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LOUISIANA RESOURCE CENTER FOR EDUCATORS

FINANCIAL STATEMENTS

JUNE 30, 2008

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

1/21/09



LOUISIANA RESOURCE CENTER FOR EDUCATORS

FINANCIAL STATEMENTS

JUNE 30, 2008

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Louisiana Resource Center for Educators
Baton Rouge, Louisiana

We have audited the accompanying statements of financial position of the Louisiana Resource Center for Educators (the Organization) as of June 30, 2008 and 2007, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization'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 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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 Louisiana Resource Center for Educators as of June 30, 2008 and 2007, and the change 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.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated October 17, 2008, on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants, agreements, and other matters. 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.

Postlethwaite, Netterville

Baton Rouge, Louisiana
October 17, 2008

LOUISIANA RESOURCE CENTER FOR EDUCATORS
BATON ROUGE, LOUISIANA

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2008 AND 2007

ASSETS

	2008	2007
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 245,774	\$ 279,965
Certificates of deposit	471,886	366,565
Accounts receivable	167,527	138,939
Promises to give	50,000	-
Inventory	647	3,350
Prepaid expenses and other assets	15,192	1,631
Total current assets	951,026	790,450
<u>PROPERTY AND EQUIPMENT</u>		
Furniture and equipment	637,614	635,485
Building improvements	163,455	163,455
Library	76,945	76,944
	878,014	875,884
Less: accumulated depreciation	(728,171)	(619,362)
	149,843	256,522
Building	1,662,355	-
	1,812,198	256,522
Net property and equipment		
Total Assets	\$ 2,763,224	\$ 1,046,972

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 30,562	\$ 36,387
Other liabilities	101,517	193,470
Notes payable, current portion	41,567	-
Total current liabilities	173,646	229,857
<u>NOTES PAYABLE, non-current portion</u>	1,443,433	-
<u>NET ASSETS</u>		
Unrestricted	887,784	715,514
Temporarily restricted	258,361	101,601
Total net assets	1,146,145	817,115
Total Liabilities and Net Assets	\$ 2,763,224	\$ 1,046,972

The accompanying notes are an integral part of these statements.

LOUISIANA RESOURCE CENTER FOR EDUCATORS
BATON ROUGE, LOUISIANA

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	2008		
	Unrestricted	Temporarily Restricted	Total
<u>SUPPORT AND REVENUE:</u>			
Public support	\$ 51,860	388,609	\$ 440,469
Grant from governmental agency	828,400	-	828,400
Program service fees	655,973	-	655,973
Interest income	21,348	-	21,348
Miscellaneous	14,400	-	14,400
Total support and revenue	<u>1,571,981</u>	<u>388,609</u>	<u>1,960,590</u>
Net assets released from restriction	<u>231,849</u>	<u>(231,849)</u>	<u>-</u>
Total revenue and other support	<u>1,803,830</u>	<u>156,760</u>	<u>1,960,590</u>
<u>EXPENSES:</u>			
Program services	1,064,292	-	1,064,292
Management and general	459,194	-	459,194
Fundraising	108,074	-	108,074
Total expenses	<u>1,631,560</u>	<u>-</u>	<u>1,631,560</u>
Changes in net assets	172,270	156,760	329,030
Net assets - beginning of year	<u>715,514</u>	<u>101,601</u>	<u>817,115</u>
Net assets - end of year	<u>\$ 887,784</u>	<u>\$ 258,361</u>	<u>\$ 1,146,145</u>

The accompanying notes are an integral part of these statements.

