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Financial Report

Years Ended April 30, 1998 and 1997

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, 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.

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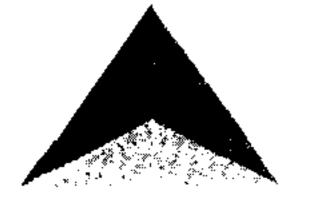
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To the Board of Directors Neighborhood Housing Services of Lafayette, Louisiana, Inc. Lafayette, Louisiana

Darnall, Sikes & Frederick

(A Corporation of Certified Public Accountants)

Independent Auditor's Report



We have audited the accompanying statements of financial position of Neighborhood Housing Services of Lafayette, Louisiana, Inc. (a nonprofit organization) as of April 30, 1998 and 1997, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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We conducted our audits in accordance with generally accepted auditing standards, the standards applicable to financial audits contained in <u>Government Auditing Standards</u>, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circular A-133, "Audits of States, Local Governments, and Nonprofit Organizations". Those standards and OMB Circular A-133 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Neighborhood Housing Services of Lafayette, Louisiana, Inc. as of April 30, 1998 and 1997, and the changes in its net assets and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with <u>Government Auditing Standards</u>, we have also issued our report dated July 27, 1998, on our consideration of Neighborhood Housing Services of Lafayette, Louisiana, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Member of:

American Institute of Continued Public Accountants

Society of Louisiana Certified Public Accountants Our audit was performed for the purpose of forming an opinion on the basic financial statements of Neighborhood Housing Services of Lafayette, Louisiana, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations", and the supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a

opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Darnall, Sikes & Trederick

A Corporation of Certified Public Accountants

Lafayette, Louisiana July 27, 1998

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Statements of Financial Position April 30, 1998 and 1997

		1998	<u>.</u>	1997
ASSETS				
Cash	\$	61,994	\$	45,711
Due from the Lafayette Consolidated Government		19,879		19,555
Prepaid expenses		2,206		1,919
Restricted assets:				
Cash		233,959		133,968
Loans receivable, net		812,405		673,720
Building, net of accumulated depreciation		20,636		22,967
Land		3,645		3,645
Equipment, net of accumulated depreciation		17,001		9,906
Other receivables		185		325
TOTAL ASSETS	<u>\$</u>	<u>1.171.910</u>	<u>\$</u>	911.716

LIABILITIES AND NET ASSETS

LIABILITIES (PAYABLE FROM CURRENT ASSETS)

Accounts payable and accrued liabilities	\$ 8,626	\$ 8,783
Other liabilities	9	-
Capital lease payable	2,846	4,680
	11,481	13,463
LIABILITIES (PAYABLE FROM RESTRICTED ASSETS)		
Other liabilities	1,043	42
Tax and insurance payable	6,878	7,701
Loan collections due to others	5,492	3,014
Undisbursed loan proceeds	35,041	<u> </u>
	<u>48,454</u>	20,205
Total liabilities	59,935	33,668
NET ASSETS		
Restricted	1,023,790	822,020
Unrestricted	88,185	56,028
Total net assets		878,048
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1.171.910</u>	<u>\$911.716</u>

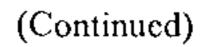
The accompanying notes are an integral part of this financial statement.

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NEIGHBORHOOD HOUSING SERVICES OF LAFAYETTE, LOUISIANA, INC.

Statements of Activities Years Ended April 30, 1998 and 1997

UNRESTRICTED NET ASSETS Support Passed through federal funds: Lafayette Consolidated Government Other Contributions \$ 75,013 \$ 66, 63,100 68,0 2,233 _ 3,00
Passed through federal funds: Lafayette Consolidated Government \$ 75,013 \$ 66, Other 63,100 68,9
Lafayette Consolidated Government \$ 75,013 \$ 66, Other 63,100 68,0
Other 63,100 68,
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Contributions
<u> 140,346 138,</u>
Revenue
Interest 1,286
Other 6,038 6,0
Fundraising2,70210,1
10,02617,
Net assets released from restrictions19,95510,1
Total support, revenue and net assets released
from restrictions
Expenses
Personnel cost 87,590 101,4
Accounting and auditing 11,450 10,9
Legal 430
Contractual services 845 1,8
Depreciation 3,462 1,
Insurance 4,913 6,0
Telephone and utilities 6,4
Dues & Subscription 338
Office supplies 8,472 8,0
Travel and seminars 2,354 4,0
Maintenance 2,173 2,1
Rent 2,200 1,9
Other 5,370 7,2
Interest 520
Fundraising
Total expenses
Increase in unrestricted net assets32,15711,2
TEMPORARILY RESTRICTED NET ASSETS
Governmental grants
Revenue 42,410 31,5
Interest5,205,2
Other



The accompanying notes are an integral part of this financial statement.

