

**NEW ORLEANS BIOINNOVATION CENTER, INC.  
AND SUBSIDIARY**

**CONSOLIDATED FINANCIAL STATEMENTS**

**June 30, 2022**

**NEW ORLEANS BIOINNOVATION CENTER, INC.  
AND SUBSIDIARY**

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## **INDEPENDENT AUDITORS' REPORT**

Board of Directors of  
New Orleans BioInnovation Center, Inc. and Subsidiary  
New Orleans, Louisiana

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the accompanying consolidated financial statements of New Orleans BioInnovation Center, Inc. and Subsidiary (the Corporation), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of June 30, 2022, and the respective changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

We conducted our audit 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation, and to meet our 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 the consolidated 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 consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for twelve months beyond the consolidated financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. 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 generally accepted auditing standards and *Government Auditing Standards* 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 generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 the Corporation'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation'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 audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of compensation, benefits, and other payments to agency head on page 19 is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 21, 2022 on our consideration of the Corporation'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 the Corporation's 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 the Corporation's internal control over financial reporting and compliance.

*Carr, Riggs & Ingram, L.L.C.*

Metairie, Louisiana  
December 21, 2022

**NEW ORLEANS BIOINNOVATION CENTER, INC. AND SUBSIDIARY**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS OF JUNE 30, 2022**

|  | <u>2022</u>                 |
|--|-----------------------------|
| <b>ASSETS</b>                            |                             |
| Cash and cash equivalents                | \$ 1,486,558                |
| Accounts and other receivables—net       | 365,570                     |
| Investments                              | -                           |
| Prepaid expenses and other assets        | 171,241                     |
| Property, plant, and equipment—net       | <u>34,151,472</u>           |
| <b>TOTAL ASSETS</b>                      | <u><u>\$ 36,174,841</u></u> |
| <b>LIABILITIES AND NET ASSETS</b>        |                             |
| <b>LIABILITIES:</b>                      |                             |
| Accounts payable and accrued liabilities | \$ 244,738                  |
| Rental deposits                          | 41,634                      |
| Deferred revenue                         | <u>353,428</u>              |
| Total liabilities                        | <u>639,800</u>              |
| <b>NET ASSETS:</b>                       |                             |
| Without donor restrictions               | 1,500,955                   |
| With donor restrictions                  | <u>34,034,086</u>           |
| Total net assets                         | <u>35,535,041</u>           |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>  | <u><u>\$ 36,174,841</u></u> |

The accompanying notes are an integral part of the consolidated financial statements.

**NEW ORLEANS BIOINNOVATION CENTER, INC. AND SUBSIDIARY**

**CONSOLIDATED STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2022**

|   | <b>Without Donor<br/>Restrictions</b> | <b>With Donor<br/>Restrictions</b> | <b>Total<br/>2022</b> |
|---|---------------------------------------|------------------------------------|-----------------------|
| <b>REVENUES:</b>  |                                       |                                    |                       |
| Government grants and contracts   | \$ 743,174                            | \$ -                               | \$ 743,174            |
| Public support  | 10,111                                | -                                  | 10,111                |
| Contributed services  | 67,557                                | -                                  | 67,557                |
| Rental income   | 1,507,487                             | -                                  | 1,507,487             |
| Other   | 324,139                               | -                                  | 324,139               |
| Net assets released from restrictions   | 1,131,185                             | (1,131,185)                        | -                     |
| <b>Total revenues</b>   | <b>3,783,653</b>                      | <b>(1,131,185)</b>                 | <b>2,652,468</b>      |
| <b>EXPENSES:</b>  |                                       |                                    |                       |
| Salaries and related expenses   | 595,789                               | -                                  | 595,789               |
| Contract outside services   | 213,376                               | -                                  | 213,376               |
| Professional services   | 219,572                               | -                                  | 219,572               |
| Supplies  | 59,402                                | -                                  | 59,402                |
| Telecommunications  | 41,797                                | -                                  | 41,797                |
| Postage and shipping  | 211                                   | -                                  | 211                   |
| Printing and copying  | 7,635                                 | -                                  | 7,635                 |
| Books, subscriptions, reference   | 2,099                                 | -                                  | 2,099                 |
| Rent  | 9,600                                 | -                                  | 9,600                 |
| Utilities   | 295,141                               | -                                  | 295,141               |
| Equipment rental and maintenance  | 153,864                               | -                                  | 153,864               |
| Travel and meeting expenses   | 46,684                                | -                                  | 46,684                |
| Insurance   | 130,855                               | -                                  | 130,855               |
| Membership dues   | 8,059                                 | -                                  | 8,059                 |
| Outside computer services   | 33,389                                | -                                  | 33,389                |
| Marketing expense   | 54,831                                | -                                  | 54,831                |
| Contributed services expense  | 67,557                                | -                                  | 67,557                |
| Loss on investments   | 83,180                                | -                                  | 83,180                |
| Bad debts   | 51,032                                | -                                  | 51,032                |
| Other costs   | 170,728                               | -                                  | 170,728               |
| <b>Total expenses</b>   | <b>2,244,801</b>                      | <b>-</b>                           | <b>2,244,801</b>      |
| Change in net assets from operating activities before depreciation and amortization | 1,538,852                             | (1,131,185)                        | 407,667               |
| Depreciation and amortization   | 1,152,459                             | -                                  | 1,152,459             |
| <b>CHANGE IN NET ASSETS</b>   | <b>386,393</b>                        | <b>(1,131,185)</b>                 | <b>(744,792)</b>      |
| <b>BEGINNING NET ASSETS</b>   | <b>1,114,562</b>                      | <b>35,165,271</b>                  | <b>36,279,833</b>     |
| <b>ENDING NET ASSETS</b>  | <b>\$1,500,955</b>                    | <b>\$ 34,034,086</b>               | <b>\$ 35,535,041</b>  |

