
LOUISIANA CHILDREN'S MUSEUM
NEW ORLEANS, LOUISIANA

FINANCIAL STATEMENTS

DECEMBER 31, 2018



Postlethwaite & Netterville

A Professional Accounting Corporation

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NEW ORLEANS, LOUISIANA

FINANCIAL STATEMENTS

DECEMBER 31, 2018

LOUISIANA CHILDREN'S MUSEUM

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Louisiana Children's Museum

We have audited the accompanying financial statements of the Louisiana Children's Museum (the Museum), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditors' 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.

Opinion

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

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Museum adopted Accounting Standards Update No. 2016-14 in the current year related to the presentation of financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 23, 2019 on our consideration of the Museum'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 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 Museum's internal control over financial reporting and compliance.



Metairie, Louisiana
May 23, 2019

LOUISIANA CHILDREN'S MUSEUM
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

ASSETS

	<u>2018</u>	<u>2017</u>
Current assets:		
Cash and cash equivalents	\$ 2,859,713	\$ 2,875,909
Investments	90,256	97,942
Promises to give, net (note 3)	79,790	181,434
Inventory	25,190	21,386
Prepaid expenses	41,454	44,258
Total current assets	<u>3,096,403</u>	<u>3,220,929</u>
Cash and cash equivalents	5,509,227	8,747,324
Note receivable (note 4)	3,600,000	3,600,000
Property and equipment, net (note 4)	29,001,279	8,843,871
Promises to give, net (note 3)	2,739,225	3,103,077
Investments	71,795	71,795
Collectibles	4,650	4,650
Deposits	<u>2,060</u>	<u>2,060</u>
Total assets	<u>\$ 44,024,639</u>	<u>\$ 27,593,706</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable and other accrued expenses	\$ 3,133,256	\$ 1,982,167
Deferred gain on sale, current portion (note 4)	358,105	358,105
Notes payable (note 5)	31,090	28,202
Total current liabilities	<u>3,522,451</u>	<u>2,368,474</u>
Deferred gain on sale, long-term portion (note 4)	<u>1,432,418</u>	<u>1,790,523</u>
Total liabilities	<u>4,954,869</u>	<u>4,158,997</u>
Net assets:		
Without donor restrictions	28,608,089	9,923,169
With donor restrictions (note 6)	<u>10,461,681</u>	<u>13,511,540</u>
Total net assets	<u>39,069,770</u>	<u>23,434,709</u>
Total liabilities and net assets	<u>\$ 44,024,639</u>	<u>\$ 27,593,706</u>

The accompanying notes are an integral part of these financial statements.

LOUISIANA CHILDREN'S MUSEUM
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support:						
General, administrative, and admissions	\$ 486,406	\$ -	\$ 486,406	\$ 492,923	\$ -	\$ 492,923
Marketing and sales	230,163	-	230,163	229,044	-	229,044
Museum store	140,520	-	140,520	157,143	-	157,143
Fundraising	300,986	-	300,986	270,279	-	270,279
Development	200,769	210,567	411,336	87,664	300,843	388,507
Education	76,205	-	76,205	60,538	-	60,538
LCM in City Park	-	15,615,390	15,615,390	-	5,104,674	5,104,674
Memberships	169,257	-	169,257	156,937	-	156,937
Other revenue	358,105	-	358,105	220,370	-	220,370
	1,962,411	15,825,957	17,788,368	1,674,898	5,405,517	7,080,415
Net assets released from restrictions	18,875,816	(18,875,816)	-	4,419,641	(4,419,641)	-
Total revenue and other support	20,838,227	(3,049,859)	17,788,368	6,094,539	985,876	7,080,415
Expenses:						
General and administrative	440,989	-	440,989	323,971	-	323,971
Marketing and sales	201,058	-	201,058	254,015	-	254,015
Museum store	123,491	-	123,491	132,657	-	132,657
Fundraising events	117,685	-	117,685	82,878	-	82,878
Development	106,260	-	106,260	118,725	-	118,725
Education	558,235	-	558,235	600,676	-	600,676
LCM in City Park	397,274	-	397,274	541,890	-	541,890
Exhibit, maintenance and repairs	208,315	-	208,315	310,422	-	310,422
Total expenses	2,153,307	-	2,153,307	2,365,234	-	2,365,234
Change in net assets	18,684,920	(3,049,859)	15,635,061	3,729,305	985,876	4,715,181
Net assets at beginning of year	9,923,169	13,511,540	23,434,709	6,193,864	12,525,664	18,719,528
Net assets at end of year	\$ 28,608,089	\$ 10,461,681	\$ 39,069,770	\$ 9,923,169	\$ 13,511,540	\$ 23,434,709

The accompanying notes are an integral part of these financial statements.

