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**LOUISIANA CHILDREN'S MUSEUM**  
**NEW ORLEANS, LOUISIANA**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2017**

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Postlethwaite & Netterville

A Professional Accounting Corporation

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**LOUISIANA CHILDREN'S MUSEUM**  
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**FINANCIAL STATEMENTS**

**DECEMBER 31, 2017**

**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, 2017 and 2016, and the related statements of activities 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, 2017 and 2016, 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.

**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 June 29, 2018 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.

*Postlethwaite & Netterville*

Metairie, Louisiana  
June 29, 2018

**LOUISIANA CHILDREN'S MUSEUM**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2017 AND 2016**

	<u>ASSETS</u>	
	<u>2017</u>	<u>2016</u>
Current assets:		
Cash and cash equivalents, unrestricted	\$ 831,093	\$ 634,237
Cash and cash equivalents, restricted (note 6)	10,792,140	6,134,573
Grant receivables, restricted	-	19,280
Investments, temporarily restricted (note 6)	97,942	77,572
Promises to give, net, restricted (note 3)	2,237,951	4,233,226
Inventory	21,386	36,370
Prepaid expenses	44,258	36,856
Total current assets	<u>14,024,770</u>	<u>11,172,114</u>
Note receivable (note 4)	3,600,000	-
Property and equipment, net (note 4)	8,843,871	5,855,712
Promises to give, net, restricted (note 3)	1,046,560	1,990,532
Investments, permanently restricted	71,795	71,795
Collectibles	4,650	4,650
Deposits	2,060	2,060
Total assets	<u>\$ 27,593,706</u>	<u>\$ 19,096,863</u>
 <b><u>LIABILITIES AND NET ASSETS</u></b>  		
Current liabilities:		
Accounts payable and other accrued expenses	\$ 1,982,167	\$ 130,581
Deferred gain on sale, current portion (note 4)	358,105	-
Notes payable, current portion (note 5)	28,202	36,754
Total current liabilities	<u>2,368,474</u>	<u>167,335</u>
Deferred gain on sale, long-term portion (note 4)	1,790,523	-
Notes payable, long-term portion (note 5)	-	210,000
Total liabilities	<u>4,158,997</u>	<u>377,335</u>
Net assets:		
Unrestricted	9,923,169	6,193,864
Temporarily restricted (note 6)	13,439,745	12,453,869
Permanently restricted (note 6)	71,795	71,795
Total net assets	<u>23,434,709</u>	<u>18,719,528</u>
Total liabilities and net assets	<u>\$ 27,593,706</u>	<u>\$ 19,096,863</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, 2017 AND 2016**

	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and other support:								
General, administrative, and admissions	\$ 492,923	\$ -	\$ -	\$ 492,923	\$ 487,317	\$ -	\$ -	\$ 487,317
Marketing and sales	229,044	-	-	229,044	224,836	-	-	224,836
Museum store	157,143	-	-	157,143	154,200	-	-	154,200
Fundraising	270,279	-	-	270,279	237,423	-	-	237,423
Development	87,664	300,843	-	388,507	74,174	637,821	-	711,995
Education	60,538	-	-	60,538	59,790	-	-	59,790
LCM in City Park	-	5,104,674	-	5,104,674	-	7,097,833	-	7,097,833
Memberships	156,937	-	-	156,937	152,683	-	-	152,683
Other (note 12)	220,370	-	-	220,370	-	-	-	-
	1,674,898	5,405,517	-	7,080,415	1,390,423	7,735,654	-	9,126,077
Net assets released from restrictions	4,419,641	(4,419,641)	-	-	3,005,493	(3,005,493)	-	-
Total revenue and other support	6,094,539	985,876	-	7,080,415	4,395,916	4,730,161	-	9,126,077
Expenses:								
General and administrative	317,313	-	-	317,313	289,115	-	-	289,115
Marketing and sales	258,184	-	-	258,184	233,154	-	-	233,154
Museum store	145,281	-	-	145,281	160,727	-	-	160,727
Fundraising events	99,833	-	-	99,833	97,180	-	-	97,180
Development	120,727	-	-	120,727	118,478	-	-	118,478
Education	552,670	-	-	552,670	541,356	-	-	541,356
LCM in City Park	548,224	-	-	548,224	408,735	-	-	408,735
Exhibit, maintenance and repairs	323,002	-	-	323,002	380,025	-	-	380,025
Total expenses (note 10)	2,365,234	-	-	2,365,234	2,228,770	-	-	2,228,770
Change in net assets	3,729,305	985,876	-	4,715,181	2,167,146	4,730,161	-	6,897,307
Net assets at beginning of year	6,193,864	12,453,869	71,795	18,719,528	4,026,718	7,723,708	71,795	11,822,221
Net assets at end of year	\$ 9,923,169	\$ 13,439,745	\$ 71,795	\$ 23,434,709	\$ 6,193,864	\$ 12,453,869	\$ 71,795	\$ 18,719,528

