LOUISIANA LEADERSHIP INSTITUTE
FINANCIAL STATEMENTS
JUNE 30, 2006

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
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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, 2006, 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, 2006, 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 August 8, 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
August 8, 2007
INDEPENDENT AUDITOR’S 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 the Louisiana Leadership Institute (a nonprofit organization) as of and for the year ended June 30, 2006, and have issued my report thereon dated August 8, 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 the Louisiana Leadership Institute’s internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted a certain matter involving the internal control over financial reporting and its operation that I consider to be a reportable condition. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect Louisiana Leadership Institute’s ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and responses as item 06-01.

A material weakness is a reportable 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 caused by error or fraud 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. My 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. However, the reportable condition described above, I consider to be a material weakness.
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed two instances of noncompliance that are required to be reported under Government Auditing Standards. These instances are described in the accompanying schedule of findings and responses as items 06-02 and 06-03.

This report is intended solely for the information and use of the board of directors and management of the Louisiana Leadership Institute, the State of Louisiana Governor’s Department of Urban Affairs and Development, 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
August 8, 2007
**LOUISIANA LEADERSHIP INSTITUTE**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2006**

### ASSETS

**Current assets**
- Cash $266,432  
- Grants receivable 118,411  
  Total current assets $384,843

**Property and equipment**
- Property and equipment, net $3,564,706  
  Total assets $3,949,549

### LIABILITIES AND NET ASSETS

#### LIABILITIES

**Current liabilities**
- Accounts payable and accrued expenses $95,164  
  Total current liabilities $95,164

  Total liabilities $95,164

#### NET ASSETS

**Net assets**
- Unrestricted $3,854,385  
  Total net assets $3,854,385

  Total liabilities and net assets $3,949,549

The accompanying notes are an integral part of this financial statement.
LOUISIANA LEADERSHIP INSTITUTE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006

REVENUE AND SUPPORT

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grant income</td>
<td>$870,205</td>
</tr>
<tr>
<td>Donations and contributions</td>
<td>40,110</td>
</tr>
<tr>
<td>Interest and other income</td>
<td>222,900</td>
</tr>
<tr>
<td><strong>Total revenue and support</strong></td>
<td><strong>1,133,215</strong></td>
</tr>
</tbody>
</table>

EXPENSES

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation</td>
<td>243,837</td>
</tr>
<tr>
<td>Equipment rental</td>
<td>5,863</td>
</tr>
<tr>
<td>Field trips and travel expenses</td>
<td>195,463</td>
</tr>
<tr>
<td>Insurance</td>
<td>14,896</td>
</tr>
<tr>
<td>Internet and telephone expense</td>
<td>7,870</td>
</tr>
<tr>
<td>Miscellaneous expense</td>
<td>19,211</td>
</tr>
<tr>
<td>Motor coach and van expenses</td>
<td>125,305</td>
</tr>
<tr>
<td>Office expense and supplies</td>
<td>29,658</td>
</tr>
<tr>
<td>Program expenses</td>
<td>14,633</td>
</tr>
<tr>
<td>Repairs and maintenance</td>
<td>6,653</td>
</tr>
<tr>
<td>Rent</td>
<td>42,019</td>
</tr>
<tr>
<td>Salaries and fringes/contract labor</td>
<td>299,881</td>
</tr>
<tr>
<td>Uniforms and athletic equipment</td>
<td>10,488</td>
</tr>
<tr>
<td>Utilities and occupancy costs</td>
<td>29,687</td>
</tr>
<tr>
<td><strong>Total program expenses</strong></td>
<td><strong>1,045,462</strong></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Service</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertising</td>
<td>1,223</td>
</tr>
<tr>
<td>Bank service charges</td>
<td>995</td>
</tr>
<tr>
<td>Depreciation</td>
<td>12,585</td>
</tr>
<tr>
<td>Insurance</td>
<td>1,655</td>
</tr>
<tr>
<td>Interest expense</td>
<td>1,911</td>
</tr>
<tr>
<td>Internet and telephone expense</td>
<td>874</td>
</tr>
<tr>
<td>Miscellaneous expense</td>
<td>1,906</td>
</tr>
<tr>
<td>Office expense and supplies</td>
<td>5,753</td>
</tr>
<tr>
<td>Postage</td>
<td>2,889</td>
</tr>
<tr>
<td>Printing</td>
<td>532</td>
</tr>
<tr>
<td>Professional services</td>
<td>35,845</td>
</tr>
<tr>
<td>Rent</td>
<td>4,969</td>
</tr>
<tr>
<td>Repairs and maintenance</td>
<td>739</td>
</tr>
<tr>
<td>Salaries and fringes/contract labor</td>
<td>34,842</td>
</tr>
<tr>
<td>Utilities and occupancy costs</td>
<td>3,299</td>
</tr>
<tr>
<td><strong>Total support services</strong></td>
<td><strong>110,014</strong></td>
</tr>
</tbody>
</table>

