

Inner-City Revitalization Corporation

Alexandria, Louisiana

Financial Statements

December 31, 2010

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date SEP 14 2011

Table of Contents

Independent Auditors' Report.....	1
Basic Financial Statements	
Statement of Financial Position.....	3
Statement of Activities.....	4
Statement of Cash Flows.....	5
Statement of Functional Expenses.....	6
Notes to Financial Statements.....	7
Schedule of Federal Awards.....	13
Notes to Schedule of Federal Awards.....	14
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.....	15
Independent Auditor's Report on Compliance with Requirements that could have a Direct and Material Effect on each Major Program and on Internal Control over Compliance in Accordance With OMB Circular A-133.....	17
Schedule of Findings and Questioned Costs.....	19
Managements Corrective Action Plan.....	23
Summary of Prior Audit Findings.....	25



KnightMasden

A Professional Accounting Corporation

K. Martin Masden, CPA
John E. Theriot II, CPA
Dona C. Manuel, CPA

Coan I. Knight, Jr., CPA
Stephanie R. Lemoine, CPA

June 27, 2011

Independent Auditors' Report

Board of Directors
Inner-City Revitalization Corporation
Alexandria, Louisiana

We have audited the accompanying statement of financial position of Inner-City Revitalization Corporation (a not-for-profit organization) as of December 31, 2010, and the related statements of activities, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of Inner-City Revitalization Corporation'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 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 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 the 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 our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of Inner-City Revitalization Corporation as of December 31, 2010, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2011 on our consideration of Inner-City Revitalization Corporation's internal control over financial reporting and on 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. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

5615 J Jackson Street
Alexandria, Louisiana 71303
PH: 318-445-9334
FAX: 318-445-0996
www.knightmasden.com

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of 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 our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.


KnightMasden

Inner-City Revitalization Corporation
Statement of Financial Position
December 31, 2010

Assets

Current Assets	
Cash and cash equivalents	\$ 119,697
Grants receivable	136,072
Mortgage receivable - current portion	1,000
Prepaid expenses	1,153
Inventory	<u>583,388</u>
Total Current Assets	841,310
Plant, Property and Equipment, net	1,425,557
Other Assets	
Mortgage receivable	25,560
Deposits	1,567
Restricted cash	<u>9,345</u>
Total Other Assets	<u>36,472</u>
Total Assets	<u>\$ 2,303,339</u>

Liabilities and Net Assets

Current Liabilities	
Accounts payable	\$ 24,842
Accrued payroll liabilities	8,877
Accrued interest	1,877
Rental deposits and escrow accounts	10,118
Due other agencies	1,254
Notes payable	<u>444,956</u>
Total Current Liabilities	491,924
Net Assets	
Unrestricted	1,790,086
Temporarily restricted	20,129
Permanently restricted	<u>1,200</u>
Total Net Assets	<u>1,811,415</u>
Total Liabilities and Net Assets	<u>\$ 2,303,339</u>

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

Inner-City Revitalization Corporation
Statement of Activities
For the Year Ended December 31, 2010

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Revenues				
Contributions and gifts	\$ 8,691	\$ -	\$ -	\$ 8,691
Contributions and gifts - in kind	17,500	-	-	17,500
Grants	-	528,546	-	528,546
Investment income	2,458	-	-	2,458
Program income - rental activities	<u>101,113</u>	<u>-</u>	<u>-</u>	<u>101,113</u>
Total Revenues	129,762	528,546	-	658,308
 Net Assets Released from Restriction:	 548,437	 (548,437)	 -	 -
 Functional Expenses				
Program Services				
Rental activities	181,441	-	-	181,441
Subdivision lots	5,851	-	-	5,851
Supporting Services				
Management and general	<u>154,472</u>	<u>-</u>	<u>-</u>	<u>154,472</u>
Total Functional Expenses	<u>341,764</u>	<u>-</u>	<u>-</u>	<u>341,764</u>
 Change in Net Assets	 336,435	 (19,891)	 -	 316,544
 Net Assets - Beginning of Year	 <u>1,453,651</u>	 <u>40,020</u>	 <u>1,200</u>	 <u>1,494,871</u>
 Net Assets - End of Year	 <u>\$ 1,790,086</u>	 <u>\$ 20,129</u>	 <u>\$ 1,200</u>	 <u>\$ 1,811,415</u>

