

**MID CITY REDEVELOPMENT
ALLIANCE, INC.**

Audited Financial Statements

December 31, 2022 and 2021



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Independent Auditor's Report

To the Board of Directors
Mid City Redevelopment Alliance, Inc.
Baton Rouge, LA

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Mid City Redevelopment Alliance, Inc. (MCRA) which comprise the statements of financial position as of December 31, 2022 and 2021, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of MCRA as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of MCRA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about MCRA's ability to continue as a going concern for twelve months beyond the financial statements date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 MCRA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about MCRA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of compensation, benefits, and other payments to chief executive officer, as required by Louisiana Revised Statute (R.S.) 24:513 A(3) are presented for purposes of additional analysis and are not a required part of the basic 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 *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated June 26, 2023, on our consideration of MCRA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of MCRA's internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MCRA's internal control over financial reporting and compliance.



A Professional Accounting Corporation

Baton Rouge, LA
June 26, 2023

MID CITY REDEVELOPMENT ALLIANCE, INC.
Statements of Financial Position
December 31, 2022 and 2021

	2022	2021
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 1,350,825	\$ 1,218,880
Contributions and Grants Receivable	237,807	574,022
Contract Receivable	-	8,416
Property Held-for-Sale	473,288	470,211
Prepaid Expense	4,019	15,391
Total Current Assets	2,065,939	2,286,920
Property and Equipment, Net	479,366	510,659
Property and Equipment Under Lease, Net	298,030	-
Total Assets	\$ 2,843,335	\$ 2,797,579
Liabilities and Net Assets		
Current Liabilities		
Trade Accounts Payable	\$ 18,472	\$ 15,531
Accrued Expenses	16,212	29,209
Refundable Advances	-	50,000
Current Portion of Long-Term Debt	3,665	24,320
Line of Credit	150,000	150,000
Due to Related Party	121,509	108,998
Total Current Liabilities	309,858	378,058
Long-Term Debt	146,235	148,022
Line of Credit	377,000	140,000
Other Liabilities	4,443	4,443
Total Liabilities	837,536	670,523
Net Assets		
Without Donor Restrictions	1,906,799	2,028,056
With Donor Restrictions	99,000	99,000
Total Net Assets	2,005,799	2,127,056
Total Liabilities and Net Assets	\$ 2,843,335	\$ 2,797,579

The accompanying notes are an integral part of these financial statements.

MID CITY REDEVELOPMENT ALLIANCE, INC.
Statements of Activities
For the Years Ended December 31, 2022 and 2021

	2022	2021
Change in Net Assets Without Donor Restrictions		
Revenues and Other Support Without Donor Restrictions		
Contributions	\$ 102,174	\$ 50,197
Grants	281,379	596,650
Sales of Property Held-for-Sale	-	267,125
Other Revenue	120,602	214,607
Net Assets Released from Donor Restrictions	519,476	873,844
Total Revenues and Other Support Without Donor Restrictions	1,023,631	2,002,423
Expenses		
Salaries, Wages, and Benefits	520,266	559,508
Administrative Expenses	472,269	747,647
Purchased Services	70,516	46,035
Depreciation	40,058	37,671
Supplies	21,675	16,313
Interest Expense	20,104	11,985
Cost of Sales of Property Held-for-Sale	-	306,491
Total Expenses	1,144,888	1,725,650
Change in Net Assets Without Donor Restrictions	(121,257)	276,773
Change in Net Assets With Donor Restrictions		
Revenues and Other Support With Donor Restrictions		
Contributions	85,000	40,000
Contract Revenue	57,790	93,599
Grants	376,686	622,995
Net Assets Released from Donor Restrictions	(519,476)	(873,844)
Total Revenues and Other Support With Donor Restrictions	-	(117,250)
Change in Net Assets With Donor Restrictions	-	(117,250)
Change in Net Assets	(121,257)	159,523
Net Assets, Beginning of Year	2,127,056	1,967,533
Net Assets, End of Year	\$ 2,005,799	\$ 2,127,056

The accompanying notes are an integral part of these financial statements.

MID CITY REDEVELOPMENT ALLIANCE, INC.
Statement of Functional Expenses
For the Year Ended December 31, 2022

	Program Services					Support Services		
	Home Ownership Promotion	Community Building and Engagement	Real Estate Development/ Asset Management	Home Ownership Preservation	Total	Management and General	Fundraising	Total
Salaries, Wages, and Benefits	\$ 96,857	\$ 147,068	\$ 151,600	\$ -	\$ 395,525	\$ 124,741	\$ -	\$ 520,266
Administrative Expenses	51,998	61,452	42,543	-	155,993	308,809	7,467	472,269
Purchased Services	13,128	19,933	12,693	-	45,754	23,932	830	70,516
Depreciation	-	-	-	-	-	40,058	-	40,058
Supplies	4,035	6,127	6,316	-	16,478	5,197	-	21,675
Interest Expense	-	-	-	-	-	20,104	-	20,104
Total	\$ 166,018	\$ 234,580	\$ 213,152	\$ -	\$ 613,750	\$ 522,841	\$ 8,297	\$ 1,144,888

The accompanying notes are an integral part of these financial statements.

