LUTHER C. SPEIGHT & COMPANY

A Corporation of Certified Public Accountants and Management Consultants

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JEFFERSON HOUSING FOUNDATION, INC.

FINANCIAL STATEMENTS
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 1999

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 JUL 12 2000

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LUTHER C. SPEIGHT & COMPANY

A Corporation of Certified Public Accountants
and Management Consultants

Celebrating 10 Years

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Jefferson Housing Foundation, Inc.

We have audited the accompanying statement of financial position of Jefferson Housing Foundation, Inc. (a nonprofit organization) as of December 31, 1999, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards. 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 5 of this report, the value of the investment in LePlace Housing Foundation is recorded at $1,782,593, however it does not contain construction in progress amounts. There was also a fund balance adjustment in the amount of $1,144,000, that management of the agency could not identify. Additionally, the agency declined to present a statement of cash flows for the year ended December 31, 1999. Presentation of such statement summarizing the agency's operating, investing, and financing activities is required by generally accepted accounting principles.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves with alternative procedures, regarding the agency's investment in the related entity, as well as the fund balance adjustment and absence of the cash flow statement, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Jefferson Housing Foundation, Inc. as of December 31, 1999, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated June 23, 2000, on our consideration of Jefferson Housing Foundation, Inc.'s. internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

New Orleans Office: 10001 Lake Forest Blvd Suite 404 New Orleans, LA 70127 phone (504) 244-9400 fax (504) 244-8240

Our audit was performed for the purpose of forming an opinion on the financial statements of Jefferson Housing Foundation, Inc. taken as a whole. The schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements of the Organization. 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 also not a required part of the financial statements of the Organization. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Luther C. Speight & Co.

Luther C. Speight & Company CPA's and Consultants
June 23, 2000

JEFFERSON HOUSING FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 1999

Current Assets		
Grants Receivable	$	53,619
Other Receivables		1,275
Total Current Assets		54,894
Fixed Assets		
Property, Plant and Equipment (Net)		147,715
Other Assets		
Investment in LePlace Housing Foundation		1,782,593
TOTAL ASSETS	$	1,985,202
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable and Accrued Expenses	$	131,394
Deferred Revenue		15,276
Loans Payable		174,226
Due to Related Entities		156,695
Due to Funding Source		95,224
Payroll Taxes Payable		322,061
Other Liabilities		500
Total Current Liabilities		895,376
Net Assets		
Net Assets - Unrestricted		(447,823)
Net Assets - Restricted		1,537,649
Total Net Assets		1,089,826
TOTAL LIABILITIES AND NET ASSETS	$	1,985,202

See The Accompanying Notes To The Financial Statements

JEFFERSON HOUSING FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 1999

REVENUE	
Grant/Contract Support	$ 2,590,862
Miscellaneous Income	495
Total Revenue	2,591,357
EXPENSES	
Program Services:	
Business Development	93,226
CHDO Revitalization	175,051
Homeownership Program	94,054
Happy Street Project	30,395
Scotsdale/Old Harvey Project	139,434
Lincolnshire Revitalization Project	232,630
Social Services	99,257
Jefferson Place Development	1,581,667
Total Program Services	2,445,714
Support Services:	
Management and General	271,405
Total Support Services	271,405
Total Expenses	2,717,119
Change In Net Assets	(125,762)
Net Assets, beginning of year	71,588
Net Assets, adjustment	1,144,000
Net Assets, end of year	$ 1,089,826

JEFFERSON HOUSING FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - BACKGROUND AND GENERAL DATA:

Background

Jefferson Housing Foundation (JHF) is a non-profit Corporation organized under the laws of the State of Louisiana. The Foundation exists to provide affordable housing opportunities and stimulate economic development within Jefferson Parish. Specifically, JHF strives to provide educational training to inform prospective clients of the rights and responsibilities of homeownership, to actively identify and participate in community revitalization efforts in distressed neighbors; and to provide business fundamentals and the technical assistance to economically disadvantaged individuals who desire to become entrepreneurs.

General

As of December 31, 1999, the Foundation administered the following activities:

- General Fund – The General Fund is used to account for unrestricted operations of the Foundation.

- First-Time Homebuyers – This grant is used to account for the administration of counseling services provided to potential low- to moderate income first-time homebuyers. The grant also covers the costs associated with the maintenance of the building such as rent, utilities and supplies.

- Business Entrepreneur Training Grant – This grant is used in conjunction with a federal grant to empower potential entrepreneurs among the under-represented population of Jefferson Parish with the information necessary to start and successfully maintain a business.

- Scotsdale/Old Harvey Project – This project is funded via a community service grant awarded from the Parish of Jefferson and an Economic Development Initiative-special project grant from HUD. The grant is used to for acquisition, planning and administrative cost for the Scotsdale Subdivision.

- Lincolnshire Community Services Grant- This grant is used to help low to moderate income families become home owners, and use the funds granted for cost associated with the Lincolnshire Revitalization Project.

