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**Louisiana Arts and Science Center, Inc.
Baton Rouge, Louisiana
December 31, 1999**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 08-02-00

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HAWTHORN, WAYMOUTH & CARROLL, L.L.P.

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ANTHONY J. CRISTINA, III, C.P.A.
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CERTIFIED PUBLIC ACCOUNTANTS

8555 UNITED PLAZA BLVD.
BATON ROUGE, LOUISIANA 70809
(225) 923-3000 • FAX (225) 923-3008

March 17, 2000

Independent Auditor's Report

The Board of Trustees
Louisiana Arts and Science Center, Inc.
Baton Rouge, Louisiana

We have audited the accompanying statements of financial position of the

Louisiana Arts and Science Center, Inc.
Baton Rouge, Louisiana

as of December 31, 1999 and December 31, 1998, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Louisiana Arts and Science Center, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1, the Center does not make a provision for depreciation of fixed assets as required by generally accepted accounting principles. The effect of this policy on the financial statements cannot be reasonably determined.

In our opinion, except for the omission of the information discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Louisiana Arts and Science Center, Inc. as of December 31, 1999 and December 31, 1998, and the results of its operations and cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated March 17, 2000 on our consideration of the Louisiana Arts and Science Center, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Yours truly,

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

Louisiana Arts and Science Center, Inc.
Statements of Financial Position
December 31, 1999 and December 31, 1998

A s s e t s

	<u>1999</u>	<u>1998</u>
Assets		
Cash and equivalents - unrestricted	\$192,190	\$323,047
Investments	615,328	572,605
Investments - Endowment	500,000	
Accounts receivable	36,405	34,226
Inventory	13,362	9,195
Prepaid expenses	17,605	12,970
Contribution receivable	2,137,772	5,000
Furniture and equipment	334,700	323,133
Leasehold improvements	1,274,419	1,116,464
Museum collection	-----	-----
<u>Total assets</u>	<u>5,121,781</u>	<u>2,396,640</u>

Liabilities and Net Assets

Liabilities		
Accounts payable	\$47,453	\$27,440
Accrued payroll and other liabilities	<u>32,440</u>	<u>25,746</u>
<u>Total liabilities</u>	<u>79,893</u>	<u>53,186</u>
Net Assets		
Unrestricted		
Designated by Board of Trustees	2,344,025	2,283,363
Undesignated	<u>60,091</u>	<u>60,091</u>
	2,404,116	2,343,454
Permanently restricted	<u>2,637,772</u>	-----
<u>Total net assets</u>	<u>5,041,888</u>	<u>2,343,454</u>
<u>Total liabilities and net assets</u>	<u>5,121,781</u>	<u>2,396,640</u>

The accompanying notes are an integral part of these statements.

Louisiana Arts and Science Center, Inc.
Statements of Activities
Years Ended December 31, 1999 and December 31, 1998

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>1999 Total</u>	<u>1998 Total</u>
Public Support, Revenues and Reclassifications				
East Baton Rouge City-Parish				
Government Appropriations	\$642,800		\$642,800	\$624,080
Memberships	56,365		56,365	43,780
Contributions	180,445	\$2,637,772	2,818,217	188,431
Grants	289,460		289,460	84,868
Investment income	10,891		10,891	34,434
Other	<u>288,578</u>	_____	<u>288,578</u>	<u>234,024</u>
<u>Total public support, revenues and reclassifications</u>	<u>1,468,539</u>	<u>2,637,772</u>	<u>4,106,311</u>	<u>1,209,617</u>
Expenses				
Programs - general museum	1,028,603		1,028,603	672,341
Program - Challenger	127,047		127,047	131,972
General and administrative	<u>252,227</u>	_____	<u>252,227</u>	<u>192,518</u>
<u>Total expenses</u>	<u>1,407,877</u>	_____	<u>1,407,877</u>	<u>996,831</u>
Increase (Decrease) in Net Assets	60,662	2,637,772	2,698,434	212,786
Net Assets, beginning of year	<u>2,343,454</u>	_____	<u>2,343,454</u>	<u>2,130,668</u>
Net Assets, end of year	<u>2,404,116</u>	<u>2,637,772</u>	<u>5,041,888</u>	<u>2,343,454</u>

The accompanying notes are an integral part of these statements.