The accompanying notes are an integral part of the consolidated financial statements.

**NEW ORLEANS BIOINNOVATION CENTER, INC. AND SUBSIDIARY**

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2022**

|   | <b>2022</b>         |
|---|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>  |                     |
| Change in net assets  | \$ (744,792)        |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: |                     |
| Depreciation and amortization   | 1,152,459           |
| Provision for bad debts   | 51,032              |
| Loss on investments   | 83,180              |
| Changes in operating assets and liabilities:  |                     |
| Decrease in accounts and other receivables  | 210,537             |
| Increase in prepaid expenses and other assets   | (13,100)            |
| Increase in accounts payable  | 83,822              |
| Decrease in refundable advance- Payroll Protection Program  | (118,832)           |
| Decrease in deferred revenue and rental deposits  | (48,394)            |
| Net cash provided by operating activities   | <b>655,912</b>      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>  |                     |
| Purchase of investments   | (83,180)            |
| Proceeds from collections of notes receivable   | 65,822              |
| Purchase of property, plant and equipment   | (108,463)           |
| Net cash used in investing activities   | <b>(125,821)</b>    |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>  | <b>530,091</b>      |
| <b>CASH AND CASH EQUIVALENTS—Beginning of year</b>  | <b>956,467</b>      |
| <b>CASH AND CASH EQUIVALENTS—End of year</b>  | <b>\$ 1,486,558</b> |



**NEW ORLEANS BIOINNOVATION CENTER, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE A - SUMMARY OF ACCOUNTING POLICIES**

A summary of the significant accounting policies consistently applied in the preparation of the accompanying consolidated financial statements follows.

**1. Principles of Consolidation**

The consolidated financial statements include the accounts of New Orleans BioInnovation Center, Inc. (NOBIC) and its wholly owned subsidiary, New Orleans BioFunding, L.L.C., (NOBF), a for-profit corporation. All inter-company accounts and transactions have been eliminated. At June 30, 2022, an intercompany payable of \$675,700 was due from NOBIC to NOBF.

**2. Nature of Activities**

The New Orleans BioInnovation Center, Inc. and Subsidiary (the "Corporation") is a business incubator, with the primary purpose of creating and supporting jobs, primarily in the bioscience and environmental science areas. This mission is supported by a leasing office and wet-lab space and providing free or low-cost business services to local life science start-up companies. The Corporation also periodically holds public business coaching seminars/workshops provided by members of the business community. In addition, the Corporation supplies capital to emerging companies in the Greater New Orleans area in the form of loans and equity investments. The Corporation's activities are intended to foster economic development through the creation of new jobs, diversification of the local economy, and revitalization of an economically depressed area of the City of New Orleans. The Corporation is located in its 66,000 square foot facility located at 1441 Canal Street in downtown New Orleans.

The Corporation may also develop and manage other properties within the bio-medical corridor.

The Corporation is a private, non-profit entity. The Corporation is organized and shall be operated for the principal purpose of supporting one or more programs, facilities or research or educational opportunities offered by Louisiana State University Health Sciences Center, Tulane University Health Sciences Center, Xavier University, the University of New Orleans, and the community at large.

The New Orleans BioInnovation Center, Inc. is organized and constituted as a nonprofit corporation exempt from income taxation under and in accordance with the provisions of Section 501 (c)(3) of the Internal Revenue Code and the Nonprofit Corporation Law of the State of Louisiana, La.Rev.Stat. 12:201-269.

**NEW ORLEANS BIOINNOVATION CENTER, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued**

**3. Financial Statement Presentation**

As prescribed by Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements of Not-for-Profit Entities (Topic 958), the corporation classifies its net assets into two categories: net assets without donor restrictions and net assets with donor restrictions.

The Corporation's two net asset categories are described below.

Net assets without donor restrictions include the following:

- Net assets without donor restrictions include funds not subject to donor-imposed stipulation or other restrictions and the net revenues received and expenses incurred in conducting its missions.
- Revenue received with donor-imposed restrictions that are met in the same year in which the revenue is received is classified as net assets without donor restrictions.

