Louisiana Economic Development Corporation

A Component Unit of the State of Louisiana

Financial Statement Report
for the Year Ended June 30, 2015
Issued December 28, 2015

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

December 16, 2015

Independent Auditor's Report

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
STATE OF LOUISIANA
Baton Rouge, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Louisiana Economic Development Corporation (LEDC), a component unit of the state of Louisiana, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise LEDC's basic financial statements as listed in the Table of Contents.

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 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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 the business-type activities of LEDC as of June 30, 2015, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise LEDC's basic financial statements. The accompanying supplementary Schedule of Investments is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying supplementary Schedule of Investments is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary Schedule of Investments is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Report Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2015, on our consideration of LEDC'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 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 LEDC's internal control over financial reporting and compliance.

Respectfully submitted,

Thomas H. Cole, CPA
First Assistant Legislative Auditor

APD:EMS:BQD:EFS:aa

LEDC 2015

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
STATE OF LOUISIANA

Statement of Net Position
June 30, 2015

ASSETS	
Current assets:	
Cash and cash equivalents (note 2)	$14,316,632
Receivables (note 4)	2,001,129
Due from State Treasury Capital Outlay Fund (note 5)	14,654,343
Loans, net (note 6)	263,230
Unamortized award expense (note 7)	1,817,874
Total current assets	33,053,208
Noncurrent assets:	
Certificates of deposit (note 2)	9,818,609
Investments (note 3)	14,558,691
Receivables (note 4)	49,629
Loans, net (note 6)	632,077
Unamortized award expense (note 7)	7,878,576
Total noncurrent assets	32,937,582
Total assets	65,990,790
LIABILITIES	
Current liabilities:	
Accounts payable and accruals (note 8)	343,315
Unearned revenues (note 1.I)	3,196,447
Total current liabilities	3,539,762
Noncurrent liabilities:	
Accrual for loan losses on loan guarantees (notes 9 and 16)	1,679,539
Total noncurrent liabilities	1,679,539
Total liabilities	5,219,301
NET POSITION	
Restricted for specific purposes (note 11)	10,556,367
Unrestricted	50,215,122
Total Net Position	$60,771,489

The accompanying notes are an integral part of this statement.

LOUISIANA ECONIMIC DEVELOPMENT CORPORATION
STATE OF LOUISIANA

Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2015

OPERATING REVENUES	
Interest income:	
Interest on loans	$4,988
Interest on deposits	77,366
Dividend income	25,382
Unrealized gain on investments	1,875,127
Other operating revenues	108,241
Total operating revenues	2,091,104
OPERATING EXPENSES	
Business incentives services grants	16,102,931
Capital outlay grants	5,829,465
Salaries and employee benefits	472,660
Professional fees	68,742
Administrative expenses	7,286
Travel	14,759
Provision (credit) for losses on loans	659,581
Losses on investments	1,376,847
Net operating expenses	24,532,271
OPERATING LOSS	(22,441,167)
NONOPERATING REVENUES (EXPENSES)	
Vendors' compensation	$10,504,938
Intergovernmental expenses for small and emerging business development	(997,667)
Federal revenues	2,639,640
Use of money and property	5,178
Net nonoperating revenues	12,152,089
CHANGE IN NET POSITION	(10,289,078)
NET POSITION AT BEGINNING OF YEAR, restated (note 12)	71,060,567
NET POSITION AT END OF YEAR	$60,771,489

The accompanying notes are an integral part of this statement.

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
STATE OF LOUISIANA

Statement of Cash Flows
For the Year Ended June 30, 2015

Cash Flows From Operating Activities:	
Interest and dividends received	$109,647
Receipts from customers	108,241
Payments to suppliers	(91,850)
Payments to employees for services	(454,775)
Payment of program awards	(22,401,443)
Net cash used by operating activities	(22,730,180)
Cash Flows From Noncapital Financing Activities:	
State appropriations	5,298,665
Federal receipts	3,674,947
Transfer from Louisiana Department of Economic Development	549,518
Vendors' compensation and small and emerging business development	10,465,215
Net cash provided by noncapital financing activities	19,988,345
Cash Flows From Investing Activities:	
Proceeds from sales of investments	4,885,217
Interest and dividends	5,178
Net cash provided by investing activities	4,890,395
Change in cash and cash equivalents	2,148,560
Cash and cash equivalents at beginning of year, restated*	12,168,072
Cash at end of year	$14,316,632

*Cash and cash equivalents at beginning of year were restated to remove
non-negotiable certificates of deposit with original maturities exceeding three months.

