

DISTRICT 2 COMMUNITY ENHANCEMENT CORPORATION

FINANCIAL STATEMENTS

JUNE 30, 2020

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MICHELLE DIAZ CPA INC.
6501 Elysian Fields Avenue New Orleans, LA 70122
Office: (504) 522-7010 Fax: (504) 522-7015



Independent Accountant's Review Report

District 2 Community Enhancement Corporation
New Orleans, LA

I have reviewed the accompanying financial statements of District 2 Community Enhancement Corporation ("D2CEC"), which comprise the statement of financial position-public funding basis as of June 30, 2020, and the related statements of activities- public funding basis and cash flows- public funding basis, for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statement as a whole. Accordingly, I do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the public funding basis; this includes determining that the public funding basis of accounting is an acceptable basis for the preparation of financial statements in the circumstances. Management is also responsible 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.

Accountant's Responsibility

My responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require me to perform procedures to obtain limited assurance as a basis for reporting whether I am aware of any material modifications that should be made to the financial statements for them to be in accordance with the public funding basis of accounting. I believe that the results of my procedures provide a reasonable basis for my conclusion.

Accountant's Conclusion

Based on my review, except for the issue noted in the Known Departure from Accounting Principles Generally Accepted in the United States of America paragraph, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America. My conclusion is not modified with respect to this matter.



Independent Accountant's Review Report- continued

Known Departure from Accounting Principles Generally Accepted in the United States of America

As described in Note 1, these financial statements are prepared in accordance with a "public funding" framework which is an accounting basis other than accounting principles generally accepted in the United States of America.

Other Supplementary Information

The accompanying Schedule of Compensation, Benefits, and Other Payments to Agency Head on page 12 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information is the representation of management. I have reviewed the information and, based on my review, I am not aware of any material modifications that should be made to the information in order for it to be in accordance with accounting principles generally accepted in the United States of America. I have not audited the supplementary information and, accordingly, do not express an opinion on such information.

Michelle Diaz CPA Inc.

New Orleans, LA

December 17, 2020

DISTRICT 2 COMMUNITY ENHANCEMENT CORPORATION
Statement of Financial Position
Public Funding Basis
June 30, 2020

ASSETS

Current Assets

Cash	\$	143,522
Receivable		6,077
Total current assets		149,599

Other Assets

Property and Equipment - at cost less accumulated depreciation of \$539,946		2,047,349
Total assets	\$	2,196,948

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable and other accrued liabilities	\$	45,410
Deposits		22,600
Due to State of Louisiana		9,414
Notes Payable (due within one year)		19,090
Total current liabilities		96,514

Long Term Liabilities

Notes Payable (due after one year)		216,929
Total liabilities		313,443

Net assets without donor restriction		1,883,505
Total liabilities and net assets	\$	2,196,948

See Independent Accountant's Review Report and accompanying notes

DISTRICT 2 COMMUNITY ENHANCEMENT CORPORATION
Statement of Activities
Public Funding Basis
Year Ended June 30, 2020

NET ASSETS, BEGINNING OF YEAR	\$	1,983,501
after \$23,569 prior period increase		
 SUPPORT and REVENUE		
Grants & service income		250,000
Rent income		24,500
Miscellaneous		3,748
Total support and revenue		278,248
 EXPENDITURES		
Program expenses (See Note 11)		178,838
Administrative expenses (See Note 11)		199,406
Total expenses		378,244
Change in Net Assets during year ended June 30, 2020		(99,996)
 NET ASSETS, END OF YEAR	 \$	 1,883,505

See Independent Accountant's Review Report and accompanying notes

DISTRICT 2 COMMUNITY ENHANCEMENT CORPORATION
Statement of Cash Flows
Public Funding Basis
Year Ended June 30, 2020

CASH FLOW FROM OPERATING ACTIVITIES

Change in net assets from operations	\$ (99,996)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	53,005
Increase in accounts receivable	(6,077)
Decrease in accounts payable and other liabilities	(9,432)
Net cash used in operating activities	(62,500)

