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BOBBIE L. HOWARD, CPA
LEGISLATIVE AUDITOR
A PROFESSIONAL ACCOUNTING CORPORATION

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**LOUISIANA HOUSING & COMMUNITY DEVELOPMENT
CORPORATION**

FINANCIAL STATEMENTS AND AUDITOR'S REPORT

FOR THE YEAR ENDED

DECEMBER 31, 2003

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 9-1-04

Table of Contents

REPORT ON AUDIT OF FINANCIAL STATEMENTS	Page 1
Independent Auditor's Report	Page 2
Statement of Financial Position	Page 4
Statement of Activities	Page 5
Statement of Cash Flows	Page 6
Notes to Financial Statements	Page 7
Report on Compliance and on Internal Control	Page 14
Schedule of Findings and Questioned Cost	Page 16
Schedule of Prior Year Findings	Page 19
Supplemental Information	Page 20

**LOUISIANA HOUSING AND
COMMUNITY DEVELOPMENT CORPORATION**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2003**

BOBBIE L. HOWARD, CPA

A PROFESSIONAL ACCOUNTING CORPORATION

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**The Board of Directors
Louisiana Housing and Community
Development Corporation (LHCDC)
New Orleans, La.**

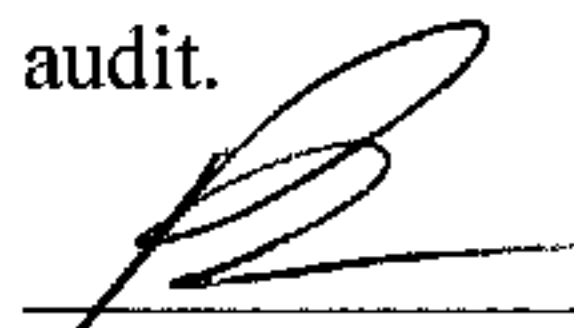
INDEPENDENT AUDITOR'S REPORT

We have audited the financial statements of Louisiana Housing and Community Development Corporation (LHCDC) a non-profit organization as of December 31, 2003 and the related statements of activities and cash flows for the year then ended. The financial statements are the responsibility of LHCDC management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amount and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred above are presented fairly, in all material respects, the financial position of Louisiana Housing and Community Development Corporation as of December 31, 2003 and the changes in net assets and its cash flows for the year then ended are in conformity with Accounting Principles Generally Accepted in the United States of America.

In accordance with the *Government Auditing Standards*, we have also issued our report dated June 15, 2004 on the consideration of LHCDC internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



Bobbie L. Howard
Certified Public Accountant

June 15, 2004

**LOUISIANA HOUSING & COMMUNITY DEVELOPMENT
CORPORATION**

**STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED
DECEMBER 31, 2003**

ASSETS

Cash	\$ 727,617.84
Cash Restricted	428,225.88
Certificates of Deposits	293,141.07
Money Market Funds	4,872.54
Account Receivable	9,501.60
Notes Receivable	479,428.93
Other Receivable	300,000.00
Deposit on Real Property	114,084.53
Real Property Held for Investment	538,722.31
Other Investments	64,214.09
Office Fixtures & Equipment, Net	11,793.78
Security Deposit	1,550.00
Deposit	<u>500.00</u>

TOTAL ASSETS **\$ 2,973,652.57**

LIABILITIES & NET ASSETS

LIABILITIES

Account Payable	\$ 1,261.91
Note Payable	2,107.47
Other Current Liabilities	<u>1,402.07</u>

TOTAL LIABILITIES **4,771.45**

NET ASSETS

Unrestricted	\$ 2,468,881.12
Temporarily Restricted	<u>500,000.00</u>

TOTAL NET ASSETS **\$ 2,968,881.12**

TOTAL LIABILITIES & NET ASSETS **\$ 2,973,652.57**

See accompanying notes to Financial Statements.

