

Financial Report

Preservation Alliance of New Orleans, Inc.

d/b/a

PRC Resource Center of New Orleans

June 30, 2018



**PRESERVATION
RESOURCE CENTER**

— of NEW ORLEANS —

Financial Report

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June 30, 2018

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d/b/a Preservation Resource Center of New Orleans
New Orleans, Louisiana**

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors,
Preservation Alliance of New Orleans, Inc.
d/b/a Preservation Resource Center of New Orleans,
New Orleans, Louisiana.

Report on the Financial Statements

We have audited the accompanying financial statements of Preservation Alliance of New Orleans, Inc. d/b/a Preservation Resource Center of New Orleans (PRC), a non-profit organization, which comprise the statements of financial position as of June 30, 2018 and 2017 and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PRC as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information in Schedule 1 is presented for the purposes of additional analysis, is required by Louisiana Revised Statute 24:513(A)(3), and is not a required part of the financial statements. Such information in Schedule 1 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information in Schedule 1 has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information in Schedule 1 is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 18, 2018, on our consideration of PRC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering PRCs' internal control over financial reporting and compliance.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, Louisiana.
December 18, 2018.

STATEMENTS OF FINANCIAL POSITION**Preservation Alliance of New Orleans, Inc.
d/b/a Preservation Resource Center of New Orleans**

New Orleans, Louisiana

June 30, 2018 and 2017

ASSETS

	<u>2018</u>	<u>2017</u>
Assets		
Cash and cash equivalents	\$ 1,738,989	\$ 1,174,289
Grants receivable	105,427	291,170
Sale of property receivable	-	617,350
Other receivables	58,352	25,655
Prepaid expenses	93,065	117,962
Investments	1,174,207	1,168,018
Pledges receivable, net	22,778	46,539
Other assets - real estate	1,071,566	493,003
Property and equipment, net	<u>867,146</u>	<u>983,036</u>
Total assets	<u>\$ 5,131,530</u>	<u>\$ 4,917,022</u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable	\$ 68,487	\$ 107,063
Accrued vacation	31,432	31,646
Advances	93,594	93,594
Line of credit	-	77,154
Capital lease obligations	3,475	9,629
Notes payable	<u>79,191</u>	<u>101,867</u>
Total liabilities	<u>276,179</u>	<u>420,953</u>
Net Assets		
Unrestricted:		
Undesignated	2,502,969	1,708,350
Designated	1,537,203	2,118,271
Temporarily restricted	<u>815,179</u>	<u>669,448</u>
Total net assets	<u>4,855,351</u>	<u>4,496,069</u>
Total liabilities and net assets	<u>\$ 5,131,530</u>	<u>\$ 4,917,022</u>

See notes to financial statements.

STATEMENT OF ACTIVITIES

**Preservation Alliance of New Orleans, Inc.
d/b/a Preservation Resource Center of New Orleans
New Orleans, Louisiana**

For the year ended June 30, 2018

	Unrestricted	Temporarily Restricted	Totals
Support and Revenue			
Contributions - membership and sustaining	\$ 403,803	\$ 648,246	\$ 1,052,049
Grant income	870,493	80,000	950,493
Special events	355,134	1,000	356,134
Fees, sales, and other revenue	671,193	6,250	677,443
Loss on sale of real estate	(30,254)		(30,254)
Net assets released from restrictions - satisfaction of restrictions	589,765	(589,765)	-
Total support and revenue	2,860,134	145,731	3,005,865
Expenses			
Program services:			
Preservation	290,227		290,227
Warehouse: Salvage Store	23,081		23,081
Rebuilding Together	1,087,757		1,087,757
Operation Comeback	156,771		156,771
Preservation in Print	292,853		292,853
Education, Outreach and African-American Heritage	72,050		72,050
Total program services	1,922,739	-	1,922,739

**Exhibit B-1
(Continued)**

	Unrestricted	Temporarily Restricted	Totals
Expenses (Continued)			
Supporting services:			
Management and general	512,940		512,940
Fund raising	210,904		210,904
Total supporting services	723,844	-	723,844
Total expenses	2,646,583	-	2,646,583
Changes in net assets	213,551	145,731	359,282
Net Assets			
Beginning of year	3,826,621	669,448	4,496,069
End of year	\$ 4,040,172	\$ 815,179	\$ 4,855,351

See notes to financial statements.

