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LEGISLATIVE AUDITOR

LOUISIANA LEADERSHIP INSTITUTE

FINANCIAL STATEMENTS

JUNE 30, 2007

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 4-2-08

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MEMBER OF
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Louisiana Leadership Institute
Baton Rouge, Louisiana

I have audited the accompanying statement of financial position of the Louisiana Leadership Institute (a nonprofit organization) as of June 30, 2007, and the related statements of activities, and cash flows for the year then ended. These financial statements are the responsibility of the Institute's management. My responsibility is to express an opinion on these financial statements 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 the 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 the Louisiana Leadership Institute as of June 30, 2007, 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 December 21, 2007, on my consideration of the Louisiana Leadership Institute's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. 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 the 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 read in conjunction with this report in considering the results of my audit.



Baton Rouge, Louisiana
December 21, 2007

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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***

Board of Directors
Louisiana Leadership Institute
Baton Rouge, Louisiana

I have audited the financial statements of Louisiana Leadership Institute (a nonprofit organization) as of and for the year ended June 30, 2007, and have issued my report thereon dated December 21, 2007. 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.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Louisiana Leadership Institute'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 Leadership Institute's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified a certain deficiency in internal control over financial reporting that I consider to be a significant deficiency.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control. I consider the deficiency described in the accompanying

schedule of findings and responses to be a significant deficiency in internal control over financial reporting. The deficiency is described in the accompanying schedule of findings and responses as item 07-01.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, regarding the significant deficiency described above, we consider item 07-01 to be a material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Louisiana Leadership Institute'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Louisiana Leadership Institute's response to the finding identified in my audit is described in the accompanying schedule of findings and responses. I did not audit Louisiana Leadership Institute's response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of the board of directors and management of the Louisiana Leadership Institute, the Louisiana State Treasury, the Louisiana Department of Education, the Louisiana Department of Social Services, and the Legislative Auditor of 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.



Baton Rouge, Louisiana
December 21, 2007

**LOUISIANA LEADERSHIP INSTITUTE
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2007**

ASSETS

Current assets		
Cash	\$	536,533
Grants receivable		<u>61,714</u>
Total current assets		<u>598,248</u>
Property and equipment		
Property and equipment, net		<u>3,306,857</u>
Total assets	\$	<u>3,905,105</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Current liabilities		
Accounts payable and accrued expenses	\$	<u>158,788</u>
Total current liabilities		<u>158,788</u>
Total liabilities		<u>158,788</u>

NET ASSETS

Net assets		
Unrestricted		<u>3,746,317</u>
Total net assets		<u>3,746,317</u>
Total liabilities and net assets	\$	<u>3,905,105</u>

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

**LOUISIANA LEADERSHIP INSTITUTE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007**

<u>REVENUE AND SUPPORT</u>	<u>Unrestricted</u>
Grant income	\$ 1,025,194
Donations and contributions	246,877
Interest and other income	71,268
Total revenue and support	1,343,338
<u>EXPENSES</u>	
<u>Program expenses</u>	
Depreciation	243,927
Field trips and travel expenses	286,031
Insurance	18,958
Internet and telephone expense	9,246
<i>Motor coach and van expenses</i>	126,844
Office expense and supplies	25,660
Program expenses	200,613
Repairs and maintenance	16,972
Rent	28,373
Salaries and fringes/contract labor	243,959
Utilities and occupancy costs	64,165
Total program expenses	1,264,750

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

**LOUISIANA LEADERSHIP INSTITUTE
STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED JUNE 30, 2007**

	<u>Unrestricted</u>
<u>Support services</u>	
Advertising	2,206
Bank service charges	3,104
Depreciation	13,922
Insurance	2,071
Internet and telephone expense	1,027
Miscellaneous expense	6,263
Office expense and supplies	564
Postage	1,633
Printing	2,047
Professional services	58,125
Repairs and maintenance	1,886
Salaries and fringes/contract labor	86,680
Utilities and occupancy costs	7,129
Total support services	<u>186,656</u>
Total expenses	<u>1,451,406</u>
Change in net assets	(108,068)
Net assets, beginning of year	<u>3,854,385</u>
Net assets, end of year	<u>\$ 3,746,317</u>

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

**LOUISIANA LEADERSHIP INSTITUTE
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2007**

Cash flows from operating activities	
Change in net assets	\$ (108,068)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities	
Depreciation	257,849
(Increase) decrease in grants receivable	56,697
Increase (decrease) in accounts payable and accrued expenses	<u>63,623</u>
Total adjustments	<u>378,169</u>
Net cash provided (used) by operating activities	270,101
Cash flows from investing activities	
Purchases of fixed assets	<u>-</u>
Net cash provided (used) by investing activities	<u>-</u>
Cash flows from financing activities	
Repayment of long-term debt	-
Repayment of line-of-credit	<u>-</u>
Net cash provided (used) by financing activities	<u>-</u>
Net (decrease) in cash	270,101
Cash at beginning of the year	<u>266,432</u>
Cash at end of the year	<u>\$ 536,533</u>

