receivables under RRSTEM's Cooperative Endeavor Agreement with the City of Shreveport.

Property and Equipment

All acquisitions of property and equipment in excess of \$500 and all expenditures for maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Repairs and maintenance are expensed as incurred. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contract Liabilities

Income from membership fees, summer camp registration fees, special events, and birthday party deposits received in advance is deferred and recognized over the periods to which the fees and deposits relate.

Net Assets

RRSTEM reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of RRSTEM, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature, such as those that are restricted by a donor that the resources be maintained in perpetuity. As of December 31, 2023, RRSTEM has no net assets subject to perpetual restrictions.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Revenue Recognition

Revenue from admissions, memberships, sales, and payments under various contracts is recognized as revenue when performance obligations under the terms of the contracts with customers are satisfied. Revenue received in advance is deferred and recognized over the periods to which the dates and fees relate. These amounts are included in performance obligation liabilities within the statement of financial position.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

A significant portion of RRSTEM's grants and contracts are from government agencies. The benefits received by the public as a result of the assets transferred are not equivalent to commensurate value received by the government agencies and are therefore not considered exchange transactions. Grants and contracts are analyzed for measurable performance-related barriers or other barriers. Revenue is recognized as barriers are met. Funds received from non-exchange transactions in advance of barriers being met are recorded as refundable advances.

Contributions are recognized when cash, other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly removed the conditions. Contributions received with donor-imposed conditions or restrictions that are met in the same year in which the contributions are received are classified as net assets without donor restrictions.

Donated Assets

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

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 RRSTEM. No amounts related to donated services have been recorded for the year ended December 31, 2023, since the recognition criteria were not met. Volunteers also provided fund-raising services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

Functional Allocation of Expenses

The costs of providing programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification of expenses by function. Directly identifiable expenses are charged to programs and supporting services as applicable. Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated are payroll, contract labor, and insurance, which are allocated on the basis of estimates of time and effort; and utilities and building maintenance, which are allocated based on square footage.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising

RRSTEM uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred and included in the total for advertising and promotions on the financial statements. For the year ended December 31, 2023, RRSTEM's advertising costs totaled \$108,403.

Income Taxes

Under section 501(c)(3) of the Internal Revenue Code and the applicable income tax regulations of the State of Louisiana, RRSTEM is exempt from taxes on income other than unrelated business income. There were no unrelated business activities for the year ended December 31, 2023. Accordingly, no tax expense was incurred for the year ended December 31, 2023.

RRSTEM utilizes the accounting requirements associated with uncertainty in income taxes using the provisions of Financial Accounting Standards Board (FASB) ASC 740, *Income Taxes*. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the positions will be sustained upon examination by the tax authorities. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of December 31, 2023, RRSTEM has no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 4, 2024, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Recently Issued and Implemented Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which is often referred to as the CECL model, or current expected credit losses. Among other things, the amendments in this ASU require the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to better inform their credit loss estimates. Many of the loss estimation techniques applied today will still be permitted, although the inputs to those techniques will change to reflect the full amount of expected credit losses. In addition, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. RRSTEM adopted ASU 2016-13 on January 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in enhanced disclosures only.

Note 3: LIQUIDITY AND FINANCIAL ASSET AVAILABILITY

RRSTEM maintains its financial assets primarily in cash and cash equivalents to provide liquidity to ensure funds are available as RRSTEM's expenditures come due. The following reflects RRSTEM's financial assets as of the statement of financial position date available for general use within one year of the statement of financial position date:

<i>December 31,</i>	2023
Cash and cash equivalents	\$ 186,300
Accounts receivable, net	41,613
Grants receivable	35,259
Contract assets	25,382
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Financial assets available to meet general expenditures within one year	\$ 288,554

RRSTEM is primarily supported by memberships, admissions, the cooperative endeavor agreement with the City of Shreveport, and grants. As part of the RRSTEM's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. RRSTEM's net assets with donor restrictions are available for general expenditures within one year of December 31, 2023, because the restrictions on the net assets are expected to be met by conducting the normal activity of RRSTEM's programs in the coming year. Accordingly, the related resources have been included in the quantitative information detailing the financial assets available to meet general expenditures within one year.

