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**CHARMAINE PHILIPS PLATENBURG**

**Certified Public Accountant**

Reissued

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***Audited Financial Statements***

***of***

***Desire Community Housing Corporation***

***As of and 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 1-3-01

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**CHARMAINE PHILIPS PLATENBURG**  
*Certified Public Accountant*

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Desire Community Housing Corporation

I have audited the accompanying statement of financial position of Desire Community Housing Corporation (a non-profit corporation) 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 Desire Community Housing Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

Except as discussed in the following paragraph, I conducted my audit in accordance with generally accepted auditing standards and 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 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.

I was unable to obtain adequate documentation regarding the balance of the Organization's Accounts Payable stated at \$33,631 at December 31, 1999. Nor was I able to satisfy myself as to the accuracy of the balance by other auditing procedures. Accordingly, it was not practicable for me to extend my audit of such liabilities beyond the amounts recorded.

In my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had sufficient evidential matter of Accounts Payable been susceptible to satisfactory audit tests, the financial statements referred to in the first paragraph above present fairly, in all material respects, the financial position of Desire Community Housing Corporation as of December 31, 1999, and the changes in its net assets and its cash flows for the year then ended in conformity with the generally accepted accounting principles.

My audit was made for the purpose of forming an opinion on the basic financial statements of Desire Community Housing Corporation taken as a whole. The accompanying supplemental information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of Desire Community Housing Corporation. The Schedule of Expenditures of Federal Awards is required by the U. S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." 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.

In accordance with Government Auditing Standards, I have also issued a report dated November 3, 2000, on my consideration of Desire Community Housing Corporation's internal control structure over financial reporting and my test of its compliance with certain provisions of laws, regulations, contracts and grants.

*Charmaine Philips-Platenburg, CPA*

Charmaine Philips-Platenburg, CPA

New Orleans, LA  
November 3, 2000

**CHARMAINE PHILIPS-PLATENBURG**

*Certified Public Accountant*

1340 Poydras Street • Suite 2130  
New Orleans, LA 70112

**DESIRE COMMUNITY HOUSING CORPORATION**

**Statement of Financial Position**

**As of December 31, 1999**

**Assets**

Current Assets:

Cash and Cash Equivalents	\$ 202,389
Accounts Receivable	19,851
Grants Receivable	109,381
Due from Employees	<u>12,526</u>

Total Current Assets 344,147

Other Assets:

Mortgages Receivable	51,655
Less: Allowance for Doubtful Accounts	<u>(20,928)</u>

Total Other Assets 30,727

Fixed Assets

Buildings and Land	3,674,103
Properties Held for Resale	431,973
Furniture, Fixtures and Equipment	92,717
Less: Accumulated Depreciation	<u>(591,826)</u>

Total Fixed Assets 3,606,967

Total Assets \$ 3,981,841

**Liabilities & Stockholder's Equity**

Current Liabilities:

Accounts Payable	\$ 33,631
Payroll Taxes Payable	10,516
Other Employee Deductions	<u>3,089</u>

Total Current Liabilities 47,236

Other Liabilities:

Line of Credit	156,765
Note Payable	151,340
Escrow & Tenant Deposits	<u>13,775</u>

Total Other Liabilities 321,880

Total Liabilities 369,116

Net Assets:

Unrestricted	2,274,376
Temporarily Restricted	<u>1,338,349</u>

Total Net Assets 3,612,725

Total Liabilities & Net Assets \$ 3,981,841

**DESIRE COMMUNITY HOUSING CORPORATION**  
**Statement of Activities**  
**For the Year Ended December 31, 1999**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Revenues:</b>			
Grant Appropriations	\$ -	\$ 1,247,387	\$ 1,247,387
Program Income		691,129	691,129
Other Income	46,467	-	46,467
Net Assets released from restrictions	<u>1,489,720</u>	<u>(1,489,720)</u>	<u>-</u>
Total Revenues	1,536,187	448,796	1,984,983
<b>Expenses:</b>			
Payroll Expenses	760,296	-	760,296
Fringe Benefits	148,154	-	148,154
Professional Fees - Contracts	184,064	-	184,064
Depreciation Expense	132,516	-	132,516
Maintenance & Repairs	74,087	-	74,087
Professional Fees - Accounting & Legal	68,805	-	68,805
Insurance	61,551	-	61,551
Contract Services - Other	51,064	-	51,064
Utilities	48,826	-	48,826
Other Operating Expenses	40,517	-	40,517
Food Service & Supplies	30,731	-	30,731
Office Supplies	29,010	-	29,010
Interest & Finance Charges	25,975	-	25,975
Property & Equipment, Not Capitalized	23,923	-	23,923
Telephone, Pagers & Cellular	23,307	-	23,307
Property Taxes	23,121	-	23,121
Special Events Expense	18,501	-	18,501
Misc. Operating Expenses	13,147	-	13,147
Rent & Leases	11,986	-	11,986
Conference & Seminars	10,911	-	10,911
Contract Services - Consultants	3,250	-	3,250
Disallowed Costs	<u>742</u>	<u>-</u>	<u>742</u>
Total Expenses	<u>1,784,484</u>	<u>-</u>	<u>1,784,484</u>
Increase/(Decrease) in Net Assets	(248,297)	448,796	200,499
Net Assets, Beginning Balance	<u>2,522,673</u>	<u>889,553</u>	<u>3,412,226</u>
Net Assets, Ending Balance	<u>\$ 2,274,376</u>	<u>\$ 1,338,349</u>	<u>\$ 3,612,725</u>



