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**BATON ROUGE BAR FOUNDATION**  
**(A NOT FOR PROFIT ORGANIZATION)**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006**

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Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 9/5/07



**BATON ROUGE BAR FOUNDATION**  
**(A NOT FOR PROFIT ORGANIZATION)**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006**

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**Postlethwaite & Netterville**

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**INDEPENDENT AUDITORS' REPORT**

The Board of Directors  
Baton Rouge Bar Foundation  
(A Not for Profit Organization)  
Baton Rouge, Louisiana

We have audited the accompanying statements of financial position of the Baton Rouge Bar Foundation (the Foundation) (a not-for-profit organization) as of December 31, 2006 and 2005, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation'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 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 audits 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 the Baton Rouge Bar Foundation as of December 31, 2006 and 2005, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2007, on our consideration of the Baton Rouge Bar Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our 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 our audits.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules on pages 11 to 15 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Pastthwaite ; Netterville*

Baton Rouge, Louisiana  
June 15, 2007



**BATON ROUGE BAR FOUNDATION**  
**(A NOT FOR PROFIT ORGANIZATION)**  
**BATON ROUGE, LOUISIANA**

**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2006 AND 2005**

**ASSETS**

	<u>2006</u>	<u>2005</u>
<b><u>CURRENT ASSETS</u></b>		
Cash	\$ 43,184	\$ 7,129
Accounts receivable	41,115	7,198
Unconditional promises to give - current, less allowances for uncollectible promises of \$276 and \$3,400 at December 31, 2006 and 2005, respectively	1,565	520
Other current assets	142	142
	<u>86,006</u>	<u>14,989</u>
<b><u>RESTRICTED CURRENT ASSETS</u></b>		
Cash	168	10,368
Certificates of deposit - cash equivalents	26,496	25,440
	<u>26,664</u>	<u>35,808</u>
 Total current assets	 <u>112,670</u>	 <u>50,797</u>
<b><u>LONG TERM PORTION OF UNCONDITIONAL PROMISES TO GIVE</u></b>		
	<u>-</u>	<u>5,031</u>
<b><u>PROPERTY AND EQUIPMENT, at cost</u></b>		
Furniture and fixtures	95,357	95,357
Equipment	2,089	2,089
Computers	28,779	28,779
Building improvements	10,470	10,470
Building	537,634	537,634
	<u>674,329</u>	<u>674,329</u>
Less: Accumulated depreciation	(208,614)	(184,859)
	<u>465,715</u>	<u>489,470</u>
Land	150,000	150,000
Total property and equipment, net	<u>615,715</u>	<u>639,470</u>
 Total assets	 <u>\$ 728,385</u>	 <u>\$ 695,298</u>

The accompanying notes are an integral part of these statements.

**LIABILITIES AND NET ASSETS**

	<u>2006</u>	<u>2005</u>
<b><u>CURRENT LIABILITIES</u></b>		
Current portion of note payable	\$ -	\$ 8,415
Accounts payable	28,128	3,030
Accrued expenses and other liabilities	3,306	5,660
Total current liabilities	<u>31,434</u>	<u>17,105</u>
 <b><u>NET ASSETS</u></b>		
Unrestricted	692,412	674,251
Temporarily restricted	4,539	3,942
Total net assets	<u>696,951</u>	<u>678,193</u>
<b>Total liabilities and net assets</b>	<b><u>\$ 728,385</u></b>	<b><u>\$ 695,298</u></b>

**BATON ROUGE BAR FOUNDATION**  
**(A NOT FOR PROFIT ORGANIZATION)**  
**BATON ROUGE, LOUISIANA**

**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED DECEMBER 31, 2006 AND 2005**

	2006	2005
<b>CHANGES IN UNRESTRICTED NET ASSETS:</b>		
Revenues:		
Fund-raising	\$ 37,884	\$ 36,739
Interest income	1,056	695
Lease income	23,200	10,748
Membership dues	20,585	13,865
Miscellaneous	3,572	265
Teen Court grant	28,500	-
Total unrestricted revenues	114,797	62,312
Net assets released from restrictions	88,762	73,897
Total unrestricted revenues and other support	203,559	136,209
Expenses:		
Pro bono project and youth education	82,586	73,897
Louisiana Bar Association disaster grant	18,953	-
Teen court expenses	27,227	-
General and administrative	43,310	81,014
Fundraising	13,322	16,857
Total expenses	185,398	171,768
Change in unrestricted net assets	18,161	(35,559)
<b>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:</b>		
Grants	89,359	56,146
Contributions	-	2,863
Total temporarily restricted revenues	89,359	59,009
Net assets released from restrictions	(88,762)	(73,897)
Change in temporarily restricted net assets	597	(14,888)
Change in net assets	18,758	(50,447)
Net assets at beginning of year	678,193	728,640
Net assets at end of year	\$ 696,951	\$ 678,193

The accompanying notes are an integral part of these statements.



