LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION AND SUBSIDIARY

Lafayette, Louisiana

Combined Financial Report
Years Ended April 30, 2020 and 2019

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A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

OTHER LOCATIONS:
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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 combined financial statements of Lafayette Neighborhoods' Economic Development Corporation (LNEDC) (a nonprofit corporation) and subsidiary, which comprise the combined statements of financial position as of April 30, 2020 and 2019, and the related combined statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements based on our audit. We did not audit the 2020 and 2019 financial statements of Evangeline Apartments, a wholly owned subsidiary, which statements reflect total assets of $1,840,765 and $1,753,932 as of April 30, 2020 and 2019, and total revenues of $482,138 and $460,918 for the years then ended. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Evangeline Apartments as of April 30, 2020 and 2019, and the years then ended, is based solely on the report of the other auditors. 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 combined financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined financial statements.

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

Opinions

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of Lafayette Neighborhoods' Economic Development Corporation and subsidiary as of April 30, 2020 and 2019, 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.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated October 23, 2020 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 & Frederick
A Corporation of Certified Public Accountants

Lafayette, Louisiana
October 23, 2020

LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION AND SUBSIDIARY

Combined Statements of Financial Position
April 30, 2020 and 2019

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 833,003	$ 655,524
Loans receivable (net of reserve)	381,896	423,803
Accrued interest receivable	13,428	16,063
Other receivables	675	675
Prepaid expenses	27,536	25,264
TOTAL CURRENT ASSETS	1,256,538	1,121,329
PROPERTY AND EQUIPMENT		
Buildings	1,500,000	1,500,000
Building improvements	280,005	267,539
Furniture and equipment	35,576	32,265
Less: accumulated depreciation	(577,718)	(504,986)
TOTAL PROPERTY AND EQUIPMENT	1,237,863	1,294,818
TOTAL ASSETS	$2,494,401	$2,416,147
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 7,013	$ 41,198
Notes payable	22,917	17,153
Tenant deposits	27,420	21,810
TOTAL CURRENT LIABILITIES	57,350	80,161
NET ASSETS		
Without donor restrictions	1,786,163	1,676,271
With donor restrictions	650,888	659,715
TOTAL NET ASSETS	2,437,051	2,335,986
TOTAL LIABILITIES AND NET ASSETS	$2,494,401	$2,416,147

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

LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION AND SUBSIDIARY

Combined Statements of Activities
Years Ended April 30, 2020 and 2019

	2020	2019
NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUE		
Rent - Residential	$ 403,692	$ 397,828
Rent - Commercial	69,500	56,250
Other	8,946	6,840
Total revenue without donor restrictions	482,138	460,918
Net assets released from restrictions	64,816	65,121
TOTAL SUPPORT, REVENUES AND OTHER SUPPORT WITHOUT DONOR RESTRICTIONS	546,954	526,039
EXPENSES		
Support services	437,062	481,064
Change in net assets without donor restrictions	109,892	44,975
NET ASSETS WITH DONOR RESTRICTIONS		
REVENUE AND SUPPORT		
Grant revenue	22,000	128,000
Interest - loans	33,560	26,011
Investment interest	6	-
Other	423	4,497
Total revenue and support with donor restrictions	55,989	158,508
Net assets released from donor restrictions	(64,816)	(65,121)
Change in net assets with donor restrictions	(8,827)	93,387
CHANGE IN NET ASSETS	101,065	138,362
NET ASSETS, BEGINNING	2,335,986	2,197,624
NET ASSETS, ENDING	$2,437,051	$2,335,986

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

LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION AND SUBSIDIARY

Combined Statements of Functional Expenses
Years Ended April 30, 2020 and 2019

Support Services: Management & General	2020	2019
Advertising	$ 344	$ 525
Bad debts	11,457	21,264
Consulting	75,131	74,276
Depreciation expense	72,732	68,239
Insurance	48,679	46,115
Interest expense	1,072	929
Legal and professional	29,999	56,270
Meals	1,234	1,582
Meeting expense	1,847	1,330
Miscellaneous	1,375	947
Office expense	5,844	8,686
Payroll taxes	3,651	4,940
Postage	134	140
Property taxes	1,078	1,076
Rent	-	879
Repairs and maintanence	59,570	65,435
Resident services	2,382	3,190
Salaries	53,829	48,734
Security	20,499	20,934
Supplies	3,241	3,640
Telephone	7,723	5,986
Utilities	35,241	45,947
Total	$ 437,062	$ 481,064