**DESIRE COMMUNITY HOUSING CORPORATION**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 1999**

**Cash Flows from Operating Activities:**

Increase in Net Assets	\$ 200,499
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation Expense	132,516
Increase in Receivables	(40,752)
Decrease in Accounts Payable & Payroll Liabilities	(26,376)
Increase in Tenant Deposits & Escrow	<u>4,989</u>
Net Cash Provided by Operations	270,876

**Cash Flows from Investing Activities:**

Purchase of Properties Held for Resale, net of Properties Sold	(346,811)
Payments received from Mortgages Receivable	<u>45,929</u>
Net Cash Used In Investing Activities	(300,882)

**Cash Flows from Financing Activities:**

Payments on Line of Credit, net of withdrawals	(291,631)
Increase in Note Payable	<u>151,340</u>
Net Cash Used in Financing Activities	<u>(140,291)</u>

Net Decrease In Cash and Cash Equivalents	(170,297)
Cash and Cash Equivalents at Beginning of Year	<u>372,686</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 202,389</u></u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**Desire Community Housing Corporation**  
**December 31, 1999**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements are listed as follows:

Nature of Activities

Desire Community Housing Corporation is a nonprofit corporation organized under the laws of the State of Louisiana. The Organization addresses an array of issues for low to moderate-income individuals. The mission of the Organization is accomplished through the development of affordable housing through rehabilitation and new construction, administering certified housing counseling services, providing safe quality housing and social services for senior citizens and offering professional day care and pre-school educational opportunities for children.

The corporation is supported primarily through government contracts. Accordingly, 63% of the corporation's support for the year ended December 31, 1999 came from government contracts.

Financial Statement Presentation

The financial statements are presented in accordance with requirements established by the Financial Accounting Standards Board (FASB) as set forth in the Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-For-Profit Organizations". This statement requires reporting, the Organization's financial position and activities according to three classes of net assets: (a) unrestricted net assets, (b) temporarily restricted net assets, and (c) permanently restricted net assets. There are no permanently restricted net assets.

Revenue Recognition

Contributed support is reported as unrestricted or restricted depending on the existence of donor stipulations that limit the use of the support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are classified to unrestricted net assets and reported in the statement of activity as "net assets released from restrictions".

Grants Receivables

The Organization considers grants receivable to be fully collectible since the balance consists principally of payments due under governmental contracts.



**NOTES TO THE FINANCIAL STATEMENTS**  
**Desire Community Housing Corporation**  
**December 31, 1999**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Mortgages

Mortgage loans are stated at the amount of unpaid principal, reduced by an allowance for mortgage loan losses. Interest on mortgage loans is calculated by using the simple interest method on daily balances of the principal amount outstanding.

Management reviews the Corporation's loan portfolio to determine the existence of and extent of which notes are subject to special consideration as to any doubt regarding their collectibility. All nonaccrual loans are considered to be impaired in accordance with SFAS No. 114, "Accounting by Creditors for Impairment of a Loan". When, in management's judgment, a loan is determined to be of doubtful collectibility, the loan is charged to the Reserve for Loan Losses, subject to approval from the funding source, if applicable.

Accrual of interest is discontinued on a loan when management believes, after considering economic and business conditions and collection efforts, that the borrower's financial condition is such that collection of interest is doubtful.

Provision and Reserve for Loan Losses

The reserve for possible loan losses is maintained to provide for possible losses inherent in the loan portfolio. On January 1, 1995, the corporation adopted SFAS No. 114, as amended by SFAS No. 118 "Accounting by Creditors for Impairment of a Loan - Income Recognition and Disclosures". In accordance with SFAS No. 114, the 1995 reserve for possible loan losses related to loans that are identified as impaired is based upon discounted cash flows using the loan's initial effective interest rate or the fair value of the collateral.

Management determines the appropriate level of reserve to be maintained based on an analysis of the portfolio and evaluation of economic factors. Provision for loan losses is recognized by a charge to expense or a reduction of monies due to the funding source depending on the source of the loan proceeds. However, because such factors as loan growth, the future collectibility of loans and the amounts and timing of future cash flows expected to be received on impaired loans are uncertain, the level of future provisions generally cannot be predicted.

**NOTES TO THE FINANCIAL STATEMENTS**  
**Desire Community Housing Corporation**  
**December 31, 1999**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Building and Improvements

Desire Community Housing Corporation records property acquisitions at cost. Donated assets are recorded at estimated value at date of donation. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets. Depreciation expense for the year ended December 31, 1999 totaled \$132,516.

Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized when the acquisition cost exceeds \$5,000. When items of property are sold or retired, the related cost and accumulated depreciation are removed from the accounts and gain or loss is included in the changes in net assets.

Cash and Cash Equivalents

The Organization considers all highly liquid investments available for current use with an original maturity of three months or less to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements and accompanying notes. Accordingly, actual results could differ from those estimates.

**NOTE B – ACCOUNTS RECEIVABLE**

The Organization considers accounts receivable to be fully collectible. The balance consists principally of payments due under rental contracts.

**NOTE C – CONTRACT RECEIVABLE**

The Organization contracts with various federal, state and local funding agencies. As of December 31, 1999, there were several reimbursable programs totaling \$109,381.

**NOTES TO THE FINANCIAL STATEMENTS**  
**Desire Community Housing Corporation**  
**December 31, 1999**

**NOTE D – RESERVE FOR LOAN LOSSES**

A summary of the activity in the Reserve for Loan Losses for the year ended December 31, 1999 are as follows:

Balance at beginning of year	\$ 20,928
Increase of reserve as a charge to Due to funding source	<u>          0</u>
Balance at end of year	<u>\$ 20,928</u>

**NOTE E – LAND AND BUILDING**

Land and building at December 31, 1999 consists of the following:

Building and Land	\$3,674,103
Properties Held for Resale	431,973
Furniture, Fixtures and Equipment	92,717
Less accumulated depreciation	<u>&lt;591,826&gt;</u>
	<u>\$3,606,967</u>

**NOTE F - INCOME TAXES**

The Desire Community Housing Corporation is exempt from corporate income taxes under Section 501(c)(3) of the Internal Revenue Code.