(Continued)

The accompanying notes are an integral part of this statement.

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
Statement of Cash Flows
For the Year Ended June 30, 2015

Reconciliation of Net Operating Loss to	
Net Cash Used by Operating Activities:	
Operating loss	($22,441,167)
Credit for losses on loans and guarantees	659,581
Decrease in receivables	1,909
Increase in other assets	(1,201,697)
Increase in accounts payable and accruals	251,194
Net cash used by operating activities	($22,730,180)

(Concluded)

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

INTRODUCTION

The Louisiana Economic Development Corporation (LEDC) is a public authority whose purpose is to stimulate the flow of private capital in the form of loans and other financial assistance for the sound financing of the development, expansion, and retention of small business concerns in the state of Louisiana as a means of providing higher levels of employment, income growth, and expanded social and economic opportunities, especially to disadvantaged persons and within distressed areas. It is a component unit of the state of Louisiana and was authorized by Louisiana Revised Statutes (R.S.) 51:2311.

Effective July 1, 2001, pursuant to Act No. 9 dealing with House Bill No. 1666, the authority for the administration of the Workforce Development and Training Program (Workforce) and the Economic Development Award Program (EDAP) was transferred from the Department of Economic Development to LEDC. Additionally, in June 2012, LEDC introduced a new program called the Economic Development Site Readiness Program (EDRED). Workforce provides training services to employers. EDAP provides funding for public infrastructure near sites in exchange for new employments. EDRED provides funding to local governments and economic development districts to improve sites in order to attract new business. The financial activities of these three programs are also included in these financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The Governmental Accounting Standards Board (GASB) promulgates accounting principles generally accepted in the United States of America and reporting standards for state and local governments. These principles are found in the *Codification of Governmental Accounting and Financial Reporting Standards*, published by GASB. The accompanying financial statements have been prepared in accordance with such principles.

B. REPORTING ENTITY

Using the criteria in GASB Codification Section 2100, the state of Louisiana is defined as the governmental reporting entity. LEDC is considered a discretely presented component unit of the state of Louisiana because the state exercises oversight responsibility in that the governor appoints eleven members of the board. The accompanying financial statements present only the activity of LEDC. Annually, the state of Louisiana issues a Comprehensive Annual Financial Report, which includes the activity contained in the accompanying financial statements. Those basic financial statements are audited by the Louisiana Legislative Auditor.

C. BASIS OF ACCOUNTING

Basis of accounting refers to the timing of recognition of revenues and expenses in the accounts and reporting in the financial statements, and the measurement focus refers to what transactions and events should be recorded. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting in accordance with generally accepted accounting principles. Under this method, revenues are recognized when they are earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. All assets and liabilities associated with the operations are included on the Statement of Net Position.

Operating revenues and expenses generally result from providing services in connection with LEDC's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The principal operating revenue of LEDC is revenues derived from loan programs and venture capital investment programs. Operating expenses include administrative expenses, salaries, and program expenses.

D. BUDGET PRACTICES

The appropriation for LEDC is dedicated each year from the dedicated Louisiana Economic Development Fund, although it receives operating and nonoperating income during the year.

The appropriations made for the operations of the various programs of LEDC are annual lapsing appropriations.

(1) The budgetary process is an annual appropriation valid for one year.

(2) The agency is prohibited by statute from overspending the categories established in the budget.

(3) Budget revisions are granted by the Joint Legislative Committee on the Budget, and interim emergency appropriations may be granted by the Interim Emergency Board.

E. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash held by the State Treasury, cash held in interest-bearing money market funds, and all non-negotiable certificates of deposit and highly liquid investments with an original maturity of three months or less.

F. INVESTMENTS

The process of valuing investments requires valuing LEDC's ownership interest in the venture capital companies. LEDC writes down the cost of investments for impairments of market value that fall below the cost of the investment in venture capital companies.

In preparing the financial statements, LEDC's management makes judgments that affect the reported amounts of investments as of June 30, 2015. Because of the inherent uncertainty of valuation, these estimated values may differ significantly from the value that would have been used had a market for the investments been readily available.

