LOUISIANA ECONOMIC DEVELOPMENT CORPORATION

A Component Unit of the State of Louisiana
Baton Rouge, Louisiana

Annual Financial Report
For the Year Ended June 30, 2023

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Louisiana Economic Development Corporation
Baton Rouge, Louisiana

Opinion

We have audited the accompanying financial statements of the business-type activities of **Louisiana Economic Development Corporation (LEDC)**, a component unit of the State of Louisiana, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise **Louisiana Economic Development Corporation's** basic financial statements as listed in the foregoing table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **LEDC** as of June 30, 2023 and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of **LEDC** and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of **LEDC's** internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about **LEDC's** ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Report on Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise **LEDC's** basic financial statements. The accompanying schedule of investments is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2024, on our consideration of **LEDC's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of **LEDC's** 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 **LEDC's** internal control over financial reporting and compliance.

Bruno & Tervalon LLP

New Orleans, Louisiana
February 21, 2024

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF NET POSITION
June 30, 2023

ASSETS	
Current assets	
Cash and cash equivalents	$ 44,928,334
Account receivable	1,000,000
Accrued investment income receivable	4,597
Due from State of Louisiana - Capital Outlay Fund	7,876,341
Loans, net	260,000
Deferred awards expense	2,492,500
Total current assets	56,561,772
Noncurrent assets	
Certificates of deposit	6,938,604
Loans, net	2,037,152
Investments, at cost net of impairments	8,462,801
Deferred awards expense	2,900,012
Total noncurrent assets	20,338,569
Total Assets	76,900,341
LIABILITIES	
Current liabilities	
Accounts payable and accrued expenses	510,082
Deferred revenue	27,852,618
Total current liabilities	28,362,700
Noncurrent liabilities	
Accrual for losses on loan guarantees	944,740
Total noncurrent liabilities	944,740
Total Liabilities	29,307,440
NET POSITION	
Net position	
Restricted for State Small Business Credit Initiative	2,119,901
Unrestricted	45,473,000
Total Net Position	$ 47,592,901

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

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the Year Ended June 30, 2023

Operating revenues	
Interest income:	
Interest on loans	$ 377
Interest on deposits	82,523
Realized gain on investments	963,651
Other	188,769
Total operating revenues	1,235,320
Operating expenses	
Provision (credit) for losses:	
Direct and participation loans	354,410
Guaranteed loans	112,142
Investments	148,658
Salaries and employee benefits	366,367
Management and professional fees	99,103
Business Incentives Services grants	5,326,771
Small and Emerging Business Development	11,400
Capital Outlay grants	(184,584)
Administrative fees	9,722
Travel	9,284
Total operating expenses	6,253,273
Operating loss	(5,017,953)
Nonoperating revenues (expenses)	
Intergovernmental:	
Interagency transfers - State General Fund	(1,074,016)
State appropriations	1,755,132
Federal revenues	5,006,438
Interest on funds held by State Treasurer	52,967
Total nonoperating revenues (expenses)	5,740,521
Change in net position	722,568
Net position - beginning of year	46,870,333
Net position - end of year	$ 47,592,901

The accompanying statements are an integral part of these financial statements

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2023

Cash flows from operating activities:	
Interest and dividends received	$ 79,300
Received from customers	188,769
Payments to suppliers	(922,614)
Payments of program awards	(5,606,211)
Payments to or on behalf of employees	(397,398)
Other payment	(1,000,000)
Net cash used in operating activities	(7,658,154)
Cash flows from noncapital and related financing activities:	
Appropriations funding received/(relinquished)	34,357,795
Net cash provided by noncapital and related financing activities	34,357,795
Cash flows from investing activities:	
Proceeds from sales and return of capital on investments	1,102,557
Interest on funds held at State Treasury	52,967
Payments on deferred awards	284,475
Payments on guarantees, net of recoveries	(19,536)
Principal payments on loans receivable	265,943
Net cash provided by investing activities	1,686,406
Increase in cash and cash equivalents	28,386,047
Cash and cash equivalents - beginning of year	16,542,287
Cash and cash equivalents - end of year	$ 44,928,334
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	$ (5,017,953)
(Provision) credit for losses on loans and guarantees	466,552
Realized (gain) loss on sales of investments	(963,651)
Unrealized (gain) loss on sales of investments	148,658
Change in accrued interest and dividends receivable	(3,600)
Change in account receivable	(1,000,000)
Amortization of job credit awards	(252,419)
Change in deferred job credit awards	(1,323,407)
Change in accounts payable and accrued expenses	287,666
Net cash used in operating activities	$ (7,658,154)