LOUISIANA CHILDREN'S MUSEUM
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

2018

	Program Services				Management and General		Fundraising and Development		Total
	Education	Exhibit maintenance and repairs	Museum store	LCM in City Park	General and administrative	Marketing and sales	Fundraising events	Development	
Salaries, benefits, and related expenses	\$ 403,793	\$ 31,272	\$ 39,013	\$ 328,258	\$ 88,455	\$ 125,669	\$ 77,642	\$ 89,664	\$ 1,183,766
Advertising	15,461	-	-	4,691	-	30,009	13	-	50,174
Bank fees	-	-	-	-	-	-	-	-	-
Contracted services	8,823	3	40	5,102	100,055	1,017	3,066	2,068	120,174
Depreciation	-	54,203	-	-	-	-	-	-	54,203
Dues and subscriptions	615	-	-	-	6,016	9,137	-	640	16,408
Entertainment	15,085	-	170	1,720	9,004	51	124	-	26,154
Equipment rental	-	3,443	-	-	2,755	-	-	-	6,198
Exhibits and programs	31,520	-	-	-	-	-	-	-	31,520
Cost of goods sold	-	-	77,554	-	-	-	-	-	77,554
Housekeeping	-	67,583	-	-	395	1,855	-	-	69,833
Insurance	2,505	-	-	-	70,010	-	-	-	72,515
Interest	-	-	-	-	975	-	-	-	975
Miscellaneous	5,785	79	-	274	125,389	6,876	33,279	1,160	172,842
Parking	5,177	1,605	1,660	-	6,165	4,745	3,023	1,885	24,260
Professional fees	1,146	-	-	51,155	12,603	500	170	370	65,944
Repairs and maintenance	-	40,892	-	-	342	61	13	-	41,308
Security	-	-	-	-	-	-	-	-	-
Special events and fundraising	-	605	-	1,721	-	10,442	-	-	12,768
Supplies, postage, and printing	3,604	-	739	4,353	5,881	8,539	355	6,158	29,629
Utilities	64,721	8,630	4,315	-	12,944	2,157	-	4,315	97,082
Total expenses	\$ 558,235	\$ 208,315	\$ 123,491	\$ 397,274	\$ 440,989	\$ 201,058	\$ 117,685	\$ 106,260	\$ 2,153,307

The accompanying notes are an integral part of these financial statements.

LOUISIANA CHILDREN'S MUSEUM
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

2017

	Program Services				Management and General		Fundraising and Development		Total
	Education	Exhibit maintenance and repairs	Museum store	LCM in City Park	General and administrative	Marketing and sales	Fundraising events	Development	
Salaries, benefits, and related expenses	\$ 435,590	\$ 31,485	\$ 38,851	\$ 241,055	\$ 50,762	\$ 155,492	\$ 48,517	\$ 105,736	\$ 1,107,488
Advertising	-	-	-	31,523	-	39,190	-	110	70,823
Bank fees	-	-	-	488	-	-	-	-	488
Contracted services	1,646	-	90	4,146	151,388	830	988	1,339	160,427
Depreciation	-	118,744	-	-	-	-	-	-	118,744
Dues and subscriptions	-	-	-	-	6,736	11,241	-	70	18,047
Entertainment	14,016	-	-	4,267	4,688	-	71	1,504	24,546
Equipment rental	-	5,800	-	-	3,239	-	-	-	9,039
Exhibits and programs	53,190	-	-	-	-	-	-	-	53,190
Cost of goods sold	-	-	85,837	-	-	-	-	-	85,837
Housekeeping	247	73,146	-	-	300	-	-	-	73,693
Insurance	8,451	-	713	54,702	235	362	126	126	64,715
Interest	-	-	-	-	8,090	-	-	-	8,090
Miscellaneous	12,793	-	340	113,676	40,355	15,898	30,823	457	214,342
Parking	5,693	1,350	1,350	-	4,820	5,430	2,140	1,350	22,133
Professional fees	1,940	-	-	65,827	33,114	3,465	-	520	104,866
Repairs and maintenance	-	70,880	-	-	-	-	-	-	70,880
Security	-	-	-	-	553	-	-	-	553
Special events and fundraising	-	-	-	16,875	-	13,029	-	-	29,904
Supplies, postage, and printing	2,149	356	1,145	9,331	6,699	6,913	213	3,182	29,988
Utilities	64,961	8,661	4,331	-	12,992	2,165	-	4,331	97,441
Total expenses	\$ 600,676	\$ 310,422	\$ 132,657	\$ 541,890	\$ 323,971	\$ 254,015	\$ 82,878	\$ 118,725	\$ 2,365,234

The accompanying notes are an integral part of these financial statements.

