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URBAN RESTORATION ENHANCEMENT
CORPORATION
BATON ROUGE, LOUISIANA
FINANCIAL STATEMENTS
YEAR ENDED 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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Certified Public Accountant



Donald C. DeVille

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INDEPENDENT AUDITOR'S REPORT

December 2, 2004

To the Board of Directors
Urban Restoration Enhancement Corporation
Baton Rouge, Louisiana

I have audited the accompanying statements of financial position of Urban Restoration Enhancement Corporation (a non-profit organization) as of June 30, 2004, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Urban Restoration Enhancement Corporation's management. My responsibility is to express an opinion of 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provided 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 Urban Restoration Enhancement Corporation as of June 30, 2004, and the changes in net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles in the United States of America.

In accordance with Government Auditing Standards, I have also issued a report dated December 2, 2004, on my consideration of Urban Restoration Enhancement Corporation's internal control over financial reporting and on my tests of its compliance with laws, regulations, contracts and grants agreements and other matters. 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 Governmental Auditing Standards and should be considered in assessing the results of my audit.

My audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, 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 financial statements taken as a whole.

Don D. C. DuWille

URBAN RESTORATION ENHANCEMENT CORPORATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2004

(With Comparative Totals for 2003)

	<u>JUNE 30,</u>	
	<u>2004</u>	<u>2003</u>
ASSETS		
Cash and Cash Equivalents	\$172,332	\$68,969
Grants Receivable	123,675	146,629
Tenants Receivable	9,249	2,186
Notes Receivable	1,100	-0-
Property Plant & Equipment	1,981,804	2,029,794
Deposits	2,380	3,380
	<u>2,290,540</u>	<u>2,250,958</u>
TOTAL ASSETS	2,290,540	2,250,958
LIABILITIES		
Notes Payable	\$1,677,840	\$1,608,320
Accounts Payable	52,823	70,918
Employee Withholdings	1,810	4,022
Accrued Vacations Payable	14,336	15,854
Security Deposits	4,304	11,850
	<u>1,751,113</u>	<u>1,710,964</u>
TOTAL LIABILITIES	1,751,113	1,710,964
NET ASSETS		
Unrestricted	539,427	539,994
	<u>539,427</u>	<u>539,994</u>
TOTAL NET ASSETS	539,427	539,994
TOTAL LIABILITIES & NET ASSETS	2,290,540	2,250,958

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT.

URBAN RESTORATION ENHANCEMENT CORPORATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004

(With Comparative Totals for 2003)

	<u>YEAR ENDED JUNE 30,</u> <u>2004</u>	<u>2003</u>
REVENUE AND OTHER SUPPORT:		
Program Service Fees	\$875,588	\$886,401
Donations	4,906	192,842
Fund Raising	23,264	5,850
Rent Revenue	374,260	345,909
Miscellaneous Income	2,339	4,502
Interest Income	1,232	1,477
In-Kind	103,484	71,734
	<u>1,385,073</u>	<u>1,508,715</u>
EXPENSES:		
PROGRAM SERVICES		
Office Urban Affairs	266,503	237,857
GDFSC	5,000	5,000
Saturday Academy	140,101	146,340
Impact	1,799	7,951
First Time Home Buyers	22,920	19,237
NBR 70805	251,943	224,191
CHDO	2,500	-0-
Supportive Housing	101,729	86,178
Urban Meadows	316,958	315,390
Network Expo	26,792	16,901
Office of Community	86,653	125,985
Teen Pregnancy	25,710	79,731
Villa Caprice	95,690	59,834
Home	41,342	-0-
	<u>1,385,640</u>	<u>1,324,595</u>
TOTAL EXPENSES	<u>1,385,640</u>	<u>1,324,595</u>
CHANGES IN NET ASSETS	(567)	184,120
NET ASSETS AT BEGINNING OF YEAR	<u>539,994</u>	<u>355,874</u>
NET ASSETS AT END OF YEAR	<u>539,427</u>	<u>539,994</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT.