The accompanying statements are an integral part of these financial statements

INTRODUCTION

The Louisiana Economic Development Corporation (LEDC) is a public authority whose purpose is to stimulate the flow of private capital in the form of loans and other financial assistance for the sound financing of the development, expansion, and retention of small business concerns in the state of Louisiana as a means of providing higher levels of employment, income growth, and expanded social and economic opportunities, especially to disadvantaged persons and within distressed areas. It is a component unit of the state of Louisiana and was authorized by Louisiana Revised Statutes (R.S.) 51:2311.

Effective July 1, 2001, pursuant to Act No. 9 dealing with House Bill No. 1666, the authority for the administration of the Workforce Development and Training Program (Workforce) and the Economic Development Award Program (EDAP) was transferred from the Department of Economic Development to LEDC. Additionally, in June 2012, LEDC introduced a new program called the Economic Development Site Readiness Program (EDRED). Workforce provides training services to employers. EDAP provides funding for public infrastructure near sites in exchange for new employments. EDRED provides funding to local governments and economic development districts to improve sites in order to attract new business. The financial activities of these three programs are also included in these financial statements.

Effective June 15, 2022, pursuant to Act No. 476, 477,and 508, enabled the authority of the board to support innovative private sector research and development activities by Louisiana businesses intended to generate commercial products, processes, or services by providing funds to Louisiana small businesses that will apply for or have received federal Small Business Innovation Research (SBIR) or Small Business Technology Transfer (STTR) grant funds, for such federal applications submitted or received after January 1, 2023.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The Governmental Accounting Standards Board (GASB) promulgates accounting principles generally accepted in the United States of America and reporting standards for state and local governments. These principles are found in the *Codification of Governmental Accounting and Financial Reporting Standards*, published by GASB. The accompanying financial statements have been prepared in accordance with such principles.

B. REPORTING ENTITY

Using the criteria in GASB Codification Section 2100, the state of Louisiana is defined as the governmental reporting entity. LEDC is considered a discretely presented component unit of the state of Louisiana because the state exercises oversight responsibility in that the governor appoints ten members of the board. The accompanying financial statements present only the activity of LEDC. Annually, the state of Louisiana issues a Comprehensive Annual Financial Report, which includes the activity contained in the accompanying financial statements. Those basic financial statements are audited by the Louisiana Legislative Auditor.

C. BASIS OF ACCOUNTING

Basis of accounting refers to the timing of recognition of revenues and expenses in the accounts and reporting in the financial statements, and the measurement focus refers to what transactions and events should be recorded. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting in accordance with generally accepted accounting principles. Under this method, revenues are recognized when they are earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. All assets and liabilities associated with the operations are included on the Statement of Net Position.

Operating revenues and expenses generally result from providing services in connection with LEDC's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The principal operating revenue of LEDC is revenues derived from loan programs and venture capital investment programs. Operating expenses include administrative expenses, salaries, and program expenses.

D. BUDGET PRACTICES

The appropriation for LEDC is dedicated each year from the dedicated Louisiana Economic Development Fund, although it receives operating and nonoperating income during the year.

The appropriations made for the operations of the various programs of LEDC are annual lapsing appropriations.

(1) The budgetary process is an annual appropriation valid for one year.

(2) The agency is prohibited by statute from overspending the categories established in the budget.

(3) Budget revisions are granted by the Joint Legislative Committee on the Budget, and interim emergency appropriations may be granted by the Interim Emergency Board.

E. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash held by the State Treasury, cash held in interest-bearing money market funds, and all non-negotiable certificates of deposit and highly liquid investments with an original maturity of three months or less.

F. INVESTMENTS

The process of valuing investments requires valuing LEDC's ownership interest in the venture capital companies. LEDC writes down the cost of investments for impairments of market value that fall below the cost of the investment in venture capital companies. In preparing the financial statements, LEDC's management makes judgments that affect the reported amounts of investments as of June 30, 2023. Because of the inherent uncertainty of valuation, these estimated values may differ significantly from the value that would have been used had a market for the investments been readily available.