LOUISIANA CHILDREN'S MUSEUM
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash flows used in operating activities:		
Cash received from contributors, gifts, members, visitors, and programs	\$ 1,488,710	\$ 1,900,801
Cash received from museum store	140,520	157,143
Salaries and benefits paid to employees	(1,183,766)	(1,107,488)
Operating expenses	(1,090,144)	(1,019,905)
Interest paid	(975)	(8,090)
	<u>(645,655)</u>	<u>(77,539)</u>
Net cash used in operating activities		
Cash flows used in investing activities:		
Purchases of property, equipment, and exhibits	<u>(18,878,055)</u>	<u>(2,830,484)</u>
Net cash used in investing activities	<u>(18,878,055)</u>	<u>(2,830,484)</u>
Cash flows provided by financing activities:		
Borrowings from note payable	56,403	56,403
Repayment of note payable	(53,515)	(274,955)
Contributions received for LCM in City Park	<u>16,266,529</u>	<u>7,980,998</u>
Net cash provided by financing activities	<u>16,269,417</u>	<u>7,762,446</u>
Net change in cash and cash equivalents	(3,254,293)	4,854,423
Cash and cash equivalents at beginning of year	<u>11,623,233</u>	<u>6,768,810</u>
Cash and cash equivalents at end of year	<u>\$ 8,368,940</u>	<u>\$ 11,623,233</u>
As presented on the statements of financial position:		
Cash and cash equivalents, current	\$ 2,859,713	\$ 2,875,909
Cash and cash equivalents, noncurrent	5,509,227	8,747,324
Total cash and cash equivalents	<u>\$ 8,368,940</u>	<u>\$ 11,623,233</u>
Supplemental Disclosure of Non-cash Investing Activity		
Accounts payable for property, equipment, and exhibits	<u>\$ 1,333,556</u>	<u>\$ 1,727,791</u>

The accompanying notes are an integral part of these financial statements.

LOUISIANA CHILDREN'S MUSEUM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

1. Summary of Significant Accounting Policies

History and Organization

The Louisiana Children's Museum (the Museum), which opened in October 1986, is a cultural, educational, and recreational resource serving the City of New Orleans with exhibits and programs focusing on health, fitness, art, local history, cultural heritage, local industry, geography, literacy, science, math, safety, and daily living skills.

The Museum is organized as a private, nonprofit corporation, chartered in the State of Louisiana and granted 501(c)(3) status by the Internal Revenue Service. It is governed by a 33-member Board of Directors. The Museum is heavily dependent on community support for contributions and memberships.

Louisiana Children's Museum in City Park (LCM in City Park), previously referred to as the Early Learning Village, is a planned educational and cultural complex situated on an 8 acre site in New Orleans City Park to support and nurture the optimal development of children and families. Surrounding the LCM in City Park are local organizations that help families provide healthy and caring relationships, model lifestyles that promote physical, social, emotional and cognitive health, and engage in a successful start to lifelong learning. Daily on-site programming will be accompanied by training throughout the State of Louisiana on child development and family well-being. The Museum broke ground on the LCM in City Park in New Orleans City Park on May 20, 2017 and expects to open to the public in September 2019.

Basis of Presentation

The Museum prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (US GAAP), which require the Museum to report financial information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Museum. These net assets may be used at the discretion of Museum's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Museum or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

LOUISIANA CHILDREN'S MUSEUM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

1. Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

In determining the classification of certain assets as current or non-current, management has considered whether the ultimate use of the asset is related to current operations. Consequently, in accordance with US GAAP, a portion of cash and cash equivalents, promises to give and the note receivable which are intended for uses other than current operations have been presented as non-current assets, despite their expected collection within twelve months.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit with banks and money market funds or short-term investments with original maturities of three months or less from the date of purchase, except for those amounts that are held in the investment portfolio which are invested for long-term purposes.

Investments

Investments are reported at acquisition, at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair values in the statements of financial position, and changes in fair value are reported as investment return in the statements of activities. Interest is recorded when earned. All investment income including changes in the fair value of the investments is recognized in the statements of activities.

Promises to Give

Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue.