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

LOUISIANA LEADERSHIP INSTITUTE
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2007

1. Summary of Significant Accounting Policies

The Louisiana Leadership Institute (the Institute) is a private nonprofit organization located in Baton Rouge, Louisiana. The Institute was created to provide the opportunity for students to develop leadership skills, improve academics, heighten self-esteem, and instill motivation while building a strong work ethic and positive outlook for the professional world. The Institute fulfills this mission by operating four programs: the Louisiana Leadership Classroom, the Professional Career Internship, the Educational Computer Lab, and the Youth Culture and Recreation Program. These programs are funded by grants received from the State of Louisiana Governor's Office of Urban Affairs and Development and the State of Louisiana Treasury Fund. The Institute also receives funding from the Louisiana Department of Education and the Louisiana Department of Social Services for projects under Temporary Assistance for Needy Families (TANF) grants.

The accounting and reporting policies of the Institute conform to accounting principles generally accepted in the United States of America. The significant accounting policies used by the Institute in preparing and presenting its financial statements are summarized as follows:

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Statement of cash flows

For purposes of the statement of cash flows, the Institute considers all highly liquid accounts, mainly checking and savings accounts, with original maturities of three months or less to be cash equivalents.

Income taxes

The Institute is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) for the majority of its revenues.

The Institute has unrelated business operations that include activities that are considered taxable under the Internal Revenue Code because they are unrelated to the exempt purpose of the organization. These activities include income from rentals of the tour buses owned by the Institute to other organizations and individuals.

LOUISIANA LEADERSHIP INSTITUTE
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2007

Property and equipment

Property and equipment are stated at historical costs. Donated property is recorded at its estimated fair value on the date of receipt. Additions, renewals, and betterments that extend the life of assets are capitalized. Maintenance and repair expenditures are expensed as incurred.

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, which ranges from three to eight years.

Temporarily and permanently restricted net assets

Temporarily restricted net assets are those whose use by the Institute has been limited by donors to a specific time or purpose. Permanently restricted net assets are those that have been restricted by donors to be maintained by the Institute in perpetuity. The Institute does not have any temporarily or permanently restricted net assets at June 30, 2007.

Grants and contributions

The Institute accounts for grants and contributions in accordance with the requirements of Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements.

Allowance for doubtful accounts

Management believes that the receivable balance at June 30, 2007, is fully collectible, and therefore, no provisions for doubtful accounts has been provided in these financial statements.

2. Property and Equipment

Property and equipment at June 30, 2007, consisted of the following:

Computer equipment	\$ 87,688
Automobiles	41,484
Tour buses	1,290,230
Office equipment	164,053

LOUISIANA LEADERSHIP INSTITUTE
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2007

Computer software	637
Building	2,564,241
	4,148,333
Less: accumulated depreciation	-1,139,029
Land	297,553
	\$ 3,306,857

Under the rules of the State of Louisiana, all property and equipment of the Institute is held in trust for the use and benefit of the Institute. In the event the Institute ceases operations or certain related events were to occur, the control of the property and equipment and the satisfaction of any related debts would become the responsibility of the State of Louisiana.

3. Concentration of Credit Risk

During the year ended June 30, 2007, the Institute received 91% of its funding from grants with the State of Louisiana or grants of pass-through federal funds from the State of Louisiana.

The Institute maintains its cash in multiple bank deposit accounts at various financial institutions. The balances, at times, may exceed federal insurance limits. At June 30, 2007, the Institute had deposits in excess of these limits of \$263,774.

4. Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs benefited and supporting services based on management's estimate.

5. Use of Equipment

STRUT, a nonprofit organization previously funded by the State of Louisiana Governor's Office of Urban Affairs and Development, ceased operations in 2001. This organization's property and equipment is currently being used by the Institute for its senior citizens program. However, this equipment is owned by the State of Louisiana and, therefore, is not reflected as an asset on the Institute's books.

6. Cooperative Endeavor Agreement

During the year ended June 30, 2002, the Institute signed a Cooperative Endeavor Agreement with the State of Louisiana for the construction of a Multi-purpose Enrichment and Sports Center. The agreement is for \$3.55 million and includes the acquisition of land, planning, and construction costs. No costs were incurred during the year ended June 30, 2007. Total costs incurred to date as of June 30, 2007, was \$2,564,241.

**LOUISIANA LEADERSHIP INSTITUTE
SUMMARY SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2007**

Internal Control and Noncompliance findings:

07-01 Lack of Adequate Documentation

Criteria – There is not complete documentation for student attendance.