**NOTE G – BOARD OF DIRECTORS COMPENSATION**

The board of directors is a voluntary board; therefore, no compensation was paid to any board member during the year ended December 31, 1999.

**NOTES TO THE FINANCIAL STATEMENTS**  
**Desire Community Housing Corporation**  
**December 31, 1999**

**NOTE H – ECONOMIC DEPENDENCY**

The Organization receives a majority of its revenue from funds provided through contracts administered by federal, state and local government agencies. The grant amounts are appropriated each year by the federal and local governments. If significant budget cuts are made at the federal and/or local level, the amount of the funds the Organization receives could be reduced significantly and have an adverse impact on its operations. Management is not aware of any actions that will adversely affect the amount of funds the Organization will receive in the next fiscal year.

**NOTE I – LINE OF CREDIT**

The Organization has one unsecured line of credit with a local financial institution in the amount of \$200,000. As of December 31, 1999, the outstanding balance of the line of credit was \$156,765.

**NOTE J – MORTGAGE RECEIVABLES**

The Organization has two mortgages totaling \$51,655 as of December 31, 1999. As of December 31, 1999, the mortgages with a principal balance of \$20,928 was placed into foreclosure.

**NOTE K – CONTRIBUTIONS AND DONATIONS**

The Organization receives funds from raffles and other fundraisers for the annual Christmas party. Additional funds are used for administrative items for the Organization.

**NOTE L – NOTE PAYABLE**

Note payable at December 31, 1999 consisted of a loan from a local financial institution with an interest rate of 10% that is secured by real property. The maturity date of the loan is December 14, 2001. The balance of the note payable at December 31, 1999 was \$151,340.

**NOTE M – DUE FROM EMPLOYEES**

Due from employees consisted of unsecured loans made to employees of Desire Community Housing Corporation at December 31, 1999. The balance of the loans totaled \$12,526 at December 31, 1999.

**NOTES TO THE FINANCIAL STATEMENTS**  
***Desire Community Housing Corporation***  
***December 31, 1999***

**NOTE N – SUBSEQUENT EVENTS**

Due to the organization’s failure to submit their audit report for the year ended December 31, 1999 in a timely manner, some of its funding agencies suspended payments in the subsequent period. Payments to the organization may resume once the reporting requirement has been satisfied. The following is a listing of the funding agencies that have suspended payments:

- |   |   |                               |
|---|---|-------------------------------|
| State of Louisiana Dept. of Social Services | - | Desi Flo Child Care           |
| State of Louisiana Dept. of Education       | - | Desi Flo Food                 |
| State of Louisiana Dept. of Social Services | - | Desi Flo Project Independence |
| LA Governor's Office of Urban Affairs       | - | Housing Council & Development |

The above funding sources represented sixteen percent (16%) of funding received by the organization in the year ended December 31, 1999.

***SUPPLEMENTAL INFORMATION***



**DESIRE COMMUNITY HOUSING CORPORATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**For the year ended December 31, 1999**

<u>PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>EXPENDITURES</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>		
Passed through the State of Louisiana's Department of Education: Food Distribution	10.550	\$ 59,512
<u>U.S. DEPARTMENT OF HEALTH &amp; HUMAN SERVICES</u>		
Passed through the State of Louisiana's Department of Social Services: Child Care Services	93.600	14,602
Project Independence	93.600	<u>3,591</u>
TOTAL U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES		\$ <u>18,193</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>		
Passed through the City of New Orleans Community Development Block Grant Program Entitlement Grants	14.218	436,788
Home Investment Partnerships Program	14.239	572,536
Passed through the Housing Authority of New Orleans Section 8 Community Investment	14.190	<u>251,278</u>
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		\$ <u>1,260,602</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 1,338,307</u>

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

1. The Schedule of Expenditures of Federal Awards was prepared on the accrual basis of accounting.

DESIRE COMMUNITY HOUSING CORPORATION

Combined Statements of Expenditures

December 31, 1999

	Admin 30	Bayou Apts Rental	Desi Flo State Contract	Desi Flo Food Contract	Desi Flo City Contract	Desi Flo Program Income
<b>Expenses:</b>						
Payroll Expenses	-	-	-	29,247	145,491	-
Fringe Benefits	-	5	1,589	2,552	30,577	-
Professional Fees - Contractors	-	17,360	-	-	-	-
Professional Fees - Accounting & Legal	-	-	2,600	-	4,000	-
Contract Services - Other	-	-	710	640	-	-
Contract Services - Consultants	-	-	250	-	-	-
Property & Equipment, Not Capitalized	-	-	1,691	-	-	205
Other Operating Expenses	-	84	1,017	494	190	5,178
Depreciation Expense	-	-	-	-	-	-
Insurance	-	4,404	2,885	186	-	780
Maintenance & Repairs	-	-	517	193	-	2,094
Misc. Operator Expenses	-	80	246	-	-	-
Interest & Finance Charges	-	6,745	-	-	-	-
Rent & Leases	-	-	-	-	-	-
Special Events Expense	550	-	-	-	-	-
Telephone, Pagers & Cellular	-	146	1,931	-	-	-
Food Service & Supplies	-	-	-	26,080	-	761
Office Supplies	-	-	387	-	-	1,122
Property Taxes	-	-	-	-	-	-
Utilities	-	-	-	-	-	-
Conference & Seminars	-	-	779	120	-	25
Disallowed Costs	-	-	-	-	-	-
<b>Total Expenses</b>	<b>550</b>	<b>28,825</b>	<b>14,602</b>	<b>59,512</b>	<b>180,258</b>	<b>10,165</b>

