
A SHARED INITIATIVE, INC.
HARAHAN, LOUISIANA

FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012



A Professional Accounting Corporation

www.pncpa.com

A SHARED INITIATIVE, INC.
HARAHAN, LOUISIANA

FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

TABLE OF CONTENTS

	<u>Page</u>
<u>INDEPENDENT AUDITORS' REPORT</u>	1
<u>FINANCIAL STATEMENTS</u>	
Statements of Financial Position	3
Statements of Activities and Change in Net Assets	4
Statements of Cash Flows	5
Notes to Financial Statements	6
<u>Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i></u>	11 - 12

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Officers of
A Shared Initiative, Inc.
Harahan, Louisiana:

Report on the Financial Statements

We have audited the accompanying statements of financial position of A Shared Initiative, Inc. (a nonprofit organization) ("ASIP") as of December 31, 2013 and 2012, and the related statements of activities and changes in net assets 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 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 organization'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 organization's internal control. Accordingly, we 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.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of A Shared Initiative, Inc. as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance 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 our report dated June 30, 2014, on our consideration of ASII'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 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 ASII's internal control over financial reporting and compliance.

Postlethwaite + Netterville

Metairie, Louisiana
June 30, 2014

A SHARED INITIATIVE, INC.
HARAHAN, LOUISIANA

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2013 AND 2012

ASSETS

	<u>2013</u>	<u>2012</u>
Current assets		
Cash and cash equivalents	\$ 257,924	\$ 271,786
Cash and cash equivalents, restricted	1,530,562	1,706,909
Contributions receivable	24,000	65,208
Loans receivable, restricted	1,549,690	928,267
Total current assets	<u>3,362,176</u>	<u>2,972,170</u>
 Premises and equipment - net	 <u>775,569</u>	 <u>809,195</u>
 Total assets	 <u>\$ 4,137,745</u>	 <u>\$ 3,781,365</u>

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	\$ 180,147	\$ 211,568
Current maturities of long-term debt	8,998	8,412
Total current liabilities	<u>189,145</u>	<u>219,980</u>
 Long-term debt less current maturities	 <u>156,799</u>	 <u>165,984</u>
 Total liabilities	 <u>345,944</u>	 <u>385,964</u>
 Net assets		
Unrestricted	711,549	760,225
Temporarily restricted	3,080,252	2,635,176
Total net assets	<u>3,791,801</u>	<u>3,395,401</u>
 Total liabilities and net assets	 <u>\$ 4,137,745</u>	 <u>\$ 3,781,365</u>

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

A SHARED INITIATIVE, INC.
HARAHAN, LOUISIANA

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013			2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenue:						
Contributions and grants	\$ 67,057	\$ 495,886	\$ 562,943	\$ 93,079	\$ 539,293	\$ 632,372
Special events	-	-	-	27,084	-	27,084
Homebuyer education class	20,891	-	20,891	16,240	-	16,240
Interest income	18,102	110,797	128,899	18,478	70,531	89,009
Miscellaneous	(663)	-	(663)	1,825	-	1,825
Rental income	19,542	-	19,542	19,264	-	19,264
Subtotal	124,929	606,683	731,612	175,970	609,824	785,794
Net assets released from restrictions	161,607	(161,607)	-	343,450	(343,450)	-
Total support and revenue	286,536	445,076	731,612	519,420	266,374	785,794
Expenses:						
Advertising	-	-	-	560	-	560
Bad debt expense	37,027	-	37,027	214,757	-	214,757
Convention and meeting expense	1,332	-	1,332	1,584	-	1,584
Depreciation	33,627	-	33,627	33,627	-	33,627
Dues	6,858	-	6,858	7,406	-	7,406
Special events expense	-	-	-	9,646	-	9,646
Insurance - nonemployee	1,721	-	1,721	-	-	-
Interest	11,489	-	11,489	12,476	-	12,476
Miscellaneous	15	-	15	917	-	917
Postage and delivery	135	-	135	208	-	208
Professional service fees	9,060	-	9,060	13,982	-	13,982
Property maintenance	17,737	-	17,737	10,162	-	10,162
Salaries and related expenses	194,230	-	194,230	210,795	-	210,795
Supplies and materials	7,266	-	7,266	12,519	-	12,519
Travel	1,149	-	1,149	713	-	713
Utilities	13,566	-	13,566	19,734	-	19,734
Total expenses	335,212	-	335,212	549,086	-	549,086
Change in net assets	(48,676)	445,076	396,400	(29,666)	266,374	236,708
Net assets at beginning of year	760,225	2,635,176	3,395,401	789,891	2,368,802	3,158,693
Net assets at end of year	\$ 711,549	\$ 3,080,252	\$ 3,791,801	\$ 760,225	\$ 2,635,176	\$ 3,395,401

