

LAKE PONTCHARTRAIN BASIN MARITIME MUSEUM, INC.

MADISONVILLE, LOUISIANA

FINANCIAL STATEMENTS

AS OF AND

FOR THE YEARS ENDED

DECEMBER 31, 2018 AND 2017



ERICKSEN KRENTEL LLP
CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Lake Pontchartrain Basin Maritime Museum, Inc.
Madisonville, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of Lake Pontchartrain Basin Maritime Museum, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



To the Board of Directors of
Lake Pontchartrain Basin Maritime Museum, Inc.
June 28, 2019
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lake Pontchartrain Basin Maritime Museum, Inc. as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of compensation, benefits, and other payments to agency head is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Change in Accounting Principle

As described in Note 1 to the financial statements, Lake Pontchartrain Basin Maritime Museum, Inc. adopted the Financial Accounting Standards Board's ASU 2016-14, "Not-for-Profit Entities" for the year ended December 31, 2018. Our opinion is not modified with respect to that matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2019, on our consideration of Lake Pontchartrain Basin Maritime Museum, Inc.'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 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 Lake Pontchartrain Basin Maritime Museum, Inc.'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 Lake Pontchartrain Basin Maritime Museum, Inc.'s internal control over financial reporting and compliance.

June 28, 2019
Mandeville, Louisiana

Certified Public Accountants

LAKE PONTCHARTRAIN BASIN MARITIME MUSEUM, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>ASSETS:</u>		
Cash and cash equivalents	\$ 216,348	\$ 265,801
Receivables:		
Accounts receivable, net	12,975	2,359
Grants receivable	9,500	-
Prepaid expenses	11,793	12,457
Inventory	29,038	26,944
Property and equipment, net	1,589,557	1,679,361
Collections of art	<u>22,000</u>	<u>22,000</u>
 Total assets	 <u>\$ 1,891,211</u>	 <u>\$ 2,008,922</u>
<u>LIABILITIES:</u>		
<u>CURRENT LIABILITIES:</u>		
Accounts payable	\$ 9,039	\$ 4,503
Accrued expenses	3,688	5,279
Payroll tax payable	4,587	4,282
Deposits	2,000	4,200
Current portion of long-term debt	<u>6,703</u>	<u>6,473</u>
 Total current liabilities	 <u>26,017</u>	 <u>24,737</u>
 <u>LONG-TERM DEBT, NET OF CURRENT PORTION</u>	 <u>8,948</u>	 <u>16,752</u>
 Total liabilities	 <u>34,965</u>	 <u>41,489</u>
<u>NET ASSETS:</u>		
Without donor restrictions	1,854,871	1,967,433
With donor restrictions	<u>1,375</u>	<u>-</u>
 Total net assets	 <u>1,856,246</u>	 <u>1,967,433</u>
 Total liabilities and net assets	 <u>\$ 1,891,211</u>	 <u>\$ 2,008,922</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

LAKE PONTCHARTRAIN BASIN MARITIME MUSEUM, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>WITHOUT DONOR RESTRICTION:</u>		
<u>Public Support and Other Revenues:</u>		
Wooden Boat Festival	\$ 254,622	\$ 237,955
Facility event room rental	34,775	34,708
Wooden boat building classes	16,339	15,007
Gift shop sales	10,803	10,723
Cost of gift shop sales	(7,080)	(9,317)
Museum admission fees and membership dues	22,316	19,095
Contributions	8,517	42
Fundraising income	34,318	33,398
Research and educational programs	17,705	14,000
Other income	11,631	5,294
Revenues released from restrictions	<u>47,846</u>	<u>60,133</u>
 Total unrestricted public support and other revenues	 <u>451,792</u>	 <u>421,038</u>
<u>Expenses:</u>		
Program services	442,176	453,276
Supporting services:		
Management and general	80,852	80,118
Fundraising	<u>41,326</u>	<u>40,274</u>
 Total supporting services	 <u>122,178</u>	 <u>120,392</u>
 Total expenses	 <u>564,354</u>	 <u>573,668</u>
 Net change in unrestricted net assets	 <u>(112,562)</u>	 <u>(152,630)</u>
<u>WITH DONOR RESTRICTION:</u>		
Grants and contributions	49,221	46,133
Released from restrictions	<u>(47,846)</u>	<u>(60,133)</u>
 Net change in restricted net assets	 <u>1,375</u>	 <u>(14,000)</u>
 Change in net assets	 <u>(111,187)</u>	 <u>(166,630)</u>
 Net assets, beginning of year	 <u>1,967,433</u>	 <u>2,134,063</u>
 Net assets, end of year	 <u>\$ 1,856,246</u>	 <u>\$ 1,967,433</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

