# Red River STEM, Inc. FINANCIAL STATEMENTS December 31, 2020



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## **REPORT**



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#### **INDEPENDENT AUDITORS' REPORT**

Board of Directors Red River STEM, Inc.

#### 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, 2020, 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 referred to above present fairly, in all material respects, the financial position of Red River STEM, Inc. as of December 31, 2020, 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 Auditors' 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 opinion.

#### 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.

#### Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted 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, including omissions, 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, 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.

#### **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Compensation, Benefits, and Other Payments to Agency Head is presented in accordance with Act 706 of the Louisiana Revised Statutes 24:513(A)(3) on page 18 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 March 30, 2021, 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, LLC

Can, Rigge & Ingram, L.L.C.

Shreveport, Louisiana March 30, 2021



## **FINANCIAL STATEMENTS**

# Red River STEM, Inc. Statement of Financial Position

December 31,		2020
Assets		
Current assets		
Cash and cash equivalents	\$	372,710
Promises to give	7	2,250
Contract assets		25,932
Prepaid expenses		2,676
		and September 1
Total current assets		403,568
Non-current assets		
Property and equipment, net		519,238
Total non-current assets		519,238
Total assets	\$	922,806
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$	40,983
Accrued liabilities	•	10,006
Current portion of Paycheck Protection Program note payable		57,238
Contract liabilities		13,657
Total current liabilities		121,884
Long-term liabilities		
Paycheck Protection Program note payable, less current portion		69,462
Total liabilities		191,346
Net assets		
Without donor restrictions		661,878
With donor restrictions		69,582
With donor restrictions		03,302
Total net assets		731,460
Total liabilities and net assets	\$	922,806

# Red River STEM, Inc. Statement of Activities

	Without Donor	ithout Donor With Donor	
For the year ended December 31, 2020	Restrictions	Restrictions	Total
Revenues and support			
Grants	\$ 252,620	\$ 69,582	\$ 322,202
Contributions	245,502	-	245,502
City of Shreveport contract revenue	351,704	-	351,704
Admissions	327,965	-	327,965
Fundraisers	11,800	=	11,800
IMAX	51,247		51,247
Outreach	29,004	( <del>=</del>	29,004
Birthday parties	14,464	=	14,464
Rent revenue	7,110	-	7,110
Concessions	9,100	_	9,100
Other	7,899	_	7,899
Net assets released from restrictions	112,434	(112,434)	·
		Watt W 2007	
Total support and revenue	1,420,849	(42,852)	1,377,997
Expenses			
Program services			
Exhibits and programs	905,669	( <del>200</del> )	905,669
Outreach	4,870		4,870
Total program services	910,539		910,539
Supporting services			
Management and general	379,510	-	379,510
Fundraising	9,105	<b>=</b>	9,105
Total supporting services	388,615	-	388,615
Total expenses	1,299,154	<b></b>	1,299,154
Change in Net Assets	121,695	(42,852)	78,843
Net assets at beginning of year	540,183	112,434	652,617
		19.431 Wanter House Co.	
Net assets at end of year	\$ 661,878	\$ 69,582	\$ 731,460

#### Red River STEM, Inc. Statement of Functional Expenses

		<b>Program Service</b>	s		Su	apporting Service	es	
			Program	90			Supporting	
	<b>Exhibits and</b>		Services	Manag	ement		Services	
For the year ended December 31, 2020	Programs	Outreach	Subtotal	and Ge	eneral	Fundraising	Subtotal	Total
Payroll and related expenses	\$ 391,338	\$ 3,220	\$ 394,558	\$ 2	69,088	\$ -	\$ 269,088	\$ 663,646
IMAX	10,298	1500 SECTION SECTION	10,298	-	-		-	10,298
Animal Care	5,868		5,868		-	-	( <u>···</u> ):	5,868
Utilities	301,422		301,422		10,381	4	10,381	311,803
Contract labor		600			4,572	<b>=</b>	4,572	5,172
Depreciation	74,523	% <del>=</del>	74,523		9,647	-	9,647	84,170
Repairs and maintenance	62,628		62,628		2,157	<u></u>	2,157	64,785
Insurance	29,944	<b>(</b>	29,944		3,774	÷.	3,774	33,718
Supplies	20,520	241	20,761		7,866	<del>2</del>	7,866	28,627
Licenses and fees	8,593		8,593		7,848	5	7,848	16,441
Legal and professional fees	=:	( <del></del>			17,375	•	17,375	17,375
Advertising	=:	a <del>=</del>	=:		42,086	-	42,086	42,086
Travel	535	809	1,344			-	-	1,344
Fundraising	<b>4</b> 6	8=	=9		-	9,105	9,105	9,105
Interest	<b>=</b> 59	2 <b>-</b>	-3		996	-	996	996
Other	<b>*</b> 0	æ	<b>4</b> 8	Ų	3,720	-	3,720	3,720
Total	\$ 905,669	\$ 4,870	\$ 910,539	\$ 3	79,510	\$ 9,105	\$ 388,615	\$ 1,299,154