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

A SHARED INITIATIVE, INC.
HARAHAN, LOUISIANA

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Change in net assets	\$ 396,400	\$ 236,708
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Bad debt expense	37,027	214,757
Depreciation	33,627	33,627
Changes in operating assets and liabilities:		
(Increase) decrease in contributions receivable	41,208	(32,867)
Increase in loans receivable	(658,450)	(551,123)
Increase (decrease) in accounts payable	(31,421)	92,024
Net cash used in operating activities	(181,609)	(6,874)
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Payments on notes payable	(8,600)	(7,612)
Net cash used in financing activities	(8,600)	(7,612)
Net decrease in cash and cash equivalents	(190,209)	(14,486)
<u>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</u>	1,978,695	1,993,181
<u>CASH AND CASH EQUIVALENTS AT END OF YEAR</u>	\$ 1,788,486	\$ 1,978,695
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u>		
Cash paid for interest	\$ 11,489	\$ 12,476
<u>CASH AND CASH EQUIVALENTS AS PRESENTED ON THE STATEMENTS OF FINANCIAL POSITION</u>		
Cash and cash equivalents, unrestricted	\$ 257,924	\$ 271,786
Cash and cash equivalents, restricted	1,530,562	1,706,909
Cash and cash equivalents, total	\$ 1,788,486	\$ 1,978,695

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

A SHARED INITIATIVE, INC.
HARAHAN, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. Organization and Summary of Significant Accounting Policies

History and Organization

A Shared Initiative, Inc. ("ASII") is a non-profit organization with a mission of aiding in the rebuilding efforts of families and communities in post-Katrina New Orleans. ASII was originally formed as the non-profit affiliate of ASI Federal Credit Union, a low-income designated Community Development Financial Institution (CDFI). The Credit Union's vision to eliminate poverty is augmented by the financial literacy, lending, and community development efforts of the nonprofit, which exists as a legally-separate 501(c)(3) entity.

Financial Statement Presentation

The financial statements of ASII are presented on the accrual basis of accounting. Financial presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) No. 958-205, *Not for Profit Entities Presentation of Financial Statements*. Under ASC 958-205, ASII is required to report information regarding its financial position and activities according to three classes of net assets:

- Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.
- Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of ASII and/or the passage of time.
- Permanently restricted net assets - Net assets subject to donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled and removed by actions of ASII pursuant to those stipulations.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, cash and cash equivalents include cash demand deposits. Cash amounts of \$1,530,562 and \$1,706,909 at December 31, 2013 and 2012 are restricted for use in the Revolving Capital Fund.

A SHARED INITIATIVE, INC.
HARRAHAN, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. Organization and Summary of Significant Accounting Policies (continued)

Contributions

Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. Support that is restricted by a donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of restrictions. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Loans Receivable

ASII grants mortgage, consumer and business loans to applicants. A substantial portion of the loan portfolio is represented by loans primarily to members located in the New Orleans MSA. The ability of the borrowers to honor their contracts is dependent upon the real estate and general economic conditions in this area, as well as the financial condition of the employers in the area.

Loans that ASII has the intent and ability to hold for the foreseeable future are stated at unpaid principal balance, plus accrued interest, less an allowance for loan losses. Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding. At December 31, 2013, interest rates on loans receivable range between 6% and 15%. Loan terms range from 10 months to 84 months.

The accrual of interest is discontinued at the time when management believes, after considering economic conditions, business conditions, and collection efforts, that the loans are impaired or collection of principal or interest is considered doubtful. Past due status is based on the contractual terms of the loan.

