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BATON ROUGE BAR FOUNDATION

(A NOT-FOR-PROFIT ORGANIZATION)

FINANCIAL STATEMENTS

DECEMBER 31, 2007

P&N

BATON ROUGE BAR FOUNDATION

(A NOT-FOR-PROFIT ORGANIZATION)

FINANCIAL STATEMENTS

DECEMBER 31, 2007

CONTENTS

P&N Postlethwaite & Netterville

A Professional Accounting Corporation
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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, 2007 and 2006, 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 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 Foundation'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 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, 2007 and 2006, 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 16, 2008, 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.

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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.

Postlethwaite & Netterville

Baton Rouge, Louisiana
June 16, 2008

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

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2007 AND 2006

ASSETS

	2007	2006
CURRENT ASSETS		
Cash	$ 284,376	$ 43,184
Accounts receivable	53,206	41,115
Unconditional promises to give - current, less allowances for uncollectible promises of $92 and $276 at December 31, 2007 and 2006, respectively	523	1,565
Certificate of deposit	15,574	-
Other current assets	311	142
	353,990	86,006
RESTRICTED CURRENT ASSETS		
Cash	2,495	168
Certificates of deposit - cash equivalents	28,173	26,496
	30,668	26,664
Total current assets	384,658	112,670
PROPERTY AND EQUIPMENT, at cost		
Furniture and fixtures	84,164	95,357
Equipment	1,603	2,089
Computers	28,779	28,779
Building improvements	10,470	10,470
Building	537,634	537,634
	662,650	674,329
Less: Accumulated depreciation	(217,467)	(208,614)
	445,183	465,715
Land	150,000	150,000
Total property and equipment, net	595,183	615,715
Total assets	$ 979,841	$ 728,385

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS

		2007		2006
CURRENT LIABILITIES				
Accounts payable	$	5,712	$	446
Due to related party		16,469		30,988
Total current liabilities		22,181		31,434
NET ASSETS				
Unrestricted		953,403		692,412
Temporarily restricted		4,257		4,539
Total net assets		957,660		696,951
Total liabilities and net assets	$	979,841	$	728,385

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

STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2007 AND 2006

	2007	2006
CHANGES IN UNRESTRICTED NET ASSETS:		
Revenues:		
Fund-raising	$ 44,582	$ 37,884
Donations	250,000	-
Interest income	2,252	1,056
Lease income	23,000	23,200
Membership dues	19,915	20,585
Miscellaneous	3,738	3,572
Teen Court grant	80,602	28,500
Total unrestricted revenues	424,089	114,797
Net assets released from restrictions	91,402	88,762
Total unrestricted revenues and other support	515,491	203,559
Expenses:		
Pro bono project and youth education	83,160	82,586
Louisiana Bar Association special disaster relief grant	19,832	18,953
Teen court expenses	82,581	27,227
General and administrative	48,750	43,310
Fundraising	20,177	13,322
Total expenses	254,500	185,398
Change in unrestricted net assets	260,991	18,161
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:		
Grants	90,120	89,359
Donations	1,000	-
Total temporarily restricted revenues	91,120	89,359
Net assets released from restrictions	(91,402)	(88,762)
Change in temporarily restricted net assets	(282)	597
Change in net assets	260,709	18,758
Net assets at beginning of year	696,951	678,193
Net assets at end of year	$ 957,660	$ 696,951

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, 2007 AND 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 260,709	$ 18,758
Adjustments to reconcile change in net assets		
to net cash provided by operating activities:		
Depreciation	20,532	23,755
Unrealized appreciation of investments	(574)	-
Changes in the following accounts:		
Accounts receivable	(12,091)	(33,917)
Unconditional promises to give	1,042	3,986
Due to related party	(14,519)	(2,354)
Accounts payable	5,266	25,098
Other current assets	(169)	-
Net cash provided by operating activities	260,196	35,326
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of certificate of deposit	(15,000)	-
Net cash used in investing activities	(15,000)	-
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on note payable	-	(8,415)
Net cash used in financing activities	-	(8,415)
Change in cash and cash equivalents	245,196	26,911
Cash and cash equivalents at beginning of year	69,848	42,937
Cash at end of year	$ 315,044	$ 69,848
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	$ -	$ 518

The accompanying notes are an integral part of these statements.