#### Red River STEM, Inc. Statement of Cash Flows

For the Year Ended December 31,	2020
Operating Activities	
Change in net assets	\$ 78,843
Adjustments to reconcile change in net assets to	
net cash provided by (used in) operating activities	
Depreciation	84,170
Change in assets and liabilities	
Accounts receivable, net	226,042
Promises to give	(2,250)
Contract assets	611
Prepaid expenses	(2,676)
Accounts payable	(7,528)
Accrued liabilities	(20,616)
Contract liabilities	(19,278)
Net cash provided by (used in) operating activities	337,318
,	an and an
Investing Activities	
Purchase of property and equipment	(241,908)
Net cash provided by (used in) investing activities	(241,908)
, , , , , , , , , , , , , , , , , , , ,	
Financing Activities	
Proceeds from Paycheck Protection Program note payable	126,700
Net cash provided by (used in) financing activities	126,700
Net change in cash and cash equivalents	222,110
Cash and cash equivalents at beginning of period	150,600
Cash and cash equivalents at end of period	\$ 372,710
Schedule of Certain Cash Flow Information	
Cash paid for interest	\$ 3

#### 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 Discover Center (the Center). 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.

#### **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.

#### Cash and Cash Equivalents

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

#### Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Accounts Receivable

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. RRSTEM provides for losses on accounts receivable using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances, which may affect the ability of patrons to meet their obligations.

Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is RRSTEM's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

#### 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.

#### **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.

#### 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 it 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.

#### Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Net Assets (Continued)

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, 2020, 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 and Revenue Recognition

Admissions, memberships, sales, and payments under cost-reimbursable contracts are accounted for under ASC Topic 606, Revenue from Contracts with Customers (ASC 606), recognizing revenue when performance obligations under the terms of the contracts with customers are satisfied. Prior to the adoption of ASC 606, RRSTEM recognized revenue when persuasive evidence of an arrangement existed, delivery of services had occurred, the sales price was fixed or determinable and collectability was reasonably assured.

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 released the restriction. Contributions received with donor-imposed 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, 2020, 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.

#### Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **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.

#### Advertising

RRSTEM uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred. For the year ended December 31, 2020, RRSTEM's advertising costs totaled \$42,086.

#### **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, 2020. Accordingly, no tax expense was incurred for the year ended December 31, 2020.

#### **Contract Assets**

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

#### **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.

#### Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, March 30, 2021. See Note 13 for relevant disclosures. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

#### 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 Positon date, reduced by amounts not available for general use within one year of the statement of financial positon date because of contractual or donor-imposed restrictions:

December 31,	2020
Cash and cash equivalents	\$ 372,710
Promises to give	2,250
Contract assets	 25,932
Financial assets available to meet general expenditures within one year	\$ 400,892

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, 2020, 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: PROPERTY AND EQUIPMENT**

The components of property and equipment are as follows:

Estimated Useful		
December 31,	Lives (in years)	2020
Furniture, fixtures and equipment	5-10	\$ 36,734
Computers and software	5-7	18,027
Exhibits and IMAX Films	5-10	555,221
Total property and equipment		609,982
Less accumulated depreciation		(90,744)
Property and equipment, net		\$ 519,238

Depreciation expense for the year ended December 31, 2020, was \$84,170.

#### Note 5: PAYCHECK PROTECTION PROGRAM NOTE PAYABLE

In April 2020, RRSTEM received a loan in the amount of \$126,700 under the Paycheck Protection Program (PPP) pursuant to the CARES Act and administered by the Small Business Administration (SBA) and has reported it in the Statement of Financial Position. The PPP provides for forgivable loans to qualifying organizations. The loan and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll costs, rent and utilities and the borrower maintains specified levels of payroll and employment.

Any unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. Monthly principal and interest payments on the loan commence on the date the SBA remits the borrower's loan forgiveness amount to the lender or, if the borrower does not apply for loan forgiveness, 10 months after the end of the borrower's loan forgiveness covered period through the loan maturity date of April 2023.

Future minimum principal payments due under this note for the next three years total 2021 – \$57,238, 2022 – \$64,092, and 2023 – \$5,370. Subsequent to December 31, 2020, the SBA forgave the PPP note payable, totaling \$126,700, and paid the lender on behalf of RRSTEM.

PPP loans issued under \$2 million may be subject to audit by the SBA. RRSTEM may be required to return a portion of the loan proceeds at the conclusion of any such SBA audit. Any proceeds required to be returned will be repaid under the statutory terms of the PPP Program, including interest at 1%.

