

LAKE PONTCHARTRAIN BASIN MARITIME MUSEUM, INC.

MADISONVILLE, LOUISIANA

FINANCIAL STATEMENTS

AS OF AND

FOR THE YEARS ENDED

DECEMBER 31, 2015 AND 2014



ERICKSEN KRENTEL & LAPORTE^{LLP}

CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Lake Pontchartrain Basin Maritime Museum, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



To the Board of Directors of
Lake Pontchartrain Basin Maritime Museum, Inc.
June 3, 2016
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lake Pontchartrain Basin Maritime Museum, Inc. as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2016 on our consideration of Lake Pontchartrain Basin Maritime Museum, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lake Pontchartrain Basin Maritime Museum, Inc.'s internal control over financial reporting and compliance.

June 3, 2016
Mandeville, Louisiana

Erickson, Krentel & Laporte, LLP

Certified Public Accountants

LAKE PONTCHARTRAIN BASIN MARITIME MUSEUM, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<u>ASSETS:</u>		
Cash and cash equivalents	\$ 339,927	\$ 273,906
Receivables:		
Accounts receivable	13,700	11,398
Grants receivable	44,303	5,000
Prepaid expenses	17,891	17,388
Inventory	23,307	18,443
Property and equipment - net	1,842,081	1,888,058
Collections of art	<u>22,000</u>	<u>22,000</u>
Total assets	<u>\$ 2,303,209</u>	<u>\$ 2,236,193</u>
<u>LIABILITIES:</u>		
<u>CURRENT LIABILITIES:</u>		
Accounts payable	\$ 33,447	\$ 19,169
Accrued expenses	3,255	5,846
Payroll tax payable	4,518	3,155
Deposits	1,875	2,775
Current portion of long-term debt	<u>6,096</u>	<u>-</u>
Total current liabilities	<u>49,191</u>	<u>30,945</u>
<u>LONG-TERM DEBT, NET OF CURRENT PORTION</u>	<u>29,757</u>	<u>-</u>
Total liabilities	<u>78,948</u>	<u>30,945</u>
<u>NET ASSETS:</u>		
Unrestricted:		
Undesignated	2,137,286	2,165,233
Temporarily restricted	<u>86,975</u>	<u>40,015</u>
Total net assets	<u>2,224,261</u>	<u>2,205,248</u>
Total liabilities and net assets	<u>\$ 2,303,209</u>	<u>\$ 2,236,193</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

LAKE PONTCHARTRAIN BASIN MARITIME MUSEUM, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
<u>UNRESTRICTED:</u>		
<u>Public Support and Other Revenues:</u>		
Wooden Boat Festival	\$ 329,021	\$ 322,558
Facility event room rental	26,170	45,392
Wooden boat building classes	21,972	29,843
Gift shop sales	12,410	11,396
Cost of gift shop sales	(11,494)	(12,437)
Museum admission fees and membership dues	20,357	15,865
Contributions	5,223	11,969
Fundraising income	23,222	17,354
Research and educational programs	24,573	23,500
Other income	7,879	6,701
Revenues released from restrictions	197,842	39,589
Total unrestricted public support and other revenues	657,175	511,730
<u>Expenses:</u>		
Program services	552,684	440,050
Supporting services:		
Management and general	70,055	92,433
Fundraising	62,384	39,967
Total supporting services	132,439	132,400
Total expenses	685,123	572,450
Net change in unrestricted net assets	(27,948)	(60,720)
<u>TEMPORARILY RESTRICTED:</u>		
Grants and contributions	244,803	51,725
Released from restrictions	(197,842)	(39,589)
Net change in temporarily restricted net assets	46,961	12,136
Change in net assets	19,013	(48,584)
Net assets, beginning of year	2,205,248	2,253,832
Net assets, end of year	\$ 2,224,261	\$ 2,205,248

