MID CITY REDEVELOPMENT ALLIANCE, INC.

Audited Financial Statements

September 30, 2013 and 2012

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Contents

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LaPorte, APAC
111 Veterans Blvd. | Suite 600
Metairie, LA 70005
504.835.5522 | Fax 504.835.5535
LaPorte.com

Independent Auditor's Report

To the Board of Directors
Mid City Redevelopment Alliance, Inc.

Report on the Financial Statements
We have audited the accompanying financial statements of Mid City Redevelopment Alliance, Inc. (the Company), which comprise the statements of financial position as of September 30, 2013 and 2012, and the related statements of activities, and cash flows for the years 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
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 consolidated 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mid City Redevelopment Alliance, Inc. as of September 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated March 26, 2014, on our consideration of the Company's internal control over financial reporting and our 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 our testing of 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 the Company's internal control over financial reporting and compliance.

LaPorte

A Professional Accounting Corporation

Metairie, LA
March 26, 2014

MID CITY REDEVELOPMENT ALLIANCE, INC.
Statements of Financial Position
September 30, 2013 and 2012

	2013	2012
Assets		
Current assets		
Cash and cash equivalents	$ 306,623	$ 379,070
Contributions and grants receivable	5,745	36,773
Property held-for-sale	442,577	100,842
Prepaid expense	5,878	5,161
Total current assets	760,823	521,846
Property, plant and equipment, net	458,487	474,231
Restricted Cash	2,477	2,477
Other Assets	4,685	2,770
Total assets	$ 1,226,472	$ 1,001,324
Liabilities and net assets		
Current liabilities		
Trade accounts payable	$ 6,950	$ 9,766
Accrued expenses	25,608	13,030
Short-term borrowings	95,094	-
Current maturity of long-term debt	4,839	107,416
Total current liabilities	132,491	130,212
Long-Term Debt	279,171	-
Net assets		
Unrestricted	756,956	825,726
Temporarily restricted	57,854	45,386
Total net assets	814,810	871,112
Total liabilities and net assets	$ 1,226,472	$ 1,001,324

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

MID CITY REDEVELOPMENT ALLIANCE, INC.
Statements of Activities
For the Years Ended September 30, 2013 and 2012

	2013	2012
Unrestricted revenues, gains and other support		
Contributions	$ 82,792	$ 205,860
Program revenues	4,860	9,300
Other revenue	17,438	54,408
Loss on disposal of property held for resale	-	(31,891)
Total unrestricted revenues, gains and other support	105,090	237,677
Net assets released from restriction	364,717	278,635
Total support, revenue and reclassifications	469,807	516,312
Expenses		
Salaries, wages, and benefits	246,357	226,436
Supplies	17,734	12,172
Purchased services	42,610	18,820
Administrative expenses	214,188	181,500
Depreciation	17,688	16,919
Total expenses	538,577	455,847
Change in unrestricted net assets	(68,770)	60,465
Temporarily restricted net assets		
Support, revenue and reclassifications		
Grants	157,615	179,350
Contributions	219,570	65,337
Total temporarily restricted support and revenue	377,185	244,687
Net assets released from restriction	(364,717)	(278,635)
Change in temporarily restricted net assets	12,468	(33,948)
Change in net assets	(56,302)	26,517
Net assets, beginning of year	871,112	844,595
Net assets, end of year	$ 814,810	$ 871,112

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

MID CITY REDEVELOPMENT ALLIANCE, INC.
Statements of Cash Flows
For the Years Ended September 30, 2013 and 2012