#### **Note 6: NET ASSETS**

A summary of net assets with donor restrictions follows:

December 31,	2020
Time restricted	\$ 62,807
Purpose restricted	
Operation of the Center	6,775
Total net assets with donor restrictions	\$ 69,582

#### Note 6: NET ASSETS (Continued)

A summary of the release of donor restrictions follows:

For the year ended December 31,	2020
Purpose restrictions	
Operation of the Center	\$ 112,434
Total net assets released from donor restrictions	\$ 112,434

#### Note 7: REVENUE

RRSTEM is recognizing revenue over time for its annual memberships. As of December 31, 2020, there is \$13,657 of performance obligations to be satisfied, all of which is expected to be recognized in revenue in 2021. 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.

#### Disaggregated Revenue

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

For the year ended December 31,	2020
City of Shreveport contract revenue	\$ 351,704
Admissions	327,965
IMAX	51,247
Birthday parties	14,464
Concessions	9,100
Other	7,899
Total revenue recognized in accordance with FASB ASC 606	\$ 762,379

Approximately 7% of the revenue earned was recognized over time consisting of annual membership revenue, which is included in Admissions revenue above. The remaining 93% 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**

December 31,	 2020
Contract assets, beginning of year	\$ 26,543
Contract assets, end of year	\$ 25,932
Contract liabilities, beginning of year	\$ 32,935
Contract liabilities, end of year	\$ 13,657
Receivable from contracts, beginning of year	\$ 77,562
Receivable from contracts, end of year	\$ 

#### 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. 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 carryout the purposes of Sci-Port Discover 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, 2020, \$56,000 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, 2020, RRSTEM had cash deposits with financial institutions in excess of federally insured limits of \$117,042.

During the year ended December 31, 2020, RRSTEM had two major organizations with which it did business. Revenue from these organizations accounted for 49% of RRSTEM's total revenue.

Credit risk with respect to promises to give 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, 2020, RRSTEM considers promises to give to be fully collectible; accordingly, no allowance for doubtful accounts has 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.

#### **Note 12: UNCERTAINTIES**

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. While response to the COVID-19 outbreak continues to revolve, it has led to stay-at-home orders and social distancing guidelines that have seriously disrupted activities in large segments of the economy. Uncertainties have arisen that may have a significant negative impact on the operating activities and results of RRSTEM. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, government quarantine measures, including declarations of states of emergency and stay-at-home orders in the RRSTEM's service areas (iii) the effects on the financial markets, and (iv) the effects on the economy overall, all of which are uncertain.

# Red River STEM, Inc. Notes to the Financial Statements

#### **Note 13: SUBSEQUENT EVENTS**

Management evaluated all events or transactions that occurred after December 31, 2020 through March 30, 2021, the date RRSTEM's financial statements were available to be issued. The following items occurred:

In January 2021, RRSTEM applied for and received a second draw PPP loan of \$126,794. The loan and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll costs, rent and utilities and the borrower maintains specified levels of payroll and employment. Any unforgiven portion of the PPP loan is payable over five years at an interest rate of 1%, with a deferral of payments for the first 10 months.



### **SUPPLEMENTARY INFORMATION**

#### Agency Head Name: Dianne Clark, Executive Director

Purpose	Amount*		
Salary and other compensation	\$	-	
Benefits-insurance (health insurance premiums)	\$	-	
Benefits-retirement	\$	? <del>=</del>	
Deferred compensation	\$	-	
Car allowance	\$	-	
Vehicle provided by agency	\$	1.	
Per diem	\$	1-	
Reimbursements	\$	( <del>=</del>	
Travel	\$	-	
Registration fees	\$	-	
Conference travel	\$	electric control of the control of t	
Housing	\$		
Unvouchered expenses (example: travel advances, etc.)	\$	:=	
Special meals	\$	( <del>14</del> )	
Other	\$	2 <u>52</u> 2	

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



# REPORT ON INTERNAL CONTROL AND COMPLIANCE MATTERS



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Independent Auditors' 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, 2020, 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 March 30, 2021.

#### **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 may exist that have not been identified.

#### **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.

CARR, RIGGS & INGRAM, LLC

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Shreveport, Louisiana March 30, 2021

# Red River STEM, Inc. Schedule of Findings and Questioned Costs For the Year Ended December 31, 2020

Section I–Summary of Auditors' Results		
Financial Statements		
Type of auditors' report issued:	Unmodified	
<ul> <li>Internal control over financial reporting:</li> <li>Material weakness(es) identified?</li> <li>Significant deficiency(ies) identified?</li> </ul>	yes yes	X no X none noted
Noncompliance material to financial statements noted?	yes	<u>X</u> no
Section II – Financial Statement Findings		
None		
Section III – Summary of Prior Year Findings		
None		