

# Louisiana Purchase Zoological Society

## Financial Statements December 31, 2003

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 9.1.04

**Louisiana Purchase Zoological Society**

**December 31, 2003**

**Table of Contents**

---

	<u>Page</u>
Independent Auditors' Report.....	1
Statement of Financial Position .....	3
Statement of Activities.....	4
Statement of Cash Flows .....	5
Notes to the Financial Statements.....	6
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards .....	9
Schedule of Findings.....	11



Francis I. Huffman, CPA  
L. Fred Monroe, CPA  
Esther Atteberry, CPA

John L. Luffey, MBA, CPA (1963-2002)

## INDEPENDENT AUDITORS' REPORT

### **Board of Directors Louisiana Purchase Zoological Society**

We have audited the accompanying statements of financial position of the Louisiana Purchase Zoological Society (the Society) as of December 31, 2003, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Society's management. 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, the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Louisiana Governmental Audit Guide*, issued by the Louisiana Legislative Auditor and the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As more fully described in Note 2, the Society did not account for its inventory at December 31, 2002. As a result, Net Assets at January 1, 2003 and Cost of Sales for 2003 are both materially understated.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Louisiana Purchase Zoological Society as of December 31, 2003, of the results of its operations and its cash flows for the year then ended

**Board of Directors  
Louisiana Purchase Zoological Society**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 12, 2004, on our consideration of the Society's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



(A Professional Accounting Corporation)

April 12, 2004

**LOUISIANA PURCHASE ZOOLOGICAL SOCIETY  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2003**

<b>ASSETS</b>		
Cash		\$ 35,541
Accounts Receivable		2,500
Inventory		<u>6,500</u>
<b>TOTAL ASSETS</b>		<b>\$ <u>44,541</u></b>
 <b>LIABILITIES AND NET ASSETS</b>  		
<b>Liabilities</b>		
Accounts Payable		\$ 5,041
Payroll Taxes Payable		<u>1,901</u>
<b>Total Liabilities</b>		<b>6,942</b>
 <b>Net Assets</b>		
Unrestricted		<u>37,599</u>
<b>Total Net Assets</b>		<b><u>37,599</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>		<b>\$ <u>44,541</u></b>

The accompanying notes are an integral part of this statement.

**LOUISIANA PURCHASE ZOOLOGICAL SOCIETY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Unrestricted	Temporarily Restricted	Total
<b>Support and Revenues</b>			
Memberships	\$ 10,685	\$ -	\$ 10,685
Grants-Louisiana Purchase Exhibit	82,500	-	82,500
Donations-Louisiana Purchase Exhibit	37,393	-	37,393
Gift shop revenue	\$ 56,093		
Gift shop expenses, including cost of sales	<u>(18,344)</u>	-	37,749
Birthday party revenue	7,688		
Birthday party expenses	<u>(3,553)</u>	-	4,135
Program income	45,314	-	45,314
Interest income	187	-	187
Total Unrestricted Support	217,963	-	217,963
Net Assets Released From Time Restrictions	<u>31,711</u>	<u>(31,711)</u>	<u>-</u>
Total Unrestricted Support and Reclassifications	<u>249,674</u>	<u>(31,711)</u>	<u>217,963</u>
<b>Expenses</b>			
Program Services:			
Louisiana Purchase Exhibit	176,630	-	176,630
Program expenses	20,241	-	20,241
Zoo projects	7,138	-	7,138
Total Program Services	<u>204,009</u>	-	204,009
Supporting Services:			
Labor	55,858	-	55,858
Management and general	6,010	-	6,010
Postage and supplies	2,672	-	2,672
Total Supporting Services	<u>64,540</u>	-	64,540
Total expenses	<u>268,549</u>	<u>-</u>	<u>268,549</u>
<b>Decrease in net assets</b>	(18,875)	(31,711)	(50,586)
<b>Net Assets at Beginning of Year</b>	<u>56,474</u>	<u>31,711</u>	<u>88,185</u>
<b>Net Assets at End of Year</b>	<u>\$ 37,599</u>	<u>\$ -</u>	<u>\$ 37,599</u>

The accompanying notes are an integral part of this statement.

