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JEFFERSON HOUSING FOUNDATION

FINANCIAL STATEMENTS
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2003

JEFFERSON HOUSING FOUNDATION, INC.
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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statement of financial position of Jefferson Housing Foundation, Inc. (a nonprofit organization) as of December 31, 2003, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraphs, we conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in the accompanying notes to the financial statements, the Foundation's investment in LePlace of Jefferson, A Louisiana Partnership in Commendam (LePlace), is recorded at $2,637,360. This recorded amount is based upon a prior year appraised value of the underlying assets of LePlace. An updated appraisal was not performed as of December 31, 2003. This valuation is significantly less than the historical costs associated with that asset. In addition, LePlace did not have an independent audit performed or other assessment of its financial position as of December 31, 2003, accordingly we were unable to determine if Jefferson Housing Foundation's investment in LePlace was fairly stated as of December 31, 2003.

A fund balance adjustment totaling $3,311 was reported in the statement of activities. This adjustment was not adequately supported by source documentation, accordingly we were unable to satisfy ourselves regarding the fairness of the balance as of December 31, 2003.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had audited financial statements been available regarding the agency's investment in the related entity, and had adequate supporting information been available regarding the fund balance adjustment, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Jefferson Housing Foundation, Inc. as of December 31, 2003, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2004, on our consideration of Jefferson Housing Foundation, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

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

Curtis A. Moret

Curtis A. Moret
CERTIFIED PUBLIC ACCOUNTANT
June 25, 2004

Jefferson Housing Foundation, Inc.
Statement of Financial Position
December 31, 2003

ASSETS	
Current Assets	
Cash	$ 116,511
Grants Receivable	16,238
Total Current Assets	132,749
Fixed Assets	
Property, Plant and Equipment (Net)	11,223
Other Assets	
Real Property Held for Development	410,738
Investment in LePlace of Jefferson, A Louisiana Partnership in Commendam (LePlace)	2,637,360
Investment in Scottsdale	221,436
Investment in Beechgrove Redevelopment, LLC	7,820,119
Deposit	20,000
Note Recievable	50,000
Due From Related Entities	230,459
Total Other Assets	11,390,112
TOTAL ASSETS	11,534,084
LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts Payable and Accrued Liabilities	115,223
Loans Payable	215,314
Due to CHDO Funding Source and Lenders	377,433
Total Current Liabilities/Total Liabilities	707,970
Net Assets:	
Unrestricted Net Assets:	
Operating	599,340
Fixed Assets	11,223
Total Unrestricted Net Assets	610,563
Temporarily Restricted Net Assets	10,215,551
Total Net Assets	10,826,114
TOTAL LIABILITIES AND NET ASSETS	$ 11,534,084

See Accompanying Notes to Financial Statements.

Jefferson Housing Foundation, Inc.
Statement of Activities
For the Year Ended December 31, 2003

	Unrestricted	Temporarily Restricted	Total
Public Support, Revenues, and Reclassifications			
Contributions	$ 2,880	$ -	$ 2,880
Interest	142	-	142
Local Municipal Government Grants	-	150,000	150,000
Community Development Block Grants	-	147,039	147,039
Home Revitalization Grants	-	1,229,327	1,229,327
Fees/Services	541,630	-	541,630
Miscellaneous	15,661	-	15,661
Net Assets Released From Restrictions			
Satisfaction of Purpose Restrictions	1,526,366	(1,526,366)	-
Total Public Support, Revenues, and Reclassifications	2,086,679	-	2,086,679
Expenses			
Programs:			
Grant Programs:			
Jefferson Parish	6,037	-	6,037
Community Development Block Grants	246,591	-	246,591
Home Revitalization	472,036	-	472,036
Beechgrove	718,767		718,767
LePlace of Jefferson	20,413		20,413
Total Grant Programs	1,463,844	-	1,463,844
Administration	323,081	-	323,081
Total Expenses	1,786,925	-	1,786,925
Change in Net Assets	299,754	-	299,754
Net Assets as of Beginning of Year	307,498	10,215,551	10,523,049
Net Assets, Other Adjustments	3,311	-	3,311
Net Assets as of End of Year	$ 610,563	$ 10,215,551	$10,826,114

See Accompanying Notes to Financial Statements.