**BATON ROUGE BAR FOUNDATION**  
**(A NOT FOR PROFIT ORGANIZATION)**  
**BATON ROUGE, LOUISIANA**

**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2006 AND 2005**

	2006	2005
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Change in net assets	\$ 18,758	\$ (50,447)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	23,755	24,091
Changes in the following accounts:		
Accounts receivable	(33,917)	9,783
Unconditional promises to give	3,986	11,159
Accrued expenses and other liabilities	(2,354)	(34)
Accounts payable	25,098	2,855
Net cash provided by (used in) operating activities	35,326	(2,593)
 <b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Acquisitions of property and equipment	-	(7,151)
Net cash used in investing activities	-	(7,151)
 <b><u>CASH FLOWS FROM FINANCING ACTIVITIES:</u></b>		
Payments on note payable	(8,415)	(11,551)
Net cash used in financing activities	(8,415)	(11,551)
Change in cash and cash equivalents	26,911	(21,295)
Cash and cash equivalents at beginning of year	42,937	64,232
Cash at end of year	\$ 69,848	\$ 42,937
 <b><u>Supplemental disclosure of cash flow information</u></b>		
Cash paid during the year for interest	\$ 518	\$ 964

The accompanying notes are an integral part of these statements.

**BATON ROUGE BAR FOUNDATION**  
**(A NOT FOR PROFIT ORGANIZATION)**  
**BATON ROUGE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**1. Summary of Significant Accounting Policies**

The Baton Rouge Bar Foundation is a voluntary not for profit organization which provides free legal services and educational programs for the public.

The financial statements of the Baton Rouge Bar Foundation (the Foundation) have been prepared on the accrual basis of accounting. The following significant accounting policies are described to enhance the usefulness of the financial statements to the reader.

**Basis of Presentation**

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not for Profit Organizations*. Under SFAS No. 117, the Foundation 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. The Foundation does not have any permanently restricted net assets.

**Tax Exemption Status**

The Baton Rouge Bar Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

**Property and Equipment**

Property and equipment are stated at cost and are depreciated using depreciation methods over their useful lives ranging from 5 to 39 years.

Maintenance and repairs are charged against earnings when incurred.

The cost and accumulated depreciation of assets sold or retired are removed from the respective accounts and any resulting gain or loss is reflected in current period earnings.

**Membership Dues**

Membership dues are recognized as revenue in the applicable membership period.

**BATON ROUGE BAR FOUNDATION**  
**(A NOT FOR PROFIT ORGANIZATION)**  
**BATON ROUGE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**1. Summary of Significant Accounting Principles (continued)**

**Contributions**

The Foundation accounts for contributions in accordance with the recommendations of the Financial Accounting Standards Board in SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions received are recorded as increases in unrestricted, temporarily, or permanently restricted net assets, depending on the existence or nature of any donor restrictions.

All donor-restricted contributions are reported as increases 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 net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**Allowance for Doubtful Accounts**

An allowance for uncollectible pledges is maintained based on management's assessment of the collectibility of those pledges due to historical collectibility rates. Past due status is based on contractual terms. As of December 31, 2006 and 2005, the allowance for uncollectible pledges was \$276 and \$3,400, respectively. Management believes all other receivables are deemed collectible.

**Statements of Cash Flows**

All highly liquid debt instruments purchased with original maturities of three months or less, both unrestricted and restricted, are considered to be cash equivalents for purposes of the statements of cash flows.

**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 those estimates.

**Certificates of Deposit**

Certificates of deposit are stated at fair value. The Foundation holds a certificate of deposit at Regions Bank in the amount of \$26,496 which is specifically restricted for a gift for the city.

**Reclassification**

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with current year presentation.