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

Inner-City Revitalization Corporation
Statement of Cash Flows
For the Year Ended December 31, 2010

Cash Flows from Operating Activities	
Change in Net Assets	\$ 316,544
Adjustments to reconcile changes in net assets to net cash used by operating activities:	
Depreciation	46,652
Increase in accounts and grants receivable	(98,434)
Increase in inventory	(528,501)
Increase in accounts payable	23,271
Increase in other liabilities	5,110
Donation of Armour Building	<u>(17,500)</u>
Net Cash Used by Operating Activities	(252,858)
Cash Flows from Financing Activities	
Payment on notes payable	(282,478)
Draw on notes payable	<u>547,563</u>
Net Cash Provided by Financing Activities	<u>265,085</u>
Net Increase in Cash and Cash Equivalents	12,227
Cash and Cash Equivalents - Beginning of Year	<u>116,815</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 129,042</u></u>
Reflected in the Statement of Financial Position as:	
Cash and cash equivalents	\$ 119,697
Restricted cash	<u>9,345</u>
Total	<u><u>129,042</u></u>
Cash paid for:	
Interest	<u><u>\$ 14,993</u></u>

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

Inner-City Revitalization Corporation
Statement of Functional Expenses
For the Year Ended December 31, 2010

	<u>Rental</u>		<u>Management</u>	<u>Total</u>
	<u>Activities</u>	<u>Lot Sales</u>	<u>and General</u>	<u>Expenses</u>
Interest expense	\$ -	\$ -	\$ 11,671	\$ 11,671
Legal and professional	-	2,295	31,734	34,029
Depreciation	40,123	-	6,529	46,652
Dues and subscriptions	-	-	867	867
Insurance	11,094	3,556	11,094	25,744
Office supplies	-	-	2,911	2,911
Rent	62,304	-	-	62,304
Salaries	30,341	-	67,965	98,306
Telephone	-	-	4,091	4,091
Miscellaneous	-	-	4,824	4,824
Grounds maintenance	3,260	-	-	3,260
Maintenance	23,614	-	-	23,614
Pest control	1,341	-	1,341	2,682
Utilities	9,364	-	11,445	20,809
	<u>\$ 181,441</u>	<u>\$ 5,851</u>	<u>\$ 154,472</u>	<u>\$ 341,764</u>

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

Inner-City Revitalization Corporation
Notes to Financial Statements
December 31, 2010

Note 1 – Nature of Activities and Significant Accounting Policies

Nature of Activities

Inner-City Revitalization Corporation (the Corporation) is a not-for-profit organization formed under the laws of the State of Louisiana. The purpose of the Corporation is to (1) foster, encourage, and coordinate, through all possible means and in cooperation with municipalities and other groups and interests, the rebuilding and revitalization of blighted metropolitan neighborhoods in Rapides Parish, Louisiana, and (2) to help make clean, healthful, safe, and affordable housing available to citizens who need it.

The Corporation's funding sources consist of contributions and grants from foundations and federal, state and local governments.

The Corporation is currently constructing homes for sale to low income individuals or families.

The Corporation owns a 20 unit housing facility (Olive House) which it rents to low income individuals with broken backgrounds and provides case workers to help these individuals get back on their feet. The Corporation also owns four single family dwellings that it rents to low income individuals.

Use of Estimates

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

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with the generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Corporation and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets 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 the Corporation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Corporation.

Inner-City Revitalization Corporation
Notes to Financial Statements
December 31, 2010

Note 1 – Nature of Activities and Significant Accounting Policies (Continued)

Cash and Cash Equivalents

The Corporation considers all demand deposits and highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents include monies designated for specific programs or held for others.

Contributions and Grants

Contributions and grants are recorded as received. Unconditional promises to give are recorded as they are made. Conditional promises to give are recognized as revenue when the necessary conditions are fulfilled.

Inventory

Inventory consists of lots held for development and single family homes. Interest on construction line of credit was capitalized into the value of the inventory. Inventory is stated at cost using the specific identification method.

