PRESERVATION ALLIANCE OF NEW ORLEANS, INC.
d/b/a
PRESERVATION RESOURCE CENTER OF NEW ORLEANS

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

YEARS ENDED JUNE 30, 2013 AND 2012

TABLE OF CONTENTS

Hienz & Macaluso LLC
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON
CONSOLIDATED FINANCIAL STATEMENTS

January 8, 2014

To the Board of Directors of
Preservation Alliance of New Orleans, Inc.
d/b/a Preservation Resource Center of New Orleans
New Orleans, Louisiana

Report on the Financial Statements
We have audited the accompanying financial statements of Preservation Alliance of New Orleans, Inc. d/b/a Preservation Resource Center of New Orleans (PRC) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013 and 2012, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness

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of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PRC as of June 30, 2013 and 2012, 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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 January 8, 2014, on our consideration of PRC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering PRC's internal control over financial reporting and compliance.

Hienz & Macaluso, LLC
Metairie, LA

PRESERVATION RESOURCE CENTER OF NEW ORLEANS
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2013 AND 2012

	2013	**2012**
ASSETS		
Cash and cash equivalents	$ 1,042,118	$ 813,172
Grants receivable	278,086	507,688
Other receivable	1,064,939	1,175,050
Investments	731,258	845,206
Pledges receivable, net	167,200	35,400
Other assets - real estate	1,747,366	2,627,683
Inventory	77,824	77,824
Property and equipment, net	1,860,925	2,154,461
Total assets	$ 6,969,716	$ 8,236,484
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued liabilities	$ 227,557	$ 216,635
Accrued vacation	53,404	64,811
Advances	1,896	80,125
Lines of credit	680,942	1,523,773
Capital lease obligations	8,554	20,851
Notes payable	236,148	280,374
Total liabilities	1,208,501	2,186,569
Net assets:		
Unrestricted:		
Undesignated	3,890,457	4,221,801
Designated	1,115,840	1,154,704
Temporarily restricted	754,918	673,410
Total net assets	5,761,215	6,049,915
Total liabilities and net assets	$ 6,969,716	$ 8,236,484

The accompanying notes are an integral part of these consolidated financial statements.

PRESERVATION RESOURCE CENTER OF NEW ORLEANS
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

	Unrestricted	Temporarily Restricted	Total
REVENUE, GRANTS AND OTHER SUPPORT			
Contributions - membership & sustaining	$ 1,506,312	$ -	$ 1,506,312
Grants	2,332,339	188,508	2,520,847
Special events	407,271	-	407,271
Fees, sales and other revenue	1,137,239	-	1,137,239
Gain (loss) on the sale of real estate	146,953	-	146,953
Net assets released from restrictions:			
Satisfaction of purpose restrictions	107,000	(107,000)	-
Total revenue, grants and other support	5,637,114	81,508	5,718,622
EXPENSES			
Program services:			
Preservation	360,993	-	360,993
Warehouses/Salvage Store/Deconstruction	241,068	-	241,068
Rebuilding Together	2,580,704	-	2,580,704
Operation Comeback	1,270,439	-	1,270,439
Preservation in Print	299,480	-	299,480
Education,Outreach & African-American Heritage	148,258	-	148,258
Total program services	4,900,942	-	4,900,942
Supporting services:			
Management and general	667,659	-	667,659
Fund raising	438,721	-	438,721
Total supporting services	1,106,380	-	1,106,380
Total expenses	6,007,322	-	6,007,322
CHANGE IN NET ASSETS	(370,208)	81,508	(288,700)
Net assets, beginning of period	5,376,505	673,410	6,049,915
Net assets, end of period	$ 5,006,297	$ 754,918	$ 5,761,215

The accompanying notes are an integral part of these consolidated financial statements.