LAKE PONTCHARTRAIN BASIN MARITIME MUSEUM, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>CASH FLOWS FROM (USED BY) OPERATING ACTIVITIES:</u>		
Change in net assets	\$ (111,187)	\$ (166,630)
Adjustments to reconcile change in net assets to net cash from (used by) operating activities:		
Depreciation	89,804	92,859
Bad debt expense	429	-
(Increase) decrease in:		
Accounts receivable	(11,045)	11,084
Grants receivable	(9,500)	-
Due from lighthouse co-op	-	5,918
Prepaid expenses	664	6,560
Inventory	(2,094)	(792)
Increase (decrease) in:		
Accounts payable	4,536	1,481
Accrued expenses	(1,591)	864
Payroll tax payable	305	(927)
Deposits	(2,200)	4,400
Net cash (used by) operating activities	<u>(41,879)</u>	<u>(45,183)</u>
<u>CASH FLOWS FROM (USED BY) INVESTING ACTIVITIES:</u>		
Purchase of property and equipment	<u>-</u>	<u>(18,461)</u>
Net cash (used by) financing activities	<u>-</u>	<u>(18,461)</u>
<u>CASH FLOWS FROM (USED BY) FINANCING ACTIVITIES:</u>		
Principal payments on long-term debt	<u>(7,574)</u>	<u>(7,092)</u>
Net cash (used by) financing activities	<u>(7,574)</u>	<u>(7,092)</u>
Net (decrease) in cash and cash equivalents	(49,453)	(70,736)
Cash and cash equivalents, beginning of year	<u>265,801</u>	<u>336,537</u>
Cash and cash equivalents, end of year	<u>\$ 216,348</u>	<u>\$ 265,801</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

LAKE PONTCHARTRAIN BASIN MARITIME MUSEUM, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Services					Supporting Services			
	Wooden Boat Festival	Museum and Exhibits	Wooden Boat Building Classes	Maritime Research and Education	Lighthouse Restoration	Total	Management and General	Fundraising	Total
Salaries	\$ 25,968	\$ 12,985	\$ 19,477	\$ 19,477	\$ 12,985	\$ 90,892	\$ 25,969	\$ 12,985	\$ 129,846
Payroll taxes and employee benefits	2,449	1,225	1,837	1,837	1,225	8,573	2,450	1,225	12,248
Total salaries and related expenses	28,417	14,210	21,314	21,314	14,210	99,465	28,419	14,210	142,094
Janitorial and cleaning	-	6,482	-	-	-	6,482	-	-	6,482
Merchandise purchases	3,731	1,866	2,799	2,799	1,866	13,061	3,732	1,866	18,659
Volunteer support	480	-	-	-	-	480	481	-	961
Printing and graphic design	1,047	-	-	-	-	1,047	-	-	1,047
Security	10,038	-	-	-	-	10,038	-	-	10,038
Materials and supplies	19,424	4,370	5,827	5,826	4,370	39,817	4,370	4,370	48,557
Contract labor	25,813	-	-	-	-	25,813	2,295	574	28,682
Equipment rental	30,738	-	-	-	-	30,738	951	-	31,689
Bad debt expense	86	43	64	64	43	300	86	43	429
Repairs and maintenance	-	21,295	215	-	-	21,510	-	-	21,510
Office expense	847	424	636	636	424	2,967	848	424	4,239
Postage and delivery	224	113	169	169	113	788	225	113	1,126
Insurance	9,806	39,222	-	-	-	49,028	-	-	49,028
Professional fees	4,229	2,115	3,173	3,173	2,115	14,805	4,230	2,115	21,150
Advertising	9,280	4,640	6,960	6,960	4,640	32,480	9,280	4,640	46,400
Dues and subscriptions	263	133	199	199	133	927	265	133	1,325
Bank charges	798	400	599	599	400	2,796	799	400	3,995
Travel	-	68	-	633	-	701	-	-	701
Utilities	7,107	3,554	5,330	5,330	3,554	24,875	7,107	3,554	35,536
Taxes and licenses	-	125	-	-	-	125	-	-	125
Miscellaneous expenses	(347)	(173)	(260)	(260)	(173)	(1,213)	(347)	(173)	(1,733)
Rent expense	-	1,750	-	-	-	1,750	-	-	1,750
Interest	152	76	114	114	76	532	152	76	760
Total expenses before depreciation	152,133	100,713	47,139	47,556	31,771	379,312	62,893	32,345	474,550
Depreciation	17,960	8,981	13,471	13,471	8,981	62,864	17,959	8,981	89,804
Total expenses	\$ 170,093	\$ 109,694	\$ 60,610	\$ 61,027	\$ 40,752	\$ 442,176	\$ 80,852	\$ 41,326	\$ 564,354

