

LAKE PONTCHARTRAIN BASIN MARITIME MUSEUM, INC.

**Financial Statements as of December 31, 2011 and 2010
and for the Years then Ended
and Independent Auditors' Report**

LAKE PONTCHARTRAIN BASIN MARITIME MUSEUM, INC.

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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 statements of financial position of Lake Pontchartrain Basin Maritime Museum, Inc. (the Museum), a nonprofit corporation, as of December 31, 2011 and 2010, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Museum's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 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 audits provide a reasonable basis for our 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, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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June 15, 2012

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LAKE PONTCHARTRAIN BASIN MARITIME MUSEUM, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
CURRENT ASSETS		
Unrestricted - cash and cash equivalents	\$ 188,373	\$ 118,213
Temporarily restricted - cash and cash equivalents	13,578	16,657
Receivables	6,715	4,425
Inventory	<u>17,948</u>	<u>19,942</u>
Total current assets	226,614	159,237
PROPERTY AND EQUIPMENT		
Buildings and improvements	2,765,890	2,765,890
Museum exhibits	471,092	471,092
Furniture and equipment	117,209	117,209
Bulkhead and dock	91,726	91,726
Land and land improvements	22,968	22,968
Other	11,776	11,776
Accumulated depreciation	<u>(1,271,610)</u>	<u>(1,156,659)</u>
Total property and equipment, net	2,209,051	2,324,002
COLLECTIONS OF ART	<u>22,000</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 2,457,665</u>	<u>\$ 2,483,239</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 14,588	\$ 805
Accrued expenses	4,760	5,992
Payroll taxes payable	5,705	1,449
Other current liabilities	<u>2,273</u>	<u>1,532</u>
Total current liabilities	27,326	9,778
NET ASSETS		
Unrestricted	2,416,761	2,456,804
Temporarily restricted	<u>13,578</u>	<u>16,657</u>
Total net assets	<u>2,430,339</u>	<u>2,473,461</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,457,665</u>	<u>\$ 2,483,239</u>

See accompanying independent auditors' report and notes to financial statements.

LAKE PONTCHARTRAIN BASIN MARITIME MUSEUM, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
UNRESTRICTED SUPPORT AND REVENUES		
Wooden Boat Festival	\$ 300,683	\$ 323,558
Grant income	5,000	3,500
Facility event room rental revenue	22,519	25,375
Wooden boat building classes	14,413	23,546
Gift shop sales, net	9,547	10,857
Museum admission fees and membership dues	25,104	19,376
Donations and contributions	17,281	26,697
Fundraising income	37,686	25,839
In-kind donations	22,000	6,500
Other income	31,524	39,910
Collections and exhibits	-	3,660
Educational programs	21,290	5,500
Total support and revenues	507,047	514,318
Net assets released from restrictions	3,079	205
Total unrestricted support and revenues	510,126	514,523
EXPENSES		
Program services		
Museum and exhibits	41,926	42,151
Wooden boat building classes	50,157	62,100
Maritime research and educational programs	119,820	101,930
Lighthouse restoration	39,307	38,694
Total program services	251,210	244,875
Support services		
Fundraising	262,853	280,560
Management and general	36,106	41,232
Total support services	298,959	321,792
Total expenses	550,169	566,667
CHANGE IN UNRESTRICTED NET ASSETS	(40,043)	(52,144)
TEMPORARILY RESTRICTED NET ASSETS		
Net assets released from restrictions	(3,079)	(205)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	(3,079)	(205)
CHANGE IN NET ASSETS	(43,122)	(52,349)
NET ASSETS - Beginning of year	2,473,461	2,525,810
NET ASSETS - End of year	<u>\$ 2,430,339</u>	<u>\$ 2,473,461</u>

See accompanying independent auditors' report and notes to financial statements.