PRESERVATION RESOURCE CENTER OF NEW ORLEANS
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

	Unrestricted	Temporarily Restricted	Total
REVENUE, GRANTS AND OTHER SUPPORT			
Contributions - membership & sustaining	$ 1,177,873	$ -	$ 1,177,873
Grants	2,843,538	642,379	3,485,917
Special events	557,445	-	557,445
Fees, sales and other revenue	1,102,938	-	1,102,938
Gain (loss) on the sale of real estate	(149,918)	-	(149,918)
Net assets released from restrictions:			
Satisfaction of purpose restrictions	129,211	(129,211)	-
Total revenue, grants and other support	5,661,087	513,168	6,174,255
EXPENSES			
Program services:			
Preservation	420,593	-	420,593
Warehouses/Salvage Store/Deconstruction	404,353	-	404,353
Rebuilding Together	3,579,608	-	3,579,608
Operation Comeback	1,225,738	-	1,225,738
Preservation in Print	287,437	-	287,437
Education,Outreach & African-American Heritage	147,041	-	147,041
Total program services	6,064,770	-	6,064,770
Supporting services:			
Management and general	617,688	-	617,688
Fund raising	327,779	-	327,779
Total supporting services	945,467	-	945,467
Total expenses	7,010,237	-	7,010,237
CHANGE IN NET ASSETS	(1,349,150)	513,168	(835,982)
Net assets, beginning of period	6,725,655	160,242	6,885,897
Net assets, end of period	$ 5,376,505	$ 673,410	$ 6,049,915

The accompanying notes are an integral part of these consolidated financial statements.

PRESERVATION RESOURCE CENTER OF NEW ORLEANS
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (288,700)	$ (835,982)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	154,988	164,598
Gain/loss on disposal of fixed assets	(3,820)	-
Gain/Loss on sale of property held for sale	(146,953)	149,918
Gain/Loss on investments	(79,930)	19,651
Changes in assets and liabilities:		
Grants receivable	229,602	1,078,800
Other receivables	110,111	(160,983)
Pledges receivable	(131,800)	7,000
Inventory	-	29,890
Accounts payable and accrued liabilities	10,922	(193,398)
Accrued vacations	(11,407)	(8,746)
Advances	(78,229)	(112,579)
Net cash provided by (used in) operating activities	(235,216)	138,169
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale/maturity of investments	218,811	125,329
Purchases of investments	(24,933)	-
Proceeds from sale of other assets - real estate	999,500	507,777
Purchases of other assets - real estate	27,770	-
Proceeds from sale of fixed assets	142,368	-
Purchases of property and equipment	-	(75,574)
Net cash provided by (used in) investing activities	1,363,516	557,532
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net change in lines of credit	(842,831)	(636,668)
Payments on notes payable	(44,226)	(103,638)
Payments on capital lease obligations	(12,297)	(3,864)
Net cash provided by (used in) financing activities	(899,354)	(744,170)
Net increase (decrease) in cash and cash equivalents	228,946	(48,469)
Cash and cash equivalents, beginning of year	813,172	861,641
Cash and cash equivalents, end of year	$ 1,042,118	$ 813,172
Supplemental Disclosures:		
Interest paid	$ 48,313	$ 77,050

The accompanying notes are an integral part of these consolidated financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Founded in 1974, Preservation Alliance of New Orleans, Inc. d/b/a Preservation Resource Center of New Orleans (PRC) is a nonprofit organization, which preserves and enhances targeted historical neighborhoods of New Orleans through community revitalization projects. The accompanying consolidated financial statements also include the accounts of JRF, Inc., a Louisiana for-profit corporation that is a wholly owned subsidiary of PRC, which is dormant. JRF, Inc. was utilized to purchase and renovate selected properties in targeted neighborhoods to enhance PRC's revitalization efforts. All intercompany transactions have been eliminated.