**BATON ROUGE BAR FOUNDATION**  
**(A NOT FOR PROFIT ORGANIZATION)**  
**BATON ROUGE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**2. Unconditional Promises to Give**

Unconditional promises to give at December 31, 2006 and 2005 are as follows:

	<u>2006</u>	<u>2005</u>
Receivable in less than one year	\$ 1,841	\$ 3,920
Receivable in one to three years	-	<u>5,308</u>
Total unconditional promises to give	1,841	9,228
Less: Discounts to net present value	( - )	( 277)
Less: Allowance for uncollectible promises	( 276)	( 3,400)
Net unconditional promises to give	<u>\$ 1,565</u>	<u>\$ 5,551</u>

Discount rate used on long-term promises to give was 5% for the year ended 2005.

**3. Related Party Transactions**

The Baton Rouge Bar Foundation and the Baton Rouge Bar Association (the Association) are affiliated organizations through common management. This affiliated organization is not included in these financial statements. Both organizations share the same board of directors, president, and accounting personnel; the Association's office space is included in the building owned by the Foundation. The Foundation received \$23,000 and \$11,000 of rent income for the years ended December 31, 2006 and 2005, respectively.

The Foundation and the Association split the cost of some joint expenses. The types of expenses that are incurred by both organizations include insurance, office supplies, telephone and printing. The organizations also allocate expenses based on actual costs and an estimate of usage. These types of expenses include salaries, payroll taxes, reproduction and postage.

Although a portion of the Association's executive director's time and the Association's office manager's time is spent on The Baton Rouge Bar Foundation, management has decided not to allocate any salary expense of these two employees to The Baton Rouge Bar Foundation. The dollar amount that should be allocated has not been determined, and management believes it would not be significant. See footnote 6.

**4. Restrictions on Net Assets and Net Assets Released**

Temporarily restricted net assets were available for the following purposes at December 31, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Renovation of new building	\$ 3,942	\$ 3,942
Louisiana Bar Foundation Disaster Relief grant	597	-
	<u>\$ 4,539</u>	<u>\$ 3,942</u>

Net assets released from restrictions during the years ended December 31, 2006 and 2005, were \$88,762 and \$73,897, respectively, for program expenses.

**BATON ROUGE BAR FOUNDATION**  
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**BATON ROUGE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**5. Line of Credit and Note Payable**

On March 25, 2002, the Foundation entered into an agreement with a bank to convert an existing term loan in the amount of \$115,221 to a line of credit. The line of credit is in the amount of \$100,000, due on demand, with a variable interest rate and secured by a collateral mortgage note in the amount of \$600,000. The line was paid in full during 2006. Related interest expense was \$518 and \$964 for the years ended December 31, 2006 and 2005, respectively.

**6. Employee Benefit Plan**

The Foundation has a defined contribution retirement plan covering all eligible employees who have completed one year of service, for employer contributions, and who are at least 21 years of age. The Foundation matches, on behalf of each of the employees who are participants in the plan, an amount equal to up to 3% of the employee's compensation. In 2006, the Foundation contributed \$300 in funds to the defined contribution retirement plan. There is no service requirement for employee contributions to the plan. In January 2006, all employees of the Foundation were hired as employees of the Association and their salaries are now being allocated to the Foundation.

**SUPPLEMENTAL SCHEDULES**

**BATON ROUGE BAR FOUNDATION**  
**(A NOT FOR PROFIT ORGANIZATION)**  
**BATON ROUGE, LOUISIANA**

**SCHEDULES OF FUNCTIONAL RESTRICTED EXPENSES**  
**PRO BONO PROJECT AND YOUTH EDUCATION**  
**YEARS ENDED DECEMBER 31, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
Computer usage fee	\$ 1,063	\$ -
Court costs	-	93
Insurance	3,353	4,065
Meetings and seminars	7,732	4,198
Office supplies	2,398	2,197
Postage	1,575	1,133
Printing	2,927	3,024
Professional fees	5,200	1,875
Rent	2,600	1,733
Salaries and employee benefits	46,781	43,167
Telephone	3,975	4,646
Travel	-	2,693
Utilities	4,982	5,073
	<u>\$ 82,586</u>	<u>\$ 73,897</u>

**BATON ROUGE BAR FOUNDATION**  
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**BATON ROUGE, LOUISIANA**

**SCHEDULES OF FUNCTIONAL RESTRICTED EXPENSES**  
**LOUISIANA BAR FOUNDATION SPECIAL DISASTER RELIEF GRANT**  
**YEARS ENDED DECEMBER 31, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
Insurance	\$ 2,650	\$ -
Salaries and employee benefits	16,303	-
	<u>\$ 18,953</u>	<u>\$ -</u>



