

**LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
A COMPONENT UNIT OF THE STATE OF LOUISIANA
BATON ROUGE, LA**

**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2024**

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Daigrepoint & Brian
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Louisiana Economic Development Corporation
Baton Rouge, LA

Opinion

We have audited the accompanying 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, 2024, and the related notes to the financial statements, which collectively comprise LEDC's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LEDC as of June 30, 2024 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of LEDC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibility of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about LEDC's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 LEDC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about LEDC's ability to continue as a going concern for a reasonable period of time.
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 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 schedule of investments is presented for purposes of additional analysis 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 the 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2024, 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 solely 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 effectiveness of LEDC's 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.



Daigrepoint and Brian, APAC

Baton Rouge, LA

December 5, 2024

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF NET POSITION
JUNE 30, 2024

ASSETS

Current Assets	
Cash and Cash Equivalents	\$ 35,669,562
Accrued Investment Income Receivable	3,068
Due from State of Louisiana - Capital Outlay Fund	20,197,620
Loans, Net	106,441
Deferred Awards Expense	2,599,264
Total Current Assets	58,575,955
Noncurrent Assets	
Certificates of Deposit	4,923,080
Loans, Net	265,035
Investments, at Cost Net of Impairments	20,204,241
Deferred Awards Expense	2,501,355
Total Noncurrent Assets	27,893,711
Total Assets	\$ 86,469,666

LIABILITIES AND NET POSITION

Current Liabilities	
Accounts Payable and Accrued Expenses	\$ 192,004
Deferred Revenue	17,577,513
Total Current Liabilities	17,769,517
Noncurrent Liabilities	
Accrual for Losses on Loan Guarantees	875,021
Total Noncurrent Liabilities	875,021
Total Liabilities	18,644,538
Net Position	
Restricted for State Small Business Credit Initiative	2,544,565
Unrestricted	65,280,563
Total Net Position	\$ 67,825,128

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2024

Operating Revenues	
Interest Income:	
Interest on Loans	\$ 4,534
Interest on Deposits	294,517
Realized Loss on Investments	(334,058)
Other	-
Total Operating Revenues	<u>(35,007)</u>
Operating Expenses	
Provision (Credit) for Losses:	
Direct and Participant Loans	1,806,093
Guaranteed Loans	(85,348)
Investments	(2,747,680)
Salaries and Employee Benefits	456,392
Management and Professional Fees	2,681,844
Business Incentives Services Grants	478,246
Small and Emerging Business Development	1,500
Capital Outlay Grants	2,836,471
Administrative Fees	12,830
Travel	17,740
Total Operating Expenses	<u>5,458,088</u>
Operating Loss	<u>(5,493,095)</u>
Non-Operating Revenues (Expenses)	
Interagency Transfers - State General Fund	28,179
State Appropriations	15,500,000
State Small Business Credit Initiative Revenue	10,275,104
Interest on Funds Held by State Treasurer	151,539
Total Non-Operating Revenues (Expenses)	<u>25,954,822</u>
Change in Net Position	20,461,727
Net Position - Beginning of Year	<u>47,363,401</u>
Net Position - End of Year	<u><u>\$ 67,825,128</u></u>

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2024

Cash Flows from Operating Activities:	
Interest and Dividends Received	\$ 357,765
Payments to Suppliers	(2,892,797)
Payments of Program Awards	(3,381,259)
Payments to or on Behalf of Employees	(569,863)
Other Receipts	1,000,000
Net Cash Used in Operating Activities	<u>(5,486,154)</u>
Cash Flows from Noncapital and Related Financing Activities:	
Appropriations Funding Received (Relinquished)	3,206,899
Net Cash Provided by Noncapital and Related Financing Activities	<u>3,206,899</u>
Cash Flows from Investing Activities:	
Purchases of Investments	(9,385,000)
Proceeds from Sales and Return of Capital on Investments	2,015,524
Interest on Funds Held at State Treasury	151,539
Proceeds from Deferred Awards	112,791
Proceeds from Loan Guarantees	15,629
Principal Payments on Loans Receivables	110,000
Net Cash Used in Investing Activities	<u>(6,979,517)</u>
Increase in Cash and Cash Equivalents	(9,258,772)
Cash and Cash Equivalents - Beginning of Year	<u>44,928,334</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 35,669,562</u></u>
Reconciliation of Operating Loss to net Cash Used in Operating Activities:	
Operating Loss	\$ (5,493,095)
Provision (Credit) for Losses on Loans and Guarantees	1,720,745
Realized (Gain) Loss on Sales of Investments	391,239
Unrealized (Gain) Loss on Investments	(2,747,680)
Change in Accrued Interest and Dividends Receivable	1,530
Change in Account Receivable	1,000,000
Amortization of Job Credit Awards	2,332,638
Change in Deferred Job Credit Awards	(2,373,454)
Change in Accounts Payable and Accrued Expenses	(318,077)
	<u><u>\$ (5,486,154)</u></u>

**LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

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.