The following program and supporting services are included in the accompanying consolidated financial statements:

<u>Preservation</u>

The Preservation Program encompasses PRC's various general activities related to promoting the preservation of historic properties and districts, including advocacy before regulatory authorities, public awareness efforts, development of preservation plans for specific properties and districts, and related activities. This program is funded wholly by contributions from PRC's donors.

<u>Rebuilding Together</u>

PRC's most significant volunteer event involves the donation of time and materials by contractors, private businesses and individuals, and retailers in an intensive effort to renovate historic residential properties owned by low-income and/or disabled individuals, as well as senior citizens. Since the effects of Hurricane Katrina on August 29, 2005, the renovations are on an ongoing basis throughout the year due to the increased need in the city. Previously, the rebuilding efforts were an annual two-week effort and on a less intensive scale throughout the remainder of the fiscal year. This program is funded by a combination of contributions, corporate sponsorships and government grants.

<u>Warehouse: Salvage Store and Deconstruction</u>

The PRC has expanded into sale of salvage items through the salvage store, which accepts donations of architecturally significant items to be sold for reuse in the rebuilding of the city by the public. Additionally, the PRC has implemented a Deconstruction Program, which is only utilized as a last attempt towards historic preservation. This program selectively salvages items from homes that are slated for demolition. The PRC also provides these items to the public for use in rebuilding homes, as well as utilizes some of the materials in the restoration of

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

buildings through the Operation Comeback and Rebuilding Together Programs. These programs are funded by salvage store sales, in-kind material and monetary donations, as well as grants.

Operation Comeback

Operation Comeback comprises PRC's activities directed towards the acquisition and renovation of blighted historic properties. This program is funded primarily by corporate and individual contributions.

Preservation in Print

Preservation in Print fosters knowledge, stimulates interest, and facilitates participation in public and private historic preservation through the printing and publication of PRC's quarterly newsletter. This program is funded by a combination of contributions from advertising revenues and government grants.

Education and Outreach

Education and Outreach focuses on outreach programs – workshops, lectures, tours, print and electronic information - regarding building acquisition and restoration, cultural heritage, historic architecture and neighborhoods, preservation programs and incentives, with a focus on African-American Heritage (AAH). AAH focuses on the identification and preservation of the homes and significant structures frequented by New Orleans' early jazz musicians. AAH's main purpose is to research, identify, and landmark these homes and other structures.

Management and General

Management and general supporting services include the functions necessary to maintain an equitable employment program; ensure an adequate working environment; provide coordination and articulation of PRC's program strategy; secure proper administrative functioning of the board of directors; maintain competent legal services for the program administration of PRC; and manage the financial and budgetary responsibilities of PRC.

Fund Raising

Fund raising provides the structure necessary to encourage and secure private financial support from individuals, foundations, and corporations.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting.

Restrictions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Similarly, PRC reports information regarding its financial position and activities according to three classes of net assets, as applicable: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Contributions that are restricted for the acquisition of property are reclassified to unrestricted assets when the related property is acquired, unless the donor explicitly attaches a time restriction to the contribution. PRC's temporarily restricted net assets relate to contributions and unconditional promises to give to its capital fundraising campaign, as discussed in Note 2.

Revenue

Contributions are generally recorded only upon receipt, unless a pledge of contribution has been received and confirmed. Such pledges are recognized, when the pledge is made, at the net present value of the future contributions. All contributions are considered to be available for unrestricted use unless restricted specifically by the donor.

Donated Services and Materials

Numerous skilled laborers, such as carpenters, plumbers, and electricians, along with several hardware retail outlets and property owners, make significant donations of time, materials and warehousing space in conjunction with various revitalization projects. Skilled labor rates, retail values of donated materials and fair value of rental warehousing space are used in valuing and recording these contributions. The value of these contributions for fiscal years 2013 and 2012 was estimated to be approximately $97,825 and $104,420, respectively. These amounts are included in contributions, as well as Operation Comeback, Rebuilding Together and Warehouse program services in the accompanying consolidated financial statements.

