

**LAFAYETTE NEIGHBORHOODS'  
ECONOMIC DEVELOPMENT  
CORPORATION  
Lafayette, Louisiana**

**Financial Report  
Years Ended April 30, 2017 and 2016**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Lafayette Neighborhoods' Economic  
Development Corporation  
Lafayette, Louisiana

We have audited the accompanying statements of financial position of the Lafayette Neighborhoods' Economic Development Corporation (LNEDEC) (a nonprofit corporation) as of April 30, 2017 and 2016, 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 control 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 opinions on these financial statements based on our audit. 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 audit 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 opinions.

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### **Basis for Qualified Opinion**

Because of the inadequacy of accounting records for the year ended April 30, 2016, we were unable to obtain sufficient appropriate audit evidence regarding the amounts which were recorded as management and general expenses in the accompanying statement of activities for the year ended April 30, 2016.

### **Opinions**

In our opinion, except for the possible effects of the matter discussed in the Basis for Qualified Opinion paragraph, the financial statements for the year ended April 30, 2016 present fairly, in all material respects, the financial position of the Lafayette Neighborhoods' Economic Development Corporation as of April 30, 2017 and 2016, and its changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

### **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The combining statements on page 12-14 are presented for purposes of additional analysis and is not a required part of the financial statements. Such information 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 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 is fairly stated in all material respects in relation to the financial statements as a whole.

### **Other Reporting Required by Governmental Auditing Standards**

In accordance with Government Auditing Standards, we have also issued a report dated October 5, 2017 on our consideration of the Lafayette Neighborhoods' Economic Development Corporation's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts, 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* and should be considered LNEDC's internal control over financial reporting and compliance.

*Darnall, Sikes, Gardes & Frederick*

A Corporation of Certified Public Accountants

Lafayette, Louisiana

October 5, 2017

LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION

Statements of Financial Position  
April 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 303,272	\$ 581,518
Loans receivable (net)	509,662	419,033
Accrued interest receivable	20,248	18,363
Other receivables	675	13,052
Prepaid expenses	<u>21,338</u>	<u>19,452</u>
TOTAL CURRENT ASSETS	855,195	1,051,418
PROPERTY AND EQUIPMENT		
Buildings	1,500,000	1,500,000
Building improvements	191,456	40,131
Furniture and equipment	14,482	14,482
Less: accumulated depreciation	<u>(373,174)</u>	<u>(310,610)</u>
	1,332,764	1,244,003
TOTAL ASSETS	<u>\$ 2,187,959</u>	<u>\$ 2,295,421</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Notes payable	\$ 18,804	\$ 17,168
Accounts payable	14,877	21,027
Tenant deposits	29,466	31,002
Due to affiliated organization	<u>-</u>	<u>107,534</u>
TOTAL CURRENT LIABILITIES	63,147	176,731
NET ASSETS		
Unrestricted net assets	1,513,837	1,486,250
Permanently restricted net assets	<u>610,975</u>	<u>632,440</u>
TOTAL NET ASSETS	2,124,812	2,118,690
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,187,959</u>	<u>\$ 2,295,421</u>

See independent auditor's report and notes to financial statements.

LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION

Statements of Activities  
Years Ended April 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
UNRESTRICTED NET ASSETS		
Rents:		
Residential	\$ 429,893	\$ 430,171
Commercial	41,920	20,230
Other	<u>7,801</u>	<u>1,003</u>
Total support and revenue	<u>479,614</u>	<u>451,404</u>
Expenses:		
Support services -		
Management and general	<u>452,027</u>	<u>513,287</u>
Increase (decrease) in unrestricted net assets	<u>27,587</u>	<u>(61,883)</u>
PERMANENTLY RESTRICTED NET ASSETS		
Revenue:		
Interest:		
Loans	32,728	24,846
Investments	66	155
Other	<u>1,375</u>	<u>766</u>
Total support and revenue	<u>34,169</u>	<u>25,767</u>
Expenses:		
Support services -		
Management and general	<u>55,634</u>	<u>45,441</u>
Decrease in permanently restricted net assets	<u>(21,465)</u>	<u>(19,674)</u>
Change in net assets	6,122	(81,557)
Net assets, beginning	<u>2,118,690</u>	<u>2,200,247</u>
Net assets, ending	<u>\$ 2,124,812</u>	<u>\$ 2,118,690</u>

See independent auditor's report and notes to financial statements.

LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION

Statements of Cash Flows  
Years Ended April 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 6,122	\$ (81,557)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	62,564	58,328
Change in loans receivable	(90,629)	(126,744)
Change in other receivables	12,377	4,516
Change in accrued interest receivable	(1,885)	(2,058)
Change in prepaids	(1,886)	1,194
Change in accounts payable	(6,150)	9,728
Change in deposits	(1,536)	6,425
Change in due to affiliated organization	<u>(107,534)</u>	<u>134</u>
Net cash provided (used) by operating activities	<u>(128,557)</u>	<u>(130,034)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash payments for the purchase of fixed assets	(151,325)	-
Net change in notes payable	<u>1,636</u>	<u>33</u>
Net cash provided (used) by investing activities	<u>(149,689)</u>	<u>33</u>
Net decrease in cash	(278,246)	(130,001)
CASH AND CASH EQUIVALENTS, beginning of year	<u>581,518</u>	<u>711,519</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 303,272</u>	<u>\$ 581,518</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Interest paid	<u>\$ 709</u>	<u>\$ 763</u>

See independent auditor's report and notes to financial statements.

LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION

Notes to Financial Statements

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Lafayette Neighborhoods' Economic Development Corporation (the Corporation) is a non-profit corporation organized under the provisions of the Cooperative Economic Development Law of the State of Louisiana. The LNEEDC operates as a sub-recipient of the Lafayette Consolidated Government who provides oversight to the program.

The Corporation owns and operates a piece of residential real-estate (Evangeline Apartments). The operations of the Evangeline Apartments are separately reflected in the attached combining financial statements.

Nature of Activities

The Corporation was organized to help alleviate conditions of economic distress in the City of Lafayette's low and moderate-income neighborhoods by stimulating greater private capital investment in these target areas. To accomplish this goal, the LNEEDC provides financing to new and expanding small businesses in Lafayette. The Corporation is exempt from income taxes.

Evangeline Apartments is a rental building located in the downtown area of Lafayette, Louisiana. The building is used to lease ground level space to various retail businesses, while upper levels are rented to individuals as residential space. The individuals renting the residential space must meet various low income housing requirements.

Significant Accounting Policies

A. Cash and Cash Equivalents

The Corporation considers any investment purchased with a maturity of three months or less to be cash equivalents.

B. Loans

Loans are stated at principal amounts outstanding as of the statement of financial position date, less the allowance for possible loan losses.

C. Allowance for Possible Loan Losses

The allowance for possible loan losses is maintained at a level considered adequate by management to absorb potential losses. The allowance is increased by provisions charged to program expenses and reduced by net charge-offs. The Corporation makes continuous credit reviews of the loan portfolio and considers current economic conditions, historical loan loss experience, and other relevant factors in determining the adequacy of the allowance.

LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION

Notes to Financial Statements

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Depreciation

Property and equipment are recorded at cost. Depreciation expense is computed using the straight-line method over the estimated useful lives of the respective assets.

Assets	Years
Building	27
Building improvements	15-27
Furniture and equipment	10

E. Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles and the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) 958-205, Presentation of Financial Statements for Not-for-Profit Entities. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of restrictions. Accordingly, net assets of the Corporation and changes therein are classified as follows:

*Unrestricted net assets* – Net assets that are not subject to stipulations or restrictions.

*Permanently restricted net assets* – Net assets subject to stipulations or restrictions that they be maintained permanently by the Corporation. Generally, the restrictions on these assets permit the Corporation to use all or part of the income earned on any related investments for general or specific purposes.

F. Statement of Cash Flows

For purposes of the statements of cash flows, the Corporation considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

G. Uses 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 during the reporting period. Actual results could differ from those estimates.

H. Subsequent Events

Management has evaluated events subsequent to the balance sheet date through October 5, 2017, the date the financial statements were available to be issued.

LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION

Notes to Financial Statements

NOTE 2 LOANS

Loans receivable are comprised of loans to local business owners in a specific geographical area. These loans were made for working capital, debt refinancing, and fixed asset acquisition. Collateral is comprised of chattel mortgages on business equipment and collateral mortgages on real estate. Interest is accrued on outstanding loans from the date of the last principal payment.

The following summary reflects activities in the loan accounts for the years ending April 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Balance, beginning	\$ 527,673	\$ 400,929
Loans made	135,000	220,101
Payment received	(44,371)	(93,357)
Loans written off	<u>-</u>	<u>-</u>
Balance, ending	<u>\$ 618,302</u>	<u>\$ 527,673</u>

The following is an analysis of the allowance for loan losses:

	<u>2017</u>	<u>2016</u>
Balance, beginning	\$ 108,640	\$ 108,640
Loans written off	-	-
Increase in provision for loan losses	<u>-</u>	<u>-</u>
Balance, ending	<u>\$ 108,640</u>	<u>\$ 108,640</u>

The following table includes aging analysis of the recorded investment of past due financing receivables:

30-60 Days Past Due	61-90 Days Past Due	Greater Than 90 Days Past Due	Total Past Due
<u>\$ -</u>	<u>-</u>	<u>37,474</u>	<u>\$ 37,474</u>

LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION

Notes to Financial Statements

NOTE 2 LOANS (Continued)

The following table represents credit exposures by creditworthiness category for the year ended April 30, 2017. The use of creditworthiness categories to grade loans assists in management's estimation of credit risk. The Corporation's internal creditworthiness grading system is based on experiences with similarly graded loans. Category ratings are reviewed annually, at which time management analyzes the resulting scores, as well as other external statistics and factors, to track the migration of loan performance.

Internal risk ratings are as follows:

Good	Sub-standard	Doubtful	Loss	Total
<u>\$ 511,254</u>	<u>69,574</u>	<u>37,474</u>	<u>-</u>	<u>\$ 618,302</u>

NOTE 3 NOTES PAYABLE

	2017	2016
Note payable to insurance financier, payable in 10 monthly payments including interest at a rate of 4.79%, collateralized by the assignment of insurance policies.	<u>\$ 18,804</u>	<u>\$ 17,168</u>

NOTE 4 COMPENSATION OF BOARD OF DIRECTORS

Members of the Board of Directors were not paid per diem or other compensation during the years ended April 30, 2017 and 2016.

NOTE 5 CONCENTRATION OF CREDIT RISK

The Corporation provides financing to a diversified group of businesses located primarily in the Lafayette area. This assistance is provided based on an evaluation of each customer's financial condition, business knowledge, sufficiency of collateral, etc. Credit losses, upon occurrence, are provided for within the financial statements.

NOTE 6 UNINSURED DEPOSITS

The Corporation maintains its cash deposits in high quality financial institutions. Cash balances may, at times, exceed FDIC insurance coverage. However, LNEEDC has securities pledged to cover any cash balances not insured by FDIC insurance. At April 30, 2017 and April 30, 2016, the market value of the pledged securities plus the federal deposit insurance equal or exceeded the amount on deposit with the bank.

LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION

Notes to Financial Statements

NOTE 7 DUE TO AFFILIATED ORGANIZATION

During the year ended April 30, 1997, the Corporation entered into a joint venture with the Downtown Development Authority (DDA) to establish a low interest loan fund administered by the Corporation to assist with exterior renovations of commercial buildings in the downtown area. The Corporation contributed \$35,000 and DDA contributed \$100,000. These funds were restricted for loan purposes only. This joint venture was discontinued in the current year, with the associated loan and all accrued interest being paid back in full during the current year and the corresponding liability reduced to zero as of April 30, 2017.

NOTE 8 FAIR VALUE MEASUREMENTS

On May 1, 2008, the Corporation adopted the provisions of ASC 820-10, *Fair Value Measurement*. ASC 820-10 clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the asset or liability and establishes a fair value hierarchy that prioritizes the inputs used to develop those assumptions and measure fair value. The hierarchy requires the Corporation to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing methods, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The following methods and assumptions were used by the Corporation in estimating fair values of financial instruments as disclosed herein:

Cash and cash equivalents – The carrying amount of cash and short-term instruments approximate fair value.

