

URBAN RESTORATION ENHANCEMENT CORPORATION
BATON ROUGE, LOUISIANA

ANNUAL FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2024



**Hebert Johnson
& Associates, Inc.**
Certified Public Accountants

A Professional Accounting Corporation

Urban Restoration Enhancement Corporation
Baton Rouge, Louisiana

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June 30, 2024

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A PROFESSIONAL ACCOUNTING CORPORATION

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Urban Restoration Enhancement Corporation (UREC) a non-profit corporation, which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Urban Restoration Enhancement Corporation (UREC), as of June 30, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Urban Restoration Enhancement Corporation (UREC) 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.

Responsibilities of Management 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 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 UREC's ability to continue as a going concern for one year beyond the date that the financial statements are issued.

Auditor's 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 and *Government 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with general accepted auditing standards and *Governmental Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatements 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 UREC'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about UREC'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Compensation, Benefits and Other Payments to the Agency Head or Chief Executive Officer, as required by the State of Louisiana, and the Schedule of Expenditures of Federal Awards, as required by Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are not a required part of the financial statements. Such information is the responsibility of management and was derived from and related 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 Schedule of Compensation, Benefits and Other Payments to the Agency Head or Chief Executive Officer and the Schedule of Expenditures of Federal Awards are 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 November 25, 2024, on our consideration of UREC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of UREC's internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering UREC's internal control over financial reporting and compliance.

Chris Johnson

Hebert Johnson & Associates, Inc.
A Professional Accounting Corporation
Albany, Louisiana
November 25, 2024

Financial Statements

Urban Restoration Enhancement Corporation
Baton Rouge, Louisiana

Statement A

Statement of Financial Position
June 30, 2024

	<u>2024</u>
Assets	
Current Assets:	
Cash	\$ 1,227,661
Accounts Receivable, Net	9,560
Grants Receivable	297,464
Prepaid Expenses	16,244
Deposits	2,780
Total Current Assets	<u>1,553,709</u>
Property, Plant and Equipment	
Land	348,550
Construction in Progress	2,092,111
Property and Equipment, Net	5,723,871
Total Property, Plant and Equipment	<u>8,164,532</u>
Other Assets:	
Operating Lease Right of Use Assets	120,031
Total Assets	<u><u>\$ 9,838,272</u></u>
Liabilities and Net Assets	
Current Liabilities:	
Accounts Payable	\$ 47,199
Accounts Payable - Rental Properties	28,388
Construction Payable	287,963
Retainage Payable	79,990
Security Deposits	8,917
Accrued Payroll Liabilities	10,055
Other Liabilities	17,632
Accrued Interest, Long-Term	62,591
Current Portion of Lease Liabilities	26,883
Long-Term Debt, Current Portion	196,194
Total Current Liabilities	<u>765,812</u>
Long-Term Liabilities:	
Long-Term Debt, Less Current Maturities	7,061,648
Non Current Portion of Lease Liabilities	93,148
Total Long-Term Liabilities	<u>7,154,796</u>
Total Liabilities	<u>7,920,608</u>
Net Assets	
Without Donor Restrictions	1,877,664
With Donor Restrictions	40,000
Total Net Assets	<u>1,917,664</u>
Total Liabilities and Net Assets	<u><u>\$ 9,838,272</u></u>