During the year ended June 30, 2015, LEDC engaged an independent third-party investment banker to perform valuations of certain investments. As of June 30, 2015, LEDC's investments have been written down to their estimated impaired values, as determined by the independent appraisal.

G. LOAN RECEIVABLES

Loan receivables consist of direct loans, participation loans, and economic development loans. Direct loans are loans that LEDC provides to a qualified and approved borrower. Participation loans are loans that LEDC provides to a borrower contingent upon the business also receiving a loan from a third party that is of at least equal value to the LEDC loan. LEDC no longer issues direct loans or participation loans; however, there are still loan balances outstanding. Economic Development loans are loans that LEDC provides to a borrower to spur economic development. Receivables for the economic development loans consist of EDAP and Economic Development Loan Program (EDLOP) loans in which a company has not met set benchmarks therefore owes funds back to LEDC. In addition, LEDC could receive some funds back on guaranteed loans that have defaulted. The bank goes through its normal collection process and LEDC is entitled to a pro-rata share of the collateral. LEDC also shares pro-rata in any legal and collection fees involved in the process.

H. UNAMORTIZED AWARD EXPENSE

Under the EDAP and the EDLOP programs, LEDC has entered into agreements to finance public and private infrastructure related to new or expanded commercial facilities. As part of the agreements, these awards do not have to be repaid to LEDC if the new facilities create and sustain a certain number of new jobs and payroll levels as approved by LEDC's board of directors. Payments under this program are recorded as unamortized awards expense and are amortized as the job creation thresholds are met. Unamortized awards expense results from awards funded as of the end of the year that have not yet been expensed as the conditions of expense recognition have not yet been met. Once job and payroll credits are met, the expense would be recognized.

I. UNEARNED REVENUES

LEDC participates in a Federal program sponsored by the U.S. Department of the Treasury called State Small Business Credit Initiative (SSBCI). The purpose of the program is to assist the state in increasing the amount of capital made available by private lenders to small businesses through LEDC's Small Business Loan Guarantee Program and the Louisiana Seed Capital Program. LEDC will use $8 million of the funds to support the existing Small Business Loan Guarantee Program that will guarantee up to 75% percent of the principal value of a loan made to an eligible small business. Additionally, LEDC will use $5,168,350 to support the Louisiana Seed Capital Program, a state-run venture capital program that will invest in funds that invest in eligible small businesses. The state of Louisiana was allocated an amount not to exceed $13,168,350 to be used for a guaranteed loan program and a venture capital program. The funds are distributed by the Department of the Treasury in three installments. As of June 30, 2015, LEDC has received three installments totaling $12,366,058. $3,196,447 of this amount is unearned at June 30, 2015.

J. NONCURRENT LIABILITIES

Noncurrent liabilities include an accrual for losses on loan guarantees. LEDC sets aside an amount that it considers to be a potential loss from its loan guarantee portfolio. The reserve rate is contingent on the amount of time the loan is delinquent. Currently, LEDC carries a reserve of 18% for current guarantee loans. If a loan is 30, 60, or 90 days delinquent, it is considered to be a higher risk and can be reserved up to 25%, 50%, or 100%, respectively.

K. COMPENSATED ABSENCES, PENSION BENEFITS, AND POST-EMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

LEDC's daily operations are performed by LED employees. Compensated absences, pension benefits, and postemployment benefits are provided and recorded by LED and allocated to the corporation based on time worked. These allocated expenses are included in the corporation's financial statements; however, no liability for compensated absences or postemployment benefits is recorded in the corporation's financial statements, and no disclosure for compensated absences, pension benefits, or postemployment benefits are included in the corporation's financial statements as the ultimate liability is with LED rather than the corporation.

L. NET POSITION

LEDC's net position is classified as follows:

(1) Restricted Net Position

Net position should be reported as restricted when constraints placed on net position use are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. LEDC's restricted expendable net position includes resources that LEDC is legally or contractually obligated to spend that have restrictions imposed by external third parties.

(2) Unrestricted Net Position

Unrestricted net position is the remaining net position that is not included in the restricted net position category previously mentioned.

M. 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. DEPOSITS

For reporting purposes, deposits with financial institutions include savings, demand deposits, time deposits, and certificates of deposit. Under state law, LEDC may invest in time certificates of deposit in any bank domiciled or having a branch office in the state of Louisiana; in savings accounts or shares of savings and loan associations and savings banks and in share accounts and share certificate accounts of federally or state chartered credit unions.

