MID CITY REDEVELOPMENT ALLIANCE, INC.

Audited Financial Statements

September 30, 2012 and 2011

LAPORTE
CPAs & BUSINESS ADVISORS

Contents

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Independent Auditor's Report

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

We have audited the accompanying statements of financial position of Mid City Redevelopment Alliance, Inc. (the Company) as of September 30, 2012 and 2011, and the related statements of activities, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In accordance with Government Auditing Standards, we have also issued a report dated March 18, 2013, 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, grant agreements and other matters.

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, 2012 and 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

LaPorte

A Professional Accounting Corporation

March 18, 2013

MID CITY REDEVELOPMENT ALLIANCE, INC.
Statements of Financial Position
September 30, 2012 and 2011

	2012	2011
Assets		
Current assets		
Cash and cash equivalents	$ 381,547	$ 354,428
Contributions and grants receivable	36,773	-
Property held-for-sale	100,842	122,686
Prepaid expense	5,161	5,230
Other current assets	2,770	10,000
Total current assets	527,093	492,344
Property, plant and equipment, net	474,231	476,898
Total assets	$ 1,001,324	$ 969,242
Liabilities and net assets		
Current liabilities		
Trade accounts payable	$ 9,766	$ 5,164
Accrued expenses	13,030	12,067
Short-term borrowings	107,416	107,416
Total current liabilities	130,212	124,647
Net assets		
Unrestricted	825,726	765,261
Temporarily restricted	45,386	79,334
Total net assets	871,112	844,595
Total liabilities and net assets	$ 1,001,324	$ 969,242

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, 2012 and 2011

	2012	2011
Unrestricted revenues, gains and other support		
Contributions	$ 205,860	$ 520,000
Program revenues	9,300	-
Other revenue	54,408	56,730
Loss on disposal of property held for resale	(31,891)	(22,186)
Total unrestricted revenues, gains and other support	237,677	554,544
Net assets released from restriction	278,635	190,176
Total support, revenue and reclassifications	516,312	744,720
Expenses		
Salaries, wages, and benefits	226,436	244,623
Supplies	12,172	29,504
Purchased services	18,820	43,682
Administrative expenses	181,500	56,510
Depreciation	16,919	6,070
Total expenses	455,847	380,389
Change in unrestricted net assets	60,465	364,331
Temporarily restricted net assets		
Support, revenue and reclassifications		
Grants	179,350	55,810
Contributions	65,337	173,700
Total temporarily restricted support and revenue	244,687	229,510
Net assets released from restriction	(278,635)	(190,176)
Change in temporarily restricted net assets	(33,948)	39,334
Change in net assets	26,517	403,665
Net assets, beginning of year	844,595	440,930
Net assets, end of year	$ 871,112	$ 844,595

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, 2012 and 2011

	2012	2011
Cash flows from operating activities		
Change in net assets	$ 26,517	$ 403,665
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Loss on disposal of property held for resale	31,891	22,186
Depreciation and amortization	16,919	6,070
Contribution of office building and land	-	(445,000)
(Increase) decrease in operating assets:		
Contributions and grants receivable	(36,773)	-
Other current assets	7,230	65,500
Prepaid expense	69	(5,230)
Increase (decrease) in operating liabilities:		
Accounts payable and other current liabilities	5,565	108
Net cash provided by operating activities	51,418	47,299
Cash flows from investing activities		
Purchases of property, plant and equipment	(14,252)	(37,900)
Purchases of property held for resale	(10,047)	-
Refunds received on property held for resale	-	1,400
Proceeds from disposal of property held for resale	-	14,487
Net cash used in investing activities	(24,299)	(22,013)
Net increase in cash and cash equivalents	27,119	25,286
Cash and cash equivalents, beginning of year	354,428	329,142
Cash and cash equivalents, end of year	$ 381,547	$ 354,428
Supplemental disclosure of cash flow information:		
Non-cash contributions of office building and land	$ -	$ 445,000

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 ACS) 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.

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.

Note 2. Summary of Significant Accounting Policies (Continued)

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 $36,773 and $-0- at September 30, 2012 and 2011, 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.

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.

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- and $445,000 have been recognized in the accompanying statement of financial activities and changes in net assets as contributions during the years ended September 30, 2012 and 2011, respectively.

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.

Note 2. Summary of Significant Accounting Policies (Continued)

Advertising Cost

Advertising costs, which are included in general and administrative expenses, are expensed as incurred and totaled $3,913 and $216, respectively, for the years ended September 30, 2012 and 2011.