Statements of Activities (Continued) Years Ended April 30, 1998 and 1997

Expenses Bad debt Depreciation Other	(2,685) 2,330 <u>60</u> (295)	2,679 2,331 70 5,080
Net assets released from restrictions: Restrictions satisfied by payments	(19,955)	(10,714)
Increase in temporarily restricted net assets	201.770	136,160
INCREASE IN NET ASSETS	233,927	147,394
NET ASSETS, beginning	878,048	730,654
NET ASSETS, ending	<u>\$ 1.111.975</u>	<u>\$ 878.048</u>

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Statements of Cash Flows April 30, 1998 and 1997

	1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 233,927	\$ 147,394
Adjustments to reconcile changes in net assets		
to net cash provided by operating activities:		
Depreciation	5,792	4,049
Bad debts	(2,685)	2,679
Donated assets included in support	-	(3,500)
(Increase) decrease in operating assets -		
Due from Lafayette Consolidated Government	(324)	(7,660)
Prepaid expenses	(287)	(52)
Other receivables	140	3,845
(Decrease) increase in liabilities -		
Accounts payable and accrued liabilities	(156)	(1,603)
Other liabilities	28.257	(2,662)
Net cash provided by operating activities	264,664	142,490
CASH FLOWS FROM INVESTING ACTIVITIES		
Loans issued	(260,146)	(338,866)
Loan payments received	124,148	144,705
Purchase of fixed assets	(10,557)	(8,767)
Net cash used by investing activities	_(146,555)	_(202,928)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings under capital lease obligations	-	5,902
Principal payments under capital lease obligations	(1,835)	(1,222)
Net cash provided (used) by financing activities	(1.835)	4,680
Net increase (decrease) in cash	116,274	(55,758)
CASH, beginning	179,679	235,437
CASH, ending	<u>\$ 295.953</u>	<u>\$ 179.679</u>
Supplemental information:		
Interest expense	<u>\$ 520</u>	<u>\$ 689</u>

The accompanying notes are an integral part of this financial statement.

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Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. <u>Nature of Activities</u>

Neighborhood Housing Services of Lafayette, Louisiana, Inc., (NHS) was incorporated on July 14, 1982 as a non-profit corporation. NHS's primary function is to provide low interest loans to low and moderate income homeowners in the target area. These loans are made from loan programs established through grants from the United States Department of Housing and Urban Development Community Development Block Grant (CDBG) and H.O.M.E. Investment Partnership Program through the Lafayette Consolidated Government, the main grantee, and grants from the Neighborhood Reinvestment Corporation (NRC).

B. <u>Basis of Presentation</u>

Financial statement presentation follows the recommendations of the American Institute of Certified Public Accountants in its Industry Audit Guide, <u>Audits of Voluntary Health and Welfare Organizations</u>.

C. Vacation and Sick Leave

The Corporation's policy is to allow full time employees to carry forward 30 days of unused sick leave and no unused annual leave. Annual and sick leave is computed on a per pay period basis and is not payable upon separation from the Corporation, therefore no accrual is reflected in these statements.

D. <u>Property and Equipment</u>

Fixed assets consist of land, buildings and equipment which are valued at cost, or estimated fair market value in the case of donated property. Depreciable assets are depreciated using the straight-line method over the estimated useful lives of the individual assets as follows:

Building	20 years
Furniture and equipment	5 – 7 years

E. Income Tax Status

The Organization qualifies as a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes. In addition, the Corporation has been determined by the Internal Revenue Service not be a private foundation within the meaning of Section 509(a) of the code.

F. <u>Cash and Cash Equivalents</u>

For the purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. There were no cash equivalents at April 30, 1998 and 1997.

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. <u>Undisbursed Loan Proceeds</u>

Some of the loans made by NHS are to enable the homeowner to perform rehabilitation work to their home. On the date that this type of loan is made by NHS, the applicable loan program transfers the loan proceeds to an escrow cash account in the operating program. A contract is entered into with a contractor for the rehabilitation work, and as work is performed, NHS disburses the funds. The amount of loan proceeds transferred to the operating program and undisbursed at year end is reported as a liability.

H. <u>Restricted Assets</u>

Escrow cash accounts are classified as restricted assets on the statement of financial position because they represent escrow payments by borrowers for property taxes and homeowners insurance, collections of principal and interest payments collected on behalf of others and undisbursed loan proceeds. An offsetting liability is reported for the future disbursement of the collected funds and undisbursed advance payments of taxes and insurance.

