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SOUTHERN FOREST HERITAGE MUSEUM

LONG LEAF, LOUISIANA

DECEMBER 31, 2007

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 8-6-08

Southern Forest Heritage Museum

December 31, 2007

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PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Established 1945

Independent Accountant's Report

Board of Directors
Southern Forest Heritage Museum

We have reviewed the accompanying statement of financial position of Southern Forest Heritage Museum (a non-profit corporation) as of December 31, 2007, and the related statements of activities and cash flows for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Southern Forest Heritage Museum.

A review consists principally of inquiries of Museum personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

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 conformity with accounting principles generally accepted in the United States of America.

Payne, Moore & Herrington, LLP

Certified Public Accountants

June 10, 2008

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**Southern Forest Heritage Museum
Statement of Financial Position
December 31, 2007**

Exhibit A

Assets	
Cash and cash equivalents	\$ 143,348
Inventory	5,085
Property and equipment, net of accumulated depreciation	<u>1,428,541</u>
Total Assets	<u><u>\$ 1,576,974</u></u>
Liabilities and Net Assets	
Liabilities	
Accrued liabilities	\$ 2,398
Net Assets	
Unrestricted	<u>1,574,576</u>
Total Liabilities and Net Assets	<u><u>\$ 1,576,974</u></u>

See accompanying notes and independent accountant's report.

**Southern Forest Heritage Museum
Statement of Activities
Year Ended December 31, 2007**

Exhibit B

Changes in Unrestricted Net Assets

Revenues, Gains, and Other Support	
Contributions	\$ 72,698
Grants	300,387
Admissions and special events	19,287
Memberships	11,114
Interest	2,457
Sales, net	8,559
Other revenues	1,004
Total Revenues, Gains, and Other Support	415,506
 Expenses	
Salaries and wages	90,184
Advertising and promotion	8,501
Legal and other professional	2,205
Repairs and maintenance	13,862
Office supplies and expenses	6,532
Depreciation	47,889
Insurance	14,924
Supplies	3,151
Taxes and licenses	7,070
Travel	6,466
Utilities	12,575
Other expenses	4,202
Total Expenses	217,561
 Change in Unrestricted Net Assets	 197,945
 Net Assets, Beginning of Year	 1,376,631
 Net Assets, End of Year	 \$ 1,574,576

See accompanying notes and independent accountant's report.

**Southern Forest Heritage Museum
Statement of Cash Flows
Year Ended December 31, 2007**

Exhibit C

Cash Flows from Operating Activities	
Change in unrestricted net assets	\$ 197,945
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	47,889
Changes in operating assets and liabilities	
Inventory	(614)
Accrued liabilities	197
Net Cash Provided (Used) by Operating Activities	<u>245,417</u>
 Cash Flows from Investing Activities	
Purchase or renovation of property and equipment	<u>(201,163)</u>
Net Cash Provided (Used) by Investing Activities	(201,163)
 Cash Flows from Financing Activities	<u>-</u>
 Net Increase In Cash and Cash Equivalents	44,254
 Cash and Cash Equivalents, Beginning of Year	<u>99,094</u>
 Cash and Cash Equivalents, End of Year	<u>\$ 143,348</u>

Additional Required Disclosures:

1. The Museum considers all highly liquid investments with a maturity of three months or less when acquired to be cash equivalents.
2. No interest was paid during the year ended December 31, 2007.
3. No income taxes were paid during the year ended December 31, 2007.
4. There were no material noncash investing or financing transactions during the year ended December 31, 2007, that affected recognized assets or liabilities.

See accompanying notes and independent accountant's report.

Southern Forest Heritage Museum

December 31, 2007

Notes to Financial Statements

1. Nature of Activities and Significant Accounting Policies

Nature of Activities

The 57-acre Southern Forest Heritage Museum, (the Museum) is a non-profit corporation founded in 1996 to display rare equipment and buildings relative to the heyday of southern logging, railroading, and sawmilling dating back to the early 1900s. The Museum is located in Long Leaf, Louisiana.

Significant Accounting Policies

The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Basis of Accounting

The Museum utilizes the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recorded at the time liabilities are incurred.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, 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. In addition, the Museum is required to present a statement of cash flows. At year-end, the Museum did not have any temporarily or permanently restricted net assets.

Recognition of Donor Restricted Contributions and Grants

Support that is restricted by the donor or grantor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets.

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as highly liquid investments with maturity dates of three months or less when acquired.