STATEMENT OF ACTIVITIES

Preservation Alliance of New Orleans, Inc.
d/b/a Preservation Resource Center of New Orleans
 New Orleans, Louisiana

For the year ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
Support and Revenue			
Contributions - membership and sustaining	\$ 507,159	\$ 40,750	\$ 547,909
Grant income	599,395		599,395
Special events	480,861	15,000	495,861
Fees, sales, and other revenue	912,126		912,126
Gain on sale of property and equipment	267,000	136,456	403,456
Loss on the sale of real estate	(464,617)		(464,617)
Net assets released from restrictions - satisfaction of restrictions	<u>503,354</u>	<u>(503,354)</u>	<u>-</u>
Total support and revenue	<u>2,805,278</u>	<u>(311,148)</u>	<u>2,494,130</u>
Expenses			
Program services:			
Preservation	384,926		384,926
Warehouse: Salvage Store	243,125		243,125
Rebuilding Together	977,303		977,303
Operation Comeback	244,121		244,121
Preservation in Print	281,161		281,161
Education, Outreach and African-American Heritage	<u>79,839</u>		<u>79,839</u>
Total program services	<u>2,210,475</u>	<u>-</u>	<u>2,210,475</u>

**Exhibit B-2
(Continued)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
Expenses (Continued)			
Supporting services:			
Management and general	427,869		427,869
Fundraising	<u>283,169</u>		<u>283,169</u>
Total supporting services	<u>711,038</u>	<u>-</u>	<u>711,038</u>
Total expenses	<u>2,921,513</u>	<u>-</u>	<u>2,921,513</u>
Changes in net assets	(116,235)	(311,148)	(427,383)
Net Assets			
Beginning of year	<u>3,942,856</u>	<u>980,596</u>	<u>4,923,452</u>
End of year	<u>\$ 3,826,621</u>	<u>\$ 669,448</u>	<u>\$ 4,496,069</u>

See notes to financial statements.

STATEMENTS OF CASH FLOWS

Preservation Alliance of New Orleans, Inc.
d/b/a Preservation Resource Center of New Orleans
New Orleans, Louisiana

For the years ended June 30, 2018 and 2017

	2018	2017
Cash Flows From Operating Activities		
Changes in net assets	\$ 359,282	\$ (427,383)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	118,659	130,914
Gain on sale of property and equipment	-	(403,456)
Loss on sale of real estate	30,254	464,617
Realized and unrealized gain on investments	(31,908)	(82,455)
(Increase) decrease in operating assets:		
Grants receivable	185,743	(290,455)
Other receivables	(32,697)	23,690
Prepays	24,897	(6,302)
Pledges receivable	23,761	144,247
Inventory	-	77,837
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(38,576)	(33,024)
Accrued vacations	(214)	(7,084)
	639,201	(408,854)
Net cash provided by (used in) operating activities		

**Exhibit C
(Continued)**

	2018	2017
Cash Flows From Investing Activities		
Collection of receivable for sale of property	617,350	-
Proceeds from sale/maturity of investments	128,371	208,656
Purchase of investments	(102,652)	(202,058)
Proceeds from sale of other assets - real estate	468,746	199,233
Purchase of other assets - real estate	(1,077,563)	(519,937)
Purchase of property and equipment	(2,769)	(35,464)
Net cash provided by (used in) investing activities	31,483	(349,570)
Cash Flows From Financing Activities		
Payment on line of credit	(77,154)	-
Payments on notes payable	(22,676)	(22,136)
Payments on capital lease obligations	(6,154)	(6,178)
Net cash used in financing activities	(105,984)	(28,314)
Net Increase (Decrease) In Cash and Cash Equivalents	564,700	(786,738)
Cash and Cash Equivalents		
Beginning of year	1,174,289	1,961,027
End of year	\$ 1,738,989	\$ 1,174,289
Supplemental Disclosures of Cash Flow Information		
Interest paid	\$ 2,713	\$ 6,822
Supplementary Non Cash Investing Activities		
Sale of property through receivable	\$ -	\$ 617,350

