

**Inner-City Revitalization Corporation**

**Alexandria, Louisiana**

**Financial Statements**

**December 31, 2019**

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**KnightMadden**

A Professional Accounting Corporation

John E. Theriot II, CPA, CGMA

Dona C. Manuel, CPA

Stephanie R. Lemoine, CPA

## **Independent Auditors' Report**

Board of Directors  
Inner-City Revitalization Corporation  
Alexandria, Louisiana

We have audited the accompanying financial statements of Inner-City Revitalization Corporation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, the related statements of activities, functional expenses 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.

### **Accountant's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we 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 judgement, including the assessment of the risk of material misstatement of the financial statement, 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. 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.

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

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### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Inner-City Revitalization Corporation as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Supplementary Information**

The supplementary information included in the table of contents is presented for purposes of additional analysis and is not a required part of the basic 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 supplementary information has been subjected to the review procedures applied in our review of the basic financial statements. We are not aware of any material modifications that should be made to the supplementary information. We have not audited the supplementary information and do not express an opinion on such information.

### **Report on Summarized Comparative Information**

We previously reviewed Inner City Revitalization Corporation's 2018 financial statements and in our conclusion dated June 18, 2019, stated that based on our review, we were not aware of any material modifications that should be made to the 2018 financial statements in order for them to be in accordance with accounting principles generally accepted in the United State of America. We are not aware of any material modifications that should be made to the summarized comparative information presented herein as of and for the year ended December 31, 2018, for it to be consistent with the reviewed financial statements form which it has been derived.



**KnightMasden**

Alexandria, Louisiana

July 21, 2020

Inner-City Revitalization Corporation  
 Statements of Financial Position  
 December 31, 2019

	<u>2019</u>	2018 Summarized <u>Total</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 182,132	\$ 492,421
Notes receivable - current portion	48,588	61,011
Inventory	360,589	40,991
Investments	20,642	16,808
Prepaid expenses	3,743	5,942
Total Current Assets	615,694	617,173
Plant, Property and Equipment, net	1,596,704	1,662,329
Other Assets		
Deposits	1,564	1,564
Notes receivable - net of current portion	361,175	412,577
Restricted cash	264,457	28,247
Total Other Assets	627,196	442,388
Total Assets	\$ 2,839,594	\$ 2,721,890
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ -	\$ 961
Payroll liabilities	15,405	22,281
Rental deposits and escrow accounts	11,035	10,159
Accrued liabilities	293	293
Notes payable	336,937	-
Total Current Liabilities	363,670	33,694
Net Assets		
without Donor Restriction	2,052,318	2,194,880
with Donor Restriction	423,606	493,316
Total Net Assets	2,475,924	2,688,196
Total Liabilities and Net Assets	\$ 2,839,594	\$ 2,721,890

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

Inner-City Revitalization Corporation  
 Statements of Activities  
 For the Year Ended December 31, 2019

	<u>2019</u>	<u>2019</u>		<u>2018</u>
	without Donor	with Donor		Summarized
	<u>Restrictions</u>	<u>Restrictions</u>	<u>Total</u>	<u>Total</u>
<b>Revenues</b>				
Contributions, gifts and grants	\$ 57,842	\$ 26,250	\$ 84,092	\$ 19,980
Investment income	6,539	427	6,966	2,233
Program income	159,452	-	159,452	541,200
Other income	<u>6,657</u>	<u>-</u>	<u>6,657</u>	<u>32,195</u>
Total Revenues	230,490	26,677	257,167	595,608
Net Assets released from restrictions	96,387	(96,387)	-	-
<b>Functional Expenses</b>				
<b>Program Services</b>				
Rental activities	243,785	-	243,785	341,828
Subdivision lots	168,728	-	168,728	693,316
<b>Supporting Services</b>				
Management and general	<u>56,926</u>	<u>-</u>	<u>56,926</u>	<u>108,247</u>
Total Functional Expenses	<u>469,439</u>	<u>-</u>	<u>469,439</u>	<u>1,143,391</u>
Change in Net Assets	(142,562)	(69,710)	(212,272)	(547,783)
Net Assets - Beginning	<u>2,194,880</u>	<u>493,316</u>	<u>2,688,196</u>	<u>3,235,979</u>
Net Assets - Ending	<u>\$ 2,052,318</u>	<u>\$ 423,606</u>	<u>\$ 2,475,924</u>	<u>\$ 2,688,196</u>

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

Inner-City Revitalization Corporation  
Statements of Cash Flows  
For the Year Ended December 31, 2019

