

SHAW CENTER FOR THE ARTS, L.L.C.
Baton Rouge, Louisiana
FINANCIAL REPORT

June 30, 2010

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 11/10/10

SHAW CENTER FOR THE ARTS, L.L.C.

Baton Rouge, Louisiana

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Shaw Center for the Arts, L.L.C.
Baton Rouge, Louisiana

We have audited the accompanying statement of financial position of the **SHAW CENTER FOR THE ARTS, L.L.C.**, (a non-profit organization) (Shaw Center), as of June 30, 2010, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Shaw Center's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Shaw Center's 2009 financial statements and, in our report dated October 1, 2009, we expressed an unqualified opinion on those financial statements.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the **SHAW CENTER FOR THE ARTS, L.L.C.** as of June 30, 2010, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 1, 2010, on our consideration of the **SHAW CENTER FOR THE ARTS, LLC's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of our audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Faulk & Winkler, LLC
Certified Public Accountants

Baton Rouge, Louisiana
October 1, 2010

SHAW CENTER FOR THE ARTS, L.L.C.

Baton Rouge, Louisiana

STATEMENT OF FINANCIAL POSITION

June 30, 2010

(with comparative amounts for 2009)

	<u>2010</u>	<u>2009</u>
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 104,018	\$ 75,183
Cash - restricted for construction	2,555	36,633
Receivables:		
Rental	38,208	40,155
Pledges and other	10,220	22,464
Prepaid insurance	<u>8,527</u>	<u>5,489</u>
 Total current assets	 163,528	 179,924
 FIXED ASSETS, net	 <u>37,324,568</u>	 <u>38,403,090</u>
 Total assets	 <u>\$ 37,488,096</u>	 <u>\$ 38,583,014</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Contracts and accounts payable	\$ 10,609	\$ 31,251
Accrued expenses and other current liabilities	3,064	2,760
Deferred revenue	<u>61,623</u>	<u>75,498</u>
 Total current liabilities	 <u>75,296</u>	 <u>109,509</u>
 NET ASSETS		
Unrestricted	37,410,245	38,436,872
Temporarily restricted	<u>2,555</u>	<u>36,633</u>
 Total net assets	 <u>37,412,800</u>	 <u>38,473,505</u>
 Total liabilities and net assets	 <u>\$ 37,488,096</u>	 <u>\$ 38,583,014</u>

The accompanying notes to financial statements
are an integral part of this statement.

SHAW CENTER FOR THE ARTS, L.L.C.

Baton Rouge, Louisiana

STATEMENT OF ACTIVITIESFor the year ended June 30, 2010
(with comparative amounts for 2009)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>	
			<u>2010</u>	<u>2009</u>
SUPPORT AND RECLASSIFICATIONS				
Contributions and sponsorships	\$ 466,868	\$ -	\$ 466,868	\$ 1,396,798
Rental income	908,000	-	908,000	965,008
Special events and programs	13,229	-	13,229	30,116
Net assets released from restrictions	<u>34,078</u>	<u>(34,078)</u>	<u>-</u>	<u>-</u>
Total support and reclassifications	<u>1,422,175</u>	<u>(34,078)</u>	<u>1,388,097</u>	<u>2,391,922</u>
EXPENSES				
Program:				
Depreciation	1,078,522	-	1,078,522	1,070,634
Occupancy	966,250	-	966,250	1,154,492
Fundraising/ Special Events	60,308	-	60,308	77,473
General and administrative:				
Personnel	227,643	-	227,643	240,934
Professional	64,797	-	64,797	50,839
Insurance	17,073	-	17,073	25,380
Supplies	7,640	-	7,640	10,963
Repair and maintenance	9,365	-	9,365	19,352
Other	<u>17,204</u>	<u>-</u>	<u>17,204</u>	<u>79</u>
Total expenses	<u>2,448,802</u>	<u>-</u>	<u>2,448,802</u>	<u>2,650,146</u>
Decrease in net assets	(1,026,627)	(34,078)	(1,060,705)	(258,224)
NET ASSETS				
Beginning of the year	<u>38,436,872</u>	<u>36,633</u>	<u>38,473,505</u>	<u>38,731,729</u>
End of the year	<u>\$ 37,410,245</u>	<u>\$ 2,555</u>	<u>\$ 37,412,800</u>	<u>\$ 38,473,505</u>

The accompanying notes to financial statements
are an integral part of this statement.

SHAW CENTER FOR THE ARTS, L.L.C.