URBAN RESTORATION ENHANCEMENT CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES

June 30, 2004

	GDFSC SATURDAY			FIRST TIME			SUPPORT URBAN			TEEN			URBAN			TOTAL
	GOUA	CHOD	ACADEMY	HOME BUYER	NBR 70805	HOUSE IOMELES	APTS	EXPO	MICRO ENTERP	PREG	VILLA	SEEDCO	TOTAL			
Grant Payout	27,559	0	0	0	0	0	0	0	0	0	0	6,045	33,604			
Accounting	2,055	0	107	20	161	54	193	0	308	0	112	0	3,010			
Advertising	230	0	0	960	0	0	543	3,650	0	0	0	0	5,383			
Bank Charges	315	0	0	0	178	0	0	0	0	0	24	50	567			
Contract Labor	0	0	49,787	0	39,567	0	0	0	0	12,879	0	0	102,233			
Depreciation	7,307	0	0	0	0	0	46,501	0	1,051	0	12,689	0	67,548			
Dues & Subs	3,898	0	0	0	0	60	626	0	0	0	76	0	4,660			
Equipment Rent	664	0	0	0	0	0	334	0	0	0	478	0	1,476			
Equipment Leas	3,916	0	0	0	0	0	0	0	0	0	0	0	3,916			
Health & Life Ins	12,790	0	0	0	204	138	6,013	0	575	0	0	0	19,720			
Insurance	23,044	0	2,671	0	5,389	295	15,761	0	227	0	13,165	0	60,552			
Interest Expense	654	0	0	0	13,984	0	71,876	0	0	0	1,000	0	87,514			
Meetings/Conf	10,337	0	0	93	2,563	250	3,570	360	0	0	631	240	18,044			
Miscellaneous	3,277	0	0	0	9,578	1,970	788	0	58	0	0	0	15,671			
Office Expense	275	0	1,108	0	0	0	0	0	0	0	0	0	1,383			
Pension	2,213	0	0	0	0	0	0	0	0	0	0	0	2,213			
Postage	3,159	0	534	0	330	0	841	912	900	32	163	488	7,359			
Printing	888	0	937	0	1,056	123	1,353	1,994	0	123	0	1,779	8,253			
Program Service	15,725	5,000	1,399	839	10,128	0	3,971	19,450	10,648	889	1,110	6,834	75,993			
Professional Ser	6,395	0	1,500	0	176	3,450	150	0	33,590	988	2,880	0	49,129			
Banquet	0	0	0	0	5,908	0	0	0	0	0	0	0	5,908			
Occupancy	9,920	0	7,182	0	5,560	26,876	57	0	675	1,850	0	0	52,120			
Maintenance	13,974	2,500	275	0	1,025	0	50,273	0	100	0	10,220	0	78,367			
Salaries	66,005	0	21,029	0	2,333	28,052	56,104	0	35,591	7,916	30,520	23,459	406,078			
Supplies	9,590	0	9,856	0	184	270	13,698	426	413	0	2,472	452	43,447			
Payroll Taxes	7,193	0	974	0	107	2,124	2,865	0	2,357	665	3,088	1,855	29,068			
Telephone	6,298	0	0	0	183	0	1,075	0	105	268	2,209	0	11,354			
Travel	2,224	0	3,100	0	1,987	69	70	0	55	100	0	0	7,605			
Education	3,286	0	14,784	0	3,247	0	438	0	0	0	219	140	22,114			
Utilities	2,312	0	234	0	691	138	39,858	0	0	0	14,634	0	57,867			
In Kind	21,000	0	24,624	0	20,000	0	37,860	0	0	0	0	0	103,484			
Total	266,503	7,500	140,101	1,799	22,920	251,943	316,958	26,792	86,653	25,710	95,690	41,342	1,385,640			

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT.