Southern Forest Heritage Museum

December 31, 2007

Notes to Financial Statements

Accounts and Grants Receivable

Accounts and grants receivable are charged to expense when they become uncollectible. In the opinion of management, year-end accounts and grants receivable, if any, were collectible and an allowance for doubtful accounts was not considered necessary.

Inventory

Inventory consists of goods purchased for resale in the gift shop. It is reported at lower of cost or market, on a first-in, first-out basis.

Property and Equipment

Purchased property and equipment is recorded at acquisition cost; donated property and equipment is recorded at its fair value as of the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Repairs, maintenance, and minor replacements are charged to operations as incurred. Major replacements and improvements are capitalized at cost.

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 affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Museum qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and comparable Louisiana law. The Museum is not classified as a private foundation.

2. Cash and Cash Equivalents

Cash on hand	\$	500
Checking accounts and money market funds		<u>142,848</u>
	\$	143,348

Southern Forest Heritage Museum

December 31, 2007

Notes to Financial Statements

3. Property and Equipment

	<u>Estimated Life</u>	<u>Amount</u>
Land		\$ 60,000
Timber		9,757
Historic Buildings & Machinery	15 - 39 years	1,626,234
Furniture & Fixtures	7 years	6,384
Equipment	5 - 7 years	55,631
Museum Documentary Film	7 years	<u>15,000</u>
		1,773,006
Accumulated Depreciation		<u>(344,465)</u>
		\$ 1,428,541

Depreciation expense for the year ended December 31, 2007, was \$47,889.

4. Contingencies

The Museum receives grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could result in a request for reimbursement for disallowed costs under the terms of the grant agreements. In the opinion of management, such disallowances, if any, would be insignificant.



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CERTIFIED PUBLIC ACCOUNTANTS

Established 1945

Independent Accountant's Report on Applying Agreed-Upon Procedures

Board of Directors Southern Forest Heritage Museum

We have performed the procedures included in the Louisiana Governmental Audit Guide and enumerated below, which were agreed to by the management of Southern Forest Heritage Museum (the Museum), the Legislative Auditor, State of Louisiana, and applicable state grantor agency/agencies solely to assist the users in evaluating management's assertions about the Museum's compliance with certain laws and regulations during the year ended December 31, 2007, included in the accompanying Louisiana Attestation Questionnaire. This agreed-upon procedures engagement was performed in accordance with 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 the 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.

Federal, State, and Local Awards

- 1. Determine the amount of federal, state and local award expenditures for the fiscal year, by grant and grant year.

Federal award expenditures for the Museum for all Federal programs for the fiscal year follow:

Table with 4 columns: Federal Grant Name, Grant Year, CFDA No., Amount. Row 1: U.S. Department of Agriculture Schools and Roads - Grants to States (passed through the Rapides Parish Police Jury), 2007, 10.665, \$ 49,970. Row 2: Total Expenditures, \$ 49,970.

- 2. For each federal, state, and local award, we randomly selected 6 disbursements from each award administered during the period under examination, provided that no more than 30 disbursements would be selected.

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Board of Directors
Southern Forest Heritage Museum

There were four active federal, state, and local awards during the year ended December 31, 2007. We selected a total of 23 disbursements from these four awards. One award, the U.S. Department of Agriculture's Schools and Roads – Grants to States passed through the Rapides Parish Policy Jury, had only 5 disbursements for the year.

3. For the items selected in procedure 2, trace the selected disbursements to supporting documentation as to proper amount and payee.

We inspected supporting documentation for the 23 selected disbursements and found that payment was for the proper amount and made to the correct payee.

4. For the items selected in procedure 2, determine that the selected disbursements were properly coded to the correct fund and general ledger account.

All 23 selected disbursements were properly coded to the correct general ledger account. The Museum does not use fund accounting, therefore, coding to the correct fund is not applicable.

5. For the items selected in procedure 2, determine whether the selected disbursements received approval from proper authorities.

All 23 selected disbursements were properly approved by the executive director.

6. For the items selected in procedure 2: For federal awards, determine whether the disbursements complied with the applicable specific program compliance requirements summarized in *the Compliance Supplement* (or contained in the grant agreement, if the program is not included in the *Compliance Supplement*) and for state and local awards, determine whether the disbursements complied with the grant agreement, relating to:

Activities allowed or unallowed:

We inspected supporting documentation for the 23 disbursements selected in procedure 2 for types of services allowed or not allowed.

For disbursements under the federally funded program, we determined that all five disbursements inspected were allowable activities in accordance with the requirements contained in the *Compliance Supplement* for that program.



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Board of Directors
Southern Forest Heritage Museum

For disbursements relating to state and local awards, we determined that the disbursements were for allowable activities in accordance with the grant agreements.