The allowance for uncollectable promises to give is based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At December 31, 2018 and 2017, management assessed that no allowance was necessary as they believe all promises to give to be collectible.

LOUISIANA CHILDREN'S MUSEUM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

1. **Summary of Significant Accounting Policies (continued)**

Inventory

Inventory comprises of program-related merchandise held for sale in the gift shop and is stated at the lower of cost, determined using weighted average method, or net realizable value.

Property and Equipment

Property and equipment are stated at cost at the date of purchase or, for donated assets, at fair value at the date of donation, less accumulated depreciation. Depreciation is calculated using the straight-line method over the lesser of the estimated useful lives of the assets or the lease term. The useful lives range from three to seven years. The Museum's policy is to capitalize renewals and betterments acquired for greater than \$5,000 and expense normal repairs and maintenance as incurred. The Museum's management periodically evaluates whether events or circumstances have occurred indicating that the carrying amount of long-lived assets may not be recovered.

Revenue and Revenue Recognition

Revenue is recognized when earned. Service fees received in advance are deferred to the applicable period in which the related services are performed. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to the Museum's program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. Donated professional services are recorded at the respective fair values of the services received. No significant contributions of such goods or services were received during the years ended December 31, 2018 and 2017, respectively.

Functional expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs, primarily salaries, benefit and related expenses for certain individuals have been allocated among the programs and supporting services benefited. The allocation between functions is based on time spent by specific employees as estimated by management. All other costs are charged directly to the appropriate functional category.

LOUISIANA CHILDREN'S MUSEUM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

1. Summary of Significant Accounting Policies (continued)

Income Taxes

The Museum is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state income taxes under Section 121(5) of Title 47 of the Louisiana Revised Statutes of 1950.

The Museum has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Museum has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that could affect reported amounts of assets at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results and the results of future periods could differ from those estimates.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

New Accounting Pronouncements – Adopted

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of 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. The ASU has been applied retrospectively to all periods presented.

LOUISIANA CHILDREN'S MUSEUM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

1. Summary of Significant Accounting Policies (continued)

New Accounting Pronouncements – To Be Adopted

In June 2018, the FASB issued ASU No. 2018-08 Not-for-Profit Entities (Topic 958), “Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made” to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. This ASU will be effective for the Museum for annual periods beginning after December 15, 2018. The Museum is currently assessing the impact of this pronouncement on its financial statements.

The Financial Accounting Standards Board (FASB) has issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606), to update its revenue recognition standard to clarify the principles of recognizing revenue and eliminate industry-specific guidance as well as help financial statement users better understand the nature, amount, timing, and uncertainty of revenue that is recognized. The standard may be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. This ASU will be effective for the Museum for annual periods beginning after December 15, 2018. The Museum is currently assessing the impact of this pronouncement on the financial statements.

In January 2016, the FASB has issued ASU 2016-02, Leases (Topic 842). ASU 2016-02 requires that a lessee recognize the assets and liabilities that arise from leases classified as finance or operating. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. This ASU will be effective for financial statements issued for annual periods beginning after December 15, 2019. The Museum is currently assessing the impact of this pronouncement on its financial statements.

LOUISIANA CHILDREN'S MUSEUM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

2. Availability and Liquidity

The following represents the Museum's financial assets at December 31, 2018:

Financial assets at year end:	
Cash and cash equivalents	\$ 8,368,940
Note receivable	3,600,000
Investments	162,051
Promises to give	<u>2,819,015</u>
Total financial assets	<u>14,950,006</u>
Less amounts not available to be used within one year or unavailable for general expenditures:	
Assets with donor restrictions, programs	(224,145)
Assets with donor restrictions, LCM in City Park	(8,108,562)
Note receivable	(3,600,000)
Endowment funds	<u>(211,685)</u>
	<u>(12,144,392)</u>
Financial assets available to meet general expenditures over the next twelve months	<u><u>\$ 2,805,614</u></u>

While the Museum expects to collect the proceeds from the note receivable within the next twelve months (see Note 4), management and the Board intend to utilize those proceeds to establish a board-designated endowment, and therefore have not included the balance in financial assets available for general expenditures.

The Museum's liquidity management plan includes adopting balanced operating and capital budgets annually and maintaining operating reserves equal to \$500,000, or approximately 25% of operating expenses.

The amounts raised for LCM in City Park includes \$970,000 in bridge funding for operating expenses and \$780,000 in constructing, marketing, and event expenses.

The Museum invests excess cash in money market bank accounts.