Jefferson Housing Foundation, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2003

Operating Activities		
Change in Net Assets	$	299,754
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation		4,780
Grants Receivable		25,495
Due From Related Entities		(224,263)
Property Held for Development		(283,760)
Note Recievable		(50,000)
Accounts Payable and Accrued Liabilities		(9,824)
Prior Period Adjustment		3,311
Net Cash Used in Operating Activities		(234,507)
Investing Activities		
Purchase of Equipment		(5,655)
Investment in Scottsdale		28,564
Net Cash Provided by Investing Activities		22,909
Financing Activities		
Repayments on Notes Payable		(45,111)
New Borrowings		363,822
Net Cash Provided by Financing Activities		318,711
Net Increase in Cash and Cash Equivalents		107,113
Cash and Cash Equivalents as of Beginning of Year		9,398
Cash and Cash Equivalents as of End of Year	$	116,511

See Accompanying Notes to Financial Statements.

JEFFERSON HOUSING FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

NOTE 1 - BACKGROUND AND GENERAL INFORMATION

Background

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

General

As of December 31, 2003, the Foundation administered the following activities:

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

- Homeownership - This grant is used to account for the administration of counseling and training services provided to potential low-to-moderate income home buyers.

- Business Development Grant - This grant is used to account for the administration of training services to empower potential entrepreneurs that are among the under-represented population of Jefferson Parish with the information necessary to start and successfully maintain a business.

- Lincolnshire Community Services Grant - This grant is used to help low-to-moderate income families become homeowners. The grant funds are also used for costs associated with the Lincolnshire Revitalization Project.

- Scottsdale/CHDO Administration - This grant is used to defray the costs associated with professional service fees and other Foundation administrative costs.

- CHDO Revitalization Effort - This grant provides affordable housing activities in the Scottsdale, Lincolnshire, Harvey, and Avondale areas.

JEFFERSON HOUSING FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Accounting

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

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

Financial Statement Presentation

The Foundation has adopted Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Foundation 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. As permitted by the statement, the Foundation does not use fund accounting.

Furniture, Equipment and Leasehold Improvements

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

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

Due to Funding Sources

This amount represents amounts received from grantors that were used towards acquisition of and re-development of various properties. Amounts scheduled to be repaid to the grantors upon ultimate sale of the properties are reflected in this category.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inter-fund Activity

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

Grants Receivable

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

NOTE 3 - CONTRIBUTION

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

NOTE 4 - INCOME TAXES

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

NOTE 5 - INVESTMENT IN RELATED ENTITIES (HISTORICAL PERSPECTIVE)

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

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

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

NOTE 5 - INVESTMENT IN RELATED ENTITIES (HISTORICAL PERSPECTIVE) (CONTINUED)

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

In determining the investment value in prior years, management considered the following factors:

- Structural Depreciation
- Market Value of Donated Property
- Capitalized Cost
- Ownership Interest

Structural Depreciation: Management estimated the physical deterioration for the (2) two years preceding the donation ranged from $200,000 to $250,000.

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

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

These costs consist of legal and non-construction related consulting and administrative costs. It was management's belief that these costs did not enhance the physical structure of the property. Additionally, the recovery of the cost would only

NOTE 5 - INVESTMENT IN RELATED ENTITIES (HISTORICAL PERSPECTIVE) (CONTINUED)

occur and/or be dependent on a subsequent sale of the property. Thus, management elected to provide a valuation reserve of $1.1M at December 31, 1998.