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, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
Cash flows provided by (used in) operating activities:		
Cash received from contributors, gifts, members, visitors, and programs	\$ 1,900,801	\$ 4,729,004
Cash received from museum store	157,143	154,200
Salaries and benefits paid to employees	(1,107,488)	(1,044,043)
Operating expenses	514,387	(1,001,202)
Interest paid	<u>(8,090)</u>	<u>(10,134)</u>
Net cash provided by (used in) operating activities	<u>1,456,753</u>	<u>2,827,825</u>
Cash flows used in investing activities:		
Purchases of property, equipment, and exhibits	<u>(4,364,776)</u>	<u>(2,037,521)</u>
Net cash used in investing activities	<u>(4,364,776)</u>	<u>(2,037,521)</u>
Cash flows provided by financing activities:		
Borrowings from note payable	56,403	57,755
Repayment of note payable	(274,955)	(95,935)
Contributions received for LCM in City Park	<u>7,980,998</u>	<u>2,857,892</u>
Net cash provided by financing activities	<u>7,762,446</u>	<u>2,819,712</u>
Net change in cash and cash equivalents	4,854,423	3,610,016
Cash and cash equivalents at beginning of year	<u>6,768,810</u>	<u>3,158,794</u>
Cash and cash equivalents at end of year	<u>\$ 11,623,233</u>	<u>\$ 6,768,810</u>
Reconciliation of change in net assets to net cash provided by (used in) operating activities:		
Change in net assets	\$ 4,715,181	\$ 6,897,307
Contributions received for LCM in City Park	(5,104,674)	(1,600,193)
Change in unrealized gains on investments	(20,370)	(4,905)
Change in allowance and discount on promises to give	(1,697)	(1,697)
Depreciation	118,744	137,746
Adjustments to reconcile change in net assets provided by operating activities:		
Changes in:		
Grant receivables	19,280	106,140
Promises to give	64,620	(2,747,123)
Inventory	14,984	11,717
Prepaid expenses	(7,402)	12,550
Accounts payable and other accrued expenses	<u>1,658,087</u>	<u>16,283</u>
Net cash provided by (used in) operating activities	<u>\$ 1,456,753</u>	<u>\$ 2,827,825</u>
As presented on the statements of financial position:		
Cash and cash equivalents, unrestricted	\$ 831,093	\$ 634,237
Cash and cash equivalents, temporarily restricted	<u>10,792,140</u>	<u>6,134,573</u>
Total cash and cash equivalents	<u>\$ 11,623,233</u>	<u>\$ 6,768,810</u>

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

**LOUISIANA CHILDREN'S MUSEUM**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**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 24-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 our 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.

Financial Statement Presentation

The Museum's net assets, support and revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Museum and changes therein are classified and reported as follows:

- Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.
- Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Museum and/or the passage of time.
- Permanently restricted net assets - Net assets subject to donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled and removed by actions of the Museum pursuant to those stipulations.

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.

**LOUISIANA CHILDREN'S MUSEUM**  
**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2017**

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

**Cash and Cash Equivalents**

For purposes of the statements of cash flows, the Museum considers all highly liquid investments in money market funds to be cash equivalents.

**Investments**

Investments are reported at fair value, except for short-term investments (maturity of one year or less) which are reported at amortized cost, which approximates fair value. Securities traded in a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value. 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. In the absence of donor stipulations to the contrary, promises with payments due in future periods are restricted to use after the due date. Promises that remain uncollected more than one year after their due dates are written off unless the donors indicate that payment is merely postponed.