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

**Preservation Alliance of New Orleans, Inc.
d/b/a Preservation Resource Center of New Orleans
New Orleans, Louisiana**

June 30, 2018 and 2017

Note 1 - NATURE OF ACTIVITIES

Founded in 1974, Preservation Alliance of New Orleans, Inc. d/b/a Preservation Resource Center of New Orleans (PRC) is a nonprofit organization, which preserves and enhances targeted historical neighborhoods of New Orleans through community revitalization projects.

The following programs and supporting services are included in the accompanying financial statements:

Preservation

The Preservation Program encompasses PRC's various general activities related to promoting the preservation of historic properties and districts, including advocacy before regulatory authorities, public awareness efforts, and development of preservation plans for specific properties and districts, and related activities. This program is funded wholly by contributions from PRC's donors.

Rebuilding Together

PRC's most significant volunteer event involves the donation of time and materials by contractors, private businesses and individuals, and retailers in an intensive effort to renovate historic residential properties owned by low-income and/or disabled individuals, as well as senior citizens. The renovations are on an ongoing basis throughout the year due to the increased need in the city. Previously, the rebuilding efforts were an annual two-week effort and on a less intensive scale throughout the remainder of the fiscal year. This program is funded by a combination of contributions, corporate sponsorships, and government grants.

Note 1 - NATURE OF ACTIVITIES (Continued)

Operation Comeback

Operation Comeback comprises PRC's activities directed towards the acquisition and renovation of blighted historic properties. This program is funded primarily by corporate and individual contributions.

Preservation in Print

Preservation in Print fosters knowledge, stimulates interest, and facilitates participation in public and private historic preservation through the printing and publication of PRC's quarterly newsletter. This program is funded by a combination of contributions from advertising revenues and government grants.

Education and Outreach

Education and Outreach focuses on outreach programs - workshops, lectures, tours, print and electronic information - regarding building acquisition and restoration, cultural heritage, historic architecture and neighborhoods, preservation programs and incentives, with a focus on African-American Heritage (AAH). AAH focuses on the identification and preservation of the homes and significant structures frequented by New Orleans' early jazz musicians. AAH's main purpose is to research, identify, and landmark these homes and other structures.

Management and General

Management and general supporting services include the functions necessary to maintain an equitable employment program; ensure an adequate working environment; provide coordination and articulation of PRC's program strategy; secure proper administrative functioning of the board of directors; maintain competent legal services for the program administration of PRC; and manage the financial and budgetary responsibilities of PRC.

Fundraising

Fundraising provides the structure necessary to encourage and secure private financial support from individuals, foundations, and corporations.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Organization and Income Taxes

PRC is a nonprofit organization organized under the laws of the State of Louisiana and is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC), and qualifies as an organization that is not a private foundation as defined in Section 509(a) of the IRC.

Accounting standards provide detailed guidance for financial statement recognition, measurement, and disclosure of uncertain tax positions recognized in an entity's financial statements. It requires an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will not be sustained upon examination. As of June 30, 2018, management believes PRC has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. PRC recognizes interest and penalties, if any, related to unrecognized tax benefits in interest expense. Tax years ended June 30, 2015 and later remain subject to examination by the taxing authorities.

b. Basis of Accounting

The financial statements of the PRC are prepared on the accrual basis of accounting. Under this method, revenues are recognized when earned, and expenses are recorded when incurred.

c. Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that impact certain reported amounts and disclosures. Actual results could differ from those estimates.

d. Basis of Presentation

Net assets, revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of PRC and changes therein are classified and reported as:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of PRC and/or the passage of time.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Basis of Presentation (Continued)

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that are maintained permanently by PRC. Generally, the donors of such assets permit the donor to use all or part of the income earned from these assets for general or specific purposes. As of June 30, 2018 and 2017, PRC had no permanently restricted net assets.

e. Cash and Cash Equivalents

For the purposes of the Statements of Cash Flows, PRC considers all highly liquid financial instruments purchased with an original maturity of three months or less to be cash equivalents. PRC's cash and cash equivalents as of June 30, 2018 and 2017 included \$263,555 and \$215,850, respectively, of investments in money market funds.

