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CITIZENS UNITED FOR ECONOMIC EQUITY, INC.
New Orleans, Louisiana

FINANCIAL STATEMENTS
For the Year Ended December 31, 2009

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 9/15/10

Melvin L. Davis
Certified Public Accountant

(A Limited Liability Company)

CITIZENS UNITED FOR ECONOMIC EQUITY, INC.
Harvey, Louisiana

Financial Statements
For the Year Ended December 31, 2009

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Citizens United for Economic Equity, Inc.
New Orleans, Louisiana

I have audited the accompanying statement of financial position of Citizens United for Economic Equity, Inc. (CUEE), a nonprofit corporation, as of December 31, 2009, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of CUEE's management. My responsibility is to express opinions on these financial statements based on my audit.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CUEE as of December 31, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated August 23, 2010, on my consideration of CUEE's internal control over financial reporting and on my 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 my 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 important for assessing the results of my audit.

My audit was conducted for the purpose of forming an opinion on the basic financial statements of CUEE 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.

Mark L. Row

Baton Rouge, Louisiana
August 23, 2010

CITIZENS UNITED FOR ECONOMIC EQUITY, INC.
New Orleans, Louisiana

Statement of Financial Position
December 31, 2009

ASSETS**Current Assets**

Cash in bank - unrestricted	\$ 34,629
Cash in bank - restricted	24,050
Total cash in bank	58,679
Accounts receivable (note 3)	6,000
Notes receivable (note 4)	8,903,088
Employee salary advance	3,300
Prepaid rent	2,750
TOTAL ASSETS	\$ 8,973,817

LIABILITIES**Current Liabilities**

Accounts payable (note 3)	\$ 6,000
Note payable (note 5)	100,000
Total Current Liabilities	106,000

NET ASSETS

Unrestricted net assets	8,867,817
Total Net Assets	8,867,817

TOTAL LIABILITIES AND NET ASSETS	\$ 8,973,817
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The accompanying notes to the financial statements are an integral part of these statements.

CITIZENS UNITED FOR ECONOMIC EQUITY, INC.
New Orleans, Louisiana

Statement of Activities
Year Ended December 31, 2009

REVENUES AND OTHER SUPPORT	
Federal grant and contract	\$ 9,627,600
Private grant and contract	15,000
Interest earned	4,245
Other revenue	<u>4,474</u>
TOTAL REVENUE AND OTHER SUPPORT	<u>9,651,319</u>
EXPENSES	
Program services	1,536,420
Supporting services	<u>535,186</u>
TOTAL EXPENSES	<u>2,071,606</u>
CHANGE IN NET ASSETS	7,579,713
NET ASSETS AT BEGINNING OF YEAR, as restated	<u>1,288,104</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 8,867,817</u></u>

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

CITIZENS UNITED FOR ECONOMIC EQUITY, INC.
New Orleans, Louisiana

Statement of Cash Flows
Year Ended December 31, 2009

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$7,579,713
Adjustments to reconcile change in net assets to cash provided (used) by operating activities	
Adjustments to record restatement of various prior year assets, revenues, and expenditures	1,268,200
(Increase) decrease in operating assets:	
Accounts receivable	(6,000)
Loans receivable	(8,903,088)
Grant receivable	45,103
Employee salary advance	(3,300)
Prepaid rent	31,000
Accounts payable	6,000
Deferred revenue	<u>(140,000)</u>
Net cash provided (used) by operating activities	<u>(122,372)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Payable on line of credit	(69,266)
Proceeds from notes payable	<u>100,000</u>
Net cash provided (used) by financing activities	<u>30,734</u>
Net increase in cash	(91,638)
CASH AT BEGINNING OF YEAR	<u>150,317</u>
CASH AT END OF YEAR	<u><u>\$ 58,679</u></u>
Supplemental Disclosure:	
Cash paid during the year for:	
Interest	<u><u>\$ 1,075</u></u>