Net assets with donor restrictions include the following:

- Net assets with donor restrictions include funds for which donor-imposed restrictions have not been met, and as of June 30, 2022, consist of the original cost of the building and equipment, reduced by amortization over the depreciable life of the building.

**4. Revenue Recognition**

**Government Grants and Contracts** - Grants are recognized when NOBIC has reasonable assurance that (1) it has complied with the relevant conditions of the grant in the applicable reporting period, and (2) the grant funds will be received.

**Public Support** - NOBIC recognizes all contributed support as income in the period received. Contributed support is reported as without donor restriction or with donor restriction 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, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the consolidated statement of activities as "net assets released from restrictions."

**Leases** - As a lessor, NOBIC has retained substantially all of the risks and benefits of ownership of properties held for lease and accounts for the leases as operating leases. Income on leases, which includes scheduled increases in rental rates during the lease term and/or abated rent payments for various periods following the tenant's lease commencement date, is recognized on the straight-line method over the life of the lease. Lease payments received in advance are recorded as deferred revenue.

**Contribution Revenue - Donated Services** - Donated services that meet the criteria for recognition as contributions consisting of contributed services that enhance nonfinancial assets or require specialized skill as support are recorded at their fair value. Fair value is estimated based on fees or hourly rates charged for similar services under similar conditions.

**5. Cash and Cash Equivalents**

For the purpose of the consolidated statement of cash flows, the Corporation considers all investments with original maturities of three months or less to be cash equivalents.

**NEW ORLEANS BIOINNOVATION CENTER, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE A - SUMMARY OF ACCOUNTING POLICIES – Continued**

**6. Accounts and Other Receivables - net**

The Corporation carries an allowance for doubtful accounts of \$20,000 which management considers adequate. Management regularly assesses the adequacy of the allowance for doubtful accounts by evaluating the collectability of aging receivables, the past history of the tenant and other factors.

**7. Investments**

Investments are presented in accordance with requirements established by the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) as set forth in the FASB ASC 958-320, Investments-Debt and Equity Securities. Under FASB ASC 958-320, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Dividends, interest and other investment income is recorded as increases in unrestricted net assets unless the use is restricted by the donor. Donated investments are recorded at fair value at the date of receipt.

**8. Property, Plant and Equipment- net**

The Corporation capitalizes at cost, all property, plant and equipment in excess of \$5,000. Lesser amounts are expensed as incurred. Depreciation is provided for in amounts sufficient to relate the costs of depreciable assets to operations over their estimated service lives or leasehold life, whichever is shorter, based on the straight-line method. A summary of the estimated useful lives assigned adopted by the Corporation are as follows:

|           | Estimated Useful Life |
|-----------|-----------------------|
| Buildings | 40 years              |
| Equipment | 10 years              |

The Corporation reviews long-lived assets for impairments whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If the future undiscounted cash flows expected to result from the use of the asset and its eventual disposition are less than the carrying amount of the asset, an impairment loss is recognized. At June 30, 2022, management believes no such impairment has occurred.

**9. Fair Values of Financial Instruments**

Generally accepted accounting principles require disclosure of fair value information about financial instruments for which it is practicable to estimate fair value, whether or not recognized in the consolidated statement of financial position. Cash and cash equivalents carrying amounts reported in the consolidated statement of financial position approximate fair values because of the short maturities of those instruments.

**NEW ORLEANS BIOINNOVATION CENTER, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE A - SUMMARY OF ACCOUNTING POLICIES – Continued**

ASC 820-10 adopts a hierarchy approach for ranking the quality and reliability of the information used to determine fair values in one of three categories to increase consistency and comparability in fair value measurements and disclosures. ASC 820 exempts assets measured using the Net Asset Value (NAV) expedient from this hierarchy. ASC 820 establishes a common definition for fair value to be applied in accordance with U.S. GAAP, which requires the use of fair value measurements, establishes a framework for measuring fair value and expands disclosure about such fair value measurements. ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Additionally, ASC 820 requires the use of valuation techniques that maximize the use of observable inputs and minimize the - 15 - use of unobservable inputs. For all other assets measured at fair value, the highest priority (Tier 1) is given to quoted prices in active markets for identical assets. Tier 2 assets are valued based on inputs other than quoted prices that are “observable.” For example, quoted prices for similar securities or quoted prices in inactive markets would both be observable. In Tier 3, the inputs used for valuation are not observable or transparent and assumptions have to be made about how market participants would price the underlying assets. Investments are classified based on the lowest level of input that is significant to the fair value measurement. The Corporation has Tier 3 assets. The Corporation analyzes all financial instruments with features of both liabilities and equity under the FASB accounting standard for such instruments. Under this standard, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. See additional fair value information in Note D.