2007

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
\$ 72,492	\$ 189,844	\$ 262,336
700,250	-	700,250
571,085	-	571,085
9,475	-	9,475
16,400	-	16,400
<u>1,369,702</u>	<u>189,844</u>	<u>1,559,546</u>
<u>217,529</u>	<u>(217,529)</u>	<u>-</u>
<u>1,587,231</u>	<u>(27,685)</u>	<u>1,559,546</u>
947,340	-	947,340
358,298	-	358,298
93,289	-	93,289
<u>1,398,927</u>	<u>-</u>	<u>1,398,927</u>
188,304	(27,685)	160,619
<u>527,210</u>	<u>129,286</u>	<u>656,496</u>
<u>\$ 715,514</u>	<u>\$ 101,601</u>	<u>\$ 817,115</u>

**LOUISIANA RESOURCE CENTER FOR EDUCATORS
BATON ROUGE, LOUISIANA**

**STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

	2008			
	Program Services	Management and General	Fundraising	Total
Advertising	\$ 9,771	\$ -	\$ 1,208	\$ 10,979
Bad debt expense	-	800	-	800
Bank charges	-	6,262	-	6,262
Capital campaign	-	-	2,057	2,057
Contract labor	263,079	-	-	263,079
Depreciation & amortization	72,901	25,025	10,881	108,807
Dues & subscriptions	9,189	2,980	248	12,417
Employee training	7,304	5,510	-	12,814
Insurance	-	8,981	-	8,981
Interest	-	14,726	-	14,726
Library expenses	46,521	-	-	46,521
Meetings	-	41,642	-	41,642
Miscellaneous	11,655	4,393	-	16,048
Postage	14,371	6,026	2,781	23,178
Printing	43,504	23,478	2,072	69,054
Professional services	-	45,913	-	45,913
Rental expense	119,502	48,904	-	168,406
Repairs & maintenance	-	21,902	-	21,902
Salaries and benefits	408,747	176,311	84,173	669,231
Sales tax	-	23	-	23
Software and technology	15,643	6,599	2,200	24,442
Stipends	-	-	-	-
Supplies	29,598	13,657	1,220	44,475
Telephone	-	6,062	-	6,062
Travel and fundraising	12,507	-	1,234	13,741
	\$ 1,064,292	\$ 459,194	\$ 108,074	\$ 1,631,560

The accompanying notes are an integral part of these statements.

2007

<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
\$ 7,224	\$ -	\$ 1,328	\$ 8,552
-	-	-	-
-	3,872	-	3,872
-	-	-	-
227,152	-	-	227,152
58,656	25,138	9,311	93,105
8,652	2,858	245	11,755
5,716	4,269	-	9,985
-	8,816	-	8,816
-	-	-	-
29,018	-	-	29,018
493	2,950	-	3,443
13,690	4,540	-	18,230
10,111	4,297	1,842	16,250
37,421	19,966	1,736	59,123
-	20,610	-	20,610
120,751	45,241	-	165,992
150	16,456	-	16,606
353,094	175,240	75,229	603,563
-	211	-	211
12,152	5,127	1,709	18,988
7,400	-	-	7,400
43,147	10,017	1,113	54,277
-	8,690	-	8,690
12,513	-	776	13,289
<u>\$ 947,340</u>	<u>\$ 358,298</u>	<u>\$ 93,289</u>	<u>\$ 1,398,927</u>

LOUISIANA RESOURCE CENTER FOR EDUCATORS
BATON ROUGE, LOUISIANA

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	2008	2007
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 329,030	\$ 160,619
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	108,807	93,105
Changes in operating assets and liabilities:		
Accounts receivable	(28,588)	(133,604)
Prepaid expenses	(13,561)	(126)
Promises to give	(50,000)	-
Inventory	2,703	18,649
Accounts payable and other liabilities	(97,778)	84,387
Net cash provided by operating activities	250,613	223,030
 <u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(1,664,483)	(20,615)
Purchases of certificates of deposit	(374,962)	(119,487)
Cash proceeds from redemptions of certificates of deposit	269,641	41,110
Net cash used in investing activities	(1,769,804)	(98,992)
 <u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Proceeds from notes payable	1,485,000	-
Net cash provided by investing activities	1,485,000	-
 Net increase (decrease) in cash and cash equivalents	(34,191)	124,038
Cash and cash equivalents - beginning of year	279,965	155,927
Cash and cash equivalents - end of year	\$ 245,774	\$ 279,965
 <u>Supplemental disclosures:</u>		
Cash paid during the year for interest	\$ 14,726	\$ -

The accompanying notes are an integral part of these statements.