- Community Service Grant - This grant is used to defray the cost associated with the 1998 Audit and Accounting Services.

- Happy Street Project- This project is a privately financed development that is comprised of 11 houses, which were acquired via donation from the Parish of Jefferson and subsequently rehabilitated and sold.

- CHDO Revitalization Effort - This grant provides affordable housing activities in the Bunche Village/Little Farms, Lincolnshire, Harvey, Bridge City, and Shrewsbury areas.

NOTE 2 - **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

Principles of Accounting

The financial statements of each of the Foundation's funds and the supplementary schedules are prepared in accordance with generally accepted accounting principles and are prepared on the accrual basis.

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

Basis of Reporting

During 1996, the Foundation adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 116, "Accounting for Contributions Received and Contributions Made", and SFAS No. 117, "Financial Statements of Not-for-Profit Organizations", and applied these standards on a retroactive basis. SFAS No. 116 requires that unconditional promises to give (pledges) be recorded as receivables and revenues and requires the organization to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. SFAS No. 117 establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset categories (i.e. unrestricted, temporarily restricted and permanently restricted net assets) according to externally (donor imposed restrictions). In addition, the Foundation is required to present a statement of cash flows.

A description of the three net asset categories is as follows:

Unrestricted net assets include the following:

- Unrestricted net assets include funds not subject to donor-imposed stipulations. The revenues received and expenses incurred in conducting the mission of the Foundation are included in this category. The Foundation has determined that any donor-imposed restrictions for current or developing programs and activities are generally met within the operating cycle of the Foundation, and therefore, the Foundation's policy is to record these net assets as unrestricted.

- Unrestricted funds-designated represent the unexpended balance of exchange transactions received from the U. S. Government, state, local and private agencies.

- Temporarily restricted net assets include realized gains and losses, investment income and gifts and contributions for which donor imposed restrictions has not been met.

- Permanently restricted net assets are contributions which are required by the donor-imposed restriction to be invested in perpetuity and only the income be made available for program operations in accordance with the donor restrictions. Such income is reflected in temporarily restricted net assets until utilized for donor imposed restrictions.

Furniture, Equipment and Leasehold Improvements

Furniture, equipment and leasehold improvements of the Foundation are recorded as assets and are stated at historical costs, if purchased, or at fair market value at the date of the gift, if donated. Additions and improvements are capitalized expenditures that significantly extend the useful life of an asset. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

Furniture and Equipment	3- 5 years
Leasehold Improvements	Life of the lease

Due to Funding Sources

This amount represents funds advanced for the purchase of properties that are required to be repaid to the funding source.

Inter-fund Activity

All inter-fund activities have been recorded as due to or due from other programs and represent any loans to or expenses paid by one program on behalf of another.

Grants Receivable

The Foundation considers grant receivables to be fully collectible since the balance consists principally of payments due under governmental contracts.

NOTE 3 - CONTRIBUTION

Contribution consist of unrestricted cash donations made to the Foundation to provide support to the operations of the Foundation as well as to fund specific projects as designated by the donor or the Board of Directors.

NOTE 4 - INCOME TAXES

The Foundation is exempt from corporate income taxes under section 501(C) (3) of the Internal Revenue Code.

NOTE 5 - INVESTMENTS

On this the advice of legal counsel, Jefferson Housing Foundation (JHF) established and/or became associated with (3) three " For-Profit-Entities" for the purpose of rehabilitating the Jefferson Place Apartments and to insulate JHF from any legal liability that may arise in connection with the property rehabilitation.

Consequently, in 1997 JHF and Jefferson Place Development, Inc., became members of a Limited Liability Company called LePlace Housing Foundation. The JHF has a 99% ownership interest in the LePlace Housing Foundation, L.L.C.

On January 30, 1997, the Parish of Jefferson acquired the Jefferson Place Apartments (the Property) for the price of $1.00 by Act of Sale from the U.S. Department of Housing and Urban Development (HUD) and donated the property to JHF. On November 6, 1998, JHF donated this property to LePlace of Jefferson.

In 1998, the LePlace Housing Foundation established a Partnership (LePlace of Jefferson) in Commendam with Frank H. Gilberti, L.L.C., and Michael H. O'Keefe, Jr., an individual. LePlace Housing Foundation has an 80% ownership interest in LePlace of Jefferson.

In determining the investment value at December 31, 1999, management considered the following factors:

- Structural Depreciation
- Market Value of Donated Property
- Capitalizable Cost
- Ownership interest

Structural Depreciation – management estimates the physical deterioration for the (2) two years preceding the donation range from $200,000 to $250,000.

Market Value – the carrying value of the property at the date of transfer, November 20, 1998, was $907,142. In 1996 and 1997 the "AS IS" appraisals were $850K and $800K respectively. At the date of transfer, no "AS IS" appraisal was performed. However, management estimated that the market value of the Property at December 31, 1998 was at least $1.2 M based on the fact that the insurance coverage for the "Existing Structure" alone was $1.2M which management believes is an approximation of replacement cost. Giving these factors management believes the carrying value of $907,122 is reasonable.