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

Statement D

CITIZENS UNITED FOR ECONOMIC EQUITY, INC.
New Orleans, Louisiana

Statement of Functional Expenses
Year Ended December 31, 2009

Expenses	Program Services	Support Services	Total
Payroll and payroll taxes		\$ 331,186	\$ 331,186
Bank charges		1,643	1,643
Insurance		2,932	2,932
Miscellaneous expense		11,414	11,414
Office materials and supplies		11,475	11,475
Originator expense	\$ 35,700		35,700
Postage and delivery		105	105
Professional services		110,561	110,561
Rent		26,250	26,250
Software licenses		9,120	9,120
Travel expenses		3,223	3,223
Licenses and Permit expense		7,252	7,252
Meals / Meeting expense		3,072	3,072
Training		1,240	1,240
Fund Development / Marketing		15,713	15,713
Business Recovery Grant and Loan Program	1,500,720		1,500,720
Total expenses	<u>\$ 1,536,420</u>	<u>\$ 535,186</u>	<u>\$ 2,071,606</u>

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

CITIZENS UNITED FOR ECONOMIC EQUITY, INC

Notes to the Financial Statements
For the Year Ended December 31, 2009

Note 1 – Summary of Significant Accounting Policies

A. Organization

Citizens United for Economic Equity, Inc. (CUEE) was organized as a non-profit corporation under the laws of the State of Louisiana on April 24, 2006. The object and purpose of CUEE is to support economic parity in the rebuilding of the great city of New Orleans. In addition, CUEE exists to meet the financing needs of small businesses located in or serving low-income geographies in New Orleans and that are themselves managed by traditionally underserved populations to include African-American-owned businesses and other minorities.

B. Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

C. Financial Statement Presentation

Financial statement presentation follows the recommendation of the Financial Accounting Standards Board on its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profits Organization*. Under SFAS No. 117, CUEE is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, as applicable.

Unrestricted Net Assets – Support, revenues, and expenses for the general operation of CUEE.

Temporarily Restricted Net Assets – Contributions specifically authorized by the grantor or donor to be used for a certain purpose or to benefit a specific accounting period.

Permanently Restricted Net Assets – Contributions subject to donor-imposed restrictions and that are to be held in perpetuity by CUEE. Generally, the donors of these assets permit CUEE to use all or part of the income derived from the investment of these contributions.

D. Cash and Cash Equivalents

For purposes of reporting the statement of cash flows, CUEE considers all highly liquid debt instruments purchased with original maturities of three months or less to be cash equivalents. CUEE had no cash equivalents at December 31, 2009.

CITIZENS UNITED FOR ECONOMIC EQUITY, INC.

Notes to the Financial Statements
For the Year Ended December 31, 2009

E. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

F. Income Taxes

Income taxes are not provided for in the financial statements since the CUEE is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state provisions.

G. Contributions

Contributions are generally recorded only upon receipt, unless evidence or an unconditional promise to give has been received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value for the amounts expected to be collected. Conditional promises to give are not included as support until such time as the conditions are substantially met. All contributions are considered available for unrestricted use unless specifically restricted by the donor. CUEE had no permanently restricted net assets as of the year ended December 31, 2009.

H. Allowance for Estimated Uncollectible Receivables

An allowance for estimated uncollectible receivables is established when collectibility of a loan or account become doubtful. As of December 31, 2009, management had established no allowance for estimated uncollectible receivables and all accounts were considered collectible.

I. Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Note 2 – Concentration of Credit Risk

CUEE maintains cash balances at several financial institutions located in Louisiana. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2009, CUEE did not have any deposits in excess of FDIC insured limits.

CITIZENS UNITED FOR ECONOMIC EQUITY, INC.

Notes to the Financial Statements

For the Year Ended December 31, 2009

Note 3 – Accounts Receivable and Accounts Payable

As of December 31, 2009, accounts receivable and accounts payable consist of a \$6,000 grant previously awarded to a local business. During the year, the business returned the loan associated with this grant, but the grant amount was not returned until after year-end. Therefore, this amount is due from the local business and due to the Louisiana Department of Economic Development as reimbursement for expenditures incurred by CUEE.