See accompanying NOTES TO FINANCIAL STATEMENTS

LAKE PONTCHARTRAIN BASIN MARITIME MUSEUM, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<u>CASH FLOWS FROM (USED BY) OPERATING ACTIVITIES:</u>		
Change in net assets	\$ 19,013	\$ (48,584)
Adjustments to reconcile change in net assets to net cash from (used by) operating activities:		
Depreciation	88,913	82,699
Bad debt expense	-	3,100
(Increase) decrease in:		
Accounts receivable	(2,302)	(3,442)
Grants receivable	(39,303)	-
Prepaid expenses	(503)	(8,923)
Inventory	(4,864)	(138)
Increase (decrease) in:		
Accounts payable	14,278	(2,016)
Accrued expenses	(2,591)	(4,636)
Payroll tax payable	1,363	(13)
Deposits	(900)	1,700
Net cash from operating activities	<u>73,104</u>	<u>19,747</u>
<u>CASH FLOWS FROM (USED BY) INVESTING ACTIVITIES:</u>		
Purchase of property and equipment	<u>(42,936)</u>	<u>(29,373)</u>
Net cash (used by) financing activities	<u>(42,936)</u>	<u>(29,373)</u>
<u>CASH FLOWS FROM (USED BY) FINANCING ACTIVITIES:</u>		
Proceeds from issuance of long-term debt	39,700	-
Principal payments on long-term debt	<u>(3,847)</u>	<u>-</u>
Net cash from financing activities	<u>35,853</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	66,021	(9,626)
Cash and cash equivalents, beginning of year	<u>273,906</u>	<u>283,532</u>
Cash and cash equivalents, end of year	<u>\$ 339,927</u>	<u>\$ 273,906</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

LAKE PONTCHARTRAIN BASIN MARITIME MUSEUM, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Program Services					Supporting Services			
	Wooden Boat Festival	Museum and Exhibits	Wooden Boat Building Classes	Maritime Research and Education	Lighthouse Restoration	Total	Management and General	Fundraising	Total
Salaries	\$ 21,341	\$ 10,670	\$ 16,006	\$ 16,006	\$ 10,670	\$ 74,693	\$ 21,341	\$ 10,670	\$ 106,704
Payroll taxes and employee benefits	1,656	828	1,242	1,242	828	5,796	1,654	828	8,278
Total salaries and related expenses	22,997	11,498	17,248	17,248	11,498	80,489	22,995	11,498	114,982
Janitorial and cleaning	-	6,125	-	-	-	6,125	-	-	6,125
Festival entertainment	250	-	-	-	-	250	-	-	250
Merchandise purchases	16,515	-	-	-	-	16,515	15,834	-	32,349
Volunteer support	4,596	82	-	-	-	4,678	-	-	4,678
Printing and graphic design	333	-	-	-	-	333	-	-	333
Security	15,839	-	-	-	-	15,839	-	-	15,839
Materials and supplies	36,131	2,385	3,101	17,452	52,920	111,989	90	-	112,079
Contract labor	33,496	-	-	-	-	33,496	1,309	404	35,209
Equipment rental	38,186	-	-	-	-	38,186	1,000	-	39,186
Repairs and maintenance	-	11,627	91	-	15	11,733	178	23	11,934
Office expense	1,984	992	1,488	1,488	992	6,944	990	1,984	9,918
Postage and delivery	139	70	104	104	70	487	69	139	695
Insurance	9,000	39,232	-	-	-	48,232	-	-	48,232
Professional fees	4,270	2,135	3,202	3,202	2,135	14,944	3,135	4,270	22,349
Advertising	14,964	7,457	11,186	11,186	7,457	52,250	7,457	14,914	74,621
Dues and subscriptions	352	176	264	264	176	1,232	175	352	1,759
Bank charges	672	336	504	504	336	2,352	334	672	3,358
Utilities	8,546	4,273	6,410	6,410	4,273	29,912	4,273	8,546	42,731
Taxes and licenses	3	2	2	2	2	11	2	2	15
Miscellaneous expenses	3,233	1,616	2,424	2,424	1,616	11,313	3,233	1,616	16,162
Adult beverage	2,500	-	-	-	-	2,500	-	-	2,500
Interest	181	91	136	136	91	635	90	181	906
Total expenses before depreciation	214,187	88,097	46,160	60,420	81,581	490,445	61,164	44,601	596,210
Depreciation	17,783	8,891	13,337	13,337	8,891	62,239	8,891	17,783	88,913
Total expenses	\$ 231,970	\$ 96,988	\$ 59,497	\$ 73,757	\$ 90,472	\$ 552,684	\$ 70,055	\$ 62,384	\$ 685,123

