

**THE CHILDREN'S MUSEUM of SOUTHWEST LOUISIANA, INC.**  
**Lake Charles, Louisiana**

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**Financial Statements**  
**December 31, 2019**

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**Broussard & Company**  
Certified Public Accountants

## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors of  
The Children's Museum of Southwest Louisiana, Inc.

We have reviewed the accompanying financial statements of The Children's Museum of Southwest Louisiana, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of entity management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### **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.

### **Accountant's Responsibility**

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### **Accountant's Conclusion**

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

*Broussard and Company*

Lake Charles, Louisiana  
June 30, 2020

**THE CHILDREN'S MUSEUM OF SOUTHWEST LOUISIANA, INC.**

**Statement of Financial Position**

**As of December 31, 2019**

**Assets**

**Current Assets**

Cash and cash equivalents	\$	243,239
Cash restricted to construct exhibits		560,000
Accounts receivable		20,168
Prepaid expenses		3,321
Inventory		2,583
Total Current Assets		<u>829,311</u>

**Property and Equipment**

Property and equipment		695,139
Less: accumulated depreciation		<u>(529,686)</u>
Total Property and Equipment		<u>165,453</u>

Total Assets	\$	<u><u>994,764</u></u>
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**Liabilities and Net Assets**

**Current Liabilities**

Accounts payable	\$	14,622
Other accrued liabilities		<u>12,678</u>
Total Current Liabilities		<u>27,300</u>

**Net Assets**

Without donor restrictions		370,176
With donor restrictions		<u>597,288</u>
Total Net Assets		<u>967,464</u>

Total Liabilities and Net Assets	\$	<u><u>994,764</u></u>
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See accompanying notes to financial statements.

**THE CHILDREN'S MUSEUM OF SOUTHWEST LOUISIANA, INC.**  
**Statement of Activities**  
**For the Year Ended December 31, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Support and Revenue</b>			
Support:			
Membership dues	\$ 26,293	\$ -	\$ 26,293
Contributions	17,100	60,000	77,100
United Way	-	39,199	39,199
Grants	-	17,730	17,730
Special events	80,042	-	80,042
Miscellaneous	3,089	-	3,089
Total support	<u>126,524</u>	<u>116,929</u>	<u>243,453</u>
Revenues:			
Admissions	218,853	-	218,853
Birthday parties	51,385	-	51,385
Gift shop sales, net of cost of sales of \$2,692	1,998	-	1,998
Total revenues	<u>272,236</u>	<u>-</u>	<u>272,236</u>
Net assets released from restrictions	<u>106,929</u>	<u>(106,929)</u>	<u>-</u>
Total Support and Revenues	505,689	10,000	515,689
<b>Functional Expenses</b>			
Program Services	309,115	-	309,115
Management and general	115,915	-	115,915
Fundraising	41,482	-	41,482
Total Functional Expenses	<u>466,512</u>	<u>-</u>	<u>466,512</u>
Change in Net Assets	39,177	10,000	49,177
Net Assets - Beginning of Year - Restated	330,999	587,288	918,287
Net Assets - End of Year	<u>\$ 370,176</u>	<u>\$ 597,288</u>	<u>\$ 967,464</u>

See accompanying notes to financial statements.

**THE CHILDREN'S MUSEUM OF SOUTHWEST LOUISIANA, INC.**  
**Schedule of Functional Expenses**  
**For the Year Ended December 31, 2019**

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Salaries	\$ 97,730	\$ 71,914	\$ 14,752	\$ 184,396
Payroll taxes and fringe benefits	26,480	19,485	3,997	49,962
Total compensation	124,210	91,400	18,749	234,358
Advertising	17,570	-	-	17,570
Bank charges	-	5,923	-	5,923
Depreciation	43,099	4,789	-	47,888
Insurance	8,581	953	-	9,534
Office expense	4,267	474	-	4,741
Dues and subscriptions	956	106	-	1,062
Professional fees	29,926	3,325	-	33,251
Rent	43,241	4,805	-	48,046
Repairs & maintenance	3,023	336	-	3,359
Supplies	8,883	987	22,733	32,603
Postage	739	82	-	821
Telephone	2,439	271	-	2,710
Utilities	16,271	1,808	-	18,079
Miscellaneous	5,910	657	-	6,567
Total functional expenses	<u>\$ 309,115</u>	<u>\$ 115,915</u>	<u>\$ 41,482</u>	<u>\$ 466,512</u>

See accompanying notes to financial statements.