Note 4 – Notes Receivable

CUEE has notes receivable recorded which were made to various businesses under the terms of the cooperative endeavor agreement with the Louisiana Department of Economic Development. Loan recipients were typically small and independent businesses in the most impacted areas of Louisiana, who were experiencing depressed revenues since Hurricanes Karina and Rita. The Business Recovery Grant and Loan (BRGL) Program (Phase II) loans are uncollateralized; require no principal repayment for the first six months and with an interest rate of 0% for the first two years and 4% thereafter. The terms of the loans are amortized over a three to seven year period. Loan repayments are restricted for the purpose of creating a Louisiana Revolving Capital Fund (LRCF) from which additional loans may be made and other allowable costs incurred in accordance with guidelines approved by the Louisiana Department of Economic Development. During the year ended December 31, 2009, CUEE issued BRGL and LRCF loans in the amount of \$7,587,880 and \$1,072,277, respectively.

Notes receivables consisted of the following at December 31, 2009:

BRGL	\$ 8,170,019
LRCF	<u>733,069</u>
Total	<u>\$ 8,903,088</u>

Note 5 – Notes Payable

At December 31, 2009, CUEE has a note with a local non-profit entity in the amount of \$100,000 that accrues interest at 6% and requires monthly interest only payments beginning November 29, 2009. The total unpaid principal and interest is due on May 29, 2010. The note is unsecured.

Note 6 – Operating Lease – Related Party

CUEE leases its office space from a related party. Under the lease agreement, the lessor agrees to allow CUEE unrestricted use of all furnishings, equipment (including telephone service and computers) and use of meeting rooms outside of the leased area. In addition, the lessor is responsible for paying all utility services and to keep and maintain the interior of the premises in good and sanitary condition. During the year ended December 31, 2009, rent payments totaled \$26,250.

In addition, as of December 31, 2009, CUEE has prepaid rent in the amount of \$2,750.

CITIZENS UNITED FOR ECONOMIC EQUITY, INC.

Notes to the Financial Statements
For the Year Ended December 31, 2009

The lease agreement expires in April 2010 and the future minimum rental payments under the lease total \$7,000 for the year ended December 3, 2010.

Note 7 – Risk Management

CUEE is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. There were no settled claims that exceeded this commercial coverage for the year ended December 31, 2009.

Note 8 - Board of Directors' Compensation

The members of the Board of Directors serve in a voluntary capacity; therefore, no compensation was paid to any board member during the year ended December 31, 2009. Two members of management also serve as voting members of the Board of Directors and are compensated and reimbursed for expenses incurred.

Note 9 – Related Party Transactions

The following loan transactions occurred between CUEE and related parties:

- CUEE made loan in the amount of \$35,000 to a business owned by the son of a member of the Board of Directors, who also serves as the Executive Vice President of CUEE.
- CUEE made loan in the amount of \$58,000 to a business owned by a member of the Board of Directors, who also serves as the Executive Vice President of CUEE.
- CUEE made loan in the amount of \$56,000 to a business owned by the sister-in-law of a member of the Board of Directors, who also serves as the Chief Executive Officer of CUEE.
- CUEE made loans totaling \$351,950 to three separate businesses owned by the brother of a member of the Board of Directors, who also serves as the Chief Executive Officer of CUEE.
- CUEE made loan in the amount of \$148,727 to a organization of which a member of the Board of Directors, who also serves as the Chief Executive Officer of CUEE and is also a member of the Board of Directors of the organization..

Note 10 – Contingency

CUEE is the recipient of grant funds from the Louisiana Department of Economic Development. The grant is governed by various guidelines, regulations, and contractual agreements. The administration of the program and activities funded by the grant is under the control and administration of CUEE and are subject to audit and/or review by the applicable funding source. Any grant funds found not to be properly spent in accordance with the terms, conditions, and regulations of the funding source may be subject to recapture.