Capitalizable Cost – Closing cost attributable to the donation of the property totaled $1.4M. Management determined that approximately $1.1M of that cost would be capitalizable by LePlace of Jefferson.

These cost consist of legal and non-construction related consulting and administrative cost. It is management belief that these cost do not enhance the physical structure of the property. Additionally, the recovery of the cost would only occur and/or be dependent on a subsequent sale of the property. Thus, management elected to provide a valuation reserve of $1.1M at December 31, 1998.

Ownership Structure – of the entities described above, JHF has no direct equity ownership interest in LePlace of Jefferson. However, as JHF has a 99% ownership interest in the LePlace Housing Foundation, who has an 80% ownership in LePlace of Jefferson an indirect ownership in LePlace of Jefferson can be inferred. Thus, the valuation factors referred would be relevant in any Valuation scenario.

Net Book Value of the For-Profit-Entities – the investment value should represent the Net Book Value of the entity adjusted by the ownership interest at December 31, 1998. On the For-Profit-Entities were only engage in financial activity associated with donated property, it can be assumed that the Net Book Value of these entities was at or nearly equal to the Market Value of the donated property plus any capitalizable cost.

Management estimated the Net Book Value of LePlace of Jefferson and LePlace Housing Foundation at December 31, 1998 to be $2.5M and $2.0M respectively and that Gross investment value of JHF's interest in

LePlace Housing Foundation was $1,980,000, which was calculated as follows:

Estimated Net Book Value of LePlace of Jefferson	$2,500,000
Ownership interest of LePlace Housing Foundation	80%
Estimated Equity interest of LePlace Housing Foundation	2,000,000
Ownership interest of JHF	99%
Estimated Equity interest of JHF	1,980,000

After consideration of the ownership structure and the related valuation factors previously discussed, management determined that its Net Investment in LePlace Housing Foundation at December 31, 1998 was $576,000, as outlined below:

Estimated equity interest of JHF	1,980,000
Structural depreciation allowance	(250,000)
Capitalizable cost allowance	(1,100,000)
Market adjustments	(54,000)
Investment in LePlace Housing Foundation	576,000

CURRENT YEAR CARRYING VALUE

In prior years, JHF received an "upfront grant" award from HUD in the amount of $ 3.4 million specifically to rehabilitate the Jefferson Place Apartments. During 1999, a total of $1,523,476 was funded by HUD to JHF and in turn was transferred via assignment by JHF to LePlace of Jefferson for rehabilitation of Jefferson Place Apartments. The foundation capitalized these costs to its investment in LePlace Housing Foundation as follows:

HUD "upfront" grant funding (12/31/99)	$1,523,476
(Discounted for JHF's interest in Jefferson Place Apartments)	($ 316,883)
Net Increase in Asset Value	$1,206,593
Investment in the LePlace Housing Foundation @ 12/31/98	$ 576,000
Investment in LePlace Housing Foundation @ 12/31/99	$ 1,782,593

INCREASE IN ASSET VALUE (NET ASSET ADJUSTMENT)

As mentioned above management recorded an increase in net assets totaling $1,206,593 to reflect Jefferson Housing Foundation's HUD "upfront" grant funding, on a pro-rata basis. This adjustment, however, does not reflect the additional funding of construction in progress funded via bank debt and other sources. This funding was approximately $2,00,000 as of December 31, 1999. Jefferson Housing Foundation did not have an adequate accounting system to track and properly record its investment in Jefferson Place Apartments.

The up-front grant agreement requires that Jefferson Place Apartments have an audit upon closeout. Management estimates that Jefferson Place Apartments will be complete during the year 2000 and has assured that a closeout audit will be performed timely. The value of the Foundation's investment in Jefferson Place Apartments will be determined by this closeout audit.

NOTE 6- PROPERTY, PLANT AND EQUIPMENT

As of December 31, 1998, fixed assets consisted of:

Land	$141,603
Happy Street Property	- 0-
Equipment	9,570
Furniture & Fixtures	13,345
Accumulated. Depreciation	(16,803)
Total	147,715

NOTE 7- DEFERRED REVENUE

Amount represents cash advance received from Jefferson Parish for the administration of the CHDO Revitalization effort. The advance is being repaid via withholdings from the monthly cost reimbursement request at a rate of $1,458 per request.

NOTE 8 - **LOANS PAYABLE**

As of December 31, 1999, the Foundation had the following loans payable at 8.75 and 10% respectively:

Iberia Bank	$50,000
Dryades Bank	34,000
Dryades Bank	37,670
City Wide Mortgage	50,000
Credit Card Payable	2,556
Total	$ 174,226

These loans are considered to be current liabilities as they represent Lines of Credit and Promissory Notes due in one year.

