

CHARMAINE PHILIPS-PLATENBURG
Certified Public Accountant

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Audited Financial Statements

of

Desire Community Housing Corporation

As of and For the Year Ended

December 31, 1998

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.

Release Date SEP 15 1999

SEP 15 1999 9:22

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CHARMAINE PHILIPS-PLATENBURG
Certified Public Accountant

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, 1998 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.

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.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Desire Community Housing Corporation as of December 31, 1998, 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-Profits 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 August 31, 1999, 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
August 31, 1999

DESIRE COMMUNITY HOUSING CORPORATION
Statement of Financial Position
As of December 31, 1998

Assets

Current Assets:

Cash and Cash Equivalents	\$	372,686
Accounts Receivable		36,578
Contracts Receivable		55,064
Other		9,364
		9,364

Total Current Assets 473,692

Other Assets:

Notes Receivable		97,584
Less: Allowance for Doubtful Accounts		(20,928)
		(20,928)

Total Other Assets 76,656

Fixed Assets

Buildings and Land		3,772,497
Furniture, Fixtures and Equipment		79,485
Less: Accumulated Depreciation		(459,310)
		(459,310)

Total Fixed Assets 3,392,672

Total Assets \$ 3,943,020

Liabilities & Stockholder's Equity

Current Liabilities:

Accounts Payable	\$	70,792
Payroll Taxes Payable		2,820
		2,820

Total Current Liabilities 73,612

Other Liabilities:

Escrow & Tenant Deposits		8,786
Lines of Credit		448,396
		448,396

Total Other Liabilities 457,182

Total Liabilities 530,794

Net Assets:

Unrestricted		2,522,673
Temporarily Restricted		889,553
		889,553

Total Net Assets 3,412,226

Total Liabilities & Net Assets \$ 3,943,020

DESIRE COMMUNITY HOUSING CORPORATION
Statement of Activities
For the Year Ended December 31, 1998

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues:			
Contract Appropriations	-	\$ 1,399,519	\$ 1,399,519
Other Income	1,025,183	-	1,025,183
Net Assets released from restrictions	<u>1,223,482</u>	<u>(1,223,482)</u>	<u>-</u>
Total Revenues	2,248,665	176,037	2,424,702
Expenses:			
Payroll Expenses	768,295	-	768,295
Professional Fees - Contractors	365,664	-	365,664
Professional Fees - Accounting & Legal	207,898	-	207,898
Property & Equipment, Capitalized	162,654	-	162,654
Rent	10,837	-	10,837
Depreciation Expense	137,661	-	137,661
Insurance	133,052	-	133,052
Maintenance/Repairs/Utilities	112,377	-	112,377
Construction Expense	81,834	-	81,834
Operator Expense	63,931	-	63,931
Interim Finances	55,788	-	55,788
Bad Debt Expense	20,928	-	20,928
Rent	<u>148,674</u>	<u>-</u>	<u>148,674</u>
Total Expense	<u>2,269,593</u>	<u>-</u>	<u>2,269,593</u>
Increase in Net Assets	(20,928)	176,037	155,109
Net Assets, Beginning Balance	<u>2,543,601</u>	<u>713,516</u>	<u>3,257,117</u>
Net Assets, Ending Balance	<u><u>2,522,673</u></u>	<u><u>\$ 889,553</u></u>	<u><u>\$ 3,412,226</u></u>

DESIRE COMMUNITY HOUSING CORPORATION
Statement of Cash Flows
For the Year Ended December 31, 1998

Cash Flows from Operating Activities:	
Increase in Net Assets	\$ 155,109
Adjustments to reconcile increase net assets to net cash provided by operating activities:	
Depreciation Expense	137,661
Decrease in Receivables	394,112
Decrease in Accounts Payable & Payroll Taxes Payable	(35,690)
Increase in Tenant Deposits & Escrow	<u>(4,282)</u>
Net Cash Provided by Operations	646,910
Cash Flows from Investing Activities:	
Purchase of Property, Furniture, Fixtures and Equipment	<u>(923,745)</u>
Net Cash Used In Investing Activities	(923,745)
Cash Flows from Financing Activities:	
Withdrawals on Line of Credit, net of payments	445,146
Principal Payments on Mortgage Payable	<u>(81,744)</u>
Net Cash Provided by Financing Activities	<u>363,402</u>
Net Increase In Cash and Cash Equivalents	86,567
Cash and Cash Equivalents at Beginning of Year	<u>286,119</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 372,686</u></u>

NOTES TO THE FINANCIAL STATEMENTS
Desire Community Housing Corporation
December 31, 1998

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements 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 opportunity for children.

