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URBAN RESTORATION EMPOWERMENT
CORPORATION
BATON ROUGE, LOUISIANA
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 1997

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the auditor, or reviewed, 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 2-28-98

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MEMBER
MEMBERSHIP IN THE
INSTITUTE OF CPAs

INTERIM AUDITOR'S REPORT

October 1, 1997

To the Board of Directors
Urban Restoration Enhancement Corporation
Baton Rouge, Louisiana

I have audited the accompanying statements of financial position of Urban Restoration Enhancement Corporation (a non-profit organization) as of June 30, 1997, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Urban Restoration Enhancement Corporation's management. My responsibility is to express an opinion of these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provided a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Urban Restoration Enhancement Corporation as of June 30, 1997, and the changes in net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued a report dated October 1, 1997, on our consideration of Urban Restoration Enhancement Corporation's internal control structure and a report dated October 1, 1997, on its compliance with laws and regulations.

Respectfully submitted

Donald C. DeVille

Certified Public Accountant

SEARM REHABILITATION ENHANCEMENT CORPORATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 1997

(With Comparative Totals for 1996)

	JUNE 30,	
	1997	1996
ASSETS		
Cash and Cash Equivalents	\$28,558	\$28,833
Grants Receivables	7,312	81,389
Notes Receivable	5,000	-
Prepaid Expenses	3,800	-
Property Plant & Equipment	1,482,878	808,313
Deposits	3,000	995
TOTAL ASSETS	1,524,648	1,022,230
LIABILITIES		
Notes Payable	1,332,375	\$734,023
Accounts Payable	3,544	5,925
Retainage Payable	82,458	18,088
Accrued Interest Payable	5,322	-
Employee Withholdings	-	3,838
Security Deposits	7,298	-
TOTAL LIABILITIES	1,338,198	774,893
NET ASSETS		
Unrestricted	186,450	247,337
TOTAL NET ASSETS	186,450	247,337
TOTAL LIABILITIES & NET ASSETS	1,524,648	1,022,230

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT.

URBAN RESTORATION MANAGEMENT CORPORATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 1997

(With Comparative Totals for 1996)

	YEAR ENDED JUNE 30,	
	1997	1996
REVENUE AND OTHER SUPPORT:		
Grants	\$425,433	5457,674
Contributions	43,000	51,592
Fund Raising	100	7,377
Rent Revenue	80,995	11,893
Miscellaneous Income	25	783
Interest Income	1,109	2,353
TOTAL REVENUE AND OTHER SUPPORT	549,662	561,672
EXPENSES:		
PROGRAM SERVICES		
Office Urban Affairs	364,548	182,819
ORFAC	18,075	18,792
Saturday Academy	28,953	51,324
Impact	21,186	22,994
PTA	4,848	
SRF 78805	33,443	22,283
CFDO	7,342	21,038
Cedar Glen	57,813	14,888
Economic Development	-0-	113,342
Network Expo	14	4,567
LRFD	2,444	-0-
Community Services	20,600	-0-
TOTAL EXPENSES	642,312	452,607
CHANGED IN NET ASSETS	(142,000)	79,299
NET ASSETS AT BEGINNING OF YEAR	343,745	266,485
NET ASSETS AT END OF YEAR	201,745	345,784

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT.

URBAN RESTORATION ENTERPRISEMENT CORPORATION
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 1977

CASH FLOWS FROM OPERATING ACTIVITIES:

Decrease in Net Assets	\$(52,000)
Adjustments To Reconcile Increase In Net Assets To Net Cash Provided By Operating Activities:	
Depreciation	19,514
(Increase) Decrease In Operating Assets:	
Grants Receivable	18,187
Notes Receivable	(8,000)
Prepaid Expenses	(2,000)
Deposits	(905)
Increase (Decrease) In Operating Liabilities:	
Accounts Payable	(6,382)
Retainage Payable	22,000
Accrued Interest Payable	8,331
Withholding	(1,455)
Tenant Deposits Payable	7,300
	<hr/>
NET CASH PROVIDED BY OPERATING ACTIVITIES	101,561

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of Equipment & Improvements	(601,877)
--------------------------------------	-----------

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from Loans	504,814
Repayment of Loans	(15,682)
	<hr/>
	489,132

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (2,314)

CASH AND CASH EQUIVALENTS, Beginning of Year 26,412

CASH AND CASH EQUIVALENTS, End of Year 24,098

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT.