CASH FLOWS USED IN FINANCING ACTIVITIES

Increase in notes payable	198,891
Net cash provided by financing activities	198,891
Net increase (decrease) in cash	136,392
Cash - beginning of year	7,130
	143,522
Cash - end of year	\$ 143,522

See Independent Accountant's Review Report and accompanying notes

DISTRICT 2 COMMUNITY ENHANCEMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 1 – Basis of Accounting/ Departure from Generally Accepted Accounting Principles

The accompanying statement of financial position as of June 30, 2020 and the statement of activities and cash flows for the year then ended for District 2 Community Enhancement Corporation (D2CEC) have all been prepared on a “public funding” basis of accounting. This differs from accounting principles generally accepted in the United States of America in that these financial statements reflect only those transactions during the year which were derived from public sources and thus does not include the transactions which were deemed private sources of funding as would be required by accounting principles generally accepted in the United States of America. Otherwise, the accounting and reporting policies of D2CEC conform to the accounting principles generally accepted in the United States of America and the prevailing practices within the nonprofit industry.

Note 2 Summary of Activities and Significant Accounting Policies

A summary of activities and significant accounting policies is as follows:

A. Nature of Activities

District 2 Community Enhancement Corporation (“D2CEC”) was incorporated in July 2004 as a mechanism for convening and providing services to the diverse neighborhoods of Senate District 2 which includes New Orleans East and the Lower Ninth Ward, in Orleans Parish, New Orleans, Louisiana. The mission of D2CEC is to enhance the quality of life of residents of New Orleans East and the Lower Ninth Ward through advocacy, programming and organized community action.

B. Basis of Presentation

The financial statements of D2CEC have been prepared in accordance with U.S. generally accepted accounting principles (“US GAAP”), which require D2CEC to report information regarding its financial position and activities to the following net asset classifications:

Net assets without donor restrictions:

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of D2CEC’s management and the board of directors.

Net assets with donor restrictions:

Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of D2CEC or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities and changes in net assets. D2CEC had no net assets with donor restrictions as of June 30, 2020.

C. Financial Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence of any donor restrictions. Contributions to D2CEC are typically unrestricted as was the case for all contributions received during the year ended June 30, 2020.

D. Contributed Services

During the year ended June 30, 2020, the value of contributed services meeting the requirements for recognition in the financial statements was not material and thus has not been recorded.

DISTRICT 2 COMMUNITY ENHANCEMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

E. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles accepted in the United States of America requires management to make estimates and assumptions that affect certain 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. Accordingly, actual results could differ from those estimates.

F. Cash

All of D2CEC's cash is comprised of FDIC-insured bank deposit accounts at a financial institution.

G. Receivables

Receivables are charged to bad debt when they are deemed uncollectible. As of June 30, 2020, management has deemed that no allowance for uncollectible accounts is necessary.

H. Income Taxes

D2CEC is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. D2CEC applies the accounting guidance related to accounting for uncertainty in income taxes, which sets out a consistent framework to determine the appropriate level of tax reserves to maintain for uncertain tax positions. The determination of whether or not a tax position has met the more-than-likely-than-not recognition threshold considers the facts, circumstances, and information available at the reporting date and is subject to management's judgment. Changes in the recognition or measurement are reflected in the period in which the change in judgment occurs. D2CEC has evaluated its position regarding the accounting for uncertain income tax positions and determined that it had no uncertain tax positions at June 30, 2020. With few exceptions, D2CEC is no longer subject to federal tax examination by tax authorities for years before 2017.

I. Property and Equipment

Property and Equipment are capitalized at cost. Additions, renewals, and betterments that increase the value or extend the lives of assets are capitalized. Replacements, maintenance, and repairs that do not increase the values or extend the lives of the respective assets are expenses as incurred. It is D2CEC's policy to capitalize expenditures for these items in excess of \$2,500. Lesser amounts are expensed. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives, principally on the straight-line method. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized as income for that period.