**Inventory**

Inventory is stated at the lower of cost, determined using weighted average method, or net realizable value.

**Property and Equipment**

Property and equipment of the Museum are recorded at cost. Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method.

**LOUISIANA CHILDREN'S MUSEUM**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2017**

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

Restricted Net Assets

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Contributions and Memberships

Contributions and memberships represent cash donations to the Museum from private organizations and individuals and are recognized as support when received or pledged.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Museum. No in-kind contributions relating to professional services for LCM in City Park are recorded on the Statement of Activities for the year ended December 31, 2017 and 2016, respectively. Volunteers also provided other services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

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 accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Museum may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Museum and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for fiscal year 2017 and 2016.

**LOUISIANA CHILDREN'S MUSEUM**  
**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2017**

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

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 consolidated financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

New Accounting Pronouncements – Adopted

In November 2016, FASB issued ASU No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash. The ASU requires presentation of the total change in cash, cash equivalents, restricted cash, and restricted cash equivalents for the period in the statement of cash flows. The Museum adopted this ASU effective for the year ended December 31, 2017.

In July 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2015-11, Inventory (Topic 330), Simplifying the Measurement of Inventory. This update requires an entity that determines the cost of inventory by methods other than last-in, first-out and the retail inventory method to measure inventory at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The Museum adopted this ASU prospectively effective January 1, 2017. The adoption of this guidance did not have a material impact on the Museum's financial statements.

On July 31, 2015, FASB issued ASU No. 2015-07. Under this ASU, investments valued using NAV as a practical expedient are no longer assigned to a level in the fair value hierarchy. The Museum adopted this ASU prospectively effective January 1, 2017. The adoption of this guidance did not have a material impact on the Museum's financial statements.

**LOUISIANA CHILDREN'S MUSEUM**  
**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2017**

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

**New Accounting Pronouncements – To Be Adopted**

On August 18, 2016, FASB issued ASU No. 2016-14. Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. Under the ASU, the number of net asset classes is decreased from three to two; enhanced disclosures of underwater endowments are required; reporting of expenses by function and nature, as well as an analysis of expenses by both function and nature is required; and qualitative information in the notes to the financial statements on how it manages its liquid available resources and liquidity risks is required. This ASU is effective for the Museum's year ending December 31, 2018. The Museum is currently assessing the impact of this pronouncement on the financial statements.

**2. Grant Receivables**

During the year ended December 31, 2013, the Museum was awarded grant funding of \$500,000 from the BP Gulf Scafood and Tourism Promotional Fund restricted for use on marketing and advertising expenses. During the year ended December 31, 2017 and 2016, the Museum incurred marketing and advertising expenses of \$30,747 and \$39,681 for this grant that are included in marketing and sales on the statements of activities. At December 31, 2017 and 2016, included in temporarily restricted net assets is \$19,337 and \$50,084 of unexpended grant funds. (See Note 6).

**3. Promises to Give**

Unconditional promises to give at December 31, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Promises to give, current	\$ 2,237,951	\$ 4,233,226
Promises to give, non-current	1,046,560	1,990,532
Total	<u>\$ 3,284,511</u>	<u>\$ 6,223,758</u>
Receivable in less than one year	\$ 2,237,951	\$ 4,233,226
Receivable in one to five years	1,091,554	2,081,741
Receivable in more than five years	15,000	45,000
Total	3,344,505	6,359,967
Less: discounts to net present value	<u>(59,994)</u>	<u>(136,209)</u>
Net unconditional promises	<u>\$ 3,284,511</u>	<u>\$ 6,223,758</u>

Promises to give receivable in more than one year are discounted at 3.75%, which is the Wall Street Journal Prime Rate at December 31, 2017.