Urban Restoration Enhancement Corporation
Baton Rouge, Louisiana

Statement B

Statement of Activities
For the Year Ended June 30, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>6/30/2024</u>
Revenues			
Grants			
Governmental	\$ 1,051,445	\$ -	\$ 1,051,445
Private	317,150	-	317,150
Rental Revenue and Related Fees	202,092	-	202,092
Sale of Housing Units	217,404	-	217,404
Forgiveness of Loans	67,982	-	67,982
Private Contributions	22,829	-	22,829
Other Revenue	32,144	-	32,144
Interest Income	9,752	-	9,752
	<u>1,920,798</u>	<u>-</u>	<u>1,920,798</u>
Net assets released from restrictions	<u>81,875</u>	<u>(81,875)</u>	<u>-</u>
Total public support and revenue	<u>2,002,673</u>	<u>(81,875)</u>	<u>1,920,798</u>
Expenses			
Program Services			
Housing Development	658,672	-	658,672
Housing	181,689	-	181,689
Youth Services	217,148	-	217,148
Rental Assistance	503,455	-	503,455
Total Program Services	<u>1,560,964</u>	<u>-</u>	<u>1,560,964</u>
Supporting Services			
Management & General	286,344	-	286,344
Fundraising	<u>-</u>	<u>-</u>	<u>-</u>
Total Supporting Services	<u>286,344</u>	<u>-</u>	<u>286,344</u>
Total Expense	<u>1,847,308</u>	<u>-</u>	<u>1,847,308</u>
Increase (decrease) in Net Assets	155,365	(81,875)	73,490
Net Assets Beginning of Year	<u>1,722,299</u>	<u>121,875</u>	<u>1,844,174</u>
Net Assets End of Year	<u>\$ 1,877,664</u>	<u>\$ 40,000</u>	<u>\$ 1,917,664</u>

Urban Restoration Enhancement Corporation
Statement of Functional Expenses
For the Year Ended June 30, 2024

	Program Services				Supporting Services		
	Housing Development	Housing	Youth	Rental Assistance	Management and General	Fundraising	Total
Advertising	\$ 1,009	\$ 400	\$ 486	\$ -	\$ 793	\$ -	\$ 2,688
Bank Charges	514	2,745	-	-	6	-	3,265
Conferences	2,346	2,604	-	-	13,705	-	18,655
Cost of Home Sales	133,702	-	-	-	-	-	133,702
Depreciation	40,322	34,874	-	-	-	-	75,196
Dues & Subscriptions	475	640	-	-	4,273	-	5,388
Employee Benefits	-	-	-	11,460	42,116	-	53,576
Insurance	-	13,355	-	3,809	15,071	-	32,235
Interest	13,121	46,899	-	-	13,737	-	73,757
Office/Occupancy Expense	7,960	18,379	-	-	29,783	-	56,122
Other	3,000	4,732	-	-	1,677	-	9,409
Payroll Taxes	10,054	-	5,603	4,885	4,400	-	24,942
Postage & Shipping	-	-	-	-	76	-	76
Printing	-	-	-	-	1,670	-	1,670
Professional Fees	334,054	39,431	123,732	414,577	87,311	-	999,105
Program Services	7,843	60	9,100	-	-	-	17,003
Repairs and Maintenance	2,759	16,377	-	-	-	-	19,136
Salaries	98,010	-	73,636	68,724	54,512	-	294,882
Supplies	3,148	1,008	4,002	-	8,102	-	16,260
Telecommunications	-	185	-	-	7,555	-	7,740
Travel	355	-	589	-	1,557	-	2,501
Total Expenses	<u>\$ 658,672</u>	<u>\$ 181,689</u>	<u>\$ 217,148</u>	<u>\$ 503,455</u>	<u>\$ 286,344</u>	<u>\$ -</u>	<u>\$ 1,847,308</u>

Urban Restoration Enhancement Corporation
Statement of Cash Flows
For the Year Ended June 30, 2024

	<u>6/30/2024</u>
Cash Flows From Operating Activities	
Increase (decrease) in Net Assets	\$ 73,490
Adjustment for non-cash items:	
Depreciation	75,196
Change in operating assets and liabilities	
Decrease (Increase) in Grants and Accounts Receivable	(10,712)
Decrease (Increase) in Prepaid Expenses and Deposits	(16,247)
Decrease (Increase) in Accounts Payable and Payroll Liabilities	(45,726)
Decrease (Increase) in Accrued Interest	10,923
(Decrease) Increase in Security Deposits and Other Liabilities	24,100
Net Cash Provided by Operating Activities	<u>111,024</u>
Cash Flows From Investing Activities	
Purchase of Property and Equipment	(3,776,383)
Purchase of Land	(37,659)
Sale of Property and Equipment	2,900
Net Cash Provided (Used) by Investing Activities	<u>(3,811,142)</u>
Cash Flows From Financing Activities	
Issuance of Long-Term Debt	3,747,588
Draws on Line of Credit and Short-Term Borrowings	-
Loan Issuance Costs	(20,589)
Payment of Principal	(93,435)
Net Cash Provided (Used) by Financing Activities	<u>3,633,564</u>
Decrease in Cash and Cash Equivalents	(66,554)
Cash and Cash Equivalents, Beginning of Year	<u>1,294,215</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,227,661</u>

Interest paid during the year ended June 30, 2024 was \$73,757. No income taxes were paid during the year.