During the year ended June 30, 2023, LEDC engaged an independent third-party investment banker to perform valuations of certain investments. As of June 30, 2023, LEDC's investments have been written down to their estimated impaired values, as determined by the independent appraisal.

G. LOANS RECEIVABLE

Loans receivable consist of direct loans, participation loans, and economic development loans. Direct loans are loans that LEDC provides to a qualified and approved borrower. Participation loans are loans that LEDC provides to a borrower contingent upon the business also receiving a loan from a third party that is of at least equal value to the LEDC loan. LEDC no longer issues direct loans or participation loans; however, there are still loan balances outstanding. Economic Development loans are loans that LEDC provides to a borrower to spur economic development. Receivables for the economic development loans consist of EDAP and Economic Development Loan Program (EDLOP) loans in which a company has not met set benchmarks therefore owes funds back to LEDC. In addition, LEDC could receive some funds back on guaranteed loans that have defaulted. The bank goes through its normal collection process and LEDC is entitled to a pro-rata share of the collateral. LEDC also shares pro-rata in any legal and collection fees involved in the process.

H. UNAMORTIZED AWARD EXPENSE

Under the EDAP and the EDLOP programs, LEDC has entered into agreements to finance public and private infrastructure related to new or expanded commercial facilities. As part of the agreements, these awards do not have to be repaid to LEDC if the new facilities create and sustain a certain number of new jobs and payroll levels as approved by LEDC's board of directors. Payments under this program are recorded as unamortized awards expense and are amortized as the job creation thresholds are met. Unamortized awards expense results from awards funded as of the end of the year that have not yet been expensed as the conditions of expense recognition have not yet been met. Once job and payroll credits are met, the expense would be recognized.

I. NONCURRENT LIABLITIES

Noncurrent liabilities include an accrual for losses on loan guarantees. LEDC sets aside an amount that it considers to be a potential loss from its loan guarantee portfolio. The reserve rate is contingent on the amount of time the loan is delinquent. Currently, LEDC carries a reserve of 18% for current guarantee loans. If a loan is 30, 60, or 90 days delinquent, it is considered to be a higher risk and can be reserved up to 25%, 50%, or 100%, respectively.

J. COMPENSATED ABSENCES, PENSION BENEFITS, AND POST-EMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

LEDC's daily operations are performed by LED employees. Compensated absences, pension benefits, and postemployment benefits are provided and recorded by LED and allocated to the corporation based on time worked. These allocated expenses are included in the corporation's financial statements; however, no liability for compensated absences or postemployment benefits is recorded in the corporation's financial statements, and no disclosure for compensated absences, pension benefits, or postemployment benefits are included in the corporation's financial statements as the ultimate liability is with LED rather than the corporation.

K. STATE SMALL BUSINESS CREDIT INTIATIVE 1.0

LEDC participates in a Federal program sponsored by the U.S. Department of the Treasury called State Small Business Credit Initiative (SSBCI). The purpose of the program is to assist the state in increasing the amount of capital made available by private lenders to small businesses through LEDC's Small Business Loan Guarantee Program and the Louisiana Seed Capital Program. LEDC will use $8 million of the funds to support the existing Small Business Loan Guarantee Program that will guarantee up to 75% percent of the principal value of a loan made to an eligible small business. Additionally, LEDC will use $5,168,350 to support the Louisiana Seed Capital Program, a state-run venture capital program that will invest in funds that invest in eligible small businesses. The state of Louisiana was allocated an amount not to exceed $13,168,350 to be used for a guaranteed loan program and a venture capital program. The funds are distributed by the Department of the Treasury in three installments. As of June 30, 2023, LEDC has received three installments totaling $12,414,995. Of that amount, $2,119,901 has not been released from restriction at June 30, 2023.

L. STATE SMALL BUSINESS CREDIT INTIATIVE 2.0

LEDC participates in a Federal program sponsored by the U.S. Department of the Treasury called State Small Business Credit Initiative 2.0 (SSBCI 2.0). The purpose of the program is to assist the state in increasing the amount of capital made available by private lenders to small businesses through LEDC's Small Business Loan Guarantee Program and the Louisiana Seed Capital Program. LEDC will use $1,500,000 of the funds to support the existing Small Business Loan Guarantee Program that will guarantee up to 80% percent of the principal value of a loan made to an eligible small business. LEDC will use $11,000,000 of the funds to support the Collateral Support program. LEDC will use $9,000,000 of the funds to support the Microloan program. LEDC will use $60,000,000 of the funds to support the Louisiana Venture Capital program. Additionally, LEDC will use $31,571,405 to support the Louisiana Seed Capital Program, a state-run venture capital program that will invest in funds that invest in eligible small businesses. The State of Louisiana was allocated an amount not to exceed $113,071,405 to be used for a guaranteed loan program and a venture capital program. The funds are distributed by the Department of the Treasury in three installments. As of June 30, 2023, LEDC has received one installment totaling $32,859,055. Of that amount, $4,000,000 has been used to support the Microloan program at June 30, 2023.