For the purpose of the Statement of Cash Flows, all highly-liquid investments are considered to be cash equivalents.

At June 30, 2015, LEDC has cash and cash equivalents (book balances) of $14,316,632 as follows:

Held in Treasury	$9,384,482
Money market funds	4,932,150
Total	$14,316,632

Custodial credit risk is the risk that, in the event of a bank failure, LEDC's deposits may not be recovered. Under state law, LEDC's deposits must be secured by federal deposit insurance or similar federal security or the pledge of securities owned by the fiscal agent bank. The fair market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of LEDC or the pledging bank by a holding or custodial bank that is mutually acceptable to both parties.

As of June 30, 2015, LEDC had money market accounts totaling $4,932,150 and non-negotiable certificates of deposit with original maturities exceeding three months totaling $9,818,609. These funds were fully collateralized and insured.

3. INVESTMENTS

Under state law, LEDC may invest in, among other things, obligations of the U.S. Treasury or any other federally-insured investment, as well as common or preferred stock of certain closely held businesses. As provided for in R.S. 51:2312(D)(9), LEDC invests in venture capital startup-type companies. Investments are carried on the face of the Statement of Net Position at the carrying value.

At June 30, 2015, the cost, carrying value, and fair value of LEDC's investments were as follows:

Type of Investment	Cost	Write-downs for Impairment	Carrying Value	Unrealized Gain	Fair Value
Equity Interest in Venture Capital	$30,705,846	($16,147,155)	$14,558,691	$6,850,634	$21,409,326

Custodial credit risk is the risk that, in the event of the failure of the counterparty, LEDC will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. In the normal course of business, LEDC becomes party to various financial transactions that involve various risks. The management of LEDC minimizes exposure to loss from investing activities by evaluating the business prospects of potential investee companies. Under state law, LEDC may invest in, among other things, obligations of the U.S. Treasury or any other federally-insured investment, as well as common or preferred stock of certain closely-held businesses.

LEDC's venture capital funds are invested in small businesses to create jobs, wealth, and to have a substantial impact on the economy of Louisiana. LEDC's investments in these companies are designed to provide financial assistance to small businesses by providing access to capital. Venture capital funds are attractive to new companies with limited operating history that are too small to raise capital in the public markets and have not reached the point where they are able to secure funding or complete a debt offering. These companies are usually not publicly-traded entities. In exchange for LEDC's investment in these companies, LEDC receives a portion of the company's ownership.

Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. In an effort to diversify the risk in the investment portfolio, the management of LEDC follows established policies designed to avoid concentrations in any one industry or customer group. LEDC places no limits on the amount it may invest in any one issuer. At June 30, 2015, more than five percent of total investments are invested in the following issuers:

Issuer	Carrying value	Percent of total investments
Louisiana Fund I, LP	$4,230,628	29.1%
Louisiana Venture Fund	3,512,478	24.1%
Business Resources Capital Specialty, BIDCO	1,560,000	10.7%
Endgame Entertainment Fund, LLC	1,045,284	7.2%
Aurora Ventures IV, LLC	1,180,561	8.1%
Murphee Venture Partners VI, LP	1,446,874	9.9%
Total	$12,975,825	

4. RECEIVABLES

Receivables are scheduled for collection within one year and are shown on Statement A, net of an allowance for doubtful accounts, as follows:

	Receivables
Accrued vendor compensation	$2,000,236
Venture capital receivable	49,629
Accrued interest	893
Total	$2,050,758

The receivable, resulting from the sale of venture capital, of $49,629 is a noncurrent asset. LEDC expects to receive 100% of the receivables; therefore no allowance was estimated by management.

5. DUE FROM OTHER FUNDS

LEDC is appropriated funds from the Louisiana State Legislature through the Capital Outlay Act for an infrastructure assistance program which provides funds to entities that have been determined eligible under the program. As of June 30, 2015, a total of $41,850,000 had been appropriated to date. Of this amount, $14,654,343 has not been drawn down from the State Capital Outlay Fund.