URBAN RESTORATION ENHANCEMENT CORPORATION
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2004

(With Comparative Totals for 2003)

	<u>YEAR ENDED JUNE 30,</u>	
	<u>2004</u>	<u>2003</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Increase (Decrease) In Net Assets	\$(567)	\$184,120
Adjustments To Reconcile Increase In Net Assets To Net Cash Provided By Operating Activities:		
Depreciation	67,548	66,872
Non-Cash Donation	-0-	(180,000)
(Increase) Decrease In Operating Assets:		
Accounts Receivable	-0-	-0-
Grants Receivables	22,954	(17,635)
Tenants Receivable	(7,063)	2,245
Notes Receivable	(1,100)	-0-
Deposits	1,000	(200)
Increase (Decrease) In Operating Liabilities:		
Accounts Payable	(18,095)	37,947
Employee Withholdings	(2,212)	(171)
Accrued Vacations	(1,518)	4,343
Security Deposits	(7,546)	(1,000)
NET CASH PROVIDED BY OPERATING ACTIVITIES	53,401	96,521
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Purchase of Equipment & Improvements	(19,558)	428,411)
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Proceeds from Loans	126,403	459,892
Repayment of Loans	(56,883)	(180,208)
	69,520	279,684
NET INCREASES (DECREASE) IN CASH	103,363	(52,206)
CASH AND CASH EQUIVALENTS, Beginning of Year	68,969	121,175
CASH AND CASH EQUIVALENTS, End of Year	172,332	68,969

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT.

URBAN RESTORATION ENHANCEMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE #1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Urban Restoration Enhancement Corporation (Organization) is a voluntary health and welfare organization and a Louisiana non-profit corporation, incorporated in 1992 to assist individuals, groups and organizations with resources to empower themselves and make an impact in key focus areas.

BASIS OF ACCOUNTING

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

CONTRIBUTIONS

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Organization has no temporarily or permanently restricted net assets in 2002.

INCOME TAXES

The Organization is a not-for-profit organization that is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code and therefore has not made any provision for federal income taxes in the income taxes in the accompanying financial statements. In addition, the organization has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509 (a) of the Internal Revenue Code. There was no unrelated business income.

CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, the organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

PREPAID

Insurance and similar services which extend over more than one accounting period have been recorded as prepaid.

URBAN RESTORATION ENHANCEMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE #1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ACCOUNTS RECEIVABLE

Accounts receivable are written-off under the direct write-off method whereby bad debts are recorded when a receivable is deemed uncollectible. If they are subsequently collected they are recorded as miscellaneous income. The direct charge-off method is not a material departure from GAAP as it approximates the valuation method.

PROPERTY AND EQUIPMENT

The purchase of property and equipment is recorded at cost. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Property and equipment is depreciated using the straight-line method over the estimated useful lives of 5 to 40 years for buildings and improvements and 5-10 years for equipment.

Donated Services. A substantial number of volunteers have donated many hours to U.R.E.C.'s program services and fund-raising campaigns during the year. However, these donated services valued at **\$405,333** are not reflected in the financial statements since the services do not require specialized skills. Donated professional services (which include accounting and legal services) are reflected in the statement of activities at their fair value, **\$103,484**.

Materials and other assets received as donations are recorded and reflected in the accompanying financial statements at their fair values at the date of receipt. There was no material donations of material or other assets during the year.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles 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 for the period. Actual results could differ from those estimates.

FUNCTIONAL ALLOCATION OF EXPENSES

The cost of providing Organization's various programs and supporting services have been summarized on a functional basis in the statement of support, revenue and expenses, and changes in fund balances. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

URBAN RESTORATION ENHANCEMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

COMPARATIVE DATA

Comparative data for the prior year have been presented in the accompanying financial statements to provide an understanding of changes in the Clubs' financial position and operations. However, presentation of comparative data by fund type have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

NOTE #2. CONCENTRATION OF CREDIT RISK FOR CASH HELD IN BANK

The Urban Restoration Enhancement Corporation maintains several bank accounts at a financial institution. Accounts at an institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. Cash at all of these institutions exceeded Federally insured limits. The amount in excess of the FDIC limited totaled \$103,346 as of June 30, 2004.

