

LAKE PONTCHARTRAIN BASIN MARITIME MUSEUM, INC.

MADISONVILLE, LOUISIANA

FINANCIAL STATEMENTS

AS OF AND

FOR THE YEARS ENDED

DECEMBER 31, 2013 AND 2012

ERICKSEN KRENTEL & LAPORTE L.L.P.

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Lake Pontchartrain Basin Maritime Museum, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, functional expenses and cash flows for the year 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. 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.
April 23, 2014
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Opinion

In our opinion, the 2013 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, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of Lake Pontchartrain Basin Maritime Museum, Inc. as of December 31, 2012, were audited by other auditors whose report dated June 15, 2013, expressed an unmodified opinion on those statements.

April 23, 2014
New Orleans, Louisiana

A handwritten signature in black ink that reads "Erickson, Krentel & Laporte, LLP". The signature is written in a cursive, flowing style.

Certified Public Accountants

LAKE PONTCHARTRAIN BASIN MARITIME MUSEUM, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<u>ASSETS:</u>		
Cash and cash equivalents	\$ 283,532	\$ 255,420
Receivables:		
Accounts receivable	11,056	8,289
Grants receivable	5,000	-
Prepaid expenses	8,465	-
Inventory	18,305	18,612
Property and equipment - net	1,941,384	2,090,271
Collections of art	<u>22,000</u>	<u>22,000</u>
 Total assets	 <u>\$ 2,289,742</u>	 <u>\$ 2,394,592</u>
 <u>LIABILITIES:</u>		
Accounts payable	\$ 21,185	\$ 1,059
Accrued expenses	10,482	6,519
Payroll tax payable	3,168	3,578
Deposits	1,075	1,300
Deferred revenue	<u>-</u>	<u>600</u>
 Total liabilities	 <u>35,910</u>	 <u>13,056</u>
 <u>NET ASSETS:</u>		
Unrestricted:		
Undesignated	2,225,953	2,367,930
Temporarily restricted	<u>27,879</u>	<u>13,606</u>
 Total net assets	 <u>2,253,832</u>	 <u>2,381,536</u>
 Total liabilities and net assets	 <u>\$ 2,289,742</u>	 <u>\$ 2,394,592</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

LAKE PONTCHARTRAIN BASIN MARITIME MUSEUM, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<u>UNRESTRICTED:</u>		
<u>Public Support and Other Revenues:</u>		
Wooden Boat Festival	\$ 299,317	\$ 301,001
Grants	-	3,981
Facility event room rental	30,879	38,838
Wooden boat building classes	21,994	22,496
Gift shop sales	11,517	10,845
Cost of gift shop sales	(14,444)	(5,294)
Museum admission fees and membership dues	24,193	19,097
Contributions	19,515	16,646
Fundraising income	29,751	25,249
Research and educational programs	25,180	22,120
Other income	2,171	47,833
Revenues released from restrictions	<u>24,574</u>	<u>(28)</u>
Total unrestricted public support and other revenues	<u>474,647</u>	<u>502,784</u>
<u>Expenses:</u>		
Program services	482,640	456,643
Supporting services:		
Management and general	58,036	34,415
Fundraising	<u>60,804</u>	<u>60,557</u>
Total supporting services	<u>118,840</u>	<u>94,972</u>
Total expenses	<u>601,480</u>	<u>551,615</u>
Net change in unrestricted net assets	<u>(126,833)</u>	<u>(48,831)</u>
<u>TEMPORARILY RESTRICTED:</u>		
Contributions for periods after December 31, 2013 and 2012	23,703	-
Released from restrictions	<u>(24,574)</u>	<u>28</u>
Net change in temporarily restricted net assets	<u>(871)</u>	<u>28</u>
Change in net assets	<u>(127,704)</u>	<u>(48,803)</u>
Net assets, beginning of year	<u>2,381,536</u>	<u>2,430,339</u>
Net assets, end of year	<u>\$ 2,253,832</u>	<u>\$ 2,381,536</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