Additionally, all monies received through the grant programs and repayments of principal amounts of loans receivable are restricted for use in funding additional loans in target areas. The balances in each of the grant programs' cash accounts and the net loans receivable as of the financial statement date are shown as restricted assets in the statement of financial position with an offsetting amount reported as restricted net assets.

I. Loans, Allowance for Loan Losses and Interest Income

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

The allowance for loan losses is established through a provision for loan losses charged to expenses. Loans are charged against the allowance for loan losses when management believes that the collectibility of the principal is unlikely. The allowance is an amount that management believes will be adequate to absorb possible losses on existing loans that may become uncollectible, based on evaluations of the collectibility of loans and prior loan loss experience. The evaluations take into consideration such factors as changes in the nature and volume of the loan portfolio, overall portfolio quality, review of specific problem loans, and current economic

conditions that may affect the borrowers' ability to pay.

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. <u>Use of Estimates</u>

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 as of 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.

K. <u>Classification of Financial Statement Presentation</u>

Certain reclassifications have been made to the 1997 financial statements to conform with the 1998 financial statement presentation. Such reclassifications have had no effect on the change in net assets for 1997.

L. <u>Programs</u>

To insure observance of limitations and restrictions placed on the use of resources available to the Corporation, the accounts of the Corporation are maintained in four separate programs. This procedure allows resources for various purposes to be classified for accounting and reporting purposes into programs established according to their nature and purpose. Separate accounts are maintained for each program.

The assets, liabilities, and net assets of Neighborhood Housing Services of Lafayette, Louisiana, Inc. are reported in four self-balancing programs as follows:

Operating Program

The Operating Program includes unrestricted and restricted resources of expendable funds that are available for support of program operations.

Community Development Block Grant Revolving Loan Program

The CDBG Revolving Loan Program represents funds received from the United States Department of Housing and Urban Development for the purpose of improving housing stock in the City of Lafayette by means of low and/or no interest loans to residents for housing rehabilitation.

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Neighborhood Reinvestment Corporation Revolving Loan Program

The NRC Revolving Loan Program is used to account for funds received from the Neighborhood Reinvestment Corporation for purposes of making loans to homeowners wanting to improve their homes but who cannot be served by local financial institutions and making loans to low or moderate income individuals to facilitate the purchase of affordable housing for occupancy.

H.O.M.E. Revolving Loan Program

The H.O.M.E. Revolving Loan Program is used to account for funds received from the United States Department of Housing and Urban Development through the Lafayette Consolidated Government to provide affordable housing to first-time home buyers in accordance with the provisions and regulations of the Crantston-Gonzales National Affordable Housing Act of 1990.

NOTE 2 LOANS RECEIVABLE

The loans receivable are comprised of loans to homeowners in a specific geographical area who desired to improve their homes or purchase homes, but were unable to obtain financing at a conventional financial institution and are stated at the principal amounts outstanding at the financial statement date. The following summary reflects activities in the loan accounts for the various funds for the year ending April 30, 1998:

	CDBG	NRC	H.O.M.E.	TOTAL
Balance, beginning of year	\$ 301,403	\$ 223,444	\$ 180,870	\$ 705,717
Loans made during the year	62,469	92,718	104,959	260,146
Payments received during the year	(59,290)	(61,759)	(3,099)	(124,148)
Balance, end of year	304,582	254,403	282,730	841,715
Less: Allowance for loan losses	(13,033)	(12,495)	(3,782)	(29,310)
Loans, net	<u>\$ 291,549</u>	<u>\$_241,908</u>	<u>\$ 278,948</u>	<u>\$ 812,405</u>



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Notes to Financial Statements

NOTE 2 LOANS RECEIVABLE (CONTINUED)

Transactions in the allowance for loan losses for the year were as follows:

	CDBG	NRC	H.O.M.E.	TOTAL
Balance, beginning of year Provision charged to operation	\$ 19,135 (6,102)		\$ 2,535 1,247	\$ 31,997 (2,687)
Balance, end of year	<u>\$_13.033</u>	<u>\$ 12,495</u>	<u>\$ 3,782</u>	<u>\$ 29,310</u>

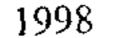
Management is of the opinion that the allowance for loan losses account at April 30, 1998 and 1997, is sufficient to cover any possible loan losses.