In addition, volunteers from throughout the community provide unskilled labor in conjunction with Rebuilding Together’s project (formerly known as Christmas in October), as well as the Operation Comeback program. The value of these services, which was estimated to be approximately $959,059 and $663,498 for both fiscal years 2013 and 2012, respectively, are not recognized in the accompanying consolidated financial statements due to the unspecialized nature of these services.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Cash and Cash Equivalents

For the purposes of the statement of cash flows, PRC considers all highly liquid financial instruments purchased with an original maturity of three months or less to be cash equivalents. PRC's cash and cash equivalents at June 30, 2013 and 2012 included approximately $277,554 and $306,112, respectively, of investments in money market funds.

If the grantor makes it a requirement, the PRC deposits restricted grant monies into a designated account.

Investments

Investments at June 30, 2013 and 2012 consisted of fixed income investments totaling $159,070 and $258,686, respectively, and equity investments valued at $572,188 and $586,520, respectively. Investments are recorded at fair value. In fiscal 2013 and 2012, interest income on investments was $24,112 and $27,669, respectively. Net appreciation (depreciation) in investments was ($80,241) and ($19,651) for fiscal years 2013 and 2012, respectively.

Other Assets – Real Estate

Other assets – real estate is comprised of blighted historic properties PRC acquires and renovates, with the intention to resell. These properties are carried at their historical cost, including renovation. Donated assets are recorded at fair value at the time of their donation.

Property and Equipment

Property and equipment are recorded at cost. Donated assets are recorded at fair value at the time of their donation. PRC capitalizes all expenditures for equipment in excess of $1,000. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets (5 to 25 years). Depreciation expense was $154,988 and $164,598 for the years ended June 30, 2013 and 2012, respectively.

Inventory

The Rebuilding Together program maintains a PRC warehouse for the storage of purchases of stock items to be used in repairing houses. For these stock items, the procedure was to expense all of these items as Repair Expense – Paint, Lumber-Misc; however, this did not prove to be the most accurate method in terms of costing out these types of items to the various houses and funders for which these items were purchased.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Therefore, as of July 1, 2008, the Rebuilding Together personnel took a physical inventory of these stock items and provided the accounting department a list for reclassification into the newly created inventory account and a new computerized inventory management system. The prices are at the weighted average costs of the purchases based on the review of the previous months' purchase invoices. The value of inventory for Rebuilding Together's repairs was $0 and $0 as of June 30, 2013 and 2012, respectively.

Additionally, the warehouse is now used for Deconstruction Program's salvaged items sales.

During fiscal year 2009, the PRC implemented the computerized inventory management system to track the releases from inventory and assign the cost of the items to repair work being done at specific houses, as well as track the items in the salvage store. The basis for the salvage store inventory values are based on the physical count and a mid-range price based on the previous sales history in which the warehouse staff determined low, mid and high ranges. The value of inventory for the salvage store items was $77,824 and $77,824 as of June 30, 2013 and 2012, respectively.

Income Taxes

PRC is exempt from federal income taxes under Section 501 (c)(3) of the Internal Revenue Code and from state income taxes under Section 121 (5) of Title 47 of the Louisiana Revised Statutes of 1950; it is not a private foundation.

JRF, Inc., a wholly owned subsidiary of PRC which is currently dormant, is a Louisiana for-profit corporation subject to federal and state income tax laws.

Advertising

PRC expenses advertising costs as incurred. During fiscal 2013 and 2012, PRC's advertising costs charged to expense were $27,704 and $33,896, respectively.

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 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. PRC's estimates include those regarding the fair value of contributed services and the collectability of receivables.

Reclassifications

Certain amounts from 2012 have been reclassified to conform to the 2013 presentation.