If the grantor makes it a requirement, PRC deposits restricted grant monies into a designated account.

f. Investments

Investments in common stocks and corporate obligations are stated at fair value, based on quoted market prices for the investments.

Donated investments are valued at the current market value at the date of donation.

g. Other Assets - Real Estate

Other assets - real estate is comprised of blighted historic properties PRC acquires and renovates, with the intention to resell. These properties are carried at their historical cost, including renovation. Donated assets are recorded at fair value at the time of their donation.

h. Property and Equipment

Property and equipment is recorded at cost. Donated assets are recorded at fair value at the date of donation. PRC capitalizes all expenditures for equipment in excess of \$1,000. Repairs and maintenance are charged to expense as incurred; major renewals, replacements, and betterments are capitalized. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets (5 to 25 years). Depreciation expense was \$118,659 and \$130,914 for the years ended June 30, 2018 and 2017, respectively.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. Allowance for Doubtful Accounts

The allowance for doubtful accounts is estimated based on existing economic conditions. Management closely monitors outstanding receivables and charges off to expense any balances that are determined to be uncollectible and establishes an allowance for estimated uncollectible receivables. Management has estimated an allowance of \$200,000 on pledges receivables as of June 30, 2018 and 2017.

j. Revenue Recognition

Revenue is recognized upon the sale of real estate.

Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. Support that is restricted by a donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting periods are reported as unrestricted support.

Non-cash donations are recorded as contributions at their estimated fair values at the date of donation.

k. Donated Services and Materials

Numerous skilled laborers, such as carpenters, plumbers, and electricians, along with several hardware retail outlets and property owners, make significant donations of time, materials and warehousing space in conjunction with various revitalization projects. Skilled labor rates, retail values of donated materials and fair value of rental warehousing space are used in valuing and recording these contributions. The value of these contributions for the years ended June 30, 2018 and 2017 was estimated to be approximately \$44,294 and \$27,086, respectively. These amounts are included in contributions, as well as Operation Comeback, Rebuilding Together and Warehouse program services in the accompanying financial statements.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k. Donated Services and Materials (Continued)

In addition, volunteers from throughout the community provide unskilled labor in conjunction with Rebuilding Together project (formerly known as Christmas in October), as well as the Operation Comeback program. The value of these services, which was estimated to be approximately \$328,000 and \$375,000 for the years ended June 30, 2018 and 2017, respectively, are not recognized in the accompanying financial statements due to the unspecialized nature of these services.

l. Allocated Expenses

Certain expenses have been allocated among the programs and supporting services based on management's estimate of the costs involved.

m. Advertising

PRC expenses advertising costs as incurred. During the years ended June 30, 2018 and 2017, PRC's advertising costs charged to expense were \$16,282 and \$30,135, respectively.

n. Subsequent Events

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through December 18, 2018, which is the date the financial statements were available to be issued.

Note 3 - CONCENTRATIONS

PRC maintains deposits with local financial institutions. Accounts at these institutions are insured by the U.S. Federal Deposit Insurance Corporation up to \$250,000 per account. The balances at times may exceed federally insured limits. As of June 30, 2018, there was approximately \$1,035,000 in excess of insured amounts.