NOTE 9- **PAYROLL TAXES PAYABLE**

The amount represents unpaid payroll taxes and the related interest and penalties for 1997,1998 and 1999. Management has engaged a consulting firm which is currently in negotiations with the Internal Revenue Service. On June 13, 2000 an offer letter has been filed with the IRS to settle all outstanding claims.

NOTE 10 - **COMMITMENT AND CONTINGENCY**

Commitment

As of the date of this report, the building lease payment has been paid through February 3, 2001.

Contingency

In connection with the administration and operation of the federal grants, the Foundation is to expend grant funds, in accordance with the program guidelines and regulations. However, should the Foundation have operated/administered the grants in a manner which would be in noncompliance with the guidelines and regulations, the Foundation may be required by the funding sources to repay some portion or all of the grant awards.

NOTE 11- RELATED PARTIES

The following entities are related parties:

- LePlace of Jefferson, A Louisiana Partnership in Commendam
- LePlace Housing Foundation, L.L.C.
- Jefferson Place Development, Inc.

LePlace of Jefferson, A Louisiana Partnership in Commendam was formed on October 27, 1998, with the following owners:

General Partner:	LePlace Housing Foundation , L.L.C.	80%
Limited Partners:	Michael H. O'Keefe, Jr.	10%
	Frank Gilberti	10%

LePlace Housing Foundation, L.L.C. was formed on October 20, 1997, with the following owners:

Member A:	Jefferson Housing Foundation	99%
Member B:	Jefferson Place Development, Inc.	1%

Jefferson Place Development, Inc. was formed on January 3, 1997. The entity is a holding company, which is controlled by Jefferson Housing Foundation.

NOTE 12- LOAN GUARANTOR

As per the development agreement the Foundation agrees that it shall convey to Le Place of Jefferson, (the "Partnership") fee simple title to the Land (on which Jefferson Place Apartments is located), with all improvements and personalty located thereon, no later than the closing to the construction financing for the re-development, which conveyance shall be subject to all liens and encumbrances on the Land, including, but not limited to, that certain line of credit indebtedness owed by the Foundation to Hibernia National Bank which is secured by the Land. All liens and encumbrances on the Land shall be paid from the construction financing. The sole consideration the Foundation will receive for the transfer of the Land and appurtenances will be its interest in the Partnership and its share of the Developer's Fee.

SUPPLEMENTARY INFORMATION

JEFFERSON HOUSING FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 1999

EXPENSE CATEGORY	PROGRAM SERVICES									SUPPORT SERVICES	TOTAL OPERATING EXPENSES
	Business Develop.	CHDO Revitalization	Homeownership (See Subschedule A)	Happy Street	Scotsdale/ Old Harvey	Lincolnshire Revitalization Project (See Subschedule B)	Social Services	Jefferson Place	TOTAL Program Services	Management and General	
Salaries	70,631	$ 66,690	$ 90,041		$ 36,551	162,607	76,718	$ 38,997	$ 542,235	$ 28,284	$ 570,519
Payroll Taxes	5,509	5,115	2,829		3,342	11,683	2,392	4,485	35,355	9,619	44,974
Supplemental Pay (WTW)			0			0	6,468		6,468	1,848	8,316
Telephone/Commun.		148	149			7,700			7,997	13,218	21,215
Building Supplies			0		20,402	0	410		20,812	922	21,734
Consulting Fees	14,003		0		43,639	0	5,642		63,284	33,811	97,095
Postage/Delivery			99			4,919		60	5,078	427	5,505
Repairs & Maintenance			0	8,111	23,247	0			31,358	2,786	34,144
Printing			0			4,485		(2,844)	1,641		1,641
Meetings			0			0	196		196	1,907	2,103
Equipment		96	213			7,270			7,579	846	8,425
Office Expense	3,017		69			4,426	1,502		9,014	12,310	21,324
Utilities		185	333	319	1,171	11,420	435		13,863	754	14,617
License & Permits		427	0			0	201		628	37	665
Co-Developer Fees			0			0			0		0
Land Purchase		78,880	0			0			78,880		78,880
Inspections			0	500		0			500	103	603
Appraisals		1,000	0			0			1,000		1,000
Architectural Svcs.		10,100	0			15,075			25,175		25,175
Janitorial			0			0			0	3,565	3,565
Security			0			0	144		144	303	447
Credit Reports			121			1,725			1,846		1,846
Surveying Svcs.		7,113	0			0		382	7,495	2,375	9,870
Training/Education	15		200			0	1,696		1,911	1,678	3,589
Operations			0			0			0		0
Donated Property			0			0			0		0
Grant Expense			0	14,363		0		1,523,476	1,537,839		1,537,839
Participants Supportive			0			0	230		230		230
Rental Assistance			0			0	1,235		1,235		1,235
Insurance			0			0			0	8,694	8,694
Dues & Subscriptions			0			0	77		77	142	219
Depreciation			0			0			0		0
Legal Fees		4,273	0	2,094	10,649	0		16,512	33,528	12,143	45,671
Accounting Fees			0			0			0	82,464	82,464
Audit Fees			0			0			0	20,000	20,000
Relocation Assistance			0	586		0			586		586
Travel	51		0			0	1,368		1,419	1,452	2,871
Advertising		455	0			0			455	3,052	3,507
Uniforms			0			0	543		543		543
Interest Expense			0	4,346		0			4,346	13,608	17,954
Miscellaneous		569	0	76	433	1,320		599	2,997	15,057	18,054
TOTAL	$ 93,226	$ 175,051	$ 94,054	$ 30,395	$ 139,434	232,630	99,257	$ 1,581,667	$ 2,445,714	$ 271,405	$ 2,717,119