LOUISIANA CHILDREN'S MUSEUM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

3. Promises to Give

Unconditional promises to give at December 31, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Promises to give, current	\$ 79,790	\$ 181,434
Promises to give, non-current	<u>2,739,225</u>	<u>3,103,077</u>
Total	<u>\$ 2,819,015</u>	<u>\$ 3,284,511</u>
Receivable in less than one year	\$ 1,371,229	\$ 2,237,951
Receivable in one to five years	1,432,786	1,091,554
Receivable in more than five years	<u>15,000</u>	<u>15,000</u>
Total unconditional promises	2,819,015	3,344,505
Less: discounts to net present value	-	(59,994)
Net unconditional promises	<u>\$ 2,819,015</u>	<u>\$ 3,284,511</u>

Promises to give receivable in more than one year are discounted at 3.5%, at December 31, 2017. Management concluded a discount to net present value was not deemed necessary for December 31, 2018, as the amount is not considered significant.

LOUISIANA CHILDREN'S MUSEUM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

4. Property and Equipment

A summary of property and equipment as of December 31 is as follows:

	<u>2018</u>	<u>2017</u>
Exhibits	\$ 1,169,482	\$ 1,169,706
Equipment	225,251	225,251
Construction in progress	<u>29,001,279</u>	<u>8,789,444</u>
	30,396,012	10,184,401
Less accumulated depreciation	<u>(1,394,733)</u>	<u>(1,340,530)</u>
Property and equipment, net	<u>\$ 29,001,279</u>	<u>\$ 8,843,871</u>

Included in construction in progress at December 31, 2018 and 2017 are payments for the design and construction of the LCM in City Park project. Included in accounts payable and other accrued expenses on the statement of financial position is approximately \$3,070,000 and \$1,730,000 of construction related liabilities as of December 31, 2018 and 2017, respectively.

In September 2016, the Museum entered into an agreement to sell the property located at 420 Julia Street, New Orleans (the Property). The sale of the Property closed on December 28, 2017. Consideration for the sale was in the form of a promissory note (the Note) for \$3,600,000. The Note is due and payable on or before July 15, 2019 and is supported by an irrevocable letter of credit from an independent, established lending institution.

In conjunction with the sale, the Museum and the Buyer executed a lease which allows the Museum to occupy the Property through December 31, 2023 for a nominal annual rent. In accordance with FASB Codification 840 Leases, given the sale and subsequent leaseback of the Property, the gain on the sale was deferred and is being amortized in proportion to the gross rental charged to expense over the lease term. Based on this amortization, gain of \$358,105 and \$0 were recognized for the years ended December 31, 2018 and 2017, respectively and is included in other revenue in the statements of activities. The deferred gain presented on the statements of financial position was \$1,790,523 and \$2,148,628 at December 31, 2018 and 2017, respectively.

5. Notes Payable

On September 11, 2017, the Museum entered into an agreement for the financing of insurance policies. Principal and interest are payable in 11 monthly payments of \$5,816 per month at interest rates of 6.8% and 6.75% at December 31, 2018 and 2017, respectively. The balance of notes payable as of December 31, 2018 and 2017 was \$31,090 and \$28,202, respectively.

LOUISIANA CHILDREN’S MUSEUM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

6. Net Assets with Donor Restrictions

Net assets with donor restrictions as of December 31, 2018 and 2017, respectively, are restricted as follows:

	<u>2018</u>	<u>2017</u>
Programs	\$ 299,522	\$ 637,268
Marketing and advertising	-	19,337
LCM in City Park	9,860,218	12,685,198
Endowment, restricted until appropriated	90,256	97,942
Endowment, permanently restricted	211,685	71,795
	<u>\$ 10,461,681</u>	<u>\$ 13,511,540</u>

Cash, cash equivalents, and investments include donor restricted amounts of \$7,642,666 and \$10,867,043 as of December 31, 2018 and 2017, respectively.

For 2018 and 2017, the net assets released from restrictions are comprised of previously recorded donor restricted assets that have met either time or purpose restrictions.

7. Fair Value of Financial Instruments

ASC Topic 820, “Fair Value Measurements and Disclosures,” establishes a fair value hierarchy with three levels based on the reliability of the inputs used to determine fair value. These levels include: Level 1, defined as inputs such as unadjusted quoted prices in active markets for identical assets and liabilities; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs for use when little or no market data exist, therefore requiring an entity to develop its own assumptions.

At December 31, 2018 and 2017, the Museum held certain financial assets and liabilities that are required to be measured at fair value on a recurring basis, primarily investments held by Greater New Orleans Foundation (GNOF). The fair value of these investments is based on the fair value of fund investments as reported by GNOF. These investments are measured at fair value on a recurring basis using Level 2 inputs and total \$162,051 and \$169,737 as of December 31, 2018 and 2017, respectively.

