

URBAN RESTORATION ENHANCEMENT CORPORATION
Baton Rouge, Louisiana

FINANCIAL REPORT

June 30, 2017

URBAN RESTORATION ENHANCEMENT CORPORATION
Baton Rouge, Louisiana

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Urban Restoration Enhancement Corporation
Baton Rouge, Louisiana

Report on the Financial Statements

I have audited the accompanying financial statements of the Urban Restoration Enhancement Corporation, a non-profit Louisiana corporation, which comprise the statement of financial position as of June 30, 2017, and the related statement of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Urban Restoration Enhancement Corporation as of June 30, 2017, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer and Schedule of Functional Expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my 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*, I have also issued my report dated October 24, 2017, on my consideration of Urban Restoration Enhancement Corporation's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Urban Restoration Enhancement Corporation's internal control over financial reporting and compliance.



John L. McKowen, CPA
Baton Rouge, Louisiana
October 24, 2017

URBAN RESTORATION ENHANCEMENT CORPORATION
Baton Rouge, Louisiana

STATEMENT OF NET POSITION

June 30, 2017

ASSETS

CURRENT

Cash	\$ 74,494
Accounts receivable, net of allowance of \$3,545	1,612
Grants receivable	157,639
Inventory	101,751
Prepaid expenses	<u>625</u>

Total current assets 336,121

PROPERTY AND EQUIPMENT, net 2,408,859

Total assets \$ 2,744,980

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 7,058
Security deposits	17,363
Accrued payroll liabilities	1,525
Other liabilities	4,580
Line of credit and other short term borrowings	115,245
Long term debt, current portion	<u>100,750</u>

Total current liabilities 246,521

LONG TERM DEBT, less current maturities 1,101,186

Total liabilities 1,347,707

NET ASSETS

Unrestricted	1,264,481
Temporarily restricted	<u>132,792</u>

Total net assets 1,397,273

Total liabilities and net assets \$ 2,744,980

URBAN RESTORATION ENHANCEMENT CORPORATION
Baton Rouge, Louisiana

STATEMENT OF ACTIVITIES
For the year ended June 30, 2017

	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT AND REVENUE			
Grants			
Federal	-	208,255	208,255
Private	-	188,672	188,672
Rental revenue and related fees	658,389	-	658,389
Home sales	-	105,000	105,000
Private contributions	25,152	-	25,152
Other revenue	22,700	-	22,700
	706,241	501,927	1,208,168
Net assets released from restrictions	554,529	(554,529)	-
	1,260,770	(52,602)	1,208,168
EXPENSES			
Program Services			
Housing development	188,285	-	188,285
Housing	572,766	-	572,766
Youth services	208,864	-	208,864
	969,915	-	969,915
Supporting services			
General and administrative	203,796	-	203,796
Fundraising	-	-	-
	203,796	-	203,796
Total expenses	1,173,711	-	1,173,711
CHANGE IN NET ASSETS	87,059	(52,602)	34,457
NET ASSETS			
Beginning of year	1,177,422	185,394	1,362,816
End of year	1,264,481	132,792	1,397,273

URBAN RESTORATION ENHANCEMENT CORPORATION
Baton Rouge, Louisiana

STATEMENT OF CASH FLOWS
For the year ended June 30, 2017

	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in net assets	\$ 34,457
Adjustments for non-cash items:	
Depreciation	115,826
Change in operating assets and liabilities	
Grants and accounts receivables	35,590
Inventory	71,622
Prepaid expenses	34,713
Accounts payable and payroll liabilities	(37,076)
Security deposits and other liabilities	<u>810</u>
Net cash provided by operating activities	<u>255,942</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	(101,244)
Allocation of land to inventory	<u>-</u>
Net cash used by investing activities	<u>(101,244)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Payments on long-term debt	(94,419)
Payments on line of credit	(84,470)
Draws on line of credit	<u>24,407</u>
Net cash used by financing activities	<u>(154,482)</u>
Net increase in cash	216
CASH	
Beginning of year	<u>74,278</u>
End of year	<u><u>74,494</u></u>

Interest paid during the year ended June 30, 2017 was \$31,285. No income taxes were paid during the year.

URBAN RESTORATION ENHANCEMENT CORPORATION

Baton Rouge, Louisiana

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of activities

Urban Restoration Enhancement Corporation is a Louisiana nonprofit community development organization, incorporated in 1992, and committed to “building today’s communities for tomorrow.” Urban Restoration Enhancement Corporation provides affordable housing, small business training, and youth development opportunities to improve neighborhoods across Baton Rouge and the surrounding region.