MID CITY REDEVELOPMENT ALLIANCE, INC.
Statement of Functional Expenses
For the Year Ended December 31, 2021

	Program Services					Support Services		
	Home Ownership Promotion	Community Building and Engagement	Real Estate Development/ Asset Management	Home Ownership Preservation	Total	Management and General	Fundraising	Total
Administrative Expenses	\$ 67,915	\$ 61,704	\$ 39,439	\$ 120,110	\$ 289,168	\$ 451,012	\$ 7,467	\$ 747,647
Salaries, Wages, and Benefits	47,707	138,562	125,683	-	311,952	247,556	-	559,508
Cost of Sales of Property Held-for-Sale	-	-	306,491	-	306,491	-	-	306,491
Purchased Services	7,452	2,991	18,558	-	29,001	16,204	830	46,035
Depreciation	-	-	-	-	-	37,671	-	37,671
Supplies	613	2,227	474	-	3,314	12,999	-	16,313
Interest Expense	-	-	-	-	-	11,985	-	11,985
Total	\$ 123,687	\$ 205,484	\$ 490,645	\$ 120,110	\$ 939,926	\$ 777,427	\$ 8,297	\$ 1,725,650

The accompanying notes are an integral part of these financial statements.

MID CITY REDEVELOPMENT ALLIANCE, INC.
Statements of Cash Flows
For the Year Ended December 31, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Change in Net Assets	\$ (121,257)	\$ 159,523
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Forgiveness of Paycheck Protection Program Loan	-	(96,200)
Depreciation and Amortization	40,058	37,671
Decrease (Increase) in Operating Assets		
Contributions and Grants Receivable	336,215	(374,032)
Contract Receivable	8,416	5,685
Prepaid Expense	11,372	7,487
Property Held-for-Sale	-	306,491
(Decrease) Increase in Operating Liabilities		
Trade Accounts Payable and Accrued Expenses	(10,056)	(2,871)
Refundable Advances	(50,000)	50,000
Due to Related Party	12,511	32,085
Net Cash Provided by Operating Activities	227,259	125,839
Cash Flows from Investing Activities		
Purchases and Improvements of Property Held-for-Sale	(309,872)	-
Net Cash Used in Investing Activities	(309,872)	-
Cash Flows from Financing Activities		
Proceeds from Lines of Credit	237,000	-
Payments on Long-Term Debt	(22,442)	(51,669)
Net Cash Provided by (Used in) Financing Activities	214,558	(51,669)
Net Increase in Cash and Cash Equivalents	131,945	74,170
Cash and Cash Equivalents, Beginning of Year	1,218,880	1,144,710
Cash and Cash Equivalents, End of Year	\$ 1,350,825	\$ 1,218,880
Supplemental Disclosures of Cash Flow Information		
Cash Paid for Interest	\$ 20,104	\$ 11,985
Transfers from Property Held For Sale to Property, Plant, and Equipment	\$ 306,795	\$ -

The accompanying notes are an integral part of these financial statements.

MID CITY REDEVELOPMENT ALLIANCE, INC.

Notes to Financial Statements

Note 1. Nature of Activities

The accompanying financial statements include the assets, liabilities, net assets, and financial activities of the programs administered by Mid City Redevelopment Alliance, Inc. (MCRA), a nonprofit corporation located in Baton Rouge, Louisiana. MCRA was organized to serve as a catalyst, facilitator, and coordinator to encourage the growth and renewal of the Mid-City region of Baton Rouge by attracting new and retaining current residents and businesses. Programs include home ownership promotion, community building and engagement, real estate development and asset management, and home ownership preservation services.

Note 2. Summary of Significant Accounting Policies

Basis of Accounting

MCRA prepares its financial statements in accordance with accounting principles generally accepted in the United States of America, which involves the application of accrual accounting. Consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. MCRA estimates the fair value of property held-for-sale based on the market conditions and negotiations with potential buyers. The amount that MCRA will ultimately realize could differ materially from the amount recorded in the financial statements.

Cash and Cash Equivalents

For the purpose of the statements of cash flows, MCRA considers all highly liquid debt instruments purchased with maturities of three months or less to be cash equivalents. MCRA maintains cash and cash equivalent balances with financial institutions that are federally insured.