NOTE 2 - PLEDGES RECEIVABLE

Pledges receivable are to be used for the purchase, renovation and subsequent debt repayment of PRC's headquarters and warehouse. Subsequent to year-end 2005, management performed an analysis of pledges receivable and determined that a $40,000 pledge appeared uncollectible and should be written off, and a $200,500 pledge should be reserved due to uncertainties about its collectability and the timing of future receipts. Long-term promises are not discounted to net present value since such amounts would be immaterial to the financial statements.

Unconditional promises to give at June 30 were receivable as follows:

	2013	2012
Receivable in less than one year	$367,200	$235,400
Receivable in one to five years	-	-
	$367,200	$235,400
Less discount	-	-
	$367,200	$235,400
Less allowance for uncollectible account	$200,000	$200,000
Pledges receivable, net	$167,200	$ 35,400

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment were comprised of the following at June 30:

	2013	2012
Land	$ 428,614	$ 448,087
Buildings and improvements	2,325,923	2,476,898
Office furniture and equipment	442,845	461,907
Vehicles	113,583	125,599
	3,310,965	3,512,491
Less: Accumulated depreciation and amortization	1,450,040	1,358,030
	$1,860,925	$2,154,461

NOTE 4 - LINES OF CREDIT

In order to achieve PRC's goal of revitalizing targeted historical neighborhoods, PRC purchases homes for renovation in those targeted neighborhoods. Funding these projects often requires PRC to enter into line of credit agreements. The specific property under renovation is used as collateral for these lines of credit. During fiscal years 2013 and 2012, interest incurred of $0 and $0, respectively, was capitalized relating to these properties.

NOTE 4 - LINES OF CREDIT (cont'd).

At June 30, 2013, PRC had three lines of credit available with a bank totaling $3,850,000, bearing interest rates of 4% and 5% and secured by the first mortgage on specific properties held for sale. The outstanding balances on the current lines of credit at June 30, 2013 totaled $680,942.

At June 30, 2012, PRC had three lines of credit available with a bank totaling $3,850,000, bearing interest rate of 4% and 5% and secured by the first mortgage on specific properties held for sale. The outstanding balance on the current lines of credit at June 30, 2012 totaled $1,523,773.

NOTE 5 – CAPITAL LEASE OBLIGATIONS

During fiscal 2007, PRC replaced its two photocopiers under capital lease obligations from the prior year with newly acquired copiers purchased under capital leases for $52,076. During fiscal 2009, one copier was disposed of at $21,633, and a new copier was acquired under a capital lease for $43,157. The copiers are included in property and equipment in the accompanying consolidated statements of financial position, and the related amortization is included in accumulated depreciation and amortization and depreciation and amortization expense. The net book value at June 30, 2013 and 2012 was $6,058 and $9,351, respectively. Future minimum lease payments under the capital lease for the years succeeding June 30, 2013, are as follows:

2014	$ 9,385
Total minimum lease payments	9,385
Less amounts representing interest	831
Present value of minimum capital lease payments	$ 8,554

NOTE 6 - NOTES PAYABLE

In June 2009, PRC entered into a note payable with a private entity for $188,000 with a stated interest of 6% per annum from date and was amortized over 10 years and will mature in five (5) years. It is due in monthly installments of principal and interest of $2,087 and is collateralized by the land and buildings of PRC's headquarters. The outstanding balance on the note was $127,361 and $142,874 at June 30, 2013 and 2012, respectively.

On August 10, 2007 and August 13, 2007 the PRC entered into two note payable agreements for the purchase of two Chevrolet vans to assist in the transportation of materials for the Rebuilding Together program. The Chevrolet van purchased on 8/10/07 carries a stated interest rate of 10.40%, with sixty payments of $494 each. The Chevrolet van purchased on 8/13/07 carries a stated interest rate of 11.90% for 60 payments of $594 each. The payments started in October 2007, and both will mature as of September 2012. The outstanding balances on these notes were $0 and $1,236 at June 30, 2013 and 2012, respectively.