LOUISIANA RESOURCE CENTER FOR EDUCATORS
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. **Summary of Significant Accounting Policies**

Organization and Purpose

Louisiana Resource Center for Educators (the Organization) is a 501(c)(3) not-for-profit, community based organization, governed by a board of directors. The purpose of the Organization is educational, namely responding to the needs of Louisiana educators and students by providing innovative training for teachers in all content areas and making a multi-media lending library of instructional materials available to thousands of teachers. Sources of income include donations (public support), grants from governmental agencies, and fees charged for training both at LRCE and off site.

Income Taxes

The Organization has been recognized by the Internal Revenue Service as a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes.

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions. 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 Statements of Activities as net assets released from restrictions. The Organization did not have permanently restricted net assets at June 30, 2008 or 2007.

Property and Equipment

Property and equipment is recorded at cost. Depreciation of property and equipment is based upon the estimated useful service lives, which range from 3 to 10 years, using the straight-line method. Maintenance and repairs are charged to expense, while additions and improvements are capitalized.

Allowance for Uncollectible Accounts

As of June 30, 2008 and 2007, all accounts were considered collectible; therefore, no allowance for uncollectible accounts has been established. Accounts are considered past due based on their contractual terms. Receivables are closely monitored by management during the year and all accounts considered to be uncollectible are written-off.

LOUISIANA RESOURCE CENTER FOR EDUCATORS
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

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

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.

Contributed Services

The Organization records contribution revenue for certain services received at the fair value of those services, provided those services create or enhance non-financial assets or require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased, if not provided by donation. For the years ended June 30, 2008 and 2007, there were no contributed services meeting the requirements for recognition in the financial statements.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash equivalents include all highly liquid debt instruments and certificates of deposit with original maturities of three months or less. At certain times throughout the year, balances in the cash accounts may have exceeded the amount insured by the Federal Deposit Insurance Corporation of \$100,000.

Certificates of Deposit

The Organization invests some of its cash in certificates of deposit with four to nine month maturity dates.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

LOUISIANA RESOURCE CENTER FOR EDUCATORS
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

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

Functional Allocation of Expenses

The costs of providing for the various programs and other activities of the Organization have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated based on the percentage of time spent among the programs and supporting services benefited.

Advertising

The Organization expenses the cost of advertising as incurred. Total advertising expenses for the years ended June 30, 2008 and 2007 were \$10,979 and \$8,552, respectively.

2. **Concentration of Support**

During the years ended June 30, 2008 and 2007, the Organization derived approximately 42% and 46%, respectively, of its support and revenue from state grants.

3. **Temporarily Restricted Net Assets**

Temporarily restricted net assets were available for the following purposes at June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Community Coffee - Charter School Incubator	\$ 31,552	\$ 7,664
Entergy	-	25,000
Hurricane Katrina Relief	-	305
Library	31,636	19,607
Motiva Grant	10,100	-
Huey and Angelina Wilson Grant - Charter School Incubator	48,259	49,025
Colonial Williamsburg	1,814	-
Charter School Incubator	55,000	-
Capital Campaign	80,000	-
	<u>\$ 258,361</u>	<u>\$ 101,601</u>

LOUISIANA RESOURCE CENTER FOR EDUCATORS
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

4. Net Assets Released From Restrictions

Net assets released from donor restrictions for incurring program related expenses satisfying the restricted purposes were as follows for the years ended:

	<u>2008</u>	<u>2007</u>
CPDC Grant	\$ -	\$ 7,500
Community Coffee	1,112	12,336
Dictionary Project	13,731	12,985
Entergy	25,000	25,000
Exercise for Education	20,429	35,563
Hurricane Katrina Relief	305	45,015
Library	46,521	29,018
Meeting the Challenge	-	2,000
Motiva Grant	-	13,500
Raising Radishes	2,690	2,731
Teacher Finder	-	18,721
Ten Year Gala	42,500	-
Williamsburg Institute	28,795	12,185
Huey and Angelina Wilson Grant	50,766	975
Total restrictions released	<u>\$ 231,849</u>	<u>\$ 217,529</u>

