

URBAN RESTORATION ENHANCEMENT CORPORATION
Baton Rouge, Louisiana

FINANCIAL REPORT

June 30, 2020

URBAN RESTORATION ENHANCEMENT CORPORATION
Baton Rouge, Louisiana

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John L. McKowen
Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

I have audited the accompanying financial statements of Urban Restoration Enhancement Corporation, a non-profit Louisiana corporation, which comprise the statement of financial position as of June 30, 2020, and the related statement 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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Society of Louisiana Certified Public Accountants*

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

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Urban Restoration Enhancement Corporation as of June 30, 2020, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards on page 18, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the schedule of compensation, benefits and other payments to the executive director on page 22 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and derives from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated November 16, 2020, on my consideration of Urban Restoration Enhancement Corporation's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Urban Restoration Enhancement Corporation's internal control over financial reporting and compliance.



John L. McKowen, CPA
Baton Rouge, Louisiana
November 16, 2020

URBAN RESTORATION ENHANCEMENT CORPORATION
Baton Rouge, Louisiana

STATEMENT OF NET POSITION

June 30, 2020

ASSETS

CURRENT

Cash	\$ 122,727
Accounts receivable, net of allowance of \$1,517	11,182
Grants receivable	145,050
Prepaid expenses	9,149
Deposits	<u>780</u>
Total current assets	288,888

PROPERTY AND EQUIPMENT, net 4,140,823

Total assets \$ 4,429,711

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 62,631
Security deposits	22,582
Accrued payroll liabilities	8,127
Other liabilities	6,785
Line of credit and other short term borrowings	383,193
Long term debt, current portion	<u>191,643</u>
Total current liabilities	<u>674,961</u>

LONG TERM DEBT, less current maturities 2,268,799

Total liabilities 2,943,760

NET ASSETS

Without donor restrictions	1,425,062
With donor restrictions	<u>60,889</u>
Total net assets	<u>1,485,951</u>

Total liabilities and net assets \$ 4,429,711

URBAN RESTORATION ENHANCEMENT CORPORATION
Baton Rouge, Louisiana

STATEMENT OF ACTIVITIES
For the year ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE			
Grants			
Governmental	464,271	31,989	496,260
Private	13,632	28,000	41,632
Rental revenue and related fees	708,096	-	708,096
Private contributions	154	900	1,054
Other revenue	792	-	792
	<u>1,186,945</u>	<u>60,889</u>	<u>1,247,834</u>
Net assets released from restrictions	-	-	-
	<u>1,186,945</u>	<u>60,889</u>	<u>1,247,834</u>
EXPENSES			
Program Services			
Housing development	57,067	-	57,067
Housing	667,275	-	667,275
Youth services	375,561	-	375,561
	<u>1,099,903</u>	<u>-</u>	<u>1,099,903</u>
Supporting services			
General and administrative	111,684	-	111,684
Fundraising	-	-	-
	<u>111,684</u>	<u>-</u>	<u>111,684</u>
Total expenses	<u>1,211,587</u>	<u>-</u>	<u>1,211,587</u>
CHANGE IN NET ASSETS	<u>(24,642)</u>	<u>60,889</u>	<u>36,247</u>
NET ASSETS			
Beginning of year	<u>1,449,704</u>	<u>-</u>	<u>1,449,704</u>
End of year	<u>1,425,062</u>	<u>60,889</u>	<u>1,485,951</u>

URBAN RESTORATION ENHANCEMENT CORPORATION
Baton Rouge, Louisiana

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2020

	Program Services			Supporting Services		Total
	Housing Development	Housing	Youth	Management and General	Fundraising	
EXPENSES						
Salaries	\$ -	\$ -	\$ 122,870	\$ 15,714	\$ -	\$ 138,584
Employee Benefits	-	-	31,107	22,014	-	53,121
Payroll taxes	-	-	9,541	1,864	-	11,405
Cost of home sales	-	-	-	-	-	-
Professional fees	10,274	217,353	150,723	22,767	-	401,117
Occupancy expense	-	105,543	6,839	11,186	-	123,568
Depreciation	-	133,379	-	10,746	-	144,125
Interest	37,727	17,393	-	7,746	-	62,866
Repairs and maintenance	968	116,029	-	1,550	-	118,547
Supplies	331	10,225	31,692	3,466	-	45,714
Insurance	3,872	47,109	1,049	593	-	52,623
Grants and assistance	-	-	7,000	-	-	7,000
Program services	-	-	5,693	-	-	5,693
Telecommunications	-	3,605	2,518	2,409	-	8,532
Travel	-	-	4,283	1,291	-	5,574
Conferences	2,377	853	1,307	4,448	-	8,985
Bank charges	1,222	2,570	-	342	-	4,134
Printing and publications	-	-	-	40	-	40
Dues and subscriptions	235	4,282	639	3,125	-	8,281
Advertising	61	6,465	268	1,458	-	8,252
Postage and shipping	-	-	32	339	-	371
Other	-	2,469	-	586	-	3,055
Total expenses	\$ 57,067	\$ 667,275	\$ 375,561	\$ 111,684	\$ -	\$ 1,211,587