Impairment of long-lived assets is tested whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. The carrying value of a long-lived asset is considered impaired when the anticipated undiscounted cash flows from such asset is separately identifiable and is less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair market value of the long-lived asset. Fair market value is determined primarily using appraisals. Losses on long-lived assets to be disposed of are determined in a similar manner, except that fair market values are reduced for the estimated cost to dispose. There were no impairments of long-lived assets recorded by management during the years ended June 30, 2020.

J. Revenue Recognition

For financial reporting, D2CEC recognizes all contributed support as income in the period received. Contributed support is reported as unrestricted or restricted depending on the existence of donor stipulations that limit the use of the support. Grant revenue is recognized as it is earned in accordance with approved contracts.

DISTRICT 2 COMMUNITY ENHANCEMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

K. New Accounting Pronouncement

The Financial Accounting Standards Board (FASB) has issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606), to update its revenue recognition standard to clarify the principles of recognizing revenue and eliminate industry-specific guidance as well as help financial statement users better understand the nature, amount, timing, and uncertainty of revenue that is recognized. The standard may be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. The Organization adopted this ASU effective January 1, 2019 (for the year ended June 30, 2019). There was no significant impact under the adoption of this ASU, due to the nature of D2CEC's revenue streams.

L. Accounting Pronouncements Issued but Not Yet in Effect

In February 2017, the FASB issued ASU 2017-02, Leases. This accounting standard requires lessees to recognize assets and liabilities related to lease arrangements longer than 12 months on the balance sheet as well as additional disclosures. The updated guidance is effective for annual periods beginning after December 15, 2021. D2CEC is currently assessing the impact of this pronouncement on the financial statements. The Organization is currently assessing the impact of this pronouncement on the financial statements.

M. Functional Allocation of Expenses

The expense of providing the program and other activities has been summarized on a functional basis in Note 11. Certain of those expenses have been allocated among the program and supporting services based on estimates by management of the costs involved.

Note 2 – Economic Dependency

D2CEC's annual revenue is derived primarily from funds provided through grants administered by the state of Louisiana. Approximately 90% of D2CEC's annual support typically come from these grants. If significant budget cuts are made at the state level, the amount of funds D2CEC receives could be reduced significantly and have an adverse impact on its operations. At the time of completion of the examination of the organization's financial statements, management was not aware of any actions that would adversely affect the organization's grants and contracts for the current or next fiscal year.

Note 3 – Operating Leases

D2CEC had no lease commitments as a Lessee. As a Lessor, D2CEC entered into an operating lease with Hype Academy for a portion of its office building for monthly rent payments of \$2,250. The lease began during the year ended June 30, 2020, and will end on December 31, 2020. Rent revenue under the lease was \$24,500 for the year ended June 30, 2020.

Future minimal rental revenue under the current lease is \$13,500 for July 2020 through December 2020.

DISTRICT 2 COMMUNITY ENHANCEMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 4 – Grant

D2CEC recognized the following public funding revenue and receivable:

<u>AGENCY</u>	<u>FYE June 30, 2020</u> Revenue	<u>June 30, 2020</u> Receivable
Louisiana Department of Economic Development	\$ 250,000	\$ 6,077

Note 5 – Notes Payable

Details of notes payable are as follows as of June 30, 2020:

Principal Balance at June 30, 2020:

Note Payable with Toyota Motor Credit for \$58,474 with an interest rate of 6.59% and maturity in February 2026. Upon advance of loan proceeds, principal began to amortize in equal monthly installments over the period of time beginning on the initial date of the loan. The loan is collateralized by a vehicle. \$ 58,474

Note Payable with Small Business Administration for \$150,000 with an interest rate of 2.75% and maturity in May 2050. Upon advance of loan proceeds, monthly installment payments, including principal and interest, begin twelve (12) months from the date of the promissory note. The loan is collateralized by all tangible and intangible property owned by D2CEC. 150,000

Note Payable with Liberty Bank for \$27,545 with an interest rate with an interest rate of 1% and maturity in May 2022. Upon advance of loan proceeds, monthly installment payments, including principal and interest, begin six (6) months from the date of the promissory note. The loan qualifies for forgiveness if certain criteria is met as outlined in the SBA’s Paycheck Protection Program; which D2CEC expects it will satisfy. 27,545

Total Debt	236,019
Less: Principal Maturities during FY June 30, 2021	<u>(19,090)</u>
Long Term Debt	<u>\$216,929</u>

NOTE 6 – Board of Directors

D2CEC’s Board of Directors is a voluntary board. Therefore, no compensation was paid to any member.

