

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, 2009 AND 2008

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 2/17/10

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**INDEPENDENT AUDITORS' REPORT ON
CONSOLIDATED FINANCIAL STATEMENTS**

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 the accompanying consolidated statements of financial position of Preservation Alliance of New Orleans, Inc. d/b/a Preservation Resource Center of New Orleans (PRC) as of June 30, 2009 and 2008, and the related consolidated statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PRC as of June 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2010, 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 the internal control over financial reporting or on compliance.

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of PRC taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Hienz & Macaluso, LLC

HIENZ & MACALUSO, LLC

Metairie, LA

January 27, 2010

**PRESERVATION RESOURCE CENTER OF NEW ORLEANS
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2009 AND 2008**

	2009	2008
ASSETS		
Cash and cash equivalents	\$ 1,776,606	\$ 1,291,208
Grants receivable	200,725	374,071
Other receivable	362,984	241,734
Investments	1,443,616	1,518,135
Pledges receivable, net	66,700	-
Other assets - real estate	1,967,526	1,416,040
Inventory	147,212	-
Property and equipment, net	2,350,000	1,955,290
Total assets	<u>\$ 8,315,369</u>	<u>\$ 6,796,478</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued liabilities	\$ 276,490	\$ 217,815
Accrued vacation	127,784	79,395
Advances	404,915	34,300
Lines of credit	574,059	58,040
Capital lease obligations	46,834	35,510
Notes payable	453,749	226,404
Total liabilities	<u>1,883,831</u>	<u>651,464</u>
Net assets:		
Unrestricted:		
Undesignated	4,345,103	4,148,158
Designated	1,506,546	1,715,791
Temporarily restricted	579,889	281,064
Total net assets	<u>6,431,538</u>	<u>6,145,013</u>
Total liabilities and net assets	<u>\$ 8,315,369</u>	<u>\$ 6,796,477</u>

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, 2009**

	Unrestricted	Temporarily Restricted	Total
REVENUE, GRANTS AND OTHER SUPPORT			
Contributions - membership & sustaining	\$ 2,419,682	\$ 100,000	\$ 2,519,682
Grants	1,687,407	639,915	2,327,322
Special events	582,323	-	582,323
Fees, sales and other revenue	1,025,889	-	1,025,889
Gain (loss) on the sale of real estate	(179,817)	-	(179,817)
Net assets released from restrictions:			
Satisfaction of purpose restrictions	407,790	(407,790)	-
Write-down of restricted pledges receivable	33,300	(33,300)	-
Total revenue, grants and other support	<u>5,976,574</u>	<u>298,825</u>	<u>6,275,399</u>
EXPENSES			
Program services:			
Preservation	433,255	-	433,255
Warehouses/Salvage Store/Deconstruction	423,842	-	423,842
Rebuilding Together	2,816,028	-	2,816,028
Operation Comeback	855,883	-	855,883
Preservation in Print	232,467	-	232,467
Education, Outreach & African-American Heritage	189,459	-	189,459
Total program services	<u>4,950,934</u>	<u>-</u>	<u>4,950,934</u>
Supporting services:			
Management and general	311,111	-	311,111
Fund raising	726,829	-	726,829
Total supporting services	<u>1,037,940</u>	<u>-</u>	<u>1,037,940</u>
Total expenses	<u>5,988,874</u>	<u>-</u>	<u>5,988,874</u>
CHANGE IN NET ASSETS	(12,300)	298,825	286,525
Net assets, beginning of period	<u>5,863,949</u>	<u>281,064</u>	<u>6,145,013</u>
Net assets, end of period	<u>\$ 5,851,649</u>	<u>\$ 579,889</u>	<u>\$ 6,431,538</u>

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, 2008**

	Unrestricted	Temporarily Restricted	Total
REVENUE, GRANTS AND OTHER SUPPORT			
Contributions - membership & sustaining	\$ 4,401,146	\$ -	\$ 4,401,146
Grants	835,018	281,064	1,116,082
Special events	656,869	-	656,869
Fees, sales and other revenue	263,123	-	263,123
Gain on the sale of real estate	(76,891)	-	(76,891)
Net assets released from restrictions:			
Satisfaction of property acquisition restrictions			-
Write-down of restricted pledges receivable	10,000	(10,000)	-
Total revenue, grants and other support	6,089,265	271,064	6,360,329
EXPENSES			
Program services:			
Preservation	464,589	-	464,589
Rebuilding Together	2,858,224	-	2,858,224
Operation Comeback	370,651	-	370,651
Preservation in Print	296,207	-	296,207
Education, Outreach & African-American Heritage	23,965	-	23,965
Total program services	4,013,638	-	4,013,638
Supporting services:			
Management and general	555,278	-	555,278
Fund raising	313,434	-	313,434
Total supporting services	868,712	-	868,712
Total expenses	4,882,350	-	4,882,350
CHANGE IN NET ASSETS	1,206,915	271,064	1,477,979
Net assets, beginning of period	4,657,034	10,000	4,667,034
Net assets, end of period	\$ 5,863,949	\$ 281,064	\$ 6,145,013