CITIZENS UNITED FOR ECONOMIC EQUITY, INC.
Notes to the Financial Statements
For the Year Ended December 31, 2009

Note 11 – Prior Period Adjustment

Beginning net assets for the year ended December 31, 2009, were restated as follows:

	<u>Amount</u>
Net assets at December 31, 2008, as previously reported	\$ 19,904
To record prior year notes receivable	<u>1,268,200</u>
Net assets at January 1, 2009, as restated	<u><u>\$ 1,288,104</u></u>

**INDEPENDENT AUDITOR'S REPORTS AND
INFORMATION REQUIRED BY THE SINGLE
AUDIT ACT AND
*GOVERNMENT AUDITING STANDARDS***

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

To the Board of Directors
Citizens United for Economic Equity, Inc.
New Orleans, Louisiana

I have audited the financial statements of Citizens United for Economic Equity, Inc. (CUEE), a nonprofit corporation as of and for the year ended December 31, 2009, and have issued my report thereon dated August 23, 2010. I conducted my 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 my audit, I considered CUEE's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CUEE's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of CUEE's internal control over financial reporting.

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.

My consideration of the internal control over financial reporting 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 significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above. However, I identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as 2009-1 and 2009-2 that I consider to be significant deficiencies in internal control over financial reporting. 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.

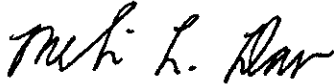
Compliance and Other Matters

As part of obtaining reasonable assurance about whether CUEE's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed one instance of noncompliance 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 2009-3.

CUEE's responses to the findings identified in my audit are described in the accompanying schedule of findings and questioned costs. I did not audit CUEE's responses and, accordingly, I express no opinion on the responses.

I noted certain matters that I reported to management of CUEE in a separate letter dated August 23, 2010.

This report is intended solely for the information and use of the management, Board of Directors, the Legislative Auditor for the State of Louisiana, state and federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specific parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Office of the Legislative Auditor as a public document.



Baton Rouge, Louisiana
August 23, 2010

Melvin L. Davis
Certified Public Accountant

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

To the Board of Directors
Citizens United for Economic Equity, Inc.
New Orleans, Louisiana

Compliance

I have audited the compliance of Citizens United for Economic Equity, Inc. (CUEE), a nonprofit corporation, 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 December 31, 2009. CUEE's major federal programs are identified in the summary of auditor's 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 CUEE's management. My responsibility is to express an opinion on CUEE's compliance based on my audit.

I conducted my 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 I 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 CUEE's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of CUEE's compliance with those requirements.

In my opinion, CUEE 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 December 31, 2009. However, the results of my auditing procedures disclosed instances of noncompliance with those requirements, which required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2009-1 and 2009-2.

Internal Control Over Compliance

The management of CUEE is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered CUEE's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of 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, I do not express an opinion on the effectiveness of CUEE'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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

My consideration of the 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 deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

I have audited the basic financial statements of Citizens United for Economic Equity, Inc. (CUEE), a nonprofit corporation, as of and for the year ended December 31, 2009, and have issued my report thereon dated August 23, 2010. My audit was performed for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 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 my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

CUEE's responses to the findings identified in my audit are described in the accompanying schedule of findings and questioned costs. I did not audit CUEE's responses and, accordingly, I express no opinion on the responses.

This report is intended solely for the information and use of the management, Board of Directors, the Legislative Auditor for the State of Louisiana, state and federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specific parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Office of the Legislative Auditor as a public document.

Michael L. Rouse

Baton Rouge, Louisiana
August 23, 2010

CITIZENS UNITED FOR ECONOMIC EQUITY, INC.
New Orleans, Louisiana
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2009

Federal Grantor / Pass Through or Grantor / Program Title	Federal CFDA Number	Loans Disbursed	Federal Expenditures
United States Department of Housing and Urban Development			
Passed through Louisiana Department of Economic Development and Louisiana Office of Community Development:			
Community Development Block Grants / State's Program			
Business Recovery Grant and Loan Program	14.228	<u>\$7,587,880</u>	<u>\$ 9,627,600</u>
Total Cash Expenditures of Federal Awards		<u>\$7,587,880</u>	<u>\$ 9,627,600</u>

The accompanying Notes to the Schedule of Federal Awards are an integral part of this schedule.

