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**INTERNATIONAL PETROLEUM MUSEUM
AND EXPOSITION, INC.**

Financial Report

For The Year Ended December 31, 1998

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, 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 01 1999

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Darnall, Sikes & Frederick

(A Corporation of Certified Public Accountants)

Independent Auditor's Report

The Board of Directors
International Petroleum Museum and Exposition, Inc.
Morgan City, Louisiana

We have audited the accompanying statements of financial position of the International Petroleum Museum and Exposition, Inc. (a non-profit organization) as of December 31, 1998, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of International Petroleum Museum and Exposition, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards 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 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of International Petroleum Museum and Exposition, Inc. as of December 31, 1998, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated August 26, 1999 on our consideration of International Petroleum Museum and Exposition, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Darnall, Sikes & Frederick
A Corporation of Certified Public Accountants

Morgan City, Louisiana
August 26, 1999

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INTERNATIONAL PETROLEUM MUSEUM AND EXPOSITION, INC.

Statement of Financial Position

December 31, 1998

ASSETS	
Cash and cash equivalents	\$ 1,392
JTPA grant funds receivable	10,200
Inventory	6,956
Property and equipment, net	<u>463,472</u>
TOTAL ASSETS	<u>\$482,020</u>
LIABILITIES AND NET ASSETS	
LIABILITIES	
Accounts payable	\$ 30,256
Notes payable	139,260
Loans from officer	139,105
Long term debt	<u>50,684</u>
Total liabilities	359,305
NET ASSETS	
Unrestricted	<u>122,715</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$482,020</u>

The accompanying notes are an integral part of this financial statement.

INTERNATIONAL PETROLEUM MUSEUM AND EXPOSITION, INC.

Statement of Activities
For the Year Ended December 31, 1998

UNRESTRICTED NET ASSETS

Support	
Federal financial assistance	\$ 268,600
Local financial assistance	18,000
Memberships	6,730
Contributions	<u>5,556</u>
	<u>298,886</u>
Revenue	
Training	320,138
Tours	9,230
Gift shop sales	<u>3,136</u>
	<u>332,504</u>
Total support and revenue	<u>631,390</u>
Expenses	
Program services	461,636
Supporting services:	
Management and general	100,870
Fundraising	<u>34,964</u>
Total expenses	<u>597,470</u>
INCREASE IN NET ASSETS	33,920
NET ASSETS, Beginning	<u>88,795</u>
NET ASSETS, Ending	<u>\$ 122,715</u>

The accompanying notes are an integral part of this financial statement.

INTERNATIONAL PETROLEUM MUSEUM AND EXPOSITION, INC.

Statement of Functional Expenses
For the Year Ended December 31, 1998

	Program Services		Management and General	Fund- Raising	Total
	Museum	Training			
Personnel costs:					
Compensation	\$ 101,917	\$ -	\$ 58,211	\$ 27,036	\$ 187,164
Employee benefits	6,263	-	2,262	1,165	9,690
Payroll taxes	8,511	-	4,774	2,213	15,498
Supplies	4,476	-	1,657	-	6,133
Telephone	3,005	-	2,703	301	6,009
Postage	1,223	-	613	332	2,168
Occupancy:					
Utilities	18,524	-	-	-	18,524
Maintenance	2,805	-	-	-	2,805
Insurance	26,123	-	-	-	26,123
Lease	48	-	-	-	48
Printing and publications	3,221	-	-	-	3,221
Travel	736	-	-	-	736
Vehicle expenses:					
Insurance	3,401	-	3,656	-	7,057
Maintenance	5,986	-	-	-	5,986
Conference and seminars	3,668	-	-	-	3,668
Interest	-	-	26,340	-	26,340
Workman's compensation insurance	6,026	-	654	304	6,984
Miscellaneous	336	-	-	-	336
Advertising and promotion	2,254	-	-	-	2,254
Depreciation	29,846	-	-	-	29,846
Fundraising	-	-	-	3,613	3,613
Training expenses	-	233,267	-	-	233,267
	<u>\$ 228,369</u>	<u>\$ 233,267</u>	<u>\$ 100,870</u>	<u>\$ 34,964</u>	<u>\$ 597,470</u>

The accompanying notes are an integral part of this financial statement.