**10. Refundable Advance – Paycheck Protection Program**

The Corporation received \$118,832 in forgivable loans from the Small Business Administration Payroll Protection Program in fiscal year 2020. The Corporation was granted loan forgiveness for the entire amount of the loans and all accrued interest on July 14, 2021. Accrued interest upon forgiveness receipt totaled \$1,479. The Corporation is accounting for the forgiveness of the loans as a gain on extinguishment of debt at June 30, 2022 following the guidance under FASB ASC 470.

**11. Advertising Costs**

The Corporation expenses advertising costs as incurred. Marketing expense was \$54,831 for the year ended June 30, 2022.

**12. Subsequent Events**

Management has evaluated subsequent events through the date that the consolidated financial statements were available to be issued, December 31, 2022, as follows:

Louisiana State University (LSU) owns the land located at 1441 Canal Street, New Orleans. NOBIC entered into a lease agreement with LSU on December 13, 2002 for a primary term of 20 years and options to renew the lease for two 10-year periods. On September 14, 2022, NOBIC exercised the first 10-year period renewal option under the lease. As of December 31, 2022, the annual rent for the renewal period is pending review by LSU. See additional lease information in Note G.

**NEW ORLEANS BIOINNOVATION CENTER, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE A - SUMMARY OF ACCOUNTING POLICIES – Continued**

On October 13, 2022, the Louisiana Economic Development Corporation (LEDC) Board of Directors approved the New Orleans BioFund (NOBF) for participation in the Louisiana Seed Capital Program (LSCP) with State Small Business Credit Initiative (SSBCI), in an amount not to exceed \$5 million. The investment funds shall be subject to the rules, regulations, and guidelines of the SSBCI created under The American Rescue Plan Act of 2021 administered by U.S. Treasury and by LEDC.

**13. Recently Issued Accounting Standards**

In February 2016, the FASB issued ASU No, 2016-02, *Leases*. This accounting standard requires leases to recognize assets and liabilities related to lease arrangements longer than 12 months on the financial position as well as additional disclosures. For nonpublic entities, the standard is effective for fiscal years beginning after December 15, 2021. The Corporation is currently evaluating the impact of the guidance on its consolidated financial statements.

**NOTE B – MANAGED SERVICES AGREEMENT**

Effective March 1, 2020, NOBIC entered into a Managed Services Agreement with Tulane University (Tulane) to provide support through the use of its employees or independent contractors which includes the following areas at no cost to NOBIC: a) building operations and maintenance, b) property management and leasing, c) financial, accounting and bookkeeping services and d) other areas. The initial term of the agreement is for five years with five successive five-year automatic renewal periods, unless terminated in writing by either party in accordance with the provisions, as defined.

Contributed service revenue recorded for the year ended June 30, 2022 for this agreement was \$67,557 in the consolidated statement of activities. Additionally, Tulane rented laboratory and office space in the amount of \$626,956 which is included in rental income in the consolidated statement of activities. Contributed services revenue is comprised of the following for the year ended June 30, 2022:

|   | <b>2022</b>      |
|---|------------------|
| Contributed Financial Services                  | <b>\$ 15,901</b> |
| Contributed Operations and Maintenance Services | <b>48,056</b>    |
| Contributed Information Technology              | <b>3,600</b>     |
|   | <b>\$ 67,557</b> |

**NEW ORLEANS BIOINNOVATION CENTER, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE C – ACCOUNTS AND OTHER RECEIVABLES – NET**

Accounts and other receivables - net as of June 30, 2022 consisted of amounts due from the following sources:

|                                      | <b>2022</b> |
|--------------------------------------|-------------|
| Trade receivables                    | \$ 5,000    |
| Rent receivable                      | 352,134     |
| Grants receivable                    | 14,813      |
| Interest and other receivable        | 13,623      |
| Total accounts receivable            | \$ 385,570  |
| Less allowance for doubtful accounts | (20,000)    |
| Accounts and other receivables, net  | \$ 365,570  |

**NOTE D – INVESTMENTS**

As of June 30, 2022, NOBF had investments consisting of preferred stock and convertible instruments, as follows:

|                                 | <b>Tier 1</b> | <b>Tier 2</b> | <b>Tier 3</b> | <b>Total</b> |
|---------------------------------|---------------|---------------|---------------|--------------|
| Convertible promissory note     | \$ -          | \$ -          | \$ 106,832    | \$ 106,832   |
| Preferred stock                 | -             | -             | 635,104       | 635,104      |
| Total                           | -             | -             | 741,936       | 741,936      |
| Valuation reserve               | -             | -             | (741,936)     | (741,936)    |
| Total investments at fair value | \$ -          | \$ -          | \$ -          | \$ -         |

Generally accepted accounting principles require that investments be presented at fair value. The investments are with companies in the initial stage of development and show the promise of growth in the local area. The companies are also working with the universities in New Orleans using university-based technology to develop viable products. Current year loss on investments in these companies is \$83,180 as noted in the consolidated statement of activities. The fair value of the investments in these companies is considered to be zero at June 30, 2022.