6. LOANS RECEIVABLE

The balance in the LEDC's loan portfolio consisted of the following at June 30, 2015:

	Loans Receivable
Economic Development Loans	$1,053,302
Participation Loans	338,570
	1,391,872
Allowance for loan losses	(496,565)
Loan receivable, net	$895,307

Activity in the allowance for loan losses was as follows for the year ended June 30, 2015:

Beginning balance	$548,714
Decrease in allowance for loan losses	(52,149)
Ending balance	$496,565

Maturity of loans as of June 30, 2015, are as follows:

		Maturities					
Loan Type	Principal Balance	2016	2017	2017	2018	2019	2021-2023
Economic Development Loans	$1,053,302	$263,230	$239,447	$126,802	$78,392	$82,312	$263,119
Participation Loans	338,570		338,570				
Total	$1,391,872	$263,230	$578,017	$126,802	$78,392	$82,312	$263,119

Concentration of Credit Risk:

In an effort to diversify the risk in the loan portfolio, the management of LEDC follows established policies. In addition, management attempts to avoid concentrations in any one industry or customer group. LEDC places percentage and dollar limits on how much can be lent any one borrower. At June 30, 2015, more than five percent of the total loans are due from the following borrowers:

Borrower	Loan Balance	Percent of Total Loans
Town of Colfax, Louisiana	$637,305	45.8%
North Webster Parish Industrial Development	332,367	23.9%
MV Realty, Inc.	338,570	24.3%
Argus Health Products, LLC and Argus Day Spa	83,631	6.0%
	$1,391,873	

7. UNAMORTIZED AWARD EXPENSE

Under the EDAP and the EDLOP, LEDC has entered into agreements to finance public and private infrastructure related to new or expanded commercial facilities. The awards are conditioned on meeting certain job creation and payroll level thresholds as approved by the LEDC board of directors. The awards are expensed as these thresholds are met. When thresholds are not met a receivable is set up for the portion owed to LEDC. A portion of the unamortized awards relates to two zero percent interest loans made under the EDLOP. Management has imputed interest on these loans at market rates at the origination of the loan, and an offset to the unamortized discount is carried on the books as unamortized awards.

Unamortized award expense	$15,843,498
Imputed interest on loans	180,329
Allowance for loan losses	(6,327,377)
Unamortized award expense, net	$9,696,450

8. ACCOUNTS PAYABLE AND ACCRUALS

Accounts payable and accruals at June 30, 2015, were as follows:

Activity	Amount
Vendors	$416
Salaries and benefits	86,007
Grants payable	256,892
Total	$343,315

9. LONG-TERM ACCRUALS

	Beginning Balance	Additions	Reductions	Ending Balance	Amount due Within one year
Accrual for loan losses on Loan Guarantees	$967,809	$711,730		$1,679,539	

Accrual for Loan Losses on Loan Guarantees

LEDC is a party to various financial loan guarantees. These instruments involve elements of risk of loss in the event of nonperformance by the other party to the financial loan guarantees. LEDC evaluates customers' creditworthiness on a "case-by-case" basis. The amount of collateral obtained, if considered necessary by LEDC upon extension of credit, is based on management's credit evaluation of the customer. Financial loan guarantees are conditional commitments issued by LEDC to guarantee the performance of a customer to a third party. LEDC estimates an allowance for loss on defaulted loans which LEDC will not be able to recover. The estimate is based on the number of days delinquent, beginning with 25% for 30 days and up to 100% for loans over 90 days delinquent.

At June 30, 2015, LEDC had guaranteed $9,249,192 of $14,807,203 loans to customers made by various banks.

10. CONTINGENT LIABILITIES AND RISK MANAGEMENT

Losses arising from judgments, claims, and similar contingencies would be paid through the state's self-insurance fund operated by the Office of Risk Management, the agency responsible for the state's risk management program, or by appropriation from the state's General Fund. LEDC does not have any contingent liabilities to disclose at June 30, 2015.

11. RESTRICTED NET POSITION

LEDC has restricted net position for State Small Business Credit Initiative program funds that have been obligated, in accordance with program eligibility requirements as of June 30, 2015, of $10,556,367.

12. RESTATEMENT OF BEGINNING NET POSITION

The beginning net position as reflected on Statement B has been restated to reflect the following changes:

Net position at June 30, 2014	$71,484,304
Correction of error in prior-year unearned revenue	(423,737)
Net position at July 1, 2014, as restated	$71,060,567

This restatement decreased LEDC's beginning net position by $423,737. Had the portion of this restatement affecting fiscal year 2014 been included in the June 30, 2014, Statement of Revenue, Expenses, and Changes in Net Position, the previously reported change in net position of negative $6,617,983 would have been a negative $7,041,720.