LAKE PONTCHARTRAIN BASIN MARITIME MUSEUM, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2011

	Program Services				Support Services			Total
	Museum & Exhibits	Wooden Boat Building Classes	Maritime Research & Educational Programs	Lighthouse Restoration	Fundraising		Management and General	
					Wooden Boat Festival	Other		
Materials and supplies	\$ 1,170	\$ 1,979	\$ 1,685	\$ 4,662	\$ 10,416	\$ -	\$ -	\$ 19,912
Depreciation	11,495	17,243	17,243	11,495	22,990	22,990	11,495	114,951
Salaries, taxes, and benefits	10,477	1,746	52,387	4,366	11,350	1,746	5,239	87,311
Utilities	4,621	6,932	6,932	4,621	10,269	9,243	4,621	47,239
Contract labor	-	1,014	-	-	-	-	-	1,014
Professional fees	1,874	2,810	2,810	1,874	3,747	3,747	1,874	18,736
Insurance	3,159	4,739	4,739	3,159	15,318	6,318	3,159	40,591
Merchandise purchases	-	-	-	-	21,866	-	-	21,866
Repairs and maintenance	2,422	3,633	3,633	2,422	7,332	4,844	2,422	26,708
Miscellaneous	587	880	21,210	587	22,282	1,173	587	47,306
Equipment rental	-	-	-	-	28,632	-	-	28,632
Advertising	2,153	3,230	3,230	2,153	4,306	4,306	2,153	21,531
Office supplies and expense	3,292	4,937	4,937	3,292	9,099	6,583	3,292	35,432
Security	-	-	-	-	14,605	-	-	14,605
Janitorial and cleaning	676	1,014	1,014	676	4,435	1,352	676	9,843
Interest expense	-	-	-	-	-	-	588	588
Festival entertainment	-	-	-	-	12,900	-	-	12,900
Printing and graphic design	-	-	-	-	1,004	-	-	1,004
Total	\$ 41,926	\$ 50,157	\$ 119,820	\$ 39,307	\$ 200,551	\$ 62,302	\$ 36,106	\$ 550,169

(continued)

See accompanying independent auditors' report and notes to financial statements.

LAKE PONTCHARTRAIN BASIN MARITIME MUSEUM, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2010

	Program Services				Support Services			
	Museum & Exhibits	Wooden Boat Building Classes	Maritime Research & Educational Programs	Lighthouse Restoration	Fundraising		Management and General	Total
					Wooden Boat Festival	Other		
Materials and supplies	\$ -	\$ 1,065	\$ 1,621	\$ 1,192	\$ 14,196	\$ 800	\$ -	\$ 18,874
Depreciation	12,675	19,012	19,012	12,675	25,348	25,349	12,675	126,746
Salaries, taxes, and benefits	7,932	7,822	39,661	3,305	8,593	1,322	3,966	72,601
Utilities	5,036	7,553	7,553	5,036	11,668	10,071	5,035	51,952
Executive director	2,813	4,219	4,219	2,813	5,626	5,626	2,813	28,129
Contract labor	-	1,920	-	-	-	-	-	1,920
Professional fees	2,822	4,233	4,233	2,822	5,644	5,644	2,822	28,220
Insurance	3,291	4,937	4,937	3,291	25,403	6,583	3,291	51,733
Merchandise purchases	-	-	-	-	24,756	-	-	24,756
Repairs and maintenance	1,370	2,055	2,055	1,370	5,319	2,740	1,370	16,279
Miscellaneous	1,067	1,600	10,955	1,067	15,182	2,133	1,067	33,071
Equipment rental	-	-	-	-	24,974	-	-	24,974
Advertising	2,984	4,475	4,475	2,984	5,967	5,968	2,984	29,837
Office supplies and expense	1,515	2,273	2,273	1,515	5,512	3,030	1,515	17,633
Security	-	-	-	-	11,862	-	-	11,862
Janitorial and cleaning	624	936	936	624	4,418	1,248	624	9,410
Interest expense	-	-	-	-	-	-	3,070	3,070
Festival entertainment	-	-	-	-	12,950	-	-	12,950
Printing and graphic design	22	-	-	-	2,628	-	-	2,650
Total	\$ 42,151	\$ 62,100	\$ 101,930	\$ 38,694	\$ 210,046	\$ 70,514	\$ 41,232	\$ 566,667 (concluded)

See accompanying independent auditors' report and notes to financial statements.