CITIZENS UNITED FOR ECONOMIC EQUITY, INC.
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2009

Note A – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Citizens United for Economic Equity, Inc. 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-Profits Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note B – Description of Grant

Business Recovery Grant and Loan Program (BRGL) – The Louisiana Department of Economic Development provides U. S. Department of Housing and Urban Development, Community Development Block Grant funds to Citizens United for Economic Equity, Inc. for grants and loans issued to businesses located in certain parishes impacted by Hurricanes Katrina and Rita. The loans are uncollateralized; require no principal repayment for the first six months and with an interest rate of 0% for the first two years and 4% thereafter. The terms of the loans are amortized over a three to seven year period.

During the year ended December 31, 2009, Citizens United for Economic Equity, Inc. disbursed grants and loans in the amounts of \$1,500,720 and \$7,587,880, respectively.

Note C – Outstanding Loans

The value of BRGL loans outstanding at December 31, 2009, was \$8,170,019.

CITIZENS UNITED FOR ECONOMIC EQUITY, INC.
Schedule of Findings and Questioned Costs
Year Ended December 31, 2009

Section I - Summary of Auditor's Results

Financial Statement

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

- | | | | |
|--|-----|----------------------|----|
| <input type="checkbox"/> Material weakness(es) identified? | Yes | <u> x </u> | No |
| <input checked="" type="checkbox"/> Significant deficiency (ies) identified? | Yes | <u> x </u> | No |
| <input type="checkbox"/> Noncompliance material to financial statements noted? | Yes | <u> x </u> | No |

Federal Awards

Internal control over major programs:

- | | | | |
|---|-----|----------------------|----|
| <input type="checkbox"/> Material weakness(es) identified? | Yes | <u> x </u> | No |
| <input type="checkbox"/> Significant deficiency (ies) identified? | Yes | <u> x </u> | No |

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

Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

<u> x </u>	Yes	<u> </u>	No
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Identification of major program:

CFDA Numbers	Name of Federal Program or Cluster
14.228	Community Development Block Grants / State's Program

Dollar threshold used to distinguish between type A and type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

<u> </u>	Yes	<u> x </u>	No
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CITIZENS UNITED FOR ECONOMIC EQUITY, INC.
Schedule of Findings and Questioned Costs
Year Ended December 31, 2009

Section II – Financial Statement Findings

2009-1 Lack of Cash Disbursement Controls

Condition:

During the audit, I found the following deficiencies related to the procurement and cash disbursement functions:

- In many instances, I was unable to determine whether prior authorization was obtained before the purchase of goods or services.
- In most instances, I noted that check copies were the sole documentation retained in support of disbursements. To provide adequate disbursement documentation, a copy of the invoice, or a check request form containing a description of the purpose when there is no invoice, should be retained for each disbursement. Also, due to CUEE's failure to utilize check request forms, there was no evidence that the disbursement was approved for payment.
- To request reimbursement for travel expenses, employees either writes the expenses on a plain sheet of paper, submit receipts only, or use some other inconsistent method.
- The procurement system does not utilize receiving reports, to record the receipt of goods or services.

My detail test of 33 disbursements disclosed the following discrepancies:

- Rent of \$3,625.00 appears to be a duplicate payment, due to the fact that at the time the accounting records disclosed prepaid rent of \$33,750.00.
- 4 disbursements totaling \$12,431.85 were not supported with appropriate supporting documentation such as invoices, receipts, etc. to determine the accuracy of the amount disbursement.
- 3 disbursements to independent contractors for services rendered to originate business loan applications and assist in processing those applications were not supported with adequate documentation to determine the completeness and accuracy of the disbursements.
- 3 disbursements totaling \$9,492.00 representing donations and season tickets to athletic events do not appear to be appropriate expenditures of the organization.
- None of the disbursements were supported with receiving reports, except for the signature of a staff member on the face of the invoices in several instances.

Criteria:

Adequate internal controls relating to the procurement and accounts payable/cash disbursements require that specific procedures be in place to ensure that the procurement of goods and services are in compliance with the organization's regulations and that disbursements are properly authorized, supported with documentation such as invoices and receiving reports, and that the disbursements are paid and recorded timely.

CITIZENS UNITED FOR ECONOMIC EQUITY, INC.
Schedule of Findings and Questioned Costs –
Financial Statement Audit
Year Ended December 31, 2009

Cause:

Due to the absence of written procedures and inadequate management supervision, CUEE does not have an adequate control environment to ensure that all purchases are properly requested, authorized, and payments are supported by purchase orders, receiving reports, and original invoices.