URBAN RESTORATION ENHANCEMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEAR END, 1997

NOTE #1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Urban Restoration Enhancement Corporation (Corporation) is a Louisiana non-profit corporation, incorporated in 1982 to assist individuals, groups and organizations with resources to empower themselves and make an impact in key focus areas.

Recognition of Donor Restrictions

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When restrictions expire, temporarily restricted net assets are reclassified to unrestricted net assets.

FINANCIAL STATEMENT PRESENTATION

In 1996, the Organization elected to adopt Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows. As permitted by this statement, the organization has discontinued its use of fund accounting and has, accordingly, reclassified its financial statements to present the three classes of net assets required.

INCOME TAXES

The Organization is a not-for-profit organization that is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code.

CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, the organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

PREPAID

insurance and similar services which extend over more than one accounting period have been recorded as prepaid.

ACCOUNTS RECEIVABLE

Accounts receivable are written-off under the direct write-off method whereby bad debts are recorded when a receivable is deemed uncollectible. If they are subsequently collected they are recorded as miscellaneous income. The direct charge-off method is not a material departure from GAAP as it approximates the valuation method.

URBAN RESTORATION ENHANCEMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1987

NOTE #1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

PROPERTY AND EQUIPMENT

The purchase of property and equipment is recorded at cost. Donations of property and equipment are recorded as support at their estimated fair value. Cash donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Property and equipment is depreciated using the straight-line method over the estimated useful lives of 3 to 40 years for buildings and improvements and 5-10 years for equipment.

Donated Services. Donated services have not been reflected in the accompanying financial statements. Three Vista volunteers have donated significant amounts of their time in the corporation's programs and its fund-raising campaigns. The amount of donated services for the year has been valued at \$12,000.

NOTE #2. CASH AND CASH EQUIVALENTS

The Urban Restoration Enhancement Corporation's cash is as follows as of June 30, 1987:

	<u>BOOK</u> <u>VALUE</u>	<u>BANK</u> <u>BALANCE</u>	<u>FDIC</u> <u>INSURED</u>	<u>AT RISK</u>
Checking	\$14,708	\$22,865	\$22,865	-0-
Savings	11,852	12,852	12,852	-0-
	26,560	35,717	35,717	-0-

NOTE #3. RECEIVABLES

A. Accounts Receivable consist of old tenant receivables over 105 days as follows:

Tenant Receivables	\$18,446
Allowance For Uncollectible	(18,446)
	-0-

B. Notes Receivable consist of a \$5,000 advanced to the building contractor for units to be made ready. These units were not made ready and the \$5,000 is due back.

ELSON REHABILITATION MANAGEMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
CHRS 28, 1987

NOTE #4. FIXED ASSETS

A summary of Fixed Asset at year-end follows:

Land	584,800
Office Furniture and Equipment	105,533
Buildings	1,332,757
	<hr/>
	1,823,090
Less Accumulated Depreciation	(40,815)
	<hr/>
Book Value	1,481,875

NOTE #5. LEASE OBLIGATIONS

On December 30, 1986, the Corporation entered into a lease for an copier with Toshiba for three years, for a basic lease of \$145 per month for thirty-six months.

The minimum future lease payments by year are as follows:

July 01, 1987, To June 30, 1988	3,200
July 01, 1988, To June 30, 1989	1,110

On July 1, 1988, the Organization entered into a lease for corporate office space beginning July 1, 1988, terminating June 30, 1987, for \$275 per month with an option to extend the lease for twelve months.

On July 1, 1986, the Organization entered into another lease for apartment office space beginning July 1, 1986, terminating June 30, 1987, for \$175 per month with an option to extend the lease for twelve months.