LAKE PONTCHARTRAIN BASIN MARITIME MUSEUM, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (43,122)	\$ (52,349)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	114,951	126,746
Changes in operating assets and liabilities:		
Receivables	(2,290)	5,238
Inventory	1,994	444
Accounts payable	13,783	(5,012)
Accrued expenses	(1,232)	(3,114)
Payroll taxes payable	4,256	(1,150)
Deferred revenue	-	(6,088)
Other current liabilities	<u>741</u>	<u>269</u>
Net cash provided by operating activities	89,081	64,984
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of collections of art	<u>(22,000)</u>	<u>-</u>
Net cash used in investing activities	<u>(22,000)</u>	<u>-</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	67,081	64,984
CASH AND CASH EQUIVALENTS - Beginning of year	<u>134,870</u>	<u>69,886</u>
CASH AND CASH EQUIVALENTS - End of year	<u>\$ 201,951</u>	<u>\$ 134,870</u>
RECONCILIATION TO STATEMENTS OF FINANCIAL POSITION		
Unrestricted - cash and cash equivalents	\$ 188,373	\$ 118,213
Temporarily restricted - cash and cash equivalents	<u>13,578</u>	<u>16,657</u>
Total cash and cash equivalents	<u>\$ 201,951</u>	<u>\$ 134,870</u>

See accompanying independent auditors' report and notes to financial statements.

LAKE PONTCHARTRAIN BASIN MARITIME MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization – Lake Pontchartrain Basin Maritime Museum, Inc. (the Museum) was created as a nonprofit 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.

Basis of Accounting – The financial statements of the Museum have been prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred. All significant receivables, payables, and other liabilities are recorded.

Basis of Presentation – The Museum is required to report information regarding its financial position and activities according to separate classes of net assets as follows:

Unrestricted – Assets and contributions that are not restricted by donors, grants or contracts or for which there are no restrictions.

Temporarily restricted – A donation, grant or contract with an imposed restriction that permits the Museum to use the donated funds as specified. The use of the funds is restricted by purpose and/or until the passage of time.

Permanently restricted – A donation, grant or contract that a portion is restricted by the donor or by law to be maintained by the Museum in perpetuity. There were no permanently restricted net assets as of December 31, 2011 and 2010, respectively.

For the years ended December 31, 2011 and 2010, the Museum had \$13,578 and \$16,657, respectively, of temporarily restricted net assets for the purpose of renovating the Tchefuncte River Lighthouse.

In-kind donations are recorded at their fair market value and accounted for as revenue when received and as an asset, reduction in a liability or an expense depending on the form of the benefits received. Contributions of services are to be recognized if the services received either (1) enhance a non-financial asset or (2) require specialized skills and would need to be purchased if not provided by donation. The in-kind donations for the years ended December 31, 2011 and 2010 were \$22,000 and \$6,500, respectively. Volunteers also provide program and fundraising services throughout the year that are not recognized as contributions as they do not meet the recognition criteria.

Cash and Cash Equivalents – For the purpose of the statements of cash flows, the Museum considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Receivables – Receivables consisted of amounts due for tuition in the wooden boat building classes and facility event room rental services. Management expects the amounts to be fully collectible; therefore, no allowance for uncollectible amounts is reflected within the financial statements as of December 31, 2011 and 2010.

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

LAKE PONTCHARTRAIN BASIN MARITIME MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

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 display equipment	5-10 Years
Furniture and equipment	5-7 Years
Land improvements	7-10 Years
Bullhead and dock	15 Years
Other	5 Years

Income Taxes – The Museum is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Therefore, income taxes are not provided for in the accompanying financial statements. Management has evaluated its tax positions and has determined that there are no uncertainties in income taxes that require adjustments to or disclosures in the financial statements.

Use of Estimates – The preparation of the financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Accordingly, actual results could differ from those estimates.

Functional Expenses – The costs of providing the various programs have been summarized on a functional basis in the statements of activities and changes in net assets. Certain functional expenses have been allocated between program services and supporting services based on management's analysis of personnel time utilized for the related activities.

Collections – 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. 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.

Advertising Expenses – The Museum uses advertising to promote its programs among the audience it serves. During 2011 and 2010, advertising costs, which are expensed as incurred, totaled \$21,531 and \$29,837, respectively.

LAKE PONTCHARTRAIN BASIN MARITIME MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

NOTE B – DESCRIPTION OF PROGRAM SERVICES

Museum and Exhibits – To provide and maintain a maritime facility that serves children, families, and visitors as a repository to preserve the marine, naval and maritime history and cultural heritage of the Lake Pontchartrain Basin, lower Mississippi River, and the Gulf Coast by collecting, exhibiting and interpreting records, documents, manuscripts, maps, photographs and other significant material that will illustrate and explain this history and the various industries associated with it.