Louisiana Arts and Science Center, Inc.
Statements of Cash Flows
Years Ended December 31, 1999 and December 31, 1998

	<u>1999</u>	<u>1998</u>
Cash Flows From Operating Activities		
Increase in net assets	\$2,698,434	\$212,786
Adjustments to reconcile changes in net assets to net cash used by operating activities		
Realized and unrealized (gains) loss from investments	42,201	9,169
Interest accretion on Treasury Notes		4,818
Contribution restricted for Planetarium	(2,637,772)	
Changes in assets and liabilities		
(Increase) Decrease in receivables	(2,179)	(23,901)
Decrease (Increase) in inventory	(4,167)	(3,720)
Decrease (Increase) in prepaid expenses	(4,635)	2,129
Increase (Decrease) in accounts payable	20,013	1,701
(Decrease) Increase in accrued liabilities	<u>6,694</u>	<u>(4,558)</u>
<u>Net cash provided by operating activities</u>	<u>118,589</u>	<u>198,424</u>
Cash Flows From Investing Activities		
Purchase of equipment	(169,522)	(86,410)
Proceeds from investment sales and maturities	90,000	329,634
Purchase of investments	<u>(174,924)</u>	<u>(402,572)</u>
<u>Net cash used by investing activities</u>	<u>(254,446)</u>	<u>(159,348)</u>
Cash Flows From Financing Activities		
Proceeds from contributions restricted for Challenger	<u>5,000</u>	<u>32,000</u>
<u>Net cash provided by financing activities</u>	<u>5,000</u>	<u>32,000</u>
Net Increase in Cash and Equivalents	(130,857)	71,076
Cash and Equivalents, beginning of year	<u>323,047</u>	<u>251,971</u>
Cash and Equivalents, end of year	<u><u>192,190</u></u>	<u><u>323,047</u></u>

The accompanying notes are an integral part of these statements.

Louisiana Arts and Science Center, Inc.
Notes to Financial Statements
December 31, 1999

Note 1-Significant Accounting Policies and Presentations

A. Background and Purpose

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

The Center has as its purpose the operation of projects and exhibits such as the Discovery Depot, Science Station, Challenger Missions and the Center's museum, devoted to the development of intellectual skills, creative abilities, and the acquisition of knowledge and inspiration of the present and future generations of Louisiana citizens. Revenues are derived primarily from governmental support.

B. Basis of Presentation

The financial statements of the Louisiana Arts and Science Center, Inc. have been prepared on the accrual basis of accounting.

C. Classification of Net Assets

The Louisiana Arts and Science Center, Inc. follows the provisions of Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-for-Profit Organizations." Accordingly, the net assets of the Louisiana Arts and Science Center, Inc. are reported in each of the following three classes, if applicable: (a) unrestricted net assets, (b) temporarily restricted net assets, and (c) permanently restricted net assets.

Restricted assets are created by donor-imposed restrictions on the use of the support. Permanently restricted net assets arise from the Planetarium Endowment Fund, which is invested in perpetuity, the income from which is expendable to support Planetarium operations. All other net assets, including board-designated or appropriated amounts, are legally unrestricted and are reported as unrestricted.

D. Contributed Support

Contributed support is reported as unrestricted or as restricted depending on the existence of donor stipulations that limit the use of the support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activity as net assets released from restrictions.