Reconciliation of Federal Expenditures:

Total Expenses	28,825	14,602	59,512	180,258
Capitalized Costs	-	-	-	-
Adjustments	-	-	-	-
<b>Total Federal Expenditures</b>	<b>28,825</b>	<b>14,602</b>	<b>59,512</b>	<b>180,258</b>

**DESIRE COMMUNITY HOUSING CORPORATION**  
**Combined Statements of Expenditures**  
**December 31, 1999**

	<u>Desi Flo Project Independence</u>	<u>Desire Square</u>	<u>Desire Square Renovations</u>	<u>East Toulon</u>	<u>Fund Raising</u>	<u>Gordon Plaza Management</u>
<b>Expenses:</b>	0					
Payroll Expenses	-	-	-	-	-	23,661
Fringe Benefits	954	9,955	-	-	-	4,245
Professional Fees - Contractors	-	83	20,804	7,311	-	-
Professional Fees - Accounting & Legal	-	3,400	-	-	-	2,000
Contract Services - Other	-	9,363	4,483	1,214	3,500	161
Contract Services - Consultants	-	-	3,000	-	-	-
Property & Equipment, Not Capitalized	570	397	696	6,960	981	375
Other Operating Expenses	214	951	193	100	3,262	8,404
Depreciation Expense	-	-	-	-	-	-
Insurance	1,703	9,153	-	-	-	-
Maintenance & Repairs	-	41,089	10,492	3,580	1,880	92
Misc. Operator Expenses	134	2,271	458	-	3,907	3,584
Interest & Finance Charges	-	2,685	-	-	-	-
Rent & Leases	-	-	-	-	-	-
Special Events Expense	-	-	135	-	1,755	103
Telephone, Pagers & Cellular	7	2,031	3,477	-	-	6,509
Food Service & Supplies	-	107	-	-	571	-
Office Supplies	9	109	-	41	5,996	2,436
Property Taxes	-	-	-	-	2,793	-
Utilities	-	29,050	-	45	-	150
Conference & Seminars	-	1,931	-	-	-	504
Disallowed Costs	-	-	-	-	-	-
	<u>3,591</u>	<u>112,575</u>	<u>43,738</u>	<u>19,251</u>	<u>24,645</u>	<u>52,224</u>

**Reconciliation of Federal Expenditures:**

Total Expenses	3,591	43,738
Capitalized Costs	-	33,591
Adjustments	-	-
Total Federal Expenditures	<u>3,591</u>	<u>77,329</u>

DESIRE COMMUNITY HOUSING CORPORATION

Combined Statements of Expenditures

December 31, 1999

	Gordon Plaza		Gordon Plaza		Gordon Plaza Senior Center	HCD Program Income	DCHC Holding	HOME
	Senior Center 98/99	Senior Center 99/00	Senior Center 99/00	Senior Center 99/00				
<b>Expenses:</b>								
Payroll Expenses	16,579	19,957	3,249	-	-	-	118,284	
Fringe Benefits	2,700	6,333	314	-	-	-	16,852	
Professional Fees - Contractors	-	-	-	-	-	-	-	
Professional Fees - Accounting & Legal	600	500	200	-	-	-	1,200	
Contract Services - Other	-	-	-	-	-	-	-	
Contract Services - Consultants	-	-	-	-	-	-	-	
Property & Equipment, Not Capitalized	2,241	132	-	-	-	-	-	
Other Operating Expenses	3,103	2,478	1,202	-	150	1,096	78	
Depreciation Expense	-	-	-	-	-	-	-	
Insurance	4,441	-	3,373	-	-	-	-	
Maintenance & Repairs	17	104	-	-	-	-	1,054	
Misc. Operator Expenses	-	-	-	-	-	-	-	
Interest & Finance Charges	-	-	-	-	-	-	-	
Rent & Leases	-	-	-	-	-	-	-	
Special Events Expense	-	-	150	-	-	-	-	
Telephone, Pagers & Cellular	333	500	-	-	-	-	-	
Food Service & Supplies	901	1,874	122	-	-	-	-	
Office Supplies	117	149	95	-	-	7	3,880	
Property Taxes	90	-	-	-	-	-	-	
Utilities	1,931	930	178	-	-	-	-	
Conference & Seminars	-	270	-	-	-	-	1,867	
Disallowed Costs	-	-	-	-	-	-	-	
	<u>33,053</u>	<u>33,227</u>	<u>8,883</u>	<u>150</u>	<u>1,103</u>	<u>143,215</u>		

Reconciliation of Federal Expenditures:

Total Expenses	143,215
Capitalized Costs	-
Adjustments	-
Total Federal Expenditures	<u>143,215</u>

