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**Louisiana Arts and Science Center, Inc.
Baton Rouge, Louisiana
December 31, 1998**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, 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 JUL 22 1999

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



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WARREN C. BLR, C.P.A.
RETIRED
ROBERT J. ZERNOTT, C.P.A.
RETIRED
CARL L. HANCOCK, C.P.A.
RETIRED

February 3, 1999

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, 1998, and the related statements of activities and cash flows for the year 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 audit 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 audit provides a reasonable basis for our opinion.

Governmental Accounting Standards Board Technical Bulletin 98-1, "Disclosures about Year 2000 Issues", requires disclosure of certain matters regarding the year 2000 issue in order for financial statements to be prepared in conformity with generally accepted accounting principles. Such required disclosures include:

- any significant amount of resources committed to make computer systems and other electronic equipment year 2000-compliant;
- a general description of the year 2000 issue, including a description of the stages of work in process or completed as of the end of the reporting period to make computer systems and other electronic equipment critical to conducting operations year 2000-compliant; and

- the additional stages of work necessary for making the computer systems and other electronic equipment year 2000-compliant.

Louisiana Arts and Science Center, Inc. has omitted such disclosures. We do not provide assurance that Louisiana Arts and Science Center, Inc. is or will be year 2000 ready, that Louisiana Arts and Science Center, Inc.'s year 2000 remediation efforts will be successful in whole or in part, or that parties with which Louisiana Arts and Science Center, Inc. does business will be year 2000 ready.

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 paragraphs, 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, 1998, and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated February 3, 1999 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.
Statement of Financial Position
December 31, 1998

A s s e t s

Assets

Cash and equivalents	\$323,047
Investments	572,605
Accounts receivable	34,226
Inventory	9,195
Prepaid expenses	12,970
Contributed support receivable - Challenger	5,000
Furniture and equipment	323,133
Leasehold improvements	1,116,464
Museum collections	<u> </u>
<u>Total assets</u>	<u>2,396,640</u>

Liabilities and Net Assets

Liabilities

Accounts payable	\$27,440
Accrued payroll and other liabilities	<u>25,746</u>
<u>Total liabilities</u>	<u>53,186</u>

Net Assets

Unrestricted	
Designated by Board of Trustees	2,283,363
Undesignated	<u>60,091</u>
<u>Total net assets</u>	<u>2,343,454</u>
<u>Total liabilities and net assets</u>	<u>2,396,640</u>

The accompanying notes are an integral part of these statements.

Louisiana Arts and Science Center, Inc.
Statement of Activities
Year Ended December 31, 1998

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public Support Revenues and Reclassifications			
East Baton Rouge City-Parish Government			
Appropriations	\$624,080		\$624,080
Memberships	43,780		43,780
Contributions	188,431		188,431
Grants	84,868		84,868
Investment income	34,434		34,434
Other	234,024		234,024
Net assets released from restrictions			
Challenger	<u>40,797</u>	<u>(\$40,797)</u>	<u> </u>
<u>Total public support, revenues and reclassifications</u>	<u>1,250,414</u>	<u>(40,797)</u>	<u>1,209,617</u>
Expenses			
Programs - general museum	672,341		672,341
Program - Challenger	131,972		131,972
General and administrative	<u>192,518</u>		<u>192,518</u>
<u>Total expenses</u>	<u>996,831</u>	<u> </u>	<u>996,831</u>
Increase (Decrease) in Net Assets	253,583	(40,797)	212,786
Net Assets, beginning of year	<u>2,089,871</u>	<u>40,797</u>	<u>2,130,668</u>
Net Assets, end of year	<u><u>2,343,454</u></u>	<u><u> </u></u>	<u><u>2,343,454</u></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, 1998

Cash Flows From Operating Activities	
Increase in net assets	\$212,786
Adjustments to reconcile changes in net assets to net cash used by operating activities	
Unrealized gains (loss) from investments	(9,169)
Interest accretion on Treasury Notes	4,818
Changes in assets and liabilities	
(Increase) Decrease in receivables	(23,901)
Decrease (Increase) in inventory	(3,720)
Decrease (Increase) in prepaid expenses	2,129
Increase (Decrease) in accounts payable	1,701
(Decrease) Increase in accrued liabilities	<u>(4,558)</u>
<u>Net cash provided by operating activities</u>	<u>180,086</u>
Cash Flows From Investing Activities	
Purchase of equipment	(86,410)
Proceeds from investment sales and maturities	329,621
Purchase of investments	<u>(384,221)</u>
<u>Net cash used by investing activities</u>	<u>(141,010)</u>
Cash Flows From Financing Activities	
Change in contributions receivable restricted for Challenger	<u>32,000</u>
<u>Net cash provided by financing activities</u>	<u>32,000</u>
Net Increase in Cash and Equivalents	71,076
Cash and Equivalents, beginning of year	<u>251,971</u>
Cash and Equivalents, end of year	<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, 1998

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. Temporarily restricted net assets of the Center which arose from construction of the Challenger Learning Center were 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.

Louisiana Arts and Science Center, Inc.
Notes to Financial Statements
December 31, 1998

Note 1-Significant Accounting Policies and Presentations (Continued)

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 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.