The fair value of cash and cash equivalents, accounts receivable, promises to give, inventory, and accounts payable approximates book value at December 31, 2018 and 2017 due to the short-term nature of these accounts.

LOUISIANA CHILDREN'S MUSEUM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

8. Lease Agreement

On November 25, 2014, the Museum entered into a cooperative endeavor agreement with the New Orleans City Park Improvement Association to lease 8.443 acres of land within City Park for the Museum to plan, construct, and manage a museum and other improvements (the LCM in City Park project) dedicated to the cultural and educational development of children. The agreement is for a period of 39 years which may be extended twice for an additional ten years upon mutual consent. Construction period rent is \$500 per month and is not effective until the start of construction. Upon completion of construction, operating rent is \$3,000 per month with adjustments for the consumer price index after the first ten years. The Museum will assume the costs of maintaining the premises, the facility, and additional improvements made to the land. The Museum shall also maintain a reserve fund in the amount of 3% of the gross operating budget for the maintenance and repair of the promises and facility.

LOUISIANA CHILDREN'S MUSEUM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

9. Revenue

Revenue as presented on the statements of activities is categorized as follows as of December 31 2018 and 2017:

	2018		
	<u>Without Donor</u>	<u>With Donor</u>	
	<u>Restrictions</u>	<u>Restrictions</u>	<u>Total</u>
<u>Revenues and other support:</u>			
Contributions	\$ 200,769	\$ 1,418,889	\$ 1,619,658
State funding	-	14,391,813	14,391,813
Membership	169,257	-	169,257
Admissions	486,261	-	486,261
Special events and fundraising	531,149	-	531,149
Museum store	140,520	-	140,520
Summer camp and outreach	76,205	-	76,205
Investment income, net	(5,487)	14,535	9,048
Amortization of gain	358,105	-	358,105
Legal settlement	-	-	-
Other	5,632	720	6,352
	<u>1,962,411</u>	<u>15,825,957</u>	<u>17,788,368</u>
Net assets released from restrictions	<u>18,875,816</u>	<u>(18,875,816)</u>	<u>-</u>
Total revenue and other support	<u>\$ 20,838,227</u>	<u>\$ (3,049,859)</u>	<u>\$ 17,788,368</u>

	2017		
	<u>Without Donor</u>	<u>With Donor</u>	
	<u>Restrictions</u>	<u>Restrictions</u>	<u>Total</u>
<u>Revenues and other support:</u>			
Contributions	\$ 87,664	\$ 1,642,010	\$ 1,729,674
State funding	-	3,749,179	3,749,179
Membership	156,937	-	156,937
Admissions	445,952	-	445,952
Special events and fundraising	499,323	-	499,323
Museum store	157,143	-	157,143
Summer camp and outreach	60,538	-	60,538
Investment income, net	21,978	14,145	36,123
Amortization of gain	-	-	-
Legal settlement	220,370	-	220,370
Other	24,993	183	25,176
	<u>1,674,898</u>	<u>5,405,517</u>	<u>7,080,415</u>
Net assets released from restrictions	<u>4,419,641</u>	<u>(4,419,641)</u>	<u>-</u>
Total revenue and other support	<u>\$ 6,094,539</u>	<u>\$ 985,876</u>	<u>\$ 7,080,415</u>

LOUISIANA CHILDREN'S MUSEUM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

10. Commitments

On August 1, 2017, the Museum entered into an agreement with a construction firm for professional services related to the LCM in City Park project at a total contract amount of approximately \$28 million. As of December 31, 2018, approximately \$8.5 million remains to be paid under the contract.

On December 27, 2017, the Museum entered into an agreement with a design firm for exhibit fabrication related to the LCM in City Park project at a total contract amount of approximately \$3.7 million. As of December 31, 2018, the Museum paid approximately \$2 million for the services provided under the contract.

11. Claim Settlement

During 2017, the Museum received a settlement payment for the damages suffered under the Deepwater Horizon Economic and Property Damages Settlement Program. The Museum recorded other income of \$220,370 related to this claim.

12. Subsequent Event

Management has evaluated subsequent events through the date that the financial statements were available to be issued, May 23, 2019, and determined that the following events occurred that required disclosure.