See accompanying NOTES TO FINANCIAL STATEMENTS

LAKE PONTCHARTRAIN BASIN MARITIME MUSEUM, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Program Services					Total	Supporting Services		Total
	Wooden Boat Festival	Museum and Exhibits	Wooden Boat Building Classes	Maritime Research and Education	Lighthouse Restoration		Management and General	Fundraising	
Salaries	\$ 21,733	\$ 10,866	\$ 16,300	\$ 16,300	\$ 10,866	\$ 76,065	\$ 21,733	\$ 10,866	\$ 108,664
Payroll taxes and employee benefits	2,118	1,058	1,587	1,587	1,058	7,408	2,116	1,058	10,582
Total salaries and related expenses	23,851	11,924	17,887	17,887	11,924	83,473	23,849	11,924	119,246
Janitorial and cleaning	-	6,375	-	-	-	6,375	-	-	6,375
Merchandise purchases	5,010	2,504	3,756	3,756	2,504	17,530	5,009	2,504	25,043
Volunteer support	1,788	-	-	-	-	1,788	1,789	-	3,577
Printing and graphic design	1,805	-	-	-	-	1,805	-	-	1,805
Security	11,691	-	-	-	-	11,691	-	-	11,691
Materials and supplies	20,500	4,613	6,150	6,150	4,613	42,026	4,613	4,613	51,252
Contract labor	27,391	-	-	-	-	27,391	2,435	609	30,435
Equipment rental	38,049	-	-	-	-	38,049	1,177	-	39,226
Bad debt expense	-	-	-	-	-	-	-	-	-
Repairs and maintenance	-	23,922	242	-	-	24,164	-	-	24,164
Office expense	1,759	879	1,319	1,319	879	6,155	1,758	879	8,792
Postage and delivery	155	78	117	117	78	545	156	78	779
Insurance	10,557	42,229	-	-	-	52,786	-	-	52,786
Professional fees	4,598	2,299	3,449	3,449	2,299	16,094	4,598	2,299	22,991
Advertising	7,310	3,654	5,481	5,481	3,654	25,580	7,308	3,654	36,542
Dues and subscriptions	218	109	164	164	109	764	218	109	1,091
Bank charges	1,105	552	828	828	552	3,865	1,104	552	5,521
Travel	-	6	-	52	-	58	-	-	58
Utilities	6,965	3,483	5,225	5,225	3,483	24,381	6,966	3,483	34,830
Taxes and licenses	-	25	-	-	-	25	-	-	25
Miscellaneous expenses	568	284	426	426	284	1,988	568	284	2,840
Rent expense	-	1,740	-	-	-	1,740	-	-	1,740
Interest	-	-	-	-	-	-	-	-	-
Total expenses before depreciation	163,320	104,676	45,044	44,854	30,379	388,273	61,548	30,988	480,809
Depreciation	18,573	9,286	13,929	13,929	9,286	65,003	18,570	9,286	92,859
Total expenses	<u>\$ 181,893</u>	<u>\$ 113,962</u>	<u>\$ 58,973</u>	<u>\$ 58,783</u>	<u>\$ 39,665</u>	<u>\$ 453,276</u>	<u>\$ 80,118</u>	<u>\$ 40,274</u>	<u>\$ 573,668</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

LAKE PONTCHARTRAIN BASIN MARITIME MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Lake Pontchartrain Basin Maritime Museum, Inc. (the Museum) was created as a not-for-profit corporation in July 1991 to operate an educational maritime museum which preserves the marine, naval, and maritime history, and cultural heritage of the Lake Pontchartrain Basin. The largest single source of income is from the annual Wooden Boat Festival held each fall on the Tchefuncte River.