**Urban Restoration Enhancement Corporation
Baton Rouge, Louisiana**

Notes to the Financial Statements

For the Year Ended June 30, 2024

1. Significant Accounting Policies

A. Nature of Activities

Urban Restoration Enhancement Corporation (UREC) is a Louisiana nonprofit community development organization, incorporated in 1992, and committed to “building today’s communities for tomorrow.” UREC provides affordable housing, small business training, and youth development opportunities to improve neighborhoods across Baton Rouge and the surrounding region.

B. Basis of presentation

The financial statements of UREC have been prepared on the accrual basis of accounting. UREC reports its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. As of June 30, 2024, UREC had \$1,877,664 in net assets without donor restrictions and \$40,000 in net assets with donor restrictions.

C. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates. Estimates are used primarily when accounting for grants receivable, depreciation, and valuation of inventory.

D. Revenue recognition

Contributions and grants received are recorded as with or without donor restrictions, depending on the existence or nature of any donor restrictions.

Contributions are recognized when the donor makes an unconditional promise to give. Contributions restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor restricted contributions and grants are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified as net assets without donor restrictions.

UREC has contracts with various tenants to provide housing. Revenue is recognized each month as rental revenue. Revenue recognized from contracts is listed under rental revenue and related

**Urban Restoration Enhancement Corporation
Baton Rouge, Louisiana**

Notes to the Financial Statements

For the Year Ended June 30, 2024

fees in the statement of activities. The contract balances are listed under accounts receivable, net in the statement of financial position.

E. Cash and cash equivalents

For the purpose of the statement of cash flows, UREC considers cash in operating bank accounts as cash.

F. Receivables and allowance for doubtful accounts

UREC uses the allowance method to determine uncollectible receivables. The allowance is based on prior years' experience and management's analysis of specific promises made. No allowance was recorded at June 30, 2024.

G. Property and equipment

UREC's policy is to capitalize property and equipment over \$500. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions without donor restrictions 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 contributions with donor restrictions. Absent donor stipulations regarding how long donated assets must be maintained, UREC reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor and reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. There were no donations of property or equipment for the year ended June 30, 2024. Depreciation is recorded using the straight-line method over the estimated useful lives of the property.

H. Income tax status

UREC qualifies as a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code; therefore, the financial statements have no provision for federal and state income tax.

UREC follows FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*. Management has determined that there is no impact to the financial statements as a result of ASC 740-10. UREC's open audit periods are 2019 through 2022.

2. Cash

UREC maintains a total of fifteen bank accounts at seven separate financial institutions. The cash in these institutions is maintained in demand deposit and money market accounts. UREC's collected bank balances as of June 30, 2024 was \$1,295,113. UREC's deposits are fully insured

Urban Restoration Enhancement Corporation
Baton Rouge, Louisiana

Notes to the Financial Statements

For the Year Ended June 30, 2024

by the Federal Deposit Insurance Corporation (FDIC) as they are below the maximum insured amounts of \$250,000 at each institution.

3. Grants Receivable

At June 30, 2024, grants receivable were as follows:

	Amount
City of Baton Rouge Parish of EBR	\$ 148,470
Louisiana Housing Corporation	99,431
Other Private Grants	49,563
	<u>\$ 297,464</u>

4. Accounts Receivable

At June 30, 2024, accounts receivable were as follows:

	Amount
Due from Property Management Company	\$ 9,560
	<u>\$ 9,560</u>

5. Property and Equipment

Property and equipment, related service lives and accumulated depreciation at June 30, 2024 are as follows:

Description	Estimated Service Life	Amount
Land	-	\$ 348,550
Construction in Progress	-	2,092,111
Rental Buildings and Improvements	10-40 Years	5,956,637
Equipment	5-10 Years	147,398
Furniture and Fixtures	7 Years	45,934
Total Property and Equipment		<u>8,590,630</u>
Less: Accumulated Depreciation		(426,098)
		<u>\$ 8,164,532</u>

Depreciation expense of \$75,196 was recorded for the year ended June 30, 2024.