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, 2009 AND 2008		
	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 286,525	\$ 1,477,980
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	136,970	23,186
Donated investments	-	(1,153,385)
Gain (loss) on sale of property held for sale	(179,817)	76,891
Gains (losses) on investments	(325,095)	338,056
Changes in assets and liabilities:		
Grants receivable	173,346	(369,194)
Other receivables	(121,250)	22,957
Pledges receivable	(66,700)	10,000
Inventory	(147,212)	-
Accounts payable and accrued liabilities	58,675	134,259
Accrued vacations	48,389	27,837
Advances	370,615	(85,280)
Net cash provided by operating activities	<u>234,446</u>	<u>503,308</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale/maturity of investments	1,385,795	128,446
Purchases of investments	(986,181)	(175,404)
Proceeds from sale of other assets - real estate	1,598,040	673,178
Purchases of other assets - real estate	(1,969,709)	(995,591)
Purchases of property and equipment	(451,034)	(169,151)
Net cash used in investing activities	<u>(423,089)</u>	<u>(538,522)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net change in lines of credit	516,019	(469,970)
Proceeds from notes payable	389,800	-
Payments on notes payable	(199,944)	(99,579)
Payments on capital lease obligations	(31,833)	(9,593)
Net cash provided (used) by financing activities	<u>674,042</u>	<u>(579,142)</u>
Net increase (decrease) in cash and cash equivalents	<u>485,398</u>	<u>(614,355)</u>
Cash and cash equivalents, beginning of year	<u>1,291,208</u>	<u>1,905,563</u>
Cash and cash equivalents, end of year	<u>\$ 1,776,606</u>	<u>\$ 1,291,208</u>
Supplemental Disclosures:		
Interest paid	<u>\$ 34,631</u>	<u>\$ 24,589</u>
Non-cash investing and financing activities:		
Property and equipment purchased under capital leases	<u>\$ 43,157</u>	<u>\$ -</u>
Property and equipment financed	<u>\$ 37,489</u>	<u>\$ 49,532</u>

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

**PRESERVATION RESOURCE CENTER OF NEW ORLEANS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

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:

Preservation

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.

Rebuilding Together

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.

Warehouse: Salvage Store and Deconstruction

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

**PRESERVATION RESOURCE CENTER OF NEW ORLEANS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

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.

**PRESERVATION RESOURCE CENTER OF NEW ORLEANS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

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 2009 and 2008 was estimated to be approximately \$826,742 and \$61,260, 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 \$1,751,920 and \$1,406,933 for both fiscal years 2009 and 2008, respectively, are not recognized in the accompanying consolidated financial statements due to the unspecialized nature of these services.

**PRESERVATION RESOURCE CENTER OF NEW ORLEANS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

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, 2009 and 2008 included approximately \$929,775 and \$905,438, 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, 2009 and 2008 consisted of fixed income investments totaling \$604,786 and \$268,530, respectively, and equity investments valued at \$838,830 and \$1,249,605, respectively. Investments are recorded at fair value. In fiscal 2009 and 2008, interest income on investments was \$66,297 and \$114,278, respectively. Net appreciation (depreciation) in investments was \$325,095 and (\$338,056) for fiscal years 2009 and 2008, 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 \$500. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets (5 to 25 years). Depreciation expense was \$136,970 and \$23,186 for the years ended June 30, 2009 and June 30, 2008, 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.

**PRESERVATION RESOURCE CENTER OF NEW ORLEANS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

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 \$44,704 as of June 30, 2009.

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 \$102,508 as of June 30, 2009.

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 2009 and 2008, PRC's advertising costs charged to expense were \$76,299 and \$19,295, 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 collectibility of receivables.

Reclassifications

Certain amounts from 2008 have been reclassified to conform to the 2009 presentation.