**LOUISIANA CHILDREN'S MUSEUM**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**4. Equipment**

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

	<u>2017</u>	<u>2016</u>	<u>Estimated Useful Life</u>
Land	\$ -	\$ 381,000	N/A
Buildings and improvements	-	2,943,211	30 years
Exhibits	1,169,706	1,154,706	5 years
Equipment	225,251	204,295	5 years
Construction in progress	<u>8,789,444</u>	<u>4,267,125</u>	N/A
	10,184,401	8,950,337	
Less accumulated depreciation	<u>(1,340,530)</u>	<u>(3,094,625)</u>	
Property and equipment, net	<u>\$ 8,843,871</u>	<u>\$ 5,855,712</u>	

Included in construction in progress at December 31, 2017 and 2016 are payments for the design of the LCM in City Park project.

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 \$3,550,000 and cash of \$50,000. 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 should be deferred and amortized in proportion to the gross rental charged to expense over the lease term. Based on this, no gain on sale was recognized for the year ended December 31, 2017 and \$2,529,628 is presented as a deferred gain on the Statement of Financial Position.

**LOUISIANA CHILDREN'S MUSEUM**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**5. Notes Payable and Line of Credit**

A summary of notes payable as of December 31, 2017 and 2016 is as follows:

	2017	2016
Line of credit issued in October 2016 and refinanced existing \$210,000 loan balance for new availability of \$3,590,000. Payable in monthly installments of interest only commencing on November 17, 2016 and continuing monthly with the entire unpaid balance of principal and interest due June 30, 2018, secured by Julia Street property. Interest rate of 3.75% was charged during 2017.	-	210,000
Note payable for financing of insurance policies, unsecured, principal and interest are payable in 11 monthly payments of \$5,816 per month commencing September 11, 2017. Interest rate of 6.75% and 6.65% at December 31, 2017 and 2016, respectively.	28,202	36,754
	28,202	246,754
Less current portion	(28,202)	(36,754)
Total long-term notes payable	\$ -	\$ 210,000

**6. Restricted Net Assets**

Temporarily restricted net assets of \$13,439,745 and \$12,453,869 as of December 31, 2017 and 2016, respectively, are restricted for the following purpose:

	2017	2016
Programs	\$ 735,210	\$ 1,215,406
Marketing and Advertising	19,337	50,084
LCM in City Park	12,685,198	11,188,379
	\$ 13,439,745	\$ 12,453,869

Cash, cash equivalents, and investments include donor imposed temporarily restricted amounts of \$10,867,043 and \$6,212,145 as of December 31, 2017 and 2016, respectively.

The Museum also has permanently restricted net assets of \$71,795 as of December 31, 2017 and 2016, of which the interest earnings on these funds are available for unrestricted operating purposes. For 2017 and 2016, the net assets released are comprised of previously recorded temporarily restricted assets that have met either time or purpose restrictions.

**LOUISIANA CHILDREN'S MUSEUM**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**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, 2017 and 2016, the Museum held certain financial assets and liabilities that are required to be measured at fair value on a recurring basis, primarily our investments held by Greater New Orleans Foundation. The following table presents financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2017 and 2016 by *Fair Value Measurement* valuation hierarchy and those valued at Net Asset Value (NAV):

	Quoted Prices in Active Markets for Identical Assets (Liabilities) (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	<u>NAV</u>	<u>Total</u>
<u>2017</u>					
Greater New Orleans Foundation Investments	\$ 47,706	\$ 13,887	\$ -	\$ 108,144	\$ 169,737
<u>2016</u>					
Greater New Orleans Foundation Investments	\$ 61,166	\$ 88,201	\$ -	\$ -	\$ 149,367

The fair value of cash and cash equivalents, accounts receivable, promises to give, inventory, and accounts payable approximates book value at December 31, 2017 and 2016 due to the short-term nature of these accounts.

**LOUISIANA CHILDREN'S MUSEUM**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**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 premises and facility.