SUPPLEMENTAL INFORMATION

LOUISIANA CHILDREN'S MUSEUM

SCHEDULE OF COMPARISON OF STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>	<u>Variance</u>	
			<u>Favorable (Unfavorable)</u>	
			<u>Amount</u>	<u>Percentage</u>
Revenues and other support:				
General, administrative, and admissions	\$ 486,406	\$ 492,923	\$ (6,517)	(1.3)%
Marketing and sales	230,163	229,044	1,119	0.5%
Museum store	140,520	157,143	(16,623)	(10.6)%
Fundraising	300,986	270,279	30,707	11.4%
Development	411,336	388,507	22,829	5.9%
Education	76,205	60,538	15,667	25.9%
LCM in City Park	15,615,390	5,104,674	10,510,716	205.9%
Memberships	169,257	156,937	12,320	7.9%
Other	358,105	220,370	137,735	100.0%
	<u>17,788,368</u>	<u>7,080,415</u>	<u>10,707,953</u>	<u>151.2%</u>
Expenses:				
General and administrative	440,989	323,971	117,018	36.1%
Marketing and sales	201,058	254,015	(52,957)	(20.8)%
Museum store	123,491	132,657	(9,166)	(6.9)%
Fundraising events	117,685	82,878	34,807	42.0%
Development	106,260	118,725	(12,465)	(10.5)%
Education	558,235	600,676	(42,440)	(7.1)%
LCM in City Park	397,274	541,890	(144,616)	(26.7)%
Exhibit, maintenance and repairs	208,315	310,422	(102,108)	(32.9)%
	<u>2,153,307</u>	<u>2,365,234</u>	<u>(211,927)</u>	<u>(9.0)%</u>
Change in net assets	15,635,061	4,715,181	10,496,026	222.6%
Net assets at beginning of year	<u>23,434,709</u>	<u>18,719,528</u>	<u>4,715,181</u>	<u>25.2%</u>
Net assets at end of year	<u>\$ 39,069,770</u>	<u>\$ 23,434,709</u>	<u>\$ 15,211,207</u>	<u>64.9%</u>

See accompanying independent auditors' report.

LOUISIANA CHILDREN'S MUSEUM
SCHEDULE OF COMPENSATION, BENEFITS,
AND OTHER PAYMENTS TO AGENCY HEAD
FOR THE YEAR ENDED DECEMBER 31, 2018

Agency Head Name: Julia Bland, Executive Director

The Museum does not meet the requirement to report the total compensation, reimbursements, and benefits paid to the Executive Director as these costs are not paid from public funds.

See accompanying independent auditors' report.

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
Louisiana Children's Museum

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 financial statements of Louisiana Children's Museum (the Museum), which comprise the statement of financial position as of December 31, 2018 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 23, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Museum'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 Museum's internal control. Accordingly, we do not express an opinion on the effectiveness of the Museum'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 over financial reporting 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 Museum'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 Museum'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 Museum's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Postlethwaite & Netterville

Metairie, Louisiana
May 23, 2019

LOUISIANA CHILDREN'S MUSEUM
NEW ORLEANS, LOUISIANA

STATEWIDE AGREED-UPON PROCEDURES

FOR THE YEAR ENDED DECEMBER 31, 2018



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LOUISIANA CHILDREN'S MUSEUM
NEW ORLEANS, LOUISIANA

STATEWIDE AGREED-UPON PROCEDURES

FOR THE YEAR ENDED DECEMBER 31, 2018

INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors of Louisiana Children's Museum
and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by the management of Louisiana Children's Museum (LCM) and the Louisiana Legislative Auditor (LLA) (the specified parties) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2018 through December 31, 2018. LCM's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and the results thereof are set forth below. The procedure is stated first, followed by the results of the procedure presented in italics. If the item being subjected to the procedures is positively identified or present, then the results will read "no exception noted". If not, then a description of the exception ensues. Additionally, certain procedures listed below may not have been performed in accordance with guidance provided by the Louisiana Legislative Auditor, the specified user of the report. For those procedures, "procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity" is indicated.

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):

a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.

We performed the procedure above and noted the following exception:

- ***No written policy on amending the budget.***

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.

We performed the procedure above and noted the following exception:

- ***No approved policy on purchasing.***

c) ***Disbursements***, including processing, reviewing, and approving.

No exceptions noted.

- d) *Receipts/Collections*, including receiving, recording, and preparing deposits.

No public funds are received in cash or by check or money order.

- e) *Payroll/Personnel*, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

No exceptions noted.

- 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.

We performed the procedure above and noted the following exception:

- *No approved policy on contracting.*

- 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)

No exceptions noted.

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

No exceptions noted.