M. NET POSITION

LEDC's net position is classified as follows:

(1) Restricted Net Position

Net position should be reported as restricted when constraints placed on net position use are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. LEDC's restricted expendable net position includes resources that LEDC is legally or contractually obligated to spend that have restrictions imposed by external third parties.

(2) Unrestricted Net Position

Unrestricted net position is the remaining net position that is not included in the restricted net position category previously mentioned.

N. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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.

2. DEPOSITS

For reporting purposes, deposits with financial institutions include savings, demand deposits, time deposits, and certificates of deposit. Under state law, LEDC may invest in time certificates of deposit in any bank domiciled or having a branch office in the state of Louisiana; in savings accounts or shares of savings and loan associations and savings banks and in share accounts and share certificate accounts of federally or state-chartered credit unions.

For the purpose of the Statement of Cash Flows, all highly liquid investments are considered to be cash equivalents.

At June 30, 2023, LEDC has cash and cash equivalents (book balances) of $44,928,334 as follows:

Held in Treasury	$ 30,064,494
Money market funds	14,863,840
Total	$ 44,928,334

Custodial credit risk is the risk that, in the event of a bank failure, LEDC's deposits may not be recovered. Under state law, LEDC's deposits must be secured by federal deposit insurance or similar federal security or the pledge of securities owned by the fiscal agent bank. The fair market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of LEDC or the pledging bank by a holding or custodial bank that is mutually acceptable to both parties.

As of June 30, 2023, LEDC had money market accounts totaling $14,863,840 and non-negotiable certificates of deposit with original maturities exceeding three months totaling $6,938,604. These funds were fully collateralized and insured.

3. INVESTMENTS

Under state law, LEDC may invest in, among other things, obligations of the U.S. Treasury or any other federally insured investment, as well as common or preferred stock of certain closely held businesses. As provided for in R.S. 51:2312(D)(9), LEDC invests in venture capital startup-type companies. Investments are carried on the face of the Statement of Net Position at the carrying value.

At June 30, 2023, the cost, carrying value, and fair value of LEDC's investments were as follows:

Investment Type	Cost	Write-Down for Impairment	Carrying Value	Gross Unrealized Gains	Fair Value
Equity investment	$26,536,483	$ (18,073,682)	$8,462,801	$ 2,376,771	$10,839,572

Custodial credit risk is the risk that, in the event of the failure of the counterparty, LEDC will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. In the normal course of business, LEDC becomes party to various financial transactions that involve various risks. The management of LEDC minimizes exposure to loss from investing activities by evaluating the business prospects of potential investee companies. Under state law, LEDC may invest in, among other things, obligations of the U.S. Treasury or any other federally insured investment, as well as common or preferred stock of certain closely held businesses.

LEDC's venture capital funds are invested in small businesses to create jobs, wealth, and to have a substantial impact on the economy of Louisiana. LEDC's investments in these companies are designed to provide financial assistance to small businesses by providing access to capital. Venture capital funds are attractive to new companies with limited operating history that are too small to raise capital in the public markets and have not reached the point where they are able to secure funding or complete a debt offering. These companies are usually not publicly traded entities. In exchange for LEDC's investment in these companies, LEDC receives a portion of the company's ownership.

Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. In an effort to diversify the risk in the investment portfolio, the management of LEDC follows established policies designed to avoid concentrations in any one industry or customer group. LEDC places no limits on the amount it may invest in any one issuer.