**LOUISIANA CHILDREN'S MUSEUM**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2017**

**9. Revenue**

Revenue as presented on the Statement of Activities is categorized as follows as of December 31 2017 and 2016:

	<b>2017</b>		
	<b><u>Unrestricted</u></b>	<b><u>Temporarily Restricted</u></b>	<b><u>Total</u></b>
<b><u>Revenues and other support:</u></b>			
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 fund-raising	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
Other	245,363	183	245,546
	<u>1,674,898</u>	<u>5,405,517</u>	<u>7,080,415</u>
Net assets released from restrictions	4,419,641	(4,419,641)	-
Total revenue and other support	<u>\$ 6,094,539</u>	<u>\$ 985,876</u>	<u>\$ 7,080,415</u>
	<b>2016</b>		
	<b><u>Unrestricted</u></b>	<b><u>Temporarily Restricted</u></b>	<b><u>Total</u></b>
<b><u>Revenues and other support:</u></b>			
Contributions	\$ 74,174	\$ 7,146,664	\$ 7,220,838
State funding	-	546,766	546,766
Membership	152,683	-	152,683
Admissions	448,526	-	448,526
Special events and fund-raising	462,259	-	462,259
Museum store	154,200	-	154,200
Summer Camp and outreach	59,790	-	59,790
Investment income, net	6,358	5,224	11,582
Other	32,433	37,000	69,433
	<u>1,390,423</u>	<u>7,735,654</u>	<u>9,126,077</u>
Net assets released from restrictions	3,005,493	(3,005,493)	-
Total revenue and other support	<u>\$ 4,395,916</u>	<u>\$ 4,730,161</u>	<u>\$ 9,126,077</u>

LOUISIANA CHILDREN'S MUSEUM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

(10) Expenses

Expenses were incurred for the year ended December 31, 2017 for the following:

	<u>General and administrative</u>	<u>Marketing and sales</u>	<u>Museum store</u>	<u>Fundraising events</u>	<u>Development</u>	<u>Education</u>	<u>LCM in City Park</u>	<u>Exhibit maintenance and repairs</u>	<u>Total</u>
Salaries, benefits and related expenses	\$ 50,762	\$ 155,492	\$ 38,851	\$ 48,517	\$ 105,736	\$ 435,590	\$ 241,055	\$ 31,485	\$ 1,107,488
Advertising	-	39,190	-	-	110	-	31,523	-	70,823
Bank fees	-	-	-	-	-	-	488	-	488
Contracted services	151,388	830	90	988	1,339	1,646	4,146	-	160,427
Depreciation	-	-	-	-	-	-	-	118,744	118,744
Dues and subscriptions	6,736	11,241	-	-	70	-	-	-	18,047
Entertainment	4,688	-	-	71	1,504	14,016	4,267	-	24,546
Equipment rental	3,239	-	-	-	-	-	-	5,800	9,039
Exhibits and programs	-	-	-	-	-	53,190	-	-	53,190
Cost of goods sold	-	-	85,837	-	-	-	-	-	85,837
Housekeeping	300	-	-	-	-	247	-	73,146	73,693
Insurance	235	362	713	126	126	8,451	54,702	-	64,715
Interest	8,090	-	-	-	-	-	-	-	8,090
Miscellaneous	40,355	15,898	340	30,823	457	12,793	113,676	-	214,342
Parking	4,820	5,430	1,350	2,140	1,350	5,693	-	1,350	22,133
Professional Fees	33,114	3,465	-	-	520	1,940	65,827	-	104,866
Repairs and maintenance	-	-	-	-	-	-	-	70,880	70,880
Security	553	-	-	-	-	-	-	-	553
Special events and fund raising	-	13,029	-	-	-	-	16,875	-	29,904
Supplies, postage and printing	6,699	6,913	1,145	213	3,182	2,149	9,331	356	29,988
Travel and training	-	-	-	-	-	-	-	-	-
Utilities	6,334	6,334	16,955	16,955	6,333	16,955	6,334	21,241	97,441
Total expenses	<u>\$ 317,313</u>	<u>\$ 258,184</u>	<u>\$ 145,281</u>	<u>\$ 99,833</u>	<u>\$ 120,727</u>	<u>\$ 552,670</u>	<u>\$ 548,224</u>	<u>\$ 323,002</u>	<u>\$ 2,365,234</u>

LOUISIANA CHILDREN'S MUSEUM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

(10) Expenses (continued)

Expenses were incurred for the year ended December 31, 2016 for the following:

	<u>General and administrative</u>	<u>Marketing and sales</u>	<u>Museum store</u>	<u>Fundraising events</u>	<u>Development</u>	<u>Education</u>	<u>LCM in City Park</u>	<u>Exhibit maintenance and repairs</u>	<u>Total</u>
Salaries, benefits and related expenses	\$ 77,492	\$ 110,305	\$ 41,316	\$ 45,192	\$ 97,846	\$ 406,545	\$ 234,624	\$ 30,723	\$ 1,044,043
Advertising	225	39,128	-	-	-	-	50,890	-	90,243
Bank fees	-	-	-	15	-	-	724	-	739
Contracted services	134,094	1,136	910	931	1,682	3,752	3,102	3,971	149,578
Depreciation	-	-	-	-	-	-	-	137,746	137,746
Dues and subscriptions	5,138	9,731	-	-	1,099	-	-	-	15,968
Entertainment	3,099	-	-	-	(129)	3,624	2,849	-	9,443
Equipment rental	3,305	-	-	-	45	-	-	7,474	10,824
Exhibits and programs	(27)	(27)	-	-	3,822	51,290	-	-	55,058
Cost of goods sold	-	-	99,903	-	-	-	-	-	99,903
Housekeeping	7,271	793	-	-	-	-	-	57,774	65,838
Insurance	377	581	1,143	203	203	13,555	-	87,746	103,808
Interest	10,134	-	-	-	-	-	-	-	10,134
Miscellaneous	8,276	40,088	36	33,081	-	8,172	-	-	89,653
Parking	3,095	3,238	1,200	1,437	1,278	4,721	-	1,200	16,169
Professional Fees	14,965	3,925	-	-	230	23,591	106,697	-	149,408
Repairs and maintenance	612	-	-	-	-	441	-	33,809	34,862
Security	516	-	-	-	-	-	-	-	516
Special events and fund raising	-	10,005	-	-	40	-	1,953	-	11,998
Supplies, postage and printing	8,985	8,412	304	570	5,193	6,317	1,847	-	31,628
Travel and training	5,719	-	284	120	1,330	3,717	210	-	11,380
Utilities	5,839	5,839	15,631	15,631	5,839	15,631	5,839	19,582	89,831
Total expenses	<u>\$ 289,115</u>	<u>\$ 233,154</u>	<u>\$ 160,727</u>	<u>\$ 97,180</u>	<u>\$ 118,478</u>	<u>\$ 541,356</u>	<u>\$ 408,735</u>	<u>\$ 380,025</u>	<u>\$ 2,228,770</u>

**LOUISIANA CHILDREN'S MUSEUM**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2017**

**11. Commitments**

On August 1, 2017, the Museum entered into an agreement with an architectural firm for professional services related to the LCM in City Park project at a total contract amount of approximately \$28 million. As of June 29, 2018, approximately \$19 million remains to be paid under the contract.

On December 27, 2017, the Museum entered into an agreement with a design firm for exhibit design related to the LCM in City Park project at a total contract amount of approximately \$3.7 million. As of June 29, 2018, the Museum paid approximately \$3 million for the services provided under the contract.

**12. 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.

**13. Subsequent Event**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 29, 2018, 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, 2017 AND 2016**

	2017	2016	Variance	
			Favorable (Unfavorable) Amount	Percentage
Revenues and other support:				
General, administrative, and admissions	\$ 492,923	\$ 487,317	\$ 5,606	1.2%
Marketing and sales	229,044	224,836	4,208	1.9%
Museum store	157,143	154,200	2,943	1.9%
Fundraising	270,279	237,423	32,856	13.8%
Development	388,507	711,995	(323,488)	(45.4)%
Education	60,538	59,790	748	1.3%
LCM in City Park	5,104,674	7,097,833	(1,993,159)	(28.1)%
Memberships	156,937	152,683	4,254	2.8%
Other	220,370	-	220,370	100.0%
	<u>7,080,415</u>	<u>9,126,077</u>	<u>(2,045,662)</u>	<u>(22.4)%</u>
Expenses:				
General and administrative	317,313	289,115	\$ 28,198	9.8%
Marketing and sales	258,184	233,154	25,030	10.7%
Museum store	145,281	160,727	(15,446)	(9.6)%
Fundraising events	99,833	97,180	2,653	2.7%
Development	120,727	118,478	2,249	1.9%
Education	552,670	541,356	11,314	2.1%
LCM in City Park	548,224	408,735	139,489	34.1%
Exhibit, maintenance and repairs	323,002	380,025	(57,023)	(15.0)%
Total expenses	<u>2,365,234</u>	<u>2,228,770</u>	<u>136,464</u>	<u>6.1%</u>
Change in net assets	4,715,181	6,897,307	(1,909,198)	(27.7)%
Net assets at beginning of year	<u>18,719,528</u>	<u>11,822,221</u>	<u>6,897,307</u>	<u>58.3%</u>
Net assets at end of year	<u>\$ 23,434,709</u>	<u>\$ 18,719,528</u>	<u>\$ 4,988,109</u>	<u>26.6%</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, 2017**