**NOTE E – PROPERTY, PLANT AND EQUIPMENT – NET**

Property and equipment consist of the following at June 30, 2022:

|                                    |               |
|------------------------------------|---------------|
| Building                           | \$ 45,247,408 |
| Equipment                          | 1,781,482     |
| Total                              | 47,028,890    |
| Less accumulated depreciation      | (12,877,418)  |
| Property, plant and equipment, net | \$ 34,151,472 |

**NEW ORLEANS BIOINNOVATION CENTER, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE E - PROPERTY, PLANT AND EQUIPMENT – NET – Continued**

The building was constructed on land leased from Louisiana State University, which has a reversionary interest in the building. See Note G.

Depreciation expense for the year amounted to \$1,152,459.

**NOTE F - DEFERRED REVENUE**

Deferred revenue consists of prepaid tenant rent. Deferred revenue at June 30, 2022 totaled \$353,428.

**NOTE G - LEASE AGREEMENT**

Louisiana State University (LSU) owns the land located at 1441 Canal Street, New Orleans. NOBIC entered into a lease agreement with LSU on December 13, 2002 for a primary term of 20 years and options to renew the lease for two 10-year periods. Rental payments stated in the First Lease Amendment dated April 11, 2005, provides for \$800 a month commencing upon substantial completion of construction and acceptance for occupancy by NOBIC. The rental rates for renewal option periods provided for by the Renovation Lease shall be calculated by first determining the value of the land as follows: capitalizing the net operating income for the project for the year preceding the exercise of the option at ten percent, and attributing twenty percent of the value so derived to the land; and, second, applying, ten percent of the land value so determined as the annual rent for the renewal period. On September 14, 2022, NOBIC exercised the first 10-year period renewal option. As of December 31, 2022, the annual rent for the renewal period is pending review by LSU. LSU has a reversionary interest in the building.

Rental expense for the year ended June 30, 2022 totaled \$9,600. Future minimum rental payments for this lease as of June 30, 2022 were as follows:

| <b>Fiscal Year</b>  | <b>Amount</b>     |
|---------------------|-------------------|
| 2023                | \$ 9,600          |
| 2024                | 9,600             |
| 2025                | 9,600             |
| 2026                | 9,600             |
| 2027 and thereafter | <u>144,000</u>    |
| Total               | <u>\$ 182,400</u> |

**NEW ORLEANS BIOINNOVATION CENTER, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE H - TENANT LEASES**

The Corporation leases office, laboratory and parking facilities to tenants under operating leases. The leases are for an initial term of one year, with an option to renew for various periods extending through 2031. Lease revenue for the year ended June 30, 2022 amounted to \$1,507,487. Future minimum rental payments on non-cancelable operating leases with lease terms in excess of one year as of June 30, 2022 were as follows:

| <b>Fiscal Year</b>  | <b>Amount</b>       |
|---------------------|---------------------|
| 2023                | \$ 1,177,338        |
| 2024                | 842,449             |
| 2025                | 456,771             |
| 2026                | -                   |
| 2027 and thereafter | -                   |
| Total               | <u>\$ 2,476,558</u> |

**NOTE I - INCOME TAXES**

NOBIC is exempt from corporate income taxes under Section 501 (c)(3) of the Internal Revenue Code.

NOBIC has adopted the provision of FASB ASC 740-10-25, which requires a tax position be recognized or derecognized based on a "more likely than not" threshold. This applies to positions taken or expected to be taken in a tax return. The Corporation does not believe its financial statements include any uncertain tax positions.

The Corporation's wholly owned subsidiary, NOBF, has elected to be treated as a disregarded entity for income taxation purposes. All activity is therefore presented on the Corporation's tax return.



**NEW ORLEANS BIOINNOVATION CENTER, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE J - FUNCTIONAL EXPENSES**

Expenses related to payroll, payroll taxes, and employee benefits are allocated based on actual percentages of time spent in each functional area. All other directly identifiable expenses are charged to programs and supporting services. The functional allocation of expenses as of June 30, 2022 is detailed below.