### Total expenses

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total expenses</strong></td>
<td><strong>1,155,476</strong></td>
</tr>
<tr>
<td><strong>Change in net assets</strong></td>
<td><strong>(22,261)</strong></td>
</tr>
<tr>
<td><strong>Net assets, beginning of year</strong></td>
<td><strong>3,876,646</strong></td>
</tr>
<tr>
<td><strong>Net assets, end of year</strong></td>
<td><strong>$3,854,385</strong></td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of this financial statement.
LOUISIANA LEADERSHIP INSTITUTE
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2006

Cash flows from operating activities
Change in net assets $ (22,261)

Adjustments to reconcile change in net assets to net cash provided (used) by operating activities
Depreciation 256,422
(Increase) decrease in grants receivable (17,236)
Increase (decrease) in accounts payable and accrued expenses 48,934
Total adjustments 288,120

Net cash provided (used) by operating activities 265,858

Cash flows from investing activities
Purchases of fixed assets (20,019)

Net cash provided (used) by investing activities (20,019)

Cash flows from financing activities
Repayment of long-term debt (324,442)
Repayment of line-of-credit
Net cash provided (used) by financing activities (324,442)

Net (decrease) in cash (78,602)

Cash at beginning of the year 345,034

Cash at end of the year $ 266,432

Supplemental Disclosures

Cash paid during the year for:
Interest $ 1,911

The accompanying notes are an integral part of this financial statement.
LOUISIANA LEADERSHIP INSTITUTE
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2006

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.
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, 2005.

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, 2005, 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, 2006, consisted of the following:

<table>
<thead>
<tr>
<th>Property Type</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computer equipment</td>
<td>$87,688</td>
</tr>
<tr>
<td>Automobiles</td>
<td>$41,484</td>
</tr>
<tr>
<td>Tour buses</td>
<td>$1,290,230</td>
</tr>
<tr>
<td>Office equipment</td>
<td>$164,053</td>
</tr>
</tbody>
</table>
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, 2006, 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, 2006, the Institute had no deposits in excess of these limits.

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. Costs incurred during the year ended June 30, 2006, amounted to $4,279. Total costs incurred to date as of June 30, 2006, was $2,564,241.
Internal Control and Noncompliance findings:

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.

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.

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.

Condition – The Organization did not file its income tax returns for the year 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.
05-01 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 – The board of directors and management of the Louisiana Leadership Institute are committed to meeting the reporting deadline of December 31, 2006, for its June 30, 2006, audit.

Resolution – This finding repeats as finding 06-03 in the 2006 audit.
LOUISIANA LEADERSHIP INSTITUTE

Internal Control and Noncompliance findings: (Responses)

06-01 Lack of Adequate Documentation
Management's Response- Management agrees with auditors findings. We have employed a system to ensure that the appropriate steps to process the original sign-in sheets for students attending tutorial class and also the instructors teaching class can be entered. Specifically, we will employ a computerized sign in system through the use of computerized cards with a functioning bar code so that a student/teacher can have that card scanned upon entry into the facility. We will also employ a manual sign-in system. We keep the original sign-in sheets under lock and key to prevent misplacement. As a point of information, original sign-in sheets could not be located for January thru March 2006. All other sign-in sheets were on hand.

06-02 Annual Financial Reports Not Timely Submitted
Management's Response- Management agrees with auditors findings. Management is well aware of the importance of timely filing of annual financial reports. We are in the process of compiling all documentations to complete this years' audit in a timely manner.

06-03 Annual Income Tax Returns Not Timely Filed
Management's Responses- Management agrees with auditors findings. Management is well aware of the importance of complying with tax filing requirements. We are in the process of filing the taxes for 2005 and 2006. All subsequent taxes will be filed in a timely manner.

General Comments
The Louisiana Leadership Institute has strong programs providing academic, school of performing arts and athletics for the youth of Baton Rouge. The disruptions caused by unprecedented weather conditions coupled with a high turn over in Administrative Staff affected both consistency and accuracy in providing necessary reports.

The failure to maintain adequate documentation, provide annual financial reports timely, and provide annual income tax returns timely resulted from the aforementioned circumstances. The present Administration certainly would not willingly ignore issues that would potentially harm our program'ss continuation. This Administration is steadfast in our desire to maintain a strong program and provide adequate documentation upon request. We regret this oversight and we are on pace to ensure that this would not happen in the future. Please contact me if any additional information is needed.

With kindest regards, I remain...
Fully committed

Sherman G. Ruth
Interim Executive Director

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