Note 4: ACCOUNTS AND GRANTS RECEIVABLE

Accounts receivable consist of the following:

<i>December 31,</i>	2023
City of Shreveport CEA	\$ 40,932
Admissions	681
Total accounts receivables	41,613
Less allowance for credit losses	-
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Accounts receivable, net	\$ 41,613

At December 31, 2023, RRSTEM considers accounts receivable to be fully collectible; accordingly, no allowance for credit losses has been established.

Receivables related to various cost reimbursed grants of \$35,259, are expected to be collected within twelve months. At December 31, 2023, RRSTEM considers grants receivable to be fully collectible; accordingly, no allowance for uncollectible accounts has been established.

Red River STEM, Inc.
Notes to the Financial Statements

Note 5: PROPERTY AND EQUIPMENT

The components of property and equipment are as follows:

<i>December 31,</i>	Estimated Useful Lives (in years)	2023
Furniture, fixtures and equipment	5 - 10	\$ 66,655
Computers and software	5 - 7	45,182
Exhibits and IMAX Films	5 - 10	822,487
Total property and equipment		934,324
Less accumulated depreciation		(467,418)
Property and equipment, net		\$ 466,906

Depreciation expense for the year ended December 31, 2023, was \$150,858.

Note 6: NET ASSETS

A summary of net assets with donor restrictions follows:

<i>December 31,</i>	2023
Purpose restricted	
Operation of the Center	\$ 89,791
Total net assets with donor restrictions	\$ 89,791

A summary of the release of donor restrictions follows:

<i>For the year ended December 31,</i>	2023
Time restrictions	\$ 43,494
Purpose restrictions	
Operation of the Center	11,305
Total net assets released from donor restrictions	\$ 54,799

Note 7: REVENUE

RRSTEM recognizes revenue over time for its annual memberships. As of December 31, 2023, there is \$32,907 of performance obligations to be satisfied, all of which is expected to be recognized in revenue in 2024. These performance obligations are based upon the remaining term of unexpired annual memberships. Patrons typically visit the Center throughout the one-year term of their memberships. As a result, RRSTEM recognizes annual membership revenue on a straight-line basis over the one-year period.

All remaining revenue recognized in accordance with FASB ASC 606 is recognized at a point in time. Revenue related to the CEA with the City of Shreveport is recognized when RRSTEM meets its performance obligations under the CEA. RRSTEM bills the City of Shreveport approximately monthly, and invoices are due on demand. All other contract revenue consist of a single delivery element with payment due upon delivery of services.

Disaggregated Revenue

A summary of disaggregated revenue recognized in accordance with FASB ASC 606 follows:

<i>For the year ended December 31,</i>	2023
City of Shreveport contract revenue	\$ 446,788
Admissions	673,834
IMAX	139,649
Services	34,500
Summer and holiday camps	71,313
Birthday parties	67,022
Special event revenue	60,079
Concessions	115,600
Other	45,153
Total revenue recognized in accordance with FASB ASC 606	\$ 1,653,938

Approximately 5% of the revenue earned was recognized over time consisting of annual membership revenue, which is included in Admissions revenue above. The remaining 95% was recognized at a point in time and consisted of all remaining contract revenues.

RRSTEM's patrons are primarily the general public and school groups located in Northwest Louisiana.