**LOUISIANA HOUSING & COMMUNITY DEVELOPMENT
CORPORATION**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED
DECEMBER 31, 2003**

UNRESTRICTED & RESTRICTED NET ASSETS

REVENUES, GAINS, OTHER SUPPORT

Contributions (Temporarily Restricted)	\$	125,000.00
Investment Income		42,484.36
Gain (Loss) on Sale of Property Held for Investment		<u>19,501.02</u>

TOTAL UNRESTRICTED & RESTRICTED REVENUE **\$ 186,985.38**

EXPENSES-SUPPORTING SERVICES

Administrative and General \$ 318,773.15

Decrease in Net Assets **(131,787.77)**

ADJUSTMENT **1,051.92**

NET ASSETS AT BEGINNING OF YEAR **\$ 3,099,616.97**

NET ASSETS AT END OF YEAR **\$ 2,968,881.12**

See accompanying notes to Financial Statements.

**LOUISIANA HOUSING & COMMUNITY DEVELOPMENT
CORPORATION**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED
DECEMBER 31, 2003**

UNRESTRICTED & RESTRICTED NET ASSETS

REVENUES, GAINS, OTHER SUPPORT

Contributions (Temporarily Restricted)	\$	125,000.00
Investment Income		42,484.36
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NET ASSETS AT BEGINNING OF YEAR \$ **3,099,616.97**

NET ASSETS AT END OF YEAR \$ **2,968,881.12**

See accompanying notes to Financial Statements.

**LOUISIANA HOUSING & COMMUNITY DEVELOPMENT
CORPORATION**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2003**

**NOTE 1: ACTIVITIES AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES**

Corporate Background

Louisiana Housing and Community Development Corporation (LHCDC) was incorporated as a private non-profit corporation under the non-profit corporation laws of the State of Louisiana (LA R.S. 12:201, et seq.). Its Articles of Incorporation were filed with the Louisiana Secretary of State on April 2, 1997. LHCDC is tax-exempt under Section 501 (c) 3 of the Internal Revenue Code of 1986 (the "Code").

LHCDC mission is "to provide support and assistance to economically disadvantaged individuals, small businesses and other disadvantaged enterprises for the purpose of decreasing poverty, decreasing government dependence, generating economic growth, creating jobs and otherwise supporting needy citizens of the "State of Louisiana."

Nature of Activities

On June 27, 1997, LHCDC and the Department of Economic Development of the State of Louisiana (DED) entered into a Cooperative Endeavor Agreement (the "Agreement") in accordance with Article VII, Section 14 of the Constitution of the State of Louisiana. Pursuant to the Agreement, LHCDC received from DED the sum of Four Million and 00/100's (\$4,000,000.00) in consideration for LHCDC providing funding for housing and community development initiatives within the State of Louisiana. These funds were appropriated pursuant to Act No. 319 of the Louisiana Legislature, Regular Session of 1997 (the "Act").

The Agreement was terminated on June 30, 2000, however, certain provisions of the Agreement (as amended) survived the termination and require LHCDC to provide DED with, but not limited to, (i) copies of all contracts with outside consultants and service providers, (ii) quarterly financial statements within thirty days after the

**LOUISIANA HOUSING & COMMUNITY DEVELOPMENT
CORPORATION**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2003**

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

end of every quarter, (iii) an annual financial report audited by an Independent Certified Public Accountant within ninety days after the end of the fiscal year, and (iv) a semi-annual written report concerning the use of funds within thirty days at the end of the semi-annual period.

Change in Fiscal Year

Louisiana Housing and Community Development Corporation changed its fiscal year end from June 30 to December 31.

Basis of Accounting

The financial statements of the corporation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117 and Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, a non-profit organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Allowance for Doubtful Accounts

Louisiana Housing and Community Development Corporation consider all receivables to be fully collectible. Therefore, no allowance is recorded against any receivables.

**LOUISIANA HOUSING & COMMUNITY DEVELOPMENT
CORPORATION**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2003**

Investment Income

Investment Income includes interest earned on notes receivable, interest from Certificates of Deposits, and all interest bearing checking accounts.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates.

Cash and Cash Equivalents

Cash and cash equivalents includes all money in banks, certificates of deposits and money market funds.

Investments

Investments are composed of investing in real property carried at cost.

Office Fixtures & Equipment

Office fixtures and equipment are capitalized at cost. Office fixtures and equipment are being depreciated over estimated useful lives using a straight-line method.

Organization Cost

Organization costs represent legal and consultant fees valued at cost, amortized over a five year period.