The corporation is supported primarily through government contracts. Accordingly, 58% of the corporation's support for the year ended December 31, 1998 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 Organization." 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".

Contracts Receivables

The Organization considers contracts 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, 1998

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans

Loans are stated at the amount of unpaid principal, reduced by an allowance for loan losses. Interest on 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 borrowers' 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 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, 1998

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, 1998 totaled \$137,661.

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, 1998, there were several reimbursable programs totaling \$55,064.

NOTES TO THE FINANCIAL STATEMENTS
Desire Community Housing Corporation
December 31, 1998

NOTE D – RESERVE FOR LOAN LOSSES

A summary of the activity in the Reserve for Loan Losses for the year ended December 31, 1998 follows:

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

NOTE E – LAND AND BUILDING

Land and building at December 31, 1998 consists of the following:

Building and Land	\$3,772,497
Furniture, Fixtures and Equipment	79,485
Less accumulated depreciation	<u><459,310></u>
	<u>\$3,392,672</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, 1998.

NOTES TO THE FINANCIAL STATEMENTS
Desire Community Housing Corporation
December 31, 1998

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 three unsecured lines of credit with Hibernia National Bank (2) and Bank One (1). As of December 31, 1998, the outstanding balance of the lines of credit was \$448,396.

NOTE J – CONCENTRATION OF CREDIT RISKS

During the year the bank balances of single or aggregate accounts may exceed the FDIC secured limit of 100,000. As of December 1, 1998, the agency had credit risks as follows:

Cash Balance	\$ 216,073
FDIC Security	<u>100,000</u>
Credit Risks	<u>\$ 116,073</u>

NOTE K – MORTGAGE RECEIVABLES

The Organization has three mortgages totaling \$97,584 as of December 31,1998.

NOTE L – 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.

SUPPLEMENTAL INFORMATION

DESIRE COMMUNITY HOUSING CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended December 31, 1998

<u>PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>EXPEDITURES</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>		
Passed through the State of Louisiana's Department of Education: Food Distribution	10.550	\$ 54,755
<u>U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES</u>		
Passed through the State of Louisiana's Department of Social Services: Child Care Services	93.600	22,418
Project Independence	93.600	<u>13,416</u>
TOTAL U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES		35,834
<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	290,451
Home Investment Partnerships Program	14.239	<u>1,535,518</u>
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		<u>\$1,825,969</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$1,916,558</u>

CHARMAINE PHILIPS-PLATENBURG
Certified Public Accountant

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, 1998, and have issued my report thereon dated August 31, 1999. 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 instances of noncompliance that are required to be reported under Governmental Auditing Standards and which are described in the accompanying schedule of Findings and Questioned Costs as items 98-7 and 98-8.

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 New Orleans Affordable Homeownership Inc.'s ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 98-1, 98-2, 98-3, 98-4, 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 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, of the reported conditions described above, I consider item 98-6 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
August 31, 1999

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, 1998. Desire Community Housing Corporation 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 items 98-7, and 98-8 in the accompanying schedule of findings and questioned costs, Desire Community Housing Corporation did not comply with the requirements regarding Allowable Cost/Cost Principles, that are applicable to its major federal programs. Compliance with such requirements 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, 1998.

Internal Control Over Compliance

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. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 98-1, 98-2, 98-3, 98-4, 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 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, of the reportable conditions described above, I consider item 98-7 to be material weaknesses.

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
August 31, 1999

CHARMAINE PHILIPS-PLATENBURG

Certified Public Accountant

1340 Poydras Street • Suite 2130
New Orleans, LA 70112

DESIRE COMMUNITY HOUSING CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended December 31, 1998

A. SUMMARY OF AUDIT RESULTS.

1. An unqualified opinion was issued on the financial statements of the auditee.
2. Reportable conditions in internal control were disclosed by the audit of the financial statements and some conditions were deemed to be material weaknesses.
3. The audit disclosed three instances of noncompliance that may be material to the financial statements of the audits.
4. Reportable conditions in internal control over major programs were disclosed by the audit and such conditions were not deemed material weaknesses.
5. A qualified opinion was issued on compliance for major program.
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 programs for the year ended December 31, 1998 consists of the following:

Home Investment Partnership Program	CFDA No. 14.239
Regional Opportunity Counseling Program	CFDA No. 14.239
Desire Square Improvements Phase II	CFDA No. 14.218
8. The dollar threshold to distinguished 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, 1998

B. FINDINGS-FINANCIAL STATEMENTS AUDIT

Reportable Conditions

98-1. Accounting System

Statement of Condition:

The prior year audit adjustments were not recorded in the general ledger.