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.

Accounts Receivable

The Foundation determines past due accounts based on contractual terms and does not charge interest on the accounts. Receivables consist of amounts due from various grants and other receivables. The Foundation charges off receivables if management considers the collection of the outstanding balance to be doubtful. Management believes that all existing receivables are collectible.

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 restricted, 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.

Grants for fee income are recorded as unrestricted net assets in the Statement of Activities. All grantee-restricted support is reported as an increase in temporarily restricted net assets in the Statement of Activities. When the restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released on the Statement of Activities.

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, 2007 and 2006, the allowance for uncollectible pledges was $92 and $276, respectively. Management believes all other receivables are 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.

At various times during the fiscal year, the Foundation's cash in bank balances exceeded the federally insured limits. At December 31, 2007, the Foundation's uninsured cash balances totaled approximately $192,000.

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.

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Principles (continued)

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 $28,173 and $26,496 at December 31, 2007 and 2006, respectively, which is specifically restricted by the Board for a gift for the city. The Foundation also holds an unrestricted certificate of deposit at Regions Bank in the amount of $15,574 and $0 at December 31, 2007 and 2006, respectively.

Reclassification

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

2. Unconditional Promises to Give

Unconditional promises to give at December 31, 2007 and 2006 are as follows:

	2007	2006
Receivable in less than one year	$ 615	$ 1,841
Less: Allowance for uncollectible promises	(92)	(276)
Net unconditional promises to give	$ 523	$ 1,565

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 of rent income for the years ended December 31, 2007 and 2006, 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. In January 2006, all employees of the Foundation were hired as employees of the Association and their salaries and benefits are now being allocated to the Foundation. At December 31, 2007 and 2006, the Baton Rouge Bar Foundation owes $16,469 and $30,988, respectively, to the Association for these types of expenses.

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

NOTES TO FINANCIAL STATEMENTS

3. **Related Party Transactions** (continued)

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.

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

Temporarily restricted net assets were available for the following purposes at December 31, 2007 and 2006:

	2007	2006
Renovation of new building	$ 3,942	$ 3,942
Louisiana Bar Foundation Disaster Relief grant	315	597
	$ 4,257	$ 4,539

Net assets released from restrictions during the years ended December 31, 2007 and 2006, were $91,402 and $88,762, respectively, for program expenses.

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 and was not renewed.

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, 2007 AND 2006

	2007	2006
Computer usage fee	$ 3,000	$ 1,063
Insurance	955	1,354
Meetings and seminars	3,981	7,732
Office supplies	2,271	2,398
Postage	1,784	1,575
Printing	4,495	2,927
Professional fees	7,588	5,200
Rent	2,600	2,600
Salaries and employee benefits	42,646	48,780
Telephone	4,650	3,975
Training	1,090	-
Travel	2,512	-
Utilities	5,588	4,982
	$ 83,160	$ 82,586

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, 2007 AND 2006

	2007	2006
Salaries and employee benefits	$ 19,832	$ 18,953

BATON ROUGE BAR FOUNDATION
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SCHEDULES OF FUNCTIONAL UNRESTRICTED EXPENSES
GENERAL AND ADMINISTRATIVE AND FUNDRAISING
YEARS ENDED DECEMBER 31, 2007 AND 2006

General and Administrative	2007	2006
Bank charges	$ 372	$ -
Bad debt	30	1,627
Computer usage fee	4,694	925
Depreciation	20,532	23,755
Salaries and employee benefits	9,590	2,235
Insurance	2,601	1,500
Interest	-	518
Janitorial	800	850
Miscellaneous	114	-
Office supplies	90	399
Postage	40	-
Printing	-	491
Professional fees	4,938	7,365
Repairs and maintenance	3,446	1,757
Telephone	800	-
Travel	40	1,242
Utilities	663	646
Total general and administrative expenses	48,750	43,310
Fundraising		
Fundraising costs	20,177	13,322
Total functional unrestricted expenses	$ 68,927	$ 56,632