Louisiana Arts and Science Center, Inc.
Notes to Financial Statements
December 31, 1999

Note 1-Significant Accounting Policies and Presentations (Continued)

D. Contributed Support (Continued)

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

E. Contributed Facilities and Services

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

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

F. Statement of Cash Flows

For purposes of the statement of cash flows, the Center considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

G. Investments

Investments in debt and equity securities are stated at fair value. Fair values are obtained from quoted market prices. Donations of investments are recorded at fair value at the date of donation. Investment income, including gains and losses on investments, interest and dividends, is included in the statement of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law. (See also Note 3.)

II. Inventory

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

Louisiana Arts and Science Center, Inc.
Notes to Financial Statements
December 31, 1999

Note 1-Significant Accounting Policies and Presentations (Continued)

I. Property and Equipment

Property and equipment are reported at historical costs, except those arising from donations which are recorded at current values at the date of donation. The Center does not record depreciation on its fixed assets. The Center's policy is to capitalize betterments and renewals but to expense all maintenance and repairs when incurred.

The Museum collections acquired by the Center are not included in fixed assets. They are captioned on the statement of financial position with no dollar value, as they are not required to be capitalized. A further description of the collections is presented in Note 7.

J. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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.

Note 2-Contributions Receivable And Other Receivables

Included in contributions receivable are the following unconditional promises to give:

	<u>1999</u>	<u>1998</u>
Challenger Project		\$5000
Planetarium Project	<u>\$2,500,000</u>	_____
Unconditional promises to give before amortized discount	2,500,000	5,000
Less: unamortized discount	<u>(362,228)</u>	_____
Net unconditional promises to give	<u>2,137,772</u>	<u>5,000</u>
Amounts due in:		
Less than one year	500,000	
One to five years	<u>2,000,000</u>	_____
Total	<u>2,500,000</u>	<u>_____</u>

Louisiana Arts and Science Center, Inc.
Notes to Financial Statements
December 31, 1999

Note 2-Contributions Receivable And Other Receivables (Continued)

The discount rate applied was 6% in 1999.

Management considers all receivables to be fully collectible and no allowance for uncollectible amounts is required.

Note 3-Investments

Following is a summary of investments classified by major type:

	<u>1999</u>	<u>1998</u>
U.S. Government Agency Securities, maturing in		
One - three years	\$48,875	\$88,512
Five - ten years	289,460	194,000
Over ten years	86,188	97,000
Corporate debt security, maturing November, 2000	71,976	75,601
Mutual fund - debt securities	<u>118,829</u>	<u>117,492</u>
	<u>615,328</u>	<u>572,605</u>

Investment activity from cash equivalents and investments is detailed as follows:

Interest and dividend income	\$53,091	\$43,603
Unrealized (losses)	(43,688)	(9,169)
Realized gains	<u>1,488</u>	_____
	<u>10,891</u>	<u>34,434</u>

Note 4-Contributions

Contributions recognized by the Center are as follows:

	<u>1999</u>	<u>1998</u>
Unrestricted		
Corporate	\$146,225	\$100,750
Private	3,260	1,150
Donation boxes	566	386
Memorial	100	30
Capital Campaign - Challenger	_____	<u>57,850</u>
(Continued - amounts carried forward)	150,151	160,166

Louisiana Arts and Science Center, Inc.
Notes to Financial Statements
December 31, 1999

Note 4-Contributions (Continued)

	<u>1999</u>	<u>1998</u>
(Continued - amounts brought forward)	\$150,151	\$160,166
Baton Rouge Area Foundation		
Challenger Fund	28,708	26,787
A. Brent Memorial Fund	<u>1,586</u>	<u>1,478</u>
<u>Total unrestricted</u>	<u>180,445</u>	<u>188,431</u>
Permanently restricted - Planetarium	<u>\$2,637,772</u>	<u>—</u>

Note 5-Grants

The Center received grants from the following sources:

	<u>1999</u>	<u>1998</u>
YouthALIVE!		
ASTC		\$17,000
Baton Rouge Area Foundation	\$34,000	
Arts Council of Greater Baton Rouge	10,025	7,781
Louisiana Division of the Arts	35,179	41,949
Louisiana Endowment for the Humanities (see below)		10,540
Junior League	4,130	7,598
Treasures Exhibition		
Baton Rouge Area Convention and Visitors	153,814	
Arts Council of GBR	2,274	
Louisiana Endowment for the Humanities	7,500	
Other	26,338	
<u>McCormick Fund</u>	<u>16,200</u>	<u>—</u>
	<u>289,460</u>	<u>84,868</u>

Louisiana Arts and Science Center, Inc.
Notes to Financial Statements
December 31, 1999

Note 6-Other Revenue

Other revenue is detailed as follows:

	<u>1999</u>	<u>1998</u>
Fund raising events (net of expenses of \$22,413 and \$15,166)	<u>\$70,852</u>	<u>\$79,880</u>
Treasures special event	<u>1,100</u>	
Workshops and other programs	<u>11,532</u>	<u>10,291</u>
Admissions		
General	24,766	39,992
Schools	15,835	13,686
Challenger missions and schools	62,796	71,080
Treasures - special event	<u>80,118</u>	<u> </u>
	<u>183,515</u>	<u>124,758</u>
Building use rental	<u>6,776</u>	<u>8,077</u>
Museum shop		
Sales	33,319	28,109
Less cost of sales	<u>20,950</u>	<u>18,759</u>
	<u>12,369</u>	<u>9,350</u>
Concessions		
Sales	943	890
Less cost of sales	<u>1,046</u>	<u>855</u>
	<u>(103)</u>	<u>35</u>
Birthday party revenue	8,490	7,702
Birthday party expenses	<u>(6,850)</u>	<u>(6,069)</u>
	<u>1,640</u>	<u>1,633</u>
Miscellaneous	<u>897</u>	<u> </u>
<u>Total</u>	<u>288,578</u>	<u>234,024</u>

Louisiana Arts and Science Center, Inc.
Notes to Financial Statements
December 31, 1999

Note 7-Museum Collections

The Louisiana Arts and Science Center, Inc., has approximately 5,800 objects in its permanent collection. The collection is varied with holdings in the areas of fine arts, crafts, ethnographic artifacts, Louisiana history and natural science. During 1999, the Center turned over approximately 2,500 objects relating to Louisiana history to another non-profit organization who began managing the facility in which they were stored.

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

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

Note 8-Contributions to Endowment Fund

During recent years, the Center and individuals have donated amounts to certain endowment funds established at the Baton Rouge Area Foundation for the benefit of the Center. The Center is the income beneficiary of these endowment funds. The assets of these funds are not included in the financial statements because they are not in the Center's possession or under the Center's control.

The funds are summarized as follows:

	<u>December 31, 1999</u>		<u>December 31, 1998</u>	
	<u>Market</u>	<u>Income</u>	<u>Market</u>	<u>Income</u>
	<u>Value</u>	<u>Distributions</u>	<u>Value</u>	<u>Distributions</u>
Challenger Fund	\$671,746	\$28,708	\$591,680	\$26,787
Adalie Brent Memorial Fund	37,120	1,586	32,696	1,478

Louisiana Arts and Science Center, Inc.
Notes to Financial Statements
December 31, 1999

Note 9-Functional Expenses

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

	<u>Program</u>		<u>Management and General</u>	<u>1999 Total</u>	<u>1998 Total</u>
	<u>General Museum</u>	<u>Challenger</u>			
Salaries, wages and benefits	\$383,887	\$97,084	\$229,789	\$710,760	\$641,364
Insurance	16,055		12,477	28,532	22,017
Services and professional fees	84,459	10,000	12,329	106,788	71,476
Supplies and travel	233,923	29,669	18,861	282,453	127,714
Office and occupancy	199,756	1,371	60,942	262,069	132,545
Collections	16,529			16,529	
Conservation	746			746	1,644
Contribution to endowment	_____	_____	_____	_____	<u>71</u>
	<u>935,355</u>	<u>138,124</u>	<u>334,398</u>	<u>1,407,877</u>	<u>996,831</u>

Note 10-Concentration of Credit Risk

At various times during 1999, cash on deposit with one banking institution exceeded the \$100,000 insured by the Federal Deposit Insurance Corporation. Management monitors the financial condition of the financial institution on a regular basis, along with their balances in cash to minimize this potential risk.