NOTE 6 - NOTES PAYABLE (cont'd)

On November 1, 2008, PRC entered into a note payable agreement for the purchase of two identical F-250 Ford trucks to further assist in the transportation of materials for the Rebuilding Together program. Both trucks carry a stated interest rate of 9.142% with sixty payments of $390 each. The payments started in November 2008, and both will mature as of October 2013. The outstanding balance on this note was $787 and $7,864 at June 30, 2013 and 2012, respectively.

On March 20, 2009, PRC entered into a Memorandum of Understanding with the New Orleans Redevelopment Authority ("NORA") wherein PRC purchased twenty properties from NORA in order to rehab the properties no later than two hundred seventy (270) days from NORA's providing a clear title to properties. The properties are then to be sold by the PRC for homeownership. The purchase price was the sum of $168,000, of which the PRC deposited 20% upon execution of the agreement. Anytime PRC executes an act of sale, it will pay the balance due upon that property. As of June 30, 2013 and 2012, the remaining balance due was $108,000 and $118,400, respectively.

During fiscal year 2009, PRC entered into four (4) "Adopt-a-Home" Agreements wherein the lender assists PRC in its mission by providing interest free loans for the acquisition for renovation, and construction of PRC properties. The dates and amounts are as follows: July 31, 2008 ($22,400), September 16, 2008 (three agreements at $35,000, $35,000 and $10,000). The maturity date of the Note shall be the earlier of (i) 18 months from the date of the issuance of the building permit for the property or (ii) date of sale of property. At the end of the term of the loan if the house in not complete or sold PRC guaranteed it would return the funds within thirty (30) days of the Grantor's request. Whitney National Bank agreed to provide take-out financing on all "Adopt-a-Home" loans. As of June 30, 2013 and 2012, the remaining balance due was $0 and $10,000, respectively.

The total maturities of PRC's notes payable for the fiscal years ending June 30 are as follows:

2014	$ 236,148
Total	$ 236,148

PRC incurred interest expense of $48,313 and $77,050 during fiscal 2013 and 2012, respectively, of which $0 and $0, respectively, were capitalized in properties.

NOTE 7 - DESIGNATED FUNDS

Periodically, PRC's board of directors designates certain funds to be used for specified purposes. The following designated funds had been established at June 30:

Fund	Purpose	2013	2012
Quasi-Endowment Fund	Quasi-Endowment	$821,788	$878,854
Aron Fund	Historic Restoration	102,115	740
OC Revolving Fund	Historic Restoration	4,914	2,478
Historic Faubourg St. Mary Fund	Easement Maintenance	3,628	3,628
Easement Donation Fund	Easement Maintenance	183,395	268,836
OC Equity Fund	Historic Restoration	-	168
		$1,115,840	$1,154,704

These funds are primarily included in cash and cash equivalents and investments in the accompanying consolidated statements of financial position.

NOTE 8 - GOVERNMENT GRANTS

Government grants require the fulfillment of certain conditions as set forth in the grant instruments. PRC intends to fulfill the conditions of all grants, recognizing that failure to fulfill the conditions could result in the return of the funds to grantors.

NOTE 9 – PENSION PLAN

PRC offers a defined contribution 403(b) plan to all employees who are at least twenty-one years of age. Participants are allowed to contribute up to a maximum of 15% of their total compensation.

Additionally, PRC provides a simplified employee plan (the Plan) to its employees. The Plan provides, to all employees who have been with PRC for a minimum of three years, an annual contribution to an Individual Retirement Account (IRA) equal to 2% of the employees' current gross eligible compensation. Contributions to the Plan totaled $16,989 and $18,640 for fiscal 2013 and 2012, respectively.

NOTE 10 – CONCENTRATIONS

PRC places its cash and cash equivalents with high credit quality institutions in the greater New Orleans area. Most accounts at those institutions are insured by the Federal Deposit Insurance Corporation up to $250,000. At times during the year, the amounts on the deposit exceeded the federally insured limits.