Note 7: REVENUE (Continued)

Contract Balances

<i>December 31,</i>	2023
Contract assets, beginning of year	\$ 29,954
Contract assets, end of year	\$ 25,382
Contract liabilities, beginning of year	\$ 41,516
Contract liabilities, end of year	\$ 32,907
Receivables from contracts, beginning of year	\$ 75,303
Receivables from contracts, end of year	\$ 41,613

Note 8: COOPERATIVE ENDEAVOR AGREEMENT WITH THE CITY OF SHREVEPORT

Under the terms of the CEA, the City shall provide appropriations of approximately \$135,000 annually. Additionally, the City reimburses RRSTEM for water services, gas/electric services, liability insurance on the building and property, and annual license with IMAX Corp. RRSTEM is responsible for the management and operation of the Center and may impose and collect admission fees, ticket fees, and other fees and charges comparable to those in effect at other centers. RRSTEM is responsible for submitting an operating and capital budget to the City each year.

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 RRSTEM is not included in the accompanying financial statements. Title to such land and buildings are held by the City of Shreveport.

Note 9: SCI-PORT FOUNDATION

Sci-Port Foundation (the 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 carry out the purposes of Sci-Port Discovery Center through encouraging, motivating and facilitating donations to the Foundation for the benefit of the operator of the Center, receiving and managing funds contributed to the Foundation for the benefit of the Center, and making distributions of income and principal to or for the benefit of the Center. For the year ended December 31, 2023, \$0 was received from the Foundation.

Note 10: CONCENTRATIONS OF RISK

Credit Risk

Financial instruments that subject RRSTEM to concentrations of credit risk consist principally of cash and cash equivalents. At December 31, 2023, RRSTEM had no cash deposits with financial institutions in excess of federally insured limits.

During the year ended December 31, 2023, support and revenue received from the City of Shreveport accounted for 17% of RRSTEM's total revenue.

Credit risk with respect to receivables is limited due to the number and credit worthiness of the corporations, governmental entities, and individuals who comprise the contributor base. Substantially all contributors are located in Louisiana. Generally, RRSTEM does not require collateral or other security to support receivables. At December 31, 2023, RRSTEM considers all receivables to be fully collectible; accordingly, no allowances have been established.

Geographic Concentration

RRSTEM conducts its operations solely in Northwest Louisiana, and, therefore, is subject to risks from changes in local economic conditions. A downturn in the local economy could cause a decrease in funding from the City of Shreveport, in addition to a decrease in contributions and grants.

Note 11: CONTINGENT LIABILITIES

RRSTEM receives grants that are subject to review and audit by the agencies providing the funding. Such reviews and audits could result in expenses being disallowed under the terms and conditions of the grants. In the opinion of management, such disallowances, if any, would be immaterial.



SUPPLEMENTARY INFORMATION



Red River STEM, Inc.
Schedule of Compensation, Benefits, and
Other Payments to Agency Head
For the Year Ended December 31, 2023

Agency Head Name: Dianne Clark, Executive Director

Purpose	Amount*
Salary and other compensation	\$ -
Benefits-insurance (health insurance premiums)	\$ -
Benefits-retirement	\$ -
Deferred compensation	\$ -
Car allowance	\$ -
Vehicle provided by agency	\$ -
Per diem	\$ -
Reimbursements	\$ -
Travel	\$ -
Registration fees	\$ -
Conference travel	\$ -
Housing	\$ -
Unvouchered expenses (example: travel advances, etc.)	\$ -
Special meals	\$ -
Other	\$ -

* The Agency Head does not receive compensation, benefits, and other payments that are derived from public funds.



REPORTS ON INTERNAL CONTROL AND COMPLIANCE MATTERS





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**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***

To the Board of Directors
Red River STEM, Inc.
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 Red River STEM, Inc. (a Louisiana nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 4, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Red River STEM, Inc.’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Red River STEM, Inc.’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Red River STEM, Inc.’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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Red River STEM, 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

A handwritten signature in black ink that reads "Carr, Riggs & Ingram, L.L.C." with a stylized flourish at the end.

CARR, RIGGS & INGRAM, LLC

Shreveport, Louisiana

June 4, 2024

Red River STEM, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2023

Section I—Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

___ yes X no

___ yes X none noted

Noncompliance material to financial statements noted?