NOTE #3. RECEIVABLES

A. Receivables consist of:

Program Service Fees Receivable:	
Department of Education	\$30,643
City of Baton Rouge - WIA	52,532
City of Baton Rouge - SHP	18,664
Tulane	3,825
Office of Economic Development	6,480
Department of Social Services	11,531
	<hr/>
Total	123,675
	<hr/> <hr/>
Tenant Receivables	\$9,249
Allowance For Uncollectible	-0-
	<hr/>
Total Tenant Receivables	9,249
	<hr/> <hr/>

URBAN RESTORATION ENHANCEMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE #4. FIXED ASSETS

A summary of Fixed Asset at year-end follows:

Land	\$152,100
Office Furniture and Equipment	121,432
Buildings & Leasehold Improvements	2,150,700
	2,424,232
Less Accumulated Depreciation	(442,428)
	1,981,804

NOTE #5. LEASE OBLIGATIONS

The Organization entered into a lease for corporate office space beginning July 1, 2003, terminating June 30, 2004, for \$900 per month with an option to extend the lease for twelve months.

NOTE #6. NOTES PAYABLE

\$528,751 construction loan payable to the City of Baton Rouge consist of a twenty year deferred mortgage. This loan was initially made as a collateral mortgage loan, which Borrower shall convert to a permanent (term) loan within ninety (90) days following completion of property rehabilitation construction. The note bears zero (0.0%) percent interest. This loan bears no prepayment penalty, nor are loan application fee, origination or discount points charged. Subject to the provision for prepayment of loan principal from net project proceeds, amortization payments of this loan principal shall be deferred for fifteen years from the date of the mortgage. Upon expiration of the 15-year deferral period, Borrower shall make monthly payments each equal to the amount of the mortgage divided by one hundred eighty, until fully paid. Maximum authorized \$535,000. \$528,751

\$750,000 construction loan payable to Hibernia National Bank at 9.250% payable monthly. On July 19, 1999, the Organization entered into an agreement to pay \$6,937 per month based on a twenty year amortization with balance of \$675,503 due July 19, 2004. 723,940

URBAN RESTORATION ENHANCEMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

\$17,000 Lot Loan payable to Hibernia National Bank at 9.25% interest dated December 21, 1999, with monthly payments of \$359.11, beginning January 21, 2000, ending December 21, 2004.	\$2,352
\$115,000 Line of Credit with Hibernia National Bank at 9.75% interest, all accounts collateralized	38,793
\$350,000 construction loan payable to the City of Baton Rouge Sixty days following the completion of the rental project but no later than January 1, 2004, the lender shall cause the loan to convert to a permanent (term) loan. The borrower shall pay interest at a the rate of 5%. Lender will allow monthly amortizations payments to be made on the permanent loan on a schedule of: \$4,500 per year for the first five years, \$8,000 per year for the second five years, \$12,000 for the third five years, and \$38,000 for the fourth five years, and the balance in the 240th payment. Maximum authorized \$450,000.	350,000
\$100,000 Loan payable to Local Initiative Support Corp 6.3% interest dated December 23, 2002, due November 1, 2004	34,004
Total	<u>1,677,840</u>

The minimum future note payments by year are as follows:

July 01, 2004, To June 30, 2005	\$101,470
July 01, 2005, To June 30, 2006	26,321
July 01, 2006, To June 30, 2007	28,427
July 01, 2006, To June 30, 2007	30,737
July 01, 2007, To June 30, 2008	30,737
Thereafter	1,460,048
	<u>1,677,740</u>

NOTE #7. SIMPLE IRA PLAN

The Corporation established a SIMPLE IRA Plan for its employees. The plan covers all employees who complete application to participate in the plan and agree to the terms of the plan. Each participant may contribute up to 3% of their compensation to the plan each year. The Corporation may contribute up to 2% of the employees salary to the Plan. The Corporation contributed \$2,213 to the Plan for the year ended June 30, 2004.

URBAN RESTORATION ENHANCEMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE #8. LITIGATION, CLAIMS AND CONTINGENCIES

The Corporation has represented to me there is one litigation pending against them, and they are not aware of any unasserted claims. Furthermore, the Corporation believes that any potential lawsuit would be adequately covered by insurance.

No claims or litigation costs were incurred during the current year.

NOTE #9 - ECONOMIC DEPENDENCY

The Corporation receives the majority of its revenue from funds provided through grants administered by the Louisiana Governor's Office of Urban Affairs and Economic Development. The grant amounts are appropriated each year by the federal and state governments. If significant budget cuts are made at the federal and/or state level, the amount of funds the Corporation receives could be reduced significantly and have an adverse impact on its operations.