Effective June 15, 2022, Act No. 476, 477, and 508 enabled the authority of the board to support innovative private sector research and development activities by Louisiana businesses intended to generate commercial products, processes, or services by providing funds to Louisiana small businesses that will apply for or have received federal Small Business Innovation Research (SBIR) or Small Business Technology Transfer (STTR) grant funds, for such federal applications submitted or received after January 1, 2023.

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 ten members of the board. The accompanying financial statements present only the activity of LEDC. Annually, the state of Louisiana issues an Annual Comprehensive Financial Report, which includes the activity contained in the accompanying financial statements. Those basic financial statements are audited by the Louisiana Legislative Auditor.

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

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 are 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, 2024. 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.

**LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

During the year ended June 30, 2024, LEDC engaged an independent third-party investment banker to perform valuations of certain investments. As of June 30, 2024, LEDC's investments have been written down to their estimated impaired values, as determined by the independent appraisal.

G. LOANS RECEIVABLE

Loans receivable 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 prorata 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. 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

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

J. 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 post-employment benefits are included in the corporation's financial statements as the ultimate liability is with LED rather than the corporation.

K. STATE SMALL BUSINESS CREDIT INITIATIVE

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.

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. LEDC will use \$8,000,000 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 funds are distributed by the Department of the Treasury in three installments. As of June 30, 2024, LEDC has received three installments totaling \$12,414,995. Of that amount, \$1,713,736 has not been released from restriction.

L. STATE SMALL BUSINESS CREDIT INITIATIVE 2.0

LEDC participates in a Federal program sponsored by the U.S. Department of the Treasury called State Small Business Credit Initiative 2.0 (SSBCI 2.0). 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.

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

The State of Louisiana was allocated an amount not to exceed \$113,071,405 to be used for a guaranteed loan program and a venture capital program. LEDC will use \$1,500,000 of the funds to support the existing Small Business Loan Guarantee Program that will guarantee up to 80% percent of the principal value of a loan made to an eligible small business. LEDC will use \$11,000,000 of the funds to support the Collateral Support program. LEDC will use \$9,000,000 of the funds to support the Microloan program. LEDC will use \$60,000,000 of the funds to support the Louisiana Venture Capital program. Additionally, LEDC will use \$31,571,405 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 funds are distributed by the Department of the Treasury in three installments. As of June 30, 2024, LEDC has received one installment totaling \$32,859,055. Of that amount, \$17,577,513 remains to be disbursed among the various programs.

M. 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.

N. 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.

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

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

At June 30, 2024, LEDC has cash and cash equivalents (book balances) of \$35,669,562 as follows:

Held in Treasury	\$ 19,219,483
Money Market Funds	16,450,079
Total	<u>\$ 35,669,562</u>

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, 2024, LEDC had money market accounts totaling \$16,450,079 and non-negotiable certificates of deposit with original maturities exceeding three months totaling \$4,923,080. 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, 2024, the cost, carrying value, and fair value of LEDC's investments were as follows:

	<u>Equity</u> <u>Investments</u>
Cost	\$ 30,661,465
Write-down for Impairment	<u>(10,457,224)</u>
Carrying Value	<u>\$ 20,204,241</u>
Carrying Value	\$ 20,204,241
Gross Unrealized Gains	<u>1,289,483</u>
Fair Value	<u>\$ 21,493,724</u>

**LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

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, 2024, more than five percent of total investments are invested in the following issuers:

Issuer	Carrying Amount	Fair Value	% of Total Investments
Business Resource Capital Specialty BIDCO	\$ 1,260,000	\$ 1,280,000	6.24%
Louisiana Fund I, LP	\$ 4,183,352	\$ 4,689,109	20.71%
Tulane Innovation Fund I, LP	\$ 5,000,000	\$ 5,000,000	24.75%
CaloSyn Pharma	\$ 3,326,866	\$ 3,326,866	16.47%

4. 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, 2024, a total of \$70,895,000 had been appropriated to date. Of this amount, \$20,197,620 has not been drawn down from the State Capital Outlay Fund.

**LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

5. LOANS RECEIVABLE

The balance in the LEDC's loan portfolio consisted of the following at June 30, 2024:

EDAP Clawback Loans	\$ 2,582,949
Allowance for Loan Losses	<u>(2,211,473)</u>
Loans, net	<u>\$ 371,476</u>

Activity in the allowance for loan losses was as follows for the year ended June 30, 2024:

Beginning Balance	\$ 405,380
Provision for Loan Losses	1,806,093
Charge-offs	<u>-</u>
Ending Balance	<u>\$ 2,211,473</u>

Scheduled maturities of loans receivable as of June 30, 2024, are as follows:

EDAP Clawback Loans	
June 30, 2025	\$ 406,441
June 30, 2026	254,000
June 30, 2027	254,000
June 30, 2028	203,542
June 30, 2029	174,000
Thereafter	<u>1,290,966</u>
	<u>\$ 2,582,949</u>

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, 2024, more than five percent of the total loans are due from the following borrowers:

Borrower	Carrying Amount	% of Total Loans
Integrigo	\$ 2,145,918	83.1%
Forum	269,542	10.4%
Flying Tiger	165,048	6.4%

**LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

6. 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. 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.

Unamortized Job Credit Award Expense	\$ 7,863,191
Reserve for Job Credit Awards	<u>(2,762,572)</u>
Ending Balance	<u><u>\$ 5,100,619</u></u>

7. ACCOUNTS PAYABLE AND ACCRUALS

Accounts payable and accruals at June 30, 2024, were as follows:

Vendors	\$ 1,314
Salaries and Benefits	48,026
Grants Payable	<u>142,664</u>
	<u><u>\$ 192,004</u></u>

8. NONEXCHANGE FINANCIAL GUARANTEES

LEDC is party to various financial loan guarantees in which LEDC guarantees a portion of 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. These guarantees 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. 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.

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

- 75% on loans up to \$650,000
- 70% on loans up to \$1,100,000
- 65% on loans up to \$2,300,000
- \$1,500,000 on loans over \$2,300,000

In March 2020 as part of the state's coronavirus relief efforts, LEDC entered into a cooperative endeavor agreement with the Louisiana Public Facilities Authority to participate in the Louisiana Loan Portfolio Guaranty Program. Under the program, LEDC will guarantee 20% of loan balance.

**LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

At June 30, 2024, LEDC had guaranteed \$4,824,133 of \$8,950,914 in loans to customers made by various banks with the latest commitment through December 2031.

Changes in these loan guarantees for the fiscal year ended June 30, 2024 area as follows:

Beginning Balance	\$ 5,165,827
New Loans Guaranteed	927,694
Obligations Decreased or Released	<u>(1,269,388)</u>
Ending Balance	<u>\$ 4,824,133</u>

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.

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. 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.

Changes in the accrual for loan losses for the fiscal year ended June 30, 2024 area as follows:

Beginning Balance	\$ 944,740
Payments/Recoveries	15,629
Provision for Loan Loss	<u>(85,348)</u>
Ending Balance	<u>\$ 875,021</u>

There have been no indemnification payments on outstanding loan guarantees as of June 30, 2024.

9. 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, 2024.

10. 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, of \$2,544,565 as of June 30, 2024.

11. 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.la.gov.

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

12. 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 42 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, 2024, for these agreements is \$9,554,764.

Of the 42 cooperative agreements, 32 are EDAP. 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 amount outstanding as of June 30, 2024, for EDAPs was \$8,445,871. The remaining 10 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, 2024, for EDREDs was \$1,108,893.

13. SUBSEQUENT EVENTS

LEDC has evaluated subsequent events through the date of the independent auditors' report which is the date the financial statements were available to be issued.