	<u>2019</u>	2018 Summarized <u>Total</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ (212,272)	\$ (547,783)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities		
Depreciation	65,625	65,625
Financed closing cost	-	(84,716)
Forgiveness of mortgage receivable	61,069	26,269
Gain on sale of fixed asset	-	(32,195)
(Increase) decrease in other assets	(317,399)	164,094
Increase (decrease) in accounts payable	(961)	(30,652)
Increase (decrease) in other liabilities	(6,000)	2,156
Net Cash Provided/(Used) by Operating activities	<u>(409,938)</u>	<u>(437,202)</u>
Cash flows from Investing Activities		
Investment (income) loss	(3,834)	953
Proceeds from sale of fixed asset	-	59,500
Payments received on notes receivable	2,756	2,366
Net Cash Provided/(Used) by Investing Activities	<u>(1,078)</u>	<u>62,819</u>
Cash flows from Financing Activities		
Advances on notes payable	353,977	-
Payments on notes payable	(17,040)	-
Net Cash Used by Financing Activities	<u>336,937</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(74,079)	(374,383)
Cash and Cash Equivalents - Beginning	<u>520,668</u>	<u>895,051</u>
Cash and Cash Equivalents - Ending	<u>\$ 446,589</u>	<u>\$ 520,668</u>
Consisting of:		
Cash and cash equivalents	\$ 182,132	\$ 492,421
Restricted cash	<u>264,457</u>	<u>28,247</u>
Total	<u>\$ 446,589</u>	<u>\$ 520,668</u>
Cash paid for:		
Interest	<u>\$ 4,416</u>	<u>\$ 242</u>

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

Inner-City Revitalization Corporation  
 Statements of Functional Expenses  
 For the Year Ended December 31, 2019

	<u>Lot</u> <u>Sales</u>	<u>Rental</u> <u>Activities</u>	<u>Management</u> <u>and General</u>	2019 <u>Total</u> <u>Expenses</u>	2018 <u>Summarized</u> <u>Total</u>
Utilities	\$ -	\$ 20,006	\$ -	\$ 20,006	\$ 17,845
Office supplies	-	-	7,151	7,151	2,903
Pest control	-	822	-	822	3,531
Payroll expenses	76,849	113,143	19,211	209,203	210,272
Contracts	1,089	-	290	1,379	78,925
Telephone	-	-	6,718	6,718	6,192
Direct program expenses	75,930	-	-	75,930	655,394
Insurance	1,260	28,059	1,611	30,930	29,615
Interest	4,416	-	-	4,416	242
Repairs and maintenance	-	16,130	4,843	20,973	50,267
Legal and professional	9,109	-	10,738	19,847	14,706
Depreciation	-	65,625	-	65,625	65,625
Miscellaneous	-	-	6,364	6,364	7,424
Dues and subscriptions	75	-	-	75	450
	<u>\$ 168,728</u>	<u>\$ 243,785</u>	<u>\$ 56,926</u>	<u>\$ 469,439</u>	<u>\$1,143,391</u>

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



Inner-City Revitalization Corporation  
Notes to the Financial Statements  
For the Year Ended December 31, 2019

**Note 1 – Nature of Activities and Significant Accounting Policies**

Nature of Activities

Inner-City Revitalization Corporation (the Corporation) is a not-for-profit organization formed under the laws of the State of Louisiana. The purpose of the Corporation is to (1) foster, encourage, and coordinate, through all possible means and in cooperation with municipalities and other groups and interests, the rebuilding and revitalization of blighted metropolitan neighborhoods in Rapides Parish, Louisiana, and (2) to help make clean, healthful, safe, and affordable housing available to citizens who need it.

The Corporation's funding sources consist of contributions and grants from foundations and federal, state and local governments. The Corporation owns a 20 unit housing facility (Olive House) which it rents to low income individuals with broken backgrounds and provides case workers to help these individuals get back on their feet. The Corporation also owns thirteen single family dwellings that it rents to low income individuals. Monthly rent is calculated based on the tenant's income and family size.

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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with the generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Corporation and changes therein are classified and reported as follows:

*Net Assets without Donor Restrictions* - Net assets not subject to donor-imposed stipulations.

*Net Assets with Donor Restrictions* - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Corporation and/or the passage of time or be permanently maintained by the Corporation. When a restriction expires, net assets with donor restrictions are reclassified to net asset without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Inner-City Revitalization Corporation  
Notes to the Financial Statements  
For the Year Ended December 31, 2019

**Note 1 – Nature of Activities and Significant Accounting Policies (Continued)**

Cash and Cash Equivalents

The Corporation considers all demand deposits and highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents include monies designated for specific programs or held for others.