Property, Equipment, and Depreciation

Property and equipment are stated at cost if purchased, or fair value at the date of donation, if contributed to the Corporation, less accumulated depreciation. Depreciation is computed on depreciable assets on a straight-line basis over the estimated useful lives of the assets. The cost of maintenance and repairs is expensed as incurred; however, significant renewals and improvements are capitalized.

Mortgage Notes Receivable

Mortgage notes receivables are reported in the financial statements at the outstanding principal balance. Interest earned on the mortgage is recognized as it accrues. Delinquency status is based on the contractual terms of the mortgage.

Due to Other Agencies

Due to other agencies represents funds held by the Corporation in an agency capacity. Receipts and expenditures related to these funds are not recorded as revenues and expenses in the financial statements of the Corporation.

Inner-City Revitalization Corporation
Notes to Financial Statements
December 31, 2010

Note 1 – Nature of Activities and Significant Accounting Policies (Continued)

Income Taxes

The Corporation is a not-for-profit organization which qualifies as a tax-exempt organization under Section 501(c)(3) of the U.S. Internal Revenue Code (Code) and comparable Louisiana law and, accordingly, is not subject to federal or state income tax. Contributions to it are tax deductible within the limitations prescribed by the Code. It has been classified as an organization that is not a private foundation under Section 509(a)(2) of the Code.

Note 2 – Restricted Cash

Restricted cash at December 31, 2010 consisted of:

<u>Restriction purpose</u>	<u>Amount</u>	<u>Source</u>
Moms for Keys Park	\$1,254	Agency Fund
NKM Down Payment Assistance	5,932	Donor Restriction
Endowment Fund (see below)	1,202	Donor Restriction
Construction of housing	<u>957</u>	Grantor Restriction
 Total	 <u>\$9,345</u>	

In October 2001, the Corporation established an endowment fund to help insure the financial future of the Corporation. Contributions to the endowment fund may not be withdrawn and earnings on the fund may not be withdrawn until the principal reaches \$10,000.

During 2010, the Corporation opened an account to use for the construction of four homes that was a requirement of the grant agreement.

Note 3 – Grant Receivable

At December 31, 2010, grants receivable consisted of the following:

<u>Grantor</u>	<u>Amount</u>
Louisiana Housing Finance Agency	\$ 56,240
Department of Housing and Urban Development	4,270
City of Alexandria	<u>75,562</u>
 Total	 <u>\$136,072</u>

Management is confident that these funds will be fully collected; therefore, no provision for loss has been made.

Inner-City Revitalization Corporation
Notes to Financial Statements
December 31, 2010

Note 4 – Inventory

During 2008, the Corporation received a donation of 4 lots valued at \$8,000. The purpose of the lots is to construct affordable housing for low income individuals. The Corporation was awarded a grant to construct single family houses on these lots. During 2010, the construction of four homes and the purchase of two additional lots increase the inventory value to \$583,388.

Note 5 – Property and Equipment

At December 31, 2010, property and equipment consisted of the following:

	<u>Life</u>	<u>Carrying Value</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Land		\$ 75,825	\$ -	\$ 75,825
Olive House – building	39 years	1,168,061	146,833	1,021,228
Rental property	39 years	341,119	46,995	294,124
Equipment	5-10 years	50,518	33,638	16,880
Armour Building	Impaired	<u>17,500</u>	<u>-</u>	<u>17,500</u>
 Total		 <u>\$1,653,023</u>	 <u>\$227,466</u>	 <u>\$1,425,557</u>

Depreciation expense for the current year was \$46,652.

The Armour Building is currently not being used because it is in a state of disrepair.

Note 6 – Mortgage Receivable

In April 2002, the Corporation entered into a sale and mortgage agreement in the amount of \$37,750, with a down payment of \$1,133, secured by property located at 67 Prospect Street, Alexandria, LA. The agreement requires 240 monthly payments of \$283.90. Interest is stated at (7%) per annum, and the principal balance at December 31, 2010 was \$26,560. The creditor is in compliance with the loan terms and payment schedule. Management is confident that the note will be fully collected; therefore, no provision for loss has been made.