BATON ROUGE BAR FOUNDATION
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BATON ROUGE, LOUISIANA

EXPENDITURES FOR IOLTA GRANT
YEAR ENDED DECEMBER 31, 2007

Personnel		
Salaries and employee benefits	$	19,798
Total: Personnel Costs		19,798
Non-Personnel Costs		
Computer usage		1,000
Insurance		477
Management expense		3,969
Meeting expense		3,294
Printing		1,942
Postage		500
Supplies		300
Telephone		100
Total: Non-Personnel Costs		11,582
Total	$	31,380

NOTE: During the year ended December 31, 2007, expenses incurred and allocated to the IOLTA Grant program were in excess of the $30,100 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 TEEN COURT GRANT
YEAR ENDED DECEMBER 31, 2007

Meetings	$	4,064
Office supplies		893
Postage		1,000
Printing		2,412
Salaries and employee benefits		67,188
Technology fees		5,492
Travel		1,532
	$	82,581

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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, 2007, and have issued our report thereon dated June 16, 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 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 ability to initiate, authorize, record or process, or report financial data reliability in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Foundation's financial statements that is more than inconsequential will not be prevented or detected by the Foundation's internal control. We consider the deficiencies described in the following paragraph to be significant deficiencies in internal control over financial reporting.

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2007-1 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 Foundation, 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 Foundation meets the definition of a significant deficiency as defined above. This was communicated to management in the prior year. We did note, however, that progress was made with respect to the bookkeeper attending accounting training during the year.

2007-2 During the audit, it was noted that some journal entries were not reviewed by management. 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. This was also communicated to management in the prior year, however, we noted improvement from the prior year regarding maintaining supporting documentation for journal entries.

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 and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiencies described above are not material weaknesses. We noted another matter involving internal control over financial reporting that we have reported to management in a separate letter dated June 16, 2008.

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 16, 2008

P&N

Baton Rouge Bar
FOUNDATION

June 23, 2008

Postlethwaite & Netterville
Certified Public Accountants
8550 United Plaza Blvd., Suite 1001
Baton Rouge, LA 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, 2007.

Condition:

2007-1 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 Foundation, 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 Foundation meets the definition of a significant deficiency as defined above. This was communicated to management in the prior year. We did note, however, that progress was made with respect to the bookkeeper attending accounting training during the year.

Management's Response:

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

Condition:

2007-2 During the audit, it was noted that some journal entries were not reviewed by management. We recommend that management categorize journal entries into

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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. This was also communicated to management in the prior year, however, we noted improvement from the prior year regarding maintaining supporting documentation for journal entries.

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.

Sincerely,

Ann G. Scarle

Ann G. Scarle
Executive Director

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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, 2007 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.

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

1) Capitalization Policy

As part of our audit procedures, we noted that the Foundation has no formal policy for the capitalization of property and equipment purchases. A written policy will assist in appropriately identifying assets that should be recorded, depreciated and reported for accounting and tax purposes. We suggest that the Foundation implement a written policy requiring all assets costing more than an established amount, such as $500 or $1,000, to be capitalized and depreciated over the assets' useful lives.

Management's response:

Management will discuss implementing a capitalization policy at the next Board of Directors meeting.

2) Allocation of Expenses

During the audit, it was noted that expenses were being reallocated to various programs primarily based on the amount budgeted versus a documented allocation method. Expenditures charged to the grant should be based on actual costs incurred or allocations that are supported by a reasonable allocation method such as percentages based on time spent on each program. 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. This was also communicated to management in the prior year. We noted improvement in the allocation method used and the related support.

Management's response:

Management will continue to refine the allocation methods used and the related supporting documentation.

Postlethwaite & Netterville

Baton Rouge, Louisiana
June 16, 2008