Note 4 - PLEDGES RECEIVABLE

Unconditional promises to give as of June 30, 2018 and 2017 are as follows:

	2018	2017
Receivable in less than one year	\$ 222,778	\$ 246,539
Less allowance for uncollectible account	200,000	200,000
Pledges receivable, net	\$ 22,778	\$ 46,539

Note 5 - INVESTMENTS

Investments consist of the following as of June 30, 2018 and 2017:

	2018	2017
Common stock	\$ 820,471	\$ 782,825
Corporate obligations	353,736	385,193
Totals	\$ 1,174,207	\$ 1,168,018

Net investment income included in fees, sales and other revenue in the Statements of Activities for the years ended June 30, 2018 and 2017 is comprised of the following:

	2018	2017
Interest and dividends	\$ 31,929	\$ 26,060
Realized gain on investments	11,784	41,567
Unrealized gain on investments	20,124	40,888
Totals	\$ 63,837	\$ 108,515

Note 6 - FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Note 6 - FAIR VALUE MEASUREMENTS (Continued)

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that PRC has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation of other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

PRC uses the market approach for valuing common stocks and corporate obligations, which are within Level 1 of the fair value hierarchy.

These methodologies may produce fair value calculations that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while PRC believes these valuation methodologies are appropriate and consistent with those of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Note 6 - FAIR VALUE MEASUREMENTS (Continued)

Assets and liabilities measured at fair value on a recurring basis as of June 30, 2018 and 2017 are comprised of and determined, as follows:

	2018			Totals
	Quoted Prices In Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	
Common stock	\$ 820,471			\$ 820,471
Corporate obligations	353,736			353,736
Investments at fair value	\$ 1,174,207	\$ -	\$ -	\$ 1,174,207
	2017			Totals
	Quoted Prices In Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	
Common stock	\$ 782,825			\$ 782,825
Corporate obligations	385,193			385,193
Investments at fair value	\$ 1,168,018	\$ -	\$ -	\$ 1,168,018

Note 7 - PROPERTY AND EQUIPMENT

Property and equipment is comprised of the following as of June 30, 2018 and 2017:

	2018	2017
Land	\$ 30,200	\$ 30,200
Buildings and improvements	2,207,147	2,207,147
Office furniture and equipment	327,492	337,114
Vehicles	103,035	103,035
	2,667,874	2,677,496
Less: accumulated depreciation and amortization	1,800,728	1,694,460
	\$ 867,146	\$ 983,036

Note 8 - LINE OF CREDIT

In order to achieve PRC's goal of revitalizing targeted historical neighborhoods, PRC purchases homes for renovation in those targeted neighborhoods. Funding these projects often requires PRC to enter into line of credit agreements. The specific property under renovation is used as collateral for these lines of credit. During the years ended June 30, 2018 and 2017, no interest was capitalized relating to these properties.

As of June 30, 2017, PRC had a line of credit available with a bank bearing an interest rate of 5% and secured by the first mortgage on specific properties held for sale. The outstanding balance on the line of credit as of June 30, 2017 totaled \$77,154. The maturity date was August 26, 2017. The line of credit was paid in full on September 21, 2017 and was not renewed.

Note 9 - CAPITAL LEASE OBLIGATIONS

During 2014, PRC acquired copiers purchased under capital leases for \$30,347. The copiers are included in property and equipment in the accompanying statements of financial position, and the related amortization is included in accumulated depreciation and depreciation expense.

The net book value as of June 30, 2018 and 2017 was \$3,124 and \$9,193, respectively.

Interest expense on capital leases totaled \$305 and \$578 for the years ended June 30, 2018 and 2017, respectively.

The following is a schedule by years of the future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2018:

<u>Year ending June 30,</u>	
2019	\$ 3,550
Less amounts representing interest	<u>(75)</u>
Present value of minimum capital lease payments	<u>\$ 3,475</u>

Note 10 - NOTES PAYABLE

In June 2009, PRC entered into a note payable with a private entity for \$188,000 with a stated interest of 6% per annum from date, was amortized over ten years and matured in 2014. In 2014, the note was extended for five years with a new maturity date of June 2019 and an interest rate of 5% per annum. The note is due in monthly installments of principal and interest of \$2,038 and is collateralized by the land and buildings of PRC's headquarters. The outstanding balance on the note was \$23,191 and \$45,867 as of June 30, 2018 and 2017, respectively.