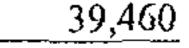
NOTE 3 LOANS SERVICED FOR OTHERS

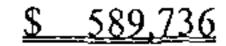
NHS and Neighborhood Housing Services of America, Inc. (NHSA) have entered into a purchase service contract agreement whereby NHS is paid the principal amount of the loan balance at the time of the purchase and a monthly commission of .03125% of the outstanding balance of the loan for servicing the loan. Should any of these loans become over 90 days delinquent, NHS must repurchase the delinquent loan or replace it with another acceptable loan or loans. The total balance of such loans at April 30, 1998 and 1997 is \$373,056 and \$339,413, respectively.

Since 1988, NHS has sold loans to Neighborhood Housing Services of America, Inc. as follows:

1988	\$ 87,447
1989	130,430
1990	-
1991	118,883
1992	82,140
1993	-
1994	_
1995	98,884
1996	32,492
1997	-







Notes to Financial Statements

NOTE 4 BUILDING AND EQUIPMENT

Building and equipment consist of the following:

	1998	1997
Land	\$ 3,645	\$ 3,645
Building	46,615	46,615
Equipment	18,713	8,157
Equipment held under capital lease	5,902	5,902
	74,875	64,319
Less: Accumulated depreciation	33,593	27,801
	<u>\$ 41,282</u>	<u>\$ 36,518</u>

NOTE 5 CAPITAL LEASE

In October 1997, the Organization entered into a capital lease expiring in 2000. The asset and related liability under the capital lease are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The asset is depreciated over its useful life. Depreciation of the asset under capital lease is included in depreciation expense for the year ended April 30, 1998.

Minimum future lease payments under this capital lease as of April 30, 1998, are as follows:

Year ended April 30,

1999	\$ 2,336
2000	779
Total minimum lease payments	3,115
Less: amount representing interest	(269)
Present value of net minimum lease payments	<u>\$2.846</u>

NOTE 6 FEDERAL AWARD PROGRAMS

The Organization receives revenues from various Federal grant programs which are subject to final review and approval as to allowability of expenses by the respective grantor agencies. These programs are audited in accordance with the <u>Single Audit Act Amendments of 1996</u>. Any settlements or expenses arising out of a final review are recognized in the period in which agreed upon by the agency and the Organization. Also, it is management's opinion that any audits by the grantor agencies would not produce disallowed program costs and liabilities to such an extent that they would materially affect the Organization's financial position.

Notes to Financial Statements

NOTE 7 ECONOMIC DEPENDENCY

The Organization receives the majority of its revenue from funds provided through grants with the United States Department of Housing and Urban Development. The grant amounts are appropriated each year by the federal government. If significant budget cuts are made at the federal level, the amount of the funds Neighborhood Housing Services of Lafayette, Louisiana, Inc. 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.

INTERNAL CONTROL, COMPLIANCE

AND

OTHER GRANT INFORMATION

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(A Corporation of Certified Public Accountants)

Independent Auditor's Report on Compliance and On Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>

The Board of Directors Neighborhood Housing Services of Lafayette, Louisiana, Inc. Lafayette, Louisiana

We have audited the financial statements of Neighborhood Housing Services of Lafayette, Louisiana, Inc. (a non-profit organization), as of and for the year ended April 30, 1998, and have issued our report thereon dated July 27, 1998. We have conducted our audit in accordance with generally accepted auditing standards, the standards applicable to financial audits contained in <u>Government Auditing Standards</u>, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations".

Compliance

As part of obtaining reasonable assurance about whether Neighborhood Housing Services of Lafayette, Louisiana, Inc.'s general purpose 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 no instances of noncompliance that are required to be reported under <u>Government Auditing Standards.</u>

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Neighborhood Housing Services of Lafayette, Louisiana, Inc.'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 judgement, could

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Secrety of Lopisiana Certified Public Accountants adversely affect Neighborhood Housing Services of Lafayette, Louisiana, Inc.'s ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings and questioned costs as items 98-2, 98-3, 98-4, and 98-6.

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 the reportable conditions described in the schedule of findings and questioned cost as items 98-2, 98-3, 98-4 and 98-6 are material weaknesses.

This report is intended for the information of the board of directors and management. However, this report is a matter of public record and its distribution is not limited.