**Urban Restoration Enhancement Corporation
Baton Rouge, Louisiana**

**Notes to the Financial Statements
For the Year Ended June 30, 2024**

6. Compensated Absences

As of June 30, 2024, UREC's accumulated paid time off (PTO) was \$7,978, which it reports as part of accrued payroll liabilities.

7. Long-Term Debt

Long term debt at June 30, 2024 was as follows:

	<u>Amount</u>
\$685,020 promissory note to Louisiana Housing Corporation, secured by a HOME mortgage, due in annual installments of 50% of project cash flow through July 2043, interest at 0.00%	\$ 685,020
\$570,000 promissory note to Cadence Bank, secured by property, accrued interest payable in 18 consecutive payments through July 6, 2024, Note payable due in monthly installments of \$4,466.79 starting August 6, 2024 through January 6, 2043, interest at 5.45%	\$ 570,000
\$405,000 promissory note to Louisiana Housing Corporation, secured by a HOME mortgage, due in annual installments of 50% of project cash flow through February 2038, interest at 2.66%	\$ 405,000
\$216,000 promissory note to East Baton Rouge Parish Office of Community Development, secured by mortgages, forgivable in annual installments through April 2038, interest at 0.00%	\$ 162,000
\$403,652 promissory note with Capital Area Finance Authority, secured by four duplexes, due in monthly installments of \$2,500 through April 2038, interest at 3.15%	\$ 328,429
\$463,125 promissory note to East Baton Rouge Parish Office of Community Development, secured by mortgages, forgivable in annual installments through April 2039, interest at 0.00%	\$ 412,414
\$1,075,000 promissory note to East Baton Rouge Parish Office of Community Development, secured by mortgages, forgivable in annual installments through June 2042, interest at 0.00%	\$ 1,030,208

**Urban Restoration Enhancement Corporation
Baton Rouge, Louisiana**

Notes to the Financial Statements

For the Year Ended June 30, 2024

\$25,000 promissory note with Hancock Whitney Bank, secured by Land, due in monthly installments of \$467 through April 2038, interest at 5.00%	\$ 4,588
\$93,500 promissory note with Red River Bank, secured by land, due in 59 monthly installments of \$886 and one irregular payment of \$74,355 through June 16, 2028, interest at 7.75%	\$ 89,978
\$600,000 promissory note with Cottonport Bank, secured by property, due in 60 monthly installments of \$4,842.91 followed by 179 monthly payments of \$5,299.16 through March 2044, interest at 7.50% for 60 months then 8.95% for the remaining 179 months	\$ 597,826
\$900,000 promissory note to East Baton Rouge - Office of Community Development, forgivable in annual installments of \$45,000 through June 2044, interest at 0.00%.	\$ 900,000
\$476,929 promissory note to Louisiana Housing Corporation, secured by property, forgiven if sold within nine months of completion of construction to eligible homebuyer. This property was sold after fiscal year ending.	\$ 476,929
\$410,118 promissory note to Cadence Bank secured by property, due in monthly installments of \$3,373 commencing April 27, 2025 through September 27, 2048, interest at 7.49%.	\$ 410,918
\$1,200,000 promissory note to Louisiana Housing Corporation, secured by a HOME mortgage, all forgivable October 31, 2028, interest at 0.00%.	\$ 1,200,000
\$35,000 promissory note to Cadence Bank secured by land, due in monthly installments of \$298 through June 2044, interest at 8.14%	\$ 35,057
Total long-term debt	\$ 7,308,367
Less: current portion	(196,194)
Less: unamortized loan issuance costs	(50,525)
Long-term debt, net of current portion	<u>\$ 7,061,648</u>

Urban Restoration Enhancement Corporation
Baton Rouge, Louisiana

Notes to the Financial Statements
For the Year Ended June 30, 2024

Future maturities of long term debt at June 30, 2024 are as follows:

Year	Amount
2025	\$ 196,194
2026	201,983
2027	206,056
2028	284,481
2029	1,407,314
Thereafter	5,012,339
Total	<u>\$ 7,308,367</u>

8. Liquidity and Availability of Financial Assets

The organization's financial assets that are available for use within one year of the statement of net position date for general expenses consist of cash of \$1,227,661, accounts receivable of \$9,560 and grants receivable of \$297,464.