|                                  | <b>Business</b>   |                   |                     | <b>Management</b>  |  |                  |
|----------------------------------|-------------------|-------------------|---------------------|--------------------|--|------------------|
|                                  | <b>Services</b>   | <b>Facilities</b> | <b>Loan Program</b> | <b>and General</b> |  | <b>Total</b>     |
| Salaries and related expenses    | \$ 265,372        | \$ 54,344         | \$ 120,973          | \$ 155,100         |  | \$ 595,789       |
| Contract outside services        | 6,408             | 205,788           | -                   | 1,180              |  | 213,376          |
| Professional services            | 141,192           | 6,979             | 15,636              | 55,765             |  | 219,572          |
| Supplies                         | 36,485            | 2,892             | 828                 | 19,197             |  | 59,402           |
| Telecommunications               | -                 | 41,777            | -                   | 20                 |  | 41,797           |
| Postage and shipping             | 58                | -                 | -                   | 153                |  | 211              |
| Printing and copying             | 6,225             | 393               | -                   | 1,017              |  | 7,635            |
| Books, subscriptions, reference  | 1,930             | -                 | 140                 | 29                 |  | 2,099            |
| Rent                             | -                 | 9,600             | -                   | -                  |  | 9,600            |
| Utilities                        | -                 | 295,141           | -                   | -                  |  | 295,141          |
| Depreciation                     | -                 | 1,152,459         | -                   | -                  |  | 1,152,459        |
| Equipment rental and maintenance | 9,347             | 144,517           | -                   | -                  |  | 153,864          |
| Travel and meeting expenses      | 29,303            | 31                | 8,536               | 8,814              |  | 46,684           |
| Insurance                        | -                 | 128,753           | -                   | 2,102              |  | 130,855          |
| Membership dues                  | 5,559             | -                 | 2,500               | -                  |  | 8,059            |
| Outside computer services        | 33,335            | -                 | 19                  | 35                 |  | 33,389           |
| Marketing expense                | 54,409            | -                 | 247                 | 175                |  | 54,831           |
| Contributed services expense     | -                 | 48,056            | -                   | 19,501             |  | 67,557           |
| Loss on investments              | -                 | -                 | 83,180              | -                  |  | 83,180           |
| Provision for bad debts          | -                 | 51,032            | -                   | -                  |  | 51,032           |
| Other costs                      | 2,415             | 440               | 3,545               | 164,328            |  | 170,728          |
| <b>Total</b>                     | <b>\$ 592,038</b> | <b>2,142,202</b>  | <b>235,604</b>      | <b>427,416</b>     |  | <b>3,397,260</b> |

**NOTE K – CONCENTRATIONS OF CREDIT RISK**

The Corporation maintains cash deposits with financial institutions at June 30, 2022 in excess of federally insured limits of \$1,078,405.

**NOTE L - RETIREMENT PLAN**

The Corporation sponsors a defined contribution plan. All full-time employees are eligible upon date of hire, however, participation is voluntary. The Corporation contributes to the plan an amount equal to 100% of the employee's contribution, limited to 3% of the employee's salary. The contribution rate remained unchanged from the prior year. The 401(k) employer match expense for the year ended June 30, 2022 amounted to \$8,345.

**NEW ORLEANS BIOINNOVATION CENTER, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE M - NET ASSETS**

Net assets with and without donor restrictions at June 30, 2022 consist of the following:

|   | <b>2022</b>         |
|---|---------------------|
| Without donor restrictions- undesignated                                    | <b>\$ 1,500,955</b> |
| With donor restrictions- purpose restricted original building and equipment | <b>33,935,557</b>   |
| With donor restrictions- other  | <b>98,529</b>       |
| Total net assets  | <b>\$35,535,041</b> |

During fiscal year 2022, \$1,131,185 was released from restrictions, equivalent to the annual depreciation expense of the original building and equipment, whose use is restricted per the lease agreement with LSU (see Note G).

**NOTE N – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The Corporation maintains its financial assets primarily in cash and cash equivalents to provide liquidity to ensure funds are available as the Corporation’s expenditures come due. The following reflects the Corporation’s financial assets as of the consolidated statement of financial position date, reduced by amounts not available for general use within one year of the consolidated statement of financial position date because of contractual or donor-imposed restrictions.

|  | <b>June 30, 2022</b> |
|--|----------------------|
| Total assets, at year end  | <b>\$ 36,174,841</b> |
| Less nonfinancial assets:  |                      |
| Property, plant and equipment—net  | <b>(34,151,472)</b>  |
| Prepaid expenses and other assets  | <b>(171,241)</b>     |
| Financial assets, at year end  | <b>\$ 1,852,128</b>  |
| Less those unavailable for general expenditure within one year due to:                 |                      |
| Notes receivable beyond one year   | -                    |
| Time-restrictions  | -                    |
| Financial assets available to meet cash needs for general expenditures within one year | <b>\$ 1,852,128</b>  |

The Corporation is principally supported by its rental and grant income. In order to assist with meeting its cash flow requirements, the Corporation has a Cooperative Endeavor Agreement with the Louisiana Department of Economic Development which provides funding to support the Corporation’s mission and a Managed Services Agreement with Tulane University which provides contributed services (See Note B).

**NEW ORLEANS BIOINNOVATION CENTER, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE N – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS – Continued**

The Cooperative Endeavor Agreement with the Louisiana Department of Economic Development has been extended to June 30, 2023.

**NOTE O – BOARD OF DIRECTORS' COMPENSATION**

The Board of Directors is a voluntary board. Accordingly, no compensation was paid to any board member during the year ended June 30, 2022. An officer of Tulane University also serves on the Board of Directors of NOBIC (See Note B).

