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Louisiana Arts and Science Center, Inc.
Baton Rouge, Louisiana
December 31, 1967

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Release Date: Jan 6 3 1968

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HAWTHORN, WYOMOUTH & CARROLL, L.L.P.



CERTIFIED PUBLIC ACCOUNTANTS

REGISTERED PUBLIC ACCOUNTANTS
IN THE STATES OF LOUISIANA, MISSISSIPPI
AND MISSOURI • FORT WORTH, TEXAS

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JOHN P. HAWTHORN, CPA
(MEMBER) MISSISSIPPI
HAWTHORN, WYOMOUTH & CARROLL, L.L.P.
(MEMBER) MISSOURI
WYOMOUTH, J. EARL, CPA
(MEMBER) MISSOURI
CARROLL, J. EDWARD, CPA
(MEMBER) MISSOURI
DAN L. HAWTHORN, CPA
(MEMBER)

February 4, 1998

Independent Auditor's Report

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

We have audited the accompanying statement of financial position of

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

as of December 31, 1997, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. These 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 audit provides 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 effect of the matter 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, 1997, and the results of its activities and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Yours truly,

Hawthorn, Wyomouth & Carroll, L.L.P.

Louisiana Arts and Science Center, Inc.
Statement of Financial Position
December 31, 1997

A s s e t s

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Assets			
Cash and equivalents	\$348,174	\$3,797	\$251,971
Investments	213,854		513,654
Accounts receivable	10,325		10,325
Inventory	5,475		5,475
Prepaid expenses	15,099		15,099
Contributed support receivable - Challenger		37,000	37,000
Furniture and equipment	372,222		372,222
Leasehold improvements	1,080,565		1,080,565
Museum collections	-----	-----	-----
Total assets	<u>2,145,514</u>	<u>40,797</u>	<u>2,186,311</u>

Liabilities and Net Assets

Liabilities			
Accounts payable	\$25,739		\$25,739
Accrued payroll and other liabilities	30,304		30,304
Total liabilities	<u>56,043</u>		<u>56,043</u>
Net Assets			
Temporarily restricted		40,797	40,797
Unrestricted			
Designated by Board of Trustees	2,029,780		2,029,780
Undesignated	60,081		60,081
Total net assets	<u>2,089,861</u>	<u>40,797</u>	<u>2,130,658</u>
Total liabilities and net assets	<u>2,145,514</u>	<u>40,797</u>	<u>2,186,311</u>

The accompanying notes are an integral part of these statements.

Louisiana Arts and Science Center, Inc.
Statement of Activities
Year Ended December 31, 1997

	Unrestricted	Temporarily Restricted	Total
Revenue, Gains and Other Support			
East Baton Rouge City-Parish Government			
Appropriations	\$688,860		\$688,860
Memberships	40,856		40,856
Contributions	140,425	\$48,800	\$189,225
Grants	53,848		53,848
Investment income	36,459		36,459
Other	212,176		212,176
Net assets released from restrictions - Challenger	<u>20,102</u>	<u>(20,102)</u>	
	<u>1,112,726</u>	<u>28,708</u>	<u>1,141,434</u>
Expenses			
Programs - general museum	682,883		682,883
Program - Challenger	114,086		114,086
General and administrative	<u>189,433</u>		<u>189,433</u>
Total expenses	<u>986,402</u>		<u>986,402</u>
Collection Items Purchased	<u>(9,500)</u>		<u>(9,500)</u>
Increase in Net Assets	66,823	28,705	95,528
Net Assets, beginning of year	<u>2,023,046</u>	<u>12,592</u>	<u>2,035,638</u>
Net Assets, end of year	<u>2,089,869</u>	<u>41,297</u>	<u>2,131,166</u>

The accompanying notes are an integral part of these statements.