See accompanying NOTES TO FINANCIAL STATEMENTS

LAKE PONTCHARTRAIN BASIN MARITIME MUSEUM, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014

	Program Services					Supporting Services			
	Wooden Boat Festival	Museum and Exhibits	Wooden Boat Building Classes	Maritime Research and Education	Lighthouse Restoration	Total	Management and General	Fundraising	Total
Salaries	\$ 9,854	\$ 32,858	\$ -	\$ 22,802	\$ 1,646	\$ 67,160	\$ 30,344	\$ -	\$ 97,504
Payroll taxes and employee benefits	801	2,610	-	1,751	142	5,304	2,219	-	7,523
Total salaries and related expenses	10,655	35,468	-	24,553	1,788	72,464	32,563	-	105,027
Janitorial and cleaning	2,925	-	-	-	-	2,925	5,860	-	8,785
Festival entertainment	12,500	-	-	-	-	12,500	-	-	12,500
Merchandise purchases	19,310	-	-	-	-	19,310	11,124	-	30,434
Volunteer support	5,080	304	-	-	-	5,384	-	-	5,384
Printing and graphic design	441	-	-	-	-	441	-	-	441
Security	15,007	-	-	-	-	15,007	-	-	15,007
Materials and supplies	13,228	119	6,989	16,265	1,074	37,675	590	-	38,265
Contract labor	21,543	1,598	-	-	-	23,141	200	-	23,341
Equipment rental	32,807	-	-	-	-	32,807	-	-	32,807
Telephone	3,100	-	-	-	-	3,100	-	-	3,100
Repairs and maintenance	2,880	200	120	-	21,791	24,991	22,110	-	47,101
Office expense	1,694	847	1,270	1,271	847	5,929	847	1,694	8,470
Postage and delivery	121	60	91	91	60	423	60	121	604
Insurance	9,000	29,846	-	-	-	38,846	-	-	38,846
Professional fees	4,173	2,086	3,130	3,130	2,086	14,605	2,086	4,173	20,864
Advertising	16,622	2,536	3,804	3,804	2,536	29,302	2,536	5,070	36,908
Dues and subscriptions	392	196	294	294	196	1,372	194	392	1,958
Bank charges	622	311	467	467	311	2,178	311	622	3,111
Travel	21	10	16	16	10	73	10	21	104
Utilities	10,725	5,362	8,043	8,043	5,362	37,535	5,363	10,725	53,623
Taxes and licenses	9	5	7	7	5	33	5	7	45
Miscellaneous expenses	412	206	309	309	206	1,442	207	412	2,061
Interest	193	97	145	145	97	677	97	191	965
Total expenses before depreciation	183,460	79,251	24,685	58,395	36,369	382,160	84,163	23,428	489,751
Depreciation	16,540	8,270	12,405	12,405	8,270	57,890	8,270	16,539	82,699
Total expenses	\$ 200,000	\$ 87,521	\$ 37,090	\$ 70,800	\$ 44,639	\$ 440,050	\$ 92,433	\$ 39,967	\$ 572,450

LAKE PONTCHARTRAIN BASIN MARITIME MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

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

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

Basis of Accounting

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

Basis of Presentation

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

Use of Estimates

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

Cash and Cash Equivalents

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

LAKE PONTCHARTRAIN BASIN MARITIME MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015 AND 2014

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts and Grants Receivable

Accounts receivable consist of amounts due for tuition in the wooden boat building classes and facility event room rental services. Grants receivable consists of grant reimbursements. Management monitors the receivables and assesses the collectability of accounts on a monthly basis. Management has elected to record bad debts using the direct write-off method. Generally accepted accounting principles require that the allowance method be used to reflect bad debts. However, the effect of the use of the direct write-off method is not materially different from the results that would have been obtained had the allowance method been followed.