**NEW ORLEANS BIOINNOVATION CENTER, INC. AND SUBSIDIARY  
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS  
TO AGENCY HEAD**

**Agency Head Name: Kristopher Khalil, President**

The Agency Head is Kristopher Khalil, President. New Orleans BioInnovation Center, Inc. and Subsidiary did not make any payments with public funds to or on behalf of the President for the year ended June 30, 2022.



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**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***

Board of Directors of  
New Orleans BioInnovation Center, Inc. and Subsidiary  
New Orleans, Louisiana

We have audited, in accordance with the 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 consolidated financial statements of New Orleans BioInnovation Center, Inc. and Subsidiary (the Corporation), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 21, 2022.

**Internal Control over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered the Corporation's internal control over financial reporting (internal control) to determine the audit 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 the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Corporation's consolidated 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 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 or other matters that are required to be reported under *Government Auditing Standards*.

### **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 results of that testing, and not to provide an opinion on the effectiveness of the Corporation'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 Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

*Carr, Riggs & Ingram, L.L.C.*

Metairie, Louisiana  
December 21, 2022



**SECTION I – SUMMARY OF AUDITORS’ REPORTS**

***Financial Statements***

- |  |            |
|--|------------|
| 1. Type of auditors’ report issued:  | Unmodified |
| 2. Internal controls over financial reporting:                                   |            |
| a. Material weakness identified?   | No         |
| b. Significant deficiencies identified not considered to be a material weakness? | None noted |
| c. Noncompliance material to financial statements noted?                         | No         |

**SECTION II – FINANCIAL STATEMENTS FINDINGS**

No findings noted.

**SECTION III – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

No findings noted.

## **INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES**

To the Board of Directors and Management of  
New Orleans BioInnovation Center, Inc. and Subsidiary  
1441 Canal Street  
New Orleans, LA 70112

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2021 through June 30, 2022. New Orleans BioInnovation Center, Inc. and Subsidiary's management (the Center) is responsible for those C/D areas identified in the SAUPs.

The Center has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period July 1, 2021 through June 30, 2022. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

### ***Written Policies and Procedures***

---

1. Obtain and inspect the Center's written policies and procedures and observe whether they address each of the following categories and subcategories, if applicable, to public funds and the Center's operations:
  - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.  
**Results:** No exceptions were found as a result of applying the above procedure.
  - b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.  
**Results:** No exceptions were found as a result of applying the above procedure.
  - c) ***Disbursements***, including processing, reviewing, and approving.



**Results:** No exceptions were found as a result of applying the above procedure.

- d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

**Results:** No exceptions were found as a result of applying the above procedure.

- e) **Payroll/Personnel**, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.

**Results:** No exceptions were found as a result of applying the above procedure.

- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

**Results:** No exceptions were found as a result of applying the above procedure.

- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).

**Results:** No exceptions were found as a result of applying the above procedure.

- h) **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

**Results:** No exceptions were found as a result of applying the above procedure.

- i) **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

**Results:** No exceptions were found as a result of applying the above procedure.

### ***Board or Finance Committee***

---

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

- a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

**Results:** No exceptions were found as a result of applying the above procedure.

- b) Observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the Center's collections during the fiscal period.

**Results:** No exceptions were found as a result of applying the above procedure.

### ***Bank Reconciliations***

---

3. Obtain a listing of Center bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the Center's main operating account. Select the Center's main operating account and randomly select four additional accounts (or all accounts if less than five). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:

- a) Bank reconciliations include evidence that they were prepared within two months of the related statement closing date (e.g., initialed and dated or electronically logged);

**Results:** No exceptions were found as a result of applying the above procedure.

- b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

**Results:** No exceptions were found as a result of applying the above procedure.

- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

**Results:** No exceptions were found as a result of applying the above procedure.

### ***Collections (excluding electronic funds transfers)***

---

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select five deposit sites (or all deposit sites if less than five).

**Results:** No exceptions were found as a result of applying the above procedure.

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e., five collection locations for five deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

- a) Employees responsible for cash collections do not share cash drawers/registers.

**Results:** No exceptions were found as a result of applying the above procedure.

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

**Results:** No exceptions were found as a result of applying the above procedure.

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

**Results:** No exceptions were found as a result of applying the above procedure.

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, are not responsible for collecting cash, unless another employee/official verifies the reconciliation.

**Results:** No exceptions were found as a result of applying the above procedure.

- 6. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe that the bond or insurance policy for theft was enforced during the fiscal period.

**Results:** No exceptions were found as a result of applying the above procedure.

- 7. Randomly select two deposit dates for each of the five bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). Obtain supporting documentation for each of the 10 deposits and:

- a) Observe that receipts are sequentially pre-numbered.

**Results:** No exceptions were found as a result of applying the above procedure.

- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

**Results:** No exceptions were found as a result of applying the above procedure.

- c) Trace the deposit slip total to the actual deposit per the bank statement.

**Results:** No exceptions were found as a result of applying the above procedure.

- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than ten miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).