Ownership Interest: JHF has no direct equity ownership interest in LePlace of Jefferson. However, JHF has a 99% ownership interest in the LePlace Housing Foundation, which has an 80% ownership in LePlace of Jefferson, thus an indirect ownership in LePlace of Jefferson can be inferred. Thus, the valuation factors referred to would be relevant in any valuation scenario.

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

Management estimated the net book value of LePlace of Jefferson and LePlace Housing Foundation at December 31, 1998 to be $2.5M and $2.0M respectively and that gross investment value of JHF's interest in LePlace Housing Foundation was $1,980,000, which was calculated as follows:

Estimated net book value of LePlace of Jefferson	$2,500,000
Ownership interest of LePlace Housing Foundation	80%
Estimated equity interest of LePlace Housing Foundation	2,000,000
Ownership interest	99%
Estimated equity interest of JHF	$1,980,000

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

Estimated equity interest of JHF	$1,980,000
Structural depreciation allowance	(250,000)
Capitalizable cost allowance	(1,100,000)
Market adjustments	(54,000)
	$ 576,000

JEFFERSON HOUSING FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

NOTE 5 - INVESTMENT IN RELATED ENTITIES (HISTORIC PERSPECTIVE) (CONTINUED)

PRIOR YEAR CARRYING VALUE

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

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

During the period January 1, 2000 through December 31, 2000, significant improvements were made to the subject property via additional HUD upfront grant payments and debt injections from local banks. As of December 31, 2000, the total accrued costs incurred at the property totaled $6,354,462. However, on September 30, 2000, an appraisal was completed and rendered a prospective market value of $3,330,000. However, consistent with generally accepted accounting principles, the Foundation's investment in LePlace of Jefferson is recorded at the lower of cost or market value. Therefore, the Foundation's investment in LePlace Housing Foundation, LLC is recorded at $2,637,360 as calculated below:

Appraised Value	$ 3,330,000
Ownership interest of LePlace Housing Foundation	80%
Estimated equity interest of LePlace Housing Foundation	2,664,000
Ownership interest of JHF	99%
Estimated equity interest of JHF	$ 2,637,360

NOTE 5 - INVESTMENT IN RELATED ENTITIES (HISTORIC PERSPECTIVE) (CONTINUED)

The costs in excess of market are presumed to be recorded on the books of the LePlace of Jefferson, LLC and presumably have been marked down consistent with generally accepted accounting principles.

INCREASE IN ASSET VALUE (NET ASSET ADJUSTMENT)

JHF recorded the amounts received by HUD related to the Upfront grant, however, the construction-in-progress costs funded via other financing sources was not recorded on the Foundation's books. Management has indicated its intention to record the complete project costs on its books upon final project completion and acceptance. The fund balance adjustment results from the Foundation's method of recording its investment in LePlace Housing Foundation and the underlying asset.

JEFFERSON PLACE APARTMENTS (SUBSEQUENT REVIEW)

Jefferson Housing Foundation assigned its HUD Upfront Grant in the amount of $3.4 million to LePlace of Jefferson, LLC., during 1998 for purposes of re-development of the Jefferson Place Apartments. The project was initially projected to be completed 24 months from grant award. The project has experienced substantial delays due to various financial and construction matters. In addition, unresolved disputes presently exist between LePlace of Jefferson, LLC and the general contractor related to the project.

Although, the HUD Upfront grant provided for the grant assignment, the grant required Jefferson Housing Foundation to remain ultimately responsible for the project compliance. The grant also requires an independent audit be performed upon project completion. Our subsequent review work indicated that a date for final project completion, HUD review and acceptance and closing for permanent financing had not been determined. Accordingly, an independent audit for the project had not been completed. Although, Jefferson Housing Foundation has performed various review and oversight procedures, the aforementioned delays have yet occurred. Accordingly, a final determination of compliance and project acceptance matters will not be determined until project closeout and final audit.