Wooden Boat Building Classes – To help preserve the centuries old wooden boat building tradition of Louisiana, the Museum offers classes that allow interested skippers, mostly novices with no experience, to build their own wooden boats, under the supervision of a master boat builder.

Educational Programs – In association with Southeastern Louisiana University, Tulane University, the St. Tammany Parish School System, and others with an interest in history, maritime-related sciences and education, the Museum actively pursues the research mission that initially inspired the Museum's founders. This includes historical research, the collection of maritime-related oral histories, the development of small underwater robots to investigate local waters and inspire local students to pursue this fascinating scientific field, a collaborative program for college students related to museum management and exhibit construction, and participation in outreach programs to make the extremely interesting, but little known, history of this area more readily accessible to residents and visitors alike.

Lighthouse Restoration – Having been entrusted with the stewardship of the Tchefuncte River Lighthouse Station, the Museum has a special interest in lighthouse restoration and the role that these gracious symbols of a past romantic era have played in maritime history. Thirty or more lighthouses have speckled Lake Pontchartrain and nearby gulf coastal waters over the past 200 years. Most have been replaced by more modern navigational aids and have disappeared or fallen into disrepair. The Museum plans extensive exhibits to preserve the storied history of lighthouses, particularly the ones in this region. Long-range plans include improving accessibility, restoring the entire light station – the light tower, the keeper's cottage, and outbuildings – to the site's turn-of-the-century condition, and amassing a collection of lighthouse models, artifacts, and other memorabilia that is second to none.

NOTE C – DESCRIPTION OF FUNDRAISING ACTIVITIES

Wooden Boat Festival – About one-half of the funding for the Museum's operations is provided by proceeds from the annual Madisonville Wooden Boat Festival, which attracts 30,000 or more wooden boat enthusiasts to the banks of the Tchefuncte River. Festival visitors participate in the viewing of boats cruising the river, wooden boat building contests, educational workshops, food, fun, and entertainment to support the Museum and its programs.

Facility Event Room Rental – The Museum has available a rental space suitable for programs, workshops, meeting space, and parties to generate additional sources of funding.

LAKE PONTCHARTRAIN BASIN MARITIME MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

NOTE D – CONCENTRATIONS OF CREDIT RISK

The Museum maintains cash balances at several financial institutions located in Southeast Louisiana. The Federal Deposit Insurance Corporation (FDIC) insures accounts at each institution up to \$250,000. The Museum's cash was not in excess of the FDIC insurance for the years ended December 31, 2011 and 2010. The Association has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash.

NOTE E – CONCENTRATION OF REVENUES

Of the Museum's revenues, \$300,683 (57.6%) and \$323,558 (62.9%) of revenues are obtained through a single source, the Wooden Boat Festival, for the years ended December 31, 2011 and 2010, respectively.

NOTE F – 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%. At December 31, 2011 the rate was 5.5%. The line of credit was paid off as of December 31, 2010. As of December 31, 2011, the line of credit remains open with a zero balance outstanding and has been renewed through February 12, 2013.

NOTE G – COMMITMENTS AND CONTRACTS

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.

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 of 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
DECEMBER 31, 2011 AND 2010

NOTE H – FUNCTIONAL ALLOCATION OF EXPENSES

All overhead costs, except salaries and related payroll taxes are allocated 10% to museum and exhibits, 15% to the wooden boat building class, 15% to educational programs, 10% to lighthouse restoration, 40% to fundraising activities, and the remaining 10% to management and general.

Depreciation expense is allocated as follows for the year ended December 31:

	2011	2010
Museum and exhibits	\$ 11,495	\$ 12,675
Wooden boat building classes	17,243	19,012
Educational programs	17,243	19,012
Lighthouse restoration	11,495	12,675
Fundraising	45,980	50,697
Management and general	11,495	12,675
Total	<u>\$ 114,951</u>	<u>\$ 126,746</u>

NOTE I – 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, 2011 and 2010, respectively.

NOTE J – SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date the financial statements were available to be issued, June 15, 2012, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.