Darnall, Sikes & Trederick

A Corporation of Certified Public Accountants

Lafayette, Louisiana July 27, 1998

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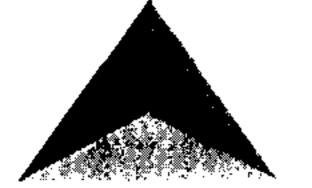
The Board of Directors Neighborhood Housing Services of Lafayette, Louisiana, Inc. Lafayette, Louisiana

Compliance



(A Corporation of Certified Public Accountants)

Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance In Accordance with OMB Circular A-133



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We have audited the compliance of Neighborhood Housing Services of Lafayette, Louisiana, Inc. (a non-profit organization), with the types of compliance requirements described in the <u>U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement</u> that are applicable to each of its major federal programs for the year ended April 30, 1998. Neighborhood Housing Services of Lafayette, Louisiana, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of Neighborhood Housing Services of Lafayette, Louisiana, Inc.'s management. Our responsibility is to express an opinion on Neighborhood Housing Services of Lafayette, Louisiana, Inc.'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 <u>Government Auditing Standards</u>, 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 Neighborhood Housing Services of Lafayette, Louisiana, Inc.'s compliance with those requirements and performing such other procedures as we consider 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 Neighborhood Housing Services of Lafayette, Louisiana, Inc.'s compliance with those requirements.

In our opinion, Neighborhood Housing Services of Lafayette, Louisiana, Inc. complied, in all

material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended April 30, 1998. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of Minimum American Institute or findings and questioned costs as items 98-1 and 98-5.

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Society of Louisiana Certified Public Accountants

Internal Control Over Compliance

The management of Neighborhood Housing Services of Lafayette, Louisiana, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Neighborhood Housing Services of Lafayette, Louisiana, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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We noted certain matters involving the internal control over compliance 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 compliance that, in our judgment, could adversely affect Neighborhood Housing Services of Lafayette, Louisiana, Inc.'s ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 98-1, 98-5, and 98-6.

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. Our 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, we consider the reportable conditions described above as items 98-1, 98-5, and 98-6 to be material weaknesses.

This report is intended for the information of the board of directors, management and federal awarding agencies. However, this report is a matter of public record and its distribution is not limited.

Darnall, Sikes & Frederick

A Corporation of Certified Public Accountants

Lafayette, Louisiana July 27, 1998



Schedule of Expenditures of Federal Awards Year Ended April 30, 1998

- · · · ·		Federal	
	CFDA	Revenue	Disbursements /
Program Title	Number	Recognized	Expenditures

Federal Assistance Programs

United States Department of Housing and			
Urban Development:			
Passed through the Lafayette Consolidated			
Government -			
Community Development Block			
Grant - Entitlement	14.218	\$ 73,574	\$ 73,574

HOME Investment Partnershin

Program	N/A	123,000	123,000
United States Congress: Passed through Neighborhood Reinvestment Corporation	N/A	114,539	114,539
		<u>\$311,113</u>	<u>\$311,113</u>

NOTE 1 BASIS OF PRESENTATION

The above schedule of expenditures of federal awards includes the federal grant activity of Neighborhood Housing Services of Lafayette, Louisiana, Inc. and is presented on the same basis of accounting as described in Note 1 to the financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations".



OTHER SUPPLEMENTAL INFORMATION



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Schedule of Findings and Questioned Costs (Continued) Year Ended April 30, 1998

Finding:

Neighborhood Housing Services of Lafayette, Louisiana, Inc. failed to maintain an adequate inventory listing as required. The listing maintained failed to include acquisition date, funding source and cost.

Recommendation:

Neighborhood Housing Services of Lafayette, Louisiana, Inc. should begin to maintain an adequate inventory listing that contains all required information.

98-5 Inadequate Loan Production

Criteria:

In accordance with grant agreements and the size of the staff, the Organization was required to complete thirty eligible housing projects during the fiscal year ended April 30, 1998.

Finding:

NHS failed to completed the required housing projects during the fiscal year.

Recommendation:

The Board of Directors should develop an action plan which outlines the method to be used in order to comply with the required productivity guidelines. Measurable goals must be established and a tracking mechanism must be developed in order to ensure that productivity is on schedule. This should be reviewed quarterly.

98-6 Internal Control Over Escrow Deposits

See description of finding in Part 2.



Summary Schedule of Prior Year Findings Year Ended April 30, 1998

97-1 Loan Subsidiary Ledgers

Finding:

It was noted that the loan subsidiary ledger does not agree to the general ledger. This is due to corrections being made to the subsidiary for errors in posting principle and interest that are not being made to the general ledger.

Recommendation:

Any time an error in posting to the cash receipts journal is noted that affects the loan balances, the correction being made on the loan ledger should be made to the general ledger also.

Follow-up:

During the current audit, a drastic improvement was noted, however, a few discrepancies were still noted, therefore, the finding will be noted again in the current year as finding 98-3.