Property Held-for-Sale

Property held-for-sale is comprised of buildings and land owned by MCRA. These properties are intended to be resold as a part of MCRA's overall mission in the community. These assets were recorded at cost at the time of purchase, and are presented on the financial statements at the lower of cost or fair market value. Upon sale of these assets, gross proceeds are recorded as sales revenue and the related capitalized costs and closing costs are recorded as cost of sales on the statements of activities. At December 31, 2022 and 2021, MCRA held \$473,288 and \$470,211, respectively. At December 31, 2022 and 2021, \$100,000 of property held-for-sale was purchased with a grant from NeighborWorks@America. The funds were considered restricted until used for this purpose, and, therefore, were released from restriction upon purchase. During the year ended December 31, 2022, \$306,795 of property held-for-sale was transferred to property and equipment under lease.

MID CITY REDEVELOPMENT ALLIANCE, INC.

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Contributed Support

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, MCRA reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Net assets without donor restrictions include those net assets available for use in general operations and not subject to donor restrictions. Net assets with donor restrictions are those net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue Recognition

MCRA recognizes contributions when cash, securities or other assets, unconditional promises to give, or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. Contributions and grants receivable consist of unconditional promises to give to MCRA. Unconditional promises to give are recognized at their net realizable value. Contributions and grants receivable totaled \$237,807 and \$574,022 at December 31, 2022 and 2021, respectively. There were no conditional promises to give at December 31, 2022 and 2021.

A portion of MCRA's revenue is derived from cost-reimbursable city, state, and federal grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when MCRA has incurred expenditures in compliance with specific grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position. Refundable advances totaled \$-0- and \$50,000 at December 31, 2022 and 2021, respectively.

When MCRA determines that an exchange transaction exists, revenue is recognized in accordance with ASC Top 606, *Revenue from Contracts with Customers*, which provides a five-step model for recognizing revenue from contracts with customers as follows:

- Identify the contract with a customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize revenue when or as performance obligations are satisfied.

MID CITY REDEVELOPMENT ALLIANCE, INC.

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Nature of Products and Services

MCRA recognizes revenue from a federal grant that is considered an exchange transaction without an implied contribution. Under this grant, MCRA recruits and develops members to add to the capacity to services across Baton Rouge that tackle key issues such as disaster services, economic opportunity, education, and healthy futures as well as offering administrative support such as onboarding, payroll, and travel services. MCRA recognizes revenue related to this grant over time based on direct labor and program costs incurred.

Transaction Price

The transaction price is the amount of consideration to which MCRA expects to be entitled in exchange for the recruiting, supervision, and administrative services provided under the grant. Revenues under this grant are recorded based on the transaction price, which includes fixed consideration only.

Contract Balances

The timing of revenue recognition may not align with the right to invoice the customer. MCRA records contracts receivable when it has the unconditional right to issue an invoice and receive payment, regardless of whether revenue has been recognized.

The balance of contract assets as of December 31, 2022 and 2021 are included in the statements of financial position. The opening balance as of January 1, 2021 was \$14,101.

Income Taxes

MCRA has been granted exemption by the Internal Revenue Service (IRS) from federal income taxes under Section 501 (c)(3) of the U.S. Internal Revenue Code and is required to report unrelated business income under applicable state laws and to the IRS. MCRA had \$70,460 and \$81,930 of unrelated business income, related to the leases discussed in Note 12, for the years ended December 31, 2022 and 2021, respectively.

Advertising Cost

Advertising costs, which are included in general and administrative expenses, are expensed as incurred and totaled \$11,560 and \$34,762, respectively, for the years ended December 31, 2022 and 2021.

MID CITY REDEVELOPMENT ALLIANCE, INC.

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Property, Equipment, and Depreciation

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

Buildings	10 - 35 Years
Improvements	5 - 20 Years
Furniture, Fixtures, and Equipment	5 - 7 Years

Maintenance, repairs, and renewals that neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred. Gains and losses on dispositions of property are included as other revenue on the statements of activities.

Operating Leases

MCRA leases primarily buildings to various lessees. These leases may contain extension and termination options that are predominantly at the sole discretion of the lessee, provided certain conditions are satisfied.

Functional Allocation of Expense

The costs of providing various program and supporting activities have been summarized on a functional basis in the statements of functional expenses. Salaries, wages, and benefits and administrative expenses are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. These expenses are allocated on the basis of estimates of time and effort. All other expenses categories are specifically identified to a program or supporting function.