On March 20, 2009, PRC entered into a Memorandum of Understanding with the New Orleans Redevelopment Authority (NORA) wherein PRC purchased 20 properties from NORA in order to rehab the properties no later than 270 days from NORA providing a clear title to properties. The properties are then to be sold by the PRC for homeownership. The purchase price was the sum of \$168,000, of which PRC deposited 20% upon execution of the agreement. When PRC executes an act of sale, it will pay the balance due upon that property. As of June 30, 2018 and 2017, the remaining balance due was \$56,000.

The total maturities of long-term debt as of June 30, 2018 are as follows:

Year Ending <u>June, 30</u>	
2019	<u>\$ 79,191</u>

PRC incurred interest expense on notes payable of \$2,408 and \$6,244 during the years ended June 30, 2018 and 2017, respectively. PRC did not capitalize interest into properties during the years ended June 30, 2018 and 2017.

Note 11 - DESIGNATED FUNDS

PRC's board of directors designates certain funds to be used for specified purposes. The following designated funds have been established as of June 30, 2018 and 2017:

<u>Fund</u>	<u>Purpose</u>	<u>2018</u>	<u>2017</u>
Quasi-endowment fund	Quasi-endowment	\$ 1,240,430	\$ 1,187,842
Aron fund	Historic restoration	55,154	615,521
OC Revolving fund	Historic restoration	49,219	123,781
Historic Faubourg St. Mary fund	Easement maintenance	3,654	3,630
Easement donation fund	Easement maintenance	<u>188,746</u>	<u>187,497</u>
		<u>\$ 1,537,203</u>	<u>\$ 2,118,271</u>

Note 11 - DESIGNATED FUNDS (Continued)

These funds are primarily included in cash and cash equivalents and investments in the accompanying Statements of Financial Position.

Note 12 - RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted by donors and grantors for specific purposes or are available for subsequent periods. These restrictions are considered to expire when payments for restricted purposes are made.

Temporarily restricted net assets as of June 30, 2018 and 2017 are available for the following purpose:

	<u>2018</u>	<u>2017</u>
Home purchases and construction	<u>\$ 815,179</u>	<u>\$ 669,448</u>

Note 13 - GOVERNMENT GRANTS

Government grants require the fulfillment of certain conditions as set forth in the grant instruments. PRC intends to fulfill the conditions of all grants, recognizing that failure to fulfill the conditions could result in the return of the funds to grantors.

Note 14 - RETIREMENT PLAN

PRC offers a defined contribution 403(b) plan to all employees who are at least 21 years of age. Participants are allowed to contribute up to a maximum of 15% of their total compensation.

Additionally, PRC provides a simplified employee plan (the "Plan") to its employees. The Plan provides, to all employees who have been with PRC for a minimum of three years, an annual contribution to an Individual Retirement Account (IRA) equal to 2% of the employees' current gross eligible compensation. Contributions to the Plan totaled \$10,998 and \$15,705 for the years ended June 30, 2018 and 2017, respectively.

Note 15 - CONSERVATION EASEMENTS

PRC holds conservation easements placed on various properties. As of June 30, 2018 and 2017, approximately 124 and 123, respectively, of such easements were held. No value has been assigned to these easements in the financial statements because PRC does not have ownership rights to the underlying property.

SUPPLEMENTAL INFORMATION

**SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER
PAYMENTS TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER**

**Preservation Alliance of New Orleans, Inc.
d/b/a Preservation Resource Center of New Orleans
New Orleans, Louisiana**

For the year ended June 30, 2018

Agency Head Name: Danielle Del Sol

Purpose

Salary	\$	0
Benefits - insurance		0
Benefits - retirement		0
Benefits - other		0
Car allowance		0
Vehicle provided by government		0
Per diem		0
Reimbursements		0
Travel		0
Registration fees		0
Conference travel		0
Continuing professional education fees		0
Housing		0
Unvouchered expenses		0
Special meals		0
		<hr/>
	\$	<hr/> 0

Note: No public funds were used to pay Ms. Del Sol's salary, benefits, or any other compensation during the year ended June 30, 2018.