Criteria:

Prior year audit adjustments should be recorded to assure the accuracy and completeness of the financial statements.

Effect of Condition:

Failure to record prior year audit adjustments will result in misleading financial statements.

Questioned Costs:

None

Cause of Condition:

Prior year audit adjustments were not recorded.

Recommendation:

Prior year audit adjustments should be recorded to assure the accuracy and completeness of the financial statements.

Response:

See corrective action plan.

DESIRE COMMUNITY HOUSING CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED

For the year ended December 31, 1998

98-2. Contracts Receivable

Statement of Condition:

Contracts receivable were not properly stated in the financial statements.

Criteria:

Contracts receivable should reflect the money due from the funding source.

Effect of Condition:

Failure to assure the accuracy of the contract receivable will result in misleading financial statements.

Questioned Costs:

None

Cause of Condition:

Contracts receivable are not reviewed monthly to assure accuracy and collectibility.

Recommendation:

The contracts receivable listing should be reviewed monthly for accuracy and collectibility.

Response:

See corrective action plan.

DESIRE COMMUNITY HOUSING CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED

For the year ended December 31, 1998

98-3. Mortgages

Statement of Condition:

The subsidiary ledger was not in agreement with the general ledger.

Criteria:

Subsidiary ledger should agree to the general ledger account.

Effect of Condition:

Failure to maintain accurate loan balances will result in misleading financial statements.

Questioned Costs:

None

Cause of Condition:

Subsidiary loan ledger was not reconciled to general ledger account.

Recommendation:

To assure the accuracy of the financial statements, the subsidiary loan ledger should be reconciled to the general ledger control account. All reconciling items should be identified, and adjusted accordingly.

Response:

See corrective action plan.

DESIRE COMMUNITY HOUSING CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED

For the year ended December 31, 1998

98-4. Provision For Loan Losses

Statement of Condition:

The adequacy of the provision for possible loan losses is not reviewed and adjusted by the Board of Directors. The provision for loan losses is adjusted at year-end.

Criteria:

Loan losses should be reviewed quarterly by the Board of Directors and revised accordingly.

Effect of Condition:

The financial statements will be misleading.

Questioned Costs:

None

Cause of Condition:

Provision for loan losses is not reviewed by the Board of Directors for its adequacy.

Recommendation:

To assure the Corporation maintain an adequate provision for loan losses, the adequacy of the provision for loan losses, the adequacy of the provision for loan losses should be reviewed quarterly by the Board of Directors and revised accordingly. By maintaining an adequate reserve, the financial statements will be more meaningful.

Response:

See corrective action plan.

DESIRE COMMUNITY HOUSING CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED

For the year ended December 31, 1998

98-5. General ledger

Statement of Condition:

The general ledger was out of balance and did not agree to the financial statements.

Criteria:

All ledgers (including subledgers) should agree to the financial statements.

Effect of Condition:

The financial statements could be incorrect.

Questioned Costs:

None

Cause of Condition:

Financial statements were not reviewed on a monthly basis for accuracy and completeness.

Recommendation:

Financial statements along with ledgers and supplementary schedules should be reviewed on a monthly basis with the organization's certified public accountant. In addition, the financial statements should be presented to the Board of Directors for approval.

Response:

See corrective action plan.

DESIRE COMMUNITY HOUSING CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED

For the year ended December 31, 1998

98-6. Omitted Transactions

Statement of Condition:

The Organization did not record all financial transactions pertaining to its line of credit in the financial statements

Criteria:

In accordance with OMB Circular No. A-133, Section 310(a) Financial Statements "The auditee (Organization) shall prepare financial statements that reflect its financial position, results of operation or changes in net assets, and where appropriate, cash flows for the fiscal year audited. Furthermore, financial statements must contain all financial data in order to accurately present an entity's economic resources and/or obligations at a point in time, or changes there in for a period of time, in accordance with generally accepted accounting principles.

Effect of Condition:

The Organization did not maintain adequate financial statements for the year ending December 31, 1998.

Questioned Costs:

None

Cause of Condition:

Management failed to present financial statements in conformity with generally accepted accounting principles.

Recommendation:

Management should implement procedures to assure that all financial transactions are properly recorded in the organization's financial statements.

Response:

See corrective action plan.