**THE CHILDREN'S MUSEUM OF SOUTHWEST LOUISIANA, INC.**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2019**

**Cash Flows From Operating Activities**

Change in net assets	\$ 49,177
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	47,888
(Increase) decrease in accounts receivable	(10,795)
(Increase) decrease in prepaid expenses	384
Increase (decrease) in accounts payable	(66,853)
Increase (decrease) in other accrued liabilities	<u>7,986</u>
Net Cash Provided by Operating Activities	<u>27,787</u>

**Cash Flows From Investing Activities**

Purchase of Property & equipment	<u>(13,611)</u>
Net Cash Provided by Investing Activities	<u>(13,611)</u>

**Cash Flows From Financing Activities**

Net Cash Used by Financing Activities	<u>-</u>
Net change in Cash, Cash Equivalents and Restricted Cash	14,176
Cash, Cash Equivalents and Restricted Cash - Beginning of Year	<u>789,063</u>
Cash, Cash Equivalents and Restricted Cash - End of Year	<u><u>\$ 803,239</u></u>

# THE CHILDREN'S MUSEUM OF SOUTHWEST LOUISIANA, INC.

## Notes to Financial Statements December 31, 2019

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### **Note A – Summary of Significant Accounting Policies**

#### *Nature of Activities*

The Children's Museum of Southwest Louisiana, Inc. (the Museum) is a museum established for the purpose of educating the children of southwest Louisiana and surrounding areas in the arts and sciences and to promote their understanding of themselves and the world around them. The Children's Museum support comes primarily from membership dues, admission fees, individual donors' contributions, and various art agency grants. The Museum is heavily dependent on community support for contributions and memberships.

#### *Basis of Presentation*

The accompanying financial statements have been prepared in accordance with U.S Generally Accepted Accounting Principles, which require the Museum to report 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 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 statement of activities.

#### *Income Tax Status*

The Museum was incorporated under the laws of the State of Louisiana on January 14, 1988. The Corporation is operated exclusively for charitable and educational services and has qualified for the exemption from federal and state income taxes under Section 501 (c) (3) of the Internal Revenue Code. In addition, the Museum has been determined by the Internal Revenue Code not to be a private foundation within the meaning of section 509 (a) of the Internal Revenue Code. There is no unrelated business income for the year ended December 31, 2019.



THE CHILDREN'S MUSEUM OF SOUTHWEST LOUISIANA, INC.

Notes to Financial Statements  
December 31, 2019

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*Note A – Summary of Significant Accounting Policies (continued)*

*Support and Revenue*

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Membership dues paid to the Museum from private organizations and individuals are recognized when received.

*Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

*Cash and Cash Equivalents*

The Museum considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents. Assets reserved for property improvements on the statement of financial position include restricted cash received with restrictions imposed by donors (but not yet spent) to construct new exhibits.

*Property and Equipment*

The Museum capitalizes all expenditures in excess of \$500 for property and equipment at cost, or if donated, at their estimated fair value on the date of donation. Depreciation is provided for in an amount sufficient to relate the cost of depreciable assets to operations over their estimated service lives on the straight-line basis. During the year ended December 31, 2019, depreciation expense was \$47,888.

*Inventory*

The gift shop inventory is stated at lower of cost or market using the first-in, first-out method. Obsolete items are expensed at the time such obsolescence is determined.

THE CHILDREN'S MUSEUM OF SOUTHWEST LOUISIANA, INC.

Notes to Financial Statements  
December 31, 2019

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*Note A – Summary of Significant Accounting Policies (continued)*

*Advertising Expense*

The Museum expenses advertising costs as they are incurred. Advertising expense for the year ended December 31, 2019 was \$17,570.