**DESIRE COMMUNITY HOUSING CORPORATION**  
**Combined Statements of Expenditures**  
**December 31, 1999**

	<u>Virgilian</u>	<u>McDonogh #40 Renovation</u>	<u>Owner Occupied Rehab</u>	<u>R.O.C. 98/99</u>	<u>R.O.C. 99/00</u>	<u>R.O.C. St. Ferdinand Street</u>
<b>Expenses:</b>						
Payroll Expenses	-	13,475	1,385	150,302	34,835	-
Fringe Benefits	-	1,037	2,843	20,453	5,758	273
Professional Fees - Contractors	-	5,000	49,912	-	-	-
Professional Fees - Accounting & Legal	1,000	-	-	7,600	1,800	600
Contract Services - Other	-	13,120	-	-	-	-
Contract Services - Consultants	-	-	-	-	-	-
Property & Equipment, Not Capitalized	-	-	-	981	-	-
Other Operating Expenses	89	199	34	1,372	354	117
Depreciation Expense	-	-	-	-	-	-
Insurance	-	-	-	2,572	101	-
Maintenance & Repairs	-	-	-	-	80	-
Misc. Operator Expenses	-	-	301	-	-	-
Interest & Finance Charges	-	-	-	-	-	-
Rent & Leases	-	-	-	6,000	2,100	2,100
Special Events Expense	-	-	-	-	-	-
Telephone, Pagers & Cellular	-	605	-	3,607	870	49
Food Service & Supplies	-	-	-	-	-	-
Office Supplies	-	2,550	-	2,438	-	-
Property Taxes	-	-	-	101	-	-
Utilities	-	-	-	2,386	389	189
Conference & Seminars	-	-	-	1,860	-	250
Disallowed Costs	-	-	-	-	-	-
<b>Total Expenses</b>	<u>1,089</u>	<u>35,986</u>	<u>54,475</u>	<u>199,672</u>	<u>46,287</u>	<u>5,319</u>
<b>Reconciliation of Federal Expenditures:</b>						
Total Expenses		35,986	54,475	199,672	46,287	273
Capitalized Costs		-	-	-	-	22,573
Adjustments		-	-	-	-	(273)
<b>Total Federal Expenditures</b>		<u>35,986</u>	<u>54,475</u>	<u>199,672</u>	<u>46,287</u>	<u>22,573</u>

DESIRE COMMUNITY HOUSING CORPORATION  
 Combined Statements of Expenditures  
 December 31, 1999

	McDonough 40	DCHC	Linden & Wales	Liberty Terrace	Liberty Terrace	LESSEPS
	Rental	General - Other	Rental	Phase III	Project	Mortgage
<b>Expenses:</b>						
Payroll Expenses	1,660	-	2,389	89,810	-	-
Fringe Benefits	383	241.00	698	17,349	-	-
Professional Fees - Contractors	5,662	48,357.00	-	23,979	-	1,200
Professional Fees - Accounting & Legal	100	20,520.00	-	6,600	-	4,097
Contract Services - Other	-	1,000.00	12,625	1,575	-	233
Contract Services - Consultants	-	-	-	-	-	-
Property & Equipment, Not Capitalized	1,100	4,084.00	-	1,314	-	-
Other Operating Expenses	341	2,199.00	374	727	20	80
Depreciation Expense	-	-	-	-	-	-
Insurance	(1,238)	11,554	8,740	10,299	-	1,941
Maintenance & Repairs	-	108	7,864	4,559	-	-
Misc. Operator Expenses	169	250	-	-	-	-
Interest & Finance Charges	-	-	-	7,628	-	-
Rent & Leases	-	-	-	1,000	-	-
Special Events Expense	-	234	-	-	-	-
Telephone, Pagers & Cellular	18	52	-	2,128	-	-
Food Service & Supplies	-	100	-	-	-	-
Office Supplies	136	1,732	460	5,843	-	-
Property Taxes	-	-	8,578	11,559	-	-
Utilities	1,170	392	732	7,850	-	1,202
Conference & Seminars	625	572	779	1,329	-	-
Disallowed Costs	742	-	-	-	-	-
<b>Total Expenses</b>	<b>10,868</b>	<b>91,395</b>	<b>43,239</b>	<b>193,549</b>	<b>20</b>	<b>8,753</b>

**Reconciliation of Federal Expenditures:**

Total Expenses	193,549
Capitalized Costs	273,114
Adjustments	-
<b>Total Federal Expenditures</b>	<b>466,663</b>



DESIRE COMMUNITY HOUSING CORPORATION

Combined Statements of Expenditures

December 31, 1999

	Jasmine Street	DCHC Insurance	Hope 3 - 93	Hope 3 Proceeds	Linden & Wales (HB)	DCHC Housing Counseling	Housing Couns. Dev. 98/99
<b>Expenses:</b>							
Payroll Expenses	-	-	-	-	-	-	36,088
Fringe Benefits	-	-	-	-	-	-	8,861
Professional Fees - Contractors	-	-	-	-	-	-	-
Professional Fees - Accounting & Legal	2,000	-	-	1,088	-	-	6,338
Contract Services - Other	-	-	-	2,000	-	-	-
Contract Services - Consultants	-	-	-	-	-	-	-
Property & Equipment, Not Capitalized	-	-	-	-	194	-	1,655
Other Operating Expenses	79	225	60	398	-	2,212	2,322
Depreciation Expense	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	380
Maintenance & Repairs	-	-	-	-	-	-	-
Misc. Operator Expenses	-	1,734	-	-	-	-	-
Interest & Finance Charges	-	-	-	4,075	-	-	4,841
Rent & Leases	-	-	-	-	-	-	-
Special Events Expense	-	15,574	-	-	-	-	-
Telephone, Pagers & Cellular	-	-	-	-	-	-	346
Food Service & Supplies	-	-	-	-	-	-	-
Office Supplies	-	-	-	19	-	-	500
Property Taxes	-	-	-	-	-	-	-
Utilities	-	-	31	-	-	-	2,048
Conference & Seminars	-	-	-	-	-	-	-
Disallowed Costs	-	-	-	-	-	-	-
<b>Total Expenses</b>	<b>2,079</b>	<b>17,533</b>	<b>91</b>	<b>7,580</b>	<b>194</b>	<b>2,212</b>	<b>63,379</b>

Reconciliation of Federal Expenditures:

Total Expenses  
Capitalized Costs  
Adjustments

Total Federal Expenditures

**DESIRE COMMUNITY HOUSING CORPORATION**  
**Combined Statements of Expenditures**  
**December 31, 1999**

	Housing Couns. Dev. 99/00	Housing Couns. Dev.	General Fund	Family Focus	Totals
<b>Expenses:</b>					
Payroll Expenses	50,263	16,321	-	7,300	760,296
Fringe Benefits	9,097	2,388	62	621	148,154
Professional Fees - Contractors	4,396	-	-	-	184,064
Professional Fees - Accounting & Legal	2,000	562	-	-	68,805
Contract Services - Other	-	-	-	440	51,064
Contract Services - Consultants	-	-	-	-	3,250
Property & Equipment, Not Capitalized	-	541	-	-	23,923
Other Operating Expenses	5	200	22	700	40,517
Depreciation Expense	-	-	132,516	-	132,516
Insurance	-	-	277	-	61,551
Maintenance & Repairs	-	-	364	-	74,087
Misc. Operator Expenses	-	-	13	-	13,147
Interest & Finance Charges	-	-	-	-	25,975
Rent & Leases	-	786	-	-	11,986
Special Events Expense	-	-	-	-	18,501
Telephone, Pagers & Cellular	698	-	-	-	23,307
Food Service & Supplies	-	-	-	215	30,731
Office Supplies	629	-	355	-	29,010
Property Taxes	-	-	-	-	23,121
Utilities	-	153	-	-	48,826
Conference & Seminars	-	-	-	-	10,911
Disallowed Costs	-	-	-	-	742
<b>Total Expenses</b>	<u>67,088</u>	<u>20,951</u>	<u>133,609</u>	<u>9,276</u>	<u>1,784,484</u>

**Reconciliation of Federal Expenditures:**

Total Expenses	1,009,302
Capitalized Costs	329,278
Adjustments	<u>(273)</u>
<b>Total Federal Expenditures</b>	<u>1,338,307</u>

**CHARMAINE PHILIPS PLATENBURG**  
*Certified Public Accountant*

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND 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  
Desire Community Housing Corporation

I have audited the financial statements of Desire Community Housing Corporation (a non-profit corporation) as of and for the fiscal year ended December 31, 1999, and have issued my report thereon dated November 3, 2000. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Desire Community Housing Corporation's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed an instance of noncompliance that is required to be reported under Governmental Auditing Standards and which is described in the accompanying Schedule of Findings and Questioned Costs as item 99-1.

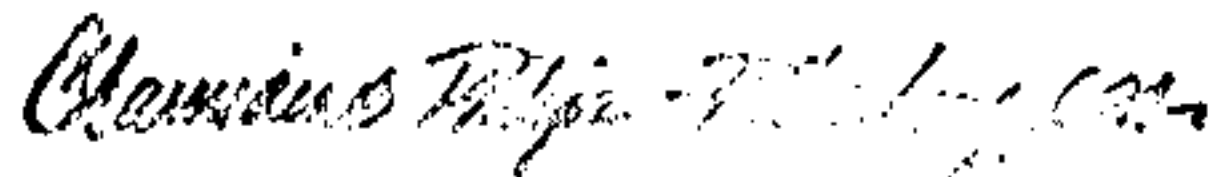
Internal Control Over Financial Reporting

In planning and performing my audit, I considered Desire Community Housing Corporation's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgement, could adversely affect Desire Community Housing Corporation's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings and Questioned costs as item 99-1.

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 the employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I consider the reported condition described above as item 99-1 to be a material weakness.

This report is intended solely for the information of the audit committee, management, and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.



Charmaine Philips-Platenburg, CPA

New Orleans, LA  
November 3, 2000

**CHARMAINE PHILIPS-PLATENBURG**

*Certified Public Accountant*

1340 Poydras Street • Suite 2130  
New Orleans, LA 70112



**CHARMAINE PHILIPS PLATENBURG**  
*Certified Public Accountant*

---

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

To the Board of Directors of  
Desire Community Housing Corporation

Compliance

I have audited the compliance of Desire Community Housing 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 fiscal year ended December 31, 1999. Desire Community Housing Corporation'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, laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Desire Community Housing Corporation's management. My responsibility is to express an opinion on the Organization's compliance based on my audit.

I conducted my audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Governmental 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 Desire Community Housing Corporation's compliance with those requirements and performing such other procedures as I 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 Desire Community Housing Corporation's compliance with those requirements.

As described in item 99-1 in the accompanying Schedule of Findings and Questioned Costs, Desire Community Housing Corporation did not comply with the requirement regarding Reporting, that is applicable to its major federal programs. Compliance with such requirement is necessary, in my opinion, for the Organization to comply with requirements applicable to that program.

In my opinion, except for the noncompliance described in the preceding paragraph, Desire Community Housing Corporation complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended December 31, 1999.

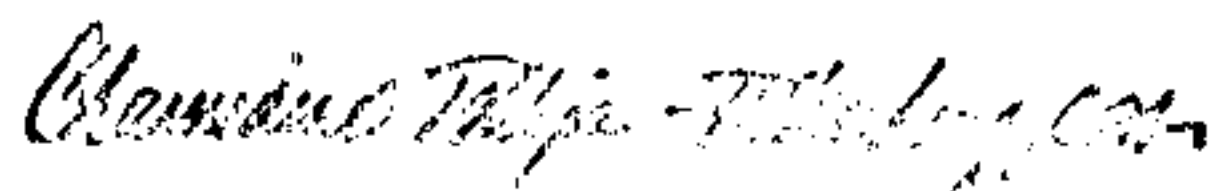
### Internal Control Over Compliance

The management of Desire Community Housing Corporation is responsible for establishing and maintaining effective internal control over compliance with laws, regulations, contracts, and grants applicable to federal award programs. In planning and performing my audit, I considered Desire Community Housing Corporation's internal control over compliance with 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

I noted certain matters involving the internal control over compliance and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in my judgement, could adversely affect Desire Community Housing Corporation's ability to administer a federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 99-1.