	2013	2012
Cash flows from operating activities		
Change in net assets	$ (56,302)	$ 26,517
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Loss on disposal of property held for resale	-	31,891
Economic Development Credit applied against long-term debt	(35,000)	-
Depreciation and amortization	17,688	16,919
(Increase) decrease in operating assets:		
Contributions and grants receivable	31,028	(36,773)
Prepaid expense	(717)	69
Restricted cash	-	(2,477)
Other assets	(1,915)	7,230
Increase (decrease) in operating liabilities:		
Accounts payable and other current liabilities	9,762	5,565
Net cash (used in) provided by operating activities	(35,456)	48,941
Cash flows from investing activities		
Purchases of property, plant and equipment	(1,944)	(14,252)
Purchases of property held for resale	(225,235)	(10,047)
Net cash used in investing activities	(227,179)	(24,299)
Cash flows from financing activities		
Proceeds from short-term borrowing	95,094	-
Proceeds from long-term debt	95,094	-
Net cash provided by financing activities	190,188	-
Net (decrease) increase in cash and cash equivalents	(72,447)	24,642
Cash and cash equivalents, beginning of year	379,070	354,428
Cash and cash equivalents, end of year	$ 306,623	$ 379,070
Supplemental disclosure of cash flow information:		
Debt incurred for property acquisition	$ 116,500	$ -

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

Note 1. Nature of Activities

The accompanying financial statements include the assets, liabilities, net assets and financial activities of the programs administered by the Mid City Redevelopment Alliance (MCRA), a nonprofit corporation located in Baton Rouge, Louisiana. MCRA was organized to serve as a catalyst, facilitator, and coordinator to encourage the growth and renewal of the Mid City region of Baton Rouge by attracting new and retaining current residents and businesses.

Note 2. Summary of Significant Accounting Policies

Basis of Accounting

MCRA prepares its financial statements in accordance with accounting principles generally accepted in the United States of America, which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Basis of Presentation

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958-205, *Financial Statements of Not-for-Profit Organizations*. Under FASB ACS 958-205, MCRA is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Unrestricted net assets are resources that are free of donor-imposed or time restrictions and are available at the direction of the governing board. Temporarily restricted net assets are resources that are limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the organization pursuant to those stipulations. Permanently restricted net assets are those resources whose use by the organization is limited to donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of MCRA.

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 certain reported amounts and disclosures. MCRA estimates the fair value of property held-for-sale based on the market conditions and negotiations with potential buyers. The amount that MCRA will ultimately realize could differ materially from the amount recorded in the financial statements.

Note 2. Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

For the purpose of the statements of cash flows, MCRA considers all highly liquid debt instruments purchased with maturities of three months or less to be cash equivalents. The Company maintains cash and cash equivalent balances with financial institutions that exceed federally insured limits. The Company has not experienced any losses related to these balances and believes credit risk to be minimal.

Contributions and Grants Receivable

Contributions and grants receivable consist of unconditional promises to give to MCRA. Unconditional promises to give are recognized as contribution revenue in the period received and are recorded at their net realizable value. Contributions and grants receivable totaled $5,745 and $36,773 at September 30, 2013 and 2012, respectively.

Property Held-for-Sale

Property held-for-sale is comprised of building and land owned by MCRA. These properties are intended to be resold as a part of MCRA's overall mission in the community. These assets were recorded at cost at the time of purchase, and are presented on the financial statements at the lower of cost or fair market value.

Restricted Cash

Restricted cash consists of escrow funds held for the purpose of maintaining the account for deposits received on future sales of property held-for-sale.

Contributed Support

MCRA reports contributed support as unrestricted or restricted depending on the existence of donor stipulations that limit the use of the support.

Contributions that are restricted by donors are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restriction.

Note 2. Summary of Significant Accounting Policies (Continued)

Donated Goods and Services

Donated marketable securities and other noncash donations are recorded as contributions at their fair values at the date of donation. Accordingly, such goods valued at $-0- have been recognized in the accompanying statement of financial activities and changes in net assets as contributions during the years ended September 30, 2013 and 2012.

Donated Services are recorded at their fair value that create or enhance nonfinancial assets or require specialized skills, are performed by people possessing those skills, and would have been purchased by MCRA if they had not been donated. No amounts have been reflected in the financial statements for donated services. MCRA generally pays for services requiring specific expertise.

Income Taxes

MCRA is exempt from federal tax under Section 501(c)(3) of the U.S. Internal Revenue Code. Gifts to MCRA are tax deductible.

