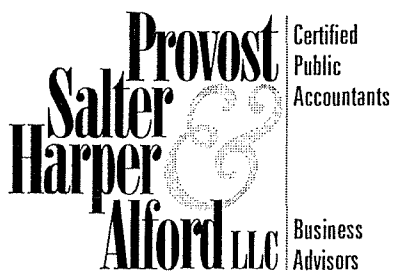


SHAW CENTER FOR THE ARTS, LLC

FINANCIAL REPORT

June 30, 2022



8550 United Plaza Boulevard, Suite 600, Baton Rouge, Louisiana 70809, Phone: (225) 924-1772 / Facsimile: (225) 927-9075

SHAW CENTER FOR THE ARTS, LLC

Table of Contents

June 30, 2022

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS	1
FINANCIAL STATEMENTS	
Statements of Financial Position	4
Statements of Activities	5
Statement of Functional Expenses for Year Ended June 30, 2022	6
Statement of Functional Expenses for Year Ended June 30, 2021	7
Statements of Cash Flows	8
Notes to Financial Statements	9
OTHER SUPPLEMENTARY INFORMATION	
Schedule of Compensation, Benefits and Other Payments to Agency Head	<i>Schedule I</i> 16
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 <i>GOVERNMENT AUDITING STANDARDS</i>	17
SCHEDULE OF FINDINGS AND RESPONSES	19
SCHEDULE OF PRIOR YEAR FINDINGS	21

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Shaw Center for the Arts, LLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Shaw Center for the Arts, LLC, (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Shaw Center for the Arts, LLC as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Shaw Center for the Arts, LLC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 these 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 Shaw Center for the Arts, LLC's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

Auditor's 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 auditor's 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 GAAS 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 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 GAAS, 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 Shaw Center for the Arts, LLC'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 Shaw Center for the Arts, LLC'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.

Supplementary Information

Our audits were 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 on Schedule I is presented 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 December 2, 2022 on our consideration of Shaw Center for the Arts, LLC'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 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 Shaw Center for the Arts, LLC's internal control over financial reporting and compliance.

Provost, Salter, Harper, & Alford LLC

A handwritten signature in blue ink that reads "Provost, Salter, Harper & Alford, LLC". The signature is written in a cursive style.

Baton Rouge, Louisiana
December 2, 2022

SHAW CENTER FOR THE ARTS, LLC

Statements of Financial Position**June 30, 2022 and 2021**

ASSETS	2022	2021
Current Assets		
Cash and cash equivalents	\$ 159,285	\$ 397,347
Receivables:		
Rental	246,488	280,246
Other	1,519	12,848
Prepaid insurance	17,356	8,967
Total current assets	424,648	699,408
Property and Equipment, net	24,731,408	25,713,831
Total Assets	<u>\$ 25,156,056</u>	<u>\$ 26,413,239</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 24,242	\$ 107,031
Accrued expenses and other current liabilities	15,169	7,701
Deferred revenue	335,165	410,704
Total current liabilities	374,576	525,436
Net Assets without donor restrictions, undesignated	24,781,480	25,887,803
Total Liabilities and Net Assets	<u>\$ 25,156,056</u>	<u>\$ 26,413,239</u>

SHAW CENTER FOR THE ARTS, LLC

Statements of Activities**Years Ended June 30, 2022 and 2021**

	2022	2021
Support		
Rental income	\$ 752,627	\$ 752,601
In-kind contributions	572,616	345,499
Grants	25,000	-
PPP Loan Forgiveness	-	45,017
Event income	493,334	406,322
Special events and other	1,932	1,799
Interest	89	18
Total Support	<u>1,845,598</u>	<u>1,551,256</u>
Expenses		
Program	1,493,039	1,327,811
General and administrative	1,458,882	1,309,745
Total Expenses	<u>2,951,921</u>	<u>2,637,556</u>
Change in Net Assets	(1,106,323)	(1,086,300)
Net assets without donor restrictions, undesignated		
Beginning of year	<u>25,887,803</u>	<u>26,974,103</u>
End of year	<u>\$ 24,781,480</u>	<u>\$ 25,887,803</u>

SHAW CENTER FOR THE ARTS, LLC

Statement of Functional Expenses**Year Ended June 30, 2022**

	Program Services	General and Administrative	Total
Advertising	\$ 4,434	\$ -	\$ 4,434
Depreciation	498,651	609,462	1,108,113
Events	295,849	-	295,849
Insurance	9,265	11,080	20,345
Miscellaneous	4,068	3,969	8,037
Occupancy	498,811	606,358	1,105,169
Personnel	142,061	177,486	319,548
Professional	21,713	28,298	50,010
Repair and maintenance	15,418	18,844	34,262
Supplies	2,770	3,385	6,155
Total Expenses	\$ 1,493,039	\$ 1,458,882	\$ 2,951,921