Effect:

The lack of adequate internal control relating to the procurement procedures and cash disbursements functions could result in the CUEE's assets being misappropriated and/or the financial statements could be materially misstated.

Recommendation:

I recommend that CUEE adopt written policies and procedures related to procurement and cash disbursements that will require the use of check request forms with necessary approvals, adequate supporting documentation, proper maintenance of files, and timely payment and recording of transactions.

Management's Response and Correction Action Plan:

CUEE will incorporate written policies and procedures related to procurement and cash disbursements that will require the use of check request forms with necessary approvals, adequate supporting documentation, proper maintenance of files, and timely payment and recording of transactions.

2009-2 Reconciliation of the General Ledger to the Subsidiary Ledger of Business Recovery Loans Receivable Balances

Condition:

CUEE maintains records of payments received from Business Recovery loan recipients and the related loan balances for each recipient on a computer software package that is independent from the computerized accounting software for other accounting functions. Audit procedures applied to the fiscal year end balances from the two systems revealed that CUEE did not prepare and maintain monthly reconciliations of the balances from the two systems. Therefore, numerous adjustments were made to the correct the general ledger balances at December 31, 2009.

Criteria:

An adequate internal control structure would require the complete, accurate, and timely reconciliation of all loan accounts to the general ledger on a monthly basis to ensure that all transactions are properly recorded and that the accounts do not contain errors.

Cause:

Due to the absence of written procedures and inadequate management supervision, CUEE does not have an adequate control environment to ensure that all subsidiary accounts are reconciled to the general ledger on a monthly basis.

CITIZENS UNITED FOR ECONOMIC EQUITY, INC.
Schedule of Findings and Questioned Costs –
Financial Statement Audit
Year Ended December 31, 2009

Effect:

The failure to reconcile CUEE's general and subsidiary ledgers in a complete, accurate, and timely manner could allow errors and/or irregularities to exist without being identified and corrected.

Recommendation:

The loan balances from the general ledger and the subsidiary ledger should be reconciled on a monthly basis. In addition, the reconciliation should be reviewed and approved by a member of management on a monthly basis.

Management's Response and Correction Action Plan:

The loan balances from the general ledger and the subsidiary ledger will be reconciled on a monthly basis. In addition, the reconciliation shall be reviewed and approved by a member of management on a monthly basis.

2009-3 Late Submission of the Audit Report

Condition:

The audit of the Citizens United for Economic Equity's financial statements was not completed and filed with the Office of Legislative Auditor within six months of the close of CUEE's fiscal year.

Criteria:

In accordance with Louisiana Revised Statute §24:513A(5)(a) ... audits shall be completed within six months of the close of the entity's fiscal year.

Cause:

CUEE did not reconcile the loans receivable subsidiary ledger with its general ledger early July 2010.

Effect:

The audit report was not filed within the time period required by state law.

Recommendation:

Management needs to place emphasis on providing audit related data in a timely manner and establish financial reporting procedures that will ensure the complete, accurate, and timely recording to transactions. In addition, management should develop and adhere to year-end closing procedures.

Management's Response and Correction Action Plan:

CUEE's management will place emphasis on providing audit related data in a timely manner and establish financial reporting procedures that will ensure the complete, accurate, and timely recording to transactions. In addition, management will develop and adhere to year-end closing procedures.

CITIZENS UNITED FOR ECONOMIC EQUITY, INC.
Schedule of Findings and Questioned Costs
Year Ended December 31, 2009

Section III - Federal Award Findings and Questioned Costs

See comments 2009-1 and 2009-2

CITIZENS UNITED FOR ECONOMIC EQUITY, INC.
Schedule of Prior Year Findings and Questioned Costs
Year Ended December 31, 2009

Financial Statement Findings

No matters reported.

Federal Award Findings and Questioned Costs

No matters reported.

Management Letter Comments

ML 2008-1 Include All Significant Matters in Minutes of Board Meetings

I recommend that matters such as pay raises, the approval of significant contracts or agreements, and procedural changes be discussed, approved, and documented in Board minutes. When issues are discussed by teleconference or email, the discussion should be documented and maintained with other board minutes.

