

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

**Consolidated Financial Report
Years Ended April 30, 2019 and 2018**

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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 consolidated financial statements of Lafayette Neighborhoods' Economic Development Corporation (LNEDEC) (a nonprofit corporation) and subsidiary, which comprise the consolidated statements of financial position as of April 30, 2019 and 2018, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Lafayette Neighborhoods' Economic Development Corporation and subsidiary as of April 30, 2019 and 2018, and the changes in its net assets and its cash flows for the year 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 18, 2019 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 LNEDEC's internal control over financial reporting and compliance.

Darnall, Sikes & Frederick

A Corporation of Certified Public Accountants

Lafayette, Louisiana

October 18, 2019

LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION AND
SUBSIDIARY

Consolidated Statements of Financial Position
April 30, 2019 and 2018

	2019	(Restated) 2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 655,524	\$ 513,629
Loans receivable (net of reserve)	423,803	419,448
Accrued interest receivable	16,063	20,850
Other receivables	675	675
Prepaid expenses	25,264	23,445
TOTAL CURRENT ASSETS	1,121,329	978,047
PROPERTY AND EQUIPMENT		
Buildings	1,500,000	1,500,000
Building improvements	267,539	191,456
Furniture and equipment	32,265	18,315
Less: accumulated depreciation	(504,986)	(436,747)
	1,294,818	1,273,024
TOTAL ASSETS	\$ 2,416,147	\$ 2,251,071
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Notes payable	\$ 41,198	\$ 21,734
Accounts payable	17,153	11,243
Tenant deposits	21,810	20,470
TOTAL CURRENT LIABILITIES	80,161	53,447
NET ASSETS		
Without donor restrictions, as restated	1,676,271	1,631,296
With donor restrictions	659,715	566,328
TOTAL NET ASSETS, RESTATED	2,335,986	2,197,624
TOTAL LIABILITIES AND NET ASSETS	\$ 2,416,147	\$ 2,251,071

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

LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION AND
SUBSIDIARY

Consolidated Statements of Activities
Years Ended April 30, 2019 and 2018

	<u>2019</u>	<u>(Restated) 2018</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUE		
Rent - Residential	\$ 397,828	\$ 410,674
Rent - Commercial	56,250	40,700
Other	<u>6,840</u>	<u>56,120</u>
Total revenue without donor restrictions	460,918	507,494
Net assets released from restrictions	<u>65,121</u>	<u>36,747</u>
TOTAL SUPPORT, REVENUES AND OTHER SUPPORT WITHOUT DONOR RESTRICTIONS	<u>526,039</u>	<u>544,241</u>
EXPENSES		
Support services	<u>481,064</u>	<u>471,429</u>
Change in net assets without donor restrictions	<u>44,975</u>	<u>72,812</u>
NET ASSETS WITH DONOR RESTRICTIONS		
REVENUE AND SUPPORT		
Grant revenue	128,000	-
Interest - loans	26,011	36,149
Other	<u>4,497</u>	<u>598</u>
Total revenue and support with donor restrictions	158,508	36,747
Net assets released from donor restrictions	<u>(65,121)</u>	<u>(36,747)</u>
Change in net assets with donor restrictions	<u>93,387</u>	<u>-</u>
CHANGE IN NET ASSETS	138,362	72,812
NET ASSET, BEGINNING (as restated)	<u>2,197,624</u>	<u>2,124,812</u>
NET ASSET, ENDING	<u>\$ 2,335,986</u>	<u>\$ 2,197,624</u>

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

LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION AND
SUBSIDIARY

Consolidated Statements of Functional Expenses
Years Ended April 30, 2019 and 2018

	2019	2018
Support Services:		
<u>Management & General</u>		
Advertising	\$ 525	\$ 1,325
Bad debts	21,264	39,684
Consulting	74,276	67,686
Depreciation expense	68,239	63,573
Insurance	46,115	44,924
Interest expense	929	795
Legal and professional	56,270	18,220
Meals	1,582	1,660
Meeting expense	1,330	845
Miscellaneous	947	1,610
Office expense	8,686	5,897
Payroll taxes	4,940	3,150
Postage	140	261
Property taxes	1,076	1,404
Rent	879	6,119
Repairs and maintenance	65,435	65,456
Resident services	3,190	4,652
Salaries	48,734	47,526
Security	20,934	26,856
Supplies	3,640	4,696
Telephone	5,986	6,005
Utilities	45,947	59,085
Total	\$ 481,064	\$ 471,429