SHAW CENTER FOR THE ARTS, LLC

Statement of Functional Expenses**Year Ended June 30, 2021**

	Program Services	General and Administrative	Total
Advertising	\$ 1,500	\$ -	\$ 1,500
Depreciation	494,047	603,835	1,097,881
Events	256,257	-	256,257
Insurance	8,835	10,798	19,633
Miscellaneous	3,373	2,391	5,764
Occupancy	397,028	481,956	878,985
Personnel	127,319	161,219	288,538
Professional	21,411	27,495	48,906
Repair and maintenance	15,679	19,164	34,843
Supplies	2,361	2,886	5,248
Total Expenses	\$ 1,327,811	\$ 1,309,745	\$ 2,637,556

SHAW CENTER FOR THE ARTS, LLC

Statements of Cash Flows**Years Ended June 30, 2022 and 2021**

	2022	2021
Cash Flows From Operating Activities		
Change in net assets	\$ (1,106,323)	\$ (1,086,300)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	1,108,113	1,097,881
(Increase) decrease in:		
Accounts receivable	45,087	(68,011)
Prepaid insurance	(8,389)	(367)
Increase (decrease) in:		
Accounts payable and accrued expenses	(75,321)	14,946
Deferred revenue	(75,539)	91,750
Net Cash Provided By (Used In) Operating Activities	<u>(112,372)</u>	<u>49,899</u>
Cash Flows From Investing Activities		
Purchase of equipment	<u>(125,690)</u>	<u>(83,123)</u>
Net Cash Provided By (Used In) Investing Activities	<u>(125,690)</u>	<u>(83,123)</u>
Net Increase (Decrease) In Cash And Cash Equivalents	(238,062)	(33,224)
Cash And Cash Equivalents		
Beginning	<u>397,347</u>	<u>430,571</u>
Ending	<u>\$ 159,285</u>	<u>\$ 397,347</u>

SHAW CENTER FOR THE ARTS, LLC

Notes to Financial Statements

June 30, 2022

1. Nature of Organization and Significant Accounting Policies

Nature of Organization. The Shaw Center for the Arts, LLC (Shaw Center), a Louisiana limited liability company, is a not-for-profit organization that was formed to revitalize downtown Baton Rouge with a performing arts theater, arts and cultural center, a museum of art, and space for residential and commercial purposes. The project was made possible through a combination of public and private contributions.

The Shaw Center has two organizational members, which are the Douglas Manship Sr. Theater Complex, LLC and LSU Museum, LLC, each owning a 50%-member interest. The Douglas Manship Sr. Theater Complex, LLC is owned by the Baton Rouge Area Foundation, a not-for-profit organization. Additionally, the LSU Museum, LLC is owned by the LSU Property Foundation, LLC, a not-for-profit organization that is an affiliate of the LSU Foundation. These financial statements do not include any financial activity of the two members.

The State of Louisiana, LSU Foundation, the Baton Rouge Area Foundation and the City of Baton Rouge/Parish of East Baton Rouge have provided significant funding for the Shaw Center facility.

A summary of the Shaw Center's significant accounting policies follows:

Basis of Accounting. The Shaw Center maintains its records and reports its income using the accrual method of accounting and prepares its financial statements in accordance with accounting principles generally accepted in the United States of America. The significant accounting policies are described below to enhance the usefulness of the financial statements.

The Shaw Center reports information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. The Shaw Center does not have net assets with donor restrictions. The statement of activities presents expenses of the Shaw Center's operations functionally as program, fundraising/special events, and general and administrative.

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, 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. Estimates are used primarily when accounting for depreciation.

SHAW CENTER FOR THE ARTS, LLC

Notes to Financial Statements, Continued

June 30, 2022

Cash and Cash Equivalents. For purposes of the statement of cash flows, cash and cash equivalents includes cash on hand, demand deposits with banks, and all highly liquid investments with an initial maturity of three months or less.

Accounts Receivable. Management believes that all receivables are collectible at June 30, 2022 and 2021; therefore, no allowance for doubtful accounts was recorded. The Shaw Center does not require collateral for its receivables. Accounts over 90 days past due at June 30, 2022 and 2021 totaled \$105,567 and \$48,900 respectively.