JEFFERSON HOUSING FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT

As of December 31, 2003 fixed assets consisted of:

Equipment	$25,739
Furniture & Fixtures	13,345
Accumulated Depreciation	(27,861)
Total	$11,223

NOTE 7 - LOANS PAYABLE

As of December 31, 2003, the Foundation had the following loans payable:

C&I Group LLC	$100,000
Citywide Mortgage	45,000
Dryades - LOC	18,620
Iberia - LOC	36,063
Other	15,631
Total	$215,314

NOTE 8 - DUE TO CHDO FUNDING SOURCES AND LENDERS

The Foundation has a contract with the CHDO affordable housing program through Jefferson Parish to acquire, rehabilitate and construct new homes for the purpose of providing housing to low income residents. Through this program funds are made available to the agency for purchase of property and/or securing financing for the purchase of property and renovations. After project completion and upon sale of the newly constructed or renovated home, certain funds are required to be paid to the CHDO funding source as well as other lenders involved in the project. There are approximately $355,711 in such funds that are due from the Foundation as homes are completed and sold.

NOTE 9 - RELATED PARTIES

The following entities are related parties:

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

JEFFERSON HOUSING FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

NOTE 9 - RELATED PARTIES (CONTINUED)

– Jefferson Place Development, Inc.

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

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

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

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

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

NOTE 10 - LOAN GUARANTOR

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

NOTE 11 - BEECHGROVE REDEVELOPMENT, LLC

General Information

The foundation acquired an interest in Beechgrove Redevelopment, LLC during the year ended December 31, 2001. This organization was organized as a nonprofit corporation under the laws of the state of Louisiana during August 2001. The Corporation was formed for the purpose of owning and operating a rental housing project consisting of 500 units located in Westwego, Louisiana. The project is presently operating under the name of Beechgrove Redevelopment LLC and Beechgrove Redevelopment Phase II LLC. The Project is regulated by the United States Department of Housing and Urban Development (HUD) as to rent charges and operating methods.

The owning corporation covenants that the Property will be maintained as affordable housing for a period of 22 years form the date of acquisition, September 28, 2001. The owning corporation also covenants that 464 dwelling units in the Property will be rented only as affordable housing for low-income families.

HUD has agreed to fund the Project Phase I a maximum of $4,568,094 pursuant to grant agreement. The grant funds are to be used for rehabilitation of the Project. As of December 31, 2003, $0 had been funded. HUD also agreed to fund Project Phase II a maximum of $4,344,707 pursuant to a grant agreement. Funding for Phase II had also not been funded as of December 31, 2003.

Investment Valuation

The independent audit of Beechgrove Redevelopment, LLC for the year ended December 31, 2002 reflected total unrestricted net assets totaling $11,178,374. The Foundation owns a 70% interest in the net assets of this LLC, amounting to $7,824,862. The amount recorded on the financial statements of the Foundation as investment in Beechgrove Redevelopment is $7,820,119. As of the date of this report, the audit of Beechgrove Redevelopment, LLC for the year ended December 31, 2003 has not yet been finalized.

JEFFERSON HOUSING FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

NOTE 12 - NET ASSETS, OTHER ADJUSTMENTS

A fund balance adjustment totaling $3,311 was reported in the statement of activities and changes in net assets. This adjustment was not adequately supported by source documentation, consequently, our opinion on this balance has been modified as indicated in the Independent Auditor's Report.

NOTE 13 - LEASING ARRANGEMENTS

The Foundation conducts its activities from facilities that are leased under a five-year noncancellable operating lease expiring in May 2007. The monthly lease payment is $1,294. The Foundation has the option to purchase the facility at any time during the lease term at an agreed upon price. The following is a schedule of future minimum rental payments required under the above operating lease as of December 31, 2003:

Year Ending December 31,	Amount
2004	15,529
2005	15,529
2006	15,529
2007	6,470
	$ 53,057

NOTE 14 - CONTINGENT LIABILITIES

The Foundation is a defendant in a suit in which the Plaintiff (a former vendor) is seeking damages for breach of an equipment lease. The Foundation's attorneys feel there is probable liability on the part of the Foundation with a dispute as to the amount of damages. The Foundation has made a provision for this loss in its financial statements.