Basis of presentation

The financial statements of Urban Restoration Enhancement Corporation have been prepared on the accrual basis of accounting.

Urban Restoration Enhancement Corporation reports its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As of June 30, 2017, Urban Restoration Enhancement Corporation had \$1,264,481 in unrestricted net assets, \$132,792 in temporarily restricted net assets and no permanently restricted net assets.

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 disclosures of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates. Estimates are used primarily when accounting for grants receivable, depreciation, and valuation of inventory.

Revenue recognition

Contributions and grants received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence or nature of any donor restrictions.

Contributions are recognized when the donor makes an unconditional promise to give. Contributions restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor restricted contributions and grants are reported as increases in temporarily or

permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets.

Cash and cash equivalents

For the purpose of the statement of cash flows, Urban Restoration Enhancement Corporation considers cash in operating bank accounts as cash.

Receivables and allowance for doubtful accounts

Urban Restoration Enhancement Corporation uses the allowance method to determine uncollectible receivables. The allowance is based on prior years' experience and management's analysis of specific promises made. An allowance of \$3,545 was recorded at June 30, 2017.

Property and equipment

Urban Restoration Enhancement Corporation's policy is to capitalize property and equipment over \$500. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long donated assets must be maintained, Urban Restoration Enhancement Corporation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor and reclassifies temporarily restricted net assets to unrestricted net assets at that time. There were no donations of property or equipment for the year ended June 30, 2017. Depreciation is recorded using the straight-line method over the estimated useful lives of the property.

Temporarily restricted net assets

Urban Restoration Enhancement Corporation received revenue that is restricted for specific purposes by the grantors. Revenue generated that is restricted by the grantor is reported as an increase in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized.

All other grantor restricted contributions and revenue with restrictions are reported as an increase in temporarily restricted net assets, and upon satisfaction of the restriction, are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

At June 30, 2017, temporarily restricted net assets consisted of the following:

	<u>Amount</u>
Net proceeds from sale of King's Children homes required to be reinvested	85,792
Unconditional promise to give from Capital Area United Way	<u>47,000</u>
	<u>\$ 132,792</u>

Income tax status

Urban Restoration Enhancement Corporation qualifies as a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code; therefore, the financial statements have no provision for federal and state income tax.

Urban Restoration Enhancement Corporation follows FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*. Management has determined that there is no impact to the financial statements as a result of ASC 740-10. Urban Restoration Enhancement Corporation's open audit periods are 2013 through 2016.

NOTE 2 – CASH

Urban Restoration Enhancement Corporation maintains three bank accounts at separate financial institutions. The cash in these institutions is maintained in demand deposit accounts. Urban Restoration Enhancement Corporation's unreconciled cash balance per bank as of June 30, 2017 was \$107,113. Urban Restoration Enhancement Corporation's deposits are fully insured by the Federal Deposit Insurance Corporation (FDIC) as they are below the maximum insured amounts of \$250,000.

NOTE 3 – GRANTS RECEIVABLE

At June 30, 2017, grants receivable were as follows:

	<u>Amount</u>
Capital Area United Way	\$ 47,000
City of Baton Rouge Parish of EBR	60,338
Greater New Orleans Fair Housing Action Center	18,750
Louisiana Department of Education	19,117
ExxonMobil	5,000
Other	<u>7,434</u>
	<u>\$ 157,639</u>

At June 30, 2017, \$46,015 of the grants receivable were outstanding greater than 90 days.

NOTE 4– ACCOUNTS RECEIVABLE

At June 30, 2017, accounts receivable were as follows:

	<u>Amount</u>
Rents receivable	<u>\$ 1,612</u>
	<u>\$ 1,612</u>

At June 30, 2017, no rents receivable were outstanding greater than 90 days.