See The Accompanying Notes
To The Financial Statements

JEFFERSON HOUSING FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 1999

PROGRAM SERVICES

EXPENSE CATEGORY	Subschedule A			Subschedule B			
	Home-Ownership 98/99	Home-Ownership 99/00	TOTAL Homeownership	Lincolnshire Community Services	Lincolnshire Revitalization	Lincolnshire Rehabilitation	TOTAL Lincolnshire Revitalization Project
Salaries	$ 78,070	$ 11,971	$90,041	$ 101,079	$0	$61,528	$162,607
Payroll Taxes	1,913	916	2,829	6,976		4,707	11,683
Supplemental Pay (WTW)			0				0
Telephone/Commun.		149	149	7,700			7,700
Building Supplies			0				0
Consulting Fees			0				0
Postage/Delivery		99	99	4,919			4,919
Repairs & Maintenance			0				0
Printing			0	4,485			4,485
Meetings			0				0
Equipment		213	213	7,270			7,270
Office Expense		69	69	4,426			4,426
Utilities		333	333	11,420			11,420
License & Permits			0				0
Co-Developer Fees			0				0
Land Purchase			0				0
Inspections			0				0
Appraisals			0				0
Architectural Svcs.			0		15,075		15,075
Janitorial			0				0
Security			0				0
Credit Reports		121	121	1,725			1,725
Surveying Svcs.			0				0
Training/Education		200	200				0
Operations			0				0
Donated Property			0				0
Grant Expense			0				0
Participants Supportive			0				0
Rental Assistance			0				0
Insurance			0				0
Dues & Subscriptions			0				0
Depreciation			0				0
Legal Fees			0				0
Accounting Fees			0				0
Audit Fees			0				0
Relocation Assistance			0				0
Travel			0				0
Advertising			0				0
Uniforms			0				0
Interest Expense			0				0
Miscellaneous			0		75	1,245	1,320
TOTAL	$ 79,983	$ 14,071	$94,054	$ 150,000	$15,150	$67,480	$232,630

See The Accompanying Notes
To The Financial Statements

SCHEDULE OF FEDERAL AWARDS

JEFFERSON HOUSING FOUNDATION, INC.
Schedule of Federal Awards
Year Ended December 31, 1999

Federal Grantor/ Pass Through Grantor	CFDA Number	Expenses
Housing and Urban Development	Special Purpose	$ 1,523,476
CDBG	14.228	187,280
HOME-Revitalization	14.239	175,051
Housing and Urban Development	14.228	89,336

See the Independent Auditor's Report

LUTHER C. SPEIGHT & COMPANY

A Corporation of Certified Public Accountants
and Management Consultants

Celebrating 10 Years

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

To the Board of Directors of
Jefferson Housing Foundation, Inc.

We have audited the financial statements of Jefferson Housing Foundation, Inc. (a nonprofit organization) as of and for the year ended December 31, 1999, and have issued our report thereon dated June 23, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance
As part of obtaining reasonable assurance about whether Jefferson Housing Foundation's 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 instances of noncompliance that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as items 99-1 through 99-10.

Internal Control Over Financial Reporting
In planning and performing our audit, we considered the Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Jefferson Housing Foundation's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 99-1 through 99-10.

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A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that items 99-4, 99-7, 99-9, and 99-10 of the reportable conditions described above are material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Luther C. Speight & Co.

Luther C. Speight & Company CPA's and Consultants
June 23, 2000

LUTHER C. SPEIGHT & COMPANY

A Corporation of Certified Public Accountants
and Management Consultants

Celebrating 10 Years

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 of
Jefferson Housing Foundation, Inc.

Compliance

We have audited the compliance of Jefferson Housing Foundation, Inc. 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 its major federal program for the year ended December 31, 1999. Jefferson Housing Foundation's major federal program is 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 its major federal programs is the responsibility of the Agency's management. Our responsibility is to express an opinion on Jefferson Housing Foundation's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; 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 Jefferson Housing Foundation'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 of the Agency's compliance with those requirements.

In our opinion, Jefferson Housing Foundation, Inc. complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 1999.

Internal Control Over Compliance

The management of Jefferson Housing Foundation, Inc. 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 our audit, we considered the Agency'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

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compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Directors, management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Luther C. Speight & Co.