JEFFERSON HOUSING FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

NOTE 15 - RELATED PARTY TRANSACTIONS

The Foundation contracted with LePlace of Jefferson, A Louisiana Partnership in Commendam (LePlace), a related party, to provide social services to residents of the Jefferson Place Apartments for a fee of $1,000 per month. The Foundation works with the tenant's organization to facilitate initiatives, including activity planning and health screenings for the tenants. The Foundation recorded $9,000 as revenue from this activity during the year ended December 31, 2003. The Foundation also contracted with LePlace to provide asset management oversight for a fee of 1% of gross revenue collected on a monthly basis. For the period ended December 31, 2003, asset management oversight revenues totaled $6,837.

The Foundation contracted with Beechgrove Redevelopment, LLC, a related party, to provide social services to residents of Beechgrove Apartments, Phase I & II for a fee of $2,000 per month per entity. Officers of the Foundation are also officers and/or board members of Beechgrove Redevelopment, LLC. The Foundation will work with the tenant's organization to facilitate initiatives, including grant submissions, activity planning, and health screenings for the tenants. For the period ended December 31, 2003, social service revenue totaled $36,000.

The Foundation also contracted with Beechgrove to provide asset management oversight at the apartments for a fee of 1% of gross revenue collected on a monthly basis. For the period ended December 31, 2003, asset management oversight revenue totaled $12,408.

SUPPLEMENTARY INFORMATION

Jefferson Housing Foundation, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2003

EXPENSE CATEGORY	CHDO Project (See Subschedule 1)	Community Development Block Grants (See Subschedule 2)	Other Projects	Beechgrove Development	LePlace Housing Foundation	TOTAL Program Services	SUPPORT SERVICES Management and General	OPERATING EXPENSES
Salaries	$ 29,689	$ 97,693	$ 3,106	$ 31,350	$ 18,554	$ 180,392	$ 15,936	$ 196,328
Payroll Taxes	2,414	7,756	234	2,455	1,525	14,384	1,890	16,274
Contract Labor				-		-	-	-
Professional Fees	6,764	13,592		29,173	281	49,810	24,447	74,257
Office Supplies / Expense	1,481	3,555		73		5,109	1,451	6,560
Advertising						-	233	233
Rent		1,540				1,540	8,813	10,353
Postage / Delivery	68	526	51	370	35	1,050	176	1,226
Printing	154	154		17		325		325
Telephone	2,327	5,957				8,284	343	8,627
Grant Pass Through	-			656,825		656,825		656,825
Construction Costs	423,627	99,284				522,911	1,850	524,761
Property Maintenance	437	726				1,163	7,955	9,118
Repairs & Maintenance	125	232	1,809			2,166	7,480	9,646
Relocation		-				-	5,000	5,000
Supplies		2,259				2,259		2,259
Training/Education	164	320				484	389	873
Insurance	1,781	7,023				8,804	2,594	11,398
Meetings		54				54	648	702
Meals & Entertainment	57	288				345	765	1,110
Travel								-
Mileage / Parking / Tolls	956	306				1,262		1,262
Utilities	1,188	3,370				4,558	761	5,319
License & Permits	470			130		600	(66)	534
Property Taxes							81	81
Interest				(1,626)	18	(1,608)	5,369	3,761
Bank Charges						-	64	64
Depreciation						-	4,780	4,780
Loss Contingency						-		-
Miscellaneous	334	1,956	837			3,127	232,122	235,249
TOTAL	$ 472,036	$ 246,591	$ 6,037	$ 718,767	$ 20,413	$ 1,463,844	$ 323,081	$ 1,786,925

See Accompanying Notes to Financial Statements.