Concentrations

Financial instruments that potentially expose MCRA to concentrations of credit and market risk consist primarily of cash equivalents. Cash equivalents are maintained at high-quality financial institutions and credit exposure is limited at any one institution. At December 31, 2022 and 2021, MCRA had \$832,939 and \$600,382, respectively, in excess of the FDIC insured limit. MCRA has not experienced any losses on its cash equivalents.

For the year ended December 31, 2022, two funders made up 48% of contributions and 0% of contributions and grants receivable, two funders made up 71% of grants and 34% of contributions and grants receivable, and one customer made up 100% of contract revenue and contract receivable.

For the year ended December 31, 2021, two funders made up 72% of contributions and 0% of contributions and grants receivable, three funders made up 80% of grants and 73% of contributions and grants receivable, and one customer made up 100% of contract revenue and contract receivable.

MID CITY REDEVELOPMENT ALLIANCE, INC.

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Commitments and Contingencies

In the normal course of operations, MCRA participates in a number of federal and state assisted grant programs. These programs are subject to audit by the grantors or their representatives. Such audits could lead to request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Presently, MCRA has no such request pending, and in the opinion of management, any such amounts would not be considered material.

Recent Accounting Pronouncements Adopted

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires that a lessee recognize the assets and liabilities that arise from leases classified as finance or operating. A lessee should recognize in the balance sheet a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. In June 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities* which provided a limited deferral of the effective dates of ASU 2014-09 for certain entities in the "all other category". Management has adopted ASU 2016-02 effective January 1, 2022 and this adoption did not have a significant effect on the financial statements.

In September 2020, the FASB issues ASU 2020-07, *Not-for-Profit Entities (Topic 958), Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 requires presentation of contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets, along with various disclosures for each category of nonfinancial assets recognized. Management has adopted ASU 2020-07 and this adoption did not have a significant effects on the financial statements.

Reclassifications

Certain reclassifications have been made to prior year balances in order to comply with current year presentation.

MID CITY REDEVELOPMENT ALLIANCE, INC.

Notes to Financial Statements

Note 3. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following:

	2022	2021
Cash and Cash Equivalents	\$ 1,350,825	\$ 1,218,880
Total	\$ 1,350,825	\$ 1,218,880

As part of the MCRA's liquidity management plan, MCRA maintains balances in excess of daily requirements in cash and cash equivalents.

Note 4. Related Party

MCRA received contributions from a related party in the amount of \$25,000 for the years ended December 31, 2022 and 2021.

In September 2018, MCRA entered into a revolving line of credit with a related party with an available balance of \$150,000 at an interest rate of 0% with all outstanding principal due on October 1, 2022. The line of credit had a balance of \$150,000 at December 31, 2022 and 2021.

Note 5. Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the following as of December 31, 2022 and 2021:

	2022	2021
Subject to Expenditure for a Specified Purpose		
GNO Fair Housing Action Center	\$ 96,500	\$ 96,500
Housing First Alliance	2,500	2,500
Total Net Assets With Donor Restrictions	\$ 99,000	\$ 99,000

MID CITY REDEVELOPMENT ALLIANCE, INC.

Notes to Financial Statements

Note 6. Net Assets Released from Donor Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the expiration of time during the years ended December 31, 2022 and 2021, as follows:

	2022	2021
Net Assets Released from Donor Restrictions		
Rental Assistance	\$ 159,077	\$ 354,546
City of Baton Rouge	86,512	182,583
Louisiana Housing Corporation	58,461	32,850
Corporation for National Community Service	57,791	93,600
United Way	45,000	-
FIXUP! Home Repair Projects	40,000	80,000
Enterprise Community Partners	32,374	-
Investar	23,761	-
Mount Pleasant	8,500	9,100
Baton Rouge Area Chamber	8,000	-
SNAP	-	34,265
Home Matters Expo	-	25,000
Housing First Alliance	-	16,000
Firehouse Project	-	16,250
NeighborWorks@America	-	10,000
Tipton Associates	-	6,000
Mobile Community Maker	-	5,000
Baton Rouge Area Foundation	-	5,000
City of Monroe	-	3,650
Total Net Assets Released from Donor Restriction	\$ 519,476	\$ 873,844

MID CITY REDEVELOPMENT ALLIANCE, INC.

Notes to Financial Statements

Note 7. Property and Equipment

Property and equipment, net at December 31, 2022 and 2021, was as follows:

	2022	2021
Land	\$ 137,275	\$ 137,275
Buildings	309,725	309,725
Leasehold Improvements	273,510	273,510
Equipment	88,230	88,230
Total	808,740	808,740
Accumulated Depreciation	(329,374)	(298,081)
Property and Equipment, Net	\$ 479,366	\$ 510,659

Property and equipment under lease, net at December 31, 2022 and 2021, was as follows:

	2022	2021
Buildings	\$ 306,795	\$ -
Total	306,795	-
Accumulated Depreciation	(8,765)	-
Property and Equipment Under Lease, Net	\$ 298,030	\$ -

Depreciation expense was \$40,058 and \$37,671 for the years ended December 31, 2022 and 2021, respectively.