___ yes X no

Section II – Financial Statement Findings

None

Section III – Summary of Prior Year Findings

None



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MANAGEMENT LETTER

To the Board of Directors and Management
Red River STEM, Inc.
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 Red River STEM, Inc. (RRSTEM), as of and for the year ended December 31, 2023, and the related notes to the financial statements, and have issued our report thereon dated June 4, 2024.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2024, on our consideration of Red River STEM, 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 Red River STEM, Inc.'s internal control over financial reporting or on compliance.

During the course of our audit, we became aware of the following immaterial matters in RRSTEM's system of internal control. This letter does not affect our report dated June 4, 2024, on the financial statements of RRSTEM.

ML 2023-001 Misappropriation of Assets

Year of Origination – December 31, 2023

Criteria: The Louisiana Legislative Auditor requires certain information to be included in a local auditee report that includes any instances of fraud or misappropriations that are \$1,000 or greater. See the attached "Louisiana Legislative Auditor's Finding Template for Reporting Fraud and Misappropriations" for further information.

Condition: Red River STEM, Inc. had two instances of misappropriation of assets during the year ended December 31, 2023. See the attached "Louisiana Legislative Auditor's Finding Template for Reporting Fraud and Misappropriations" for further information.

Cause: The first instance of misappropriation occurred when a check written to a vendor for \$1,000 was intercepted by a fraudster, and the payee was changed prior to being deposited.

The second instance of misappropriation occurred when RRSTEM wired funds totaling \$1,216 to a fraudster to pay for shipping and storage of a piano that the fraudster pledged to donate in-kind.

See the attached "Louisiana Legislative Auditor's Finding Template for Reporting Fraud and Misappropriations" for further information.

Effect: RRSTEM could be the victim of fraud in amounts that are more significant to the financial statements. See the attached "Louisiana Legislative Auditor's Finding Template for Reporting Fraud and Misappropriations" for further information.

Recommendation: Internal control processes should be improved to mitigate the risk of fraud or misappropriation occurring in the future. Positive pay can be utilized to ensure check payments are made only to the appropriate payee. Skepticism should be used when in-kind donations require RRSTEM to make nominal payments for the promised goods or services prior to delivery.

Management's Response: Red River Stem, Inc. is no longer using envelopes with window panes. Further, positive pay has been implemented. No payments will be made for services until rendered. Payments made via wire will be limited to highly vetted agencies. Management will follow up to ensure that all notifications are made to appropriate authorities.

We will review the status this comment during our next audit engagement. We have already discussed many of these comments and suggestions with various Red River STEM, Inc. personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of the matter, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of the Board of Directors and Management of Red River STEM, Inc. and the State of Louisiana Legislative Auditor, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Shreveport, Louisiana

June 4, 2024

Louisiana Legislative Auditor’s Finding Template for Reporting Fraud and Misappropriations

AGENCY NAME: Red River STEM, Inc.

FISCAL YEAR END: December 31, 2023

#	ELEMENT OF FINDING	RESPONSE
1	A general statement describing the fraud or misappropriation that occurred.	A check written to a vendor for \$1,000 was intercepted by a third-party, and the payee was changed prior to being deposited.
2	A description of the funds or assets that were the subject of the fraud or misappropriation (ex., utility receipts, petty cash, computer equipment).	Cash
3	The amount of funds or approximate value of assets involved.	\$1,000
4	The department or office in which the fraud or misappropriation occurred.	Administration
5	The period of time over which the fraud or misappropriation occurred.	March 2023
6	The title/agency affiliation of the person who committed or is believed to have committed the act of fraud or misappropriation.	The act of misappropriation was committed by third-party independent of RRSTEM.
7	The name of the person who committed or is believed to have committed the act of fraud or misappropriation, if formal charges have been brought against the person and/or the matter has been adjudicated.	The act of misappropriation was committed by third-party independent of RRSTEM, Sean Lawrence Warren. The matter was referred to the Shreveport Police. The Shreveport Police opened a case file, and to date, no additional information has been received.
8	Is the person who committed or is believed to have committed the act of fraud still employed by the agency?	Not applicable, the act of fraud was committed by a third-party.
9	If the person who committed or is believed to have committed the act of fraud is still employed by the agency, do they have access to assets that may be subject to fraud or misappropriation?	Not applicable
10	Has the agency notified the appropriate law enforcement body about the fraud or misappropriation?	Yes
11	What is the status of the investigation at the date of the auditor’s/accountant’s report?	As of the date of the auditor’s report, the case is still open to the best of the knowledge and belief of Management.