At June 30, 2023, more than five percent of total investments are invested in the following issuers:

Issuer	Carrying Amount	Fair Value	% of Total Investments
Business Resource Capital Specialty	$ 1,260,000	$ 1,260,000	14.89
Healthcare Innovation Fund	$ 604,040	$ 749,805	7.14
Louisiana Fund I, LP	$ 4,230,627	$ 4,554,435	49.99
Louisiana Venture Fund	$ 1,536,236	$ 3,443,435	18.15
Themelios Ventures II, L.P.	$ 653,875	$ 653,875	7.73

3. DUE FROM OTHER FUNDS

LEDC is appropriated funds from the Louisiana State Legislature through the Capital Outlay Act for an infrastructure assistance program which provides funds to entities that have been determined eligible under the program. As of June 30, 2023, a total of $47,201,028 had been appropriated to date. Of this amount, $7,876,341 has not been drawn down from the State Capital Outlay Fund.

4. LOANS RECEIVABLE

The balance in the LEDC's loan portfolio consisted of the following at June 30, 2023:

EDAP clawback loans	$ 2,702,532
Allowance for loan loss	(405,380)
Loans, net	$ 2,297,152

Activity in the allowance for loan losses was as follows for the year ended June 30, 2023:

Beginning balance	$ 50,970
Provision (credit) for loan losses	354,410
Charge-offs	-
Ending balance	$ 405,380

Scheduled maturities of loans receivable as of June 30, 2023, are as follows:

Loan Type	Principal Balance	2024	2025	2026	2027	2028	Thereafter
EDAP Clawback loan	$2,702,532	$260,000	$260,000	$254,675	$283,542	$174,000	$1,470,315

Concentration of Credit Risk

In an effort to diversify the risk in the loan portfolio, the management of LEDC follows established policies. In addition, management attempts to avoid concentrations in any one industry or customer group. LEDC places percentage and dollar limits on how much can be lent any one borrower. At June 30, 2023, more than five percent of the total loans are due from the following borrowers:

Borrower	Carrying Amount	% of Total Loans
Flying Tiger Aviation. L.L.C.	$ 196,717	7.3%
Intergrico	$ 2,145,918	79.4%
Forum	$ 349,542	12.9%

6. UNAMORTIZED AWARD EXPENSE

Under the EDAP and the EDLOP programs, LEDC has entered into agreements to finance public and private infrastructure related to new or expanded commercial facilities. The awards are conditioned on meeting certain job creation and payroll level thresholds as approved by the LEDC board of directors. The awards are expensed as these thresholds are met. When thresholds are not met a receivable is set up for the portion owed to LEDC.

Unamortized job credit award expense	$ 8,471,793
Reserve for job credit awards	(3,079,281)
Ending balance	$ 5,392,512

7. ACCOUNTS PAYABLE AND ACCRUALS

Accounts payable and accruals at June 30, 2023, were as follows:

Vendors	$ 199,435
Salaries and benefits	143,757
Grants payable	166,890
Total	$ 510,082

8. LONG-TERM OBLIGATIONS

Long-term obligations consist of the accrual for losses on loan guarantees. The activity for the year ended June 30, 2023, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Accrual for losses on loan guarantees	$ 852,134	$ 131,267	$ (38,661)	$ 944,740	$ -

Accrual for Losses on Loan Guarantees

LEDC is a party to various financial loan guarantees. These instruments involve elements of risk of loss in the event of nonperformance by the other party to the financial loan guarantees. LEDC evaluates customers' creditworthiness on a "case-by-case" basis. The amount of collateral obtained, if considered necessary by LEDC upon extension of credit, is based on management's credit evaluation of the customer. Financial loan guarantees are conditional commitments issued by LEDC to guarantee the performance of a customer to a third party. LEDC estimates an allowance for loss on defaulted loans which LEDC will not be able to recover. The estimate is based on the number of days delinquent, beginning with 25% for 30 days and up to 100% for loans over 90 days delinquent.

At June 30, 2023, LEDC had guaranteed $5,165,827 of $9,690,020 in loans to customers made by various banks.

9. CONTINGENT LIABILITIES AND RISK MANAGEMENT

Losses arising from judgments, claims, and similar contingencies would be paid through the state's self- insurance fund operated by the Office of Risk Management, the agency responsible for the state's risk management program, or by appropriation from the state's General Fund. LEDC does not have any contingent liabilities to disclose at June 30, 2023.

10. RESTRICTED NET POSITION

LEDC has restricted net position for State Small Business Credit Initiative program funds that have been obligated, in accordance with program eligibility requirements as of June 30, 2023, of $2,119,901.