**LOUISIANA PURCHASE ZOOLOGICAL SOCIETY  
STATEMENT OF CASH FLOWS  
DECEMBER 31, 2003**

**Cash Flows From Operating Activities**

Receipts From Support and Revenues	
Members	\$ 10,685
Grants	80,000
Donations	37,393
Gifts Shop Revenues (Net)	31,249
Birthday Parties (Net)	4,135
Program Income	45,314
Interest Income	187
Total Receipts From Support and Revenues	<u>208,963</u>
Payments For Program Services	
Louisiana Purchase Exhibit	(172,070)
Program Expenses	(19,980)
Zoo Projects	(7,138)
Total Payments For Program Services	<u>(199,188)</u>
Payments For Supporting Services	
Labor and Benefits	(56,272)
Management and General	(6,010)
Postage and Supplies	(2,672)
Total Payments For Supporting Services	<u>(64,954)</u>
Net Cash Used by Operating Activities	<u>(55,179)</u>
<b>Net Decrease in Cash</b>	(55,179)
<b>Cash at Beginning of Year</b>	90,720
<b>Cash at End of Year</b>	<u>\$ 35,541</u>
<b>Reconciliation of Decrease in Net Assets to Net Cash Used by Operating Activities:</b>	
<b>Operating Activities:</b>	
Decrease in Net Assets	(50,586)
<b>Adjustments to Reconcile Decrease in Net Assets to Net Cash Used by Operating Activities:</b>	
Account Receivable	(2,500)
Inventory	(6,500)
Accounts Payable	5,041
Payroll Taxes Payable	(634)
	<u>(4,593)</u>
Net Cash Used by Operating Activities	<u>\$ (55,179)</u>

The accompanying notes are an integral part of this statement.

**LOUISIANA PURCHASE ZOOLOGICAL SOCIETY  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2003**

**ORGANIZATION**

The Louisiana Purchase Zoological Society (the Society) is a not-for-profit corporation that is made up of volunteers and citizens from the Monroe/West Monroe communities that are interested in promoting the Louisiana Purchase Gardens & Zoo in Monroe, Louisiana. Its objectives are seeking solutions to zoo problems, establishing service programs for the promotion and enhancement of the zoo, and assisting in the development of new improvements or rehabilitation of exhibits for the zoo. The Society derives its revenue from memberships, the managing of the zoo gift shop and from various events held at the zoo during the year.

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. BASIS OF ACCOUNTING**

The financial statements of the Society have been performed on the accrual basis. The significant accounting policies followed by the Society are described below to enhance the usefulness of the financial statements to the reader.

**B. 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 those estimates.

**C. INVENTORY**

Inventory is stated at the lower of cost or market using the first-in and first-out (FIFO) method of valuation.

**D. PROPERTY AND EQUIPMENT**

All property and equipment that is used by the Society is owned by the City of Monroe. The Society does not pay rent on these items.

**E. NET ASSETS**

The unrestricted-undesignated net assets represent the surplus accumulated over the course of the Society's existence. Income from restricted sources which is received during the fiscal year and for which the restrictions are satisfied within the same fiscal year, is represented in the changes in unrestricted assets.

**LOUISIANA PURCHASE ZOOLOGICAL SOCIETY  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2003**

The temporarily restricted net assets represent contributions from individuals and companies for use by the Society in its bicentennial celebration of the Louisiana Purchase. As the Society expended these funds, these restrictions have been released.

**F. STATEMENT OF CASH FLOWS**

For purposes of the statement of cash flows, the Society considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

**G. BASIS OF PRESENTATION**

Contributions received by the Society are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. The Society reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted assets. The Society did not have any temporarily restricted net assets or permanently restricted assets at December 31, 2003.