12	If the investigation is complete and the person believed to have committed the act of fraud or misappropriation has been identified, has the agency filed charges against that person?	Not applicable
13	What is the status of any related adjudication at the date of the auditor's/accountant's report?	Not applicable
14	Has restitution been made or has an insurance claim been filed?	Yes
15	Has the agency notified the Louisiana Legislative Auditor and the District Attorney in writing, as required by Louisiana Revised Statute 24:523 (Applicable to local governments only)	Not applicable
16	Did the agency's internal controls allow the detection of the fraud or misappropriation in a timely manner?	Yes
17	If the answer to the last question is "no," describe the control deficiency/significant deficiency/material weakness that allowed the fraud or misappropriation to occur and not be detected in a timely manner.	Not applicable
18	Management's plan to ensure that the fraud or misappropriation does not occur in the future	Red River Stem, Inc. is no longer using envelopes with window panes. Further, positive pay has been implemented.

Louisiana Legislative Auditor’s Finding Template for Reporting Fraud and Misappropriations

AGENCY NAME: Red River STEM, Inc.

FISCAL YEAR END: December 31, 2023

#	ELEMENT OF FINDING	RESPONSE
1	A general statement describing the fraud or misappropriation that occurred.	A fraudster contacted RRSTEM via email, promising to donate a piano if RRSTEM would assist in paying to have the piano delivered. RRSTEM wired two payments totaling \$1,216 to the fraudster to allegedly pay for shipping and storage of a piano. The piano was never delivered.
2	A description of the funds or assets that were the subject of the fraud or misappropriation (ex., utility receipts, petty cash, computer equipment).	Cash
3	The amount of funds or approximate value of assets involved.	\$1,216
4	The department or office in which the fraud or misappropriation occurred.	Administration
5	The period of time over which the fraud or misappropriation occurred.	May – June 2023
6	The title/agency affiliation of the person who committed or is believed to have committed the act of fraud or misappropriation.	The act of misappropriation was committed by third-party independent of RRSTEM.
7	The name of the person who committed or is believed to have committed the act of fraud or misappropriation, if formal charges have been brought against the person and/or the matter has been adjudicated.	The act of misappropriation was committed by third-party independent of RRSTEM, David’s Moving Company, based out of Kansas City, Missouri. The matter was referred to the Kansas City Police Department, who declined to open a case file; therefore, no formal charges were brought.
8	Is the person who committed or is believed to have committed the act of fraud still employed by the agency?	Not applicable, the act of fraud was committed by a third-party.
9	If the person who committed or is believed to have committed the act of fraud is still employed by the agency, do they have access to assets that may be subject to fraud or misappropriation?	Not applicable

10	Has the agency notified the appropriate law enforcement body about the fraud or misappropriation?	Yes
11	What is the status of the investigation at the date of the auditor's/accountant's report?	The Kansas City Police declined to open a case file.
12	If the investigation is complete and the person believed to have committed the act of fraud or misappropriation has been identified, has the agency filed charges against that person?	Not applicable
13	What is the status of any related adjudication at the date of the auditor's/accountant's report?	Not applicable
14	Has restitution been made or has an insurance claim been filed?	No
15	Has the agency notified the Louisiana Legislative Auditor and the District Attorney in writing, as required by Louisiana Revised Statute 24:523 (Applicable to local governments only)	Not applicable
16	Did the agency's internal controls allow the detection of the fraud or misappropriation in a timely manner?	Yes
17	If the answer to the last question is "no," describe the control deficiency/significant deficiency/material weakness that allowed the fraud or misappropriation to occur and not be detected in a timely manner.	Not applicable
18	Management's plan to ensure that the fraud or misappropriation does not occur in the future	No payments will be made for services until rendered. Payments made via wire will be limited to highly vetted agencies. Management will follow up to ensure that all notifications are made to appropriate authorities.