11. DEFERRED COMPENSATION PLAN

Certain employees of LED who perform work activities for LEDC participate in the Louisiana Public Employees' Deferred Compensation Plan adopted under the provisions of the Internal

Revenue Code Section 457. Complete disclosures relating to the Plan are included in the separately issued audit report for the Plan, available from the Louisiana Legislative Auditor's website at www.lla.la.gov.

12. COOPERATIVE ENDEAVOR AGREEMENTS

Cooperative endeavor is any form of economic development assistance between and among the state, its local government subdivisions, political corporations, public benefit corporations, the U.S. government or its agencies, or any public or private association, corporation, or individual. The term "cooperative endeavor" includes cooperative financing, cooperative development, or any form of cooperative economic development activity. LEDC has entered into 45 cooperative endeavor agreements with private companies and public sponsors to generate economic growth by issuing award amounts. If a private company/public sponsor does not receive the full award amount, LEDC recognizes it as an award amount outstanding in the note disclosure; the amount is not reflected in the accompanying financial statements as a liability. The amount outstanding as of June 30, 2023, for these agreements is $9,797,351.

Of the 45 cooperative agreements, 35 are EDAP. The purpose of the EDAP program is to assist in the financing of projects for which LEDC assistance is requested in order to promote economic development in this state and provide an incentive to influence a company's decision to locate, relocate, maintain, rebuild and/or expand its business operations in Louisiana, and/or to increase its capital investment in Louisiana. The amount outstanding as of June 30, 2023, for EDAPs totals $8,334,325. The remaining 10 cooperative agreements are for the EDRED. The purpose of this program is to provide financial assistance for readying sites that will be useful in promoting the state as a business and industrial location. The amount outstanding as of June 30, 2023, for EDREDs is $1,463,025.

13. NONEXCHANGE FINANCIAL GUARANTEES

LEDC extended nonexchange financial guarantees during fiscal year ended June 30, 2023. LEDC is party to various financial loan guarantees in which LEDC guarantees a portion of the obligation of another legally separate entity's loan to a third party. LEDC guarantees loans to banks for entities that may otherwise have difficulties obtaining a loan. This assistance helps entities maintain and expand operation which promotes job growth, tax revenues, etc. for Louisiana. In the event of default, LEDC would be responsible for the portion of the loan it has guaranteed. The lending institution would foreclose on any collateral, and upon liquidation LEDC would receive its proportionate share of the proceeds. LEDC management and legal counsel would determine the appropriate pursuit to recover any collateral shortfall. LEDC is the guarantor on small business loans totaling $5,165,827 for various lengths of time, with the latest commitment through December 2026, as of June 30, 2023.

In March 2020 as part of the state's coronavirus relief efforts, LEDC entered into a cooperative endeavor agreement with the Louisiana Public Facilities Authority to participate in the Louisiana

Loan Portfolio Guaranty Program. Under the program, LEDC will guarantee 20% of loan balance.

Changes in loan guarantees for fiscal year ended June 30, 2023:

Beginning balance	$ 4,693,060
New loans guaranteed during year	1,266,924
LEDC obligation decreased or released	(794,157)
Ending balance	$ 5,165,827

Louisiana R.S. 51:2312 and Louisiana Administrative Code Title 19, Part VII, authorizes LEDC to extend small business loan guarantees as follows:

Authorized Limit	On Loans
75%	up to $650,000
70%	up to $1,100,000
65%	up to $2,300,000
$1,500,000	over $2,300,000

Management makes judgments as to the level of risk the state will be exposed to in these financial guarantees through consideration of current and anticipated economic conditions and their potential effects on specific borrowers; an evaluation of the existing relationships among loans and potential losses; and an internal review of the loan and loan guarantee portfolio. In determining the collectability of certain loans and the possibility of losses on loan guarantees, management also considers the fair value of any underlying collateral. Management uses relevant historical data and payment history in assessing the likelihood that LEDC may be required to make a payment in relation to those guarantees and records an accrual for the estimation that a loan may default. In the event that an entity would default on a loan, LEDC would be required to indemnify the bank for the loss in accordance with the agreement between LEDC and the bank.

Change in accrual for losses on loan guarantees for fiscal year June 30, 2023:

Beginning balance	$852,134
Payments/recoveries on defaulted loans	(19,536)
(Provision) credit for losses	112,142
Ending balance	$944,740

There have been no indemnification payments made on outstanding loan guarantees as of June 30, 2023.