**PRESERVATION RESOURCE CENTER OF NEW ORLEANS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

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 collectibility 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:

	<u>2009</u>	<u>2008</u>
Receivable in less than one year	\$233,333	\$200,500
Receivable in one to five years	<u>33,367</u>	<u>-</u>
	266,700	200,500
Less discount	<u>-</u>	<u>-</u>
	266,700	200,500
Less allowance for uncollectible account	<u>200,000</u>	<u>200,500</u>
Pledges receivable, net	<u>\$ 66,700</u>	<u>\$ -</u>

NOTE 3 - PROPERTY AND EQUIPMENT

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

	<u>2009</u>	<u>2008</u>
Land	\$ 448,087	\$ 371,525
Buildings and improvements	2,164,746	1,900,362
Office furniture and equipment	424,755	310,802
Vehicles	<u>141,777</u>	<u>80,487</u>
	3,179,365	2,663,176
Less: Accumulated depreciation and amortization	<u>829,365</u>	<u>707,886</u>
	<u>\$2,350,000</u>	<u>\$1,955,290</u>

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 2009 and 2008, interest incurred of \$14,655 and \$23,538, respectively, was capitalized relating to these properties.

At June 30, 2009, PRC had one line of credit available with a bank totaling \$1,000,000, bearing interest rate of 5% and secured by the first mortgage on specific properties held for sale with a

**PRESERVATION RESOURCE CENTER OF NEW ORLEANS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 4 - LINES OF CREDIT (cont'd)

total net book value of \$966,000. The outstanding balance on the current line of credit at June 30, 2009 totaled \$574,059.

At June 30, 2008, PRC had two lines of credit available with a bank totaling \$715,250, bearing interest rates of 5% to 5.5% and secured by the first mortgage on specific properties held for sale with a total net book value of \$520,933. The two lines of credit matured in May 2009 and January 2009, respectively, or upon sale of the specific property, whichever came first. The outstanding balance on this line of credit at June 30, 2008 totaled \$58,040.

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, 2009 and 2008 was \$44,496 and \$33,967, respectively. Future minimum lease payments under the capital lease for the years succeeding June 30, 2009, are as follows:

2010	14,484
2011	14,484
2012	13,848
2013	10,668
2014	<u>1,820</u>
Total minimum lease payments	\$ 55,304
Less amounts representing interest	<u>8,470</u>
Present value of minimum capital lease payments	<u>\$ 46,834</u>

NOTE 6 - NOTES PAYABLE

In fiscal year 2008, PRC had a note payable to a foundation that had a stated interest of 5% and was due in monthly installments of principal and interest of \$1,980. A final principal payment of approximately \$187,000 was originally scheduled to be due in April 2008; however, the foundation allowed an extension in the payments. The outstanding balance under this note was \$0 and \$183,307 at June 30, 2009 and 2008, respectively. The note was collateralized by the land and building of PRC's current headquarters, which had a net book value of \$1,134,119 and \$1,219,288 at June 30, 2009 and 2008, respectively. During fiscal year 2008, PRC paid 12 of the 12 monthly payments due. The foundation had expressed that it has no intent of accelerating future payments or foreclosing on the collateralized property. Interest was not accrued on missed payments, and thus, the effective interest charged was less than the 5% stated in the note document. As of June 2008, PRC paid installments through May 2008.

PRESERVATION RESOURCE CENTER OF NEW ORLEANS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 6 - NOTES PAYABLE (cont'd)

In June 2009, the PRC paid off the original notes payable to the foundation and entered into another notes 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.

Until May 2008, the PRC had a note payable to a financial institution which accrued interest at 6.35% and was due in monthly installments of principal and interest of \$1,160. A final principal payment was due and paid in May 2008, paying off the outstanding balance of \$73,987. The outstanding balance on this note was \$0 and \$0 at June 30, 2009 and 2008, respectively. The note was collateralized by a warehouse used to store materials primarily for the Rebuilding Together program. The warehouse had a net book value of \$110,083 and \$107,555 at June 30, 2009 and 2008, 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. As of June 30, 2009, twelve payments had been made on each van, with a remaining balance due of \$34,529.

On November 1, 2008, the 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. As of June 30, 2009, eight (8) payments had been made on each truck with a remaining balance due of \$33,420.

On March 20, 2009, the 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 the PRC executes an act of sale, it will pay the balance due upon that property. As of June 30, 2009, three properties remained to be closed upon, therefore, the remaining balance due was \$95,400.

During fiscal year 2009, the PRC entered into four (4) "Adopt-a-Home" Agreements wherein the lender assists the PRC in its mission by providing interest free loans for the acquisition for renovation, and construction of the 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).

PRESERVATION RESOURCE CENTER OF NEW ORLEANS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 6 - NOTES PAYABLE (cont'd)

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 is 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, 2009, the remaining balance due was \$102,400.