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

LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION AND SUBSIDIARY

Combined Statements of Cash Flows
Years Ended April 30, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	$ 101,065	$ 138,362
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	72,732	68,239
(Increase) decrease in assets:		
Loans receivable	41,907	(4,355)
Accrued interest receivable	2,635	4,788
Prepaids	(2,272)	(1,819)
Increase (decrease) in liabilities:		
Accounts payable	(34,185)	29,955
Deposits	5,610	1,340
Net cash provided by operating activities	187,492	236,510
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash payments for the purchase of fixed assets	(15,777)	(90,034)
Net cash used by investing activities	(15,777)	(90,034)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net change in notes payable	5,764	(4,581)
Net cash used by financing activities	5,764	(4,581)
Net increase in cash	177,479	141,895
CASH AND CASH EQUIVALENTS, beginning of year	655,524	513,629
CASH AND CASH EQUIVALENTS, end of year	$ 833,003	$ 655,524
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Interest paid	$ 1,072	$ 929

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

NOTE 1 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 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. All significant intercompany balances and transactions have been eliminated.

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 LNEDC provides financing to new and expanding small businesses in Lafayette.

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.

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:

Net Assets without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations or grantor-imposed restrictions.

Net Assets with Donor Restrictions – Net assets with donor restrictions are resources that are subject to donor-imposed or grantor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively. Contributions are recognized when cash, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the restriction.

Revenue with and without Donor Restrictions

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. Contributions of property and equipment are reported as net assets with donor restrictions if the donor restricted the use of the property or equipment to a particular program, as are contributions of cash restricted to the purchase of property and equipment. Otherwise, donor restrictions on contributions of property and equipment or assets restricted for purchase of property and equipment are considered to expire when the assets are placed in service.

All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from donor restrictions.

Income Taxes

In accordance with Rev. Proc. 95-48, 1995-2 C.B. 418, the Corporation is exempt from federal income tax under section 501(a) of the Internal Revenue Code. As such, the Corporation is not required to file annual information return Form 990. The Revenue Procedure specifically exempts from filings “affiliates of governmental units that are exempt from federal income tax under section 501(a)”.

Cash and Cash Equivalents

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.

Loans Receivable

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

Depreciation expense for the years ended April 30, 2020 and 2019 was $72,732 and $68,239, respectively.

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.

Advertising

Advertising costs are expensed as incurred. For the years ended April 30, 2020 and 2019, advertising expense was $344 and $525, respectively.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. The Statement of Functional Expenses presents the natural classification of expenses by function. Accordingly, certain costs have been allocated among supporting services benefited.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Change in Accounting Principle

On May 28, 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606). The standard prescribes a single model for revenue recognition, with a set of principles to be used for determining when revenue should be recognized. It also requires expanded disclosures about the nature, amount, and timing of revenue and cash flows. This standard is effective beginning January 1, 2019. The adoption of this new guidance did not have a material impact on the Organization's financial statements.

Subsequent Events

Management has evaluated events subsequent to the balance sheet date through October 23, 2020, the date the combined financial statements were available to be issued.

NOTE 2 AVAILABILITY AND LIQUIDITY

The following represents the Corporation's financial assets available for general expenditures that is, without donor or other restrictions limiting their use as of April 30, 2020:

Financial assets at year end:	
Cash and cash equivalents	$ 833,003
Loans receivable	381,896
Accrued interest receivable	13,428
Other receivables	675
Prepaid expenses	27,536
Total financial assets	1,256,538
Less: those unavailable for general expenditures within one year, due to:	
Restricted for debt repayment	(22,917)
Total financial assets available to meet general expenditures over the next twelve months	$ 1,233,621

NOTE 3 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.

NOTE 3 LOANS (Continued)

During the year $28,207 worth of loans became uncollectable and subsequently charged-off.

The following summary reflects activities in the loan accounts for the years ending April 30, 2020 and 2019:

	2020	2019
Balance, beginning	$ 523,695	$ 514,617
Loans made	30,665	128,000
Payment received	(61,116)	(102,380)
Loans written off	(28,207)	(16,542)
Balance, ending	$ 465,037	$ 523,695

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

	2020	2019
Balance, beginning	$ 99,891	$ 95,169
Loans written off	(28,207)	(16,542)
Increase in provision for loan losses	11,457	21,264
Balance, ending	$ 83,141	$ 99,891

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
$ -	-	29,748	$ 29,748

The following table represents credit exposures by creditworthiness category for the year ended April 30, 2020. 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
$ 393,386	41,903	29,748	-	$ 465,037

NOTE 4 NOTES PAYABLE

	2020	2019
Note payable to insurance financier, payable in 10 monthly payments of $3,896 including interest at a rate of 6.878%, collateralized by the assignment of insurance policies.	22,917	17,153
Total	$ 22,917	$ 17,153

NOTE 5 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, 2020 and 2019.

NOTE 6 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 7 FINANCIAL INSTRUMENTS

The Corporation maintains its cash deposits in high quality financial institutions. Cash balances may, at times, exceed FDIC insurance coverage. The Corporation has not experienced any losses in such accounts and believes that there is not any significant credit risk associated with cash.

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.