Baton Rouge, Louisiana

STATEMENT OF CASH FLOWSFor the year ended June 30, 2010
(with comparative amounts for 2009)

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in net assets	\$ (1,060,705)	\$ (258,224)
Adjustments for non-cash items:		
Depreciation	1,078,522	1,070,634
Donated property	-	(807,044)
Change in operating assets and liabilities:		
Pledges and accounts receivable and prepaid insurance	11,153	420
Contracts and accounts payable and deferred rent	<u>(34,213)</u>	<u>20,779</u>
Net cash (used) provided by operating activities	(5,243)	26,565
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed asset acquisitions	<u>-</u>	<u>8,256</u>
Net (decrease) increase in cash	(5,243)	34,821
CASH, including restricted cash		
Beginning of year	<u>111,816</u>	<u>76,995</u>
End of year	<u>\$ 106,573</u>	<u>\$ 111,816</u>
CASH		
Cash and cash equivalents	\$ 104,018	\$ 75,183
Restricted cash	<u>2,555</u>	<u>36,633</u>
Total cash	<u>\$ 106,573</u>	<u>\$ 111,816</u>

The accompanying notes to financial statements
are an integral part of this statement.

SHAW CENTER FOR THE ARTS, L.L.C.
Baton Rouge, Louisiana

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and operations

The Shaw Center for the Arts, L.L.C. (Shaw Center), a Louisiana limited liability company, is a not-for-profit organization that was formed to serve as an integral component of a private and public effort to revitalize downtown Baton Rouge by constructing and renovating facilities for a performing arts theater, arts and cultural center, a museum of art, including classrooms and studios, and leasing space for residential and commercial purposes. The construction project has been 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, L.L.C. and LSU Museum, L.L.C., each owning a 50% member interest. The Douglas Manship Sr. Theater Complex, L.L.C. is owned by the Baton Rouge Area Foundation, a not-for-profit organization. Additionally, the LSU Museum, L.L.C. is owned by the LSU Property Foundation, L.L.C., 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.

In addition to the legal 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 to the construction of the Shaw Center facility.

Basis of presentation

The Shaw Center prepares its financial statements in accordance with generally accepted accounting principles. 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 three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Shaw Center does not have permanently restricted net assets. The statement of activities presents expenses of the Shaw Center's operations functionally as fundraising, and general and administrative.

The financial statements include prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Shaw Center's financial statements for the year ended June 30, 2009, from which the summarized information was derived.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates are used primarily when accounting for depreciation and deferred revenue.

Cash and cash equivalents

For purposes of the statement of cash flows, the Shaw Center considers cash in bank accounts as cash. The Shaw Center has an agreement with its bank for automatic investment services whereby excess operating funds are invested daily at a competitive rate of return. The investment is a repurchase agreement with the bank and the investments are in certain securities issued by the United States Government or agencies thereof, which are considered cash equivalents.

Receivables

Accounts receivable are recorded at cost, net of an allowance for doubtful accounts. Management believes that all receivables are collectible at June 30, 2010; 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, 2010 totaled \$28,225.

Temporarily restricted 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 temporarily restricted. As the amounts are expended for their intended purpose, such support is reclassified to unrestricted assets. Amounts that are not spent from these funding sources have been classified as temporarily restricted net assets.

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.

Tax-exempt status

The Shaw Center qualifies as a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code; therefore, the financial statements have no provision for federal and state income tax.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income taxes

The Shaw Center adopted provisions of FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*, on January 1, 2009. Management believes it has no material uncertain tax positions and, accordingly has not recognized a liability for any unrecognized tax benefits.

Fair value

The carrying value of cash, receivables, accounts payable, accrued expenses and deferred revenue approximate fair value due to the short-term maturity of these instruments. None of the financial instruments are held for trading purposes.

In-kind contributions

The value of in-kind contributions to the Shaw Center are recognized at the fair market value of the benefit received, unless immaterial. In-kind contributions during 2010 consisted of \$414,658 of utility services provided to the Shaw Center facility and paid by the State of Louisiana.

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. A substantial number of unpaid volunteers have made a significant contribution of their time to develop the Shaw Center's programs, principally in fund raising activities, operations, and board participation. The value of this 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 fourteen days vacation and 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 it is taken. Accordingly, amounts related to such absences have not been accrued.

Advertising

The Shaw Center incurred advertising expense of \$26,465 for the year ended June 30, 2010. The Shaw Center expenses advertising costs as incurred.

NOTE 2 - FIXED ASSETS

Property and equipment, related service lives, and accumulated depreciation at June 30, 2010, are as follows:

<u>Description</u>	<u>Estimated Service Lives</u>	<u>Amount</u>
Buildings	40 years	\$ 42,133,600
Building improvements	40 years	880,409
Equipment and software	3-5 years	26,350
Signage	15 years	<u>40,122</u>
		43,080,481
Accumulated depreciation		<u>(5,755,913)</u>
Fixed assets, net		<u>\$ 37,324,568</u>

The State of Louisiana owns the land on which the facility is located. See Note 6. Depreciation expense was \$1,078,522 for the year ended June 30, 2010.

NOTE 3 - SIGNIFICANT SOURCES OF REVENUE

The Shaw Center has received significant funding from four major sources to construct its facilities and provide funding for its initial operations. The commitments to fund this project were as follows:

	<u>Commitment Funded</u>
Manship Theater/B. R. Area Foundation	\$ 9,473,339
LSU Museum/LSU Property Foundation	11,553,585
State of Louisiana	20,506,941
City of Baton Rouge/Parish of East B. R.	<u>2,200,000</u>
Total	<u>\$ 43,733,865</u>

Through June 30, 2010, the Shaw Center received cash of approximately \$40,622,000 from these commitments. The remaining funding was contributed prior to the formation of the Shaw Center for the Arts, L.L.C. for attorney and architectural fees of approximately \$3,112,000.