URBAN RESTORATION ENHANCEMENT CORPORATION
Baton Rouge, Louisiana

STATEMENT OF CASH FLOWS
For the year ended June 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in net assets	\$ 36,247
Adjustments for non-cash items:	
Depreciation	144,125
Change in operating assets and liabilities	
Grants and accounts receivables	26,709
Prepaid expenses and deposits	(2,397)
Accounts payable and payroll liabilities	6,485
Security deposits and other liabilities	<u>1,855</u>
Net cash provided by operating activities	<u>213,024</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	<u>(587,458)</u>
Net cash used by investing activities	<u>(587,458)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Payments on long-term debt	(116,664)
Issuance of additional long-term debt	506,917
Payments on line of credit and short-term borrowings	(186,266)
Draws on line of credit and short-term borrowings	<u>225,858</u>
Net cash provided by financing activities	<u>429,845</u>
Net increase in cash	55,411
CASH	
Beginning of year	<u>67,316</u>
End of year	<u><u>122,727</u></u>

Interest paid during the year ended June 30, 2020 was \$62,866. No income taxes were paid during the year.

URBAN RESTORATION ENHANCEMENT CORPORATION
Baton Rouge, Louisiana
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of activities

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

Basis of presentation

The financial statements of UREC have been prepared on the accrual basis of accounting.

UREC reports its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. As of June 30, 2020, UREC had \$1,425,062 in net assets without donor restrictions and \$60,889 in net assets with donor restrictions.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates. Estimates are used primarily when accounting for grants receivable, depreciation, and valuation of inventory.

Revenue recognition

Contributions and grants received are recorded as with or without donor restrictions, depending on the existence or nature of any donor restrictions.

Contributions are recognized when the donor makes an unconditional promise to give. Contributions restricted by the donor are reported as increases net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor restricted contributions and grants are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified as net assets without donor restrictions.

Cash and cash equivalents

For the purpose of the statement of cash flows, UREC considers cash in operating bank accounts as cash.

Receivables and allowance for doubtful accounts

UREC uses the allowance method to determine uncollectible receivables. The allowance is based on prior years' experience and management's analysis of specific promises made. An allowance of \$1,517 was recorded at June 30, 2020.

Property and equipment

UREC's policy is to capitalize property and equipment over \$500. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. Absent donor stipulations regarding how long donated assets must be maintained, UREC reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor and reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. There were no donations of property or equipment for the year ended June 30, 2020. Depreciation is recorded using the straight-line method over the estimated useful lives of the property.

Income tax status

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

UREC follows FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*. Management has determined that there is no impact to the financial statements as a result of ASC 740-10. UREC's open audit periods are 2016 through 2019.

NOTE 2 – CASH

UREC maintains total of ten bank accounts at four separate financial institutions. The cash in these institutions is maintained in demand deposit accounts. UREC's unreconciled cash balance per bank as of June 30, 2020 was \$164,754. UREC's deposits are fully insured by the Federal Deposit Insurance Corporation (FDIC) as they are below the maximum insured amounts of \$250,000.

NOTE 3 – GRANTS RECEIVABLE

At June 30, 2020, grants receivable were as follows:

	<u>Amount</u>
City of Baton Rouge Parish of EBR	\$ 69,205
Louisiana Department of Education	71,293
Other	4,552
	<u>\$ 145,050</u>

At June 30, 2020, \$25,911 of the grants receivable were outstanding greater than 90 days.

NOTE 4– ACCOUNTS RECEIVABLE

At June 30, 2020, accounts receivable were as follows:

	<u>Amount</u>
Rents receivable	\$ 12,699
Less: Allowance for doubtful accounts	(1,517)
	<u>\$ 11,182</u>

At June 30, 2020, no rents receivable were outstanding greater than 90 days.