Advertising Cost

Advertising costs, which are included in general and administrative expenses, are expensed as incurred and totaled $5,045 and $3,913, respectively, for the years ended September 30, 2013 and 2012.

Property, Equipment and Depreciation

Property and equipment are recorded at cost. Depreciation is computed over the estimated useful lives of the assets using the straight-line method over the following useful lives:

Buildings	30 Years
Improvements	7 - 40 Years
Furniture, Fixtures and Equipment	5 - 7 Years

Maintenance, repairs and renewals that neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred. Gains and losses on dispositions of property are included in income.

Note 2. Summary of Significant Accounting Policies (Continued)

Concentration of Credit and Market Risk

Financial instruments that potentially expose MCRA to concentrations of credit and market risk consist primarily of cash equivalents and investments. Cash equivalents are maintained at high-quality financial institutions and credit exposure is limited at any one institution. MCRA has not experienced any losses on its cash investments.

Reclassification

Certain items in the financial statements for 2012 have been reclassified to conform with the current year presentation. Such reclassification had no effect on net income.

Note 3. Related Party

MCRA received contributions from a related party in the amount of $25,000 and $50,000 for the years ended September 30, 2013 and 2012, respectively.

Note 4. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following as of September 30, 2013 and 2012:

	2013	2012
Temporarily Restricted		
Building Repairs	**$ 35,116**	$ 35,116
Capital One	**16,668**	-
Home Depot - Gift Card Grant	**2,770**	2,770
Foundation of Louisiana	**1,000**	7,500
Regions Bank	**800**	-
BR Telco CU	**500**	-
State Bank and Trust	**500**	-
Pelican State CU	**500**	-
Total Temporarily Restricted	**$ 57,854**	$ 45,386

Note 5. Net Assets Released from Restriction

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the expiration of time during the years ended September 30, 2013 and 2012, as follows:

		2013
Net Assets Released from Restriction		
Office of Community Development	**$**	**94,668**
Capital One		**70,832**
Fannie Mae		**50,000**
LA Mortgage Lenders		**43,950**
Capital Area United Way		**37,500**
RDA		**35,000**
Legacy Luncheon		**10,150**
NFMC		**8,167**
Foundation for LA		**6,500**
LA Homebuying Counseling		**3,250**
Cox Communications		**3,000**
Regions Bank		**1,700**
Total Net Assets Released from Restriction	**$**	**364,717**

		2012
Net Assets Released from Restriction		
HOC	$	50,880
Fannie Mae		50,000
Chase		49,500
Sponsorship		36,524
Neighborworks Grant		22,917
FTHB Education		21,650
Foundation of LA		17,500
Home Depot		7,230
LA Mortgage Lenders		6,550
FixUp Sponsorship		5,000
Building Campaign		4,884
Regions		2,500
Exxon		1,500
NHS of NO		1,000
Bank of BR		1,000
Total Net Assets Released from Restriction	$	278,635

Note 6. Property, Plant, and Equipment

Property and equipment and accumulated depreciation at September 30, 2013 and 2012, are as follows:

	2013	2012
Land	$ 101,528	$ 101,528
Buildings	381,372	381,372
Equipment	24,718	24,718
Leasehold improvements	103,596	101,652
	611,214	609,270
Accumulated depreciation	(152,727)	(135,039)
Total	$ 458,487	$ 474,231

Depreciation expense was $17,688 and $16,919, for the years ended September 30, 2013 and 2012, respectively.

Note 7. Property Held-for-Sale

Land and buildings classified as property held-for-sale are included in current assets in the amount of $442,577 and $100,842 for the years ended September 30, 2013 and 2012, respectively. MCRA evaluated these assets under FASB ASC 360, *Property, Plant and Equipment*, for impairment at September 30, 2013 and 2012. No impairment losses were recognized for the years ended September 30, 2013 and 2012.