Luther C. Speight & Company CPA's and Consultants
June 23, 2000

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JEFFERSON HOUSING FOUNDATION, INC.
Schedule of Findings and Questioned Costs
Year Ended December 31, 1999

Section I - Summary of Auditor's Results

Financial Statements

A qualified opinion was issued on the financial statements of the auditee.

Internal control over financial reporting:

Material weakness(es) identified ?	___X___ yes	______ no
Reportable condition(s) identified not considered to be material weaknesses ?	___X___ yes	______ no
Noncompliance material to financial statements noted?	___X___ yes	______ no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	___X___ yes	______ no
Reportable condition(s) identified not considered to be material weaknesses ?	___X___ yes	______ no

An unqualified opinion was issued on compliance for the major program.

Any audit findings disclosed that are required to be Reported in accordance with Circular A-133, Section 510(a)?	___X___ yes	______ no

The major program for the year ended December 31, 1999 was as follows:

Special Purpose Distribution HUD Construction Project

JEFFERSON HOUSING FOUNDATION

MANAGEMENT LETTER COMMENTS
12/31/99

99-1

PROJECT NAME: HAPPY STREET

QUESTIONED COSTS: $ 1,000

CONDITION: RELATED PARTY TRANSACTION

During our examination of the Happy Street project, we noted that the final house was sold during the audit period. However, a commission was paid to a realty company that was owned by an employee of the foundation. This transaction is considered to be a related party transaction.

CRITERIA:

Standard industry practices require that transactions be consummated on an arms-length basis.

EFFECT:

We were unable to determine the reasonableness of the costs incurred relative to the related party transaction.

CAUSE:

We were unable to determine the cause for this condition.

RECOMMENDATION:

We recommend that the foundation obtain prior approval for all related party transactions.

MANAGEMENT'S RESPONSE:

Prior to his tenure with the Foundation, this current employee owned a realty company and was engaged as a real estate agent. A commission was paid to him for services rendered prior to his employment. Management will disclose and obtain prior approval of all future related party transactions to mitigate any perceptions of "conflict of interest" or otherwise.

JEFFERSON HOUSING FOUNDATION

MANAGEMENT LETTER COMMENTS
12/31/99

99-2

GRANT NAME: General Accounting

QUESTIONED COSTS: $ 0

CONDITION:

We were not provided with bank reconciliations and bank statements for two bank accounts that were recorded on the general ledger of the Foundation.

CRITERIA:

It is industry standard that bank reconciliations be performed on a monthly basis and particularly at year-end.

EFFECT:

We were unable to determine whether or not the account activity and year-end balances were recorded accurately.

CAUSE:

The Foundation improperly maintained original documents and did not perform reconciliations of the bank accounts in a timely manner.

RECOMMENDATION:

We recommend that all accounts be reconciled and original bank statements be maintained on file.

MANAGEMENT'S RESPONSE:

Management has implemented policies and procedures that require all bank accounts to be reconciled and original bank statements be maintained on file.

JEFFERSON HOUSING FOUNDATION

MANAGEMENT LETTER COMMENTS
12/31/99

99-3

GRANT NAME: General Accounting

QUESTIONED COSTS: $ 0

CONDITION:

Our review of the grant cash accounts showed that the Foundation maintained eleven accounts on its general ledger, with a combined balance of ($22,579). In addition, two of the accounts made up most of the negative balances with ($18,946) and (4,629) respectively.

CRITERIA:

The agency should expend monies according to its' cash flow availability.

EFFECT:

There were negative balances, which represent overdrawn cash accounts and the inability of the Foundation to meet current obligations, thereby increasing the potential for errors, irregularities, and omissions to exist in association with the financial statement presentation.

CAUSE:

There was untimely reconciliation and analysis of the Foundation's bank accounts along with a lack of regular monitoring of account balances for effective cash management.

RECOMMENDATION:

We recommend that the Foundation manage its cashflow in a manner that does not result in significant negative cash balances or bank overdrafts.

MANAGEMENT'S RESPONSE:

Procedures will be implemented to ensure that checks are written when the balance in the checking account is positive. In spite of the condition reflected above, there were minimum bank overdrafts during this reporting period.

JEFFERSON HOUSING FOUNDATION

MANAGEMENT LETTER COMMENTS
12/31/99

99-4

GRANT NAME: BUSINESS DEVELOPMENT

QUESTIONED COSTS $ 0

CONDITION:

The Foundation's business development grant required that 120 participant complete the program. The foundation appeared to have met this objective by reporting 125 participants completing the program. However, we examined a selection of twenty-seven (27) participant files and noted various exceptions that generally reflected inadequate file maintenance. The exceptions noted during our examination included the following:

a) incomplete participant applications
b) insufficient income eligibility documentation on file
c) incomplete attendance information on file
d) no certificate of completion on file.

CRITERIA:

Grant agreements require maintenance of adequate documentation supporting the eligibility of participants and the reporting of program objectives to the grantor.

EFFECT:

We were unable to determine if comprehensive program objectives were met.