INTERNATIONAL PETROLEUM MUSEUM AND EXPOSITION, INC.

Statements of Cash Flows
For the Year Ended December 31, 1998

CASH FLOWS FROM OPERATING ACTIVITIES:	
Increase in net assets	\$ 33,920
Adjustments to reconcile increase in net assets to cash flows from operating activities:	
Depreciation	29,846
Increase in JTPA grant receivable	(10,200)
Increase in accounts payable	<u>30,256</u>
Net cash provided by operating activities	<u>83,822</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of property and equipment	<u>(40,829)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds on loans from officer	9,820
Payments on loans from officer	(49,169)
Payments on long term debt	<u>(3,983)</u>
Net cash used by financing activities	<u>(43,332)</u>
 Net decrease in cash	 (339)
 CASH, beginning	 <u>1,731</u>
 CASH, ending	 <u>\$ 1,392</u>
 Supplemental information:	
Cash paid during the year for interest	<u>\$ 26,340</u>

The accompanying notes are an integral part of this financial statement.

INTERNATIONAL PETROLEUM MUSEUM AND EXPOSITION, INC.

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

International Petroleum Museum and Exposition, Inc. is a non-profit organization formed to educate the public about the offshore oil industry. The Organization operates an actual offshore oil rig giving the public the opportunity to experience being on an offshore rig. The Organization serves as a training site for the United States Coast Guard and local oil companies to train its personnel.

A summary of International Petroleum Museum and Exposition, Inc.'s significant accounting policies applied in the preparation of the accompanying financial statements follows:

A. Financial Statement Presentation

The Organization has adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

B. Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

C. Contributed Services

During the year ended December 31, 1998, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services.

D. 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.

INTERNATIONAL PETROLEUM MUSEUM AND EXPOSITION, INC.

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method.

F. Annual Leave and Sick Leave

The Organization allows full time employees one day of annual leave for each full month of employment. Employees may carry over up to ten days of annual leave to the following calendar year. The Organization allows full time employees one day of sick leave for each full month of employment. Employees may carry over up to fifteen days of sick leave to the following calendar year. Upon termination from the Organization for any reason, an employee shall be paid for accrued and unused annual leave, but shall not be paid for accrued and unused sick leave. The accrual for annual leave is reflected in the financial statements. *No accrual for sick leave is reflected due to uncertainty of amounts that will ultimately be paid.*

G. Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code.

H. Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

I. Inventory

Inventory is comprised of items held for resale and are stated at cost.

INTERNATIONAL PETROLEUM MUSEUM AND EXPOSITION, INC.

Notes to Financial Statements

NOTE 2 PROPERTY AND EQUIPMENT

A summary of property and equipment and their cost follows:

<u>Category</u>	<u>Estimated Cost</u>	<u>Useful Life</u>
Buildings	\$ 97,247	20-30 years
Equipment	146,464	10 years
Drilling rig "Mr. Charlie"	270,668	20-30 years
Site Improvements	35,882	20 years
Exhibits	<u>5,117</u>	10 years
	\$ 555,378	
Less: Accumulated depreciation	<u>(91,906)</u>	
Total	<u>\$ 463,472</u>	

NOTE 3 NOTES PAYABLE

The International Petroleum Museum and Exposition, Inc.'s obligation with notes payable consists of the following:

Note payable to a bank payable in eleven monthly installments of \$1,534, including interest at 8.25 percent per annum, and a final installment consisting of the remaining principal plus all accrued interest due on November 30, 1999.	\$ 73,981
Note payable to a bank payable in a single installment of principal plus accrued unpaid interest due on June 16, 1999. Accrued interest at 9.86 percent per annum is payable monthly.	<u>65,279</u>
Total notes payable	<u>\$139,260</u>

INTERNATIONAL PETROLEUM MUSEUM AND EXPOSITION, INC.

Notes to Financial Statements

NOTE 4 LONG TERM DEBT

The International Petroleum Museum and Exposition, Inc.'s obligation under long-term debt consists of the following:

Note payable to an individual payable in monthly installments of \$639, including interest at 9 percent per annum, through December 2008, secured by land and building.