NOTE 6– PROPERTY AND EQUIPMENT

Property and equipment, related service lives and accumulated depreciation at June 30, 2020 are as follows:

<u>Description</u>	<u>Estimated</u>	<u>Amount</u>
	<u>Service Life</u>	
Land	-	\$ 369,433
Rental buildings and improvements	10-40 years	5,663,328
Equipment	5-10 years	151,650
Furniture and fixtures	7 years	50,158
Total property and equipment		<u>6,234,569</u>
Less accumulated depreciation		(2,093,746)
Property and equipment, net		<u>\$ 4,140,823</u>

Depreciation expense of \$144,125 was recorded for the year ended June 30, 2020.

NOTE 7 – COMPENSATED ABSENCES

As of June 30, 2020, UREC’s accumulated paid time off (PTO) was \$6,019, which it reports as part of accrued payroll liabilities.

NOTE 8 – LINES OF CREDIT AND OTHER SHORT-TERM BORROWINGS

Short-term term debt and lines of credit at June 30, 2020 was as follows:

	<u>Amount</u>
\$150,000 revolving line of credit with Chase Bank, secured by rental buildings, with interest at 5.75% of the outstanding balance	\$ 134,774
\$175,961 construction loan with Capital Area Finance Authority, secured by rental buildings, with no interest on the outstanding balance	\$ 175,961
\$40,000 revolving line of credit with Hancock Whitney Bank, secured by rental buildings, with interest at 6.50% of the outstanding balance	\$ 23,122
\$25,000 in temporary financing with Hancock Whitney Bank, secured by land, with interest at 5.00% of the outstanding balance	\$ 24,336

In addition, the Organization had \$25,000 in non-interest bearing construction loans outstanding at June 30, 2020.

NOTE 9 – LONG TERM DEBT

Long term debt at June 30, 2020 was as follows:

	<u>Amount</u>
Non-interest bearing \$528,751 deed of trust to AmeriNational Community Services, secured by rental buildings, due in monthly installments of \$2,938 through December 2024	\$ 159,495
Non-interest bearing \$450,000 deed of trust to AmeriNational Community Services, secured by rental buildings, due in monthly installments of \$375, increasing every five years, through December 2025	380,625
\$548,254 promissory note to Red River Bank, secured by rental buildings, due in monthly installments of \$4,071 through July 2020, interest at 4.00%	370,776

\$405,000 promissory note to Louisiana Housing Corporation, secured by a HOME mortgage, due in annual installments of 50% of project cash flow through February 2038, interest at 2.66%	423,901
\$63,213 PPP loan with BancorpSouth Bank, unsecured	63,213
\$40,000 promissory note with Iberia Bank, secured by land, due in monthly installments of \$571 through October 2020, interest at 6.25%	2,262
\$216,000 promissory note to East Baton Rouge Parish Office of Community Development, secured by mortgages, forgivable in annual installments through April 2038, interest at 0.00%	205,200
\$403,652 promissory note with Capital Area Finance Authority, secured by four duplexes, due in monthly installments of \$2,500 through April 2038, interest at 3.15%	387,199
\$463,125 promissory note to East Baton Rouge Parish Office of Community Development, secured by mortgages, forgivable in annual installments through August 2039, interest at 0.00%	424,804
\$42,967 promissory note with Capital Area Finance Authority, secured by land, due in monthly installments of \$143 through June 2020, interest at 4.00%	42,967
Total long term debt	\$2,460,442
Less: current portion	<u>(191,643)</u>
Long term debt, net of current portion	<u><u>\$2,268,799</u></u>

Future maturities of long term debt at June 30, 2020 are as follows:

	<u>Amount</u>
2021	191,643
2022	128,289
2023	130,497
2024	132,616
2025	116,162
Thereafter	<u>1,761,235</u>
Total	<u><u>\$2,460,442</u></u>

NOTE 10 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization’s financial assets that are available for use within one year of the statement of net position date for general expenses consist of cash of \$122,727, rents receivable of \$11,182 and grants receivable of \$145,050.

As part of the Organization’s liquidity management, the UREC structures its financial assets to be available as general expenditures, liabilities and other obligations come due. In addition, it has been successful in obtaining letters of credit when deemed necessary.

NOTE 11 – ALLOCATION OF FUNCTIONAL EXPENSES

The Statement of Functional Expenses reports certain categories of expenses that are attributable to more than one program or support function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. All expenses are allocated based on the estimated time and effort of UREC’s employees.

NOTE 12 – ECONOMIC DEPENDENCY

UREC has historically received the majority of its funding through government contracts and grants. During the year ended June 30, 2020, UREC received 40% of its revenue from such contracts and grants.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

Grants

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

Leases

UREC leases office space with a monthly rent of \$2,169. Total lease payments for the year ended June 30, 2020 were \$26,028.