**H. TAX STATUS**

The Society believed that its status had been permanently established as being exempt from Federal income taxes pursuant to Section 501 (c) (3) of the Internal Revenue Code. No provision for income taxes has been made.

However, the Internal Revenue Service recently advised the Society that the advance ruling by the IRS regarding the Society's tax exempt status ended in August of 1985. The IRS has requested that the Society furnish information for the years ended December 31, 1999 to December 31, 2003, in order to reestablish an advance ruling period.

**Note 2 – CONVERSION FROM MODIFIED CASH BASIS TO ACCRUAL BASIS**

During 2003, the Society obtained a grant from one local government agency for \$75,000 and another grant from the State of Louisiana for \$7,500. This level of funding required the Society to change its basis of accounting from the modified cash basis to the accrual basis.

Under the modified cash basis utilized in 2002, the Society recorded all inventory purchases as cost of sales instead of recording the purchases as inventory and expensing it to cost of sales as various inventory items were sold. As a result, the

**LOUISIANA PURCHASE ZOOLOGICAL SOCIETY  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2003**

December 31, 2002 inventory value is unknown. This basis of accounting change impacts 2003 by the beginning net assets and the cost of sales both being understated by an unknown amount.



Francis I. Huffman, CPA  
L. Fred Monroe, CPA  
Esther Atteberry, CPA

John L. Luffey, MBA, CPA (1963-2002)

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

**Board of Directors  
Louisiana Purchase Zoological Society**

We have audited the financial statements of the **Louisiana Purchase Zoological Society** (the Society) as of and for the year ended December 31, 2003, and have issued our report thereon dated April 12, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor.

**Compliance**

As part of obtaining reasonable assurance about whether the Society's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Society's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Society's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying Schedule of Findings as items 03-01 to 03-05.

**Board of Directors  
Louisiana Purchase Zoological Society**

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that *misstatements in amounts that would be material in relation to the financial statements* being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions that are also considered to be material weaknesses. However, we consider the items listed in the preceding paragraph to be material weaknesses.

This report is intended for the information of management of the Society, entities granting funds to the Society and the Legislative Auditor for the state of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



(A Professional Accounting Corporation)

April 12, 2004

**LOUISIANA PURCHASE ZOOLOGICAL SOCIETY  
MONROE, LOUISIANA**

**SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

**03-01 INVENTORY**

***Finding:***

During 2003, the Society received in excess of \$25,000 in local or state funds requiring their December 31, 2003 financial statements to be audited in accordance with *Government Auditing Standards*. In the past, the Society maintained its books on the modified cash basis and therefore did not record inventory. *Government Auditing Standards* require financial statements to be prepared in accordance with generally accepted accounting principals.

The Society did not take a physical inventory at December 31, 2003 or 2002. A physical inventory at retail was taken during November 2003. However, additional sales were made after the November 2003 inventory. This resulted in the need for additional procedures in arriving at the quantity and cost at December 31, 2003.

***Recommendation:***

The Society should take a physical inventory at cost at the end of each calendar year. This physical inventory should be observed by the Society's auditor.

***Management's Corrective Action Plan:***

The Society plans to take a physical inventory at cost at the end of each fiscal year. The Society's auditor will be informed of the date of the taking of the inventory and invited to attend for purposes of observation. Additional inventory counts and valuations will be taken during the year, as has been the practice in the past, however, all valuations going forward will be based on actual cost.

**03-02 PRIOR YEAR ADJUSTING JOURNAL ENTRIES NOT RECORDED**

***Finding:***

One of the entries recorded in preparing the December 31, 2002 compilation report was not booked by the Society. As a result, an entry for \$1,153, had to be made to correct the net assets at the beginning of the year. This caused the Society's monthly financial statements issued during 2003 to be incorrect.