CAUSE:

The agency did not have procedures in place to adequately monitor and ensure that programmatic reporting requirements were met.

RECOMMENDATION:

We recommend that the Foundation perform a comprehensive review of the Business Development Program's participant file maintenance procedures. File checklists and periodic reviews by management should be incorporated into the procedures.

99-4 (Continued)

MANAGEMENT'S RESPONSE:

Management will have a staff person that does not work directly with the program to monitor the program in the area of file maintenance and grant compliance. The facilitator of the program has developed a form to track the attendance of the participants and a checklist of the items that are required by the grant to be maintained in the file.

JEFFERSON HOUSING FOUNDATION

MANAGEMENT LETTER COMMENTS
12/31/99

99-5

GRANT NAME: HOMEOWNERSHIP GRANT

QUESTIONED COSTS: $ 0

CONDITION:

Our examination of the nonpayroll expenses charged to the Homeownership Grant showed that most of the expenses charged to this grant in the general ledger were paid from and charged to the Foundation's general fund. Journal entries were recorded to transfer the cost to the Homeownership grant program's account, thereby not providing an adequate audit trail to assure that all program costs are necessary, reasonable and allocable to the grant account. Additional procedures were necessary to ultimately determine the allowability of the costs incurred.

CRITERIA:

The grant's accounting policies and generally accepted accounting principles require that grant fund expenditures be accounted for with the proper program accounts.

EFFECT:

Grant fund expenditures were not properly accounted for as they were incurred during 1999.

CAUSE:

The agency did not maintain its' accounting records in accordance with generally accepted accounting principles.

RECOMMENDATION:

We recommend that all program costs be directly charged to the respective program's general ledger account as opposed to cost transfers from other funds.

MANAGEMENT'S RESPONSE:

The Foundation has revised and implemented accounting procedures to ensure all program costs are billed directly to the respective program's general ledger account.

JEFFERSON HOUSING FOUNDATION

MANAGEMENT LETTER COMMENTS
12/31/99

99-6

GRANT NAME: CHDO- LINCOLNSHIRE (NEW CONSTRUCTION)

GRANT NUMBER:

QUESTIONED COSTS: $ 0

CONDITION:

Our examination of the nonpayroll expenses charged to the Lincolnshire (New Construction Program) Grant showed that most of the expenses charged to this grant in the general ledger were paid from and charged to the Foundation's general fund. Journal entries were recorded to transfer the cost to the Lincolnshire grant program's account, thereby not providing an adequate audit trail to assure that all program costs are necessary, reasonable and allocable to the grant account. Additional procedures were necessary to ultimately determine the allowability of the costs incurred.

CRITERIA:

The grant's accounting policies and generally accepted accounting principles require that grant fund expenditures be accounted for with the proper program accounts.

EFFECT:

Grant fund expenditures were not properly accounted for as they were incurred during 1999.

CAUSE:

The agency did not maintain its' accounting records in accordance with generally accepted accounting principles.

RECOMMENDATION:

We recommend that all program costs be directly charged to the respective program's general ledger account as opposed to cost transfers from other funds.

99-6 (Continued)

MANAGEMENT RESPONSE:

The Foundation has revised and implemented accounting procedures to ensure all program costs are billed directly to the respective program's general ledger account.

JEFFERSON HOUSING FOUNDATION

MANAGEMENT LETTER COMMENTS
12/31/99

99-7

GRANT NAME: HAPPY STREET PROJECT

QUESTIONED COSTS: $ 11,000

CONDITION:

During our examination of the Happy Street Program, we noted two homeowners received grants from the Foundation totaling $11,000. These grants assisted in funding the homeowner's act-of-sale, however the foundation did not have sufficient documentation on hand to ascertain the source of funding for these grants. We were therefore unable to determine the allowability of the grant disbursements.

CRITERIA:

Grant program policies require that all costs charged to the grant be supported by adequate support and documentation of eligibility.

EFFECT:

We were unable to determine the source of the funding for the grant disbursements or the allowability of the grant disbursements.

RECOMMENDATION:

We recommend that the Foundation maintain complete source documentation on file in support of all program costs incurred.

MANAGEMENT RESPONSE:

A newly improved central filing system has been implemented to facilitate ready access to program documentation.

99-7 (Continued)

All funds designated for grants are separately identified and accounted for by using the allocation and disbursement procedure as follows:

1. Executive Director makes recommendation to the Board of Directors relative to the awarding of individual grants;
2. Upon acceptance of the recommendation, the action are recorded in the board minutes and appropriate resolutions produced;
3. The funds allocated for the grant are placed in a checking account specific to grants; and
4. Disbursement is made and all necessary documentation are maintained in the central filing system.

JEFFERSON HOUSING FOUNDATION

MANAGEMENT LETTER COMMENTS
12/31/99

99-8

GRANT NAME: GENERAL ACCOUNTING

QUESTIONED COSTS: $ 0

CONDITION:

Our examination of the Foundation's financial statements showed that their interfund "Due to" and "Due from" accounts did not balance. This out-of-balance condition was a result of excessive interfund transactions coupled with lack of monthly reconciliations of the interfund activity.