*Compensated Absences*

Full time employees receive five days of vacation for every six months worked, up to a maximum of fifteen days. Sick leave is granted in the amount of four hours for every month worked, up to a maximum of six months. Upon separation, employees are not paid for any unused vacation or sick leave. Since these benefits are not vested, there is no liability reflected in these financial statements.

*Donated Materials and Services*

Donated exhibits, materials, supplies, and advertising are reflected as revenues in the accompanying statements at their estimated values at date of receipt. There were no receipts of in-kind donations in the current year. Volunteers have donated time to the Museum in furthering the Museum's programs and objectives. The value of this contributed time is not reflected in these statements since it is not susceptible to objective measurement or valuation.

*Note B – Liquidity and Availability of Financial Assets*

The following reflects the Museum's financial assets as of the balance sheet date, reduced by amounts available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. The Museum has \$823,407 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure consisting of cash and cash equivalents of \$243,239, restricted cash for construction of exhibits of \$560,000, and grants and accounts receivable of \$20,168. The total of the financial assets subject to donor and other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date was \$597,288. The Museum has a policy to structure its financial assets to be available as general expenditures, liabilities and other obligations come due.

Financial assets, at year-end	\$ 823,407
Less those unavailable for general expenditure with one year due to:	
Contractual of donor-imposed restrictions	
Restricted by donor with time or purpose restrictions	<u>597,288</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 226,119</u>

**THE CHILDREN'S MUSEUM OF SOUTHWEST LOUISIANA, INC.**

**Notes to Financial Statements  
December 31, 2019**

**Note C – Cash, Cash Equivalents and Restricted Cash**

The table below provides a reconciliation of cash, cash equivalents and restricted cash within the statement of financial position that totals the same such amounts in the statement of cash flows as of December 31, 2019.

Cash	\$ 243,239
Cash restricted to construction exhibits	560,000
Total	<u>\$ 803,239</u>

**Note D – Grants and Accounts Receivable**

Grants and accounts receivable represent amounts due from various governmental and non-profit agencies and local donors and are deemed to be fully collectible by management.

**Note E – Property and Equipment**

The following is a summary of property and equipment as of December 31, 2019:

	Balance 12/31/2018	Additions	Disposals	Balance 12/31/2019
Leasehold improvements	\$ 6,736	\$ 9,144	\$ -	\$ 15,880
Furniture and fixtures	24,512	4,467	-	28,979
Exhibits	650,280	-	-	650,280
Total	681,528	13,611	-	695,139
Accumulated Depreciation	(481,798)	(47,888)	-	(529,686)
Net Book Value	<u>\$ 199,730</u>	<u>\$ (34,277)</u>	<u>\$ -</u>	<u>\$ 165,453</u>

A model train exhibit is on display at the Museum, but the value has not been recorded in the Statement of Financial Position because title is held by the Lake Area Model Railroaders Club. The Club assumes all liability for the maintenance, expansion, and repairs of the exhibit.

**Note F – Concentrations of Credit Risk**

The Museum maintains its cash accounts in commercial banks. Accounts at the commercial banks are insured by Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Cash balances not covered by FDIC coverage at December 31, 2019 were \$330,097.



**THE CHILDREN'S MUSEUM OF SOUTHWEST LOUISIANA, INC.**

**Notes to Financial Statements  
December 31, 2019**

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**Note G – Restrictions on Net Assets**

Net Assets with donor restrictions as of December 31, 2019 were as follows:

<u>Specific Purpose</u>	
Construction of exhibits	\$ 560,000
Program related expenditures	17,120
<u>Passage of Time</u>	
Grants and accounts receivable	<u>20,168</u>
Total Net Assets with donor restrictions	<u>\$ 597,288</u>

**Note H – Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Expenses were allocated in the accompanying financial statements to program and support services functional expense groups. The methods of allocation were based on the Museum's estimates of the relative proportion of various staff members' time and effort between program and support services as well as the Museum's estimates of the amount of each expense utilized for program or support service functions.