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 the 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. My consideration of the internal control over compliance 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, I considered the reportable condition described above as item 99-1 to be a material weakness.

This report is intended for the information of the audit committee, management, and federal awarding agencies and pass-through entities. However, this report is a matter of public record, and its distribution is not limited.



Charmaine Philips-Platenburg, CPA

New Orleans, LA  
November 3, 2000

**CHARMAINE PHILIPS-PLATENBURG**

*Certified Public Accountant*

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New Orleans, LA 70112



**DESIRE COMMUNITY HOUSING CORPORATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the year ended December 31, 1999**

**A. SUMMARY OF AUDIT RESULTS**

1. A qualified opinion was issued on the financial statements of the auditee.
2. A reportable condition in internal control was disclosed by the audit of the financial statements and the condition was deemed to be a material weakness.
3. The audit disclosed an instance of noncompliance that may be material to the financial statements of the audit.
4. A reportable condition in internal control over major programs was disclosed by the audit and the condition was deemed to be a material weakness.
5. A qualified opinion was issued on compliance for major programs.
6. The audit findings required to be reported under Section 510(a) of Circular A-133 are reported in Part C of this schedule.
7. The major program for the year ended December 31, 1999 consists of the following:

Home Investment Partnership Program	CFDA No. 14.239
Community Development Block Grant	CFDA No. 14.218
8. The dollar threshold to distinguish between Type A and Type B programs was \$300,000.
9. The auditee did not qualify as a low-risk auditee.

**DESIRE COMMUNITY HOUSING CORPORATION**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED**

**For the year ended December 31, 1999**

**B. FINDINGS-FINANCIAL STATEMENTS AUDIT**

**99-1. Audit Requirements**

Statement of Condition:

The Organization did not have an audit of their financial statements completed in a timely manner.

Criteria:

State of Louisiana requires the audit to be completed by June 30, 2000.

Effect of Condition:

Organization was not in compliance with audit requirements established by the State of Louisiana's Office of Legislative Auditor.

Questioned Costs:

None

Cause of Condition:

Financial statements were not readily available for examination.

Recommendation:

Audit of financial statements should be performed in accordance with regulations established by regulatory agencies. The financial statements and all supporting schedules should be made available to the auditors in a timely manner.

Response:

See corrective action plan.

**DESIRE COMMUNITY HOUSING CORPORATION**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED**

**For the year ended December 31, 1999**

**C. FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAMS AUDIT**

**99-1. Audit Requirements**

Statement of Condition:

The Organization did not have an audit of their financial statements completed in a timely manner.

Criteria:

State of Louisiana requires the audit to be completed by June 30, 2000.

Effect of Condition:

Organization was not in compliance with audit requirements established by the State of Louisiana's Office of Legislative Auditor.

Questioned Costs:

None

Cause of Condition:

Financial statements were not readily available for examination.

Recommendation:

Audit of financial statements should be performed in accordance with regulations established by regulatory agencies. The financial statements and all supporting schedules should be made available to the auditors in a timely manner.

Response:

See corrective action plan.

**DESIRE COMMUNITY HOUSING CORPORATION**

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**

**For the year ended December 31, 1999**

	<u>Reportable Conditions</u>	<u>Resolved</u>	<u>Unresolved</u>	<u>Current Findings</u>
1.	Accounting System		X	MLC
2.	Contracts Receivable	X		
3.	Mortgages	X		
4.	Provision for Loan Losses	X		
5.	General Ledger	X		
6.	Omitted Transactions	X		
7.	Audit Requirement		X	99-1
8.	Cash Balances	X		

**CHARMAINE PHILIPS PLATENBURG**  
*Certified Public Accountant*

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To the Board of Directors of  
Desire Community Housing Corporation

In planning and performing my audit of the financial statements of Desire Community Housing Corporation (the Organization) for the year ended December 31, 1999, I considered the Organization's internal control structure to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control structure.

However, during my audit, I noted certain matters involving the internal control structure and other operational matters that are presented for your consideration. My comments and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve the internal control structure and/or enhance other operating efficiencies. I will be pleased to discuss these comments in further detail at your convenience, to perform any additional studies of these matters, or to assist you in implementing the recommendations. My comments are summarized as follows:

Current Year Findings

Bank Reconciliation

It was discovered that during the testing of cash that the balance of some of the bank reconciliations did not agree to the cash balance in the general ledger. It was also noted that the bank reconciliations were prepared using a different accounting software program. To reduce the risk of errors going undetected, management should review supplementary reports and agree such reports to the financial statements before the financial statements are approved. In addition, management may consider preparing bank reconciliations from the same accounting program.

Excess Costs

It was noted during our comparison of budgeted expenditures to actual expenditures that the organization claimed expenses that were not listed on the approved budget. The following is a listing of those costs:

	<b>CDBG</b>	<b>ROC4</b>
Janitorial & Cleaning	\$ 526.83	\$ 0.00
Repairs & Maintenance	0.00	79.51
Computer Services	474.27	0.00
Credit Reports	0.00	870.19
Bank Fees	<u>78.17</u>	<u>102.26</u>
Total	<u>\$1,079.27</u>	<u>\$1,051.96</u>

Management should review all costs before they are incurred to determine whether the cost is allowable for a particular program.