LAKE PONTCHARTRAIN BASIN MARITIME MUSEUM, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<u>CASH FLOWS FROM (USED BY) OPERATING ACTIVITIES:</u>		
Change in net assets	\$ (127,704)	\$ (48,803)
Adjustments to reconcile change in net assets to net cash from (used by) operating activities:		
Depreciation	150,761	120,129
(Increase) decrease in:		
Accounts receivable	(2,767)	(1,625)
Grants receivable	(5,000)	-
Prepaid expenses	(8,465)	-
Inventory	307	(664)
Increase (decrease) in:		
Accounts payable	20,126	(13,530)
Accrued expenses	3,963	(213)
Payroll tax payable	(410)	(2,127)
Deposits	(225)	1,000
Deferred revenue	(600)	600
Net cash from operating activities	<u>29,986</u>	<u>54,767</u>
<u>CASH FLOWS PROVIDED BY (USED BY) FINANCING ACTIVITIES:</u>		
Purchase of property and equipment	<u>(1,874)</u>	<u>(1,349)</u>
Net cash (used by) financing activities	<u>(1,874)</u>	<u>(1,349)</u>
Net increase in cash and cash equivalents	28,112	53,418
Cash and cash equivalents, beginning of year	<u>255,420</u>	<u>202,002</u>
Cash and cash equivalents, end of year	<u>\$ 283,532</u>	<u>\$ 255,420</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

LAKE PONTCHARTRAIN BASIN MARITIME MUSEUM, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013

	Program Services					Supporting Services		Total
	Wooden Boat Festival	Museum and Exhibits	Wooden Boat Building Classes	Maritime Research and Education	Lighthouse Restoration	Management and General	Fundraising	
Salaries	\$ 10,374	\$ 20,330	\$ -	\$ 21,753	\$ -	\$ 24,430	\$ 6,777	\$ 83,664
Payroll taxes and employee benefits	827	1,621	-	1,734	-	1,947	540	6,669
Total salaries and related expenses	11,201	21,951	-	23,487	-	26,377	7,317	90,333
Janitorial and cleaning	-	4,910	-	-	-	4,910	-	9,820
Festival entertainment	7,800	-	-	-	-	-	-	7,800
Merchandise purchases	15,294	12,235	3,058	-	-	-	-	30,587
Volunteer support	5,287	67	-	-	-	-	-	5,354
Printing and graphic design	974	-	-	-	-	-	-	974
Security	16,380	-	-	-	-	-	-	16,380
Materials and supplies	9,835	279	3,867	18,417	130	-	-	32,528
Contract labor	26,302	1,189	-	-	-	-	-	27,491
Equipment rental	29,117	-	-	-	-	-	-	29,117
Repairs and maintenance	-	39,892	-	-	4,931	-	-	44,823
Office Expense	1,580	790	1,185	1,185	790	790	1,579	7,899
Postage and delivery	85	43	64	64	43	43	83	425
Insurance	9,028	28,610	-	-	1,164	-	-	38,802
Professional fees	4,767	2,384	3,575	3,575	2,384	2,384	4,766	23,835
Advertising	5,599	2,800	4,199	4,199	2,800	2,800	5,598	27,995
Dues and subscriptions	330	165	247	247	165	165	329	1,648
Bank charges	540	270	405	405	270	270	540	2,700
Travel	18	8	12	12	8	8	16	82
Utilities	9,685	4,843	7,264	7,264	4,843	4,843	9,684	48,426
Taxes and licenses	258	129	193	193	129	129	257	1,288
Miscellaneous expenses	357	178	268	268	178	178	357	1,784
Interest	126	63	94	94	63	63	125	628
Total expenses before depreciation	154,563	120,806	24,431	59,410	17,898	42,960	30,651	450,719
Depreciation	30,152	15,076	22,614	22,614	15,076	15,076	30,153	150,761
Total expenses	\$ 184,715	\$ 135,882	\$ 47,045	\$ 82,024	\$ 32,974	\$ 58,036	\$ 60,804	\$ 601,480