**LOUISIANA HOUSING & COMMUNITY DEVELOPMENT
CORPORATION**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2003**

NOTE 2: NOTES RECEIVABLE

Represents a note purchased from Hibernia National Bank (secured by a first mortgage on real property) for the purchase of Congress Square (8) Four-Plex Apartments located in New Orleans, LA. The original principal balance of the note was **\$338,707.40** with an interest rate of eight percent per annum for a period of fifteen years. Louisiana Housing and Community Development Corporation will receive **179** payments in the amount of **\$2,833.08** with a balloon payment in the amount of **\$141,613.09**.

Balance as of December 31, 2003	\$ 305,442.39
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Represents a loan to Mount Zion Development Corporation located in Alexandria, LA secured by a first mortgage on real property, buildings, and improvements. The original principal balance of the note was **\$190,000.00** with an interest rate of seven percent per annum for a period of nineteen years and eight months. Louisiana Housing and Community Development Corporation received three consecutive monthly installments of interest only payments in the amount of **\$1,108.33** beginning October 1, 2000, and beginning January 1, 2001 will receive **236** consecutive monthly payments in the amount of **\$1,484.87**.

Balance as of December 31, 2003	\$ 173,986.54
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Total Notes Receivable	\$ 479,428.93
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NOTE 3: OTHER RECEIVABLES

Other receivables in the amount of **\$300,000.00** represent funds that were transferred to Innovative Intelligence Institute, Inc. without a valid cooperative endeavor agreement and contrary to LHDCDC articles and by-laws. The transfer was facilitated by the action of a former LHDCDC board member, and his company, Innovative Intelligence Institute, Inc.; and also LHDCDC former President and CEO. A lawsuit has been filed against all parties involved. Consequently, the Department of Social Services was to reimburse LHDCDC the \$300,000.00 but it never materialized.

**LOUISIANA HOUSING & COMMUNITY DEVELOPMENT
CORPORATION**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2003**

NOTE 4: REAL PROPERTY HELD FOR INVESTMENTS

Property held for investments as of **December 31, 2003** are summarized as follows:

<u>Description</u>	<u>Total Cost</u>
Balance (December 31, 2002)	\$ 385,971.99
Construction of Twelve Single Family Houses	894,499.30
Sale of Nine Single Family Houses (See Supplemental Information)	<u>(741,748.98)</u>
Balance as of December 31, 2003	<u><u>\$ 538,722.31</u></u>
Ten Vacant Single Family Residential Lots & One Single Family House in Carrington Ct. S/D Gonzales, Louisiana	\$ 184,992.99
Two Single Family Houses in Monroe, LA	119,330.00
Three Single Family Houses--One in Ferriday & Two in Winnsboro, LA	234,399.32
Balance December 31, 2003	<u><u>\$ 538,722.31</u></u>

NOTE 5: OFFICE FIXTURES AND EQUIPMENT

The following is a summary of office fixtures and equipment as of December 31, 2003.

Beginning Balance	\$ 31,148.69
Additions	0
Less: Accumulated Depreciation	<u>(19,354.91)</u>
Total	<u><u>\$ 11,793.78</u></u>

**LOUISIANA HOUSING & COMMUNITY DEVELOPMENT
CORPORATION**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2003**

NOTE 6: DEPOSIT ON REAL PROPERTY

Deposits on new Real Property include the following:

Woodlands Apartment, New Orleans, LA	\$ 110,000.00
Three Single Family Residential Lots, Gretna, LA	<u>3,000.00</u>
Total	\$ 113,000.00

NOTE 7: ORGANIZATION COST

The following is a summary of organization costs as of **December 31, 2003**.

Amount	\$ 50,181.80
Less: Amortization	<u>(50,181.80)</u>
Total	\$ 0

NOTE 8: RESTRICTED NET ASSETS

Cash restricted in Hibernia National Bank in the amount of **\$428,225.88** represents the balance of the contribution from Entergy Louisiana, Inc. and Louisiana Housing.

NOTE 9: OPERATING LEASE COMMITMENT

As of February 15, 2001 the corporation entered into a three year non-cancelable operating lease for an office space requiring rent of **\$19,623.96** annually.