Agency Head Name: Julia Bland, Executive Director

<u>Purpose</u>	<u>Amount</u>
Salary	\$ -
Benefits - insurance	-
Benefits - retirement	-
Benefits - other	-
Car allowance	-
Vehicle provided by government	-
Per diem	-
Reimbursements	-
Travel	-
Registration fees	-
Conference travel	-
Continuing professional education fees	-
Housing	-
Unvouchered expenses	-
Special meals	-
Other	-

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 statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated June 29, 2018.

**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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Postlethwaite & Netterville*

Metairie, Louisiana  
June 29, 2018

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**LOUISIANA CHILDREN'S MUSEUM**  
**NEW ORLEANS, LOUISIANA**

**STATEWIDE AGREED-UPON PROCEDURES**

**FOR THE YEAR ENDED DECEMBER 31, 2017**

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Postlethwaite & Netterville

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**LOUISIANA CHILDREN'S MUSEUM**  
**NEW ORLEANS, LOUISIANA**

**STATEWIDE AGREED-UPON PROCEDURES**

**FOR THE YEAR ENDED DECEMBER 31, 2017**

**INDEPENDENT ACCOUNTANT'S 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, 2017 through December 31, 2017. 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 and associated findings are as follows:

***Written Policies and Procedures***

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1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:

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

*We performed the procedures above and noted the following exception:*

- *No written policy on (4) 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 or state purchasing rules and regulations; and (5) documentation required to be maintained for all bids and price quotes.

*We performed the procedures above and noted the following exception:*

- *No written policy regarding purchasing procedures.*

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

*No exceptions noted.*

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

*No exceptions noted.*

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

*This is not applicable to LCM, as no employees are paid with state or local government funding.*

- 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 procedures above and noted the following exception:*

- *No written policy regarding 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, and (5) monitoring card usage

*This is not applicable to LCM, there was no credit cards expenses paid with state or local government funding.*

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

*This is not applicable to LCM, there was no travel expense paid with state or local government funding.*

- 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.

*This is not applicable to nonprofits.*

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

*This is not applicable to nonprofits.*

***Board (or Finance Committee, if applicable)***

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2. Obtain and inspect the board/committee minutes for the fiscal period, and:

- a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.

*We performed the procedures above and noted the following exception:*

- *There was no listing in the minutes of who attended the meeting to determine if there was a quorum for the January meeting.*

- b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and other major funds. If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

*We performed the procedures above and noted the following exception:*

- *The minutes did not reference the budget to actual comparisons of the budget.*

- c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

*We performed the procedures above and noted reference to non-budgetary financial information during the October board minutes.*

### ***Bank Reconciliations***

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3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

*No exceptions noted.*

- a) Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner
- b) Bank reconciliations have been prepared;
- c) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and
- d) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

*We selected the 1 bank account and performed the procedures above. We noted 8 exceptions.*

- *No evidence that a member of management or a board member has reviewed.*

### ***Collections***

---

5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

*No exceptions noted.*

6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. For each cash collection location selected:
- a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

*We performed the procedures above for the collection location and noted the following exception:*

- *The person collecting the cash is not bonded.*

- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

*No exceptions noted.*

- c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:
- Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.

*We performed the procedures above and noted the following exceptions:*

- *The deposit for the largest cash collection was more than 1 day from receipt of check.*

- Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

*We performed the procedures above and noted the following exceptions:*

- *A gift transmittal form was not completed until after the check had been deposited for 1 item selected for testing.*

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.