NOTE #6. NOTE PAYABLE

\$526,544 construction loan payable to the City of Baton Rouge consist of a twenty year deferred mortgage. This loan was initially made as a collateral mortgage loan, which borrower shall convert to a permanent (term) loan within ninety (90) days following completion of property rehabilitation construction. The note bears zero (0.00) percent interest. This loan bears no prepayment penalty, nor are loan application fee, origination or discount points charged. Subject to the provision for prepayment of loan principal from net project proceeds, amortization payments of this loan principal shall be deferred for fifteen years from the date of the mortgage. Upon expiration of the 15-year deferral period, borrower shall make

URBAN REHABILITATION FINANCEMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1997

NOTE #6. NOTES PAYABLE (continued)

monthly payments each equal to the amount of the mortgage divided by one hundred eighty, until fully paid. Maximum authorized \$328,844.	\$328,844
\$686,497 construction loan payable to Hibernia National Bank at 9.3149% payable monthly - interest only until the completion of the project. On April 7, 1997, the Organization entered into an agreement to pay \$7,728 per month based on a twenty year amortization with balance due April 7, 1998. Maximum authorized \$740,080.	608,850
\$25,000 Line of Credit issued by Hibernia National Bank at 11.5% interest due December 07, 1999.	21,781
Total	1,230,215

The minimum future note payments by year are as follows:

July 01, 1997, To June 30, 1998	\$700,851
July 01, 1998, To June 30, 1999	-0-
July 01, 1999, To June 30, 2000	-0-
July 01, 2000, To June 30, 2001	-0-
July 01, 2001, To June 30, 2002	-0-
Thereafter	\$28,544

NOTE #7. LITIGATION, CLAIMS AND CONTINGENCIES

The Corporation has declared the Contractor on the Urban Meadows Project in default. The sub-contractors have filed claims/liens totalling \$688,894. The contractor's bond can not be verified at this time. The Corporation's attorney is pouring legal action against the contractor and the legal proceedings are in the initial stages and no projected outcome can be made at this time. Roughly 53 units are complete with another 15 or so units in various stages of completion. The Corporation has issued all available units and has been awarded a grant to complete the remaining 15 units.

URBAN RESTORATION MANAGEMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEAR END, 1982

NOTE 18 - ECONOMIC DEPENDENCY

The Corporation receives the majority of its revenue from funds provided through grants administered by the Louisiana Governor's Office of Urban Affairs and Economic Development. The grant amounts are appropriated each year by the Federal and state governments. If significant budget cuts are made at the federal and/or state level, the amount of funds the corporation receives could be reduced significantly and have an adverse impact on its operations. Management is not aware of any actions that will adversely affect the amount of funds the corporation will receive in the next fiscal year.

NOTE 19. FEDERAL GRANT CONTINGENCIES

The Corporation receives a large portion of its revenues from government grants and contracts, all of which are subject to audit by the governments. The ultimate determination of amounts received under these programs generally is based upon allowable cost reported to and are subject to audit by the government. Until such audits, if any, there exists a contingency to refund any amount received in excess of allowable cost. Management is of the opinion that no material liability will result from such audits.

SUPPLEMENTAL INFORMATION

Donald C. DeVille

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**INDEPENDENT AUDITOR'S REPORT ON
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE**

October 1, 1997

To the Board of Directors
Urban Restoration Enhancement Corporation
Baton Rouge, Louisiana

I have audited the accompanying financial statements of the Urban Restoration Enhancement Corporation, (a nonprofit organization), as of and for the year ended June 30, 1997, and have issued my report thereon dated October 1, 1997. These financial statements are the responsibility of the Council's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the U.S. General Accounting Office, and the provisions of Office of Management and Budget circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions. These standards and OMB Circular A-133 require that I 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 accounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

My audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of federal financial assistance is presented for purposes of additional analysis and is not a required part of the financial statements of the Urban Restoration Enhancement Corporation, (a nonprofit organization). The information in that schedule has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Respectfully submitted,