NOTE 5 – INVENTORY

Urban Restoration Enhancement Corporation’s inventory is stated at the lower of cost or market, and consists of both completed homes held for sale and infrastructure related to nine city lots to be used for future construction. At June 30, 2017, Urban Restoration Enhancement Corporation’s inventory consisted of the following:

	<u>Amount</u>
Infrastructure	<u>101,751</u>
	<u>\$ 101,751</u>

NOTE 6– PROPERTY AND EQUIPMENT

Property and equipment, related service lives and accumulated depreciation at June 30, 2017 are as follows:

<u>Description</u>	<u>Estimated Service Life</u>	<u>Amount</u>
Land	-	\$ 276,322
Rental buildings and improvements	10-40 years	3,630,822
Equipment	5-10 years	145,452
Furniture and fixtures	7 years	47,216
Total property and equipment		4,099,812
Less accumulated depreciation		(1,690,953)
Property and equipment, net		<u>\$ 2,408,859</u>

Depreciation expense of \$115,826 was recorded for the year ended June 30, 2017.

NOTE 7 – COMPENSATED ABSENCES

As of June 30, 2017, Urban Restoration Enhancement Corporation’s accumulated paid time off (PTO) was \$91, which it reports as part of accrued payroll liabilities.

NOTE 8 – LINE OF CREDIT AND OTHER SHORT TERM BORROWINGS

Urban Restoration Enhancement Corporation maintains a \$150,000 revolving line of credit with Chase Bank, secured by rental buildings, with interest at 5.75% of the outstanding balance. At June 30, 2017, the outstanding balance was \$115,245.

NOTE 9 – LONG TERM DEBT

Long term debt at June 30, 2017 was as follows:

	<u>Amount</u>
Non-interest bearing \$528,751 deed of trust to AmeriNational Community Services, secured by rental buildings, due in monthly installments of \$2,938 through December 2024	\$ 265,111
Non-interest bearing \$450,000 deed of trust to AmeriNational Community Services, secured by rental buildings, due in monthly installments of \$375, increasing every five years, through December 2025	394,124
\$548,254 promissory note to Red River Bank, secured by rental buildings, due in monthly installments of \$4,071 through July 2020, interest at 4.00%	466,098
\$221,825 promissory note to Chase Bank, secured by rental buildings, due in monthly installments of \$1,945 through January 2020, interest at 5.45%	56,073
\$40,000 promissory note with Iberia Bank, secured by land, due in monthly installments of \$571 through October 2020, interest at 6.25%	20,530
Total long term debt	\$1,201,936
Less: current portion	<u>(100,750)</u>
Long term debt, net of current portion	<u><u>\$1,101,186</u></u>

Future maturities of long term debt at June 30, 2017 are as follows:

	<u>Amount</u>
2018	100,750
2019	105,302
2020	98,445
2021	86,060
2022	85,095
Thereafter	<u>726,284</u>
Total	<u>\$1,201,936</u>

NOTE 10 – ECONOMIC DEPENDENCY

Urban Restoration Enhancement Corporation has historically received the majority of its funding through government contracts and grants. During the year ended June 30, 2017, Urban Restoration Enhancement Corporation received 17% of its revenue from such contracts and grants.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Grants

Urban Restoration Enhancement Corporation continues to receive significant revenues from governmental grants and contracts, all of which are subject to audit by the funding agencies. The ultimate determination of amounts received under these programs generally is based upon allowable costs claimed for reimbursement. Until such audits, if any, there exists a contingency to refund any amount received in excess of allowable cost. Management is of the opinion that no material liability will result from such audits.

Leases

Urban Restoration Enhancement Corporation leases office space with a monthly rent of \$1,750. Total lease payments for the year ended June 30, 2015 were \$21,496.

Minimum lease payments on its current lease are as follows:

2018	21,000
2019	<u>12,250</u>
Total	\$33,250

Litigation

There was no pending or threatened litigation at June 30, 2017.

NOTE 12 – SUBSEQUENT EVENTS

Management of Urban Restoration Enhancement Corporation has evaluated subsequent events through October 24, 2017, the date that the financial statements were to be issued and has determined that there are no significant subsequent events that require recognition or disclosure through that date.

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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***

To the Board of Directors
Urban Restoration Enhancement Corporation
Baton Rouge, Louisiana

I 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 Urban Restoration Enhancement Corporation, which comprise the statement of financial position as of June 30, 2017 and the related statement of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued my report thereon dated October 24, 2017.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered Urban Restoration Enhancement 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 my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Urban Restoration Enhancement Corporation's internal control. Accordingly, I do not express an opinion on the effectiveness of Urban Restoration Enhancement Corporation'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 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.