**BATON ROUGE BAR FOUNDATION**  
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**BATON ROUGE, LOUISIANA**

**SCHEDULES OF FUNCTIONAL UNRESTRICTED EXPENSES**  
**GENERAL AND ADMINISTRATIVE AND FUNDRAISING**  
**YEARS ENDED DECEMBER 31, 2006 AND 2005**

<b><u>General and Administrative</u></b>	<b><u>2006</u></b>	<b><u>2005</u></b>
Bank charges	\$ -	\$ 289
Bad debt	1,627	5,475
Computer usage fee	925	4,668
Depreciation	23,755	24,091
Employee benefit plan contributions	300	1,310
Salaries	998	27,113
Insurance	2,437	8,005
Interest	518	964
Janitorial	850	850
Office supplies	399	-
Postage	-	629
Printing	491	555
Professional fees	7,365	5,263
Repairs and maintenance	1,757	1,312
Travel	1,242	-
Utilities	646	490
Total general and administrative expenses	<u>43,310</u>	<u>81,014</u>
<b><u>Fundraising</u></b>		
Fundraising costs	<u>13,322</u>	<u>16,857</u>
Total functional unrestricted expenses	<u>\$ 56,632</u>	<u>\$ 97,871</u>

**BATON ROUGE BAR FOUNDATION**  
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**BATON ROUGE, LOUISIANA**

**EXPENDITURES FOR IOLTA GRANT**  
**YEAR ENDED DECEMBER 31, 2006**

<b>Personnel</b>	
Salaries	\$ 30,822
<b>Subtotal: Personnel Costs</b>	<u>30,822</u>
<b>Non-Personnel Costs</b>	
Office supplies	200
Printing	727
Postage	500
Telephone	100
Management expense	3,669
<b>Subtotal: Non-Personnel Costs</b>	<u>5,196</u>
<b>Total</b>	<u><u>\$ 36,018</u></u>

**NOTE:** Expenses incurred and allocated to the IOLTA Grant program were in excess of the the \$29,309 grant funds received by the Foundation. The excess of expenses was funded by the Foundation.

**BATON ROUGE BAR FOUNDATION**  
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**BATON ROUGE, LOUISIANA**

**EXPENDITURES FOR THE TEEN COURT GRANT**  
**YEAR ENDED DECEMBER 31, 2006**

	<u>2006</u>
Meetings	\$ 384
Office supplies	83
Printing	302
Salaries and employee benefits	25,996
Travel	462
	<u>\$ 27,227</u>



**Postlethwaite & Netterville**

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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**

The Board of Directors  
Baton Rouge Bar Foundation  
(A Not for Profit Organization)  
Baton Rouge, Louisiana

We have audited the financial statements of the Baton Rouge Bar Foundation (the "Foundation") as of and for the year ended December 31, 2006, and have issued our report thereon dated June 15, 2007. We conducted our 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 our audit, we considered the Foundation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over financial reporting.

Our 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, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 Foundation's accordance with generally accepted accounting principles such that there is more than a remote likelihood that misstatement of the Foundation's financial statements that is more than inconsequential will not be prevented or detected by the Foundation's internal control.

2006-1 As part of the audit process, we have always assisted management in drafting the financial statements and related notes for the year-end audit procedures. The definition of internal control over financial reporting is that policies and procedures exist that pertain to an entity's ability to initiate, record, process, and report financial data consistent with the assertion embodied in the annual financial statements, which for the Organization, is that financial statements are prepared in accordance with generally accepted accounting principles (GAAP). Because our involvement is so key to that process that is an indication that the internal control over financial reporting of the Organization meets the definition of a significant deficiency as defined above.

2006-2 During the audit, it was noted that most journal entries were not authorized. We recommend that management categorize journal entries into recurring journal entries and nonrecurring journal entries, where authorization for recurring journal entries is established at the beginning of the year. Nonrecurring journal entries would require individual authorization by someone other than the person preparing the journal entry.

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 Foundation's internal control.

Our consideration of 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 internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. We noted another matter involving internal control over financial reporting that we have reported to management in a separate letter dated June 15, 2007.

#### Compliance and other matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of material misstatement, we 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 our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board of directors, management of the Baton Rouge Bar Foundation 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.