Eligibility

We inspected grant agreements and the requirements in the *Compliance Supplement* for eligibility requirements related to these grants. Our inspection of these documents indicated that there were no eligibility requirements; therefore, no tests of eligibility were required.

Reporting

We inspected the previously listed disbursements for reporting requirements with no exceptions noted.

7. For the programs selected for testing in procedure 2 that had been closed out during the period under review, compare the closeout report, when required, with the entity's financial records to determine whether the amounts agree.

Management informed us that no closeout reports were required during the year ended December 31, 2007, therefore, this procedure is not applicable.

Meetings

8. We examined evidence indicating that agendas for meetings recorded in the minute book were posted as an open meeting as required by LSA-RS 42:1 through 42:12 (the open meetings law).

Southern Forest Heritage Museum is only required to post a notice of each meeting and the accompanying agenda on the door of the Museum's office building. Management has asserted that such documents were properly posted. We observed the meeting notice for the next board meeting posted on the door of the Museum's office building during our field work on June 10, 2008.

Comprehensive Budget

9. For all grants exceeding five thousand dollars, determine that each applicable federal, state, or local grantor agency/agencies was provided with a comprehensive budget of those grants that included the purpose and duration, and for state grants included specific goals and objectives and measures of performance.



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Board of Directors
Southern Forest Heritage Museum

We determined that the Southern Forest Heritage Museum provided comprehensive budgets to the applicable grantor agencies for the programs mentioned previously. These budgets specified the anticipated uses of the funds, estimates of the duration of the projects, and plans showing specific goals and objectives that included measures of performance.

Prior Comments and Recommendations

10. Review any prior-year suggestions, recommendations, and/or comments to determine the extent to which such matters have been resolved.

Management informed us that there was no review and/or agreed upon procedures required for the prior fiscal year, therefore, there were no prior-year suggestions recommendations, and/or comments.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of board of directors and management of the Southern Forest Heritage Museum, the Legislative Auditor (State of Louisiana), and the applicable state grantor agency/agencies and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Payne, Moore & Herrington, LLP

Certified Public Accountants

June 10, 2008

LOUISIANA ATTESTATION QUESTIONNAIRE
(For Attestation Engagements of Quasi-public Entities)

June 10, 2008 (Date Transmitted)

Payne, Moore & Herrington, LLP

1419 Metro Drive

Alexandria, LA 71301

In connection with your review of our financial statements as of December 31, 2007 and for the period then ended, and as required by Louisiana Revised Statute 24:513 and the *Louisiana Governmental Audit Guide*, we make the following representations to you. We accept full responsibility for our compliance with the following laws and regulation and the internal controls over compliance with such laws and regulations. We have evaluated our compliance with the following laws and regulations prior to making these representations.

These representations are based on the information available to us as of June 10, 2008.

Federal, State, and Local Awards

We have detailed for you the amount of Federal, state and local award expenditures for the fiscal year, by grant and grant year.

Yes [] No []

All transactions relating to federal, state, and local grants have been properly recorded within our accounting records and reported to the appropriate state, federal, and grantor officials.

Yes [] No []

The reports filed with federal, state, and local agencies are properly supported by books of original entry and supporting documentation.

Yes [] No []

We have complied with all applicable specific requirements of all federal, state, and local programs we administer, to include matters contained in the OMB Compliance Supplement, matters contained in the grant awards, eligibility requirements, activities allowed and unallowed, and reporting and budget requirements.

Yes [] No []

Open Meetings

Our meetings, as they relate to public funds, have been posted as an open meeting as required by LSA-RS 42:1 through 42:12 (the open meetings law).

Yes [] No []

Budget

For each federal, state, and local grant we have filed with the appropriate grantor agency a comprehensive budget for those grants that included the purpose and duration, and for state grants included specific goals and objectives and measures of performance

Yes [] No []

Prior Year Comments

We have resolved all prior-year recommendations and/or comments.

Yes [] No [] N/A []

We have disclosed to you all known noncompliance of the foregoing laws and regulations, as well as any contradictions to the foregoing representations. We have made available to you documentation relating to the federal, state, and local grants, to include the applicable laws and regulations.

We have provided you with any communications from regulatory agencies or other sources concerning any possible noncompliance with the foregoing laws and regulations, including any communications received between the end of the period under examination and the issuance of this report. We will also disclose to you, the Legislative Auditor, and the applicable state grantor agency/agencies any known noncompliance which may occur up to the date of your report.

Bob Carroll
Executive Secretary

June 10, 2008
Date