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LOUISIANA CHILDREN'S DISCOVERY CENTER, INC.

ANNUAL FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2010

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 SEP 14 2011

PHIL HEBERT
CERTIFIED PUBLIC ACCOUNTANT
A PROFESSIONAL ACCOUNTING CORPORATION

Louisiana Children's Discovery Center, Inc.
Hammond, Louisiana

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December 31, 2010

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Independent Auditor's Report

To the Board of Directors
Louisiana Children's Discovery Center, Inc.
Hammond, Louisiana

I have audited the accompanying statement of financial position of Louisiana Children's Discovery Center, Inc. (a nonprofit corporation) as of December 31, 2010 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Center's management. My responsibility is to express an opinion on these financial statement based on my audit.

I conducted my 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 I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Louisiana Children's Discovery Center, Inc. as of December 31, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued my report dated June 28, 2011, on my consideration of Louisiana Children's Discovery Center, Inc.'s internal control over financial reporting and on my 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 my 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* and should be considered in assessing the results of my audit.

Phil Hebert

Phil Hebert, CPA
A Professional Accounting Corporation

June 28, 2011

Financial Statements

Louisiana Children's Discovery Center, Inc.
Hammond, Louisiana
Statement of Financial Position
December 31, 2010

Exhibit A

Assets

Current Assets:

Cash	\$	95,599
Accountants Receivable		13,518
Inventory		2,500
Prepaid Insurance		3,259
Total Current Assets		114,876

Property and Equipment:

Model Train Car Exhibit		4,000
Furniture, Fixtures, & Equipment		40,389
Leasehold Improvements		403,377
Less: Accumulated Depreciation		(25,088)
Total Property and Equipment		422,678

Other Assets:

Refundable Deposits		2,700
Total Other Assets		2,700

Total Assets	\$	540,254
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Liabilities and Net Assets

Current Liabilities:

Accounts Payable	\$	1,812
Payroll Liabilities		2,494
Sales Tax Payable		104
Deferred Revenue		18,274
Total Liabilities		22,684

Net Assets:

Temporarily Restricted		-
Unrestricted		517,570
Total Net Assets		517,570

Total Liabilities and Net Assets	\$	540,254
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The accompanying notes are an integral part of these financial statements.

Louisiana Children's Discovery Center, Inc.
Hammond, Louisiana
Statement of Activities
For the Year Ended December 31, 2010

Exhibit B

	Unrestricted	Temporarily Restricted	Totals
Revenues:			
Agency / Government Grants	\$ 212,914	\$ -	\$ 212,914
Corporate / Business Grants	1,000	-	1,000
Individual / Business Contributions	17,435	-	17,435
Foundation / Trust Grants	1,200	-	1,200
Admission Fees	62,599	-	62,599
Fundraising Income	11,425	-	11,425
Gift Shop Income	2,447	-	2,447
Membership Dues	7,954	-	7,954
Miscellaneous Revenue	837	-	837
Net Assets Released from Restrictions:			
Restrictions Satisfied by Museum Opening	283,004	(283,004)	-
Restrictions Satisfied by Payments	285,773	(285,773)	-
Total Revenues	886,588	(568,777)	317,811
Expenses:			
Program Services:			
Birthday Party Expenses	1,240	-	1,240
Gift Shop Expenses	1,843	-	1,843
Management & General:			
Computer Expenses	4,459	-	4,459
Dues & Subscriptions	2,418	-	2,418
Employee Salaries & Payroll Taxes	124,209	-	124,209
Insurance	6,246	-	6,246
Janitorial, Maintenance, & Repairs	3,909	-	3,909
Other Employee Costs	1,417	-	1,417
Office Expenses	4,288	-	4,288
Professional Fees	22,359	-	22,359
Promotion and Advertising	5,840	-	5,840
Rent	33,900	-	33,900
Supplies	19,581	-	19,581
Travel	6,191	-	6,191
Utilities	22,785	-	22,785
Depreciation Expense	25,088	-	25,088
Fundraising	1,518	-	1,518
Total Expenses	287,291	-	287,291
Change in Net Assets	599,297	(568,777)	30,520
Net Assets:			
Beginning of the Year - Originally Stated	(81,727)	771,324	689,597
Prior Period Adjustment	-	(202,547)	(202,547)
Beginning of the Year - Restated	(81,727)	568,777	487,050
End of the Year	\$ 517,570	\$ -	\$ 517,570

The accompanying notes are an integral part of these financial statements.