As part of the organization's *liquidity* management, the UREC structures its financial assets to be available as general expenditures, liabilities and other obligations come due. In addition, it has been successful in obtaining letters of credit when deemed necessary.

9. Allocation of Functional Expenses

The Statement of Functional Expenses reports certain categories of expenses that are attributable to more than one program or support function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. All expenses are allocated based on the estimated time and effort of UREC's employees.

10. Economic Dependency

UREC has historically received a significant portion of its funding through government contracts and grants. During the year ended June 30, 2024, UREC received 71% of its revenue from such governmental and private grants.

**Urban Restoration Enhancement Corporation
Baton Rouge, Louisiana**

**Notes to the Financial Statements
For the Year Ended June 30, 2024**

11. Commitments and Contingencies

Grants

UREC continues to receive significant revenues from governmental grants and contracts, all of which are subject to audit by the funding agencies. The ultimate determination of amounts received under these programs generally is based upon allowable costs claimed for reimbursement. 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.

Leases

UREC is a party to an operating lease for office space. This lease is required to be included on the statement of financial position under FASB ASC 842. The organization has elected to apply the short-term lease exception to all leases with a term of one year or less.

As of June 30, 2024, the right-of-use (ROU) asset had a balance of \$120,031, as shown on the statement of financial position; and the lease liability is \$120,031. The lease asset and liability were calculated utilizing the risk-free discount rate (3%).

The Organization's office lease commenced on October 1, 2023 and ends on September 30, 2028. Lease payments begin at 2,336.63 per month and will increase by approximately 3% each year.

Year Ending June 30	Amount
2025	\$ 30,120
2026	30,120
2027	30,120
2028	29,670
Total Minimum Lease Payments	<u>120,030</u>
Present Value Discount	<u>(7,964)</u>
Total	<u>\$ 112,066</u>

**Urban Restoration Enhancement Corporation
Baton Rouge, Louisiana**

Notes to the Financial Statements

For the Year Ended June 30, 2024

Construction

UREC currently has ongoing construction. The organization has a construction contract for Phase II of the Foster Oaks housing project in the amount of \$1,102,715. The organization has a construction contract for a home renovation project for Hollywood Street in the amount of \$799,896. Both projects were completed in September 2024.

Litigation

There was no pending or threatened litigation at June 30, 2024.

12. Subsequent Events

Management of UREC has evaluated subsequent events through November 25, 2024, the date that the financial statements were available to be issued and has determined that there are no significant subsequent events that require recognition or disclosure.

Supplementary Information

**Urban Restoration Enhancement Corporation
Baton Rouge, Louisiana**

**Schedule of Compensation, Benefits, and Other Payments to Agency Head
For the Year Ended June 30, 2024**

Agency Head Name: Carl Dillon

Description:

Salary	\$ 118,361
Benefits: Hospitalization and Life	<u>1,753</u>
Total	<u><u>\$ 120,114</u></u>

**Urban Restoration Enhancement Corporation
Baton Rouge, Louisiana**

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2024

	<u>Pass Through Contract #</u>	<u>Assistance Listing Number</u>	<u>Total Federal Expenditures</u>
U.S. Department of Housing and Urban Development			
Pass Through Programs From:			
City of Baton Rouge - Parish of East Baton Rouge			
Community Development Block Grant	N/A	14.218	\$ 25,025
Pass Through Programs From:			
Louisiana Housing Corporation			
HOME Investment Partnerships	N/A	14.239	348,074
HOME Investment Partnerships (loan)	N/A	14.239	2,766,949
City of Baton Rouge - Parish of East Baton Rouge			
Office of Community Development			
HOME Investment Partnerships Program (loan)	N/A	14.239	2,527,812
Community Housing Development Organization			
HOME Investment Partnership Program	N/A	14.239	30,000
Total U.S. Department of Housing and Urban Development			<u>5,697,860</u>
U.S. Department of Treasury			
Passed Through Programs From:			
City of Baton Rouge - Parish of East Baton Rouge			
Emergency Rental Assistance Program	800003612	21.023	515,049
Coronavirus State and Local Fiscal Recovery Funds	N/A	21.027	83,250
Total U.S. Department of the Treasury			<u>598,299</u>
U.S. Department of Labor			
Passed Through			
City of Baton Rouge - Parish of East Baton Rouge			
Workforce Innovation and Opportunity Act	N/A	17.259	50,000
Total U.S. Department of Health and Human Services			<u>50,000</u>
Total Expenditures of Federal Awards			<u>\$6,346,159</u>