Donald C. DeVille

**URBAN REGENERATION CORPORATION
 SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
 YEAR ENDED JUNE 30, 1972**

<u>PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>FEDERAL REVENUE RECEIVED</u>	<u>FEDERAL REVENUE RECORDED</u>	<u>EXPANDED</u>
<u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
Passed Through City of Baton Rouge				
Home Funds 18-51-MC 30000	*	<u>\$15,149</u>	<u>\$15,149</u>	<u>\$15,149</u>

* Grantor Agency unable to provide

Donald C. DeVille

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
BASED ON AN AUDIT OF GENERAL PURPOSE
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

October 1, 1997

To the Board of Directors
Urban Restoration Enhancement Corporation
Baton Rouge, Louisiana

I have audited the financial statements of the Urban Restoration Enhancement Corporation as of and for the year ended June 30, 1997, and have issued my report thereon dated October 1, 1997.

I conducted my audit in accordance with generally accepted auditing standards and Government Auditing Standards issued by the U.S. General Accounting Office. These standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the Urban Restoration Enhancement Corporation is the responsibility of the organization's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatements, I performed tests of the Urban Restoration Enhancement Corporation's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of my audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, I do not express such an opinion.

I noted certain immaterial instances of noncompliance that I have reported to management. (See Schedule of Findings)

This report is intended for the information of the management and its grantors agencies. However, this report is a matter of public record and distribution is not limited.

Respectfully submitted,

Donald C. DeVille

Donald C. DeVille

CERTIFIED PUBLIC ACCOUNTANT
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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE
BASED ON AN AUDIT OF GENERAL PURPOSE
FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

October 1, 1987

To the Board of Directors
Urban Restoration Enhancement Corporation
Baton Rouge, Louisiana

I have audited the financial statements of the Urban Restoration Enhancement Corporation as of and for the year ended June 30, 1987, and have issued my report thereon dated October 1, 1987.

I conducted my audit in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Circular A-133, Audits of Institutions of Higher and Other Nonprofit Institutions. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether about whether the financial statements are free of material misstatement.

The management of the Urban Restoration Enhancement Corporation is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing my audit of the financial statements of the Urban Restoration Management Corporation for the year ended June 30, 1987, I obtained an understanding of the internal control structure. With respect to the internal control structure, I obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and I assessed control risk in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, I do not express such an opinion.

My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of the specific internal control structure elements does not reduce to a relative low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control structure and its operation that I consider to be a material weakness defined above.

I noted certain immaterial weaknesses or noncompliances that I have reported to management. (See Schedule of Findings)

This report is intended for the information of the management and its greater agencies. However, this report is a matter of public record and distribution is not limited.

Respectfully submitted,

Donald E. Dulla

Donald C. DeVille

CERTIFIED PUBLIC ACCOUNTANT
NEW ORLEANS, LOUISIANA
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**INDEPENDENT AUDITOR'S REPORT ON THE INTERNAL
CONTROL STRUCTURE USED IN ADMINISTERING
FEDERAL FINANCIAL ASSISTANCE PROGRAMS**

October 1, 1997

To the Board of Directors
Urban Restoration Enhancement Corporation
Baton Rouge, Louisiana

I have audited the general purpose financial statements of the Urban Restoration Enhancement Corporation, as of and for the year ended June 30, 1997, and have issued my report thereon dated September 11, 1997.

I conducted my audit in accordance with generally accepted auditing standards: Government Auditing Standards, issued by the Comptroller General of the United States; Office of Management and Budget (OMB) Circular A-133, Standards of Institutions of Higher and Other Nonprofit Institutions. These standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

In planning and performing my audits for the year ended June 30, 1997, I considered the Urban Restoration Enhancement Corporation's internal control structure in order to determine my auditing procedures for the purpose of expressing my opinion on the Urban Restoration Enhancement Corporation's general purpose financial statements and on its report on the internal control structure in accordance with OMB Circular A-133. This report addresses my consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal financial assistance programs. I have addressed internal control structure policies and procedures relevant to my audit of the general purpose financial statements in a separate report dated October 1, 1997.