Response: Unresolved – See management letter comment ML 2009-1

ML 2008-2 Support for Cash Disbursements Needed

To provide adequate disbursement documentation, a copy of the invoice, or a check request form containing a description of the purpose when there is no invoice, should be retained for each disbursement. I suggest that this practice be initiated as soon as possible.

Response: Unresolved – See Finding 2009-1

ML 2008-3 Check Signing – Consider Requiring Two Signatures

I suggest that CUEE consider developing a policy whereby checks written over a predetermined amount require two signatures. Allowances within this policy could be made for normal and recurring disbursements that exceed the established dollar limit.

Response: Unresolved – See management letter comment ML 2009-2

LETTER TO MANAGEMENT

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MANAGEMENT LETTER

To the Board of Directors
Citizens United for Economic Equity, Inc.
New Orleans, Louisiana

In planning and performing my audit of the financial statements of Citizens United for Economic Equity, Inc. (CUEE), a nonprofit corporation, for the year ended December 31, 2009, I considered CUEE's internal control in order to determine my auditing procedures for the purposes of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during my audit, I became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. I previously reported on CUEE's internal control in my report dated August 23, 2010. This letter does not affect my report dated August 23, 2010, on the financial statements of CUEE.

I will review the status of these comments during my next audit engagement. I have already discussed many of these comments and suggestions with various CUEE personnel, and I will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or assist you in implementing the recommendations. My comments are summarized as follows:

ML 2009-1 Include All Significant Matters in Minutes of Board Meetings

In reviewing minutes of the Board of Directors meeting, I noted that minutes are not recorded for all meetings and in some instances significant matters or transactions were not acted upon by the Board or included in the minutes. In several instances, I learned that certain matters had been authorized by the Board, yet the authorization was not reflected in the minutes. I recommend that matters such as pay raises, bonuses, loans to businesses, related party transactions, the approval of significant contracts or agreements, and procedural changes be discussed, approved, and documented in Board minutes. When issues are discussed by teleconference or email, the discussion should be documented and maintained with other board minutes.

Management's Response and Correction Action Plan:

Corrective action has begun to ensure that all Board decisions are clearly reflected in the Board minutes.

ML 2009-2 Check Signing – Consider Requiring Two Signatures

During my audit procedures, I noted that all checks written by CUEE, regardless of dollar amount, only one signature is required. This practice weakens the internal controls over cash by vesting complete disbursement authority in one person. I suggest that CUEE consider developing a policy whereby checks written over a predetermined amount require two signatures. Allowances within this policy could be made for normal and recurring disbursements that exceed the established dollar limit.

Management's Response and Correction Action Plan:

At the next Board Meeting a decision on the amount not to be exceeded that will require two signatures for our operating account. The Board will ratify the existing policy.

ML 2009-3 Annual Manual Needed

During my audit, I noted that CUEE does not have an up-to-date manual of accounting policies and procedures. The purposes of such a manual are to ensure that proper accounting principles are being applied, that similar transactions are treated consistently, and that financial reports are produced in the form desired by management. The manual should include:

- An organizational chart
- Job descriptions, outlining duties and responsibilities
- Descriptions of methods, procedures, and accounting principles to be followed, including explanations and examples of principle transactions
- A chart of accounts with detailed explanations of the items to be included therein
- Any other documents or forms for which uniformity of use is desired

I recommend that CUEE develop a comprehensive accounting policies and procedures manual. In the process of developing the manual, I recommend a comprehensive review of the existing accounting system, offering management the opportunity to eliminate or improve procedures and thereby create a more efficient and effective system.

Management's Response and Correction Action Plan:

CUEE will develop and follow a manual of accounting policies and procedures.

I wish to thank the staff of CUEE for their support and assistance during my audit.

This report is intended solely for the information and use of the management, Board of Directors, the Legislative Auditor for the State of Louisiana, and is not intended to be and should not be used by anyone other than these specific parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Office of the Legislative Auditor as a public document.



Baton Rouge, Louisiana
August 23, 2010