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. The Shaw Center recognized \$414,658 for these services for 2010.

NOTE 4 - RETIREMENT PLAN

The Shaw Center offers retirement benefits to eligible employees electing to establish a 401(k) retirement account, and includes a matching contribution of 5% of eligible compensation. Participants are fully vested in contributions made to their retirement account. During the year ended June 30, 2010, the Shaw Center contributed \$3,099 for participants.

NOTE 5 - CONCENTRATIONS OF CREDIT RISK

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 collects rental fees from individual and corporate clients in the Baton Rouge area.

NOTE 6 - COMMITMENTS

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 ending November 15, 2101. 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 entered into leasing arrangements with its members, Douglas Manship Sr. Theater Complex, L.L.C. and LSU Museum, L.L.C., 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 2010, the Shaw Center received rent of approximately \$751,000 from these two organizations.

The Shaw Center has also entered into a leasing arrangement with the Downtown Redevelopment, L.L.C. to occupy space for sub-leasing to retail and commercial establishments, including residential use. The Downtown Redevelopment, L.L.C., an affiliate of the Baton Rouge Area Foundation, is required to build facilities to meet the needs of sub-leased tenants. See Note 3.

NOTE 7 - SUBSEQUENT EVENT

In preparing these financial statements, the Shaw Center has evaluated events and transactions for potential recognition or disclosure through October 1, 2010, the date the financial statements were available to be issued.

Special Independent Auditors' Report

SHAW CENTER FOR THE ARTS, L.L.C.

Baton Rouge, Louisiana

June 30, 2010



**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
Shaw Center for the Arts, L.L.C.
Baton Rouge, Louisiana

We have audited the financial statements of **SHAW CENTER FOR THE ARTS, L.L.C.** (Shaw Center) (a non-profit organization) as of and for the year ended June 30, 2010, and have issued our report thereon dated October 1, 2010. 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.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified a deficiency in internal control that we consider to be a material weakness.

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 misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that it is reasonable 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.

Compliance

As part of obtaining reasonable assurance about whether the Shaw Center's financial statements are free of 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 that are required to be reported under *Government Auditing Standards*.

The Shaw Center's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Shaw Center's response and, accordingly, we express no opinion on it.

This report is intended for the information of the Board of Directors, management, state and federal granting agencies, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

Faulk & Wilber, LLC

Certified Public Accountants

Baton Rouge, Louisiana
October 1, 2010

SHAW CENTER FOR THE ARTS, L.L.C.
Baton Rouge, Louisiana

SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2010

A) SUMMARY OF AUDIT RESULTS

1. The type of report issued on the financial statements: **Unqualified opinion**
2. Significant deficiencies in internal control were disclosed by the audit of financial statements: **2010-1**
Material weaknesses: **2010-1**
3. Noncompliance material to the financial statements: **None**

B) FINDINGS – FINANCIAL STATEMENT AUDIT

2010-1 Segregation of Duties/Financial Oversight

Observation: We have the following observations concerning financial oversight of the Shaw Center:

- Segregation of duties is not sufficient to have effective internal control over financial reporting. The finding results from the small staff size of the organization. These limitations allow no opportunity for meaningful segregation of duties.

On the other hand, disbursements are approved by individuals not associated with the financial reporting process. Additionally, the Shaw Center's operating activity is reported to the Finance Committee on a regular basis. During 2007, members of the Finance Committee of the Shaw Center initiated a requirement that all checks in excess of \$1,000 require two signatures. Additionally, during 2009, the executive director began reviewing the monthly bank statements for unusual activity.

- Finally, the Shaw Center relies on its auditors' to assist in the preparation of external financial statements and related disclosures. Under U.S. generally accepted auditing standards, the auditor cannot be considered part of the Shaw Center's internal control, and because of limitations of the Shaw Center's accounting staff, the design of the internal control does not otherwise include procedures to prevent or detect a material misstatement in the external financial statements.

Recommendation: We recommend that management develop an independent reconciliation process for cash received compared to booked events at the Shaw Center. Currently, one individual is performing all such functions.

Also, procedures should be developed to provide for independent review of the monthly general ledger and any journal entries recorded.

Management's corrective action plan: We concur with the finding and intend to pursue implementing the recommendations.

On the other hand, management is satisfied with using its auditing firm to prepare the external financial statements and related footnote disclosures.

SHAW CENTER FOR THE ARTS, L.L.C.
Baton Rouge, Louisiana

SCHEDULE OF PRIOR YEAR FINDINGS

June 30, 2010

2009-1 Segregation of Duties/Financial Oversight

This matter has been reclassified as Item 2010-1.