Accrued interest – The carrying amounts of accrued interest approximate their fair values.

The Corporation's adoption of ASC 820-10 did not have a material impact on its financial statements. The Corporation has no financial assets and liabilities that are measured at fair value on a recurring basis.

LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION

Notes to Financial Statements

NOTE 8 FAIR VALUE MEASUREMENTS (Continued)

The Corporation has segregated all financial assets and liabilities that are measured at fair value on a nonrecurring basis into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the measurement date in the table below.

Nonrecurring Basis	Fair Value Measurements at April 30, 2017			
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Description	April 30, 2017			
Assets				
Impaired Loans	\$ (57,866)	\$ -	\$ -	\$ (57,866)
Total	\$ (57,866)	\$ -	\$ -	\$ (57,866)

In accordance with the provisions of ASC 310-10, *Accounting by Creditors for Impairment of a Loan*, the Corporation records loans considered impaired at their fair value. A loan is considered impaired if it is probable the Corporation will be unable to collect all amounts due according to the contractual terms of the loan agreement. Fair value is measured at the fair value of the collateral for collateral-dependent loans. Impaired loans with a carrying amount of \$107,048 were recorded at their fair value at April 30, 2017.

NOTE 9 RECLASSIFICATIONS

Certain amounts in the prior-year financial statements have been reclassified in order to be comparable with the current year presentation.

LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION

Combining Statement of Financial Position  
April 30, 2017

	Lafayette Neighborhood's Economic Development Corporation	Evangeline Apartments	Eliminating and Combining	Combined Balance
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 83,741	\$ 219,531	\$ -	\$ 303,272
Loans receivable (net)	509,662	-	-	509,662
Accrued interest receivable	20,248	-	-	20,248
Other receivables	-	675	-	675
Prepaid expenses	-	21,338	-	21,338
TOTAL CURRENT ASSETS	613,651	241,544	-	855,195
PROPERTY AND EQUIPMENT				
Buildings	-	1,500,000	-	1,500,000
Building improvements	-	191,456	-	191,456
Furniture and equipment	-	14,482	-	14,482
Less: accumulated depreciation	-	(373,174)	-	(373,174)
	-	1,332,764	-	1,332,764
TOTAL ASSETS	<u>\$ 613,651</u>	<u>\$ 1,574,308</u>	<u>\$ -</u>	<u>\$ 2,187,959</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Notes payable	\$ -	\$ 18,804	\$ -	\$ 18,804
Accounts payable	2,676	12,201	-	14,877
Tenant deposits	-	29,466	-	29,466
TOTAL CURRENT LIABILITIES	2,676	60,471	-	63,147
NET ASSETS				
Unrestricted net assets	-	1,513,837	-	1,513,837
Permanently restricted net assets	610,975	-	-	610,975
TOTAL NET ASSETS	<u>610,975</u>	<u>1,513,837</u>	<u>-</u>	<u>2,124,812</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 613,651</u>	<u>\$ 1,574,308</u>	<u>\$ -</u>	<u>\$ 2,187,959</u>

See independent auditor's report.

LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION

Combining Statement of Activities  
Year Ended April 30, 2017

	Lafayette Neighborhood's Economic Development Corporation	Evangeline Apartments	Eliminating and Combining	Combined Balance
<b>UNRESTRICTED NET ASSETS</b>				
Rents:				
Residential	\$ -	\$ 429,893	\$ -	\$ 429,893
Commercial	-	41,920	-	41,920
Other	-	<u>7,801</u>	-	<u>7,801</u>
Total support and revenue	-	<u>479,614</u>	-	<u>479,614</u>
Expenses:				
Support services -				
Management and general	-	<u>452,027</u>	-	<u>452,027</u>
Increase in unrestricted net assets	-	<u>27,587</u>	-	<u>27,587</u>
<b>PERMANENTLY RESTRICTED NET ASSETS</b>				
Revenue:				
Interest:				
Loans	32,728	-	-	32,728
Investments	66	-	-	66
Other	<u>1,375</u>	-	-	<u>1,375</u>
Total support and revenue	<u>34,169</u>	-	-	<u>34,169</u>
Expenses:				
Support services -				
Management and general	<u>55,634</u>	-	-	<u>55,634</u>
Decrease in permanently restricted net assets	<u>(21,465)</u>	-	-	<u>(21,465)</u>
Change in net assets	(21,465)	27,587	-	6,122
Net assets, beginning	<u>632,440</u>	<u>1,486,250</u>	-	<u>2,118,690</u>
Net assets, ending	<u>\$ 610,975</u>	<u>\$ 1,513,837</u>	<u>\$ -</u>	<u>\$ 2,124,812</u>

See independent auditor's report.

LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION

Combining Schedule of Management and General Expenses  
Year Ended April 30, 2017

	Lafayette Neighborhood's Economic Development Corporation	Evangeline Apartments	Eliminating and Combining	Combined Balance
Advertising	\$ -	\$ 675	\$ -	\$ 675
Consulting	30,640	36,207	-	66,847
Depreciation expense	-	62,564	-	62,564
Insurance	500	43,974	-	44,474
Interest expense	13,457	709	-	14,166
Legal and professional	6,105	16,034	-	22,139
Meals	-	1,118	-	1,118
Meeting expense	765	948	-	1,713
Miscellaneous	200	9,002	-	9,202
Office expense	726	2,665	-	3,391
Payroll taxes	-	1,318	-	1,318
Postage	195	-	-	195
Property taxes	-	27,829	-	27,829
Rent	-	998	-	998
Repairs and maintenance	-	85,243	-	85,243
Resident services	-	22,614	-	22,614
Salaries	-	54,920	-	54,920
Security	-	16,929	-	16,929
Security deposit	-	2,916	-	2,916
Supplies	929	2,119	-	3,048
Telephone	2,117	3,156	-	5,273
Utilities	-	60,089	-	60,089
Total	<u>\$ 55,634</u>	<u>\$ 452,027</u>	<u>\$ -</u>	<u>\$ 507,661</u>

See independent auditor's report.

**INTERNAL CONTROL AND COMPLIANCE**

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**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***

The Board of Directors  
 Lafayette Neighborhoods' Economic  
 Development Corporation  
 Lafayette, 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 the Lafayette Neighborhood's Economic Development Corporation (the Corporation) (a nonprofit corporation), as of and for the year ended April 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise LNEDEC's basic financial statements and have issued our report thereon dated October 5, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Corporation'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs, as items 17-1, 17-2 and 17-3, to be material weaknesses.

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## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Corporation 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 two instances of noncompliance that are required to be reported under *Government Auditing Standards*. We describe the instances in the accompanying schedule of findings and questioned costs, as items 17-1 and 17-3.

## The Corporation's Response to Findings

The Corporation's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Corporation's response and, accordingly, we express no opinion on it.

## 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 the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. This report is intended solely for the information and use of the board of directors, management, others within the organization and is not intended to be and should not be used by anyone other than those specified parties. However, Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Darnall, Sikes, Gardes & Frederick*

A Corporation of Certified Public Accountants

Lafayette, Louisiana  
October 5, 2017

LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION

Summary Schedule of Prior Year Findings  
Year Ended April 30, 2017

- 16-1 Finding: Incomplete Loan Files  
Status: This finding is unresolved. See current year finding 17-1.
- 16-2 Finding: Inadequate Segregation of Accounting Functions  
Status: This finding is unresolved. See current year finding 17-2.
- 16-3 Finding: Qualifications and Training  
Status: This finding is unresolved. See current year finding 17-3.
- 16-4 Finding: Missing or questionable documentation related to cash distributions  
Status: This finding is resolved.

LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION

Schedule of Findings and Questioned Costs  
Year Ended April 30, 2017

Part 1: Summary of Auditor's Results

FINANCIAL STATEMENTS

Auditor's Report - Financial Statements

An unqualified opinion has been issued on the Lafayette Neighborhoods' Economic Development Corporation's (the Corporation) financial statements as of and for the year ended April 30, 2017.