The entire contribution receivable at December 31, 1999 is due from one prominent charitable foundation domiciled in the Baton Rouge area. It is at least reasonably possible that the Center's estimate of full collectibility of this pledge could change in the near term.

Note 11-Subsequent Events

The Center was named as a defendant in a lawsuit filed in February, 1998. The suit alleges damages suffered by contractors performing maintenance at the museum facility under a contract with the City/Parish of East Baton Rouge. The museum has not been served with the lawsuit but believes it is without merit and will vigorously defend its position.

Supplementary Information

HAWTHORN, WAYMOUTH & CARROLL, L.L.P.

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March 17, 2000

Auditor's Report on Supplementary Information

The Board of Trustees
Louisiana Arts and Science Center, Inc.
Baton Rouge, Louisiana

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole of the Louisiana Arts and Science Center, Inc. as of and for the years ended December 31, 1999 and December 31, 1998, which are presented in the preceding section of this report. The supplementary information on page 18 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, except for the effects of the omission of depreciation of fixed assets as required by generally accepted accounting principles as explained in the third paragraph of our report on page 3, such information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Yours truly,

Hawthorn, Waymouth & Carroll, L.L.P.

Louisiana Arts and Science Center, Inc.
Schedule of Changes in Unrestricted Net Assets by Components
Year Ended December 31, 1999

	<u>Balance</u> <u>12-31-98</u>	<u>Additions</u>	<u>Deductions</u>	<u>Fund</u> <u>Transfers</u>	<u>Balance</u> <u>12-31-99</u>
Designated					
Museum collections	\$112,177	\$75	\$16,529	\$10,000	\$105,723
Planetarium	603	5,500	24,417	18,314	
Train	100,816		200		100,616
Science Station	188,026	7,630	9,156		186,500
Museum shops	31,923	12,369	2,607		41,685
YouthALIVE!	2,258	34,100	18,878		17,480
Building maintenance	63,869		7,690	6,232	62,411
Challenger Learning Center	45,834	5,000		(30,000)	20,834
Discovery Depot	170,930	319	13,113	(151,480)	6,656
Technology	20,000		12,508		7,492
Marketing	10,000		1,899		8,101
Children's programing		70,852		7,607	78,459
Equipment and improvements	1,439,596			169,523	1,609,119
Museum development	<u>97,331</u>	<u>1,332,697</u>	<u>1,300,883</u>	<u>(30,196)</u>	<u>98,949</u>
	2,283,363	1,468,542	1,407,880		2,344,025
Undesignated	<u>60,091</u>	-----	-----	-----	<u>60,091</u>
Totals	<u>2,343,454</u>	<u>1,468,542</u>	<u>1,407,880</u>	<u>--</u>	<u>2,404,116</u>

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March 17, 2000

**Report on Compliance and on Internal Control over Financial
Reporting Based on an Audit of Financial Statements
Performed in Accordance With Government Auditing Standards**

The Board of Trustees
Louisiana Arts and Science Center, Inc.
Baton Rouge, Louisiana

Gentlemen:

We have audited the financial statements of the Louisiana Arts and Science Center, Inc. as of and for the year ended December 31, 1999, and have issued our report thereon dated March 17, 2000, which was qualified due to the omission of depreciation of fixed assets. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Louisiana Arts and Science Center, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the

internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Yours truly,

Hawthorn, Weymouth & Caspell, L.L.P.