Fixed Assets and Depreciation. Purchased or constructed fixed assets are recorded at cost. Fixed assets are depreciated over their estimated useful lives at the time the asset is placed in service using the straight-line method.

For financial statement presentation, the Shaw Center provides for depreciation using the straight-line method of depreciation over the following estimated useful lives:

	Years
Buildings	40
Building improvements	40
Equipment and software	3-5
Signage	15

Functional Expenses. The Shaw Center's operating costs have been allocated between program and management and general expenses based on direct identification when possible, and allocation if a single expenditure benefits more than one program or function. Expenditures that require allocation are allocated based utilization by personnel.

Net Assets. The Shaw Center's initial source of funding consisted of contributions dedicated to the construction of the Arts Block project. The Shaw Center recognized these contributions as net assets with donor restrictions. Net assets with donor restrictions are those whose use has been limited by donors to a specific time period or purpose. As the amounts were expended for their intended purpose, such support was reclassified to net assets without donor restrictions. All net assets with donor restrictions have been spent for their intended purposes. The Shaw Center does not have any net assets with donor restrictions at June 30, 2022 and 2021. Amounts that are not spent from restricted funding sources have been classified as net assets without donor restrictions.

Revenue Recognition and Deferred Revenues. The Shaw Center receives the majority of its income through rental income, contributions and sponsorships that are recognized when received. All contributions and sponsorships are considered to be available for unrestricted use unless specifically restricted by the donor. Restricted contributions or sponsorships whose restrictions are met during the same reporting period are recognized as unrestricted revenue.

SHAW CENTER FOR THE ARTS, LLC

Notes to Financial Statements, Continued

June 30, 2022

Additionally, the Shaw Center receives income from the rental of space for scheduled events. These rental payments are often received in advance of the event date. Such amounts are recorded as event income when the related services are performed, or obligations are satisfied. Deferred revenue consists of accounts receivable and payments recorded in advance of the event date.

Concentration of Credit. Financial instruments which subject the Shaw Center to concentrations of credit risk consist primarily of receivables. Concentrations of credit risk for receivables are generally diversified due to the large number of entities and individuals that compose the Shaw Center's rental clients. Management believes the risk is limited.

The Shaw Center maintains its cash in bank deposit accounts at high credit quality financial institutions insured by the Federal Deposit Insurance Corporation. The bank deposits at times may exceed federally insured limits. At year end, there were no bank deposit accounts that exceeded the insured limit.

In-kind Contributions. The value of in-kind contributions to the Shaw Center are recognized at the fair market value of benefit received, unless immaterial. See Note 3 for further details on in-kind contributions received.

Contribution of services are recognized in the financial statements if the service enhances or creates non-financial assets or requires specialized skills, are provided by individuals possessing these skills, and would typically be purchased if not provided by donation. The value of any donated time is not reflected in these statements since such services do not meet the definition as previously described.

Vacation and Sick Leave. Employees of the Shaw Center receive up to 20 days of vacation and 10 days of sick leave annually. Unused days lapse and are not paid upon employee's termination or retirement. As a result, the leave is recognized as an expense when taken. Accordingly, amounts related to such absences have not been accrued.

Advertising. The Shaw Center expenses advertising costs as incurred. Advertising expenses of \$4,434 and \$1,500 were incurred for the years ended June 30, 2022 and 2021, respectively.

Income Taxes. The Shaw Center is a non-profit organization and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Reclassifications. Certain amounts in the financial statements have been reclassified to conform to current year financial statement presentation.

SHAW CENTER FOR THE ARTS, LLC

Notes to Financial Statements, Continued

June 30, 2022

Accounting Pronouncements Adopted in the Current Year. In September 2020, the Financial Accounting Standards Board (“FASB”) issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958), which is effective for fiscal years beginning after June 15, 2021, with early adoption permitted, and is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, along with expanded disclosure requirements. The Shaw Center adopted and implemented this pronouncement on July 1, 2021 using the prospective method of application. The adoption of ASU 2020-07 resulted in no material changes to the recognition of collections.

Recent Accounting Pronouncements Issued Not Yet Effective. In February 2016, the FASB issued the Accounting Standards Update (“ASU”) 2016-02, *Leases* (Topic 842), which requires the recognition of a “right to use” asset and a lease liability, initially measured at the present value of the lease payments, on all of the Shaw Center’s lease obligations. This ASU is effective for fiscal years beginning after December 15, 2021.