The Organization is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes.

Basis of Accounting

The financial statements of the Museum have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) 958-210-50-3, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958-210-50-3, the Museum is required to report information regarding its financial position and activities according to two classes of net assets:

Net Assets With Donor Restrictions - The part of net assets of a not-for-profit entity that is subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants).

Net Assets Without Donor Restrictions - The part of net assets of a not-for-profit entity that is not subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants).

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Museum considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

LAKE PONTCHARTRAIN BASIN MARITIME MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018 AND 2017

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts and Grants Receivable

Accounts receivable consist of amounts due for tuition in the wooden boat building classes and facility event room rental services. The Museum routinely reviews its accounts receivable balances and makes provision for doubtful accounts as necessary. Grants receivable consists of grant reimbursements. Management monitors the receivables and assesses the collectability of accounts on a monthly basis. Management has elected to record bad debts using the direct write-off method. Generally accepted accounting principles require that the allowance method be used to reflect bad debts. However, the effect of the use of the direct write-off method is not materially different from the results that would have been obtained had the allowance method been followed. Bad debts as of December 31, 2018 was \$429. There were no bad debts as of December 31, 2017.

Inventory

The Museum gift shop inventory consists of items purchased for resale and is carried at cost.

Property and Equipment

All acquisitions of property and equipment in excess of \$1,000 whose useful lives extend beyond a one-year period and betterments which naturally add to the value of related assets or materially extend the useful lives of assets are capitalized. Property and equipment are stated at historical cost or estimated fair value at the date of donation.

Depreciation is provided on the straight-line basis over the following estimated useful lives of the assets:

Buildings and improvements	39 Years
Museum exhibits	5-10 Years
Furniture and equipment	5-7 Years
Bulkhead and dock	15 Years
Land and improvements	7-10 Years
Sign	5 Years

LAKE PONTCHARTRAIN BASIN MARITIME MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018 AND 2017

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Collections of Art

Many of the works of art on exhibit at the Museum are on loan from private parties and, thus, are not recorded in the financial statements of the Museum. Collections, which include works of art, historic treasures, and assets of similar nature, that are donated without restrictions to the Museum are recorded as in-kind revenue on the statements of activities and changes in net assets. Collections are not depreciated, rather they are reviewed each year for impairment and value is decreased if deemed necessary. The Museum does not believe impairment is necessary as of December 31, 2018 and 2017. Collections of the Museum are (a) held for exhibition to the public, for educational purposes or for research in furtherance of public services and not financial gain, and (b) are protected, cared for, and preserved.

Public Support and Revenue

Grants and other contributions of cash and other assets are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. Volunteers also provide program and fundraising services throughout the year that are not recognized as contributions as they do not meet the recognition criteria.

Expense Allocation

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Museum.

Advertising Expense

The Museum uses advertising to promote its programs among the audiences it serves. During 2018 and 2017, advertising costs, which are expensed as incurred, totaled \$46,400 and \$36,542, respectively.

LAKE PONTCHARTRAIN BASIN MARITIME MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018 AND 2017

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax Status

The Museum is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Museum's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Museum qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

The Museum's evaluation as of December 31, 2018 revealed no tax positions that would have a material impact on the financial statements. The 2015 through 2017 tax years remain subject to examination by the IRS. The Museum does not believe that any reasonably possible changes will occur within the next twelve months that will have a material impact on the financial statements.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, "Not-for-Profit Entities." The Update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Museum has adjusted the presentation of these statements accordingly.

Subsequent Events

Subsequent events have been evaluated through June 28, 2019, which is the date the financial statements were available to be issued.