NOTE 11 – FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial Instruments

The following methods and assumptions were used by the PRC in estimating its fair value disclosures for financial instruments:

- Cash, cash equivalents, short-term unconditional promises to give, and notes payable: The carrying amounts reported in the statement of financial position approximate fair values because of the relatively short maturities of those instruments.

- Short-term and quasi-endowment investments: The fair values of investments are based on quoted market prices for those and similar investments.

- Long-term unconditional promises to give: The fair value of promises to give that are due in more than one year is estimated by discounting expected future cash flows using a rate of return based on the yield of a U.S. Treasury security with a maturity date similar to the expected collection period.

The estimated fair values of the PRC's financial instruments are as follows:

	Carrying Amount	Fair Value
Financial Assets:		
Cash and cash equivalents	$1,042,118	$1,042,118
Investments	731,258	731,258
Unconditional promises to give	167,200	167,200
Financial Liabilities:		
Notes Payable	236,148	236,148

Fair Value Measurements

The following table presents the PRC's fair value hierarchy for the financial assets measured at the fair value on a recurring basis:

	Fair Value Measurements at Reporting Date Using:	
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)
Investments	$731,258	$731,258

NOTE 12 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were available to be issued, January 8, 2014, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

NOTE 13 – RELATED PARTY TRANSACTIONS

PRC is provided legal services by the former treasurer of the Board of Directors at costs discounted from what the services would cost at market value. During the fiscal years ended June 30, 2013 and June 30, 2012, PRC paid the individual $325 and $2,514, respectively, for legal services.

In addition, the treasurer advanced PRC $25,000 to be repaid no later than December 31, 2011. This amount was repaid in January, 2012.

PRC was provided architectural services by a current member of the Board of Directors at costs discounted from what the services would cost at market value. During the year ended June 30, 2012, PRC paid the individual $0 for these services and owed $39,869 as of June 30, 2012. This amount was forgiven during the year ended June 30, 2013.

NOTE 14 – UNCERTAIN INCOME TAXES

On July 1, 2009, PRC adopted the provisions of the *Accounting for Uncertainty in Income Taxes* Topic of the FASB ASC. The implementation of this topic had no impact on the statement of financial position or statement of activities.

PRC's 2009 - 2011 tax returns have been filed appropriately. As of January 8, 2014, PRC has been approved for an extension to file their 2012 tax return. PRC recognizes interest and penalties, if any, related to unrecognized tax benefits in income tax expense. PRC's tax filings are subject to audit by various taxing authorities. PRC's open audit periods are 2009 -2011. Management has evaluated PRC's tax position and concluded that PRC has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

NOTE 15 – CONSERVATION EASEMENTS

PRC holds conservation easements placed on various properties. At June 30, 2013 and 2012, approximately 116 such easements were held. No value has been assigned to these easements in the financial statements because PRC does not have ownership rights to the underlying property.

PRESERVATION RESOURCE CENTER OF NEW ORLEANS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

Grantor/Pass Through Grantor/Program Title	CFDA Number	Disbursements/ Expenditures
UNITED STATES DEPARTMENT OF THE INTERIOR NATIONAL PARK SERVICE		
Pass through:		
State of Louisiana, Department of Culture, Recreation and Tourism		
Historic Preservation Fund	15.904	$ 39,180
UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
Pass through:		
City of New Orleans		
Neighborhood Stabilization Program	14.264	3,930
CDBG State Administered Cluster:		
Pass through:		
Louisiana Housing Finance Agency		
Community Development Block Grant	14.228	50,560
City of New Orleans		
Community Development Block Grant	14.228	437,778
Office of Community Development		
Community Development Block Grant	14.228	1,470,861
Total CDBG State Administered Cluster		1,959,199
TOTAL FEDERAL AWARDS		$ 2,002,309

NOTES TO SCHEDULE

Basis of Presentation
The Schedule of Expenditures of Federal Awards includes the federal grant activity of Preservation Resource Center of New Orleans (PRC) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

PRC's federal awards are operated on a cost reimbursement basis whereby PRC applies for reimbursement of costs incurred in conjunction with program activities. Accordingly, this schedule presents, on the accrual basis of accounting, the revenues earned through the expenditure of funds in conjunction with these grants.

