

LOUISIANA LEADERSHIP INSTITUTE

FINANCIAL STATEMENTS

JUNE 30, 2004

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 2-9-05

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MEMBER OF
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SOCIETY OF LOUISIANA
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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, 2004, 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, 2004, 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 18, 2004, on my consideration of the Louisiana Leadership Institute's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. 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.

My audit was performed for the purpose of forming an opinion on the basic financial statements of the Louisiana Leadership Institute taken as a whole. The combining schedule of revenues and expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to be 'R. A.', written in a cursive style.

Baton Rouge, Louisiana
December 18, 2004

ROY HEBERT
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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
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, 2004, and have issued my report thereon dated December 18, 2004. 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.

Compliance

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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

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.

A handwritten signature in black ink, appearing to be 'J. A. ...', located above the typed text.

Baton Rouge, Louisiana
December 18, 2004

LOUISIANA LEADERSHIP INSTITUTE
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2004

ASSETS

Current assets		
Cash	\$	33,713
Grants receivable		<u>142,516</u>
Total current assets		<u>176,228</u>
Property and equipment		
Property and equipment, net		<u>3,008,747</u>
Total assets	\$	<u>3,184,975</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Current liabilities		
Accounts payable and accrued expenses	\$	105,062
Demand note payable		77,657
Notes payable-current portion		<u>61,873</u>
Total current liabilities		<u>244,592</u>
Notes payable-less current portion		<u>622,834</u>
Total liabilities		<u>867,426</u>

NET ASSETS

Net assets		
Unrestricted		<u>2,317,549</u>
Total net assets		<u>2,317,549</u>
Total liabilities and net assets	\$	<u>3,184,975</u>

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

**LOUISIANA LEADERSHIP INSTITUTE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004**

<u>REVENUE AND SUPPORT</u>	<u>Unrestricted</u>
Grant income	\$ 2,688,654
Donations and contributions	17,633
Interest and other income	109,995
Total revenue and support	2,816,282
<u>EXPENSES</u>	
<u>Program expenses</u>	
Depreciation	171,452
Equipment rental	1,327
Field trips	14,942
Insurance	4,548
Internet expense	2,603
Licenses and permits	1,064
Miscellaneous expense	10,351
Motor coach expenses	82,305
Office expense and supplies	29,658
Payroll taxes	34,489
Postage	1,589
Printing	1,328
Professional services	3,239
Program expenses	144,364
Rent	11,718
Salaries	382,855
Student fellowships and stipends	16,697
Uniforms and athletic equipment	8,958
Van expenses	23,864
Total program expenses	947,351

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

**LOUISIANA LEADERSHIP INSTITUTE
STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED JUNE 30, 2004**

	<u>Unrestricted</u>
<u>Support services</u>	
Accounting fees	7,874
Bank service charges	2,138
Depreciation	3,758
Equipment rental	1,201
Insurance	8,342
Interest expense	39,428
Miscellaneous expense	16,535
Office expense and supplies	7,549
Payroll taxes	9,215
Postage	12
Printing	925
Refreshments-board meetings	1,103
Rent	19,166
Salaries	75,077
Telephone	4,631
Utilities and occupancy costs	5,930
Total support services	<u>202,884</u>
Total expenses	<u>1,150,235</u>
 Change in net assets	 1,666,047
 Net assets, June 30, 2003	 <u>651,502</u>
 Net assets, June 30, 2004	 <u>\$ 2,317,549</u>

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

**LOUISIANA LEADERSHIP INSTITUTE
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2004**

Cash flows from operating activities	
Change in net assets	\$ 1,666,047
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities	
Depreciation	175,210
(Increase) decrease in grants receivable	(20,310)
Increase (decrease) in accounts payable and accrued expenses	22,469
Total adjustments	<u>177,370</u>
Net cash provided (used) by operating activities	1,843,416
Cash flows from investing activities	
Purchases of fixed assets	<u>(1,974,829)</u>
Net cash provided (used) by investing activities	<u>(1,974,829)</u>
Cash flows from financing activities	
Proceeds from long-term debt	461,000
Proceeds from line-of-credit	80,010
Repayment of long-term debt	(285,471)
Repayment of line-of-credit	<u>(96,472)</u>
Net cash provided (used) by financing activities	<u>159,067</u>
Net (decrease) in cash	27,655
Cash at beginning of the year	<u>6,058</u>
Cash at end of the year	<u>\$ 33,713</u>

Supplemental Disclosures

Cash paid during the year for:	
Interest	<u>\$ 39,428</u>

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

LOUISIANA LEADERSHIP INSTITUTE
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2004

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, 2004**

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, 2004.

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, 2004, 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, 2004, consisted of the following:

Computer equipment	\$ 29,030
Automobiles	41,484
Tour buses	1,290,230
Office equipment	109,415

LOUISIANA LEADERSHIP INSTITUTE
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2004

Computer software	637
Construction in progress	1,616,160
	3,086,956
Less: accumulated depreciation	-375,762
Land	297,553
	\$ 3,008,747

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. Leases

The Institute leased its operating facilities under a three-year operating lease which expired June 30, 2004. The lease was a non-cancelable three year lease with escalation clauses. Total rental expense for the year ended June 30, 2004, was \$25,555.