(2) STATEMENT OF CASH FLOWS SUPPLEMENTARY DISCLOSURES

Supplemental disclosures of cash flow information:

Cash paid during the year for:	<u>2018</u>	<u>2017</u>
Interest	\$ <u> 760</u>	\$ <u> -</u>

Non-Cash Investing Activities

During the year ended December 31, 2018, the Museum disposed of fixed assets which had a cost basis of \$3,137 and accumulated depreciation of \$3,137. There were no proceeds received relating to the disposals during the year ended December 31, 2018.

LAKE PONTCHARTRAIN BASIN MARITIME MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018 AND 2017

(3) LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Museum strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Financial assets in excess of daily cash requirements are invested in certificates of deposit, money market funds and other short-term investments.

The following table reflects the Museum's financial assets as of December 31, 2018, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of donor restrictions.

	<u>2018</u>	<u>2017</u>
Financial assets, at year end	\$ 238,823	\$ 268,160
Less those unavailable for general expenditure within one year due to:		
Donor restrictions	<u>(1,375)</u>	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 237,448</u>	<u>\$ 268,160</u>

(4) DONATED MATERIALS, FACILITIES AND SERVICES

The Organization receives donated services from sponsors who assist in fundraising and the Wooden Boat Festival. In accordance with FASB ASC 958-605-50-1, *Accounting for Contributions Received and Contributions Made*, these amounts have been recorded in the statements of activities as Wooden Boat Festival contributions and program expenses.

Donated services are as follows for the year ended December 31st:

	<u>2018</u>	<u>2017</u>
Donated services	<u>\$ 19,721</u>	<u>\$ 22,155</u>

LAKE PONTCHARTRAIN BASIN MARITIME MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018 AND 2017

(5) PROPERTY AND EQUIPMENT

The cost of such assets at December 31, 2018 and 2017 are as follows:

	2018	2017
Land and improvements	\$ 22,968	\$ 22,968
Furniture and equipment	171,829	174,966
Buildings and improvements	2,791,858	2,791,858
Museum exhibits	484,543	484,543
Bulkhead and dock	91,726	91,726
Sign	11,776	11,776
	3,574,700	3,577,837
Less: accumulated depreciation	(1,985,143)	(1,898,476)
	\$ 1,589,557	\$ 1,679,361

Depreciation and amortization expense for the years ended December 31, 2018 and 2017 was \$89,804 and \$92,859, respectively.

(6) DEBT

Line of Credit

The Museum obtained a \$50,000 line of credit with a financial institution on February 12, 2010 that automatically renews annually on February 12. The terms are monthly payments of accrued interest at an interest rate of an index rate plus 4.5%. As of December 31, 2018 and 2017, the line of credit remains open with a zero balance outstanding and has not been renewed for the upcoming year.

The Museum obtained a \$75,000 line of credit with a financial institution on August 8, 2016 with a maturity date of October 1, 2018. The terms are monthly payments of accrued interest at an interest rate of an index rate. As of December 31, 2018 and 2017, the line of credit had a zero balance outstanding and has not been renewed for the upcoming year.

LAKE PONTCHARTRAIN BASIN MARITIME MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018 AND 2017

(6) DEBT (CONTINUED)

Note Payable

Notes payable consists of the following as of December 31:

	2018	2017
Note payable -- currently payable in monthly installments of \$591 until September 20, 2021. The interest rate is 3.000% per year. The note is secured by the entity's furniture.	\$ 15,651	\$ 23,225
Less current portion	(6,703)	(6,473)
Net long-term debt	\$ 8,948	\$ 16,752

The aggregate maturities of long-term debt for next five years and thereafter are as follows:

2019	\$	6,703
2020		6,907
2021		2,041
	\$	15,651

(7) COMMITMENTS AND CONTRACTS

Management Agreement for Museum Building

The land on which the Museum is built is owned by the Town of Madisonville (the Town). On May 31, 1996, the Town and the Museum entered into a management agreement allowing the Museum to establish, occupy, administer, manage, supervise, maintain, and exercise operational control and custody over the museum building once construction was complete. The term of this agreement is for 99 years and expires on May 31, 2095. The Museum assumes the obligations of the day-to-day operations and upkeep of the buildings in lieu of other considerations to the Town (i.e. rent expense). In addition, the agreement states that the building contents and all furniture, fixtures, equipment, supplies, vessels, exhibits, artifacts, objects of art, paintings and all other movable things acquired by or donated to the Museum are the property of the Museum.