Note 7 – Notes Payable

In May 2000, the Corporation established an uncollateralized revolving line of credit with Capital One Bank in the amount of \$100,000. The note requires monthly payments of interest only. The line of credit is renewable annually at the discretion of the lender. The variable rate of interest is the highest prime rate plus two percent (2%) and was 5.25% per annum at December 31, 2010. Principal in the amount of \$45,449 was owed at December 31, 2010.

Inner-City Revitalization Corporation
Notes to Financial Statements
December 31, 2010

Note 7 – Notes Payable (Continued)

In September 2008, the Corporation established a line of credit with Christus Health in the amount of \$200,000. The line of credit is collateralized by a real estate mortgage on the duplex on Madison Street. The note requires quarterly payments of interest only. The line of credit is renewable annually at the discretion of the lender. The rate of interest is 2.000% per annum. Principal in the amount of \$118,053 was owed at December 31, 2010.

In August 2009, the Corporation entered into a grant/loan agreement with the Louisiana Housing Finance Agency (LHFA) for the purpose of constructing 4 single family dwellings. The money received from LHFA is to be treated as a loan until the houses are sold. At the time of the sale, Inner City may realize a 15% developer fee and must repay the remaining portion of the proceeds to LHFA. If the sales price is less than the total development cost, the difference shall be considered a development subsidy. This is an interest free loan and no payments are required until a home is sold. The loan is collateralized by a real estate mortgage on the four homes construction in the Green Oaks Subdivision. Principal in the amount of \$219,901 was owed at December 31, 2010.

In June 2010, the Corporation established a line of credit with Capital One Bank in the amount of \$314,500. The line of credit is collateralized by a real estate mortgage on the four homes constructed in the Green Oaks Subdivision. The note requires payment upon sale of each project or at maturity, whichever occurs first. The line of credit matures on June 17, 2011. The rate of interest is 4% per annum at December 31, 2010. Principal in the amount of \$61,553 was owed at December 31, 2010.

Note 8 – Net Assets

At December 31, 2010, temporarily and permanently restricted net assets consisted of the following:

Temporarily restricted net assets:

Down payment assistance	\$ 1,000
Homebuyer's education	5,389
Board development	<u>13,740</u>

Total temporarily restricted net assets	<u>\$ 20,129</u>
---	------------------

Permanently restricted net assets:

Endowment Fund (See Note 2)	<u>\$ 1,200</u>
-----------------------------	-----------------

Note 9 – Interest costs

Interest costs incurred amounted to \$14,993 for the year ended December 31, 2010, of which \$3,322 was capitalized. The remaining balance of \$11,671 was charged to operations.

Note 10 – Income Taxes

The federal income tax returns of Inner City for 2008, 2009 and 2010 are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

Inner-City Revitalization Corporation
Notes to Financial Statements
December 31, 2010

Note 11 – Contributed Services and Property

In 2010, the Armour Building was donated back to the Corporation from the Historical Society.

The Board of Directors is a voluntary board. These volunteers have made significant contributions of their time to the Corporation. The value of the contributed time is not reflected in these statements since it is not susceptible to an objective measurement or valuation.

Note 12 – Contingent Liability

The Armour Building, which the Corporation owns, is in a state of ruin due to structural damage and is currently causing water damage to Olive House. The Corporation is trying to raise money for the building to be demolished. There may be costs to the Corporation to fix the water damage to Olive House, but this cost can't be reasonably estimated until the adjacent building has been torn down or repaired.

Note 13 – Concentration in Revenue

The Corporation received about 80% of its revenue from grants. About 14% of grant revenue was for operational expenses. These grants are necessary to further the Corporation's mission.

Note 14 – Subsequent Events

The Corporation has no material subsequent events that would require disclosure. Subsequent events have been evaluated through June 27, 2011, which is also the date the financial statements were available to be issued.