*Postlethwaite ; Netterville*  
Baton Rouge, Louisiana  
June 15, 2007





*Baton Rouge Bar*  
**FOUNDATION**

**2007 BOARD OF DIRECTORS**

*Barbara G. Baier, President*  
*C. Kevin Hayes, President-elect*  
*Trenton J. Oubre, Treasurer*  
*Fred T. Orfusi, Secretary*  
*Jay M. Jalenak Jr., Past President*

**DIRECTORS AT LARGE**

*Robert "Bubby" Burns Jr.*                      *Michael S. Walsh*  
*Preston J. Castille Jr.*                      *Jason Bonaventure, Ex Officio*  
*Jeanne Comeaux*                              *Aaron Brooks, Ex Officio*  
*Darrel Papillion*                              *Jamie Elizabeth Fontenot, Ex Officio*  
*Gail S. Stephenson*  
*Ann G. Scarle, Executive Director*

June 21, 2007

Postlethwaite & Netterville  
Certified Public Accountants  
8550 United Plaza Blvd., Suite 1001  
Baton Rouge, Louisiana 70809

We are providing this letter in response to questions that have arisen in connection with your audits of the statements of financial position of the Baton Rouge Bar Foundation as of December 31, 2006.

*Condition:*

2006-1:            As part of the audit process, we have always assisted management in drafting the financial statements and related notes for the year-end audit procedures. The definition of internal control over financial reporting is that policies and procedures exist that pertain to an entity's ability to initiate, record, process, and report financial data consistent with the assertion embodied in the annual financial statements, which for the Organization, is that financial statements are prepared in accordance with generally accepted accounting principles (GAAP). Because our involvement is so key to that process that is an indication that the internal control over financial reporting of the Organization meets the definition of a significant deficiency as defined above.

*Management's Response:*

We will evaluate the preparation of financial statements, provide training for staff and provide greater involvement in the preparation of financial statements

*Condition:*

2006-2:            During the audit, it was noted that most journal entries were not authorized. We recommend that management categorize journal entries into recurring journal entries and nonrecurring journal entries, where authorization for recurring journal entries is established at the beginning of the year. Nonrecurring journal entries would require individual authorization by someone other than the person preparing the journal entry.


*Management's Response:*

We will formally document, from a monitoring perspective, the authorization of journal entries.

Current process requires that backup documentation be maintained on each journal entry.

Please advise if you need any additional information in order to complete our audit.

Sincerely,

A handwritten signature in cursive script that reads "Ann G. Scarle". The signature is written in black ink and is positioned above the printed name and title.

Ann G. Scarle  
*Executive Director*



**Postlethwaite & Netterville**

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The Board of Directors  
Baton Rouge Bar Foundation  
(A Not for Profit Organization)  
Baton Rouge, Louisiana

We have audited the financial statements of the Baton Rouge Bar Foundation, for the year ended December 31, 2006 and have issued our report thereon. As part of our examination, we made a study and evaluation of internal accounting control to the extent we considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America. Under these standards, the purposes of such evaluation are to establish a basis for reliance on the system of internal accounting control in determining the nature, timing, and extent of other auditing procedures that are necessary for expressing an opinion on the financial statements and to assist the auditor in planning and performing his audit of the financial statements.

The objective of internal control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of the financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal accounting control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

No matter how good a system, there are inherent limitations that should be recognized in considering the potential effectiveness of internal accounting. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management either with respect to the execution and recording of transactions or with respect to the estimates and judgments required in the preparation of financial statements. Further, projection of any evaluation of internal accounting control to future periods is subject to the risk that the degree of compliance with the procedures may deteriorate. We say this simply to suggest that any system needs to be constantly reviewed and improved where necessary.



During the course of our audit, we made the following observations which we feel should be brought to your attention. Concerning these matters, we offer the following comments and recommendations:

1) Fraud Interviews

As part of our audit procedures, we interviewed three people and asked them if they know of any fraud happening in the Foundation, how ethical behavior is communicated to the employees, and if they were aware of any deficiencies in internal controls. No one knew of any fraud, however, suggestions were made on improving communication with management and the board and reiterating who employees can talk to when reporting an act of fraud.

Management's response:

The staff will be reminded of the current policy in place which provides that the Executive Director and/or Board Treasurer be notified if there is suspicion of fraud.

2) Allocation of expenses

During the audit, it was noted that expenses were being reallocated to various programs based on the amount budgeted versus the actual expenditures. Expenditures charged to the grant should be based on actual costs incurred or allocations that are supported by time sheets, usage, etc. Support should be maintained for the functional allocation of expenses. This will provide much more meaningful information with regard to the Foundation's financial position and results of operations.

Management's response:

We will formally document, from a monitoring perspective, the allocation of our expenses to specific grants.

*Postlethwaite ; Nettewille*

Baton Rouge, Louisiana  
June 15, 2007