NOTE #10. FEDERAL GRANT CONTINGENCIES

The Corporation receives a large portion of its revenues from government grants and contracts, all of which are subject to audit by the governments. The ultimate determination of amounts received under these programs generally is based upon allowable cost reported to and are subject to audit by the government. Until such audits, if any, there exists a contingency to refund any amount received in excess of allowable cost. Management is of the opinion that no material liability will result from such audits.

NOTE 11 - RISK MANAGEMENT

The Organization is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Organization has purchased commercial insurance to cover or reduce the risk of loss that might arise should one of these incidents occur. No settlements were made during the year that exceeded the Organization's coverages.

SUPPLEMENTAL INFORMATION

URBAN RESTORATION ENHANCEMENT CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

<u>PROGRAM TITLE</u>	<u>CFDA NUMBER</u>	<u>FEDERAL REVENUE RECOGNIZED</u>	<u>TOTAL EXPENSES</u>
<u>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Passed Through:			
State of Louisiana			
TEMPORARY ASSISTANCE FOR NEEDY	93.558	\$25,055	\$25,055
<u>U. S. DEPARTMENT OF LABOR</u>			
Passed Through:			
City of Baton Rouge			
WIA Youth Activities	17.259	222,868	222,868
<u>U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Passed Through:			
City of Baton Rouge			
Supportive Housing Program	14.235	57,269	57,269
Community Development Loan Guarantees	14.248	350,000	350,000 *
		<hr/>	<hr/>
Total		655,192	655,192
		<hr/> <hr/>	<hr/> <hr/>

* Major Grant

Certified Public Accountant



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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**

December 2, 2004

To the Board of Directors
Urban Restoration Enhancement Corporation
Baton Rouge, Louisiana

I have audited the financial statements of the Urban Restoration Enhancement Corporation as of and for the year ended June 30, 2004, and have issued my report thereon dated December 2, 2004. I conducted my audit in accordance with generally accepted auditing standards 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 Organization'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 certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention related to significant deficiencies in design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the Organization's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned cost.

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, I believe none of the reportable conditions described in the statement of findings is a material weakness.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Urban Restoration Enhancement Corporation financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed instances of non-compliance or other matters that are required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and questioned cost.

This report is intended solely for the information and use of management, others within the organization, and state Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Under Louisiana Revised Statutes 24:513, this report is distributed by the Legislative Auditor as a public document.

David C. Duville

Certified Public Accountant



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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

December 2, 2004

Members of the Board of Directors
Urban Restoration Enhancement Corporation
Baton Rouge, Louisiana

Compliance

I have audited the compliance of Urban Restoration Enhancement Corporation (U.R.E.C.) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2004. The Urban Restoration Enhancement Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of law, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Organizations management. My responsibility is to express an opinion on the Urban Restoration Enhancement Corporation's compliance based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program occurred. An audit includes examining, on a test basis, evidence about the Urban Restoration Enhancement Corporation's compliance with those requirements and performing such other procedures as I considered in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the Urban Restoration Enhancement Corporation's Compliance with those requirements.

In my opinion, the Urban Restoration Enhancement Corporation complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.


Internal Control Over Compliance

The management of the Urban Restoration Enhancement Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant applicable to federal programs. In planning and performing my audit, I considered the Urban Restoration Enhancement Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program 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 compliance and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of management, federal awarding agencies, pass-through entities, and Louisiana State Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Under Louisiana Revised Statutes 24:513, this report is distributed by the Legislative Auditor as a public document.



URBAN RESTORATION ENHANCEMENT CORPORATION
SCHEDULE OF PRIOR YEARS FINDINGS
YEAR ENDED JUNE 30, 2004

FISCAL YEAR FINDING INITIALLY OCCURRED	DESCRIPTION OF FINDING	CORRECTIVE ACTION TAKEN (YES, NO, PARTIALLY)	CORRECTIVE ACTION/PARTIAL CORRECTIVE ACTION TAKEN
1. 6-30-02	Difficulty Reconciling Grant Income on General Ledger To Confirmations.	No	New Bookkeeper Will Record Name of Payor On Deposits.
* * * *			
2. 6-30-03	Four Bank Reconcilations Did Not Agree To The General Ledger	No	Again Four Did Not Agree.
* * * *			
3. 6-30-03	General Ledger Was Out Of Balance	Yes	General Ledger Was In Balance
* * * *			
4. 6-30-03	Rent Roll Subsidiaries Agree To General Ledger	No	The Did Not Still Does Not Agree.
* * * *			

URBAN RESTORATION ENHANCEMENT CORPORATION
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2004

CASH

REPORTABLE CONDITION: I noted three bank reconciliations differed from the general ledger by \$439, \$178, and \$223.