This accounting method results in a difficult audit trail and does not reduce the possibility that grant funds may be commingled. It appeared that these transfers were made for both budgetary reasons and cashflow shortfall.

The Foundation's staff was able to provide us with reconciliations of the interfund accounts prior to completion of our fieldwork.

CRITERIA:

The grant accounting policies and generally accepted accounting principles require that grant funded expenditures be accounted for with the proper program accounts.

EFFECT:

Grant funded expenditures were not properly accounted for as they were incurred during 1999.

CAUSE:

The agency did not maintain its accounting records in accordance with generally accepted accounting principles.

99-8 (Continued)

RECOMMENDATION:

We recommend that Foundation directly charge the respective grant account with the expenditures incurred. Inaddition, the due to and due from accounts should be balanced on a monthly basis.

MANAGEMENT RESPONSE:

In the future, costs will be posted to proper account when recording the costs for non-payroll expenditures. Costs were transferred from non-funded programs, i.e., Gen. Fund, Happy Street and/or Jefferson Place Apartments. Costs were never transferred from one funded program to another. Procedures will be implemented to assure the "Due to" and "Due From" are balanced monthly.

JEFFERSON HOUSING FOUNDATION

MANAGEMENT LETTER COMMENTS
12/31/99

99-9

GRANT NAME: TIMESHEET PREPARATION

QUESTIONED COSTS: $ 0

CONDITION:

During our examination payroll costs we noted that the foundation's timesheets for the first five (5) months of 1999 did not reflect employee signatures or supervisory approvals.

CRITERIA:

Grant accounting standards require that all costs charged to the grants be supported by adequate supporting documentation or cost allocation plans.

EFFECT:

We were unable to determine whether or not payroll costs were appropriately approved according to grant policies.

CAUSE:

The agency did not have adequate procedures in place to report time and effort expended on the respective grant activities by employees.

RECOMMENDATION:

We recommend that Foundation maintain timesheets on file that include employee signatures and supervisory approvals.

MANAGEMENT RESPONSE:

Management has implemented a comprehensive time sheet that was effective after the conclusion of the previous year audit. Employee and supervisor must sign the time sheets.

JEFFERSON HOUSING FOUNDATION

MANAGEMENT LETTER COMMENTS
12/31/99

99-10

GRANT NAME: GENERAL ACCOUNTING

QUESTIONED COSTS: $ 17,027

CONDITION:

The Foundation allocates its staff payroll based upon detail timesheets prepared by the respective employees. We compared the payroll allocations to the costs recorded per the respective grant accounts and noted that differences existed related to each of the payroll cost totals allocated to the programs. The following is a summary of the differences where the costs charged to the grant program exceeded the amounts reflected per the payroll allocation record:

GRANT NAME	PAYROLL ALLOCATION	GRANT AMOUNT	DIFFERENCE
LINCOLNSHIRE (CSG)	83,052	101,079	$17,027

The amount reflected as a difference above represents grant payroll expenditures in excess of amounts supported by timesheet allocations. As a result the difference is considered questioned costs.

CRITERIA:

Grant accounting standards require that all cost charged to the grants be supported by adequate support documentation or cost allocation plans.

EFFECT:

We were unable to determine the eligibility of the cost incurred for payroll cost charged to the grant accounts.

CAUSE:

The agency did not have adequate procedures in place to report time and effort expended on the respective grant activities by employees.

99-10 (Continued)

RECOMMENDATION:

We recommend that the Foundation record eligible payroll costs to the grant accounts in accordance with the timesheet records on file.

MANAGEMENT'S RESPONSE:

The Foundation has revised and implemented accounting procedures to ensure all program cost are billed directly to the respective program's general ledger account.

JEFFERSON HOUSING FOUNDATION, INC.
STATUS OF PRIOR YEAR FINDINGS
12/31/1999

		Resolved	Unresolved
98-1	Payroll Cost Allocations Inadequate		X
98-2	Competitive Bidding Procedures Not Utilized	X	
98-3	Interfund Transfers Not Properly Accounted For		X
98-4	Expenditures Not Recorded in Proper Fund	X	
98-5	Project Activity Reports Not Adequate		X
98-6	Contract Document Not on File	X	
98-7	Expenditures Not Recorded in Proper Fund	X	
98-8	Expenditures Not Recorded in Proper Fund	X	
98-9	Grant Receipt Controls Inadequate		X
98-10	Land Acquisition Not Recorded	X	
98-11	Expenditures Not Recorded in Proper Fund	X	
98-12	Grant Receipt Controls Inadequate	X	
98-13	Related Party Transactions		X
98-14	Accounting Procedures Not Adequate	X	

JEFFERSON HOUSING FOUNDATION, INC.
STATUS OF PRIOR YEAR FINDINGS
12/31/1999

		Resolved	Unresolved
97-4	Payroll Taxes Not Paid		X