Minimum lease payments on its current lease are as follows:

2021	28,404
2022	29,588
2023	<u>30,771</u>
Total	88,763

Litigation

There was no pending or threatened litigation at June 30, 2020.

NOTE 14 – SUBSEQUENT EVENTS

Management of UREC has evaluated subsequent events through November 16, 2020, the date that the financial statements were to be issued and has determined that there are no significant subsequent events that require recognition or disclosure through that date.

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Certified Public Accountant

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

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

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Urban Restoration Enhancement Corporation, which comprise the statement of financial position as of June 30, 2020 and the related statement of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued my report thereon dated November 16, 2020.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered Urban Restoration Enhancement Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Urban Restoration Enhancement Corporation's internal control. Accordingly, I do not express an opinion on the effectiveness of Urban Restoration Enhancement Corporation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Urban Restoration Enhancement Corporation's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

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

A handwritten signature in blue ink that reads "John L. McKowen, CPA". The signature is written in a cursive style.

John L. McKowen, CPA
Baton Rouge, Louisiana
November 16, 2020

John L. McKowen
Certified Public Accountant

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE**

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

Report on Compliance for its Major Federal Program

I have audited Urban Restoration Enhancement Corporation's (UREC), (a Louisiana non-profit corporation) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of UREC's major federal programs for the year ended June 30, 2020. UREC's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of UREC's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about UREC's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of UREC's compliance.

Opinion on its Major Federal Programs

In my opinion, UREC, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2020.

Report on Internal Control over Compliance

Management of UREC is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered UREC's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the UREC's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



John L. McKowen, CPA
Baton Rouge, Louisiana
November 16, 2020

URBAN RESTORATION ENHANCEMENT CORPORATION
 Baton Rouge, Louisiana
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year ended June 30, 2020

Federal Grantor/Pass-Through-Grantor Program Title	Grant Number	CFDA Number	Federal Expenditures
<u>U.S. Department of Education</u>			
Passed through			
Louisiana Department of Education:			
21 st Century Community Learning Centers	N/A	84.287	\$ 332,073
Total U.S. Department of Education			\$ <u>332,073</u>
<u>U.S. Department of Housing and Urban Development</u>			
Passed through			
Louisiana Housing Corporation			
HOME Investment Partnerships Program (loan)	N/A	14.239	423,901
City of Baton Rouge – Parish of East Baton Rouge Office of Community Development			
HOME Investment Partnerships Program	N/A	14.239	20,677
HOME Investment Partnerships Program (loan)	N/A	14.239	640,804
Total U.S. Department of Housing and Urban Development			\$ <u>1,085,382</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ <u>1,417,455</u>

URBAN RESTORATION ENHANCEMENT CORPORATION

Baton Rouge, Louisiana

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2020

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Urban Restoration Enhancement Corporation and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from the amounts presented in the preparation of the basic financial statements.

NOTE B – RECONCILIATION OF EXPENSES TO FEDERAL EXPENDITURES

Total expenses	\$1,211,587
Capital expenditures	587,458
Non-cash adjustment – depreciation	(144,125)
Non-federal expenditures	<u>(237,765)</u>
Total Federal Expenditures	<u>1,147,455</u>

NOTE C – AMOUNTS PASSED THROUGH TO SUBRECIPIENTS

During the year ended June 30, 2020, the Organization did not pass through any federal funding to subrecipients.

URBAN RESTORATION ENHANCEMENT CORPORATION
 Baton Rouge, Louisiana
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year ended June 30, 2020

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified Opinion

- Material weakness(es) identified? No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? No
- Noncompliance material to financial statements noted? No

Federal Awards

- Material weakness(es) identified? No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? No

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR §200.516(a)? No

The programs tested as major programs include:
 21st Century Community Learning Centers CFDA #84.287
 HOME Investment Partnerships Program CFDA #14.239

- The threshold for distinguishing Types A and B programs was program expenditures equal to or exceeding \$750,000.
- Urban Restoration Enhancement Corporation did not qualify as a low-risk auditee.

URBAN RESTORATION ENHANCEMENT CORPORATION
Baton Rouge, Louisiana
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2020

FINDINGS AND QUESTIONED COSTS – Financial Statement Audit

None noted.

FINDINGS AND QUESTIONED COSTS – Major Federal Award Programs

None noted.

URBAN RESTORATION ENHANCEMENT CORPORATION
Baton Rouge, Louisiana

**SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS
TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER**
For the year ended June 30, 2020

AGENCY HEAD NAME: Carl Dillon, Executive Director

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

PURPOSE	AMOUNT
Salary	\$ 36,373
Benefits	\$ 3,980
Travel	145
Total	<u>\$ 40,498</u>