Contributions and Grants

Contributions and grants are recorded as received. Unconditional promises to give are recorded as they are made. Conditional promises to give are recognized as revenue when the necessary conditions are fulfilled.

Inventory

Inventory consists of single family homes and lots for single family homes to be constructed on. Interest on construction line of credit was capitalized into the value of the inventory. Inventory is stated at cost using the specific identification method.

Investments

The Corporation reports all investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Gains and losses on investments are reported as increases or decreases in the respective net assets.

Property, Equipment, and Depreciation

Property and equipment are stated at cost if purchased, or fair value at the date of donation, if contributed to the Corporation, less accumulated depreciation. Depreciation is computed on depreciable assets on a straight-line basis over the estimated useful lives of the assets. The cost of maintenance and repairs is expensed as incurred; however, significant renewals and improvements are capitalized.

Mortgage Notes Receivable

Mortgage notes receivables are reported in the financial statements at the outstanding principal balance. Delinquency status is based on the contractual terms of the mortgage; and management is confident that these funds will be fully collected; therefore, no provision for loss has been made. Interest income is recognized as collected.

Inner-City Revitalization Corporation  
Notes to the Financial Statements  
For the Year Ended December 31, 2019

**Note 1 – Nature of Activities and Significant Accounting Policies (Continued)**

Income Taxes

Inner-City is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. Furthermore, Inner-City is not classified as a “private foundation” by the Internal Revenue Service. Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the organization and recognize a tax liability (or asset) if the organization has undertaken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the organization, and has concluded that as of December 31, 2018, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or assets) or disclosure in the financial statements.

**Note 2 – Restricted Cash**

Restricted cash at December 31, 2019 consisted of:

<u>Restriction purpose</u>	<u>Amount</u>	<u>Source</u>
Low Income Housing	\$248,364	Grantor Restriction
Homebuyer Program	<u>16,093</u>	Grantor Restriction
Total	<u>\$264,457</u>	

**Note 3 – Inventory**

The Corporation had two remodels and two new constructions in process at December 31, 2019. The December 31, 2019 combined construction costs totaled \$360,587.

**Note 4 – Investments**

On June 13, 2013 the Corporation established a non-endowed agency fund at the Central Louisiana Community Foundation (the Foundation), by transferring \$12,311 into this fund. The fund is held by the Foundation for the purpose of administering funds as endowments for various charitable and educational purposes and organizations primarily in the central Louisiana community. These funds are not subjected to restrictions whether by donor or otherwise, nor are they required to be held permanently or for any designated purposes other than charitable purposes within the corporate powers of the Corporation. The principal may be expended in whole or in part as stated in the agreement.

The Corporation may request distribution of all or part of the principal it contributes to the fund. The Board of the Foundation will grant such a request if it concludes that such a distribution is consistent with the charitable purposes of the Foundation, which may be deferred for up to 90 days in order to permit orderly and timely liquidation of assets to meet the request. If the Foundation ceases to be a

Inner-City Revitalization Corporation  
Notes to the Financial Statements  
For the Year Ended December 31, 2019

**Note 4 – Investments (continued)**

qualified charitable organization or if the Foundation proposes to dissolve, the assets of the fund shall be distributed to the Corporation. At that time if the Corporation is not then a qualified charitable organization, the Foundation shall distribute the assets of the fund in a manner and to any organization serving the Central Louisiana community that satisfies the requirements of a qualified charitable organization and serve purposes similar to those of the Corporation. The investments are presented in the financial statements at fair value of \$20,642 at December 31, 2019 as reported by the Foundation.

Investment income for the year ended December 31, 2019 was made up of the following components.

Interest and Dividends	\$4,114
Realized and Unrealized Gain	<u>2,852</u>
Total Investment Income	<u>\$6,966</u>

**Note 5 – Fair Value Measurement**

FASB ACS 820-10, Fair Value Measurement, defines fair value, establishes a framework for measuring fair value, establishes a three-level valuation hierarchy for disclosure of fair value measurement and enhances disclosure requirements for fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of the fair value of an asset or liability as of the measurement date. The three levels are defined as follows:

- Level 1 – Represented by quoted prices that are available in an active market. Level 1 securities include highly liquid government bonds, treasury securities, mortgage products and exchange traded equities.
- Level 2 – Represented by assets and liabilities similar to Level 1 where quoted prices are not available, but observable, either directly or indirectly through corroboration with observable market data and estimated using pricing models or discounted cash flows. Level 2 securities would include U.S. agency securities, mortgage-backed agency securities, obligations of states and political subdivisions, and certain corporate, asset backed securities, and swap agreements.
- Level 3 – Represented by financial instruments where there is limited activity or unobservable market prices and pricing models significant to determining the fair value measurement include the reporting entity's own assumptions about market risk. Level 3 securities would include hedge funds, private equity securities, and private investments in public entities.