Inventory

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

Property and Equipment

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

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

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

LAKE PONTCHARTRAIN BASIN MARITIME MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015 AND 2014

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Collections of Art

Many of the works of art on exhibit at the Museum are on loan from private parties and, thus, are not recorded in the financial statements of the Museum. Collections, which include works of art, historic treasures, and assets of similar nature, that are donated without restrictions to the Museum are recorded as in-kind revenue on the statements of activities and changes in net assets. Collections are not depreciated, rather they are reviewed each year for impairment and value is decreased if deemed necessary. The Museum does not believe impairment is necessary as of December 31, 2015 and 2014. Collections of the Museum are (a) held for exhibition to the public, for educational purposes or for research in furtherance of public services and not financial gain, and (b) are protected, cared for, and preserved.

Public Support and Revenue

Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

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

Expense Allocation

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

Advertising Expense

The Museum uses advertising to promote its programs among the audiences it serves. During 2015 and 2014, advertising costs, which are expensed as incurred, totaled \$74,571 and \$36,908, respectively.

LAKE PONTCHARTRAIN BASIN MARITIME MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015 AND 2014

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax Status

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

The Museum's evaluation as of December 31, 2015 revealed no tax positions that would have a material impact on the financial statements. The 2011 through 2014 tax years remain subject to examination by the IRS. The Museum does not believe that any reasonably possible changes will occur within the next twelve months that will have a material impact on the financial statements.

Subsequent Events

Subsequent events have been evaluated through June 3, 2016, which is the date the financial statements were available to be issued.

(2) STATEMENT OF CASH FLOWS SUPPLEMENTARY DISCLOSURES

Supplemental disclosures of cash flow information:

Cash paid during the year for:	<u>2015</u>	<u>2014</u>
Interest	<u>\$ 906</u>	<u>\$ 965</u>

(3) DONATED MATERIALS, FACILITIES AND SERVICES

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

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

	<u>2015</u>	<u>2014</u>
Donated services	<u>\$ 123,942</u>	<u>\$ 11,550</u>

LAKE PONTCHARTRAIN BASIN MARITIME MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015 AND 2014

(4) PROPERTY AND EQUIPMENT

The cost of such assets at December 31, 2015 and 2014 are as follows:

	2015	2014
Land improvements	\$ 22,968	\$ 22,968
Furniture and equipment	165,377	122,441
Buildings and improvements	2,779,803	2,779,803
Museum exhibits	484,543	484,543
Bulkhead and dock	91,726	91,726
Sign	11,776	11,776
	3,556,193	3,513,257
Less: accumulated depreciation	(1,714,112)	(1,625,199)
	\$ 1,842,081	\$ 1,888,058

Depreciation and amortization expense for the years ended December 31, 2015 and 2014 was \$88,913 and \$82,699, respectively.

(5) DEBT

Line of Credit

The Museum obtained a \$50,000 line of credit with a financial institution on February 12, 2010 that matures annually on February 12. The terms are monthly payments of accrued interest at an interest rate of an index rate plus 4.5%. As of December 31, 2015 and 2014, the line of credit remains open with a zero balance outstanding and has not been renewed for the upcoming year.