Subsequent Events. In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through December 2, 2022, the date the financial statements were available to be issued.

2. Fixed Assets

	2022	2021
Buildings	\$ 42,133,600	\$ 42,133,600
Building improvements	1,062,122	993,812
Equipment and software	295,799	239,919
Signage	40,122	40,122
License	3,699	2,199
	<u>43,535,342</u>	<u>43,409,652</u>
Accumulated depreciation	<u>(18,803,934)</u>	<u>(17,695,821)</u>
Fixed assets, net	<u>\$ 24,731,408</u>	<u>\$ 25,713,831</u>

The State of Louisiana owns the land on which the facility is located. See Note 5. Depreciation expense was \$1,108,113 and \$1,097,881 for the years ended June 30, 2022 and 2021, respectively.

SHAW CENTER FOR THE ARTS, LLC

Notes to Financial Statements, Continued

June 30, 2022

3. In-Kind Contributions

	2022	2021	Utilization in Programs/Activities
Utilities	\$ 572,616	\$ 345,499	All programs and supporting services

The State of Louisiana, through the cooperative endeavor agreement, has agreed to provide repair and maintenance, and utility services for the Shaw Center, as well as the related chilled water system. However, any property leased to commercial tenants is excluded from the State's commitment. Finally, this commitment is subject to annual appropriation by the Legislature of the State of Louisiana. In the event that funds are not authorized, the Shaw Center will be responsible for such expenses.

4. Retirement Plan

The Shaw Center offers retirement benefits to eligible employees electing to establish a 401(k)-retirement account and includes a contribution of 4% of eligible compensation. Participants are fully vested in contributions made to their retirement account. During the years ended June 30, 2022 and 2021, the Shaw Center contributed \$13,688 and \$12,701, respectively, for participants.

5. Operating Leases

The land on which the facilities are located is owned by the State of Louisiana and is leased to the Shaw Center through Louisiana State University (LSU) for a ninety-nine-year term beginning November 15, 2002. There are no scheduled payments associated with this lease as the financial contributions made to build the Shaw Center project have been accepted as the consideration.

The Shaw Center has a leasing arrangement with its members, Douglas Manship Sr. Theater Complex, LLC (which is subleased to and paid by Douglas Manship Sr. Theater Complex Holding, Inc.) and LSU Museum, LLC, for occupying certain areas of the arts building. The leases have a ninety-nine-year term. The two members are obligated to pay a pro-rata share of the operating expenses of the Shaw Center and on-going support from these organizations is essential to sustain the operations of the Shaw Center. During 2022 and 2021, the Shaw Center received rent of \$722,920 each year from these two organizations.

The Shaw Center also has a leasing arrangement with The Downtown Redevelopment, LLC to sub-lease certain areas for retail, commercial, and residential use. The Downtown Redevelopment, LLC, an affiliate of the Baton Rouge Area Foundation, is required to build

SHAW CENTER FOR THE ARTS, LLC

Notes to Financial Statements, Continued

June 30, 2022

facilities to meet the needs of sub-leased tenants. During each of the years ended June 30, 2022 and 2021, the Shaw Center received \$29,549 from this lease arrangement as rental income.

The Shaw Center has an operating lease for office equipment for \$1,247, plus applicable taxes, a month for 60 months, expiring on January 22, 2024.

Future payments under the non-cancelable operating lease are as follows:

<u>Year Ending June 30,</u>	
2023	\$ 14,964
2024	1,247
	<u>\$ 16,211</u>

6. PPP Loan

In February 2021, The Shaw Center received a second small business loan through the Paycheck Protection Program in the amount of \$45,017. The loan was forgiven on November 23, 2021. Based on guidance from FASB ASC 958-605, the Shaw Center recognized the amount as a conditional contribution, and since the conditions were met, recognized the income for the year ended June 30, 2021.

7. Income Taxes

The Shaw Center follows FASB ASC 740-10-25, *Accounting for Uncertainty in Income Taxes*. The Shaw Center would recognize accrued interest and penalties associated with uncertain tax provisions, if any, as part of the income tax provision. The Shaw Center continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

The Shaw Center's evaluation on June 30, 2022 and 2021 revealed no uncertain tax positions that would have a material impact on the financial statements. The Shaw Center's federal information return is subject to possible examination by the taxing authorities until the expiration of the related statute of limitations on the information return. In general, the federal information return has a three-year statute of limitations.