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

LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION AND
SUBSIDIARY

Consolidated Statements of Cash Flows
Years Ended April 30, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 138,362	\$ 61,046
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	68,239	63,573
(Increase) decrease in assets:		
Loans receivable	(4,355)	90,214
Accrued interest receivable	4,788	(602)
Prepays	(1,819)	(2,107)
Increase (decrease) in liabilities:		
Accounts payable	29,955	(3,634)
Deposits	1,340	2,770
Net cash provided by operating activities	236,510	211,260
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash payments for the purchase of fixed assets	(90,034)	(3,833)
Net change in notes payable	(4,581)	2,930
Net cash used by investing activities	(94,615)	(903)
Net increase in cash	141,895	210,357
CASH AND CASH EQUIVALENTS, beginning of year	513,629	303,272
CASH AND CASH EQUIVALENTS, end of year	\$ 655,524	\$ 513,629
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Interest paid	\$ 929	\$ 795

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

LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION AND
SUBSIDIARY

Notes to Consolidated 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 consolidating 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 LNEDEC 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.

LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION AND
SUBSIDIARY

Notes to Consolidated Financial Statements

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 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 returns 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.

LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION AND
SUBSIDIARY

Notes to Consolidated Financial Statements

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 year ended April 30, 2019 and 2018 was \$68,239 and \$63,573, 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, 2019 and 2018, advertising expense was \$525 and \$1,325, 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 the programs and supporting services benefited.

LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION AND
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Notes to Consolidated Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Change in Accounting Principle

FASB issued ASU No. 2016-14, "Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities" in 2016. The ASU addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization adopted ASU 2016-14 during the fiscal year ended April 30, 2019. The adoption of ASU 2016-14 had no impact on the Organization's total net assets

Subsequent Events

Management has evaluated events subsequent to the balance sheet date through October 18, 2019, the date the consolidated 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, 2019:

Financial assets at year end:

Cash and cash equivalents	\$ 655,524
Loans receivable	423,803
Accrued interest receivable	16,063
Other receivables	675
Prepaid expenses	<u>25,264</u>
Total financial assets	1,121,329
<u>Less: those unavailable for general expenditures</u>	
<u>within one year, due to:</u>	
Restricted for debt repayment	<u>(17,153)</u>
Total financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,104,176</u>

LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION AND
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Notes to Consolidated Financial Statements

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.

During the year \$16,542 worth of loans became uncollectable and subsequently charged-off.

The following summary reflects activities in the loan accounts for the years ending April 30, 2019 and 2018:

	2019	2018
Balance, beginning	\$ 514,617	\$ 618,302
Loans made	128,000	-
Payment received	(102,380)	(50,530)
Loans written off	(16,542)	(53,155)
Balance, ending	\$ 523,695	\$ 514,617

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

	2019	2018
Balance, beginning	\$ 95,169	\$ 108,640
Loans written off	(16,542)	(53,155)
Increase in provision for loan losses	21,265	39,684
Balance, ending	\$ 99,892	\$ 95,169

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
\$ -	-	57,955	\$ 57,955

The following table represents credit exposures by creditworthiness category for the year ended April 30, 2019. 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.

LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION AND
SUBSIDIARY

Notes to Consolidated Financial Statements

NOTE 3 LOANS (Continued)

Internal risk ratings are as follows:

Good	Sub-standard	Doubtful	Loss	Total
\$ 455,217	10,523	57,955	-	\$ 523,695

NOTE 4 NOTES PAYABLE

	2019	2018
Note payable to insurance financier, payable in 10 monthly payments of \$3,190 including interest at a rate of 5.39%, collateralized by the assignment of insurance policies.	\$ -	\$ 21,734
 Note payable to insurance financier, payable in 10 monthly payments of \$2,914 including interest at a rate of 6.628%, collateralized by the assignment of insurance policies.	17,153	-
 Total	\$ 17,153	\$ 21,734

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, 2019 and 2018.

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. However, LNEEDC has securities pledged to cover any cash balances not insured by FDIC insurance. At April 30, 2019 and April 30, 2018, the market value of the pledged securities plus the federal deposit insurance equal or exceeded the amount on deposit with the bank.

LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION AND
SUBSIDIARY

Notes to Consolidated Financial Statements

NOTE 8 FAIR VALUE MEASUREMENTS

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

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing methods, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

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

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

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

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

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.

LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION AND
SUBSIDIARY

Notes to Consolidated Financial Statements

NOTE 8 FAIR VALUE MEASUREMENTS (Continued)

Nonrecurring Basis

Description	Fair Value Measurements at April 30, 2019			
	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

Description	Fair Value Measurements at April 30, 2018			
	April 30, 2018	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Impaired Loans	\$ (44,980)	\$ -	\$ -	\$ (44,980)
Total	\$ (44,980)	\$ -	\$ -	\$ (44,980)

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 \$99,891 were recorded at their fair value at April 30, 2019.