I also noted an account had not been reconciled at all.

One reconciliation has a \$8,434 adjustment to add cash to the reconciliation so that it agrees with the general ledger.

Also the bookkeeper has more responsibility than is optimal. For instance, she prepares the bank reconciliations, prepare cash disbursements and deposits, and receives unopened bank statements and cancelled checks. This condition could provide an opportunity for misappropriation of funds and concealment of such activity.

CRITERIA: It is important for the control over cash that these accounts be reconciled to the penny. Unreconciled differences that appear immaterial can obscure significant but offsetting items (such as bank error or improperly recorded transactions) that would be cause for investigation if the items were apparent.

CAUSE: There were three bookkeepers during the year.

EFFECT: There is no material effect to these financial statements.

RECOMMENDATION: I recommend that the general ledger be reconciled monthly because over time they can build up to a significant amount that will be difficult to reconcile. I recommend that someone other than the bookkeeper reconcile or review unopened bank statements and cancelled checks. Note that this comment is not meant to imply that I identified unauthorized disbursements, but that additional controls could reduce the risk.

MANAGEMENT RESPONSE: Management agrees with the finding.

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URBAN RESTORATION ENHANCEMENT CORPORATION
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2004

CASH

REPORTABLE CONDITION: I accounted for the numerical sequence of checks and found four checks missing.

CRITERIA: All checks should be accounted for including voided checks.

CAUSE: Unknown.

EFFECT: There is no material effect to the financial statements.

RECOMMENDATION: I recommend these checks be investigated.

MANAGEMENT RESPONSE: Management will investigate the problem.

* * * *

REVENUE

REPORTABLE CONDITION: I had difficulty reconciling grant income recorded in the general ledger to confirmations from vendors.

CRITERIA: Good internal control requires that the general ledger entries be adequately supported.

CAUSE: Income was not recorded as income, but as an off-set to expenses. Deposit tickets did not identify the source of funds.

EFFECT: There is no material effect to these financial statements.

RECOMMENDATION: I recommend that income be recorded as revenue and deposits identify payors.

MANAGEMENT RESPONSE: Management agrees with the finding.

* * * *

URBAN RESTORATION ENHANCEMENT CORPORATION
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2004

REVENUE

REPORTABLE CONDITION: The spreadsheet rent rolls did not agree to the general ledger balances.

CRITERIA: Good internal control requires that the general ledger be reconciled to the subsidiary ledgers in a timely manner to assure that all transactions are recorded timely.

CAUSE: Unknown.

EFFECT: There is no material effect to these financial statements.

RECOMMENDATION: I recommend that a rent roll software be purchased and implemented to keep track of the rents and deposits.

MANAGEMENT RESPONSE: Management's professional consultant also made this recommendation.

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URBAN RESTORATION ENHANCEMENT CORPORATION
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2004

REF NO.	DESCRIPTION OF FINDING	CORRECTIVE ACTION PLANNED	NAME OF CONTACT PERSON	ANTICIPATED COMPLETION DATE
1.	Bank Reconciliations Did Not Agree To General Ledger	The Reconciliations Will Be Reconciled Monthly and Agreed To the General Ledger	Ronnie Edwards	12-31-04
2.	Checks Missing	All checks will be accounted for during the reconciliations.	Ronnie Edwards	12-31-04
3.	Reconciling Grant Income	The Deposits Will Identify The Source Of the Funds.	Ronnie Edwards	12-31-04
4.	Spreadsheet Rent Rolls Did Not Agree To General Ledger.	Spreadsheet Will Be Reconciled Monthly.	Ronnie Edwards	12-31-04