- i) *Ethics*, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

No exceptions noted.

- j) *Debt Service*, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

No exceptions noted.

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.

We performed the procedure above and noted the following exceptions:

- *There were no minutes for the May meeting, therefore it could not be determined if there was a quorum for the meeting.*
 - *There was no listing of attendees in the December minutes, therefore, it could not be determined if there was a quorum for the December meeting.*
- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. *Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*

No exceptions noted.

- c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

Not applicable – not a governmental entity.

Bank Reconciliations

3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:

A listing of bank accounts was provided and included a total of 9 bank accounts. Management identified the LCM's main operating account. No exceptions were noted as a result of performing this procedure.

From the listing provided, only 1 account receives State funding, therefore we selected the 1 bank account and obtained the bank reconciliations for the month ending October 31, 2018, resulting in 1 bank reconciliations obtained and subjected to the below procedures.



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- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

No exceptions noted.

- 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

No exceptions noted.

- 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.

No exceptions noted.

Collections

- 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 5 deposit sites (or all deposit sites if less than 5).

No public funds are received in cash or by check or money order.

- 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. 5 collection locations for 5 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 that are responsible for cash collections do not share cash drawers/registers.
- 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.
- 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.
- 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 verifies the reconciliation.

No public funds are received in cash or by check or money order.

- 6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

No public funds are received in cash or by check or money order.

7. Randomly select two deposit dates for each of the 5 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). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
 - a) Observe that receipts are sequentially pre-numbered.
 - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - c) Trace the deposit slip total to the actual deposit per the bank statement.
 - 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 10 miles from the collection location or the deposit is less than \$100).
 - e) Trace the actual deposit per the bank statement to the general ledger.

No public funds are received in cash or by check or money order.

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

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

No exceptions noted.

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:

The listing of employees involved with non-payroll purchasing and payment functions for each payment processing location selected in procedure #8 was provided. No exceptions were noted as a result of performing this procedure.

Review of LCM's written policies and procedures or inquiry with employee(s) regarding job duties was performed in order to perform the procedures below.

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

No exceptions noted.

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

No exceptions noted.



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- 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.

The employee responsible for processing payments is not prohibited from adding/modifying vendor files, and there is no other employee responsible for periodically reviewing changes to vendor files.

- 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.

The employee/official responsible for signing checks does not mail the payment or give the signed checks to an employee to mail who is not responsible for processing payments.

- 10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

A listing of non-payroll disbursements for each payment processing location selected in procedures #8 was provided related to the reporting period. No exceptions were noted as a result of performing this procedure.

From each of the listings provided, we randomly selected 5 disbursements and performed the procedures below.

- a) Observe that the disbursement matched the related original invoice/billing statement.

No exceptions noted.

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

No exceptions noted.

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.

Not applicable – Credit cards are not paid with state or local government funding.

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) 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:
- Observe that 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) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]
 - Observe that finance charges and late fees were not assessed on the selected statements.

Not applicable – Credit cards are not paid with state or local government funding.

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 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).

Not applicable – Credit cards are not paid with state or local government funding.

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 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
- If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
 - If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - 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).
 - Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Not applicable – Travel and travel-related expenses are not paid with state or local government funding.

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. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
- 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.
 - Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).
 - If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.
 - Randomly select one payment from the fiscal period for each of the 5 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.

Procedures outlined in #15 were not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

Payroll and Personnel

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

Not applicable – No employees of LCM are paid with state or local government funding.

17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
- Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
 - Observe that supervisors approved the attendance and leave of the selected employees/officials.
 - Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

Not applicable – No employees of LCM are paid with state or local government funding.

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

Not applicable – No employees of LCM are paid with state or local government funding.

19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Not applicable – No employees of LCM are paid with state or local government funding.

Ethics

Item 20 was not included as not applicable to nonprofits.

Debt Service

Items 21-22 were not included as not applicable.

Other

23. 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 entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.
24. Observe that the entity 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.

Procedures outlined in #23 and #24 were not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

Corrective Action

Obtain management's response and corrective action plan for any exceptions noted in the above agreed-upon procedures.

The Museum has been implementing best practices in our methods of operations for securing vendors, tracking compliance of state funds, reporting on expenditures of funds, etc. and is in the process of formalizing the practices we have used to board-adopted policies. The Museum will consider other instances of exceptions and these procedures and identify if changes in practice or procedures are required.



We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those 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.

The purpose of this report is solely to describe the scope of testing performed on those 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.

Postlethwaite & Netterville

New Orleans, Louisiana
May 23, 2019