**LOUISIANA HOUSING & COMMUNITY DEVELOPMENT
CORPORATION**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2003**

NOTE 10: CONTRIBUTIONS

Entergy Louisiana, Inc. made a charitable contribution of **\$125,000** to be used to develop, construct and/or renovate affordable energy efficient housing for low income residents within donor's service territory with a matching contribution by LHCDC of **\$125,000**.

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

**To The Board of Directors
Louisiana Housing and Community
Development Corporation (LHCDC)
New Orleans, LA 70113**

We have audited the financial statements of LHCDC as of and for the year ended December 31, 2003 and have issued our report thereon dated June 15, 2004. We conducted the audit in accordance with the *U.S. Generally Auditing Standards* and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

COMPLIANCE

As part of obtaining reasonable assurance about whether LHCDC financial statements are free of material misstatements, 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 *Government Auditing Standards*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered Louisiana Housing and Community Development Corporation 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 consider being reportable conditions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be a material weakness. 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 the 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness.

This report is intended for the information of the Board and management of LHCDC, and the Legislative Auditor's of the State of Louisiana, and is not intended to be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as public document.

Bobbie L. Howard
Certified Public Accountant

June 15, 2004

**LOUISIANA HOUSING & COMMUNITY DEVELOPMENT
CORPORATION**

**SCHEDULE OF FINDINGS AND QUESTIONED COST
SUMMARY OF THE INDEPENDENT AUDITOR'S RESULTS
FOR THE YEAR ENDED
DECEMBER 31, 2003**

1. The auditor's report expresses an unqualified opinion on the financial statement of LHCDC.
2. No reportable condition disclosed during the audit of the financial statement and that condition is reported as a material weakness in the Schedule of Findings and Questioned Cost.
3. No instance of noncompliance material to the financial statements of LHCDC which would be required to be reported in accordance with the *Government Auditing Standards* were disclosed during the audit.
4. Federal Awards-Not applicable. There were none.
5. Identification of Major Programs: Not applicable.

**LOUISIANA HOUSING AND COMMUNITY DEVELOPMENT
CORPORATION
FOR THE YEAR ENDED
DECEMBER 31, 2003**

**Schedule of Prior Year
Findings and Questioned Costs
For The Year Ended
December 31, 2003**

		<u>RESOLVED</u>	<u>UNRESOLVED</u>
02-01	Misuse of funds.	X	

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**LOUISIANA HOUSING AND COMMUNITY
DEVELOPMENT CORPORATION**

FOR THE YEAR ENDED

DECEMBER 31, 2003

SUPPLEMENTAL INFORMATION

LOUISIANA HOUSING & COMMUNITY
 DEVELOPMENT CORPORATION
 SCHEDULE OF PROPERTY SOLD
 DECEMBER 31, 2003

DATE SOLD	DESCRIPTION	COST OF HOMES & LOTS	SELLING PRICE	SETTLEMENT CHARGES	NET PROCEEDS	GAIN (LOSS) ON SALE
5/28/2003	LOT 11	\$75,740.00	\$82,000.00	\$125.00	\$81,875.00	\$6,260.00
8/6/2003	LOT 9	\$85,620.33	\$86,000.00	\$100.00	\$85,900.00	\$379.67
8/21/2003	LOT 40	\$84,799.00	\$86,625.00	\$1,056.34	\$85,568.66	\$1,826.00
8/8/2003	LOT A	\$72,591.97	\$76,825.00	\$1,156.46	\$76,135.63	\$4,233.03
9/19/2003	LOT 37	\$84,474.00	\$87,100.00	\$1,034.98	\$86,065.02	\$2,626.00
10/31/2003	LOT B	\$85,040.08	\$82,825.00	\$1,134.79	\$81,690.21	-\$2,215.00
10/31/2003	LOT 19	\$84,474.00	\$86,625.00	\$1,137.59	\$85,487.41	\$2,151.00
10/31/2003	LOT 43	\$84,474.00	\$86,625.00	\$56.00	\$86,569.00	\$2,151.00
12/5/2003	LOT 38	\$84,535.60	\$86,625.00	\$61.60	\$86,563.40	\$2,089.40
TOTAL		\$741,748.98	\$761,250.00	\$5,862.76	\$755,854.33	\$19,501.10