Schedule of Findings and Questioned Costs Year Ended April 30, 1998

Part 1 Summary of Auditor's Results

FINANCIAL STATEMENTS

<u>Auditor's Report</u>

An unqualified opinion has been issued on Neighborhood Housing Services of Lafayette, Louisiana, Inc.'s financial statements as of and for the year ended April 30, 1998.

<u>Reportable Conditions – Financial Reporting</u>

Four reportable conditions in internal control over financial reporting were disclosed during the audit of financial statements and are reported in Part 2 of this report as items 98-2, 98-3, 98-4, and 98-6. All are considered to be material weaknesses.

Material Noncompliance – Financial Reporting

There were no instances of noncompliance material to the financial statements disclosed during the audit of the financial statements.

FEDERAL AWARDS

Major Program Identification

Neighborhood Housing Services of Lafayette, Louisiana, Inc., at April 30, 1998 had two major programs: Community Development Block Grant – Entitlement and HOME Investment Partnership Program, both which receive funds from the United States Department of Housing and Urban Development which passes through the Lafayette Consolidated Government.

Low-Risk Auditee

Neighborhood Housing Services of Lafayette, Louisiana, Inc. is not considered a low-risk auditec for the year ended April 30, 1998.

Major Program – Threshold

The dollar threshold to distinguish Type A and Type B programs is \$300,000 for the year ended April 30, 1998.

Auditor's Report - Major Programs

An unqualified opinion has been issued on Neighborhood Housing Services of Lafayette, Louisiana,

Inc.'s compliance for its major programs as of and for the year ended April 30, 1998.

Schedule of Findings and Questioned Costs (Continued) Year Ended April 30, 1998

<u>Reportable Conditions – Major Programs</u>

There were three reportable conditions noted during the audit of the major federal programs. These are shown in Part 3 as items 98-1, 98-5, and 98-6. All are considered material weaknesses.

Compliance Findings Relate to Major Programs

Two audit findings relative to the major federal award programs for Neighborhood Housing Services of Lafayette, Louisiana, Inc. are reported in Part 3 of this report as items 98-1 and 98-5.

Findings Relating to an Audit in Accordance with Government Auditing Standards Part 2

98-2 Finding Related to Cash Accounts

Finding:

Several of the cash account bank reconciliations did not reconcile to the general ledger. There was also one instance noted during the audit where a check was never recorded on the manual cash disbursements journal which is provided to the outside accountant to record the monthly disbursements, therefore, it was never posted by the outside accountant nor recorded on the general ledger which is generated by the outside accountant.

Recommendation:

Care should be taken to insure that all checks written are recorded on the cash disbursements journal to insure that the outside accountant has included all disbursements on the general ledger. Bank reconciliation balances prepared by Neighborhood Housing Services of Lafayette, Louisiana, Inc. should also be compared to the related general ledger cash accounts on a monthly basis with any differences being reconciled at that time.

Loan Subsidiary Ledgers 98-3

Finding:

It was noted that the loan subsidiary ledger does not agree to the general ledger. This is due to corrections being made to the subsidiary for errors in posting principal and interest that are not being made to the general ledger.

Recommendation:

Any time an error in posting to the cash receipts journal is noted that affects the loan balances, the correction being made on the loan ledger should also be made to the general ledger. Neighborhood Housing Services of Lafayette, Louisiana, Inc. should research the cost of implementing a computerized loan ledger system which would eliminate all errors associated with manual transactions.

Schedule of Findings and Questioned Costs (Continued) Year Ended April 30, 1998

98-4 Loan File Documentation

Finding:

While reviewing the loan files, it was noted that several of the files lacked the proper documentation as set forth in the loan policy, specifically, proof of current homeowner's insurance was missing.

Recommendation:

The client should implement procedures to verify that all necessary documents are in the loan files prior to closing the loan. Also, management should continue efforts to maintain the proper documentation in all the loan files.

98-6 Internal Control Over Escrow Amounts

Criteria:

Under an escrow agreement between the Organization and the client, the client remits monthly, a portion of their homeowner's insurance premiums, and annually when the policy renews, NHS is responsible for payment of the renewal premium to the carrier.

Finding:

An instance occurred during the year where NHS collected insurance premiums from a client through an escrow agreement yet failed to pay the renewal premium to the insurance carrier thus causing a lapse in coverage. During this lapse, an accident occurred and NHS was held responsible for the damages.

Recommendation:

Procedures should be implemented to more closely monitor the collection and subsequent disbursement of escrow amounts to insure that all amounts are remitted timely.