14. SUBSEQUENT EVENTS

During the year, LEDC entered into a contract for certain services from a vendor for $1,000,000, which was paid up front. Subsequent to the fiscal year end, LEDC and the contractor mutually agreed to cancel the contract and the full original contract price has been returned.

LEDC has evaluated its subsequent events through February 21, 2024, which is the date the financial statements were available to be issued.

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION

SUPPLEMENTAL SCHEDULE OF INVESTMENTS
June 30, 2023

	Cost	Carrying Value	Fair Value
Equity Investments			
Audubon Capital Fund, LP - 14.09% partnership interest	$ 1,420,896	$ -	$ -
Aurora Ventures IV L.L.C - Five Class A units (5.86% ownership)	3,192,338	-	-
Business Resource Capital Specialty BIDCO - 2000,000 shares of Class B nonvoting common stock	2,000,000	1,260,000	1,260,000
Healthcare Innovation fund - 40% Interest	1,000,000	604,040	749,805
Louisiana Fund I, L.P. - 20.67% limited partnership interest	5,021,571	4,230,627	4,554,435
Louisiana Venture Fund - 21.15% limited partnership interest	4,665,681	1,536,236	3,443,435
Murphree Venture Partners VI, L.P. 11.71% limited partnership interest	3,191,151	178,023	178,022
Qcorps Residential, Inc. - 674,797 shares common stock	95,000	-	-
Sterifx, Inc. - 260,000 shares of Class A preferred stock and 2,954,513 shares of Class B preferred stock	128,792	-	-
Themelios Ventures, II, L.P. - 30.39% limited partner	1,000,000	653,875	653,875
Total investments	$ 21,715,429	$ 8,462,801	$ 10,839,572

See independent auditors' report.

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INDEPENDENT AUDITORS' 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 of
Louisiana Economic Development Corporation
Baton Rouge, 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 business-type activities of **Louisiana Economic Development Corporation (LEDC)**, a component unit of the State of Louisiana as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise **LEDC's** basic financial statements and have issued my report thereon dated February 21, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of financial statements, we considered **LEDC's** internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on financial statements, but not for the purpose of expressing an opinion on the effectiveness of **LEDC's** internal control. Accordingly, we do not express an opinion on the effectiveness of **LEDC'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 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we 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 **LEDC's** financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of **LEDC's** internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **LEDC's** internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the use of the Board of Directors, its management, grantor agencies and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bruno & Tervalon LLP

New Orleans, Louisiana
February 21, 2024

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF THE STATE OF LOUISIANA)

SCHEDULE OF FINDINGS
For the Year Ended June 30, 2023

Section I – **SUMMARY AUDITORS' RESULTS**

A. Type of report issued on the financial statements: **Unmodified**.

B. Did the audit disclose any material weaknesses in internal control over financial reporting? **No.**

C. Did the audit disclose any significant deficiencies in internal control over financial reporting that are not considered to be material weaknesses? **None Reported.**

D. Did the audit disclose any non-compliance which is material to the financial statements? **No.**

E. Did the audit disclose any material weaknesses in internal control over major federal programs? **Not Applicable**.

F. Did the audit disclose any significant deficiencies in internal control over major programs that are not considered to be material weaknesses? **Not Applicable**.

G. Type of report issued on compliance for major programs: **Not Applicable**.

H. Did the audit disclose any audit findings required to be reported in accordance with Section 200.516(a) of the Uniform Guidance? **Not Applicable**.

I. Was a management letter issued? **No**.

Section I - SUMMARY OF AUDITORS' RESULTS, CONTINUED

J. Identification of Major Programs: **Not Applicable**.

K. Dollar threshold used to distinguish between Type A and Type B programs:

Not Applicable.

L. Auditee qualified as a "low-risk" auditee: **Not Applicable**.

Section II - FINDINGS RELATING TO THE FINANCIAL STATEMENTS REPORTED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

No matters reported.

Section III - FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

No matters reported.

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF THE STATE OF LOUISIANA)

SCHEDULE OF PRIOR YEAR FINDINGS
For the Year Ended June 30, 2023

Section I - **FINDINGS RELATED TO THE FINANCIAL STATEMENTS REPORTED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

No matters reported.

Section II - **FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS**

No matters reported.

Section III - **MANAGEMENT LETTER**

No matters reported.