5. Leases

The Organization's lease for its office space began January 2001 and was for a term of three years at \$10,000 per month. On July 20, 2003, the Organization signed a lease for a term of 10 years at \$11,000 per month for year one. This payment increases to \$12,406 for years two through year five, \$13,750 for year six through year eight, and \$15,000 for year nine through year ten. On July 16, 2007, the Organization signed an amendment to the lease that allows the Organization to cancel its lease anytime between May 1, 2009 and December 31, 2010 as long as the lessor is notified in writing of the Organization's intent to cancel one year prior to the date on which the Organization plans to vacate the premises. The Organization has notified the lessor of its intention to cancel the lease at the earliest possible date of May 1, 2009.

The Organization has three operating leases entered into November 2003, January 2005, and February 2005 for copiers. The copiers are leased under five-year operating leases. One lease expires in November 2008 and the other two leases expire in January 2010. The leases are renewable on the same terms on a monthly basis unless the option to purchase at fair market value is exercised or the equipment is returned.

The Organization has one operating lease entered into July 20, 2005 for a mail machine. The mail machine is leased under a five-year operating lease. The lease expires in July 2010. The lease is renewable on the same terms on a monthly basis unless the option to purchase at fair market value is exercised or the equipment is returned.

LOUISIANA RESOURCE CENTER FOR EDUCATORS
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

5. **Leases** (continued)

The following represents the Organization's annual obligations on its leases:

Years Ended June 30 th	
2009	\$ 170,556
2010	4,038
	<u>\$ 174,594</u>

Total rent expense charged to operations during the years ended June 30, 2008 and 2007, was approximately \$168,406 and \$165,992, respectively.

6. **Note Payable**

On April 10, 2008, LRCE entered into a loan agreement with a financial institution for the purchase of a building. The loan amount was \$1,485,000, with monthly interest payments beginning in May 2008 at a rate of 5.95%, and interest and principal payments beginning in November 2008 in the amount of \$12,560 per month with an interest rate of 5.95%. A final balloon payment of approximately \$1,100,000 is due in October 2013. The loan is secured by the building.

The following represents the Organization's annual principal payments on the note:

Years Ended June 30 th	
2009	\$ 41,567
2010	65,435
2011	69,494
2012	73,592
2013	78,368
Thereafter	<u>1,156,544</u>
	<u>\$ 1,485,000</u>

7. **Subsequent Events**

LRCE purchased a new building in April of 2008; however, the Organization has not yet moved into the building as of June 30, 2008, in accordance with the terms of the current lease agreement (as described in Note 5). LRCE is currently in the process of negotiating a construction line of credit with a financial institution that would be repaid with donations raised through the upcoming Capital Campaign. The estimated costs for renovations of the new building are \$1.6 million.

8. **Reclassifications**

Certain amounts from June 30, 2007 have been reclassified in order to conform to the 2008 presentation.

**REPORT ON COMPLIANCE AND OTHER MATTERS AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS**

To the Board of Directors
Louisiana Resource Center for Educators
Baton Rouge, Louisiana

We have audited the financial statements of Louisiana Resource Center for Educators as of and for the year ended June 30, 2008, and have issued our report thereon dated October 17, 2008. 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 Louisiana Resource Center for Educators' 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 for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Louisiana Resource Center for Educators' internal control over financial reporting.

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 a 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.

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.

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Louisiana Resource Center for Educators' 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*.

This report is intended solely for the information and use of the board of directors, management, and others within the Organization, 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 & Nettewill

Baton Rouge, Louisiana
October 17, 2008

LOUISIANA RESOURCE CENTER FOR EDUCATORS
BATON ROUGE, LOUISIANA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008

MANAGEMENT LETTER COMMENTS

None noted