Part 3 Findings and Questioned Costs Relating to the Federal Programs

The following two findings were noted in the monitoring report of the pass through agency.

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98-1 Inadequate Equipment Inventory

Criteria:

As required by grant agreements, the Organization is required to maintain an equipment inventory listing, including certain required information.

Schedule of Findings and Questioned Costs (Continued) Year Ended April 30, 1998

Finding:

Neighborhood Housing Services of Lafayette, Louisiana, Inc. failed to maintain an adequate inventory listing as required. The listing maintained failed to include acquisition date, funding source and cost.

Recommendation:

Neighborhood Housing Services of Lafayette, Louisiana, Inc. should begin to maintain an adequate inventory listing that contains all required information.

98-5 Inadequate Loan Production

Criteria:

In accordance with grant agreements and the size of the staff, the Organization was required to complete thirty eligible housing projects during the fiscal year ended April 30, 1998.

Finding:

NHS failed to completed the required housing projects during the fiscal year.

Recommendation:

The Board of Directors should develop an action plan which outlines the method to be used in order to comply with the required productivity guidelines. Measurable goals must be established and a tracking mechanism must be developed in order to ensure that productivity is on schedule. This should be reviewed quarterly.

98-6 Internal Control Over Escrow Deposits

See description of finding in Part 2.



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Management's Corrective Action Plan For Current Year Findings Year Ended April 30, 1998

Response to finding 98-1:

Neighborhood Housing Services of Lafayette, Louisiana, Inc. has made the necessary revisions to the equipment inventory listing to adhere to the requirements in the grant agreements. A copy was submitted to the Lafayette Consolidated Government on July 22, 1998.

Response to finding 98-2:

Procedures have been implemented to insure that the bank reconciliations are compared to the general ledger monthly with any differences reconciled and all activity is posted to the manual cash disbursements journal provided to the outside accountant.

Response to finding 98-3:

The Organization has purchased and installed a computerized loan ledger system, which should eliminate all discrepancies caused by the transactions being manually recorded in the past. All loans and related information will be completely entered into the new system by November, 1998.

Response to finding 98-4:

The Organization plans to establish a loan review committee to perform due diligence on loan files within one month of the loan closing date. Checklists have been developed and implemented to insure that all required documents have been obtained.

Response to finding 98-5:

Management has provided to the pass through agency a "Plan and Assessment of Loans Closed" indicating the reason for the low volume of loans is due to a lack of funding made available by the funding source.

Response to finding 98-6:

The computerized loan ledger system purchased and installed by the Organization generates a report which allows escrow balances to be closely monitored. All loans and related information will be completely entered into the new system by November, 1998.



Combining Statement of Financial Position April 30, 1998

			CDBG
	0	perating	Revolving
		Fund	Loan Fund
ASSETS			<u>.</u>
Cash	\$	61,994	\$-
Due from the Lafayette Consolidated Government		19,879	-
Prepaid expenses		2,206	-
Restricted assets:			
Cash		47,411	41,368
Building, net of accumulated depreciation		-	20,636
Due from other funds		-	2,922
Loans receivable, net		-	291,549
Land		3,645	-
Equipment, net of accumulated depreciation		17,001	-
Other receivables		185	-
Due from other funds	<u>.</u>	1.552	<u> </u>

TOTAL ASSETS

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<u>\$ 153.873</u> <u>\$ 356.475</u>

LJABILITIES AND NET ASSETS

LIABILITIES (PAYABLE FROM		
CURRENT ASSETS)		
Accounts payable and accrued liabilities	\$ 8,626	\$ -
Due to other funds	6,796	-
Other liabilities	9	-
Capital lease payable	2,846	
• • •	18,277	
LIABILITIES (PAYABLE FROM		
RESTRICTED ASSETS)		
Other liabilities	-	1,038
Due to other funds	- -	1,082
Tax and insurance payable	6,878	-
Loan collections due to others	5,492	-
Undisbursed loan proceeds	35,041	<u> </u>
	47,411	2,120
TOTAL LIABILITIES	65,688	2,120
NET ASSETS		
Restricted	-	354,355
Unrestricted	88,185	
Total net assets	88,185	354,355







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NR Revol Loan I	ving	Revo	.M.E. olving Fund	Inte	inations of erfund lances	<u>.</u>	Totals
\$	-	\$	-	\$	-	\$	61,994
	-		-		*		19,879
	-		-		-		2,206
77	7,486		67,694		-		233,959
	-		-		-		20,636
1	,614		2,260		(6,796)		-
241	,908	2'	78,948		-		812,405
	-		-		P -		3,645
	-		-		•		17,001
	-		-		-		185
_	<u> </u>		<u> </u>		(1.552)		<u></u>