SPECIAL REPORTS OF CERTIFIED PUBLIC ACCOUNTANTS

**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**

To the Board of Directors,
Preservation Alliance of New Orleans, Inc.
d/b/a Preservation Resource Center of New Orleans,
New Orleans, Louisiana.

We have audited, in accordance with the 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, the financial statements of Preservation Alliance of New Orleans, Inc. d/b/a Preservation Resource Center of New Orleans (a nonprofit organization) (PRC), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 18, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered PRC's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of PRC's internal control. Accordingly, we do not express an opinion on the effectiveness of PRC's internal control.

A deficiency in internal control 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 and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether PRC'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.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of PRC's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering PRC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants.

New Orleans, Louisiana.
December 18, 2018.

SCHEDULE OF FINDINGS AND RESPONSES

**Preservation Alliance of New Orleans, Inc.
d/b/a Preservation Resource Center of New Orleans
New Orleans, Louisiana**

For the year ended June 30, 2018

Section I - Summary of Auditor's Results

a) Financial Statements

Type of report issued on the financial statements: unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be a material weakness? Yes None reported

Noncompliance material to consolidated financial statements noted? Yes No

b) Federal Awards

PRC did not expend more than \$750,000 in Federal awards during the year ended June 30, 2018, and therefore, is exempt from the audit requirements under the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Section II - Internal Control Over Financial Reporting and Compliance and Other Matters Material to the Financial Statements

Internal Control Over Financial Reporting

No internal control over financial reporting findings, material to the financial statements, were reported during the audit for the year ended June 30, 2018.

(Continued)

**Section II - Internal Control Over Financial Reporting and Compliance and Other Matters
Material to the Financial Statements (Continued)**

Compliance and Other Matters

No compliance findings, material to the financial statements, were reported during the audit for the year ended June 30, 2018.

Section III - Federal Award Findings and Questioned Costs

Internal Control and Compliance Material to Federal Awards

PRC did not expend more than \$750,000 in Federal awards during the year ended June 30, 2018, and therefore, is exempt from the audit requirements under the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

REPORTS BY MANAGEMENT

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES

**Preservation Alliance of New Orleans, Inc.
d/b/a Preservation Resource Center of New Orleans
New Orleans, Louisiana**

For the year ended June 30, 2018

Section I - Internal Control Over Financial Reporting and Compliance and Other Matters Material to the Financial Statements

Internal Control Over Financial Reporting

No internal control over financial reporting findings, material to the financial statements, were reported during the audit for the year ended June 30, 2017.

Compliance and Other Matters

There were no compliance findings material to the financial statements reported during the audit for the year ended June 30, 2017.

Section II - Internal Control and Compliance Material to Federal Awards

PRC did not expend more than \$750,000 in Federal awards during the year ended June 30, 2017, and therefore, is exempt from the audit requirements under the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Section III - Management Letter

A management letter was not issued in connection with the audit for the year ended June 30, 2017.

MANAGEMENT'S CORRECTIVE ACTION PLAN

**Preservation Alliance of New Orleans, Inc.
d/b/a Preservation Resource Center of New Orleans
New Orleans, Louisiana**

For the year ended June 30, 2018

Section I - Internal Control Over Financial Reporting and Compliance and Other Matters Material to the Financial Statements

Internal Control Over Financial Reporting

No internal control over financial reporting findings, material to the financial statements, were reported during the audit for the year ended June 30, 2018.

Compliance and Other Matters

No compliance findings, material to the financial statements, were reported during the audit for the year ended June 30, 2018.

Section II - Internal Control and Compliance Material to Federal Awards

PRC did not expend more than \$750,000 in Federal awards during the year ended June 30, 2018, and therefore, is exempt from the audit requirements under the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Section III - Management Letter

A management letter was not issued in connection with the audit for the year ended June 30, 2018.