NOTE 9 LITIGATION AND CLAIMS

The Corporation was a defendant in a lawsuit filed by a former commercial tenant of Evangeline Apartments alleging damages. In May 2019 the parties negotiated a resolution to this claim. The settlement amount and court fees were paid by Evangeline Apartments in May 2019 and reported as accounts payable in these consolidated financial statements.

NOTE 10 RECLASSIFICATIONS

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

LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION AND
SUBSIDIARY

Notes to Consolidated Financial Statements

NOTE 11 PRIOR PERIOD ADJUSTMENT

The Corporation has determined that certain transactions were recorded incorrectly in a prior year. These errors resulted in an overstatement of deposits liability. The following schedule reconciles the April 30, 2018 net assets as previously reported to beginning net assets, as restated, as a result of the correction of the errors described above.

Net assets, previously reported	\$ 2,185,858
Prior period adjustment	<u>11,766</u>
Net assets, as restated	<u>\$ 2,197,624</u>



**DARNALL SIKES
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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 consolidated financial statements as a whole. The consolidating statements on pages 17-19 are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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.

Darnall, Sikes & Frederick

A Corporation of Certified Public Accountants

Lafayette, Louisiana
October 18, 2019

LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION AND
SUBSIDIARY

Consolidating Statement of Financial Position
April 30, 2019

	Lafayette Neighborhood's Economic Development Corporation	Evangeline Apartments	Eliminating and Combining	Consolidated Balance
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 222,349	\$ 433,175	\$ -	\$ 655,524
Loans receivable (net of reserve)	423,803	-	-	423,803
Accrued interest receivable	16,063	-	-	16,063
Other receivables	-	675	-	675
Prepaid expenses	-	25,264	-	25,264
	<u>662,215</u>	<u>459,114</u>	<u>-</u>	<u>1,121,329</u>
TOTAL CURRENT ASSETS				
PROPERTY AND EQUIPMENT				
Buildings	-	1,500,000	-	1,500,000
Building improvements	-	267,539	-	267,539
Furniture and equipment	-	32,265	-	32,265
Less: accumulated depreciation	-	(504,986)	-	(504,986)
	<u>-</u>	<u>1,294,818</u>	<u>-</u>	<u>1,294,818</u>
	<u>662,215</u>	<u>1,753,932</u>	<u>-</u>	<u>2,416,147</u>
TOTAL ASSETS				
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	\$ 2,500	\$ 38,698	\$ -	\$ 41,198
Notes payable	-	17,153	-	17,153
Tenant deposits	-	21,810	-	21,810
	<u>2,500</u>	<u>77,661</u>	<u>-</u>	<u>80,161</u>
TOTAL CURRENT LIABILITIES				
NET ASSETS				
Without donor restrictions, as restated	-	1,676,271	-	1,676,271
With donor restrictions	659,715	-	-	659,715
	<u>659,715</u>	<u>1,676,271</u>	<u>-</u>	<u>2,335,986</u>
TOTAL NET ASSETS, RESTATED				
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 662,215</u>	<u>\$ 1,753,932</u>	<u>\$ -</u>	<u>\$ 2,416,147</u>

See independent auditor's report on supplementary information.

LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION AND
SUBSIDIARY

Consolidating Statement of Activities
Year Ended April 30, 2019

	Lafayette Neighborhood's Economic Development Corporation	Evangeline Apartments	Eliminating and Combining	Combined Balance
NET ASSETS WITHOUT DONOR RESTRICTIONS				
REVENUE				
Rent - Residential	\$ -	\$ 397,828	\$ -	\$ 397,828
Rent - Commercial	-	56,250	-	56,250
Other	-	6,840	-	6,840
Total revenue without donor restrictions	-	460,918	-	460,918
Net assets released from restrictions	<u>65,121</u>	<u>-</u>	<u>-</u>	<u>65,121</u>
TOTAL SUPPORT, REVENUES, AND OTHER SUPPORT WITHOUT DONOR RESTRICTIONS	<u>65,121</u>	<u>460,918</u>	<u>-</u>	<u>526,039</u>
EXPENSES				
Support services	<u>65,121</u>	<u>415,943</u>	<u>-</u>	<u>481,064</u>
Change in net assets without donor restrictions	<u>-</u>	<u>44,975</u>	<u>-</u>	<u>44,975</u>
NET ASSETS WITH DONOR RESTRICTIONS				
REVENUE AND SUPPORT				
Grant revenue	128,000			128,000
Interest - loans	26,011	-	-	26,011
Other	<u>4,497</u>	<u>-</u>	<u>-</u>	<u>4,497</u>
Total revenue and support with donor restrictions	158,508	-	-	158,508
Net assets released from donor restrictions	<u>(65,121)</u>	<u>-</u>	<u>-</u>	<u>(65,121)</u>
Change in net assets with donor restrictions	<u>93,387</u>	<u>-</u>	<u>-</u>	<u>93,387</u>
CHANGE IN NET ASSETS	93,387	44,975	-	138,362
NET ASSETS, BEGINNING (as restated)	<u>566,328</u>	<u>1,631,296</u>	<u>-</u>	<u>2,197,624</u>
NET ASSETS, ENDING	<u>\$ 659,715</u>	<u>\$ 1,676,271</u>	<u>\$ -</u>	<u>\$ 2,335,986</u>