Inner-City Revitalization Corporation  
Notes to the Financial Statements  
For the Year Ended December 31, 2019

**Note 5 – Fair Value Measurement (continued)**

Fair value of assets measured on a recurring basis at December 31, 2019 are as follows:

<u>Description</u>	<u>Fair Value Measurement at December 31, 2018</u>			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash	\$446,589	\$446,589	-	-
Investments	\$20,642	-	\$20,642	-

**Note 6 – Property and Equipment**

At December 31, 2019, property and equipment consisted of the following:

	<u>Life</u>	<u>Carrying Value</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Land		\$ 92,594	\$ -	\$ 92,594
Olive House – building	39 years	1,168,191	423,593	744,598
Rental property	39 years	<u>1,018,921</u>	<u>259,409</u>	<u>759,512</u>
Total		<u>\$2,279,706</u>	<u>\$683,002</u>	<u>\$1,596,704</u>

Depreciation expense for the current year was \$65,625.

**Note 7 – Notes Receivable**

In April 2002, the Corporation entered into a sale and mortgage agreement in the amount of \$37,750, with a down payment of \$1,133, secured by property located at 67 Prospect Street, Alexandria, LA. The agreement requires 240 monthly payments of \$283.90. Interest is stated at (7%) per annum. The debtor is in compliance with the loan terms and payment schedule. Management is confident that the note will be fully collected; therefore, no provision for loss has been made.

In 2011 and then again in 2016, 2017 and 2018, the Corporation received a grant from the Louisiana Housing Finance Agency (Soft Seconds) to aid qualified buyers in the purchase of the low income housing constructed by the Corporation. The aid is in the form of a mortgage that is forgiven over a period of ten to fifteen years depending on the amount of aid awarded to the individual, as long as the homeowner abides by the covenants in the agreement signed with the Corporation. In 2019, \$61,069 of the receivable balance was forgiven.

At December 31, 2019, notes receivable balances were:

	<u>Current</u>	<u>Long-term</u>	<u>Total</u>
67 Prospect Street	\$ 2,428	\$ 5,204	\$ 7,632
Soft Seconds	<u>46,160</u>	<u>355,971</u>	<u>463,200</u>
Total	<u>\$48,588</u>	<u>\$361,175</u>	<u>\$473,588</u>

Inner-City Revitalization Corporation  
Notes to the Financial Statements  
For the Year Ended December 31, 2019

**Note 8 – Net Assets**

At December 31, 2019, net assets with donor restrictions consisted of the following:

Homebuyer's Education	\$ 16,693
Soft Second Mortgages	404,617
Endowment Fund	<u>2,297</u>
Total	<u>\$423,607</u>

In October 2001, the Corporation established an endowment fund to help insure the financial future of the Corporation. Contributions to the endowment fund may not be withdrawn and earnings on the fund may not be withdrawn until the principal reaches \$10,000. These funds are part of the Community Foundation investment, and at December 31, 2019 totaled \$2,297.

**Note 9 – Income Taxes**

Inner City's tax return for the years ended December 31, 2016 through December 31, 2018, remain open and subject to examination by taxing authorities. The tax return for the year ended December 31, 2019 has not been filed as of the report date.

**Note 10 – Contributed Services**

The Board of Directors is a voluntary board. These volunteers have made significant contributions of their time to the Corporation. The value of the contributed time is not reflected in these statements since it is not susceptible to an objective measurement or valuation.

**Note 11 – Subsequent Events**

The Corporation has no material subsequent events that would require disclosure. Subsequent events have been evaluated through July 21, 2020, which is also the date the financial statements were available to be issued.

**Supplementary Information**

Inner-City Revitalization Corporation  
Schedule of Compensation, Benefits and Other Payments to Barbara Dashiell,  
Executive Director  
For the Year Ended December 31, 2019

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 62,000
Bonus	<u>30,000</u>
	<u>\$ 92,000</u>