The management of the Urban Restoration Enhancement Corporation is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles, and that federal financial

assistance programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, I have classified the significant internal accounting and administrative controls used in administering federal financial assistance programs in the following categories:

General Ledger	Activities Allowed-Unallowed
Cash Receipts	Allowable Cost
Equipment	Cash Management
Reservables	Eligibility
Accounts Payable	Financial Reports
Cash Disbursements	Special Requirements
Payroll	

For all of the internal control structure categories listed above, I obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and I assessed control risk.

During the year ended June 30, 1987, the Urban Restoration Enhancement Corporation had no major federal financial assistance programs and expended 100 percent of its total federal financial assistance under the following nonmajor federal financial assistance programs: Home Funds.

I performed tests of controls, as required by OMB Circular A-133, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that I have considered relevant to preventing or detecting material non-compliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements and amounts claimed or used for matching that are applicable to the aforementioned nonmajor federal financial assistance programs. My procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, I do not express such an opinion.

My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of the specific internal control structure elements does not reduce to a relative low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control structure and its operation that I consider to be a material weakness defined above.

I noted certain immaterial weaknesses that I have reported to management. (see schedule of findings)

This report is intended for the information of the management and its greater agencies. However, this report is a matter of public record and distribution is not limited.

Respectfully submitted,

Wm. H. C. Doherty

Donald C. DeVille

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH SPECIFIC REQUIREMENTS APPLICABLE TO NONMAJOR
FEDERAL FINANCIAL ASSISTANCE PROGRAM TRANSACTIONS**

October 1, 1987

To the Board of Directors
Urban Restoration Enhancement Corporation
Baton Rouge, Louisiana

I have audited the general purpose financial statements of the Urban Restoration Enhancement Corporation as of and for the year ended June 30, 1987, and have issued my report thereon dated October 1, 1987.

In connection with my audit of the June 30, 1987 general purpose financial statements of Urban Restoration Enhancement Corporation and with my consideration of Urban Restoration Enhancement Corporation control structure used to administer federal financial assistance programs, as required by Office of Management and Budget Circular A-133, Audits of Institutions of Higher and Other Nonprofit Institutions, I selected certain transactions applicable to certain nonmajor federal financial assistance programs for the year ended June 30, 1987. As required by OMB Circular A-133, I have performed auditing procedures to test compliance with the requirements governing types of services allowed or unallowed; eligibility; and other special tests that are applicable to those transactions. My procedures were substantially less in scope than an audit, the objectives of which is the expression of an opinion on Urban Restoration Enhancement Corporation compliance with these requirements. Accordingly, I do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that Urban Restoration Enhancement Corporation had not complied, in all material respects, with those requirements.

I noted certain immaterial instances of noncompliance that I have reported to management. (See Schedule of Findings)

This report is intended for the information of the management and its grantor agencies. However, this report is a matter of public record and distribution is not limited.

Respectively submitted,

D. C. DeVille

Donald C. DeVille

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NO. 0001
STATE BOARD OF ACCOUNTS
BUREAU OF ACCOUNTANCY, NEW

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH THE GENERAL REQUIREMENTS APPLICABLE TO
FEDERAL FINANCIAL ASSISTANCE PROGRAMS**

October 1, 1997

To the Board of Directors
The Urban Restoration Enhancement Corporation
Baton Rouge, Louisiana

I have audited the financial statements of the Urban Restoration Enhancement Corporation, as of and for the year ended June 30, 1997, and have issued my report thereon dated October 5, 1997.

I have applied procedures to test the Urban Restoration Enhancement Corporation's compliance with the following requirements applicable to its financial assistance programs, which are identified in the schedule of federal awards, for the year ended June 30, 1997: activities allowed-unallowed, allowable cost, cash management, eligibility, financial reports and special requirements.

My procedures were limited to the applicable procedures described in the Office of Management and Budget's COMPLIANCE REQUIREMENTS FOR SINGLE AGENCIES OF STATE AND LOCAL GOVERNMENTS. My procedures were substantially less in scope than an audit, the objectives of which is the expression of an opinion on the Urban Restoration Enhancement Corporation's compliance with the requirements listed in the preceding paragraph. Accordingly, I do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that Urban Restoration Enhancement Corporation had not complied, in all material respects, with those requirements.