Condition – For one of two months selected during the audit period, the sign in sheets for students attending tutorial classes could not be located.

Effect – The Organization lacks complete documentation to support its claim for reimbursement under the affected contract.

Recommendation – All original accounting and contracted related documents should be maintained for the periods required in accordance with contract and Internal Revenue Service requirements. This would ordinarily be for a minimum of three years from the end of the contract or the end of the fiscal year.

Management's response – See accompanying letter.

**LOUISIANA LEADERSHIP INSTITUTE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2006**

06-01 Lack of Adequate Documentation

Criteria – There is not complete documentation for student and staff attendance.

Condition – For two of four months selected during the audit period, the sign in sheets for students attending tutorial classes and for instructors teaching those classes could not be located.

Effect – The Organization lacks complete documentation to support its claim for reimbursement under the affected contract.

Recommendation – All original accounting and contracted related documents should be maintained for the periods required in accordance with contract and Internal Revenue Service requirements. This would ordinarily be for a minimum of three years from the end of the contract or the end of the fiscal year.

Management's response – See accompanying letter.

Resolution – This finding repeats as finding 07-01 in the 2007 audit.

06-02 Annual Financial Reports Not Timely Submitted

Criteria – Louisiana Revised Statute 24:513 requires all quasi-public entities to complete and audit of the entity's financial statements and transmit the audited financial statements to the Legislative Auditor within six months of the close of the entity's fiscal year. This is the same finding as in the prior year.

Condition – The Louisiana Leadership Institute did not submit its annual audited financial statements to the Legislative Auditor by December 31, 2006, which is six months after the close of its fiscal year ended June 30, 2006.

Effect – The Organization is not in compliance with Louisiana Revised Statute 24:513.

Recommendation – The Organization should schedule future audits in such a manner that it will be able to comply with Louisiana Revised statute 24:513.

Management's response – See accompanying letter.

Resolution – This finding was resolved in the current year.

06-03 Annual Income Tax Returns Not Timely Filed

Criteria – The Internal Revenue Service requires annual income tax returns to be filed for exempt organization by the fifteenth day of the fifth month following the end of the Organization's fiscal year.

LOUISIANA LEADERSHIP INSTITUTE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2006

Condition – The Organization did not file its income tax returns for the years ended June 30, 2005, and 2006.

Effect – The Organization is not in compliance with its tax filing requirements.

Recommendation – The Organization should file all tax returns in such a manner that it will comply with Internal Revenue Services requirements.

Management's response – See accompanying letter.

Resolution – This finding was resolved in the current year.

LOUISIANA LEADERSHIP INSTITUTE



Internal Control and Noncompliance Findings: (Responses)

07-01 Lack of Adequate Documentation

Management's Response – Management agrees with the auditor's findings. The current Administration was put into place in August 2007. Immediately, this Administration was faced with the daunting task of bringing the Louisiana Leadership Institute current on a number of issues. Specifically, this Administration took on the challenge of completing and filing the Annual Financial Report for FY 2005 – 2006 in addition to completing and filing the taxes for 2005 and 2006. The challenging aspect of this endeavor is that no one in the current administration was employed by the Louisiana Leadership Institute during the aforementioned time periods. Be that as it may, we immediately put into place remedies that would prevent future problems from re-occurring. Such is the case with maintaining adequate documentation.

We have employed a system to ensure that the appropriate steps are taken to process the original sign-in sheets for students attending extended day instruction classes.

ID Card System

The Computerized Card sign-in system that we now employ provides a great back up source to keep track of student attendance. The original sign in sheets are maintained daily and kept under lock and key at all times. Neither employees nor teachers have permission to remove the original sign in sheets from the institute under any circumstance.

Quarterly Audits

We have employed a self-auditing system whereby at the end of each quarter this administration audits itself. We will compile financial records and supporting documentation so that we will know where we stand on a quarterly basis. This will provide a more efficient means of maintaining proper documentation and good record keeping.

General Comments

The Louisiana Leadership Institute has strong programs providing Academic Enrichment, School of Performing Arts, and Athletics for the youth of Baton

Rouge. The Institute has experienced a high turn over in Administrative Staff over the last two years. This high turn over affected both consistency and accuracy in completing necessary reports and maintaining adequate documentation.

The current administration continues remain steadfast in our commitment to maintaining a strong program. This includes maintaining adequate record keeping, timely filing reports, and maintaining adequate documentation. We wholeheartedly regret the inadequacy that resulted in the above finding of noncompliance, however, we remain on pace to ensure that this or any other noncompliance issue will not re-occur.

With kindest regards, I remain...

Fully committed

A handwritten signature in black ink, appearing to read 'S. Ruth', with a long horizontal stroke extending to the right.

Sherman G. Ruth, Esq.
Executive Director