**Urban Restoration Enhancement Corporation
Baton Rouge, Louisiana**

**Notes to Schedule of Expenditures of Federal Awards
Year ended June 30, 2024**

A. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Urban Restoration Enhancement Corporation and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from the amounts presented in the preparation of the basic financial statements.

B. Reconciliation of Expenses to Federal Expenditures

Total expenses	\$1,847,308
Federal loans included in expenditures	5,294,761
Non-federal expenditures	<u>(795,910)</u>
Total Federal Expenditures	<u>6,346,159</u>

C. Amounts Passed Through to Subrecipients

During the year ended June 30, 2024, the organization did not pass through any federal funding to subrecipients.

D. Indirect Cost Rate

Urban Restoration Enhancement Corporation has not elected to use the 10% de minimis indirect cost rate.

CHARLES P. HEBERT, CPA

CHRISTOPHER S. JOHNSON, CPA, MBA

ADAM C. HEBERT, CPA

MEMBER

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A PROFESSIONAL ACCOUNTING CORPORATION

**Independent Auditor's 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
Urban Restoration Enhancement Corporation
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 Urban Restoration Enhancement Corporation, which comprise the statement of financial position as of June 30, 2024 and the related statement of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 25, 2024.

Report on Internal Control over Financial Reporting

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Urban Restoration Enhancement Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, the Legislative Auditor distributes this report as a public document.

Chris Johnson

Hebert Johnson & Associates, Inc.
A Professional Accounting Corporation
Albany, Louisiana
November 25, 2024

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A PROFESSIONAL ACCOUNTING CORPORATION

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Urban Restoration Enhancement Corporation's (UREC), (a Louisiana non-profit corporation) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of UREC's major federal programs for the year ended June 30, 2024. UREC's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion UREC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of UREC and to meet our other ethical responsibilities, in accordance with 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 opinion on

compliance for each major federal program. Our audit does not provide a legal determination of UREC's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provision of contracts or grant agreements applicable to UREC's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on UREC's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about UREC's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 UREC's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of UREC's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of UREC's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report of Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance is a deficiency*, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report 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.

Chris Johnson

Hebert Johnson & Associates, Inc.
A Professional Accounting Corporation
Albany, Louisiana
November 25, 2024

**Urban Restoration Enhancement Corporation
Baton Rouge, Louisiana**

**Schedule of Findings and Questioned Costs
For the Year ended June 30, 2024**

A. Summary of Audit Results

Financial Statements

Type of auditor's report issued: Unmodified Opinion

- | | |
|---|----|
| • Material weakness(es) identified? | No |
| • Significant deficiency(ies) identified that are not considered to be material weaknesses? | No |
| • Noncompliance material to financial statements noted? | No |

Federal Awards

- | | |
|---|----|
| • Material weakness(es) identified? | No |
| • Significant deficiency(ies) identified that are not considered to be material weaknesses? | No |

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR §200.516(a)?	No
---	----

The program tested as a major program include:
HOME Investment Partnership Program - Assistance Listing Number: #14.239

- The threshold for distinguishing Types A and B programs was program expenditures equal to or exceeding \$750,000.
- Urban Restoration Enhancement Corporation qualified as a low-risk auditee.

**Urban Restoration Enhancement Corporation
Baton Rouge, Louisiana**

**Schedule of Findings and Questioned Costs
For the Year ended June 30, 2024**

B. Financial Statement Audit

There were no findings related to the financial statements for the year ended June 30, 2024.

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

There were no items identified in the course of our testing during the current year required to be reported.

D. Status of Prior Year Audit Findings

There were no prior year audit findings.