See independent auditor's report on supplementary information.

LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION AND
SUBSIDIARY

Consolidating Schedule of Functional Expenses
Year Ended April 30, 2019

	Lafayette Neighborhood's Economic Development Corporation	Evangeline Apartments	Eliminating and Combining	Combined Balance
Advertising	\$ -	\$ 525	\$ -	\$ 525
Bad debts	21,264	-	-	21,264
Consulting	31,793	42,483	-	74,276
Depreciation expense	-	68,239	-	68,239
Insurance	919	45,196	-	46,115
Interest expense	-	929	-	929
Legal and professional	6,365	49,905	-	56,270
Meals	-	1,582	-	1,582
Meeting expense	965	365	-	1,330
Miscellaneous	430	517	-	947
Office expense	1,574	7,112	-	8,686
Payroll taxes	-	4,940	-	4,940
Postage	140	-	-	140
Property taxes	-	1,076	-	1,076
Rent	-	879	-	879
Repairs and maintenance	-	65,435	-	65,435
Resident services	-	3,190	-	3,190
Salaries	-	48,734	-	48,734
Security	-	20,934	-	20,934
Supplies	398	3,242	-	3,640
Telephone	1,273	4,713	-	5,986
Utilities	-	45,947	-	45,947
Total	<u>\$ 65,121</u>	<u>\$ 415,943</u>	<u>\$ -</u>	<u>\$ 481,064</u>

See independent auditor's report on supplementary information.

INTERNAL CONTROL AND COMPLIANCE



**DARNALL SIKES
& FREDERICK**

A CORPORATION OF CERTIFIED
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Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of
Financial Statements Performed in
Accordance with *Government Auditing Standards*

The Board of Directors
Lafayette Neighborhoods' Economic
Development Corporation
Lafayette, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Lafayette Neighborhood's Economic Development Corporation (the Corporation) (a nonprofit corporation), as of and for the year ended April 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise LNEDEC's basic financial statements and have issued our report thereon dated October 18, 2019. Our report includes a reference to other Certified Public Accountants who audited the financial statements of Evangeline Apartments, as described in our report on LNEDEC'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs, as items 2019-001 and 2019-002, 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 2019-001.

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 18, 2019

LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION AND
SUBSIDIARY

Summary Schedule of Prior Year Findings
Year Ended April 30, 2019

2018-001 Finding: Incomplete Loan Files

Status: This finding is unresolved. See current year finding 2019-001.

2018-002 Finding: Inadequate Segregation of Accounting Functions

Status: This finding is unresolved. See current year finding 2019-002.

2018-003 Finding: Qualifications and Training

Status: This finding is resolved.

LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION AND
SUBSIDIARY

Schedule of Findings and Questioned Costs
Year Ended April 30, 2019

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, 2019.

Material Weaknesses - Financial Reporting

Two material weaknesses in internal control over financial reporting were disclosed during the audit of the financial statements and are shown as items 2019-001 and 2019-002 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 2019-001 in Part 2.

FEDERAL AWARDS

This section is not applicable for the fiscal year ended April 30, 2019.

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

2019-001 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.

LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION AND
SUBSIDIARY

Schedule of Findings and Questioned Costs
Year Ended April 30, 2019

Effect:

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

Recommendation:

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

Management's Response:

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

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

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

2019-002 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.

LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION AND
SUBSIDIARY

Schedule of Findings and Questioned Costs
Year Ended April 30, 2019

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 .

Part 3: Findings and Questioned Costs Relating to Federal Programs

At April 30, 2019, the Corporation did not meet the requirements to have a single audit in accordance with OMB *Uniform Guidance*; therefore, this section is not applicable.