**Results:** No exceptions were found as a result of applying the above procedure.

- e) Trace the actual deposit per the bank statement to the general ledger.

**Results:** No exceptions were found as a result of applying the above procedure.

***Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)***

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8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select five locations (or all locations if less than five).

**Results:** No exceptions were found as a result of applying the above procedure.

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

**Results:** No exceptions were found as a result of applying the above procedure.

- b) At least two employees are involved in processing and approving payments to vendors.

**Results:** No exceptions were found as a result of applying the above procedure.

- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

**Results:** No exceptions were found as a result of applying the above procedure.

- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

**Results:** No exceptions were found as a result of applying the above procedure.

10. For each location selected under #8 above, obtain the Center's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select five disbursements for each location, obtain supporting documentation for each transaction, and:

- a) Observe whether the disbursement matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the Center.

**Results:** No exceptions were found as a result of applying the above procedure.

- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

**Results:** No exceptions were found as a result of applying the above procedure.

### ***Credit Cards/Debit Cards/Fuel Cards/P-Cards***

---

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

**Results:** No exceptions were found as a result of applying the above procedure.

12. Using the listing prepared by management, randomly select five cards (or all cards if less than five) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

a) Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder.

**Results:** No exceptions were found as a result of applying the above procedure.

b) Observe that finance charges and late fees were not assessed on the selected statements.

**Results:** No exceptions were found as a result of applying the above procedure.

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select ten transactions (or all transactions if less than ten) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have ten transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a “missing receipt statement” that is subject to increased scrutiny.

**Results:** No exceptions were found as a result of applying the above procedure.

#### ***Travel and Travel-Related Expense Reimbursements (excluding card transactions)***

---

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management’s representation that the listing or general ledger is complete. Randomly select five reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the five reimbursements selected:

a) If reimbursed using a per diem, observe that the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)).

**Results:** No exceptions were found as a result of applying the above procedure.

b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

**Results:** No exceptions were found as a result of applying the above procedure.

c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those

individuals participating) and other documentation required by written policy (procedure #1h).

**Results:** No exceptions were found as a result of applying the above procedure.

- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

**Results:** No exceptions were found as a result of applying the above procedure.

### ***Contracts***

---

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. Obtain management's representation that the listing is complete. Randomly select five contracts (or all contracts if less than five) from the listing, excluding the practitioner's contract, and:

- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

**Results:** Not applicable for the Center because there were no contracts which required public bid law.

- b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).

**Results:** No exceptions were found as a result of applying the above procedure.

- c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g. if approval is required for any amendment was approval documented).

**Results:** No exceptions were found as a result of applying the above procedure.

- d) Randomly select one payment from the fiscal period for each of the five contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

**Results:** No exceptions were found as a result of applying the above procedure.

### ***Payroll and Personnel***

---

16. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select five employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

**Results:** No exceptions were found as a result of applying the above procedure.

17. Randomly select one pay period during the fiscal period. For the five employees or officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

- a) Observe that all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory).

**Results:** No exceptions were found as a result of applying the above procedure.

- b) Observe whether supervisors approved the attendance and leave of the selected employees.

**Results:** No exceptions were found as a result of applying the above procedure.

- c) Observe any leave accrued or taken during the pay period is reflected in the Center's cumulative leave records.

**Results:** No exceptions were found as a result of applying the above procedure.

- d) Observe the rate paid to the employees agree to the authorized salary/pay rate found within the personnel file.

**Results:** No exceptions were found as a result of applying the above procedure.

- 18. Obtain a listing of those employees at received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees, obtain related documentation of the hours and pay rates used in management's termination payment calculations and the Center's policy on termination payments. Agree the hours to the employee's cumulative leave records, agree the pay rates to the employee's authorized pay rates in the employee's personnel files, and agree the termination payment to Center policy.

**Results:** No exceptions were found as a result of applying the above procedure.

- 19. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

**Results:** No exceptions were found as a result of applying the above procedure.

### ***Fraud Notice***

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- 20. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the Center reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the Center is domiciled.

**Results:** No exceptions were found as a result of applying the above procedure.

- 21. Observe the Center has posted, on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

**Results:** No exceptions were found as a result of applying the above procedure.

### ***Information Technology Disaster Recovery/Business Continuity***

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22. Perform the following procedures, **verbally discuss the results with management, and report “We performed the procedure and discussed the results with management.”**

- a. Obtain and inspect the Center’s most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.

**Results:** We performed the procedure and discussed the results with management.

- b. Obtain and inspect the Center’s most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past three months.

**Results:** We performed the procedure and discussed the results with management.

- c. Obtain a listing of the Center’s computers currently in use and their related locations, and management’s representation that the listing is complete. Randomly select five computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

**Results:** We performed the procedure and discussed the results with management.

We were engaged by the Center to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the Center and to meet our ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

*Carr, Riggs & Ingram, L.L.C.*

Metairie, Louisiana  
December 21, 2022