Note Payable

Notes payable consists of the following as of December 31:

	2015	2014
Note payable – currently payable in monthly installments of \$591 until September 20, 2021. The interest rate is 3.000% per year. The note is secured by the entity’s furniture.	\$ 35,853	-
Less current portion	(6,096)	-
Net long-term debt	\$ 29,757	-

LAKE PONTCHARTRAIN BASIN MARITIME MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015 AND 2014

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

2016	\$	6,096
2017		6,282
2018		6,473
2019		6,670
2020		6,873
Thereafter		<u>3,459</u>
	<u>\$</u>	<u>35,853</u>

(6) TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of monies restricted for lighthouse restoration. As of December 31, 2015 and 2014, temporarily restricted net assets were \$86,975 and \$40,015, respectively.

(7) COMMITMENTS AND CONTRACTS

Management Agreement for Museum Building

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

Management Agreement of the Tchefuncte River Range Rear Light Property

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

LAKE PONTCHARTRAIN BASIN MARITIME MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015 AND 2014

(8) CONCENTRATION OF CREDIT RISK

The Museum maintains its cash balances at several financial institutions located in Southeast Louisiana. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The uninsured portion of cash balances as of December 31, 2015 and 2014 were \$90,443 and \$14,211, respectively.

Of the Museum's revenues, \$329,021 (46.0%) and \$317,563 (59.5%) of revenues are obtained through a single source, the Wooden Boat Festival, for the years ended December 31, 2015 and 2014, respectively.

(9) CONTINGENCIES

The Museum is party to routine claims and legal proceedings arising in the ordinary course of business. In the opinion of management, the outcome of such actions will have no material impact on the Museum's financial condition or results of operations. There were no open claims or legal proceedings as of December 31, 2015 and 2014, respectively.

LAKE PONTCHARTRAIN BASIN MARITIME MUSEUM, INC.
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO AGENCY HEAD
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Don Lynch*</u>
Time served	01/01/15 through 12/31/15
Reimbursements	\$ <u>140</u>
Total compensation, benefits, and other payments	\$ <u>140</u>

*Note: Don Lynch serves in the capacity as a volunteer and as such does not receive a salary or related benefits for his time.



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the *Louisiana Governmental Audit Guide*, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Lake Pontchartrain Basin Maritime Museum, Inc. (a nonprofit organization), which comprise the statement of financial position, as of December 31, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 3, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lake Pontchartrain Basin Maritime Museum, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lake Pontchartrain Basin Maritime Museum, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Lake Pontchartrain Basin Maritime Museum, Inc.'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



To the Board of Directors of
Lake Pontchartrain Basin Maritime Museum, Inc.
June 3, 2016

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lake Pontchartrain Basin Maritime Museum, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

June 3, 2016
Mandeville, Louisiana

Erickson, Krentel & Laporte, LLP

Certified Public Accountants

LAKE PONTCHARTRAIN BASIN MARITIME MUSEUM, INC.
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2015

SECTION I SUMMARY OF AUDITORS' REPORTS

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

SECTION II FINANCIAL STATEMENT FINDINGS

NOT APPLICABLE

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

NOT APPLICABLE

LAKE PONCHARTRAIN BASIN MARITIME MUSEUM, INC.
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2015

SECTION I - FINDINGS RELATED TO THE FINANCIAL STATEMENTS

NOT APPLICABLE

SECTION II - FINDINGS AND QUESTIONED COSTS RELATED TO MAJOR FEDERAL AWARD PROGRAMS

NOT APPLICABLE

SECTION III - MANAGEMENT LETTER

2014-001 Prepare Minutes of Board Meeting

Condition - The minutes of several board meetings were not documented due to the absence of the Secretary from the meetings. We recommend that the Museum assign another individual the responsibility of keeping notes at each meeting, subsequently typing them, obtaining appropriate review and approval of them, and placing them in the minute book in the event that the Secretary cannot attend the meeting. This will serve as documentation of the Museum's governance throughout the year.

Current Status – The Organization has developed a more detailed and organized approach to track and record board minutes.

This issue has been resolved.