Louisiana Children's Discovery Center, Inc.
Hammond, Louisiana
Statement of Cash Flows
For the Year Ended December 31, 2010

Exhibit C

Cash Flows from Operating Activities:	
Change in Net Assets	\$ 30,520
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by / (Used In) Operating Activities:	
Depreciation Expense	25,088
(Increase) / Decrease in Accounts Receivable	13,626
(Increase) / Decrease in Inventory	(2,500)
(Increase) / Decrease in Prepaid Insurance	(3,259)
Increase / (Decrease) in Accounts Payable	1,812
Increase / (Decrease) in Payroll Liabilities	1,812
Increase / (Decrease) in Sales Tax Payable	104
Increase / (Decrease) in Deferred Revenue	<u>18,274</u>
 Net Cash Provided by Operating Activities	 85,477
 Cash Flows from Capital and Related Financing Activities:	
Purchase of Furniture & Equipment	(40,389)
Improvements to Building	<u>(259,730)</u>
 Net Cash Used in Capital and Related Financing Activities	 (300,119)
 Net Decrease in Cash and Cash Equivalents	 (214,642)
 Cash and Cash Equivalents - Beginning of the Year	 <u>310,241</u>
Cash and Cash Equivalents - End of the Year	\$ <u>95,599</u>

The accompanying notes are an integral part of these financial statements.

Louisiana Children's Discovery Center, Inc.
Hammond, Louisiana
Notes to the Financial Statements
For the Year Ended December 31, 2010

Introduction

The Louisiana Children's Discovery Center, Inc. (the "Center") is a non-profit entity established to provide children with hands-on educational experiences that will empower imaginations, peak curiosity, and nurture intelligence. This mission is accomplished through the operation of a children's museum in the City of Hammond, Louisiana. The museum opened on October 1, 2010 and currently employs two full-time employees and ten part-time employees.

1. Summary of Significant Accounting Policies

A. Basis of Presentation

The financial statements have been prepared on an accrual basis and in conformity with standards generally accepted in the United States of America.

B. Support and Revenue

For the year ended December 31, 2010, the Center received funding of \$212,914 from the City of Hammond, Louisiana.

As the City of Hammond is the Center's major source of revenue, all receivables are expected to be fully collectible. Therefore, no provision for uncollectible revenue has been recognized in the accompanying financial statements.

C. Cash

Cash includes demand deposits and money market savings accounts.

D. Income Taxes

The Center qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes. However, should the Center engage in activities unrelated to its exempt purpose, taxable income could result.

E. Fair Values of Financial Instruments

The Center's financial instruments, none of which are held for trading purposes, include cash. The following methods and assumptions used by the Center in estimating its fair value disclosures for financial instruments are:

Cash: The carrying amounts reported in the statement of financial position approximate fair value because of the short maturities of those instruments.

F. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported

Louisiana Children's Discovery Center, Inc.
Hammond, Louisiana

Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2010

amounts of support and revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

G. Statement of Cash Flows

For the purposes of the statement of cash flows, all investments with a maturity of 90 days or less from the date of purchase are considered to be cash equivalents.

H. Financial Statement Presentation

The Center 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. As of December 31, 2010, the Center does not currently have any permanently or temporarily restricted net assets.

I. Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

All contributions are considered to be unrestricted and available for use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases these net asset classes. However, if a restriction is fulfilled in the same reporting period in which the contribution is received, the Center reports the support as unrestricted.

J. Inventories

Inventories are stated at the lower of cost or market determined by the first-in, first-out method. At December 31, 2010, the Center had \$2,500 in inventories for the Gift Shop.

K. Property and Equipment

Property and equipment are stated at cost or fair value at date of donation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

Furniture and Fixtures	7 years
Leasehold Improvements	5 years
Machinery and Equipment	5 to 10 years
Software	3 years

Louisiana Children's Discovery Center, Inc.
Hammond, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2010

2. Cash

Cash at December 31, 2010, consisted of the following:

Interest Bearing Demand Deposits	\$	80,238
Money Market Savings		14,811
Petty Cash		550
		95,599
	\$	95,599

3. Receivables

Receivables include amounts due from the City of Hammond at December 31, 2010 and are summarized as follows:

City of Hammond - October 2010	\$	5,106
City of Hammond - November 2010		8,412
		13,518
	\$	13,518

4. Uncertainty in Income Taxes

The Center has elected in the fiscal year ended December 31, 2010, to adopt the provisions of FASB ASC 740 (formerly FASB Interpretation 48, "Accounting for Uncertainties in Income Taxes").

The Center files information returns in the U.S. federal jurisdiction. All tax returns of the Center are subject to U.S. federal examinations, as the Center did not file its initial return until 2007. Currently, there are no returns under examination. The Center has taken no tax positions that it considers to be an uncertain tax position.

5. Prior Period Adjustment

A prior period adjustment of \$100,200 was made in the current fiscal year to write-off a prior year donation of three rail cars that were originally going to be used as part of the Center. As the construction of the Center progressed, a decision not to use the rail cars was made and the cars have since been abandoned.

Another prior period adjustment of \$102,347 was made in the current fiscal year to write-off prior year expenses related to the construction of various exhibits in the Center. These costs were capitalized in prior years; however, a decision was made in the current year to expense these costs as architectural fees as the Center does not own title to the exhibits.

6. Concentration of Revenue

Approximately 67% of the Center's funding was provided from grants from the City of Hammond.