13. DEFERRED COMPENSATION PLAN

Certain employees of LED who perform work activities for LEDC participate in the Louisiana Public Employees' Deferred Compensation Plan adopted under the provisions of the Internal Revenue Code Section 457. Complete disclosures relating to the Plan are included in the separately issued audit report for the Plan, available from the Louisiana Legislative Auditor's website at www.lla.la.gov.

14. COOPERATIVE ENDEAVOR AGREEMENTS

Cooperative endeavor is any form of economic development assistance between and among the state, its local government subdivisions, political corporations, public benefit corporations, the U.S. government or its agencies, or any public or private association, corporation, or individual. The term "cooperative endeavor" includes cooperative financing, cooperative development, or any form of cooperative economic development activity. LEDC has entered into 33 cooperative endeavor agreements with private companies and public sponsors to generate economic growth by issuing award amounts. If a private company/public sponsor does not receive the full award amount, LEDC recognizes it as an award amount outstanding in the note disclosure; the amount is not reflected in the accompanying financial statements as a liability. The amount outstanding as of June 30, 2015, for these agreements is $9,342,054.

Of the 33 cooperative agreements, 14 are EDAP, and eight are EDLOP. The purpose of the EDAP program is to assist in the financing of projects for which LEDC assistance is requested in order to promote economic development in this state and provide an incentive to influence a company's decision to locate, relocate, maintain, rebuild and/or expand its business operations in Louisiana, and/or to increase its capital investment in Louisiana. The EDLOP program is a supplement to the EDAP program to provide direct loans to Louisiana businesses that need to fund privately-owned property and improvements, including the purchase of building sites, and to provide for construction, renovation, rebuilding and improvement of buildings, surrounding property and equipment purchases for businesses locating in the state or existing businesses within the state. The amount outstanding as of June 30, 2015, for EDAPs and EDLOPs is $3,592,837 and $4,404,633, respectively.

The remaining 11 cooperative agreements are for the EDRED. The purpose of this program is to provide financial assistance for readying sites that will be useful in promoting the state as a business and industrial location. The amount outstanding as of June 30, 2015, for EDREDs is $1,344,584.

15. NONEXCHANGE FINANCIAL GUARANTEES

LEDC extended nonexchange financial guarantees during fiscal year 2015. LEDC is party to various financial loan guarantees in which LEDC guarantees the obligation of another legally-separate entity's loan to a third party. LEDC guarantees loans to banks for entities that may otherwise have difficulties obtaining a loan. This assistance helps entities maintain and expand operation which promotes job growth, tax revenues, etc. for Louisiana. In the event of default, LEDC would be responsible for the portion of the loan it has guaranteed. The lending institution would foreclose on any collateral, and upon liquidation LEDC would receive its proportionate share of the proceeds. LEDC management and legal counsel would determine the appropriate pursuit to recover any collateral shortfall. LEDC is the guarantor on small business loans totaling $9,249,192 for various lengths of time, with the latest commitment through May 2020, as of June 30, 2015.

Changes in loan guarantees for fiscal year 2015:

Beginning balance	$4,197,524
New loans guaranteed in FY15	6,362,084
Payments made to third party on defaulted loans	
LEDC obligation decreased or released	(1,310,416)
Total	$9,249,192

Louisiana R.S. 51:2312 and Louisiana Administrative Code Title 19, Part VII, authorizes LEDC to extend small business loan guarantees as follows:

Authorized limit	On Loans
75%	up to $650,000
70%	up to $1,100,000
65%	up to $2,300,000
$1,500,000	in excess of $2,300,000

Management makes judgments as to the level of risk the state will be exposed to in these financial guarantees through consideration of current and anticipated economic conditions and their potential effects on specific borrowers; an evaluation of the existing relationships among loans and potential losses; and an internal review of the loan and loan guarantee portfolio. In determining the collectability of certain loans and the possibility of losses on loan guarantees, management also considers the fair value of any underlying collateral. Management uses relevant historical data and payment history in assessing the likelihood that LEDC may be required to make a payment in relation to those guarantees and records an accrual for the estimation that a loan may default. In the event that an entity would default on a loan, LEDC would be required to indemnify the bank for the loss in accordance with the agreement between LEDC and the bank.

Change in accrual for losses on loan guarantees for fiscal year 2015:

Beginning balance	$967,809
Increase in accrual	711,730
Ending balance	$1,679,539

There have been no indemnification payments made on outstanding loan guarantees as of June 30, 2015.