I noted certain immaterial instances of noncompliance that I have reported to management. (See Schedule of Findings)

This report is intended for the information of the management and its greater agencies. However, this report is a matter of public record and distribution is not limited.

Respectively submitted,

Donald C. DeVille

SEARS ROEBUCK AND COMPANY
SCHEDULE OF FIVE YEARS FINDINGS
YEAR ENDED JUNE 30, 1977

DESCRIPTION: An accounts receivable ledger was not maintained for funds outstanding at the end of the fiscal year.

STATUS: A subsidiary receivable ledger is now maintained.

* * * * *

DESCRIPTION: The Louisiana Department of Labor's Office of Employment Security Form L00854 were not filed.

STATUS: All the Forms L00854 were filed for the year.

* * * * *

USAN REFORMATION MANAGEMENT CORPORATION
SCHEDULE OF CURRENT YEAR'S FINDINGS
YEAR ENDED JUNE 30, 1992

Reportable condition: The general contractor for the Home Fund project defaulted on the construction project. USRC can not validate the construction bond as of this date and sub-contractors have filed \$500,000 in liens on the project creating a major contingency.

Criteria: City of Baton Rouge-Parish of East Baton Rouge Community Development Organization Home Program Agreement.

causes: As of this date fault lies with the general contractor, the insurance company and the corporation's building inspectors for failure to monitor the program.

Effects: The Corporation is contingently liable for the \$500,000 liens.

recommendations: I recommend that the Corporation continue its legal avenues to resolve the problem.

* * * * *

Reportable Condition: Wages were paid in advance.

Criteria: Article VII, Section 11 of the 1974 LA constitution prohibits the advancement of wages.

causes: This is how the Corporation started paying wages.

effects: the corporation is a risk if employees leave early.

Recommendation: I recommend that wages be paid when earned.

* * * * *

Reportable condition: Some request for funds were not adequately documented for the tutorial program.

Criteria: Good accounting control requires all charges to be adequately supported.

causes: The Corporation paid from the Check Request Form and Request For Funds form.

Effect: There is no material effect to these financial statements.

Recommendation: I recommend that all charges be adequately supported before payment is made.



Urban Restoration Enhancement Corporation

October 21, 1997

TO: Don DeVille, CPA
FROM: *[Signature]*
RE: 1996-97 Audit

Following are responses to the following notes and findings in Urban Restoration Enhancement Corporation's (URHC) audit in progress:

Note #6. News Available (Page 11 of Report)

Maximum authorized should read \$MT,000.

Note #8. Economic Dependency (Page 12 of Report)

URHC is committed to consistently reducing its level of dependence on governmental funding as indicated by a 27% reduction between 1993 and 1997.

Current Year Findings (Page 23 of Report)

Contractor Default

URHC contracted with and relied upon the professional expertise of its owner representatives, including, but not limited to: project architect's, attorney, housing consultants, accountants and funding agency and municipal inspectors in monitoring this ICMA program. Vigilant due diligence was exercised on behalf of the Corporation.

In addition, 87% of the current lien claims are categorized as unauthorized and unaccountable costs. Management is of the opinion that no material liability will result to the Corporation from suits filed against the general contractor and primary sub-contractor.

Advanced Wages

URHC routinely pays monthly base income from its general operating fund. Related program income is paid upon receipt of funds on a reimbursable basis.

Internal Documentation

Our fiscal agency agreement with the LA Department of Education provides for a five (5) day review process prior to any program disbursements to designated school sites. A typical request would have the following paper trail: 1. School Coordinator prepares request for funds. 2. Principal approves prior to submitting for program review. 3. State department staff checks request for accuracy and appropriate documentation. 4. Accounting reviews and processes check to URHC. and 5. URHC issues check upon receipt of appropriate LA Department of Education authorization.

Thank you for your thorough review and assistance in expediting this report!