All interest accrued but not collected for loans that are placed on nonaccrual or charged off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

A SHARED INITIATIVE, INC.
HARAHAN, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. Organization and Summary of Significant Accounting Policies (continued)

Allowance for Loan Losses

The allowance for loan losses reflects management's judgment of probable loan losses inherent in the portfolio at the balance sheet date. Loan receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual loan accounts. ASII generally fully or partially charges down to the fair value of collateral securing the asset, if any, when (1) management judges the asset to be uncollectible; (2) repayment is deemed to be protracted beyond reasonable time frames; (3) the asset has been classified as a loss by ASII's internal loan review process; (4) the borrower has filed bankruptcy and the loss becomes evident owing to a lack of assets; or (5) the loan is past due 120 days unless both well secured and in the process of collection. At December 31, 2013 and 2012, the allowance for doubtful accounts is \$18,963, and \$113,295, respectively.

Property and Equipment

All acquisitions of property and equipment in excess of \$500 and all expenditures for repairs, maintenance, renewals and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over a useful life of 30 years (building) and 7 years (furniture and equipment). Depreciation expense for 2013 and 2012 is \$33,627 and \$33,627, respectively.

Income Taxes

ASII is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state income taxes under Section 121(5) of Title 47 of the Louisiana Revised Statutes of 1950.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, ASII may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of ASII and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities at December 31, 2013 or 2012.

ASII's tax returns for the years 2012, 2011, and 2010 remain open and subject to examination by taxing authorities.

A SHARED INITIATIVE, INC.
HARAHAN, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

2. Property and Equipment, net

Property and equipment at December 31, 2013 and 2012 consists of the following:

	2013	2012
Building and improvements	\$ 915,888	\$ 915,888
Furniture and equipment	15,633	15,633
	<u>931,521</u>	<u>931,521</u>
Less: accumulated depreciation	(155,952)	(122,326)
Property and equipment, net	\$ <u>775,569</u>	\$ <u>809,195</u>

3. Long-Term Debt

On May 24, 2007, ASII entered into a note payable agreement with ASI Federal Credit Union (ASIFCU) in the amount of \$220,000. The note payable bears 6.75% simple interest rate per annum and is secured by the property and equipment. The maturity date for the note is May 24, 2026.

Maturities for long-term debt for the next five years and thereafter are:

2014	\$ 8,998
2015	9,625
2016	10,295
2017	11,012
2018	11,778
Thereafter	<u>114,059</u>
	<u>\$ 165,767</u>

4. Related Party Transactions

As discussed in Note 3, ASII entered into a note payable agreement with ASI Federal Credit Union (ASIFCU). ASII reimburses ASIFCU for management and support services provided by the Credit Union. Salaries and related expenses reimbursed to ASIFCU totaled \$194,230 and \$210,795 for the years ended December 31, 2013 and 2012, respectively.

At December 31, 2013 and 2012, included in accounts payable is \$177,603 and \$210,096, respectively, due to ASIFCU.

At December 31, 2013, cash and cash equivalents were maintained on deposit with ASIFCU.

A SHARED INITIATIVE, INC.
HARAHAN, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

5. Revolving Capital Fund

During the year ended December 31, 2013 and 2012, ASIFCU transferred to ASII \$495,886 and \$539,293, respectively, of grant funds to establish a Revolving Capital Fund. The transfer of funds was approved by the Louisiana Recovery Authority, the Louisiana Economic Development (LED) as well as the Boards of Directors of ASII and ASIFCU. ASII has an agreement with the LED which provides the requirements of the loan fund. Additions to the revolving loan fund during the years ended December 31, 2013 and 2012 were \$110,797 and \$70,531, respectively, of interest income from borrowers. At December 31, 2013 and 2012, included in cash and cash equivalents are \$1,530,562 and \$1,706,909, respectively, for the Revolving Capital Fund. During the years ended December 31, 2013 and 2012 included on the statements of activities and changes in net assets were net assets released from restrictions of \$161,607 and \$343,450, respectively, representing net administrative fees earned by ASII from the Revolving Capital Fund and bad debt expense.

6. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 30, 2014, and determined that following item required disclosure.

Between January 1, 2014 and the report date, ASIFCU transferred an additional \$178,156 to ASII to fund the revolving loan fund.

**INDEPENDENT AUDITORS' 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 and Officers of
A Shared Initiative, Inc.
Harahan, Louisiana:

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 A Shared Initiative, Inc. (ASII), which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities and changes in net assets and statements of cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated June 30, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered ASII'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the ASII's internal control. Accordingly, we do not express an opinion on the effectiveness of ASII'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 a 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 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify 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 ASII's financial statements are free from 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 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.

Postlethwaite + Nettewille

Metairie, Louisiana
June 30, 2014