Inner-City Revitalization Corporation
 Schedule of Federal Awards
 December 31, 2010

<u>Federal Grantor/Pass-through Grantor</u>	<u>Federal CDFA Number</u>	<u>Pass- through Identifying Number</u>	<u>Federal Expenditures</u>
U. S. Department of Housing and Urban Development			
Indirect Program:			
HOME Program			
City of Alexandria	14.239		\$409,566
Louisiana Housing Finance Agency	14.239		81,488
Neighborhood Stabilization Program (Recovery Act)			
Louisiana Housing Finance Agency	14.256		219,901
Direct Program:			
Supportive Housing Program	14.235		<u>37,070</u>
Total Expenditures of Federal Awards			<u>\$748,025</u>

Inner-City Revitalization Corporation
Notes to the Schedule of Federal Awards
December 31, 2010

Note A – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Inner-City Revitalization Corporation (Corporation) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note B – Loan

As of December 31, 2010 the Corporation had \$219,901 in loans due to the Louisiana Housing Finance Agency. The funds were used to construct four single family homes and are payable upon the sale of these homes.



KnightMadsen

A Professional Accounting Corporation

K. Martin Masden, CPA
John E. Theriot II, CPA
Dona C. Manuel, CPA

Coan I. Knight, Jr., CPA
Stephanie R. Lemoine, CPA

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

June 27, 2011

Board of Directors
Inner-City Revitalization Corporation
Alexandria, Louisiana

We have audited the financial statements of Inner-City Revitalization Corporation as of and for the year ended December 31, 2010, and have issued our report thereon dated June 27, 2011. 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 Inner-City Revitalization Corporation'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 effectiveness of Inner-City Revitalization Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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

5615 J Jackson Street
Alexandria, Louisiana 71303
PH: 318-445-9334
FAX: 318-445-0996
www.knightmasden.com

timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness as item 2010-01

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 charge with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency as item 2010-02.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Inner-City Revitalization Corporation'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 an instance of noncompliance or other matter that is required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and questioned costs as item 2010-03.

Inner-City Revitalization Corporation's response to the findings indentified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Inner-City Revitalization Corporation's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the board of directors, management of Inner-City Revitalization Corporation, the Legislative Auditor of the State of Louisiana, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana statutes, this report is distributed by the Legislative Auditor as a public document.


KnightMasden



KnightMadsen

A Professional Accounting Corporation

K. Martin Masden, CPA
John E. Theriot II, CPA
Dona C. Manuel, CPA

Coan I. Knight, Jr., CPA
Stephanie R. Lemoine, CPA

Independent Auditor's Report on Compliance with Requirements that could have a Direct and Material Effect on each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

June 27, 2011

Board of Directors
Inner-City Revitalization Corporation
Alexandria, Louisiana

Compliance

We have audited Inner-City Revitalization Corporation's compliance of with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Inner-City Revitalization Corporation's major federal programs for the year ended December 31, 2010. Inner-City Revitalization Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Inner-City Revitalization Corporation's management. Our responsibility is to express an opinion on Inner-City Revitalization Corporation's compliance based on our audit.

We conducted our 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 OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organization*. Those standards and OMB Circular A-133 require that we 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 Inner-City Revitalization Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Inner-City Revitalization Corporation's compliance with those requirements.

In our opinion, Inner-City Revitalization Corporation complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs the year ended December 31, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance

5615 J Jackson Street
Alexandria, Louisiana 71303
PH: 318-445-9334
FAX: 318-445-0996
www.knightmasden.com

with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2010-03.

Internal Control Over Compliance

The management of Inner-City Revitalization Corporation is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Inner-City Revitalization Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion of the effectiveness of internal control over compliance. Accordingly, we do not express an opinion of the effectiveness of Inner-City Revitalization Corporation'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.

Our 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Inner-City Revitalization Corporation's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Inner-City Revitalization Corporation's response and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the board of directors, management of Inner-City Revitalization Corporation, the Legislative Auditor of the State of Louisiana and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana statutes, this report is distributed by the Legislative Auditor as a public document.