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My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Urban Restoration Enhancement Corporation's financial statements are free from material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my 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 my testing of internal control and compliance and the results of testing, and not to provide an opinion on the effectiveness of the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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



John L. McKowen, CPA
Baton Rouge, Louisiana
October 24, 2017

URBAN RESTORATION ENHANCEMENT CORPORATION
Baton Rouge, Louisiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2017

A) SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Urban Restoration Enhancement Corporation.
2. Current year findings - None

B) FINDINGS – FINANCIAL STATEMENT AUDIT

None

URBAN RESTORATION ENHANCEMENT CORPORATION
Baton Rouge, Louisiana

SCHEDULE OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
For the year ended December 31, 2017

A) SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Urban Restoration Enhancement Corporation.
2. Prior year findings - None

B) FINDINGS – FINANCIAL STATEMENT AUDIT

None

URBAN RESTORATION ENHANCEMENT CORPORATION
Baton Rouge, Louisiana

**SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS
TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER**
For the Year Ended June 30, 2017

AGENCY HEAD NAME: Emel Alexander, Executive Director

Mr. Alexander received the following compensation, benefits and other payments derived from public funds, which require disclosure in accordance with La. R.S. 24:513(A)(3).

PURPOSE	AMOUNT
Salary	\$ 52,965
Benefits	5,923
Total	<u>\$ 58,888</u>

Urban Restoration Enhance Corporation
Baton Rouge, Louisiana

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2017

	Program Services			Supporting Services		Total
	Housing Development	Housing	Youth	Management and General	Fundraising	
EXPENSES						
Salaries	\$ 62,819	\$ -	\$ 79,092	\$ 87,217	\$ -	229,128
Employee Benefits	6,132	-	13,261	16,477	-	35,870
Payroll taxes	5,522	-	5,425	11,140	-	22,087
Cost of home sales	90,145	-	-	-	-	90,145
Professional fees	15,497	174,348	69,938	30,125	-	289,908
Occupancy expense	6,598	80,531	8,906	6,246	-	102,281
Depreciation	-	115,826	-	-	-	115,826
Interest	-	23,165	-	8,120	-	31,285
Repairs and maintenance	-	106,016	-	-	-	106,016
Supplies	-	15,559	8,022	8,814	-	32,395
Insurance	498	40,275	1,778	4,775	-	47,326
Grants and assistance	-	-	14,000	-	-	14,000
Program services	-	-	4,706	595	-	5,301
Telecommunications	889	3,323	1,898	3,197	-	9,307
Travel	-	-	650	9,479	-	10,129
Conferences	100	722	976	11,267	-	13,065
Bank charges	-	3,311	-	175	-	3,486
Printing and publications	-	-	-	112	-	112
Dues and subscriptions	-	2,665	-	4,210	-	6,875
Advertising	-	5,389	-	300	-	5,689
Postage and shipping	85	-	212	579	-	876
Other	-	1,636	-	968	-	2,604
Total expenses	\$ 188,285	\$ 572,766	\$ 208,864	\$ 203,796	\$ -	\$ 1,173,711

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URBAN RESTORATION ENHANCEMENT CORPORATION
INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES
For the Year Ended June 30, 2017

To the Board of Directors
Urban Restoration Enhancement Corporation
Post Office Box 73032
Baton Rouge, Louisiana 70874

I have performed the procedures enumerated below as they are a required part of the engagement. I am required to perform each procedure and report the results, including any exceptions. Management is required to provide a corrective action plan that addresses all exceptions noted. For any procedures that do not apply, I have marked "not applicable."

Management of Urban Restoration Enhancement Corporation (UREC) is responsible for its financial records, establishing internal controls over financial reporting, and compliance with applicable laws and regulations. These procedures were agreed to by management of UREC and the Legislative Auditor, State of Louisiana, solely to assist the users in assessing certain controls and in evaluating management's assertions about UREC's compliance with certain laws and regulations during the year ended June 30, 2017.

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, I make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Written Policies and Procedures

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:
 - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget
UREC does have written policies and procedures that address budgeting.
 - b) **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

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- c) maintained for all bids and price quotes.
UREC does have written policies and procedures that address purchasing.
- d) **Disbursements**, including processing, reviewing, and approving
UREC does have written policies and procedures that address disbursements.
- e) **Receipts**, including receiving, recording, and preparing deposits
UREC does have written policies and procedures that address receipts.
- f) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
UREC does has written policies and procedures that address payroll/personnel.
- g) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process
UREC does has written policies and procedures that address contracting.
- h) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage
UREC does have written policies and procedures that address the use of credit cards.
- i) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
UREC does have written policies and procedures that address travel and expense reimbursement.
- j) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.
Not applicable.
- k) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
UREC has no written policies and procedures pertaining to debt service.