Louisiana Arts and Science Center, Inc.
 Statement of Cash Flows
 Year Ended December 31, 1997

Cash Flows From Operating Activities	
Increase in net assets	\$85,330
Adjustments to reconcile changes in net assets to net cash used by operating activities	
Unrealized gains from investments	(1,831)
Interest accretion on Treasury Notes	(20,193)
Changes in assets and liabilities	
Decrease in receivables	1,259
Increase in inventory	(3,837)
Increase in prepaid expenses	(3,365)
Decrease in accounts payable	(91,209)
Increase in accrued liabilities	13,327
Net cash used by operating activities	<u>(10,298)</u>
Cash Flows From Investing Activities	
Purchase of equipment	(4,048)
Proceeds from investment sales and maturities	441,596
Purchase of investments	<u>(282,366)</u>
Net cash used by investing activities	<u>155,182</u>
Cash Flows From Financing Activities	
Proceeds from contributions receivable restricted for Challenger	<u>25,000</u>
Net cash provided by financing activities	<u>25,000</u>
Net Decrease in Cash and Equivalents	(49,657)
Cash and Equivalents, beginning of year	<u>301,628</u>
Cash and Equivalents, end of year	<u>251,971</u>

The accompanying notes are an integral part of these statements.

Louisiana Arts and Science Center, Inc.
Notes to Financial Statements
December 31, 1997

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 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. adopted 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. Temporarily restricted net assets of the Center which arise from construction of the Challenger Learning Center are expected to be released from restriction in 1998. All other net assets, including board-designated or appropriated amounts, are legally unrestricted and are reported as unrestricted.

D. Contributed Support

The Louisiana Arts and Science Center, Inc. recognizes all contributed support received as income in the period received. 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.

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.

Louisiana Arts and Science Center, Inc.
Notes to Financial Statements
December 31, 1987

Note 1-Significant Accounting Policies and Presentations (Continued)

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 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.)

H. Inventory

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

I. Fixed Assets

Fixed assets 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 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-Contributed Support Receivable And Other Receivables

Contributed support receivable consists of amounts pledged by individuals and businesses located in the Greater Baton Rouge area. The entire balance of \$57,000 is due during 1988.

Other receivables include various amounts unrelated to contributed support.

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

Louisiana Arts and Science Center, Inc.
Notes to Financial Statements
December 31, 1997

Note 3-Investments

Following is a summary of investments classified by major type:

U.S. Treasury securities, maturing in one - two years	\$275,803
Corporate debt security, maturing July, 1998	102,446
Mutual fund - debt securities	<u>129,802</u>
	<u>\$508,051</u>

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

Interest and dividend income	\$34,528
Unrealized gains	<u>1,511</u>
	<u>\$36,039</u>

Note 4-Contributions

Contributions recognized by the Center in 1997 are as follows:

Corporate	\$305,600
Private	6,023
Donation boxes	354
Memorial	183
Capital Campaign - Challenger	48,818
Baton Rouge Area Foundation - Challenger Fund	26,984
Baton Rouge Area Foundation - A. Brent Memorial Fund	<u>1,272</u>
Total	<u>\$389,234</u>

Note 5-Grants

The Center received grants in 1997 from the following sources:

ASTC - YouthALIVE!	\$20,000
Arts Council of Greater Baton Rouge	6,300
Louisiana Division of the Arts	18,900
Louisiana Endowment for the Humanities	5,048
Junior League	<u>4,000</u>
	<u>\$54,248</u>

Louisiana Arts and Science Center, Inc.
Notes to Financial Statements
December 31, 1997

Note 6-Other Revenue

Other revenue for 1997 is detailed as follows:

Fund raising events (net of expenses of \$18,180)	<u>\$56,902</u>
Workshops and other programs	<u>12,360</u>
Admissions	
General	45,257
Schools	17,484
Challenger missions and schools	<u>67,087</u>
	<u>129,718</u>
Building use rental	<u>2,380</u>
Museum shop	
Sales	23,103
Less cost of sales	<u>17,244</u>
	<u>5,859</u>
Concessions	
Sales	936
Less cost of sales	<u>1,230</u>
	<u>(294)</u>
Birthday party revenue	6,000
Birthday party expenses	<u>4,758</u>
	<u>1,242</u>
Miscellaneous	<u>1,812</u>
Total	<u>212,135</u>

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 art, crafts, ethnographic artifacts, Louisiana history and natural science.