The Institute is renting the same facility on a month to month basis until it moves to its new, permanent site in the summer of 2004.

The above lease payments are contingent upon the Institute's ability to secure State funds on an annual basis. In the event the Institute is unable to secure funding on an annual basis, the lease term shall expire one year from the last successful acquisition of State funding.

4. Notes Payable

Long-term debt is summarized as follows:

	<u>Due Within One Year</u>	<u>Due After One Year</u>
Note payable due in 24 monthly installments of \$3,447 including interest at 4.10%. The note matures September 2005. Collateralized by a tour bus.	\$ 23,778	\$ 420,182
Note payable due in 84 monthly installments of \$4,027 including interest at 5.89%. The note matures April 2010. Collateralized by land.	38,095	202,652
	\$ 61,873	\$ 622,834

**LOUISIANA LEADERSHIP INSTITUTE
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2004**

The above debts are scheduled to mature as follows:

Year ending June 30:	<u>Amount</u>
2005	61,873
2006	457,564
2007	39,645
2008	42,044
2009	44,589
2010	38,992
	<u>\$ 684,707</u>

The Institute also has a demand note payable dated April 9, 2003, for \$100,000, bearing interest at 6.0%. The note is unsecured and has a balance of \$77,657 as June 30, 2004.

5. Concentration of Credit Risk

During the year ended June 30, 2004, the Institute received 95% 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, 2004, the Institute did not have any funds in excess of these limits.

6. 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.

7. 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.

8. 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, 2004, amounted to \$1,499,810. Total costs incurred to date as of June 30, 2004, was \$1,616,160.

SUPPLEMENTARY INFORMATION

**LOUISIANA LEADERSHIP INSTITUTE
COMBINING SCHEDULE OF REVENUES AND EXPENSES
YEAR ENDED JUNE 30, 2004**

	Department Of Urban <u>Affairs</u>	State <u>Treasury</u>	TANF <u>Funds</u>	Self- Generated <u>Funds</u>	<u>Totals</u>
<u>REVENUE AND SUPPORT</u>					
Grant income	\$ 347,500	\$ 1,825,994	\$ 515,160	\$ -	\$ 2,688,654
Donations and contributions	-	-	-	17,633	17,633
Interest and other income	-	-	-	109,995	109,995
Total revenue and support	<u>347,500</u>	<u>1,825,994</u>	<u>515,160</u>	<u>127,628</u>	<u>2,816,282</u>

EXPENSES

Program expenses

Depreciation	-	-	-	171,452	171,452
Equipment rental	1,327	-	-	-	1,327
Field trips	14,682	-	260	-	14,942
Insurance	4,154	-	394	-	4,548
Internet expense	2,603	-	-	-	2,603
Licenses and permits	-	-	-	1,064	1,064
Miscellaneous expense	-	24	4	10,321	10,349
Motor coach expenses	58,660	48	649	22,949	82,305
Office expense and supplies	3,450	-	26,208	-	29,658
Payroll taxes	4,643	10,167	19,680	-	34,489
Postage	1,589	-	-	-	1,589
Printing	-	-	1,328	-	1,328
Professional services	3,204	35	-	-	3,239
Program expenses	11,559	87,964	6,877	37,965	144,364
Rent	6,389	-	5,330	-	11,718
Salaries	59,212	-	323,642	-	382,855
Student fellowships and stipends	11,697	-	5,000	-	16,697
Uniforms and athletic equipment	8,958	-	-	-	8,958
Van expenses	19,931	-	3,752	181	23,864
Total program expenses	<u>212,057</u>	<u>98,238</u>	<u>393,124</u>	<u>243,931</u>	<u>947,351</u>

Support services

Accounting fees	7,720	-	154	-	7,874
Bank service charges	40	-	1,675	423	2,138
Depreciation	-	-	-	3,758	3,758
Equipment rental	1,201	-	-	-	1,201
Insurance	8,300	-	33	10	8,342
Interest expense	-	-	-	39,428	39,428
Miscellaneous expense	614	-	12,539	3,381	16,535
Office expense and supplies	1,385	-	6,164	-	7,549
Payroll taxes	3,662	-	5,552	-	9,215

**LOUISIANA LEADERSHIP INSTITUTE
COMBINING SCHEDULE OF REVENUES AND EXPENSES (CONTINUED)
YEAR ENDED JUNE 30, 2004**

	<u>Department Of Urban Affairs</u>	<u>State Treasury</u>	<u>TANF Funds</u>	<u>Self- Generated Funds</u>	<u>Totals</u>
Postage	12	-	-	-	12
Printing	120	-	-	805	925
Refreshments-board meetings	1,103	-	-	-	1,103
Rent	19,166	-	-	-	19,166
Salaries	38,530	-	36,547	-	75,077
Telephone	4,631	-	-	-	4,631
Utilities and occupancy costs	5,930	-	-	-	5,930
Total support services	<u>92,415</u>	<u>-</u>	<u>62,665</u>	<u>47,805</u>	<u>202,885</u>
Total expenses	<u>304,472</u>	<u>98,238</u>	<u>455,789</u>	<u>291,736</u>	<u>1,150,235</u>
Change in net assets	<u>\$ 43,028</u>	<u>\$ 1,727,755</u>	<u>\$ 59,372</u>	<u>\$ (164,108)</u>	<u>\$ 1,666,047</u>