16. RELATED PARTY TRANSACTIONS

LEDC administers a Small Business Loan and Guarantee Program. Under the program, five loans provided by Cottonport Bank were guaranteed by LEDC. The President and CEO of

Cottonport Bank serves as LEDC Chairman of the Board and recused himself from these transactions. The balances of these loans are as follows:

	Loan Amount	Guaranteed by LEDC	Allowance Amount
Capital Signs and Awnings	$186,692	$140,019	$25,203
Weight Tech, LLV	70,000	52,500	9,450
DL Chad/Feliciana	2,375,000	1,499,998	270,000
Grade A Crawfish	87,035	65,276	11,750
JCM Collision	106,435	79,826	14,369
Total	$2,825,162	$1,837,619	$330,772

SUPPLEMENTARY INFORMATION SCHEDULE

The following pages contain a supplementary schedule reporting the breakdown of LEDC's investments at cost, carrying value, and fair value.

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
STATE OF LOUISIANA

Supplemental Schedule of Investments
June 30, 2015

	Cost	Carrying Value	Fair Value
Equity Investments			
** Audubon Capital Fund, LP - 14.09% limited partnership interest	$1,420,896		
Aurora Ventures IV, L.L.C. - Five Class A units (5.86% interest)	4,169,914	$1,180,561	$1,180,561
Business Resource Capital Specialty BIDCO - 2,000,000 shares of Class B no-par, nonvoting common stock	2,000,000	1,560,000	1,560,008
Endgame Entertainment Fund, L.L.C. - 4.8% membership interest	5,000,000	1,045,284	1,045,284
Gulf Coast Business and Industrial Development Corporation - 113,636 shares Class C nonvoting stock	2,500,000	167,046	167,046
Jefferson Capital I, L.P. - 9.09% limited partnership interest	599,488	315,225	315,225
Louisiana Fund I, L.P. - 20.99% limited partnership capital	5,238,918	4,230,627	10,143,971
Louisiana Ventures, LP - 21.1513% limited partnership interest	4,665,681	3,512,478	3,882,238
** MD Technologies, Inc. - 208,333 shares of common stock	500,000		
Murphree Venture Partners VI, L.P. - 11.68% limited partnership interest	3,719,689	1,446,874	1,574,387

(Continued)

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
STATE OF LOUISIANA
Supplemental Schedule of Investments
June 30, 2015

	Cost	Carrying Value	Fair Value
Equity Investments (Cont.)			
Northpeak Wireless, L.L.C. - 6,250,000 class A units	$123,710		$152,274
Presonus Audio Electronics, Inc. - 101,828 shares common stock, 20,400 shares of common stock	276,828	$160,196	351,036
Qcorps Residential, Inc. - 674,797 shares common stock	95,000		
Source Capital, L.L.C. - 18,000 shares common stock	2,500,000	626,400	668,444
* Sterifx, Inc. - 260,000 shares of Class A preferred stock and 2,954,513 shares of Class B preferred stock	643,961		
Themelios Ventures, II, LP - limited partnership investment	333,333	314,000	368,851
Total investments	$33,787,418	$14,558,691	$21,409,325

* 100% of the capital investment has been returned as of the fiscal year end June 30, 2015.

** No carrying value; however, according to management there is still potential LEDC will receive a liquidating payment on these investments.

(Concluded)

OTHER REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Exhibit A

The following pages contain our report on internal control over financial reporting and on compliance with laws, regulations, and other matters as required by *Government Auditing Standards*, issued by the Comptroller General of the United States. The report is based on the audit of the financial statements and includes, where appropriate, any significant deficiencies and/or material weaknesses in internal control or compliance and other matters that would be material to the presented financial statements.

LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

December 16, 2015

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*

Independent Auditor's Report

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
STATE OF LOUISIANA
Baton Rouge, 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 the business-type activities of Louisiana Economic Development Corporation (LEDC), a component unit of the state of Louisiana, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise LEDC's basic financial statements, and have issued our report thereon dated December 16, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered LEDC'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 LEDC's internal control. Accordingly, we do not express an opinion on the effectiveness of LEDC'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.

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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 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 LEDC'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 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. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

Thomas H. Cole

Thomas H. Cole, CPA
First Assistant Legislative Auditor

APD:EMS:BQD:EFS:aa

LEDC 2015