Red River STEM, Inc.

STATEWIDE AGREED-UPON PROCEDURES REPORT

December 31, 2023



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INDEPENDENT ACCOUNTANT’S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors of Red River STEM, Inc.
and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor’s (LLA’s) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2023 through December 31, 2023. Red River STEM, Inc.’s (RRSTEM’s) management is responsible for those C/C areas identified in the SAUPs.

Red River STEM, Inc. has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA’s SAUPs for the fiscal period January 1, 2023 through December 31, 2023. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated results are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity’s written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity’s operations:

a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.

Results: No exceptions were found as a result of applying the procedure.

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.

Results: No exceptions were found as a result of applying the procedure.

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

Results: No exceptions were found as a result of applying the procedure.

- 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).

Results: No exceptions were found as a result of applying the procedure.

- e) **Payroll/Personnel**, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee rates of pay or approval and maintenance of pay rate schedules.

Results: No exceptions were found as a result of applying the procedure.

- 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.

Results: No exceptions were found as a result of applying the procedure.

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

Results: No exceptions were found as a result of applying the procedure.

- h) **Credit Cards (and debit cards, fuel cards, purchase 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 (e.g., determining the reasonableness of fuel card purchases).

Results: No exceptions were found as a result of applying the procedure.

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.

Results: This procedure is not applicable to Red River STEM, Inc. as a nonprofit.

- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Results: This procedure is not applicable to Red River STEM, Inc. as a nonprofit.

- k) **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

Results: No exceptions were found as a result of applying the procedure.

- l) **Prevention of Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Results: This procedure is not applicable to Red River STEM, Inc. as a nonprofit.

Board or Finance Committee

- 2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and
 - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

Results: No exceptions were found as a result of applying the procedure.

- b) For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual comparisons, at a minimum, on all proprietary funds, and semi-annual budget-to-actual comparisons, at a minimum, on all special revenue funds. *Alternatively, for those entities reporting on the not-for-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*

Results: No exceptions were found as a result of applying the procedure.

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

Results: This procedure is not applicable as Red River STEM, Inc. is not a governmental entity.

- d) Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.

Results: This procedure is not applicable as Red River STEM, Inc. did not have audit findings in the prior year.

Bank Reconciliations

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

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

Results: No exceptions were found as a result of applying the procedure.

- b) Bank reconciliations include written 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 within 1 month of the date the reconciliation was prepared (e.g., initialed and dated or electronically logged); and

Results: No exceptions were found as a result of applying the procedure.

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

Results: There were no reconciling items outstanding for more than 12 months from the statement closing date, as such, this procedure is not applicable.

Collections (excluding electronic funds transfers)

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

Results: CRI obtained a listing of deposits sites and management's representation that the listing was complete.

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

a) Employees responsible for cash collections do not share cash drawers/registers;

Results: No exceptions were found as a result of applying the procedure.

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

Results: No exceptions were found as a result of applying the procedure.

c) Each employee responsible for collecting cash is not also 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; and

Results: No exceptions were found as a result of applying the procedure.

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

Results: No exceptions were found as a result of applying the procedure.

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

Results: No exceptions were found as a result of applying the procedure.

7. Randomly select two deposit dates for each of the 5 bank accounts selected for Bank Reconciliations procedure #3 (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). Alternatively, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc. Obtain supporting documentation for each of the 10 deposits and

a) Observe that receipts are sequentially pre-numbered.

Results: Sequentially pre-numbered receipts are not utilized.

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

Results: As described in the results of procedure #7a above, we observed that receipts are not sequentially pre-numbered; however, we were able to trace receipts and other related collection documentation subject to this procedure to the related deposit slips without exception.