Note 8. Property Held-for-Sale

Land and buildings classified as property held-for-sale are included in current assets in the amount of \$473,288 and \$470,211 at December 31, 2022 and 2021, respectively. MCRA evaluated these assets under FASB ASC 360, *Property, Plant, and Equipment* for impairment at December 31, 2022 and 2021. No impairment losses were recognized for the years ended December 31, 2022 and 2021.

MID CITY REDEVELOPMENT ALLIANCE, INC.

Notes to Financial Statements

Note 9. Long-Term Debt

Long-term debt consists of the following:

	2022	2021
Note payable of \$150,000 with Red River Bank bearing interest at 5.75%, 36 monthly principal and interest payments of \$4,552 with final payment due May 2022, secured by real estate.	\$ -	\$ 22,442
Note payable of \$150,000 with Small Business Administration bearing interest at 2.75%, 360 monthly principal and interest payments of \$641 with final payment due June 2050, secured by accounts receivables.	<u>149,900</u>	<u>149,900</u>
	149,900	172,342
Less: Current Portion of Long-Term Debt	<u>(3,665)</u>	<u>(24,320)</u>
Total	<u>\$ 146,235</u>	<u>\$ 148,022</u>

Contractual maturities on long-term debt are as follows:

Year Ending December 31,	Amount
2023	\$ 3,665
2024	3,767
2025	3,872
2026	3,979
2027	4,090
Thereafter	<u>130,527</u>
Total	<u>\$ 149,900</u>

Interest expense on long-term debt incurred for the years ended December 31, 2022 and 2021, totaled \$2,854 and \$5,946, respectively.

MID CITY REDEVELOPMENT ALLIANCE, INC.

Notes to Financial Statements

Note 9. Long-Term Debt (Continued)

In May 2020, MCRA received \$96,200 under the Paycheck Protection Program (PPP). The PPP Flexibility Act of 2020 delayed repayment of principal and interest until the date that the forgiveness amount is remitted to the lender by the Small Business Administration (SBA). Under the terms of the PPP, up to 100% of the loan (and related interest) may be forgiven if the proceeds are used for covered expenses and certain other requirements related to wage rates and maintenance of full-time equivalents are met. MCRA applied for forgiveness in 2021 and received forgiveness of \$96,200 from the SBA on October 19, 2021. The amount of loan forgiveness is reported as a component of other income in 2021.

The SBA may undertake a review of a loan any size during the six-year period following forgiveness or repayment of the loan. The review may include the loan forgiveness application, as well as whether MCRA received the proper loan amount. The timing and outcome of any SBA review is not known.

Note 10. Lines of Credit

As mentioned in Note 4, MCRA has entered into a revolving line of credit with a related party that had a balance of \$150,000 at December 31, 2022 and 2021.

MCRA has entered into a revolving line of credit with a bank with an available balance of \$500,000 at a variable interest rate of the prime rate of the lender plus 2.350% with a 6.00% floor (9.85% and 6.35% at December 31, 2022 and 2021, respectively) with all outstanding principal due on March 13, 2024. The line of credit had a balance of \$377,000 and \$140,000 at December 31, 2022 and 2021, respectively.

Interest expense on lines of credit incurred for the years ended December 31, 2022 and 2021 totals \$17,250 and \$6,039, respectively.

MID CITY REDEVELOPMENT ALLIANCE, INC.

Notes to Financial Statements

Note 11. NeighborWorks®America

In 2018, MCRA was the recipient of grant funds from NeighborWorks®America. Grant funds received from NeighborWorks®America made up 36% and 26% of total revenue received by MCRA for the years ended December 31, 2022 and 2021, respectively. In accordance with grant terms, MCRA is required to disclose certain information relating to those grants.

The following grants were received during years ended December 31, 2022 and 2021:

	2022	2021
Without Donor Restrictions		
Program Activities	\$ 175,000	\$ 170,000
Home Ownership Counseling	40,000	-
Operations Staff	35,000	-
Training and Development	10,000	9,500
NeighborWorks Week	1,000	500
Disaster Relief	-	75,000
Real Estate Project Manager	-	30,000
Executive Transition	-	25,000
Pandemic Recovery Efforts	-	20,000
Building Leaders Building Communities	-	10,000
Health Equity	-	10,000
COVID Scam Calls	-	6,150
Kresge Foundation Funds	-	5,000
Community Leadership Institute Action Plan	-	4,000
Total	\$ 261,000	\$ 365,150

Note 12. Operating Leases

MCRA is the lessor under various operating lease agreements to receive monthly rent payments that range from \$850 to \$4,443. The leases are for various terms expiring through April 2024.