DESIRE COMMUNITY HOUSING CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED

For the year ended December 31, 1998

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

98-1. Accounting System

Statement of Condition:

The prior year audit adjustments were not recorded in the general ledger.

Criteria:

Prior year audit adjustments should be recorded to assure the accuracy and completeness of the financial statements.

Effect of Condition:

Failure to record prior year audit adjustments will result in misleading financial statements.

Questioned Costs:

None

Cause of Condition:

Prior year audit adjustments were not recorded.

Recommendation:

Prior year audit adjustments should be recorded to assure the accuracy and completeness of the financial statements.

Response:

See corrective action plan.

DESIRE COMMUNITY HOUSING CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED

For the year ended December 31, 1998

98-2. Contracts Receivable

Statement of Condition:

Contracts receivable were not properly stated in the financial statements.

Criteria:

Contracts receivable should reflect the money due from the funding source.

Effect of Condition:

Failure to assure the accuracy of the contracts receivable will result in misleading financial statements.

Questioned Costs:

None

Cause of Condition:

Contracts receivable are not reviewed monthly to assure accuracy and collectibility.

Recommendation:

The contracts receivable listing should be reviewed monthly for accuracy and collectibility.

Response:

See corrective action plan.

DESIRE COMMUNITY HOUSING CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED

For the year ended December 31, 1998

98-3. Mortgages

Statement of Condition:

The subsidiary ledger was not in agreement with the general ledger.

Criteria:

Subsidiary ledger should agree to the general ledger account.

Effect of Condition:

Failure to maintain accurate loan balances will result in misleading financial statements.

Questioned Costs:

None

Cause of Condition:

Subsidiary loan ledger was not reconciled to general ledger account.

Recommendation:

To assure the accuracy of the financial statements, the subsidiary loan ledger should be reconciled to the general ledger control account. All reconciling items should be identified, and adjusted accordingly.

Response:

See corrective action plan.

DESIRE COMMUNITY HOUSING CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED

For the year ended December 31, 1998

98-4. Provision For Loan Losses

Statement of Condition:

The adequacy of the provision for possible loan losses is not reviewed and adjusted by the Board of Directors. The provision for loan losses is adjusted at year-end.

Criteria:

Loan losses should be reviewed quarterly by the Board of Directors and revised accordingly.

Effect of Condition:

The financial statements will be misleading.

Questioned Costs:

None

Cause of Condition:

Provision for loan losses is not reviewed by the Board of Directors for its adequacy.

Recommendation:

To assure the Corporation maintain an adequate provision for loan losses, the adequacy of the provision for loan losses, the adequacy of the provision for loan losses should be reviewed quarterly by the Board of Directors and revised accordingly. By maintaining an adequate reserve, the financial statements will be more meaningful.

Response:

See corrective action plan.

DESIRE COMMUNITY HOUSING CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED

For the year ended December 31, 1998

98-5. General ledger

Statement of Condition:

The general ledger was out of balance and did not agree to the financial statements.

Criteria:

All ledgers (including subledgers) should agree to the financial statements.

Effect of Condition:

The financial statements could be incorrect.

Questioned Costs:

None

Cause of Condition:

Financial statements were not reviewed on a monthly basis for accuracy and completeness.

Recommendation:

Financial statements along with ledgers and supplementary schedules should be reviewed on a monthly basis with the organization's certified public accountant. In addition, the financial statements should be presented to the Board of Directors for approval.

Response:

See corrective action plan.

DESIRE COMMUNITY HOUSING CORPORATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED

For the year ended December 31, 1998

98-6. Omitted Transactions

Statement of Condition:

The Organization did not record all financial transactions pertaining to its line of credit in the financial statements

Criteria:

In accordance with OMB Circular No. A-133, Section 310(a) Financial Statements "The auditee (Organization) shall prepare financial statements that reflect its financial position, results of operation or changes in net assets, and where appropriate, cash flows for the fiscal year audited. Furthermore, financial statements must contain all financial data in order to accurately present an entity's economic resources and/or obligations at a point in time, or changes there in for a period of time, in accordance with generally accepted accounting principles.

Effect of Condition:

The Organization did not maintain adequate financial statements for the year ending December 31, 1998.

Questioned Costs:

None

Cause of Condition:

Management failed to present financial statements in conformity with generally accepted accounting principles.

Recommendation:

Management should implement procedures to assure that all financial transactions are properly recorded in the organization's financial statements.

Response:

See corrective action plan.

DESIRE COMMUNITY HOUSING CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED

For the year ended December 31, 1998

ADMINISTRATIVE REQUIREMENTS

98-7. 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, 1999.