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

Results: No exceptions were found as a result of applying the procedure.

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

Results: For two of the three deposits subject to the procedure, the deposit was not made within one business day of receipt. Based on the documentation provided for the third deposit, we were unable to determine if the deposit was made within one business day of receipt.

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

Results: No exceptions were found as a result of applying the procedure.

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

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

Results: CRI obtained a listing of locations that process payments and management's representation that the listing was complete.

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

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order or making the purchase;

Results: No exceptions were found as a result of applying the procedure.

- b) At least two employees are involved in processing and approving payments to vendors;

Results: No exceptions were found as a result of applying the procedure.

- 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;

Results: No exceptions were found as a result of applying the procedure.

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

Results: The employee responsible for processing payments also mails the checks.

- e) Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.

Results: An employee not authorized to sign checks can approve electronic disbursement of funds.

[Note: Findings related to controls that constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality) should not be reported.]

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

- a) Observe whether the disbursement, whether by paper or electronic means, matched the related original itemized invoice and supporting documentation indicates that deliverables included on the invoice were received by the entity, and

Results: No exceptions were found as a result of applying the procedure.

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

Results: No exceptions were found as a result of applying the procedure.

- 11. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy. *Note: If no electronic payments were made from the main operating account during the month selected the*

practitioner should select an alternative month and/or account for testing that does include electronic disbursements.

Results: No exceptions were found as a result of applying the procedure.

Credit Cards/Debit Cards/Fuel Cards/Purchase Cards (Cards)

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

Results: CRI obtained a listing of all active credit cards, bank debit cards, fuel cards, and purchase cards for the fiscal period and management's representation that the listing is complete.

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

- a) Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved) by someone other than the authorized card holder (those instances requiring such approval that may constrain the legal authority of certain public officials, such as the mayor of a Lawrason Act municipality, should not be reported); and

Results: For the two credit card statements subject to the procedure, there is no evidence that the statement and supporting documentation was reviewed and approved in writing by someone other than the cardholder.

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

Results: For one of the two credit card statements subject to the procedure, finance charges were assessed on the statement.

14. Using the monthly statements or combined statements selected under procedure #13 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (e.g., each card should have 10 transactions subject to inspection). For each transaction, observe 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). For missing receipts, the practitioner should describe the nature of the transaction and observe whether management had a

compensating control to address missing receipts, such as a “missing receipt statement” that is subject to increased scrutiny.

Results: Three of the twenty transactions subject to this procedure did not have an itemized receipt showing precisely what was purchased. Four of the twenty transactions subject to this procedure that did not have written documentation of the business purpose.

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

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

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

Results: No exceptions were found as a result of applying the procedure.

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

Results: No exceptions were found as a result of applying the procedure.

c) Observe 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 Policies and Procedures procedure #1g; and

Results: No exceptions were found as a result of applying the procedure.

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

Results: No exceptions were found as a result of applying the procedure.

Contracts

16. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternatively, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management’s representation that the listing is complete.

Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and

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

Results: The contracts selected for this procedure were not required to be bid in accordance with the Louisiana Public Bid Law, as such, this procedure is not applicable.

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

Results: RRSTEM's policies did not require the contracts selected for this procedure to be approved by the board of directors, as such, this procedure is not applicable.

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

Results: The contracts selected for this procedure were not amended, as such, this procedure is not applicable.

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

Results: One exception was identified where the invoice and related payment did not agree to the terms and conditions of the related contract.

Payroll and Personnel

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

Results: No exceptions were found as a result of applying the procedure.

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

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

Results: No exceptions were found as a result of applying the procedure.

- b) Observe whether supervisors approved the attendance and leave of the selected employees or officials;

Results: No exceptions were found as a result of applying the procedure.

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

Results: No exceptions were found as a result of applying the procedure.

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

Results: No exceptions were found as a result of applying the procedure.

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

Results: There were no terminated employees with termination payments during the year, as such, this procedure is not applicable.