See accompanying NOTES TO FINANCIAL STATEMENTS

LAKE PONTCHARTRAIN BASIN MARITIME MUSEUM, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2012

	Program Services					Supporting Services		Total
	Wooden Boat Festival	Museum and Exhibits	Wooden Boat Building Classes	Maritime Research and Education	Lighthouse Restoration	Management and General	Fundraising	
Salaries	\$ 9,961	\$ 9,195	\$ 1,532	\$ 45,973	\$ 3,831	\$ 4,598	\$ 1,532	\$ 76,622
Payroll taxes and employee benefits	795	734	122	3,668	306	367	122	6,114
Total salaries and related expenses	10,756	9,929	1,654	49,641	4,137	4,965	1,654	82,736
Janitorial and cleaning	4,100	650	975	975	650	650	1,300	9,300
Festival entertainment	12,400	-	-	-	-	-	-	12,400
Merchandise purchases	39,633	-	-	-	-	-	-	39,633
Volunteer support	5,340	116	174	174	116	114	232	6,266
Printing and graphic design	1,350	889	-	-	-	-	-	2,239
Security	14,011	-	-	-	-	-	-	14,011
Materials and supplies	5,933	60	5,526	16,534	-	-	-	28,053
Contract labor	25,532	-	-	-	-	-	-	25,532
Equipment rental	32,494	-	-	-	-	-	-	32,494
Repairs and maintenance	7,097	2,386	3,579	3,579	2,386	2,386	4,770	26,183
Office Expense	1,373	686	1,030	1,030	686	686	1,373	6,864
Postage and delivery	74	37	55	55	37	37	74	369
Insurance	16,447	3,724	5,585	5,585	3,724	3,724	7,446	46,235
Professional fees	5,103	2,551	3,827	3,827	2,551	2,551	5,103	25,513
Advertising	4,426	2,213	3,320	3,320	2,213	2,213	4,425	22,130
Dues and subscriptions	278	139	208	208	139	138	277	1,387
Bank charges	820	355	532	532	355	355	709	3,658
Utilities	9,536	4,447	6,671	6,671	4,447	4,447	8,894	45,113
Taxes and licenses	155	78	117	117	78	76	156	777
Miscellaneous expenses	119	59	89	89	59	60	118	593
Total expenses before depreciation	196,977	28,319	33,342	92,337	21,578	22,402	36,531	431,486
Depreciation	24,026	12,013	18,019	18,019	12,013	12,013	24,026	120,129
Total expenses	\$ 221,003	\$ 40,332	\$ 51,361	\$ 110,356	\$ 33,591	\$ 34,415	\$ 60,557	\$ 551,615

See accompanying NOTES TO FINANCIAL STATEMENTS

LAKE PONTCHARTRAIN BASIN MARITIME MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

(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, 2013 AND 2012

(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, 2013 AND 2012

(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, 2013 and 2012. 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. There were no donated noncash assets for the years ended December 31, 2013 and 2012. 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 2013 and 2012, advertising costs, which are expensed as incurred, totaled \$27,995 and \$22,130, respectively.

LAKE PONTCHARTRAIN BASIN MARITIME MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013 AND 2012

(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, 2013 revealed no tax positions that would have a material impact on the financial statements. The 2010 through 2013 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 April 23, 2014, 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:

	<u>2013</u>	<u>2012</u>
Cash paid during the year for:		
Interest	\$ <u>628</u>	\$ <u>-</u>

(3) PROPERTY AND EQUIPMENT

The cost of such assets at December 31, 2013 and 2012 are as follows:

	<u>2013</u>	<u>2012</u>
Land improvements	\$ 22,968	\$ 22,968
Furniture and equipment	120,432	118,558
Buildings and improvements	2,765,890	2,765,890
Museum exhibits	471,092	471,092
Bulkhead and dock	91,726	91,726
Sign	<u>11,776</u>	<u>11,776</u>
	3,483,884	3,482,010
Less: accumulated depreciation	<u>(1,542,500)</u>	<u>(1,391,739)</u>
	<u>\$ 1,941,384</u>	<u>\$ 2,090,271</u>

LAKE PONTCHARTRAIN BASIN MARITIME MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013 AND 2012

(3) PROPERTY AND EQUIPMENT (CONTINUED)

Depreciation and amortization expense for the years ended December 31, 2013 and 2012 was \$150,761 and \$120,129, respectively.

(4) 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, 2013 and 2012, the line of credit remains open with a zero balance outstanding and has currently been renewed through February 12, 2015.

(5) 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, 2013 AND 2012

(6) 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. There was no uninsured portion of cash at December 31, 2013 and 2012.

Of the Museum's revenues, \$299,317 (59.5%) and \$301,001 (59.2%) of revenues are obtained through a single source, the Wooden Boat Festival, for the years ended December 31, 2013 and 2012, respectively.

(7) 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, 2013 and 2012, respectively.

(8) RECLASSIFICATIONS

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. Mainly, the Wooden Boat Festival expenses have been reclassified as program expenses on the statement of functional expenses. This resulted in an additional \$221,003 of program expenses and a corresponding decrease in fundraising expenses for the year ended December 31, 2012. There was no effect on net assets for the year ended December 31, 2012 as a result of this reclassification.