*No exceptions noted.*

***Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)***

---

8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.

*No exceptions noted.*

9. Using the disbursement population from #8 above, select 25 disbursements (or select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

*No exceptions noted.*

- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

*No exceptions noted.*

- c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

*No exceptions noted.*

10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

*LCM does not have documentation of segregation of duties between the person responsible for processing payments and adding vendors to the entity's purchasing/disbursement system.*

11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

*No exceptions noted.*

12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, inspect entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

*No exceptions noted.*

13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

*We performed the procedures above and noted the following exception:*

- *The authorized check signor does not maintain control of signed checks until mailed.*

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

---

14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), 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.

*N/A – Credit cards are not paid with state or local government funding.*

15. Using the listing prepared by management, randomly select ten cards (or at least one-third if the Entity has less than ten cards that were used during the fiscal period. Obtain the monthly statements, or combined statements with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder.

*N/A – Credit cards are not paid with state or local government funding.*

- b) Report whether finance charges and/or late fees were assessed on the selected statements.

*N/A – Credit cards are not paid with state or local government funding.*

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).

a) For each transaction, report whether the transaction is supported by:

- An original itemized receipt (i.e., identifies precisely what was purchased)

*N/A – Credit cards are not paid with state or local government funding.*

- Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.

*N/A – Credit cards are not paid with state or local government funding.*

- Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

*N/A – Credit cards are not paid with state or local government funding.*

b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.

*N/A – Credit cards are not paid with state or local government funding.*

c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

*N/A – Credit cards are not paid with state or local government funding.*

### ***Travel and Expense Reimbursement***

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17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

*N/A – LCM does not have any Travel Expense using state or local government funding.*

18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)) and report any amounts that exceed GSA rates.

*N/A – LCM does not have any Travel Expense using state or local government funding.*

19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:
- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

*N/A – LCM does not have any Travel Expense using state or local government funding.*

- b) Report whether each expense is supported by:
- An original itemized receipt that identifies precisely what was purchased.

*N/A – LCM does not have any Travel Expense using state or local government funding.*

- Documentation of the business/public purpose.

*N/A – LCM does not have any Travel Expense using state or local government funding.*

- Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

*N/A – LCM does not have any Travel Expense using state or local government funding.*

- c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

*N/A – LCM does not have any Travel Expense using state or local government funding.*

- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

*N/A – LCM does not have any Travel Expense using state or local government funding.*

### *Contracts*

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20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

*No exceptions noted.*

21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:

- a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.

*No exceptions noted.*

- b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:

*The contract selected is subject to the Louisiana Public Bid Law or Procurement Code.*

- If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)

*No exceptions noted.*

- If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.

*LCM did not have any contracts not subject to Bid Law.*

- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.

*Not applicable, the contract was not amended.*

- d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.

*No exceptions noted.*

- e) Obtain/inspect contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

*No exceptions noted.*

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

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- 22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Select five employees/officials, obtain their personnel files, and:

- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

*N/A- No employees of LCM are paid with state or local government funding.*

- b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

*N/A- No employees of LCM are paid with state or local government funding.*

- 23. Obtain attendance and leave records and select one pay period in which leave has been taken by at least one employee. Within that pay period, select 25 employees/officials (or select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:

- a) Report whether 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.)

- b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.

- c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

*N/A- No employees of LCM are paid with state or local government funding.*

24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

*N/A- No employees of LCM are paid with state or local government funding.*

25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

*N/A- No employees of LCM are paid with state or local government funding.*

***Ethics (excluding nonprofits)***

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Items 26-27 were not included as not applicable to nonprofits.

***Debt Service (excluding nonprofits)***

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Items 28-30 were not included as not applicable to nonprofits.

***Other***

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31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/inspect supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

*No exceptions noted.*

32. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at [www.la.gov/hotline](http://www.la.gov/hotline)) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

*No exceptions noted.*

33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

*No exceptions noted.*

*Corrective Action*

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34. 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 is taking the appropriate steps to have the employee collecting cash bonded. The Museum will consider other instances of exceptions in 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 C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

*Postlethwaite & Netterville*

New Orleans, Louisiana  
June 29, 2018