MID CITY REDEVELOPMENT ALLIANCE, INC.

Notes to Financial Statements

Note 12. Operating Leases (Continued)

Future undiscounted cash flows as of December 31, 2022, are as follows:

Year Ending December 31,	Amount
2023	\$ 58,519
2024	<u>12,169</u>
Total	<u>\$ 70,688</u>

For the years ended December 31, 2022 and 2021, rental revenue totaled \$70,460 and \$81,930, respectively.

Note 13. Uncertain Tax Positions

Accounting principles generally accepted in the United States of America provide accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. MCRA believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Penalties and interest assessed by income taxing authorities, if any, would be included in operating expenses.

Note 14. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 26, 2023 and determined that the following events occurred that required disclosure:

The line of credit with a related party was paid off in full in March 2023.

The line of credit with a bank was amended in March 2023 to decrease the available balance to \$380,000 and extend the maturity date to March 13, 2024.

No other subsequent events occurring after June 26, 2023 have been evaluated for inclusion in these financial statements.

SUPPLEMENTARY INFORMATION

MID CITY REDEVELOPMENT ALLIANCE, INC.
Schedule of Compensation, Benefits, and Other Payments to Agency Head
For the Year Ended December 31, 2022

Agency Head

Ashley Orphe, Interim Executive Director
 January 1, 2022 to October 31, 2022

Purpose	Amount
Salary	\$66,496
Benefits - Insurance	\$0
Benefits - Retirement	\$1,825
Benefits - Other	\$0
Car Allowance	\$0
Vehicle Provided by Organization	\$0
Per Diem	\$0
Reimbursements	\$0
Travel	\$0
Registration Fees	\$0
Conference Travel	\$0
Continuing Professional Education Fees	\$0
Miscellaneous Expenses	\$0

See independent auditor's report.

MID CITY REDEVELOPMENT ALLIANCE, INC.
Schedule of Compensation, Benefits, and Other Payments to Agency Head (Continued)
For the Year Ended December 31, 2022

Agency Head

Kismet Gray, Executive Director
November 1, 2022 to December 31, 2022

Purpose	Amount
Salary	\$19,615
Benefits - Insurance	\$0
Benefits - Retirement	\$0
Benefits - Other	\$0
Car Allowance	\$0
Vehicle Provided by Organization	\$0
Per Diem	\$0
Reimbursements	\$0
Travel	\$0
Registration Fees	\$0
Conference Travel	\$0
Continuing Professional Education Fees	\$0
Miscellaneous Expenses	\$0

See independent auditor's report.

**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**

Independent Auditor's Report

To the Board of Directors
Mid City Redevelopment Alliance, Inc.
Baton Rouge, LA

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 Mid City Redevelopment Alliance, Inc. (MCRA), which comprise the statement of financial position as of December 31, 2022 and the related statements of activities, and cash flows for the year ended, and the related notes to the financial statements, and have issued our report thereon date June 26, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit we considered MCRA's internal control over financial reporting (internal control) as a basis for designing 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 MCRA's internal control. Accordingly, we do not express an opinion on the effectiveness of MCRA'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 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 controls that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether MCRA's financial statements are free from 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 financial statements. 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 MCRA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MCRA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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



A Professional Accounting Corporation

Baton Rouge, LA
June 26, 2023

**MID CITY REDEVELOPMENT ALLIANCE, INC.
Schedule of Findings and Responses
For the Year Ended December 31, 2022**

Part I - Summary of Auditor's Results

Financial Statements

- 1. Type of auditor's report issued: Unmodified

- 2. Internal control over financial reporting:
 - a. Material weakness(es) identified? No
 - b. Significant deficiency(ies) identified that are not considered to be material weaknesses? None reported
 - c. Noncompliance material to financial statements noted? No

Part II - Financial Statement Findings Section

None.

Part II - Financial Statement Findings Section

Not applicable.

MID CITY REDEVELOPMENT ALLIANCE, INC.
Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2022

Findings Related to the Financial Statements

Reference Number

2021-001

Condition

A material weakness in internal control over financial reporting is present a material amount of revenue related to reimbursable grants was identified during audit testing that was not recorded in the period in which the expenses were incurred.

Status

Resolved.

AGREED-UPON PROCEDURES REPORT

Mid City Redevelopment Alliance, Inc.