\$ 50,684

Principal maturities of long-term debt are as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
1999	\$ 3,241
2000	3,545
2001	3,877
2002	4,241
2003	4,639
2004-2008	<u>31,141</u>
	<u>\$ 50,684</u>

NOTE 5 RELATED PARTY TRANSACTIONS

An officer of the Organization has periodically advanced funds to the Organization to assist the Organization in meeting its financial obligations. The loans are unsecured, non-interest bearing and have no stated maturity date. The amount of loans due to officers at December 31, 1998 was \$139,105.

INTERNAL CONTROL AND COMPLIANCE



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Independent Auditor's Report on Compliance And Internal Control Over Financial Reporting Based on and Audit of Financial Statements Performed in Accordance With Government Auditing Standards

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The Board of Directors
International Petroleum Museum and Exposition, Inc.
Morgan City, Louisiana

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We have audited the financial statements of the International Petroleum Museum and Exposition, Inc. (a non-profit organization) as of and for the year ended December 31, 1998, and have issued our report thereon dated August 26, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether International Petroleum Museum and Exposition, Inc.'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 International Petroleum Museum and Exposition, Inc.'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 a reportable condition. 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 International Petroleum Museum and Exposition, Inc.'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 and questioned costs as items 98-1 and 98-2.

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Certified Public Accountants
Society of Louisiana
Certified Public Accountants

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 and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We believe that the reportable conditions described in the schedule of findings and questioned costs as items 98-1 and 98-2 are material weaknesses.

This report is intended for the information of the International Petroleum Museum and Exposition, Inc.'s management and regulatory agencies. However, this report is a matter of public record, and its distribution is not limited.

Dannall, Sikes & Frederick
A Corporation of Certified Public Accountants

Morgan City, Louisiana
August 26, 1999

OTHER SUPPLEMENTAL INFORMATION

INTERNATIONAL PETROLEUM MUSEUM AND EXPOSITION, INC.

Summary Schedule of Prior Year Findings
For the Year Ended December 31, 1998

There were no prior audit findings.

INTERNATIONAL PETROLEUM MUSEUM AND EXPOSITION, INC.

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 1998

Part 1 Summary of Auditor's Results

FINANCIAL STATEMENTS

Auditor's Report

An unqualified opinion has been issued on the International Petroleum Museum and Exposition, Inc.'s financial statements as of and for the year ended December 31, 1998.

Reportable Conditions – Financial Reporting

Two reportable conditions in internal control over financial reporting were disclosed during the audit of the financial statements and are shown as items 98-1 and 98-2 in Part 2.

Material Noncompliance – Financial Reporting

No instances of noncompliance material to the financial statements were disclosed during the audit of the financial statements.

FEDERAL AWARDS

This section is not applicable for the fiscal year ended December 31, 1998.

Part 2 Findings Relating to an Audit in Accordance with Government Auditing Standards

98-1 Inadequate Segregation of Accounting Functions

Finding:

Due to the small number of employees, the organization does not have adequate segregation of functions within the accounting system.

Recommendation:

Based upon the size of the operation and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.

98-2 Reconciliation of Cash Per Bank to General Ledger

Finding:

Bank reconciliations were not prepared as of the same cut off date as the general ledger.

Recommendation:

Bank reconciliations should be prepared as of the same date that receipts and disbursements journals are cut off so that the general ledger can be compared and reconciled to the bank reconciliation.

INTERNATIONAL PETROLEUM MUSEUM AND EXPOSITION, INC.

Schedule of Findings and Questioned Costs (Continued)
For the Year Ended December 31, 1998

Part 3 Findings and Questioned Costs Relating to Federal Programs

At December 31, 1998 the International Petroleum Museum and Exposition, Inc. did not meet the requirements to have a single audit in accordance with OMB Circular A-133, therefore this section is not applicable.

INTERNATIONAL PETROLEUM MUSEUM AND EXPOSITION, INC..

Management's Corrective Action Plan
For the Year Ended December 31, 1998

98-1: Inadequate Segregation of Accounting Functions

Response:

No response is considered necessary.

98-2: Reconciliation of Cash Per Bank to General Ledger

Response:

Management will ensure that, in the future, proper cutoff dates will be used to prepare bank reconciliations.