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RESEARCH PARK CORPORATION

FINANCIAL STATEMENTS

DECEMBER 31, 1998

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Release Date 7-21-99



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A Professional Accounting Corporation

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Research Park Corporation
Baton Rouge, Louisiana

We have audited the accompanying statements of financial position of Research Park Corporation (a not-for-profit organization) as of December 31, 1998 and 1997, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of Research Park Corporation'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 audits 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Research Park Corporation as of December 31, 1998 and 1997, and its activities and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 1999 on our consideration of the Research Park Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations.

Postlethwaite & Netterville

Baton Rouge, Louisiana
June 16, 1999

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RESEARCH PARK CORPORATION
BATON ROUGE, LOUISIANA
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 1998 AND 1997

ASSETS

	1998	1997
<u>CURRENT ASSETS</u>		
Cash	\$ 858,622	\$ 400,846
Taxes receivable	188,014	168,602
	1,046,636	569,448
 <u>PROPERTY AND EQUIPMENT</u>		
Master plan - development cost	293,710	142,713
Furniture and equipment (net of accumulated depreciation of \$3,227 and \$2,328 at December 31, 1998 and 1997, respectively)	1,565	2,464
Land	4,100,000	4,100,000
	4,395,275	4,245,177
	\$ 5,441,911	\$ 4,814,625

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 16,990	\$ -
 <u>NET ASSETS</u>		
Unrestricted	5,424,921	4,814,625
	\$ 5,441,911	\$ 4,814,625

The accompanying notes are an integral part of these statements.



RESEARCH PARK CORPORATION
BATON ROUGE, LOUISIANA

STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 1998 AND 1997

	1998	1997
<u>REVENUES</u>		
Tax revenue	\$ 679,342	\$ 581,587
Interest	28,485	7,764
	707,827	589,351
 <u>EXPENSES</u>		
Advertising	1,517	1,231
Accounting fees	4,596	5,270
Administrative services	6,114	3,036
Telephone	990	815
Consulting fees	20,000	21,666
Depreciation	899	1,440
Dues	1,193	1,185
Legal expenses	51,139	80,760
Miscellaneous expenses	2,775	266
Office supplies	1,200	30
Postage	366	386
Printing	4,409	1,511
Travel	2,333	5,356
	97,531	122,952
 <u>CHANGE IN NET ASSETS</u>	610,296	466,399
Net assets - beginning of the year	4,814,625	4,348,226
Net assets - end of year	\$ 5,424,921	\$ 4,814,625

The accompanying notes are an integral part of these statements.



RESEARCH PARK CORPORATION
BATON ROUGE, LOUISIANA

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 1998 AND 1997

	<u>1998</u>	<u>1997</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 610,296	\$ 466,399
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	899	1,440
Changes in operating assets and liabilities:		
Taxes receivable	(19,412)	75,072
Accounts payable	16,990	(48,863)
Net cash provided by operating activities	<u>608,773</u>	<u>494,048</u>
 <u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Capital expenditures	<u>(150,997)</u>	<u>(142,713)</u>
Net cash used in investing activities	<u>(150,997)</u>	<u>(142,713)</u>
 NET INCREASE IN CASH	 457,776	 351,335
 CASH AT BEGINNING OF YEAR	 <u>400,846</u>	 <u>49,511</u>
 CASH AT END OF YEAR	 <u>\$ 858,622</u>	 <u>\$ 400,846</u>

The accompanying notes are an integral part of these statements.



RESEARCH PARK CORPORATION
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. Nature of Activities

The State of Louisiana transferred a tract of land (at the State's cost) to Research Park Corporation (the Corporation) (non-profit organization) to establish a research park. The purpose of the research park is to provide an area where various industries may set up their businesses while they are in the developmental stage. The park will be used to attract these businesses to Louisiana.

Two percent of the hotel-motel tax collections in East Baton Rouge Parish are dedicated to the East Baton Rouge Community Improvement Fund. Fifty percent of the monies collected by the Improvement Fund are allocated to Research Park Corporation.

2. Summary of Significant Accounting Policies

The financial statements of Research Park Corporation have been prepared on the accrual basis of accounting. The significant accounting policies followed are described to enhance the usefulness of the financial statements to the reader.

Property and Equipment

Property and equipment are stated at cost. Additions, renewals, and betterments that extend the life of these assets are capitalized. Maintenance and repair expenditures are expensed as incurred. Provisions for depreciation are computed using an accelerated method.

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gains or losses are recognized in the statement of activities for that period.

Planning costs incurred in connection with the construction of the research park are capitalized until the park is completed. These assets will not be depreciated until construction is complete.

Income Taxes

Research Park Corporation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code; therefore, no provision for income taxes is necessary.

Cash

For purposes of reporting cash flows, cash includes highly liquid investments with original maturities of three months or less.



RESEARCH PARK CORPORATION
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (continued)

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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Corporation does not have any temporarily restricted or permanently restricted net assets.

3. Contingency

The State of Louisiana had previously purchased and transferred a certain tract of land to Research Park Corporation for the purpose of constructing a research park. A lesion action has been filed against the State of Louisiana and the Corporation to rescind the sale of the land that was made on April 3, 1993. The plaintiff states that the land was sold for less than one half of the property's value and the sale is voidable. The Corporation intends to defend the matter vigorously; however, the ultimate outcome of this lawsuit, and any effects on the Corporation's operations and financial position cannot be determined at this time. The case is currently set for trial on August 4, 1999.

4. Credit Risk

At December 31, 1998, the Corporation had bank balances in excess of the federally insured amount by \$777,514. The Corporation believes the credit risk associated with this is minimal.

5. Net Assets

The net assets of the Corporation are by definition unrestricted, but are to be used in the development of a research park. The ultimate disposition of the assets, if the research park is not developed, will revert back to the State of Louisiana.



RESEARCH PARK CORPORATION
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

6. Related Party

The Corporation paid \$20,000 during 1998 and 1997, respectively, in consulting fees as compensation to the President of the Corporation.





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**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 Directors
Research Park Corporation
Baton Rouge, Louisiana

We have audited the financial statements of Research Park Corporation (a not-for-profit organization) as of and for the year ended December 31, 1998, and have issued our report thereon dated June 16, 1999. 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 a part of obtaining reasonable assurance about whether Research Park Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a material effect on the determination of the 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 Research Park Corporation'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. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Corporation's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.



Finding: The segregation of duties is inadequate to provide effective internal control.

Cause: This condition is due to the limited size of the accounting staff and available resources.

Recommendation: No action recommended.

Management's response: We concur with the finding.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We do not believe that the lack of segregation of duties described above is a material weakness.

This report is intended solely for the information and use of the finance committee, management of the Research Park Corporation, and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.

Postlethwaite & Nutterville

Baton Rouge, Louisiana
June 16, 1999