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.

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.

Note 3. Related Party

MCRA received contributions from a related party in the amount of $50,000 and $75,000 for the years ended September 30, 2012 and 2011, respectively.

Note 4. Donated Assets

As mentioned in Note 2, MCRA records donated goods and services at fair value at the time of receipt. Donated goods and services for the years ended September 30, 2012 and 2011, are as follows:

	2012	2011
Land	$ -	$ 101,528
Buildings	-	343,472
Total	$ -	$ 445,000

Note 5. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following as of September 30, 2012 and 2011:

	2012	2011
Temporarily Restricted		
Foundation of Louisiana	**$ 7,500**	$ -
Building Repairs	**35,116**	40,000
Home Depot - Gift Card Grant	**2,770**	10,000
Neighborworks Grant	**-**	22,917
HOC	**-**	6,417
Total Temporarily Restricted	**$ 45,386**	$ 79,334

Note 6. 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 year ended September 30, 2012 as follows:

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

Note 6. Net Assets Released from Restriction (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the expiration of time during the year ended September 30, 2011 as follows:

		2011
Net Assets Released from Restriction		
Cultural District Donation	$	31,025
Neighborhood Challenge		5,000
Neighborworks Grant		2,083
Evacuee Initiative		15,000
FTHB Education		300
Sponsorship		28,000
HOC		107,958
MCREA		810
Total Net Assets Released from Restriction	$	190,176

Note 7. Property, Plant, and Equipment

Property and equipment and accumulated depreciation at September 30, 2012 and 2011, are as follows:

		2012		2011
Land	**$**	**101,528**	$	101,528
Buildings		**381,372**		381,372
Equipment		**24,718**		10,466
Leasehold Improvements		**101,652**		101,652
		609,270		595,018
Accumulated depreciation		**(135,039)**		(118,120)
Total	**$**	**474,231**	$	476,898

Depreciation expense was $16,919 and $6,070, for the years ended September 30, 2012 and 2011, respectively.

Note 8. Property Held-for-Sale

Land and buildings classified as property held-for-sale are included in current assets in the amount of $100,842 and $122,686 for the years ended September 30, 2012 and 2011, respectively. MCRA evaluated these assets under FASB ASC 360, *Property, Plant and Equipment*, for impairment at September 30, 2012 and 2011. No impairment losses were recognized for the years ended September 30, 2012 and 2011.

Note 9. Short-Term Lending

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. As of September 30, 2012 and 2011, respectively, MCRA has drawn $107,416 and $107,416 which is presented as short-term lending on the statements of financial position. The project construction and marketing period shall conclude on the earlier of April 30, 2013 or the closing date of the sale of the last unit to a qualified homebuyer. As of the date of this report, no formal agreement for repayment has been made.

Note 10. Line of Credit

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, 2012. The balance on the line of credit was $-0- as of September 30, 2012.

Note 11. 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, 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. Functional Expenses (Continued)

Functional expense classifications for the year ended September 30, 2011 are as follows:

	Program Services	Management and General	Fundraising	Total
Salaries, wages, and benefits	$ 220,161	$ 24,462	$ -	$ 244,623
Supplies	29,504	-	-	29,504
Purchased services	43,682	-	-	43,682
Administrative expenses	50,834	5,676	-	56,510
Depreciation	6,070	-	-	6,070
Total	$ 350,251	$ 30,138	$ -	$ 380,389

Note 12. 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 2008 through 2011. 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 13. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, March 18, 2013, and determined that no events occurring after this date have been evaluated for inclusion in the financial statements.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND 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 the financial statements of Mid City Redevelopment Alliance, Inc. (the Company) as of and for the year ended September 30, 2012 and 2011, and have issued our report thereon March 18, 2012. 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.

Internal Control Over Financial Reporting
In planning and performing our audit we considered the Company's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Partnerships' internal control. Accordingly, we do not express an opinion on the effectiveness of the Partnership's internal control over financial reporting.

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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

Our consideration of internal control over financial reporting 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 deficiencies, significant deficiencies, or material weaknesses.

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.*

This report is intended solely for the information and use of the Company's management and the Louisiana Legislative Auditor and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statutes 24:513, this report is distributed by the Legislative Auditor as a public document.

LaPorte

A Professional Accounting Corporation

March 18, 2013