Independent Accountant's Report
On Applying Agreed-Upon Procedures

For the Period January 1, 2022 - December 31, 2022

To the Board of Directors
Mid City Redevelopment Alliance, Inc.
And the Louisiana Legislative Auditor:

We have performed the procedures enumerated below on Mid City Redevelopment Alliance, Inc.'s (the Organization) control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal year January 1, 2022 through December 31, 2022. Mid City Redevelopment Alliance, Inc.'s management is responsible for those C/C areas identified in the SAUPs.

The Organization has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in the LLA's SAUPs for the fiscal year January 1, 2022 through December 31, 2022. Additionally, the LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and results are as follows:

1) *Written Policies and Procedures*

- A. Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity's operations:
- i. **Budgeting**, including preparing, adopting, monitoring, and amending the budget.
 - ii. **Purchasing**, including (1) how purchases are initiated, (2) how vendors are added to the vendor list, (3) the preparation and approval process of purchase requisitions and purchase orders, (4) controls to ensure compliance with the Public Bid Law, and (5) documentation required to be maintained for all bids and price quotes.

- iii. **Disbursements**, including processing, reviewing, and approving.
- iv. **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
- v. **Payroll/Personnel**, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee rates of pay or approval and maintenance of pay rate schedules.
- vi. **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- vii. **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- viii. **Credit Cards (and debit cards, fuel cards, purchase cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- ix. **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.
- x. **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- xi. **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.
- xii. **Prevention of Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Results: We noted procedures #1Aix, #1Ax, and #1Axi are not applicable to public funds administered by the Organization. Exception noted for procedure 1Axi above as the policy does not contain items (1) - (5) listed above. No exceptions were found as a result of the remaining procedures above.

2) Board or Finance Committee

- A. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and
- i. Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - ii. For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget- to-actual, at a minimum, on all special revenue funds. *Alternatively, for those entities reporting on the not-for-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*
 - iii. For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.
 - iv. Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.

Results: No exceptions were found as a result of these procedures.

3) Bank Reconciliations

- A. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:
- i. Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);
 - ii. Bank reconciliations include written evidence that a member of management or a board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
 - iii. Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Results: No exceptions were found as a result of these procedures.

4) Collections (excluding electronic funds transfers)

- A. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
- B. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (e.g., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if there are no written policies or procedures, then inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that
 - i. Employees responsible for cash collections do not share cash drawers/registers;
 - ii. Each employee responsible for collecting cash is not also responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit;
 - iii. Each employee responsible for collecting cash is not also responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit; and
 - iv. The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, is (are) not also responsible for collecting cash, unless another employee/official verifies the reconciliation.
- C. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe that the bond or insurance policy for theft was in force during the fiscal period.
- D. Randomly select two deposit dates for each of the 5 bank accounts selected for Bank Reconciliations procedure #3A (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternatively, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits, and:
 - i. Observe that receipts are sequentially pre-numbered.
 - ii. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - iii. Trace the deposit slip total to the actual deposit per the bank statement.
 - iv. Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).
 - v. Trace the actual deposit per the bank statement to the general ledger.

Results: No exceptions were found as a result of these procedures.

5) *Non-Payroll Disbursements (excluding card purchases, travel reimbursements, and petty cash purchases)*

- A. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
- B. For each location selected under procedure #5A above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, then inquire of employees about their job duties), and observe that job duties are properly segregated such that:
- i. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order or making the purchase;
 - ii. At least two employees are involved in processing and approving payments to vendors;
 - iii. The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files;
 - iv. Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments; and
 - v. Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.
- C. For each location selected under procedure #5A above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction, and
- i. Observe whether the disbursement, whether by paper or electronic means, matched the related original itemized invoice and supporting documentation indicates that deliverables included on the invoice were received by the entity, and
 - ii. Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under procedure #5B above, as applicable.
- D. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3A, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy. Note: If no electronic payments were made from the main operating account during the month selected the practitioner should select an alternative month and/or account for testing that does include electronic disbursements.

Results: No exceptions were found as a result of these procedures.

6) Credit Cards/Debit Cards/Fuel Cards/Purchase Cards (Cards)

- A. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and purchase cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
- B. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement). Obtain supporting documentation, and
 - i. Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved) by someone other than the authorized card holder (those instances requiring such approval that may constrain the legal authority of certain public officials, such as the mayor of a Lawrason Act municipality, should not be reported); and
 - ii. Observe that finance charges and late fees were not assessed on the selected statements.
- C. Using the monthly statements or combined statements selected under procedure #6B above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (e.g., each card should have 10 transactions subject to inspection). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and observe whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

Results: No exceptions were found as a result of these procedures.