KnightMasden

Inner-City Revitalization Corporation
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2010

A. Summary of Auditors' Results

1. The auditors' report expresses an unqualified opinion on the financial statements of Inner-City Revitalization Corporation.
2. Two control deficiencies disclosed during the audit of the financial statements is reported in the *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*. One deficiency is considered a significant deficiency and the other is considered a material weakness.
3. One instance of noncompliance not material to the financial statements of Inner-City Revitalization Corporation, which would be required to be reported in accordance with *Government Auditing Standards*, was disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs disclosed during the audit are reported in the *Independent Auditor's Report on Compliance with Requirements that could have a Direct and Material Effect on each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133*.
5. The auditors' report on compliance for the major federal award program administered by Inner-City Revitalization Corporation expresses an unqualified opinion.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in Section C of this schedule.
7. The programs tested as major programs include:

	<u>CFDA Numbers</u>
Home Program	14.239
Neighborhood Stabilization Program	14.256
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. Inner-City Revitalization Corporation does not qualify as a low-risk auditee.

Inner-City Revitalization Corporation
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2010

B. Findings – Financial Statement Audit

2010-01 Preparation of Financial Statements

Condition:

Internally prepared interim and year end financial statements are not prepared in accordance with generally accepted accounting principles.

Criteria:

Financial statements should be prepared in accordance with generally accepted accounting principles.

Effect:

Internal financial statements for use by the management and board do not reflect the financial position of Inner-City Revitalization Corporation in accordance with generally accepted accounting principles.

Cause:

Entries necessary for financial statements to be presented in accordance with generally accepted accounting principles are not being posted. Specifically entries related to the following items are not being recorded properly: inventory costs, depreciation, rental deposits, payroll tax liability, compensated absences, accounts payable, notes payable, in-kind donations, grant receivables and net assets.

Recommendation:

Inner-City Revitalization Corporation should prepare the entries necessary for compliance with generally accepted accounting principles.

Response:

See Management's Corrective Action Plan for their response.

2010-02 Debit Card Transactions

Condition:

During our testing it was noted that debit card transactions are not being approved by an authorized board member.

Inner-City Revitalization Corporation
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2010

Criteria:

Internal control procedures in place are not being followed.

Effect:

No internal controls over debit card transactions.

Cause:

Procedure is not being done or no evidence of procedure being done.

Recommendation:

Inner-City Revitalization Corporation should follow and document the performance.

Response:

See Management's Corrective Action Plan for their response.

C. Findings and Questioned Costs – Major Federal Award Programs Audit

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Passed through the City of Alexandria

2010-03 Cash Management

Condition:

There was one instance in which the contractor invoice was submitted for grant reimbursement prior to the contractor receiving payment.

Criteria:

Cash management compliance requirements state that expenditures submitted for reimbursement must be paid prior to submission of reimbursement request.

Effect:

The organization is not in compliance with federal award grant requirements.

Inner-City Revitalization Corporation
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2010

Cause:

Oversight when preparing reimbursement request.

Recommendation:

The Corporation should perform a more careful review of reimbursement request before submission.

Response:

See Management's Corrective Action Plan for their response.

Inner-City Revitalization Corporation
Managements Corrective Action Plan
For the Year Ended December 31, 2010

2010-01 Preparation of Financial Statements

Recommendation:

Inner-City Revitalization Corporation should prepare the entries necessary for compliance with generally accepted accounting principles.

Response:

Inner-City Revitalization will request that the outside bookkeeper prepare monthly financial statements in accordance with generally accepted accounting principles for presentation to the board and management.

Implementation Date:

Immediately

Contact:

Barbara Dashiell, Executive Director (318) 442-1502

2010-02 Debit Card Transactions

Recommendation:

Inner-City Revitalization Corporation should follow and document the performance.

Response:

Inner-City Revitalization will have a Director from the Board's Finance Committee initial all receipts of purchases made with debit card prior to filing of such receipts for approval and tracking of purchases.

Implementation Date:

Immediately

Contact:

Barbara Dashiell, Executive Director (318) 442-1502

Inner-City Revitalization Corporation
Managements Corrective Action Plan
For the Year Ended December 31, 2010

2010-03 Cash Management

Recommendation:

The Corporation should perform a more careful review of reimbursement request before submission.

Response:

Inner-City Revitalization will ensure payment of invoices are in accordance with federal grant requirements.

Implementation Date:

Immediately

Contact:

Barbara Dashiell, Executive Director (318) 442-1502

Inner-City Revitalization Corporation
Summary of Prior Year Findings
For the Year Ended December 31, 2010

No prior year audit findings.