LAKE PONTCHARTRAIN BASIN MARITIME MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018 AND 2017

(7) COMMITMENTS AND CONTRACTS (CONTINUED)

Management Agreement of the Tchefunete River Range Rear Light Property

The Tchefunete River Range Rear Light Property (the Property) is owned by the Town. On May 24, 2000, the Town and Museum entered into a management agreement allowing the Museum to restore, develop, preserve, manage, and administer the Property, including its use as a tourist attraction. The term of this agreement is for 99 years and expires on May 24, 2099. The Museum assumes the obligation to maintain and exercise operational control and custody over the Property before and after the restoration of the lighthouse in lieu of other considerations to the Town. In addition, the agreement states that the Museum shall retain title to and possession of all of the contents and all furniture, fixtures, equipment, supplies, vessels, boats, exhibits, artifacts, objects of art, paintings, and all other movable things acquired by or donated to the Museum for the use and benefit of the Property during the period of the agreement.

(8) CONCENTRATION OF CREDIT RISK

The Museum maintains its cash balances at several financial institutions located in Southeast Louisiana. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. There were no uninsured portion of cash balances as of December 31, 2018 and 2017, respectively.

Of the Museum's revenues, \$254,622 (61.0%) and \$237,955 (61.0%) of revenues are obtained through a single source, the Wooden Boat Festival, for the years ended December 31, 2018 and 2017, respectively.

(9) NEW ACCOUNTING PRONUCEMENTS

The Financial Accounting Standards Board (FASB) has issued Accounting Standards Update (Update) No. 2016-02, "Leases." This Update seeks to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and by disclosing key information about leasing arrangements. The amendments in this Update are effective for fiscal years beginning after December 15, 2019, and for interim periods within fiscal years beginning after December 15, 2020. The Museum plans to adopt this Update as applicable by the effective date.

LAKE PONTCHARTRAIN BASIN MARITIME MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018 AND 2017

(9) NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

The Financial Accounting Standards Board (FASB) has issued Accounting Standards Update (Update) No. 2014-09, "*Revenue from Contracts with Customers*." The core principle of this Update is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve this core principle, the guidance provides that an entity should apply the following steps: (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when, or as, the entity satisfies a performance obligation. Deferring the effective date of the amendments in Update No. 2014-09, the FASB has issued Update No. 2015-14, "*Revenue from Contracts with Customers - Deferral of the Effective Date ASU No. 2015-14*." Update No. 2015-14 permits entities to apply the guidance in Update No. 2014-09 to annual reporting periods beginning after December 15, 2018, and to interim reporting periods within annual reporting periods beginning after December 15, 2019. The Museum plans to adopt this Update as applicable by the effective date.

LAKE PONTCHARTRAIN BASIN MARITIME MUSEUM, INC.
SCHEDULE OF COMPENSATION, BENEFITS,
AND OTHER PAYMENTS TO AGENCY HEAD
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Barney Knoess*</u>
Time served	01/01/18 through 12/31/18
Reimbursements	\$ <u> -</u>
Total compensation, benefits, and other payments	\$ <u><u> -</u></u>

*Note: Barney Knoess served in the capacity as a volunteer and as such does not receive a salary or related benefits for his time.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors of
Lake Pontchartrain Basin Maritime Museum, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the *Louisiana Governmental Audit Guide*, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Lake Pontchartrain Basin Maritime Museum, Inc. (a nonprofit organization), which comprise the statement of financial position, as of December 31, 2018, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 28, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lake Pontchartrain Basin Maritime Museum, Inc.'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 Lake Pontchartrain Basin Maritime Museum, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Lake Pontchartrain Basin Maritime Museum, Inc.'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.



To the Board of Directors of
Lake Pontchartrain Basin Maritime Museum, Inc.
June 28, 2019

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lake Pontchartrain Basin Maritime Museum, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

June 28, 2019
Mandeville, Louisiana

A handwritten signature in cursive script that reads "Ericksen Krentel LLP".