SHAW CENTER FOR THE ARTS, LLC

Notes to Financial Statements, Continued

June 30, 2022

8. Liquidity and Availability of Financial Assets

The Shaw Center has the following financial assets available within one year of the statement of net position date for general expenditures:

	2022	2021
Cash	\$ 159,285	\$ 397,347
Accounts Receivable	248,007	293,094
	<u>\$ 407,292</u>	<u>\$ 690,441</u>

SHAW CENTER FOR THE ARTS, LLC

*Schedule of Compensation, Benefits and Other Payments to
Agency Head*

Year Ended June 30, 2022

The Shaw Center for the Arts, LLC does not have any personnel that meet the definition of Agency Head, therefore no compensation, benefits or other payments are reported.

**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
Shaw Center for the Arts, LLC
Baton Rouge, Louisiana

We have audited 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, the financial statements of Shaw Center for the Arts, LLC, (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated December 2, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Shaw Center for the Arts, LLC's internal control over financial reporting (internal control) as a basis for designing 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 Shaw Center for the Arts, LLC's internal control. Accordingly, we do not express an opinion on the effectiveness of Shaw Center for the Arts, LLC'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 and therefore,

material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We did identify certain deficiencies in internal controls, described in the accompanying schedule of findings and responses as items 2022-001 and 2022-002 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Shaw Center for the Arts, LLC'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*.

Shaw Center for the Arts, LLC's Response to Findings

Shaw Center for the Arts, LLC's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. Shaw Center for the Arts, LLC's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 result of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Provost, Salter, Harper, & Alford LLC



Baton Rouge, Louisiana
December 2, 2022

SHAW CENTER FOR THE ARTS, LLC

Schedule of Findings and Responses

June 30, 2022

Section I- Internal Control Findings

Item 2022-001 Internal Controls over cash disbursement transactions.

Criteria: An effective internal accounting control system that safeguards assets and reasonably insures the reliability of the accounting records.

Condition: We noted that there is a lack of segregation of duties with respect to cash transactions. The same person has the ability to authorize transactions, record transactions, and has custody of assets involved in the transaction. These duties allow the same person to have access to both the assets and the recordkeeping, which increases the risk for misappropriation of assets.

Cause: Due to the small size of the organization, a proper segregation of duties is not possible with respect to cash transactions.

Effect: The lack of segregation of duties increases the risk for misappropriation of assets.

Recommendation: Although adequate segregation of duties is not feasible with current personnel, we recommend that the Organization continue to implement, when possible, mitigating procedures to address and minimize the risk of misappropriation of assets.

Management's response: Management continues to assess its risk and where feasible has implemented some mitigating controls, such as authorization of disbursements by individuals not associated with the financial reporting process, monthly review of the financial statements by the Treasurer, and the Board of Directors performs a quarterly review of the financial statements, current bank statements and bank reconciliations, a cash disbursements report for the current month, the current schedule of deferred revenues, and a budget vs. actual analysis.

Item 2022-002 Financial statements are required to be prepared in accordance with generally accepted accounting principles.

Criteria: Management is responsible for the preparation of financial statements in accordance with generally accepted accounting principles.

Condition: The Shaw Center of the Arts, LLC does not have controls in place to prepare financial statements in accordance with generally accounting principles.

Cause: Management has concluded that it is not cost effective to implement controls that would allow them to prepare financial statements in accordance with generally accepted accounting principles.

SHAW CENTER FOR THE ARTS, LLC

Schedule of Findings and Responses, Continued

June 30, 2022

Effect: Material misstatements in the financial statements could go undetected.

Recommendation: Management should continue to evaluate the cost and related benefit of implementing controls to prepare financial statements in accordance with generally accepted accounting principles.

Management's response: The size of the office's accounting and administrative staff and budget does not warrant implementing controls. The Board of Directors believe that the staff is fully competent to perform their assigned duties and has determined it is most cost effective to request that the auditor assist with preparing the financial statements to be presented in accordance with generally accepted accounting principles. We will continue to monitor this issue on an annual basis.

SHAW CENTER FOR THE ARTS, LLC

Schedule of Prior Year Findings

June 30, 2022

<u>RefNo.</u>	<u>Fiscal Year Finding Initially Occurred</u>	<u>Description of Finding</u>	<u>Status of the Finding</u>	<u>Current Year Finding Ref No.</u>
2021-001	2014	Internal Controls over cash transactions and financial oversight	Unresolved	2022-001
2021-002	2014	Financial statements are required to be prepared in accordance with generally accepted accounting principals	Unresolved	2022-002
2021-003	2021	Internal controls over accounts receivable transactions	Resolved	