**Note I – Operating Leases**

The Museum leases space for offices and program services under a month-to-month leasing contract. Rent expense under the leasing contract for the year ending December 31, 2019 was \$48,000.

**Note J – Commitments**

On June 30, 2017, the Museum entered into a Cooperative Endeavor Agreement with the City of Lake Charles to assist and facilitate the development of a new children's museum of the City's lakefront property. As part of the agreement, the City shall pledge and commit \$650,000 toward site improvements and Museum construction. The Museum was required to present a Master Plan to the City Council within 180 days of the agreement. In order to complete the Master Plan, the Museum entered into a professional services agreement with CSRS, Inc. on November 10, 2017, whereby CSRS, Inc. would perform a site due diligence study, create an architectural program, conduct a feasibility study, establish a master project budget, establish a master project schedule, and develop a fundraising and community outreach plan. The Cooperative Endeavor Agreement expired on May 30, 2018. The Museum terminated the contract with CSRS, Inc. on September 4, 2018 and paid them a total of \$67,715 during 2018 for services completed to date and was included in professional fees for the year ended December 31, 2018.

**THE CHILDREN'S MUSEUM OF SOUTHWEST LOUISIANA, INC.**

**Notes to Financial Statements  
December 31, 2019**

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***Note J – Commitments (continued)***

On May 5, 2017, the Museum entered into a Standard Form of Agreement with King Architects under which King Architects would provide architectural and related services for a New Children's Museum. The contract amount for the architectural fee was 7% of the construction costs with an estimated total to be \$453,000. The Museum terminated the contract with King Architects on September 4, 2018. The amount invoiced based on the contract terms for services rendered through September 4, 2018 was \$206,746. In December 2018, the Museum retained an attorney to settle the dispute amount due for services with King Architects. On February 18, 2019, a settlement was reached for a total amount of \$80,000 due from the Museum to King Architects. This \$80,000 was included in accounts payable as of December 31, 2018 and was included in professional fees for the year ended December 31, 2018.

***Note K – Fair Value Measurements***

The Museum determined the fair value of its assets and liabilities through a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels. Level 1 inputs to the valuation methodology are based on unadjusted quoted prices for identical assets in active markets that the League has the ability to access. Level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets and/or based on inputs that are derived principally from or corroborated by observable market data. Level 3 inputs are unobservable and are based on assumptions that market participants would utilize in pricing the asset.

The fair value of financial instruments, including cash, approximate the carrying value, principally because of the short maturity of those items and are considered Level 1 or Level 2.

***Note L – Restatement of Beginning Net Assets***

As a result of an internal review of the recorded amount of accumulated depreciation as of December 31, 2018, it was discovered that accumulated depreciation had been understated for a number of assets. Upon further review, the assets in question had not historically been depreciated using the straight-line basis of accounting. As such, beginning net assets without donor restrictions was reduced by \$70,847 and accumulated depreciation was increased by the same amount as of December 31, 2018.

***Note M – Subsequent Events***

The Museum has evaluated subsequent events through June 30, 2020, the date the financial statements were available to be issued. The recent coronavirus pandemic could have a detrimental impact on the Museum's operations and funding. The impact is unknown at the time the financial statements were available to be issued.



## SUPPLEMENTAL INFORMATION

**THE CHILDREN'S MUSEUM OF SOUTHWEST LOUISIANA, INC.**  
**December 31, 2019**

Note: This schedule is required for all local auditees, including quasi-public entities.

*Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer*

**Year Ended:** December 31, 2019

**Agency Head:** Dan Ellender, Executive Director

<b>Purpose</b>	<b>Amount</b>
Salary	61,569
Benefits-insurance	15,378
Benefits-retirement	3,800
Benefits (other--list here)	
Car allowance	-
Reimbursements (meals)	-
Travel (mileage, parking, tolls, taxi, etc)	-
Registration fees	-
Conference travel (air fare)	-
Housing / Hotel	-
<b>FY TOTAL:</b>	<b>80,747</b>