URBAN RESTORATION ENHANCEMENT CORPORATION BATON ROUGE, LOUISIANA

STATEWIDE AGREED-UPON PROCEDURES REPORT

Fiscal Period July 1, 2023 through June 30, 2024



**Hebert Johnson
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Certified Public Accountants

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A PROFESSIONAL ACCOUNTING CORPORATION

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE YEAR ENDED JUNE 30, 2024

To the Board of Directors of
Urban Restoration Enhancement Corporation
And the Louisiana Legislative Auditor:

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2023 through June 30, 2024. Urban Restoration Enhancement Corporation's management is responsible for those C/C areas identified in the SAUPs.

Urban Restoration Enhancement Corporation has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period July 1, 2023 through June 30, 2024. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

1) Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity's operations:
 - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget.
 - b) **Purchasing**, including (1) how purchases are initiated, (2) how vendors are added to the vendor list, (3) the preparation and approval process of purchase requisitions and purchase orders, (4) controls to ensure compliance with the Public Bid Law, and (5) documentation required to be maintained for all bids and price quotes.
 - c) **Disbursements**, including processing, reviewing, and approving.
 - d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions

(e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

- e) **Payroll/Personnel**, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee rates of pay or approval and maintenance of pay rate schedules.
- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- g) **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- h) **Credit Cards (and debit cards, fuel cards, purchase cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- k) **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.
- l) **Prevention of Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

No exceptions were found as a result of these procedures.

2) Board or Finance Committee

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and
 - i. Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - ii. For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual comparisons, at a minimum, on all proprietary funds, and semi-annual budget-to-actual comparisons, at a minimum, on all special revenue funds. *Alternatively, for those entities reporting on the not-for-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*
 - iii. For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.
 - iv. Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.

No exceptions were found as a result of these procedures.

3) Bank Reconciliations

3. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:
 - i. Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);
 - ii. Bank reconciliations include written evidence that a member of management or a board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation within 1 month of the date the reconciliation was prepared (e.g., initialed and dated or electronically logged); and

- iii. Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Exception:

One of the five selected bank reconciliations did not include evidence that a member of management or a board member who does not handle cash reviewed the reconciliation within one month of the date the reconciliation was prepared.

Management's Response:

Management will ensure that all bank reconciliations are initialed and dated after review.

4) Collections (excluding electronic funds transfers)

- A. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
- B. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (e.g., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if there are no written policies or procedures, then inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that
 - i. Employees responsible for cash collections do not share cash drawers/registers;
 - ii. Each employee responsible for collecting cash is not also responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit;
 - iii. Each employee responsible for collecting cash is not also responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit; and
 - iv. The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or custodial fund additions, is (are) not also responsible for collecting cash, unless another employee/official verifies the reconciliation.
- C. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe that the bond or insurance policy for theft was in force during the fiscal period.
- D. Randomly select two deposit dates for each of the 5 bank accounts selected for Bank Reconciliations procedure #3A (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple

deposits are made on the same day). *Alternatively, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and

- i. Observe that receipts are sequentially pre-numbered.
- ii. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
- iii. Trace the deposit slip total to the actual deposit per the bank statement.
- iv. Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).
- v. Trace the actual deposit per the bank statement to the general ledger.

Exceptions:

- *Out of the two deposits selected, we were unable to determine if one of the payments was made within one business day.*
- *The Organization does not have an employee theft insurance policy*

Management's Response:

- *Management will ensure that payments processed at the collection location are documented when received, and that deposits are timely made.*
- *Management will evaluate the volume and risk of the need for an employee theft insurance policy.*

5) Non-Payroll Disbursements (excluding card purchases, travel reimbursements, and petty cash purchases)

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
9. For each location selected under procedure #5A above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, then inquire of employees about their job duties), and observe that job duties are properly segregated such that
 - i. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order or making the purchase;

- ii. At least two employees are involved in processing and approving payments to vendors;
- iii. The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files;
- iv. Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments; and
- v. Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.

[Note: Findings related to controls that constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality) should not be reported.]

10. For each location selected under procedure #5A above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction, and
 - i. Observe whether the disbursement, whether by paper or electronic means, matched the related original itemized invoice and supporting documentation indicates that deliverables included on the invoice were received by the entity, and
 - ii. Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under procedure #5B above, as applicable.
11. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3A, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy. *Note: If no electronic payments were made from the main operating account during the month selected the practitioner should select an alternative month and/or account for testing that does include electronic disbursements.*

No exceptions were found as a result of these procedures.