Certified Public Accountants

LAKE PONTCHARTRAIN BASIN MARITIME MUSEUM, INC.
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2018

SECTION I SUMMARY OF AUDITORS' REPORTS

1. The auditors' report expresses an unmodified opinion on the financial statements of Lake Pontchartrain Basin Maritime Museum, Inc.
2. No significant deficiencies or material weaknesses disclosed during the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Prepared in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Lake Pontchartrain Basin Maritime Museum, Inc., which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. A management letter was issued for the year ended December 31, 2018.

SECTION II FINANCIAL STATEMENT FINDINGS

NOT APPLICABLE

SECTION III FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT

NOT APPLICABLE

LAKE PONCHARTRAIN BASIN MARITIME MUSEUM, INC.
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2018

**SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE
FINANCIAL STATEMENTS**

Not Applicable

**SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL
AWARDS**

Not Applicable

SECTION III - MANAGEMENT LETTER

2017-001 Maintaining and Reconciling Summary Schedules

Through our testing, it came to our attention that the Museum did not maintain reconciled or complete summary schedules for the boat building class attendance, golf participants, room rentals, and the charitable gaming participants. We recommend that the Museum assign the reconciliation of the supporting summary schedules to an individual who will take responsibility for maintaining the binders and the related support. This item has been resolved.



June 28, 2019

To the Board of Directors of
Lake Pontchartrain Basin Maritime Museum, Inc.
Madisonville, Louisiana

In planning and performing our audit of the financial statements of Lake Pontchartrain Basin Maritime Museum, Inc. as of and for the year ended December 31, 2018, in accordance with auditing standards generally accepted in the United State of America, the *Louisiana Governmental Audit Guide*, and the standards applicable to financial audits contained in *Government Auditing Standards*, we considered the Museum's internal control over financial reporting (internal control) as a basis for designing auditing 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 Museum's internal control. Accordingly, we do not express an opinion of the effectiveness of the Museum's internal control.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiencies. This letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated June 28, 2019, on the financial statements of Lake Pontchartrain Basin Maritime Museum, Inc.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Museum personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

2018-001 Reconcile Differences between Inventory Records and General Ledger

We noted that there are differences between the general ledger inventory account and the inventory system. We recommend that periodic inventory reconciliations be computed to identify the reconciling items between the general ledger and the inventory records in order to test the accuracy of both systems and, therefore, provide more accurate financial information. We also recommend that inventory records and the inventory general ledger account be adjusted to agree to physical counts at least on an annual basis.



Board of Directors of
Lake Pontchartrain Basin Maritime Museum, Inc.
June 28, 2019
Page 2

This letter is intended solely for the information and use of Lake Pontchartrain Basin Maritime Museum, Inc. 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 letter is distributed by the Legislative Auditor as a public document.

June 28, 2019
Mandeville, Louisiana

Ericksen Krentel LLP
Certified Public Accountants

LAKE PONTCHARTRAIN BASIN MARITIME MUSEUM, INC.
MANAGEMENT'S CORRECTIVE ACTION PLANS – MANAGEMENT LETTER ITEMS
FOR THE YEAR ENDED DECEMBER 31, 2018

June 28, 2019

Louisiana Legislative Auditor

Lake Pontchartrain Basin Maritime Museum, Inc., Inc. respectfully submits the following corrective action plan for the year ended December 31, 2018.

Name and address of independent public accounting firm:

Ericksen Krentel, L.L.P.
2895 Highway 190, Ste 213
Mandeville, LA 70471

Audit Period: 01/01/2018 to 12/31/2018

The management letter item is discussed below. The management letter item is numbered consistently with the number assigned in the management letter.

SECTION III MANAGEMENT LETTER ITEMS

2018-001 Reconcile Differences between Inventory Records and General Ledger

Recommendation: We recommend that periodic inventory reconciliations be computed to identify the reconciling items between the general ledger and the inventory records in order to test the accuracy of both systems and, therefore, provide more accurate financial information. We also recommend that inventory records and the inventory general ledger account be adjusted to agree to physical counts at least on an annual basis.

Management's Response: A member of the staff will be assigned to reconcile the inventory records to the general ledger on a periodic basis. Once the reconciliation is completed, adjustments will be made to the records and the general ledger to agree to physical counts.

If there are any questions regarding this plan, please contact Jim MacPherson, Executive Director, at (985) 845-9200.

Sincerely,

Signature

Title



EXECUTIVE DIRECTOR