Major Programs
Major programs are identified in the Summary of Auditors' Results section of the Schedule of Findings and Questioned Costs.

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

January 8, 2014

To the Board of Directors of
Preservation Alliance of New Orleans, Inc.
d/b/a Preservation Resource Center of New Orleans
New Orleans, 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 Preservation Alliance of New Orleans, Inc. d/b/a Preservation Resource Center of New Orleans (PRC) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements 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 January 8, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered PRC'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 PRC's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 PRC'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. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

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Hienz & Macaluso, LLC
Metairie, LA

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

January 8, 2014

To the Board of Directors of
Preservation Alliance of New Orleans, Inc.
d/b/a Preservation Resource Center of New Orleans
New Orleans, Louisiana

Report on Compliance for Each Major Federal Program

We have audited Preservation Alliance of New Orleans, Inc. d/b/a Preservation Resource Center of New Orleans (PRC)'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of PRC's major federal programs for the year ended June 30, 2013. PRC's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs
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Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of PRC's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about PRC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of PRC's compliance.

Opinion on Each Major Federal Program

In our opinion, PRC 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, 2013.

Report on Internal Control Over Compliance

Management of PRC is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered PRC's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of PRC's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Hienz & Macaluso, LLC
Metairie, LA

PRESERVATION RESOURCE CENTER OF NEW ORLEANS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

A. SUMMARY OF AUDITOR'S RESULTS:

Financial Statements

1)	Type of auditor's report	Unqualified
2)	Compliance and internal control over financial reporting	
	a) Material weaknesses identified	No
	b) Significant deficiencies identified	No
	c) Non-compliance noted	No
3)	Management letter comments	No

Federal Awards

4)	Internal control over major programs	
	Material weaknesses identified	No
	Significant deficiencies identified	No
5)	Type of auditor's report issued on compliance for major federal programs	Unqualified
6)	Audit findings disclosed that are required in accordance with OMB Circular A-133	No
7)	Identification of major programs 14.228 – Community Development Block Grants	
8)	Dollar threshold used to distinguish between Type A and Type B programs	$300,000
9)	Auditee qualified as a low-risk auditee under OMB Circular A-133	Yes

PRESERVATION RESOURCE CENTER OF NEW ORLEANS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2013

B. FINANCIAL STATEMENT FINDINGS

Compliance and Internal Control over Financial Reporting

N/A

PRESERVATION RESOURCE CENTER OF NEW ORLEANS
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

Compliance and Internal Control over Financial Reporting

2012-1 Accurate and Timely Financial Reporting

Management is responsible for developing and maintaining internal controls sufficient to produce accurate and timely financial information. During the course of the audit, we noted that management of PRC was unable to produce timely reconciliations of federal awards in order for us to perform audit procedures. This resulted in significant delays in completing the audit. The failure to do so increases the risk that a material misstatement of the financial statements will occur and not be detected by management. The failure to produce accurate and timely financial information was primarily due to a turnover in key personnel.

This finding was resolved in the current year.

2012-2 Late Submission of Audited Financial Statements

Under Louisiana statute, PRC was required to have an annual audit of its financial statements prepared in accordance with U.S. generally accepted accounting principles and submit it to the Legislative Auditor by December 31, 2012. PRC did not meet the deadline for submitting its annual audit to the Legislative Auditor, resulting in noncompliance with Louisiana laws. The failure to have the audit completed in a timely fashion was primarily due to a turnover in key staff as well as a lack of proper procedures to ensure that the financial records are closed on a timely basis.

This finding was resolved in the current year.