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<u>\$ 321.008</u> <u>\$ 348.902</u> <u>\$ (8.348)</u> <u>\$ 1.171.910</u>

\$	-	\$-	\$-	\$ 8,626
	-	-	(6,796)	-
	-	-	-	9
<u> </u>		<u> </u>	<u> </u>	2,846
		_	(6,796)	11,481

5	-	-	1,043
248	222	(1,552)	-
-	-	-	6,878
-	-	-	5,492
			35,041
253	222	(1.552)	48,454
253	222	<u>(8,348)</u>	59,935
320,755	348,680	= 	1,023,790 <u>88,185</u> 1,111,975
320,755	348,680		i_111,273





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Combining Statement of Activities April 30, 1998

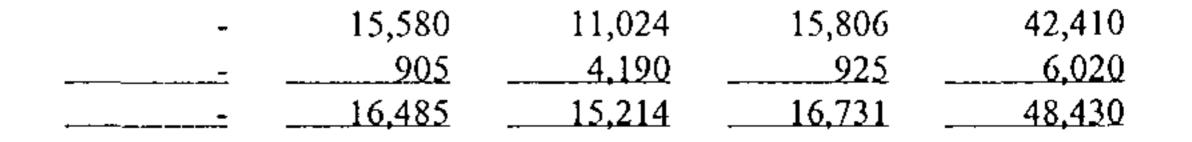
	Operating Fund	CDBG Revolving Loan Fund	NRC Revolving Loan Fund	H.O.M.E. Revolving Loan Fund	Totals
UNRESTRICTED NET ASSETS					
Support					
Passed through federal funds:					
Lafayette Consolidated Government	\$ 75,013	\$-	\$-	\$ -	\$ 75,013
Other	63,100	-	-	-	63,100
Contributions	2,233	<u> </u>			2,233
	140,346		<u> </u>		140,346
Revenue					
Interest	1,286	-	-	-	1,286
Other	6,038	-	-	-	6,038
Fundraising	2,702				2,702
	10,026	<u> </u>			10,026

Net assets released from restrictions

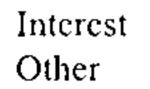
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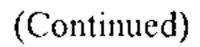
					• • • •
Total support, revenue and net assets					
released from restrictions	170,327	.		-	170,327
Expenses					
Personnel cost	87,590	-	-	-	87,590
Accounting and auditing	11,450	-	-	-	11,450
Legal	430	-	-	-	430
Bad debts	-	-	-	-	-
Contractual services	845	-	-	-	845
Depreciation	3,462	-	-	-	3,462
Insurance	4,913	-	-	-	4,913
Telephone and utilities	8,053	-	-	-	8,053
Dues & subscriptions	338	-	-	-	338
Office supplies	8,472	-	-	-	8,472
Travel and seminars	2,354	-	-	-	2,354
Maintenance	2,173	-	-	-	2,173
Rent	2,200	-	-	-	2,200
Interest	520	-	-	-	520
Other	5,370	<u> </u>			5,370
Total expenses	138,170				138,170
Increase in unrestricted net assets	32,157				32,157
MPORARILY RESTRICTED NET ASSETS					
Governmental grants		<u> </u>	50,000	123,000	173,000

Revenue



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<u> 19,955</u>

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Combining Statement of Activities (Continued) April 30, 1998

		CDBG	NRC	H.O.M.E.	
	Operating	Revolving	Revolving	Revolving	
	Fund	Loan Fund	Loan Fund	Loan Fund	Totals
Expenses				-	
Bad debt	-	(6,102)	2,169	1,248	(2,685)
Depreciation	-	2,330	-	-	2,330
Other	<u> </u>		60	<u> </u>	60
Total expenses	<u> </u>	(3,772)	2,229	1,248	(295)
Net assets released from restrictions:					
Restrictions satisfied by payments		(2,436)	<u>(13,015)</u>	(4,504)	(19,955)
Increase in temporarily restricted net					
assets		17,821	49,970	133,979	201,770
INCREASE IN NET ASSETS	32,157	17,821	49,970	133,979	233,927

NET ASSETS, beginning	56,028	336,534	270,785	214,701	878,048
NET ASSETS, ending	<u>\$ 88,185</u>	<u>\$ 354.355</u>	<u>\$ 320,755</u>	<u>\$_348.680</u>	<u>\$ 1.111.975</u>