Note 8. Short-Term Lending

MCRA has available a $100,000 line of credit with an interest rate of 6%. This is a revolving line of credit which matures April 2013. The line of credit is secured by property including land, building, and all current and future rents, issues, and profits of the property. The agreement relating to this loan contains certain financial covenants. MCRA was in compliance with these covenants as of September 30, 2013. The balance on the line of credit was $95,094 and $-0- as of September 30, 2013 and 2012, respectively. The line of credit is currently being prepared for extension by the contracting parties.

Note 9. Long-Term Debt

Long-term debt consists of the following:

		2013		2012
Note payable of $116,500 with the East Baton Rouge Redevelopment Authority with no interest, due in full on maturity date of February 20, 2018, secured by a mortgage on seven parcels of immovable property.	**$**	**81,500**	$	-
Effective October 27, 2008, MCRA entered into an agreement with the City of Baton Rouge (the City), in conjunction with funds from the HOME Investment Partnership Act at title II of the Cranston-Gonzalez National Affordable Housing Act. The City agreed to lend up to $250,000 to MCRA, to be used for development of single-family rental housing. Disbursements under this agreement are reimbursement only. The loan will be repaid based on the promissory note with 3% interest, due in monthly principal and interest payments of $1,124 beginning March 1, 2014 until maturity date of February 1, 2034, secured by mortgage.		**202,510**		107,416
		284,010		107,416
Less: current portion on notes payable		**(4,839)**		-
Total	**$**	**279,171**	$	107,416

Contractual maturities on long-term debt are as follows:

Year Ending August 31,		**Amount**
2014	$	4,839
2015		7,600
2016		7,834
2017		8,074
2018		89,822
Thereafter		165,841
Total	$	284,010

Interest expense on long-term debt incurred for the years ended September 30, 2013 and 2012 totaled $-0-.

Note 10. Functional Expenses

MCRA classifies its expenses into three functional categories: program services, management and general, and fundraising. Functional expense classifications for the year ended September 30, 2013, are as follows:

	Program Services	Management and General	Fundraising	Total
Salaries, wages, and benefits	$ 213,581	$ 32,776	$ -	$ 246,357
Supplies	6,116	-	11,618	17,734
Purchased services	15,788	26,822	-	42,610
Administrative expenses	171,241	38,884	4,063	214,188
Depreciation	17,688	-	-	17,688
Total	$ 424,414	$ 98,482	$ 15,681	$ 538,577

Functional expense classifications for the year ended September 30, 2012, are as follows:

	Program Services	Management and General	Fundraising	Total
Salaries, wages, and benefits	$ 203,793	$ 22,643	$ -	$ 226,436
Supplies	12,172	-	-	12,172
Purchased services	18,820	-	-	18,820
Administrative expenses	150,224	26,861	4,415	181,500
Depreciation	16,919	-	-	16,919
Total	$ 401,928	$ 49,504	$ 4,415	$ 455,847

Note 11. Uncertain Tax Positions

On January 1, 2009, MCRA adopted the provisions of the *Accounting for Uncertainty in Income Taxes* Topic of the FASB Accounting Standards Codification. All tax returns have been appropriately filed by MCRA. MCRA recognizes interest and penalties, if any, related to unrecognized tax benefits in income tax expense. MCRA's tax filings are subject to audit by various taxing authorities.

Tax years that remain open for examination by tax jurisdictions include 2010 through 2012. MCRA is not currently under examination by any taxing authority. Management evaluated MCRA's tax positions and concluded that MCRA had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

Note 12. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, March 26, 2014, and determined that no events occurring after this date have been evaluated for inclusion in the financial statements.

LAPORTE
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LaPorte, APAC
111 Veterans Blvd. | Suite 600
Metairie, LA 70005
504.835.5522 | Fax 504.835.5535
LaPorte.com

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
Mid City Redevelopment Alliance, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Mid City Redevelopment Alliance, Inc. (the Company) as of and for the year ended September 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Company's basic financial statements, and have issued our report thereon March 26, 2014.

Internal Control Over Financial Reporting
In planning and performing our audit we considered the Company's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company'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 a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identity any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide and opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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Metairie, LA
March 26, 2014