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

2010	222,855
2011	69,855
2012	47,455
2013	35,500
2014	28,167
Thereafter	49,917
Total	<u>\$453,749</u>

PRC incurred interest expense of \$34,631 and \$24,589 during fiscal 2009 and 2008, respectively, of which \$8,711 and \$12,349, 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:

<u>Fund</u>	<u>Purpose</u>	<u>2009</u>	<u>2008</u>
Quasi-Endowment Fund	Quasi-Endowment	\$1,175,785	\$1,544,544
Aron Fund	Historic Restoration	115,903	21,679
OC Revolving Fund	Historic Restoration	14,030	11,568
Historic Faubourg St. Mary Fund	Easement Maintenance	3,629	3,586
Easement Donation Fund	Easement Maintenance	197,031	134,414
OC Equity Fund	Historic Restoration	<u>168</u>	<u>-</u>
		<u>\$1,506,546</u>	<u>\$1,715,791</u>

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.

**PRESERVATION RESOURCE CENTER OF NEW ORLEANS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

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 2.5% of the employees' current gross eligible compensation. Contributions to the Plan totaled \$10,243 and \$9,213 for fiscal 2009 and 2008, 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

**PRESERVATION RESOURCE CENTER OF NEW ORLEANS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 11 – FAIR VALUE OF FINANCIAL INSTRUMENTS (Cont'd)

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:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial Assets:		
Cash and cash equivalents	\$1,776,606	\$1,776,606
Investments	1,443,616	1,443,616
Unconditional promises to give	66,700	66,700
Financial Liabilities:		
Notes Payable	453,749	453,749

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:	Quoted Prices in Active Markets for Identical Assets (Level 1)
	<u>Fair Value</u>	
Investments	\$1,443,616	\$1,443,616

NOTE 12 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were available to be issued, January 27, 2010, 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.

**PRESERVATION RESOURCE CENTER OF NEW ORLEANS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2009**

Grantor/Pass Through Grantor/Program Title	CFDA Number	Disbursements / Expenditures
UNITED STATES DEPARTMENT OF THE INTERIOR NATIONAL PARK SERVICE Pass through: <u>State of Louisiana, Department of Culture, Recreation and Tourism</u> Historic Preservation Fund	15.904	\$ 30,000
UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT Pass through: <u>City of New Orleans Division of Housing and Neighborhood Development</u> HSNB - Preservation Resource Center CD# 10-027 Community Development Block Grant	14.218	\$ 492,324
TOTAL FEDERAL AWARDS		\$ 522,324

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. As requested by the City of New Orleans Division of Housing and Neighborhood Development, the HSNB - Preservation Resource Center CD# 10-027 Community Development Block Grant was tested as a major program.



**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**

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 the consolidated financial statements of Preservation Alliance of New Orleans, Inc. d/b/a Preservation Resource Center of New Orleans (PRC), as of and for the year ended June 30, 2009, and have issued our report thereon dated January 27, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered PRC's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of PRC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of PRC's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects PRC's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of PRC's financial statements that is more than inconsequential will not be prevented or detected by PRC's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by PRC's internal control.


Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as described above.

Compliance

As part of obtaining reasonable assurance about whether PRC's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and questioned costs as item 2009-1.

PRC's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit PRC's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors, management, the Legislative Auditor for the State of Louisiana and various federal and state audit agencies and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



HEINZ & MACALUSO, LLC

Metairie, LA

January 27, 2010



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

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

Compliance

We have audited the compliance of the Preservation Alliance of New Orleans, Inc. d/b/a Preservation Resource Center of New Orleans (PRC), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. PRC's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of PRC's management. Our responsibility is to express an opinion on PRC's compliance based on our audit.

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. Our audit does not provide a legal determination on PRC's compliance with those requirements.

In our opinion, PRC complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of PRC is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered PRC's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of PRC's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of PRC's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management, the Legislative Auditor for the State of Louisiana and various federal and state audit agencies and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



HEINZ & MACALUSO, LLC

Metairie, LA

January 27, 2010

**PRESERVATION RESOURCE CENTER OF NEW ORLEANS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009**

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 | Yes |
| 3) Management letter comments | No |

Federal Awards

- | | |
|--|-------------|
| 4) <u>Internal control over major programs</u> | |
| 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
14.218 – 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 | No |

**PRESERVATION RESOURCE CENTER OF NEW ORLEANS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2009**

B. FINANCIAL STATEMENT FINDINGS

Compliance and Internal Control over Financial Reporting

Compliance Finding:

2009-1 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, 2009. 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 annual audit completed in a timely fashion was primarily due to understaffing in the accounting department compounded by a significant increase in the annual budget.

We recommend that PRC establish necessary procedures to ensure that its financial statements are submitted to the Legislative Auditor in accordance with state statute.

Management's Response

During FY 10, the PRC worked with a consultant to determine the needs of the accounting department since the influx of large Federal Grants. As a result, the PRC is reorganizing the accounting department to insure the most efficient, streamlined procedures are employed, as well as hiring additional staff to handle specific areas of Federal Grant reporting.

**PRESERVATION RESOURCE CENTER OF NEW ORLEANS
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009**

There were no prior year findings.