Effect of Condition:

Organization not in compliance with audit requirements established by regulatory agencies.

Questioned Costs:

None

Cause of Condition:

Financial documents were not readily available for examination.

Recommendation:

Audit of financial statements should be performed in accordance with regulations established by regulatory agencies.

Response:

See corrective action plan.

DESIRE COMMUNITY HOUSING CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED

For the year ended December 31, 1998

98-8. Cash

Statement of Condition:

At December 31, 199, the cash balances exceed the FDIC insurance limits.

Criteria:

Cash balances in excess of the FDIC limits should be adequately insured.

Effect of Condition:

The excess cash balances are subject to undue credit risk.

Questioned Costs:

None

Cause of Condition:

Cash balances exceeded the FDIC insurance limits at a financial institution.

Recommendation:

The Organization should monitor its cash balances to assure that they are adequately insured. If cash balances exceed the FDOC insurance limits, recommend the financial institution pledge securities with the Federal Reserve System to assure the cash balances are adequately insured.


Response:

See corrective action plan.

DESIRE COMMUNITY HOUSING CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED

For the year ended December 31, 1998

	<u>Reportable Conditions</u>	<u>Resolved</u>	<u>Unresolved</u>	<u>Current Findings</u>
1.	Accounting Records	X		
2.	Physical Inventory of Equipment	X		



DESIRE HOUSING COMMUNITY CORPORATION

2709 PIETY STREET

NEW ORLEANS, LA 70126 944-2727

CHAIRMAN
Frankie Gordon

VICE CHAIRMAN
Ellenese Brooks-Simms

SECRETARY
Katherine J. Florent

TREASURER
Vernon Shorty

PRESIDENT
Wilbert Thomas, Sr.

CAO
Ara Jean Jackson

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September 3, 1999

Charmaine Phillips-Platenburg
Certified Public Accountant
1340 Poydras Street, Suite 2130
New Orleans, LA 70112

Re: Annual Audit for the year ending December 31, 1998
Audit Response

Attached are the responses to the findings from the audit of the Desire Community Housing Corporation for the year ending December 31, 1998.



Wilbert Thomas, Sr.
President/CEO

990910 10:03 AM
990910 10:03 AM



"Rebuilding Communities Together"

98-1 **Accounting System**

Statement of Condition:

The prior year adjustments were not recorded in the general ledger.

Response

We concur with the finding. Prior year audit adjustments were not recorded to the general ledger until the year. We will ensure that future audit adjustments are recorded in the general ledger as soon as they are received from the auditors.

98-2 **Contracts Receivable**

Statement of Condition

Contracts receivable were not properly stated in the financial statements.

Response

We do not concur with this finding. An analysis was made at year end to determine the balances receivables due to the Desire Community Housing Corporation.

98-3 **Mortgages**

Statement of Condition

The subsidiary ledger was not in agreement with the general ledger.

Response

We do not concur with this finding. The client ledgers provided to the auditors agreed to the general ledger. An analysis of mortgages receivable was made at year end.

98-4 **Provision for Loan Losses**

Statement of Condition

The adequacy of the provision for possible loan losses is not reviewed and adjusted by the Board of Directors. The provision for loan losses is adjusted at year end.

Response

We concur with the finding. In the future we will determine a provision for loan losses and have the Board of Directors review the provision for approval.

98-5 **General Ledger**

Statement of Condition

The general ledger was out of balance and did not agree to the financial statements.

Response

We concur with the finding. The software that we had been using was not functioning as we had hoped. We found that the software had a defect in that on occasion, transactions were not properly posted to the general ledger. This required that we make manual entries to the general ledger, which at times were one sided entries. We have decided to change to a different software, that will ensure that these problems will not happen again.

98-6 **Omitted Transactions**
Statement of Condition

The Organization did not record all financial transactions pertaining to its line of credit in the financial statements.

Response

We do not concur with this finding We reviewed the line of credit balances at year end to determine the correct balance to be reported on the financial statements. This was also done to determine whether all interest paid had been actually reported.

98-7 **Audit Requirement**
Statement of Condition

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

Response

We concur with this finding. We will contract an auditor by September 30, 1999, in order to have our audit completed in a timely manner.

98-8 **Cash**
Statement of Condition

At December 31, 1998, the cash balances exceed the FDIC insurance limits.

Response

We concur with the finding. The balances maintained in the cash accounts are short term balances. We large cash balances are not maintained in accounts for any extended period of time.