7) Travel and Travel-Related Expense Reimbursements (excluding card transactions)

- A. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements and obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected
 - i. If reimbursed using a per diem, observe that the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov);
 - ii. If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased;

- iii. Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by Written Policies and Procedures procedure #1A(vii); and
- iv. Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Results: No exceptions were found as a result of these procedures.

8) Contracts

- A. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternatively, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and
 - i. Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law;
 - ii. Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter);
 - iii. If the contract was amended (e.g., change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, the documented approval); and
 - iv. Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Results: No exceptions were found as a result of these procedures.

9) Payroll and Personnel

- A. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
- B. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under procedure #9A above, obtain attendance records and leave documentation for the pay period, and
 - i. Observe that all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory);
 - ii. Observe whether supervisors approved the attendance and leave of the selected employees or officials;

- iii. Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records; and
 - iv. Observe whether the rate paid to the employees or officials agrees to the authorized salary/pay rate found within the personnel file.
- C. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials and obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee's or official's cumulative leave records, agree the pay rates to the employee's or official's authorized pay rates in the employee's or official's personnel files, and agree the termination payment to entity policy.
- D. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

Results: For procedure #9Bi, we noted 2 of 5 employees tested did not have documentation over authorized salary/pay rate within their personnel file. No exceptions were found as a result of the remaining procedures above.

10) Ethics

- A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A obtain ethics documentation from management, and
- i. Observe whether the documentation demonstrates that each employee/official completed one hour of ethics training during the calendar year as required by R.S. 42:1170; and
 - ii. Observe whether the entity maintains documentation which demonstrates that each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.
- B. Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.

Results: This procedure is not applicable to the Organization.

11) Debt Service

- A. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each debt instrument issued as required by Article VII, Section 8 of the Louisiana Constitution.

- B. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

Results: This procedure is not applicable to the Organization.

12) Fraud Notice

- A. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the Legislative Auditor and the Organization attorney of the parish in which the entity is domiciled as required by R.S. 24:523.
- B. Observe that the entity has posted, on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Results: We noted the Organization did not have the notice required by R.S. 24:523.1 posted on its premises.

13) Information Technology Disaster Recovery/Business Continuity

- A. Perform the following procedures, **verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."**
- i. Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if there is no written documentation, then inquire of personnel responsible for backing up critical data) and observe evidence that such backup (a) occurred within the past week, (b) was not stored on the government's local server or network, and (c) was encrypted.
 - ii. Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if there is no written documentation, then inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.
 - iii. Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.
- B. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in procedure #9C. Observe evidence that the selected terminated employees have been removed or disabled from the network.

Results: We performed the procedures and discussed the results with management.

14) Prevention of Sexual Harassment

- A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year as required by R.S. 42:343.
- B. Observe that the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).
- C. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1st, and observe that the report includes the applicable requirements of R.S. 42:344:
 - i. Number and percentage of public servants in the agency who have completed the training requirements;
 - ii. Number of sexual harassment complaints received by the agency;
 - iii. Number of complaints which resulted in a finding that sexual harassment occurred;
 - iv. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
 - v. Amount of time it took to resolve each complaint.

Results: This procedure is not applicable to the Organization.

We were engaged by the Organization to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely to describe the scope of testing on those C/C areas identified in Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures, and the results of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.



A Professional Accounting Corporation

Baton Rouge, LA
June 26, 2023



June 26, 2023

LaPorte, A Professional Accounting Corporation
8555 United Plaza Blvd, Suite 400
Baton Rouge, LA 70809

Ref: Management's Response to Statewide Agreed Upon Procedures (SAUPs)

Please find below Mid City Redevelopment Alliance's (the Organization) responses to the SAUPs performed by LaPorte, APAC for the period January 1, 2022 to December 31, 2022.

Policies and Procedures

1. The Organization's disaster recovery/business continuity policy did not mention periodic testing/verification that backups can be restored, use of antivirus software on all systems, timely application of all available system and software patches/updates, or identification of personnel, processes, and tools needed to recover operations after a critical event.
2. The Organization did not have posted on their premises the Fraud Notice required by R.S. 24:523.1.
3. The Organization did not have authorized salary/pay rate documentation in personnel files for 2 of the 7 employees selected for payroll and personnel testing.

Management's Response:

Management agrees with the findings above. We will revise our Internal Controls to incorporate the policy and procedures item. We will also obtain the Fraud Notice required by R.S. 24:523.1 to be posted on our premises. We will also incorporate a policy to retain approved salary/pay rate within each new hire's personnel file. This will be completed by December 31, 2023.

MID CITY REDEVELOPMENT ALLIANCE

Kismet Gray, Executive Director