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

Results: No exceptions were found as a result of applying the procedure.

Ethics

- 21. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #17 obtain ethics documentation from management, and

- a) Observe whether the documentation demonstrates that each employee/official completed one hour of ethics training during the calendar year as required by R.S. 42:1170; and
- b) Observe whether the entity maintains documentation which demonstrates that each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

Results: This procedure is not applicable to Red River STEM, Inc. as a nonprofit.

22. Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.

Results: This procedure is not applicable to Red River STEM, Inc. as a nonprofit.

Debt Service

23. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each debt instrument issued as required by Article VII, Section 8 of the Louisiana Constitution.

Results: This procedure is not applicable to Red River STEM, Inc. as a nonprofit.

24. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

Results: This procedure is not applicable to Red River STEM, Inc. as a nonprofit.

Fraud Notice

25. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled as required by R.S. 24:523.

Results: Management represented two misappropriations of public funds occurred during the fiscal period that were not reported to the LLA nor to the district attorney of the parish in which RRSTEM is domiciled.

26. Observe 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.

Results: The notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds is posted on the premises and not posted on the website.

Information Technology Disaster Recovery/Business Continuity

27. Perform the following procedures, **verbally discuss the results with management, and report “We performed the procedure and discussed the results with management.”**

- a) Obtain and inspect the entity’s most recent documentation that it has backed up its critical data (if there is no written documentation, then inquire of personnel responsible for backing up critical data) and observe evidence that such backup (a) occurred within the past week, (b) was not stored on the government’s local server or network, and (c) was encrypted.

Results: We performed the procedure and discussed the results with management.

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

Results: We performed the procedure and discussed the results with management.

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

Results: We performed the procedure and discussed the results with management.

28. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in Payroll and Personnel procedure #19. Observe evidence that the selected terminated employees have been removed or disabled from the network.

Results: This step is not applicable; there were no terminated employees with network access during the year.

29. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #17, obtain cybersecurity training documentation from management, and observe that the documentation demonstrates that the following employees/officials with access to the agency’s information technology assets have completed cybersecurity training as required by R.S. 42:1267. The requirements are as follows:

- Hired before June 9, 2020 – completed the training, and
- Hired on or after June 9, 2020 – completed the training within 30 days of initial service or employment

Results: This procedure is not applicable to Red River STEM, Inc. as a nonprofit.

Prevention of Sexual Harassment

30. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #17, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year as required by R.S. 42:343.

Results: This procedure is not applicable to Red River STEM, Inc. as a nonprofit.

31. Observe that the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).

Results: This procedure is not applicable to Red River STEM, Inc. as a nonprofit.

32. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe that the report includes the applicable requirements of R.S. 42:344:

- a) Number and percentage of public servants in the agency who have completed the training requirements;
- b) Number of sexual harassment complaints received by the agency;
- c) Number of complaints which resulted in a finding that sexual harassment occurred;
- d) Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
- e) Amount of time it took to resolve each complaint.

Results: This procedure is not applicable to Red River STEM, Inc. as a nonprofit.

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

We are required to be independent of Red River STEM, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

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

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Shreveport, Louisiana

June 28, 2024



June 28, 2024

Board of Directors

Kade McDonald, Chair

Russ Allsup

Krystle Beauchamp

Keith Burton

Angelique Feaster Evans

Sarah Giglio

Chad Hill

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Ian McElroy

Trent Millican

Bonnie Moore

Connor Peterson

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And

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1000 East Preston Avenue Suite200
Shreveport, LA 71105

Re: Management's Response to Agreed-Upon Procedures

The Management of Red River STEM, Inc. has reviewed the Independent Accountant's Report on Applying Agreed-Upon Procedures. We are in agreement with the report as provided by Carr, Riggs, & Ingram. In addition, Red River STEM, Inc. will implement changes or additions to its policies and procedures where necessary to meet the expectations identified in the report and future agreed-upon procedures engagements.

Sincerely,

Dianne Clark
Executive Director



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