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 and 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.

Louisiana Arts and Science Center, Inc.
Notes to Financial Statements
December 31, 1997

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:

	12-31-97 Market Value	1997 Income Distributions
Challenger Fund	\$371,458	\$26,984
Adelle Brent Memorial Fund	31,513	1,177

Note 9-Functional Expenses

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

	Total	Program		Management and General
		General Museum	Challenger	General
Salaries, wages and benefits	\$600,326	\$360,674	\$90,272	\$169,380
Insurance	30,468	26,263	1,500	2,405
Services and professional fees	33,602	28,568	10,000	15,044
Supplies and travel	137,324	107,999	20,126	9,409
Office and occupancy	165,949	133,344	2,158	10,407
Conservation	5,475	5,475		
Contribution to endowment	90		90	
	<u>\$95,404</u>	<u>\$62,881</u>	<u>\$114,026</u>	<u>\$139,433</u>

Note 10-Concentration of Credit Risk

At various times during 1997, 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.

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, WAINMOUTH & CARROLL, L.L.P.

W. GARY CARROLL, CMA
ROBERT J. WAINMOUTH, CPA
J. J. HAWTHORN, CPA, CMA
CHARLES WAINMOUTH, CPA
ARTHUR J. CARROLL, CPA
DORIS B. CARROLL, CPA, CMA
CARRIE S. CARROLL, CPA



CERTIFIED PUBLIC ACCOUNTANTS

8000 SAFETY PLACE, SUITE 200
SUITE 200, 8000 SAFETY PLACE
(504) 835-0000 • FAX (504) 835-0000

MEMBER OF A FIRM SERVING CLIENTS
NATIONWIDE
JOHN W. CARROLL, CPA, CMA
CARRIE S. CARROLL, CPA
WAINMOUTH & CARROLL, CMA
WAINMOUTH & CARROLL, CPA
WAINMOUTH & CARROLL, CPA
WAINMOUTH & CARROLL, CPA
WAINMOUTH & CARROLL, CPA
WAINMOUTH & CARROLL, CPA
WAINMOUTH & CARROLL, CPA
WAINMOUTH & CARROLL, CPA

February 4, 1997

Auditor's Report on Supplementary Information

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

Our audit was 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 year ended December 31, 1997, which are presented in the preceding section of this report. The supplementary information on page 24 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 not providing for depreciation of fixed assets as explained in the third paragraph of our report on page 3, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Yours truly,

Hawthorn, Wainmouth & Carroll, L.L.P.

Louisiana Arts and Science Center, Inc.
 Schedule of Changes in Unrestricted Net Assets by Component
 Year Ended December 31, 1997

	Balance December 31, 1996	Additions	Deductions	Fund Transfers	Balance December 31, 1997
Designated by The Board of Trustees					
Acquisition of Riverside					
Museum collections	\$159,585	56,092	\$49,500		\$166,177
Planetarium	13,122		3,648		9,474
Train/Train Clay	43,788		1,000	\$72,669	117,455
Science Station	46,192	18,300	3,090		61,402
Museum shops	16,612	3,961			22,573
YouthALIVE!	14,543	20,000	31,718		2,825
Building maintenance	50,641		23,696	5,000	31,945
Challenger Learning Center	21,828	107,281	114,086	6,823	21,828
Discovery Depot	168,176	58,487			226,663
Equipment and museum improvements	1,348,139			4,048	1,352,187
Museum and program development	<u>97,331</u>	<u>904,798</u>	<u>216,166</u>	<u>(83,542)</u>	<u>97,331</u>
	1,962,695	1,112,729	1,043,904		2,031,520
Undesignated					
Undesignated	<u>60,091</u>				<u>60,091</u>
Totals	<u>2,022,786</u>	<u>1,112,729</u>	<u>1,043,904</u>	<u>—</u>	<u>2,091,611</u>