

Inner-City Revitalization Corporation

Alexandria, Louisiana

Financial Statements

December 31, 2018

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A Professional Accounting Corporation

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Independent Accountants' Review Report

Board of Directors
Inner-City Revitalization Corporation
Alexandria, Louisiana

We have reviewed the accompanying financial statements of Inner-City Revitalization Corporation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, the related statements of activities, functional expenses and cash flows 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 statements as a whole. Accordingly, we 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 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 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 AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are 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.

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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 2017 financial statements and in our conclusion dated June 19, 2018, stated that based on our review, we were not aware of any material modifications that should be made to the 2017 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, 2017, for it to be consistent with the reviewed financial statements form which it has been derived.



KnightMasden
Alexandria, Louisiana
June 18, 2019



KnightMasden

A Professional Accounting Corporation

Inner-City Revitalization Corporation
 Statements of Financial Position
 December 31, 2018

	<u>2018</u>	<u>2017</u> Summarized <u>Total</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 492,421	\$ 249,687
Notes receivable - current portion	61,011	28,697
Inventory	40,991	205,104
Investments	16,808	17,761
Prepaid expenses	<u>5,942</u>	<u>6,077</u>
Total Current Assets	617,173	507,326
Plant, Property and Equipment, net	1,662,329	1,755,105
Other Assets		
Deposits	1,564	1,564
Notes receivable - net of current portion	412,577	388,810
Restricted cash	<u>28,247</u>	<u>645,364</u>
Total Other Assets	<u>442,388</u>	<u>1,035,738</u>
Total Assets	<u>\$ 2,721,890</u>	<u>\$ 3,298,169</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 961	\$ 31,613
Payroll liabilities	22,281	19,091
Rental deposits and escrow accounts	10,159	11,321
Accrued liabilities	<u>293</u>	<u>165</u>
Total Current Liabilities	33,694	62,190
Net Assets		
without Donor Restriction	2,279,595	2,185,682
with Donor Restriction	<u>408,601</u>	<u>1,050,297</u>
Total Net Assets	<u>2,688,196</u>	<u>3,235,979</u>
Total Liabilities and Net Assets	<u>\$ 2,721,890</u>	<u>\$ 3,298,169</u>

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

Inner-City Revitalization Corporation
Statements of Activities
For the Year Ended December 31, 2018

	without Donor <u>Restrictions</u>	<u>2018</u> with Donor <u>Restrictions</u>	<u>Total</u>	<u>2017</u> Summarized <u>Total</u>
Revenues				
Contributions, gifts and grants	\$ 4,230	\$ 15,750	\$ 19,980	\$ 1,176,555
Investment income	2,233	-	2,233	5,705
Program income	541,200	-	541,200	912,965
Other income	<u>32,195</u>	<u>-</u>	<u>32,195</u>	<u>1,309</u>
Total Revenues	579,858	15,750	595,608	2,096,534
Net Assets released from restrictions	657,446	(657,446)	-	-
Functional Expenses				
Program Services				
Rental activities	341,828	-	341,828	94,848
Subdivision lots	693,316	-	693,316	865,079
Supporting Services				
Management and general	<u>108,247</u>	<u>-</u>	<u>108,247</u>	<u>208,177</u>
Total Functional Expenses	<u>1,143,391</u>	<u>-</u>	<u>1,143,391</u>	<u>1,168,104</u>
Change in Net Assets	93,913	(641,696)	(547,783)	928,430
Net Assets - Beginning	<u>2,185,682</u>	<u>1,050,297</u>	<u>3,235,979</u>	<u>2,307,549</u>
Net Assets - Ending	<u>\$ 2,279,595</u>	<u>\$ 408,601</u>	<u>\$ 2,688,196</u>	<u>\$ 3,235,979</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, 2018