DISTRICT 2 COMMUNITY ENHANCEMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 7 – Contingencies

D2CEC receives a substantial portion of its revenues from government grants and contracts which are subject to audit. The final determination of amounts received under these programs generally is based upon allowable costs reported to and subject to audit by the grantor. Until such audits have been completed and final settlement reached, there is a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

Note 8– Property and Equipment

For informational purposes, the following is a summary of property and equipment owned by at June 30, 2020:

<u>Assets</u>	<u>Estimated useful lives</u>	<u>Amount</u>
Land	----	\$ 337,210
Automobile		58,474
Building & Improvements	4-40	2,146,756
Furniture	5	7,334
Equipment	5	<u>37,521</u>
		2,587,295
Less accumulated depreciation		<u>(539,946)</u>
Total		\$2,047,349

D2CEC expects to use all of its property and equipment for its program service activities.

Note 9 – COVID pandemic

In December 2019, a novel strain of coronavirus was reported in Wuhan, China. On March 11, 2020, the World Health Organization declared the outbreak to constitute a "Public Health Emergency of International Concern." The COVID-19 outbreak is disrupting employment, federal funding, supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on D2CEC's financial performance will depend on certain developments, including the duration and spread of the outbreak, and the impact on D2CEC's tenants, projects, funding streams, employees and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact D2CEC's financial condition or results of operations is uncertain.

Note 10 – Evaluation of Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 17, 2020, and determined that, aside from the ongoing uncertainty resulting from the COVID 19 pandemic as outlined in Note 9, there were no other events that required additional disclosure. No events after this date have been evaluated for inclusion in these financial statements.

DISTRICT 2 COMMUNITY ENHANCEMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 11- Schedule of Functional Expenses

	Program Activities	Management and General	Total Expenses
Salaries and wages	\$ 56,868	\$ 66,421	\$ 123,289
Fringe benefits	5,571	5,275	10,846
Accounting	5,770	9,190	14,960
Program development	34,423		34,423
Printing	3,865		3,865
Instructional staff	23,220		23,220
Postage	518	166	684
Student supplies & materials	4,779		4,779
Telephone	7,145	2,006	9,151
Equipment rentals		2,948	2,948
Overhead		18,996	18,996
Advertising	591		591
Culminating event	1,614		1,614
Grounds maintenance	4,550	2,762	7,312
Janitorial	4,047	1,513	5,560
Security		1,370	1,370
Insurance	13,268	144	13,412
Payroll processing fees		3,384	3,384
Depreciation		80,067	80,067
Transportation	616		616
Travel		841	841
OVOV program	11,993		11,993
Interest Expense		4,324	4,324
Total Expenses	<u>\$ 178,838</u>	<u>\$ 199,406</u>	<u>\$ 378,244</u>

DISTRICT 2 COMMUNITY ENHANCEMENT CORPORATION

For the Year Ended June 30, 2020

SUPPLEMENTARY INFORMATION REQUIRED BY LOUISIANA LAW

Schedule of Compensation, Benefits and Other Payments to Executive Director

Agency Head Name: Tiffany Crawford

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 89,500
Benefits-insurance	
Benefits-retirement	
Benefits	
Car allowance	
Vehicle provided by government	
Per diem	
Reimbursements	249
Travel	
Registration fees	
Conference travel	
Continuing professional education fees	
Housing	
Unvouchered expenses	
Special meals	
TOTAL	<u>\$ 89,749</u>

See Independent Accountant's Review Report and accompanying notes