***Recommendation:***

All year-end entries should be booked on the Society's general ledger.

***Management's Corrective Action Plan:***

The failure to book a prior year adjusting entry was not intentional.

All year-end entries will be booked to the Society's general ledger. Society staff has been instructed to make these correcting entries.

**LOUISIANA PURCHASE ZOOLOGICAL SOCIETY  
MONROE, LOUISIANA**

**SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

**03-03 RECORDING OF TRANSACTIONS TO NET ASSETS**

***Finding:***

The Society recorded three transactions totaling \$13,170 to Unrestricted Net Assets, accounts 3000 (Fund Balance-Unrestricted) and 3100 (Increase in Net Assets), during 2003. These transactions should have been posted to revenue accounts. This caused revenue and support to be understated in the monthly financial reports presented to the board.

***Recommendation:***

The Society should not record any activity to the net assets account, but should run all activity through revenue and expense accounts.

Also, one of the two accounts (3000 or 3100) should be removed from the chart of accounts. Only one account is needed to maintain Unrestricted Net Assets.

***Management's Corrective Action Plan:***

The recording of three transactions to the net assets account was a human error. Such recording is not our normal practice. Management understands that such recording will inaccurately reflect our financial position and operating results. The errors resulted from three factors. The first was the fact that at the time of the errors, the Society was in transition in our administrative assistant position. This position is one of only two nearly full-time positions for the Society. A new person had been hired and on the job for only a short time with limited training in the book-keeping function. Second, the Society was in transition in moving its operating checking accounts from one bank to another. A transfer of funds between accounts occurred at this time that equaled one of the erroneous entries. Third, this entry occurred just subsequent to conclusion of one of the biggest annual events of the Society. The erroneous entries for the most part reflected funds received from that event. The combination of a new employee, the high activity level of a major event and the coincidental changing of banks all contributed to the error.

The Society plans to run all future activity through the revenue and expense accounts as is obviously appropriate.

The Society plans to remove either account #3000 or account #3100 from the chart of accounts. As a note of information, the Society through the course of the year did remove numerous duplicated accounts which previously existed.

**LOUISIANA PURCHASE ZOOLOGICAL SOCIETY  
MONROE, LOUISIANA**

**SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

**03-04 PRENUMBERED RECEIPTS**

***Finding:***

Gift shop revenues are accountable by use of the cash register which are deposited at the end of the day and can be traced back to the cash register tape. Outside of the gift shop operation, prenumbered receipts for other monies received are not regularly issued. Therefore, it is not possible to account for all financial activity by tracing from the initial receipt of the transaction to its deposit into the bank account.

***Recommendation:***

The Society should use prenumbered receipts to account for its financial activity (cash, checks and credit cards) outside of the gift shop. The receipt should indicate the person paying, the purpose for the payment, the amount of the payment and the method of payment. This additional procedure will strengthen the Society's control over receipts

***Management's Corrective Action Plan:***

Revenues, other than check register transactions, such as membership dues, birthday parties, donations, etc., are now entered into a duplicate receipt book with the customer receiving a copy. This accounts for all transactions that have taken place that day.

**03-05 SEGREGATION OF DUTIES**

***Finding:***

The administrative officer is responsible for overseeing the daily operations of the Society. One of those duties includes preparing checks for signature by one of the three board members that have check signing authority. The administrative officer also receives the savings and checking account bank statements, opens them and reconciles them to the general ledger. Segregation of duties should include a separation of the check preparation and check reconciliation processes.

***Recommendation:***

We recommend that a board member initially receive the unopened bank statements (savings and checking) and review all items that cleared for their proprietary. This additional procedure will strengthen the Society's control over disbursements.

***Management's Corrective Action Plan:***

As President, I, Tyler Thomas, open all statements and financial documents before allowing *administrative assistant and contracted accounting employees* to reconcile. The financial statements are then inspected at least once monthly.