Louisiana Arts and Science Center, Inc.
Notes to Financial Statements
December 31, 1998

Note 1-Significant Accounting Policies and Presentations (Continued)

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 \$5,000 is due during 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.S. Treasury securities, maturing in one - two years	\$379,512
Corporate debt security, maturing July, 1998	75,601
Mutual fund - debt securities	<u>117,492</u>
	<u>572,605</u>

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

Interest and dividend income	\$43,603
Unrealized gains (losses)	<u>(9,169)</u>
	<u>34,434</u>

Note 4-Contributions

Contributions recognized by the Center in 1998 are as follows:

Corporate	\$100,750
Private	1,150
Donation boxes	<u>386</u>

(Continued - amount carried forward) 102,286

Louisiana Arts and Science Center, Inc.
Notes to Financial Statements
December 31, 1998

Note 4-Contributions (Continued)

(Continued - amount brought forward)	\$102,286
Memorial	30
Capital Campaign - Challenger	57,850
Baton Rouge Area Foundation - Challenger Fund	26,787
Baton Rouge Area Foundation - A. Brent Memorial Fund	<u>1,478</u>
<u>Total</u>	<u>188,431</u>

Note 5-Grants

The Center received grants in 1998 from the following sources:

ASTC - YouthALIVE!	\$17,000
Arts Council of Greater Baton Rouge	7,781
Louisiana Division of the Arts	41,949
Louisiana Endowment for the Humanities	10,540
Junior League	<u>7,598</u>
	<u>84,868</u>

Note 6-Other Revenue

Other revenue for 1998 is detailed as follows:

Fund raising events (net of expenses of \$15,166)	<u>\$79,880</u>
Workshops and other programs	<u>10,291</u>
Admissions	
General	39,992
Schools	13,686
Challenger missions and schools	<u>71,080</u>
	<u>124,758</u>
Building use rental	<u>8,077</u>
(Continued - amount carried forward)	<u>223,006</u>

Louisiana Arts and Science Center, Inc.
Notes to Financial Statements
December 31, 1998

Note 6-Other Revenue (Continued)

(Continued - amount brought forward)	<u>\$223,006</u>
Museum shop	
Sales	28,109
Less cost of sales	<u>18,759</u>
	<u>9,350</u>
Concessions	
Sales	890
Less cost of sales	<u>855</u>
	<u>35</u>
Birthday party revenue	7,702
Birthday party expenses	<u>6,069</u>
	<u>1,633</u>
<u>Total</u>	<u>234,024</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 arts, crafts, ethnographic certifacts, 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 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.

Louisiana Arts and Science Center, Inc.
Notes to Financial Statements
December 31, 1998

Note 8-Contributions to Endowment Fund (Continued)

The funds are summarized as follows:

	<u>12-31-98</u> <u>Market Value</u>	<u>1998 Income</u> <u>Distributions</u>
Challenger Fund	\$591,680	\$26,786
Adalie Brent Memorial Fund	32,696	1,478

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</u> <u>and</u>	
	<u>General</u>	<u>Challenger</u>	<u>General</u>	<u>Total</u>
	<u>Museum</u>			
Salaries, wages and benefits	\$374,259	\$94,923	\$172,182	\$641,364
Insurance	19,621		2,396	22,017
Services and professional fees	46,509	10,000	14,967	71,476
Supplies and travel	83,744	36,333	7,637	127,714
Office and occupancy	120,827	1,410	10,308	132,545
Conservation	1,644			1,644
Contribution to endowment	<u>71</u>			<u>71</u>
	<u>646,675</u>	<u>142,666</u>	<u>207,490</u>	<u>996,831</u>

Note 10-Concentration of Credit Risk

At various times during 1998, 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.

Louisiana Arts and Science Center, Inc.
Notes to Financial Statements
December 31, 1998

Note 12- Commitments

During 1998, the Center began a major renovation of its Discovery Depot exhibit area. The total cost of the project approximates \$225,000 and is expected to be completed by mid-year 1999. The Center had incurred costs of \$65,654 through December 31, 1998.

Supplementary Information

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CARL L. HANCOCK, C.P.A.
RETIRED

February 3, 1999

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, 1998, which are presented in the preceding section of this report. The supplementary information on page 17 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 the year 2000 remediation disclosure and not providing for depreciation of fixed assets as explained in the third paragraph of our report on page 4, 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, 1998

	<u>Balance</u> <u>12-31-97</u>	<u>Additions</u>	<u>Deductions</u>	<u>Fund</u> <u>Transfers</u>	<u>Balance</u> <u>12-31-98</u>
Designated					
Museum collections	\$96,177			\$16,000	\$112,177
Planetarium	7,474		\$6,871		603
Train	117,455		16,639		100,816
Science Station	51,402	\$91,202	775	46,197	188,026
Museum shops	22,573	28,109	18,759		31,923
YouthALIVE!	2,825	17,000	17,567		2,258
Building maintenance	32,945		2,076	33,000	63,869
Challenger Learning Center	21,828	30,000		(5,994)	45,834
Discovery Depot	226,583			(55,653)	170,930
Technology				20,000	20,000
Marketing				10,000	10,000
Equipment and improvements	1,353,187			86,409	1,439,596
Museum development	<u>97,331</u>	<u>1,084,103</u>	<u>934,144</u>	<u>(149,959)</u>	<u>97,331</u>
	2,029,780	1,250,414	996,831		2,283,363
Undesignated	<u>60,091</u>	-----	-----	-----	<u>60,091</u>
<u>Totals</u>	<u>2,089,871</u>	<u>1,250,414</u>	<u>996,831</u>	=====	<u>2,343,454</u>

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February 3, 1999

**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 consolidated financial statements of the Louisiana Arts and Science Center, Inc. as of and for the year ended December 31, 1998, and have issued our report thereon dated February 3, 1999, which was qualified due to the omission of the year 2000 disclosures that are required by Governmental Accounting Standards Board Technical Bulletin 98-1, "Disclosures about Year 2000 Issues" and not providing for 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 & Canall, L.L.P.