	<u>2018</u>	2017 Summarized <u>Total</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ (547,783)	\$ 928,430
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities		
Depreciation	65,625	65,627
Financed closing cost	(84,716)	(122,046)
Forgiveness of mortgage payable	-	(643,776)
Loss on abandoned asset	-	2,480
Forgiveness of mortgage receivable	26,269	6,369
Gain on sale of fixed asset	(32,195)	-
(Increase) decrease in other assets	164,094	(1,076,928)
Increase (decrease) in accounts payable	(30,652)	100
Increase (decrease) in other liabilities	2,156	(1,959)
Net Cash Provided/(Used) by Operating activities	<u>(437,202)</u>	<u>(841,703)</u>
Cash flows from Investing Activities		
Investment income (loss)	953	(1,420)
Proceeds from sale of fixed asset	59,500	
Payments received on notes receivable	2,366	2,223
Net Cash Provided/(Used) by Investing Activities	<u>62,819</u>	<u>803</u>
Cash flows from Financing Activities		
Advances on notes payable	-	3,336,620
Payments on notes payable	-	(1,635,253)
Net Cash Used by Financing Activities	<u>-</u>	<u>1,701,367</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(374,383)	860,467
Cash and Cash Equivalents - Beginning	<u>895,051</u>	<u>34,584</u>
Cash and Cash Equivalents - Ending	<u>\$ 520,668</u>	<u>\$ 895,051</u>
Consisting of:		
Cash and cash equivalents	\$ 492,421	\$ 249,687
Restricted cash	<u>28,247</u>	<u>645,364</u>
Total	<u>\$ 520,668</u>	<u>\$ 895,051</u>
Cash paid for:		
Interest	<u>\$ 242</u>	<u>\$ 9,584</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, 2018

	<u>Lot</u> <u>Sales</u>	<u>Rental</u> <u>Activities</u>	<u>Management</u> <u>and General</u>	2018 <u>Total</u> <u>Expenses</u>	2017 <u>Summarized</u> <u>Total</u>
Utilities	\$ -	\$ 17,845	\$ -	\$ 17,845	\$ 16,057
Office supplies	-	-	2,903	2,903	2,604
Pest control	-	3,531	-	3,531	3,281
Payroll expenses	33,170	113,173	63,929	210,272	203,996
Contracts	-	78,608	317	78,925	530
Telephone	-	-	6,192	6,192	6,745
Direct program expenses	655,394	-	-	655,394	1,212,815
Insurance	-	25,496	4,119	29,615	34,222
Interest	-	-	242	242	2,934
Repairs and maintenance	-	37,550	12,717	50,267	33,832
Legal and professional	4,752	-	9,954	14,706	17,627
Depreciation	-	65,625	-	65,625	65,627
Contract labor	-	-	-	-	6,115
Miscellaneous	-	-	7,424	7,424	3,341
Dues and subscriptions	-	-	450	450	44
	<u>\$ 693,316</u>	<u>\$ 341,828</u>	<u>\$ 108,247</u>	<u>\$ 1,143,391</u>	<u>\$1,609,770</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, 2018

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, 2018

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, 2018

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, 2018 consisted of:

<u>Restriction purpose</u>	<u>Amount</u>	<u>Source</u>
Low Income Housing	\$13,380	Grantor Restriction
Homebuyer Program	<u>14,867</u>	Grantor Restriction
Total	<u>\$28,247</u>	

Note 3 – Inventory

During 2018, the Corporation purchased lots to construct single family homes to sell to low-income families. The combined costs for these lots is \$40,991.

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, 2018

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 \$16,808 at December 31, 2018 as reported by the Foundation.

Investment income for the year ended December 31, 2018 was made up of the following components.

Interest and Dividends	\$3,378
Realized and Unrealized Loss	<u>(1,145)</u>
Total Investment Income	<u>\$2,233</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, 2018

Note 5 – Fair Value Measurement (continued)

Fair value of assets measured on a recurring basis at December 31, 2018 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	\$520,668	\$520,668	-	-
Investments	\$16,808	-	\$16,808	-

Note 6 – Property and Equipment

At December 31, 2018, 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	392,737	775,454
Rental property	39 years	1,018,921	224,640	794,281
Total		<u>\$2,279,706</u>	<u>\$617,377</u>	<u>\$1,662,329</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 2018, \$26,269 of the receivable balance was forgiven.

At December 31, 2018, notes receivable balances were:

	<u>Current</u>	<u>Long-term</u>	<u>Total</u>
67 Prospect Street	\$ 2,428	\$ 7,960	\$ 10,388
Soft Seconds	<u>58,583</u>	<u>404,617</u>	<u>463,200</u>
Total	<u>\$61,011</u>	<u>\$412,577</u>	<u>\$473,588</u>

Inner-City Revitalization Corporation
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 8 – Net Assets

At December 31, 2018, net assets with donor restrictions consisted of the following:

Homebuyer's Education	\$ 14,867
Low-income housing	13,380
Soft second mortgages	378,484
Endowment Fund	<u>1,870</u>
Total	<u>\$408,601</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, 2018 totaled \$1,870.

Note 9 – Income Taxes

Inner City's tax return for the years ended December 31, 2015 through December 31, 2017, remain open and subject to examination by taxing authorities. The tax return for the year ended December 31, 2018 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 June 18, 2019, 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, 2018

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