Louisiana Children's Discovery Center, Inc.
Hammond, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2010

7. Property Lease

The Center is leasing property at 113 North Cypress Street, Hammond, Louisiana and the adjacent parking lot. The term of this lease is 36 months beginning March 15, 2009, and ending on March 15, 2012. The consideration will be \$2,700 per month with the first payment due on execution of the lease, and on the 15th day of each month thereafter. In addition to the rent, a deposit of \$2,700 is to be held by the lessor as security for the full and faithful performance of all terms and conditions of the lease. The lessee will have the option of renewing the lease at the end of the initial term for 24 additional months. The premises are to be used only for the purposes of a children's museum and other lawful related activities. At December 31, 2010, \$32,400 was charged to Rent under this lease.

8. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 29, 2011, and determined that the following events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

The Center is leasing property located at 200 East Charles Street, Hammond, Louisiana. The term of this lease is twelve months beginning on May 1, 2011, and ending on April 30, 2012. The consideration will be \$1,000 per month, with the first payment due on April 7, 2011. The second monthly payment will be due on June 1, 2011 and on the 1st day each month thereafter. The Lessee shall have the option to renew the lease at the end of the initial term for twelve additional months with a rental price of \$1,200 per month. In addition to the rent, a deposit of \$1,000 is to be held by the lessor as security for the full and faithful performance of all terms and conditions of the lease. The premises are to be used only for the purposes of an extension of the existing children's museum, including but not limited to parties and field trip activities, and other lawful related activities.

**Other Independent Auditor's Reports and
Findings, Recommendations, and Responses**

**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***

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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
Louisiana Children's Discovery Center, Inc.
Hammond, Louisiana

I have audited the financial statements of the Louisiana Children's Discovery Center, Inc. (A nonprofit corporation), as of and for the year ended December 31, 2010, and have issued my report thereon dated June 28, 2011. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing my audit, I considered the Louisiana Children's Discovery Center, Inc.'s internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Louisiana Children's Discovery Center, Inc.'s internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Louisiana Children's Discovery Center, Inc.'s internal control over financial reporting.

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.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Louisiana Children's Discovery Center, Inc.
Hammond, Louisiana

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Louisiana Children's Discovery Center, Inc.'s financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of current year audit findings as item 2010-1.

Louisiana Children's Discovery Center, Inc.'s response to the finding identified in my audit is described in the accompanying Management's Corrective Action Plan. I did not audit the Center's response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of management and the Louisiana Legislative Auditor 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.

Sincerely,

Phil Hebert

Phil Hebert, CPA
A Professional Accounting Corporation
June 28, 2011

**Louisiana Children's Discovery Center, Inc.
Hammond, Louisiana**

**Schedule of Current Year Audit Findings
For the Year Ended December 31, 2010**

I have audited the basic financial statements of Louisiana Children's Discovery Center, Inc. as of and for the year ended December 31, 2010, and have issued my report thereon dated June 28, 2011. I conducted my 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. My audit of the financial statements as of December 31, 2010 resulted in an unqualified opinion.

Section I Summary of Auditor's Report

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weakness, No Significant Deficiencies, No

Compliance

Compliance Material to Financial Statements, Yes

b. Federal Awards

Not Applicable

Was a management letter issued?, No

Section II Financial Statement Findings

Compliance

2010 - 1 Open Meetings

Criteria

Louisiana Revised Statutes 42:19 states that all public bodies, except the legislature and its committees and subcommittees, shall give written public notice of their regular, special, or rescheduled meeting no later than twenty-four hours before the meeting. Such notice shall include the agenda, date, time, and place of the meeting. Written public notice shall include, but need not be limited to posting a copy of the notice at the principal office of the public body holding the meeting, or if no such office exists, at the building in which the meeting is to be held; or by publication of the notice in an official journal of the public body no less than twenty-four hours before the meeting.

Condition

Louisiana Children's Discovery Center, Inc. did not give written public notice of their meetings.

Cause

Management was not aware of the statute.

Effect

Louisiana Children's Discovery Center, Inc. was not in compliance with the public meetings law.

Continued

**Louisiana Children's Discovery Center, Inc.
Hammond, Louisiana**

**Schedule of Current Year Audit Findings
For the Year Ended December 31, 2010**

Recommendation

I recommend Louisiana Children's Discovery Center, Inc. post a written public notice of their regular, special, or rescheduled meeting no later than twenty-four hours before the meeting. The notice should include the agenda, date, time, and place of the meeting. The written public notice should be posted at the Louisiana Children's Discovery Center or at the building in which the meeting is to be held.

Concluded.

**Louisiana Children's Discovery Center, Inc.
Hammond, Louisiana**

**Management's Corrective Action Plan
For the Year Ended December 31, 2010**

2010 - 1 Open Meetings

Recommendation

I recommend Louisiana Children's Discovery Center, Inc. post a written public notice of their regular, special, or rescheduled meeting no later than twenty-four hours before the meeting. The notice should include the agenda, date, time, and place of the meeting. The written public notice should be posted at the Louisiana Children's Discovery Center or at the building in which the meeting is to be held.

Management's Corrective Action Plan

Effective immediately, management will post a written public notice of their regular, special, or rescheduled meeting no later than twenty-four hours before the meeting on the door of the Children's Discovery Center. Responsible party is Patti Tregle, Executive Director.