14. PRIOR PERIOD ADJUSTMENT

The restatement of net position as of July 1, 2023 is as follows:

Total net position as of July 1, 2023	\$ 47,592,901
Adjustment to deferred awards expense	<u>(229,500)</u>
Total net position as of July 1, 2023, restated	<u><u>\$ 47,363,401</u></u>

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
SUPPLEMENTAL SCHEDULE OF INVESTMENTS
JUNE 30, 2024

	<u>Cost</u>	<u>Carrying Value</u>	<u>Fair Value</u>
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% Ownership)	3,192,338	-	-
Business Resource Capital Specialty BIDCO 2,000,000 Shares of Class B Nonvoting Common Stock	2,000,000	1,260,000	1,280,000
Healthcare Innovation Fund 40% Interest	1,000,000	604,040	818,960
Louisiana Fund I. LP 20.67% Limited Partnership Interest	5,021,571	4,183,352	4,689,109
Murphree Venture Partners VI. LP 11.71% Limited Partnership Interest	3,191,151	102,615	102,615
Sterifx, Inc. 260,000 Shares of Class A Preferred Stock and 2,954,513 Shares of Class B Preferred Stock	128,792	-	-
Themelios Ventures, II. LP 30.39 Limited Partner	1,000,000	653,875	1,202,681
Boot 64 Magnolia Fund I, LP 50% Limited Partnership Interest	1,250,000	943,642	943,642
Momentum Fund I, LP 50% Limited Partnership Interest	335,000	335,000	335,000
The New Orleans Startup Fund LCSP Fund, LP 50% Limited Partnership Interest	500,000	500,000	500,000
Greaux Innovation Ventures, LP 50% Limited Partnership Interest	1,000,000	1,000,000	1,000,000
Propeller Impact Fund, LP 50% Limited Partnership Interest	300,000	300,000	300,000
Tulane Innovation Fund I, LP 50% Limited Partnership Interest	5,000,000	5,000,000	5,000,000
Ochsner Innovation Fund I, LP 50% Limited Partnership Interest	1,000,000	1,000,000	1,000,000

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
SUPPLEMENTAL SCHEDULE OF INVESTMENTS
JUNE 30, 2024

	<u>Cost</u>	<u>Carrying Value</u>	<u>Fair Value</u>
CaloSyn Pharma 916,095 Shares of Series A Preferred Stock	3,326,866	3,326,866	3,326,866
Embera Neuro Therapeutics, Inc. 230,117 Shares of Series A-1 Preferred Stock 121,594 Shares of Series A-2 Preferred Stock 59,224 Shares of Common Stock	21,091	21,091	21,091
Esperance Acquisition, LLC 24,848 Shares of Series A Preferred Stock 8,078 Shares of Series A-1 Preferred Stock 1,637 Shares of Series B Preferred Stock	1,330	1,330	1,330
Esperance Pharmaceuticals, Inc. 113,114 Shares of Series A-1 Preferred Stock 43,903 Shares of Series B Preferred Stock	958,318	958,318	958,318
Lagniappe Labs, LLC 119,381 Shares of Series C Preferred Stock	14,112	14,112	14,112
Total Investments	<u>\$ 30,661,465</u>	<u>\$ 20,204,241</u>	<u>\$ 21,493,724</u>



Daigrepoint & Brian
Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors of
Louisiana Economic Development Corporation
Baton Rouge, LA

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, 2024, and the related notes to the financial statements, which collectively comprise LEDC's basic financial statements and have issued my report thereon dated December 5, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of financial statements, we considered LEDC's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on 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.

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.

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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 LEDC's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering LEDC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. This report is intended solely for the use of the Board of Directors, its management, grantor agencies and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Daigrepoint and Brian, APAC
Baton Rouge, LA

December 5, 2024

**LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2024**

SUMMARY OF AUDITORS' RESULTS

A. Type of report issued on the financial statements.	Unmodified
B. Did the audit disclose an material weaknesses in internal control over financial reporting?	No
C. Did the audit disclose any significant deficiencies in internal control over financial reporting that are not considered to be material weaknesses?	None reported
D. Did the audit disclose any non-compliance which is material to the financial statements?	No
E. Did the audit disclose any material weaknesses in internal control over major federal programs?	Not Applicable
F. Did the audit disclose any significant deficiencies in internal control over major programs that are not considered to be material weaknesses?	Not Applicable
G. Type of report issued on compliance for major programs.	Not Applicable
H. Did the audit disclose any audit findings required to be reported in Accordance with Section 200.516(a) of the Uniform Guidance?	Not Applicable
I. Was a management letter issued?	No
J. Identification of Major Programs:	Not Applicable
K. Dollar threshold used to distinguish between Type A and Type B programs:	Not Applicable
L. Auditee qualified as a "low-risk" auditee:	Not Applicable

FINDINGS RELATING TO THE FINANCIAL STATEMENTS REPORTED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

No Matters to Report

FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

Not Applicable

**LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

**FINDINGS RELATING TO THE FINANCIAL STATEMENTS REPORTED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

No Matters to Report

FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

Not Applicable