NOTE 8 FAIR VALUE MEASUREMENTS (Continued)

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.

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, 2020			
Description	April 30, 2020	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Impaired Loans	$ 3,173	$ -	$ -	$ 3,173
Total	$ 3,173	$ -	$ -	$ 3,173

NOTE 8 FAIR VALUE MEASUREMENTS (Continued)

		Fair Value Measurements at April 30, 2019		
Description	April 30, 2019	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Impaired Loans	$ 6,410	$ -	$ -	$ 6,410
Total	$ 6,410	$ -	$ -	$ 6,410

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 $3,173 were recorded at their fair value at April 30, 2020.

NOTE 9 LITIGATION AND CLAIMS

There was no pending litigation against the Corporation at April 30, 2020.

NOTE 10 COVID-19 PANDEMIC

In December 2019, a novel strain of coronavirus (COVID-19) was reported to have surfaced in China. The World Health Organization has characterized COVID-19 as a pandemic. The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our customers, employees and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain.

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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

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

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combining statements on pages 16-18 are presented for purposes of additional analysis and are not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 relation to the financial statements as a whole.

Darnall, Sikes & Frederick
A Corporation of Certified Public Accountants

Lafayette, Louisiana
October 23, 2020

LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION AND SUBSIDIARY

Combining Statement of Financial Position
April 30, 2020

	Lafayette Neighborhood's Economic Develeopment Corporation	Evangeline Apartments	Eliminating and Combining	Combined Balance
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	$ 258,312	$ 574,691	$ -	$ 833,003
Loans receivable (net of reserve)	381,896	-	-	381,896
Accrued interest receivable	13,428	-	-	13,428
Other receivables	-	675	-	675
Prepaid expenses	-	27,536	-	27,536
TOTAL CURRENT ASSETS	653,636	602,902	-	1,256,538
PROPERTY AND EQUIPMENT				
Buildings	-	1,500,000	-	1,500,000
Building improvements	-	280,005	-	280,005
Furniture and equipment	-	35,576	-	35,576
Less: accumulated depreciation	-	(577,718)	-	(577,718)
TOTAL PROPERTY AND EQUIPMENT	-	1,237,863	-	1,237,863
TOTAL ASSETS	$ 653,636	$1,840,765	$ -	$2,494,401
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	$ 2,748	$ 4,265	$ -	$ 7,013
Notes payable	-	22,917	-	22,917
Tenant deposits	-	27,420	-	27,420
TOTAL CURRENT LIABILITIES	2,748	54,602	-	57,350
NET ASSETS				
Without donor restrictions	-	1,786,163	-	1,786,163
With donor restrictions	650,888	-	-	650,888
TOTAL NET ASSETS	650,888	1,786,163	-	2,437,051
TOTAL LIABILITIES AND NET ASSETS	$ 653,636	$1,840,765	$ -	$2,494,401

See independent auditor’s report on supplemental information.

LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION AND SUBSIDIARY

Combining Statement of Activities
Year Ended April 30, 2020

	Lafayette Neighborhood's Economic Develeopment Corporation	Evangeline Apartments	Eliminating and Combining	Combined Balance
NET ASSETS WITHOUT DONOR RESTRICTIONS				
REVENUE				
Rent - Residential	$ -	$ 403,692	$ -	$ 403,692
Rent - Commercial	-	69,500	-	69,500
Other	-	8,946	-	8,946
Total revenue without donor restrictions	-	482,138	-	482,138
Net assets released from restrictions	64,816	-	-	64,816
TOTAL SUPPORT, REVENUES, AND OTHER SUPPORT WITHOUT DONOR RESTRICTIONS	64,816	482,138	-	546,954
EXPENSES				
Support services	64,816	372,246	-	437,062
Change in net assets without donor restrictions	-	109,892	-	109,892
NET ASSETS WITH DONOR RESTRICTIONS				
REVENUE AND SUPPORT				
Grant revenue	22,000	-	-	22,000
Interest - loans	33,560	-	-	33,560
Investment interest	6	-	-	6
Other	423	-	-	423
Total revenue and support with donor restrictions	55,989	-	-	55,989
Net assets released from donor restrictions	(64,816)	-	-	(64,816)
Change in net assets with donor restrictions	(8,827)	-	-	(8,827)
CHANGE IN NET ASSETS	(8,827)	109,892	-	101,065
NET ASSETS, BEGINNING	659,715	1,676,271	-	2,335,986
NET ASSETS, ENDING	$ 650,888	$1,786,163	$ -	$2,437,051

See independent auditor’s report on supplemental information.

LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION AND SUBSIDIARY

Combining Schedule of Functional Expenses
Year Ended April 30, 2020

	Lafayette Neighborhood's Economic Develeopment Corporation	Evangeline Apartments	Eliminating and Combining	Combined Balance
Advertising	$ -	$ 344	$ -	$ 344
Bad debts	11,457	-	-	11,457
Consulting	31,677	43,454	-	75,131
Depreciation expense	-	72,732	-	72,732
Insurance	-	48,679	-	48,679
Interest expense	-	1,072	-	1,072
Legal and professional	16,237	13,762	-	29,999
Meals	-	1,234	-	1,234
Meeting expense	667	1,180	-	1,847
Miscellaneous	9	1,366	-	1,375
Office expense	2,065	3,779	-	5,844
Payroll taxes	-	3,651	-	3,651
Postage	134	-	-	134
Property taxes	-	1,078	-	1,078
Repairs and maintanence	-	59,570	-	59,570
Resident services	-	2,382	-	2,382
Salaries	-	53,829	-	53,829
Security	-	20,499	-	20,499
Supplies	332	2,909	-	3,241
Telephone	2,238	5,485	-	7,723
Utilities	-	35,241	-	35,241
Total	$ 64,816	$ 372,246	$ -	$ 437,062

See independent auditor’s report on supplemental information.

INTERNAL CONTROL AND COMPLIANCE

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Eunice Morgan City Abbeville

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 years ended April 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise LNEDC's basic financial statements and have issued our report thereon dated October 23, 2020. Our report includes a reference to other Certified Public Accountants who audited the financial statements of Evangeline Apartments, as described in our report on LNEDC's financial statements. This report does not include the results of the other Certified Public Accountant's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those Certified Public Accountants.

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 opinion 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 2020-001, 2020-002, 2020-003, and 2020-004 to be material weaknesses.

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 one instance of noncompliance that is required to be reported under *Government Auditing Standards*. We describe this instance in the accompanying schedule of findings and questioned costs as item 2020-001.

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 & Frederick
A Corporation of Certified Public Accountants

Lafayette, Louisiana
October 23, 2020

LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION AND SUBSIDIARY

Summary Schedule of Prior Year Findings
Year Ended April 30, 2020

2019-001 Finding: Incomplete Loan Files

Status: This finding is unresolved. See current year finding 2020-001.

2019-002 Finding: Inadequate Segregation of Accounting Functions

Status: This finding is unresolved. See current year finding 2020-002.

LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION AND SUBSIDIARY

Schedule of Findings and Questioned Costs
Year Ended April 30, 2020

Part 1: Summary of Auditor's Results

FINANCIAL STATEMENTS

Auditor's Report - Financial Statements

An unmodified 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, 2020.

Material Weaknesses - Financial Reporting

Four material weaknesses in internal control over financial reporting were disclosed during the audit of the financial statements and are shown as items 2020-001, 2020-002, 2020-003, and 2020-004 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 2020-001 in Part 2.

FEDERAL AWARDS

This section is not applicable for the fiscal year ended April 30, 2020.

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

2020-001 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.

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 exists 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.

2020-002 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.

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:

Management has evaluated the cost vs. benefit and has determined that hiring additional staff solely for the benefit of segregation of duties is not in the best interest of the organization at this time.

2020-003 Finding: Reconciliation of Net Assets

Condition:

The Corporation failed to properly record prior year audit entries and reconcile beginning net assets to prior year ending net assets.

Criteria:

To ensure the accuracy of financial reporting, approved audit adjustments should be posted to the general ledger and beginning net assets should be reconciled to the prior year ending net assets.

Cause:

The Corporation did not record all prior year audit entries and reconcile net assets at the beginning of the year.

Effect:

Failure to perform these accounting functions hinders accurate financial statements. In addition, it creates a greater risk of errors and fraud.

Recommendation:

We recommend the Corporation post prior year audit entries to the general ledger. In addition, the Corporation should implement a process to closely monitor the recording and reconciliations involved in day-to-day accounting functions.

Management's Response:

Management intends to correct these issues and implement procedures to monitor the process of accounting functions.

2020-004 Finding: Internal Controls over Cash Reconciliations and Loans Receivable

Condition:

The Corporation failed to properly reconcile the loan cash account and loans receivable throughout the year.

Criteria:

Accounts should be reconciled to supporting documentation and budgets in a timely manner to ensure accuracy of financial reporting.

Cause:

The Corporation did not reconcile account balances consistently throughout the year to supporting documentation.

Effect:

Failure to reconcile and adjust accounts hinders accurate financial statements. In addition, it creates a greater risk of errors and fraud.

Recommendation:

We recommend the Corporation implement a process to closely monitor the recording, collecting and reconciling of accounts to the support.

Management's Response:

The corporation will implement procedures to ensure account balances are reconciled on a monthly basis and operations are in-line with expectations.

Part 3: Findings and Questioned Costs Relating to Federal Programs

At April 30, 2020, the Corporation did not meet the requirements to have a single audit in accordance with OMB *Uniform Guidance*; therefore, this section is not applicable.