## Accounting Procedures

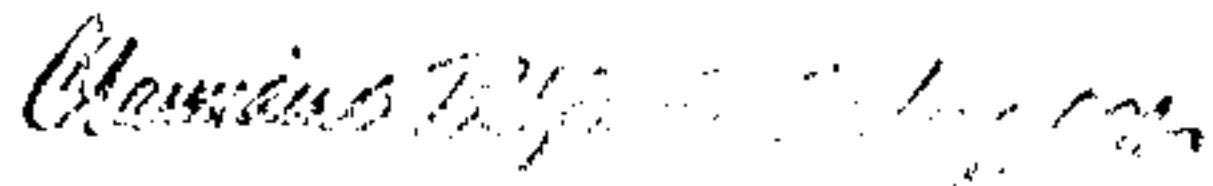
It was noted that the organization changed accounting software programs. However, the organization did not update its accounting procedure manual to accommodate the change in accounting programs. Management should make the necessary changes to the accounting procedure manual to reflect any new procedures that are performed utilizing the new accounting program.

## Organizational Structure

The size of the organization's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff was large enough to provide optimum segregation of duties. This situation dictates that the Board of Directors remains involved in the financial affairs of the organization to provide oversight and independent review functions.

I would like to thank Mr. Wilbert Thomas, Sr. and his staff for their support and assistance during my audit.

This report is intended solely for the information and use of the Board of Directors, management, City of New Orleans, Department of Housing and Neighborhood Development, U. S. Department of Housing and Urban Development and other local regulatory agencies.



Charmaine Philips-Platenburg, CPA

New Orleans, LA  
November 3, 2000

**CHARMAINE PHILIPS-PLATENBURG**

*Certified Public Accountant*

1340 Poydras Street • Suite 2130  
New Orleans, LA 70112



DESIRE  
HOUSING

COMMUNITY  
CORPORATION

2709 PIETY STREET

NEW ORLEANS, LA 70126 944-2727

CHAIRMAN  
Frankle Gordon  
VICE CHAIRMAN  
Ellenose Brooks-Simms  
SECRETARY  
Katherine J. Florent  
TREASURER  
Vernon Shorty  
PRESIDENT  
Wilbert Thomas, Sr.  
CAO  
Ara Jedn Jackson

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Fax: (504) 945-0484

November 30, 2000

*Charmaine Platenburg-Phillips, CPA  
1340 Poydras Street - Ste 2130  
New Orleans, Louisiana 70122*

**RE: Item # 99-2 (Timely Submission of the Audit)**

*Dear Ms. Phillips:*

*The following comments represent my Corrective Action Plan for the December 31, 1999 Annual Audit.*

*While it is our responsibility to ensure that our Audit is completed within the six (6) months allowed; there were circumstances which occurred during 1999 that prevented this requirement from being met.*

*First of all, there were problems with the old accounting system (which we were aware of) that were not corrected within a time frame to allow the Financial Statements and subsequently the Audit to be completed in a timely manner.*

*Secondly, the old system dropped transactions at random and for this reason a new software package was purchased in 1999. Further clerical accounting problems occurred in the transferring of information from the old system to the new system.*

*Finally, the Accounting Department experienced turnover in key accounting personnel during the transition of data to the new system, as well as during the performance of the audit. Note: all turnovers were initiated by the management of Desire and not by the accounting staff themselves.*

*In 1999, ninety (90%) percent of the accounting information had to be re-entered into the new accounting system. During the 2000 calendar year all source transaction have been entered into the new system without any problems. Therefore, we anticipate timely submission of future audit reports unless we incur some catastrophic occurrence beyond our control.*



"Rebuilding Communities Together"

*Charmaine Platenburg-Phillips*  
*Continue - Page 2*

*November 30, 2000*

*Accounts Payable: The problem with accounts payable occurred due to inter-company borrowing and coding errors. Failure to properly monitor the accounts payable balances on a monthly basis lead to incorrect recording in the accounts payable account.*

*As stated previously, the old Accounting Personnel have been relieved of their duties and new staff is in place in the Accounting Department. Monthly financial statements will be reviewed by the Executive Staff to ensure that Financial Statements are accurate and corrections are made timely.*

### ***Management's Comments to Management Comments***

#### ***Bank Reconciliation***

*The bank reconciliation problem discovered during the audit is no longer a problem at DCIIC. The bank accounts are reconciled within the accounting software system and reviewed by the contractual CPA on a monthly basis.*

#### ***Excess Costs***

*The costs noted in the management letter were not claimed for reimbursement. The coding of these costs need to be reclassified to another program per general ledger coding. There were no costs claimed that were not on the budget.*

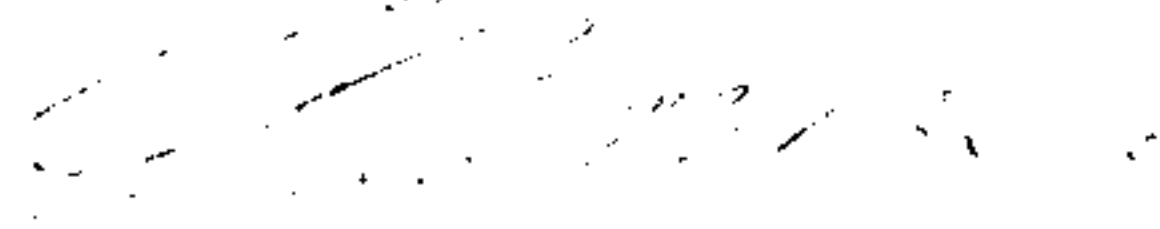
#### ***Accounting Procedures***

*The contractual accountant is in the process of updating the accounting manual for the new software system. This task should be completed by December 31, 2000.*

#### ***Organizational Structure***

*The accounting department at DCIIC is the largest its ever been. The costs of adding additional staff cannot be accommodated at this time with our present funding. We will continue to evaluate the staffing requirements of the accounting department and address those needs as funding becomes available.*

*Sincerely,*



*Wilbert Thomas, Sr.*  
*President/CEO*