6) Credit Cards/Debit Cards/Fuel Cards/Purchase Cards (Cards)

- A. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and purchase cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

- B. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement). Obtain supporting documentation, and
- a) Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved) by someone other than the authorized card holder (those instances requiring such approval that may constrain the legal authority of certain public officials, such as the mayor of a Lawrason Act municipality, should not be reported); and
 - b) Observe that finance charges and late fees were not assessed on the selected statements.
- C. Using the monthly statements or combined statements selected under procedure #7B above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (e.g., each card should have 10 transactions subject to inspection). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and observe whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

No exceptions were found as a result of these procedures.

7) Travel and Travel-Related Expense Reimbursements (excluding card transactions)

- A. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements and obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected
- i. If reimbursed using a per diem, observe that the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov);
 - ii. If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased;
 - iii. Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes

the names of those individuals participating) and other documentation required by Written Policies and Procedures procedure #1A(vii); and

- iv. Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

No exceptions were found as a result of these procedures.

8) Contracts

- A. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternatively, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and
 - i. Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law;
 - ii. Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter);
 - iii. If the contract was amended (e.g., change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, the documented approval); and
 - iv. Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

No exceptions were found as a result of these procedures.

9) Payroll and Personnel

- A. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
- B. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under procedure #9A above, obtain attendance records and leave documentation for the pay period, and
 - i. Observe that all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory);

- ii. Observe whether supervisors approved the attendance and leave of the selected employees or officials;
 - iii. Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records; and
 - iv. Observe the rate paid to the employees or officials agrees to the authorized salary/pay rate found within the personnel file.
- C. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials and obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee's or official's cumulative leave records, agree the pay rates to the employee's or official's authorized pay rates in the employee's or official's personnel files, and agree the termination payment to entity policy.
- D. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

No exceptions were found as a result of these procedures.

10) Ethics

(These procedures are not applicable to the Organization)

- A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A obtain ethics documentation from management, and
- a. Observe whether the documentation demonstrates that each employee/official completed one hour of ethics training during the calendar year as required by R.S. 42:1170; and
 - b. Observe whether the entity maintains documentation which demonstrates that each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.
23. Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.

11) Debt Service

(These procedures are not applicable to the Organization)

- A. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each debt instrument issued as required by Article VII, Section 8 of the Louisiana Constitution.
- B. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

12) Fraud Notice

- A. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled as required by R.S. 24:523.
- B. Observe that the entity has posted, on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

No exceptions were found as a result of these procedures.

13) Information Technology Disaster Recovery/Business Continuity

- A. Perform the following procedures, **verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."**
 - i. Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if there is no written documentation, then inquire of personnel responsible for backing up critical data) and observe evidence that such backup (a) occurred within the past week, (b) was not stored on the government's local server or network, and (c) was encrypted.
 - ii. Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if there is no written documentation, then inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.

- iii. Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.
- B. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in Payroll and Personnel procedure #9C. Observe evidence that the selected terminated employees have been removed or disabled from the network.
- C. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain cybersecurity training documentation from management, and observe that the documentation demonstrates that the following employees/officials with access to the agency's information technology assets have completed cybersecurity training as required by R.S. 42:1267. The requirements are as follows:
 - Hired before June 9, 2020 - completed the training; and
 - Hired on or after June 9, 2020 - completed the training within 30 days of initial service or employment.

We performed the procedures and discussed the results with management.

14) Prevention of Sexual Harassment

(These procedures are not applicable to the Organization)

- A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year as required by R.S. 42:343.
- B. Observe that the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).
- C. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe that the report includes the applicable requirements of R.S. 42:344:
 - i. Number and percentage of public servants in the agency who have completed the training requirements;
 - ii. Number of sexual harassment complaints received by the agency;
 - iii. Number of complaints which resulted in a finding that sexual harassment occurred;

- iv. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
- v. Amount of time it took to resolve each complaint.

We were engaged by Urban Restoration Enhancement Corporation to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of Urban Restoration Enhancement Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Respectfully Submitted,

Chris Johnson

Hebert Johnson & Associates, Inc.
A Professional Accounting Corporation
Albany, Louisiana
November 25, 2024