Board (or Finance Committee, if applicable)

- 2. Obtain and review the board/committee minutes for the fiscal period, and:
 - a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.
The Board met quarterly during the fiscal year with a quorum present.
 - b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).
The minutes of each meeting reflected discussion of the budget-to-actual comparisons,
 - If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the

meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

Not applicable.

- c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

The minutes reflected discussion of non-budgetary financial information for at least one fiscal period.

Bank Reconciliations

3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

Per management, UREC has seven bank accounts.

4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three-year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- a) Bank reconciliations have been prepared;

Bank reconciliations were prepared each month.

- b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and

The Executive Director has no involvement in transactions and reviews the bank reconciliation each month.

- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

Not applicable.

Collections

5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

Per management, cash/checks/money orders are collected at the main office only.

6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* **For each cash collection location selected:**

- a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

While there is no evidence that each person responsible for collecting cash is bonded, duties are properly segregated. Cash drawers are not necessary.

- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

UREC's contract accountant reconciles cash collections to the general ledger by revenue source and is not involved with cash collections.

- c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:
 - Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.

Each of the daily collections selected were deposited within one day of collection.

- Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

Daily cash collections are completely supported by documentation.

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and 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) by a person who is not responsible for collections.

UREC has a process specifically defined to determine completeness of all collections by a person who is not responsible for collections.

Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)

8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.

Per management, the general ledger population is complete.

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

All purchases selected were initiated using a requisition system that separates initiation from approval.

- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

Each purchase was approved by a person who did not initiate the purchase.

- c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

All of the above were required prior to processing of payments.

10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

UREC has no written documentation regarding the addition of vendors.

11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

The Executive Director is the signatory and makes the final authorization for disbursements. He generally has no responsibility for initiating or recording purchases.

12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

Unused checks are maintained in a locked location by an individual who has no signatory authority.

13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

Not applicable.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), 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.

Per management, the Executive Director is the only holder of a debit card.

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

The one card was selected.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]

Monthly statements and supporting documentation was reviewed and approved by an individual other than the cardholder.

- b) Report whether finance charges and/or late fees were assessed on the selected statements.

No fees or late charges were assessed on the selected statements.

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).

- a) For each transaction, report whether the transaction is supported by:

- An original itemized receipt (i.e., identifies precisely what was purchased)

Receipts were attached.

- Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.

Purpose was documented.

- Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

Not applicable.

- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.

No exceptions noted.

- c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

No exceptions noted.

Travel and Expense Reimbursement

17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

Per management, the general ledger population is complete.

18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.

Not applicable.

19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

No reimbursement exceeded the GSA rates.

- b) Report whether each expense is supported by:

- An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]

Each expense was supported by an original itemized receipt.

- Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).

Purpose was documented.

- Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

Not applicable.

- c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

No exceptions noted.

- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Each expense and related documentation was reviewed and approved by someone other than the person receiving reimbursement.

Contracts

20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

Per management, the listing is complete.

21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:

- a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.

Each vendor has a formal contract supporting the services arrangement and the amount to be paid.

- b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:

- If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)

All legal requirements of each contract were complied with.

- If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.

Not applicable.

- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.

Not applicable.

- d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.

Invoices and related payments complied with the terms and conditions of the contract.

- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

Not applicable.

Payroll and Personnel

22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:

Per management, the listing is complete. There are only four employees.

- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

Compensation paid to the four employees selected was in strict accordance to the pay rate structure.

- b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

Not applicable.

23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:

- a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning

leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

The selected employees document their daily attendance and leave.

- b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.

Supervisors approved the attendance and leave of all selected employees.

- c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

Written documentation was provided.

24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

Not applicable.

25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

Payroll taxes, retirement contributions, and required reporting forms were submitted by the required deadlines.

Ethics (excluding nonprofits)

26. Using the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.

27. *Not applicable.*

28. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the entity's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

29. *Not applicable.*

Debt Service (excluding nonprofits)

30. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.

Not applicable.

31. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

Not applicable.

32. If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

Not applicable.

Other

31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Per management, there were no misappropriations of public funds or assets.

32. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

The notice is posted on both UREC premises and website.

33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

Not applicable.

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