Material Weaknesses - Financial Reporting

Three material weaknesses in internal control over financial reporting were disclosed during the audit of the financial statements and are shown as items 17-1, 17-2 and 17-3 in Part 2.

Material Noncompliance - Financial Reporting

One material instance of non-compliance was disclosed during the audit of the financial statements, and is shown as item 17-1 in Part 2.

FEDERAL AWARDS

This section is not applicable for the fiscal year ended April 30, 2017.

Part 2: Findings Relating to an Audit in Accordance with Government Auditing Standards

17-1 Finding: Incomplete Loan Files and Annual Monitoring

Condition:

The Corporation was noted to have various loans which did not contain required documentation.

Criteria:

The Corporation has a standard checklist for loans which details the documentation required on each loan. There is also a monitoring checklist which needs to be completed annually.

Cause:

The Corporation was noted to have loan files deficient of required documentation despite vigorous request attempts made of their borrowers.

LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION

Schedule of Findings and Questioned Costs  
Year Ended April 30, 2017

Effect:

Loan files are not in compliance with lending requirements due to required documents not being maintained.

Recommendation:

We recommend that the Corporation perform a thorough examination of the outstanding loan files and determine if the required documentation is on file. For those loans which lack required documentation or annual monitoring, the Corporation should obtain the necessary information; also, the Corporation should review the loan files subsequent to issuance and preferably annually, to ensure that documentation is current for all information required.

Management's Response:

The Corporation's management believes that non-compliance exist in only a small portion of loans outstanding. Various loans, which are currently receiving regular monthly payments, were lent to businesses which are no longer in operation and therefore obtaining required business documentation is not possible.

Management has re-stated that loan reviews utilizing contract services of a consultant are continuing in the current period under audit. Reviews are also being performed on existing loans and will continue with future loans to determine that all required documentation is present in the loan files maintained.

Management has also implemented various protocols and procedures to encourage and assist borrowers in providing needed documentation. The protocols and procedures include but are not limited to personal one-on-one assistance and increases to loan interest rates.

17-2 Finding: Inadequate Segregation of Accounting Functions

Condition:

The Corporation did not have adequate segregation of functions within the accounting system.

Criteria:

The Corporation should have a system of internal controls in place which provides proper segregation of accounting functions.

Cause:

Due to a small number of personnel in the accounting system, the Corporation does not have enough staff members to facilitate proper segregation of accounting functions.

LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION

Schedule of Findings and Questioned Costs  
Year Ended April 30, 2017

Effect:

Uncorrected misstatements may occur due to the lack of proper segregation of accounting functions.

Recommendation:

Based on the size of the operation and the cost-benefit of additional accounting personnel, it may not be feasible to achieve complete segregation of accounting functions.

Management's Response:

No response is considered necessary.

17-3 Finding: Qualifications and Training

Condition:

The Corporation does not have a staff person who has the qualifications and training to apply generally accepted accounting principles (GAAP) in preparing its financial statements, including related notes.

Criteria:

The Corporation should have a staff person who has the qualifications and training to apply generally accepted accounting principles (GAAP) in preparing its financial statements.

Cause:

Due to a small number of personnel in the accounting system, the Corporation does not have a staff person who has the required qualifications.

Effect:

Uncorrected misstatements may occur due to the lack of a qualified person on staff.

Recommendation:

Based on the size of the operation and the cost-benefit of retaining someone with the needed qualifications it may not be feasible to have a staff person with these qualifications.

LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION

Schedule of Findings and Questioned Costs  
Year Ended April 30, 2017

Management's Response:

The Corporation has evaluated the cost vs. benefit of establishing internal controls over the presentation of financial statements in accordance with GAAP, and has determined that it is in the best interest of the Corporation to outsource this task to its independent auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their contents and presentation.

Part 3: Findings and Questioned Costs Relating to Federal Programs

At April 30, 2017, the Corporation did not meet the requirements to have a single audit in accordance with OMB Uniform Guidance; therefore, this section is not applicable.