Jefferson Housing Foundation, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2003

EXPENSE CATEGORY	CHDO Construction	CHDO Third Party	CHDO Administrative	TOTAL Program Services
Salaries	$ -	$ -	$ 29,689	$ 29,689
Payroll Taxes			2,414	2,414
Contract Labor				-
Professional Fees	3,764		3,000	6,764
Office Supplies / Expense	321		1,160	1,481
Advertising				-
Lease Expense				-
Postage / Delivery	15		53	68
Printing	36		118	154
Telephone			2,327	2,327
Inspections				-
Construction Costs	423,627			423,627
Property Maintenance	240		197	437
Repairs & Maintenance	125			125
Relocation				-
Supplies				-
Training/Education			164	164
Insurance			1,781	1,781
Meetings				-
Meals & Entertainment			57	57
Travel				-
Mileage / Parking / Tolls			956	956
Utilities	10		1,178	1,188
License & Permits	470			470
Property Taxes				-
Interest				-
Bank Charges				-
Depreciation				-
Miscellaneous	50		284	334
TOTAL	$ 428,658	$	$ 43,378	$ 472,036

Subschedule 1

See Accompanying Notes to Financial Statements.

Jefferson Housing Foundation, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2003

EXPENSE CATEGORY	Home-Ownership	Business Development	Lincolnshire Rehabilitation	TOTAL Program Services
Salaries	$ 62,377	$ 35,316	$ -	$ 97,693
Payroll Taxes	4,959	2,797	-	7,756
Contract Labor				-
Professional Fees	4,559	6,000	3,033	13,592
Office Supplies / Expense	2,208	1,347		3,555
Advertising				-
Rent	1,540			1,540
Postage / Delivery	355	171		526
Printing	92	46	16	154
Telephone	4,627	1,330		5,957
Inspections				-
Construction Costs			99,284	99,284
Property Maintenance	293	88	345	726
Repairs & Maintenance	162		70	232
Relocation				-
Supplies	2,259			2,259
Training/Education	320			320
Insurance	4,101	2,922		7,023
Meetings	54			54
Meals & Entertainment	238	50		288
Travel				-
Mileage / Parking / Tolls	270	36		306
Utilities	2,529	841		3,370
License & Permits				-
Property Taxes				-
Interest				-
Bank Charges				-
Depreciation				-
Miscellaneous	1,546	410		1,956
TOTAL	$ 92,489	$ 51,354	$ 102,748	$ 246,591

Subschedule 2

See Accompanying Notes to Financial Statements.

Jefferson Housing Foundation, Inc.
Schedule of Federal Awards
For the Year Ended December 31, 2003

Federal Grantor/ Pass Through Grantor	CFDA	Federal Expenditures
CDBG	14.228	$ 246,591
HOME - Revitalization	14.239	472,036
Total Expenditures of Federal Awards		$ 718,627

CURTIS A. MORET
CERTIFIED PUBLIC ACCOUNTANT

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

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

We have audited the financial statements of Jefferson Housing Foundation, Inc. (a nonprofit organization) as of and for the year ended December 31, 2003, and have issued our report thereon dated June 25, 2004. We conducted our audit in accordance with auditing standards generally accepted 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.

Compliance

As part of obtaining reasonable assurance about whether Jefferson Housing Foundation, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 03-1, 03-3, 03-4, 03-5, 03-6 and 03-7.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Foundation'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 adversely affect Jefferson Housing Foundation, 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 03-2 and 03-7.

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

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

Curtis A. Moret

Curtis A. Moret
CERTIFIED PUBLIC ACCOUNTANT
June 25, 2004

CURTIS A. MORET
CERTIFIED PUBLIC ACCOUNTANT

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of Jefferson Housing Foundation, Inc. (a nonprofit organization) with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" that are applicable to its major federal program for the year ended December 31, 2003. Jefferson Housing Foundation, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs is the responsibility of the Foundation's management. Our responsibility is to express an opinion on Jefferson Housing Foundation, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted 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; and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Jefferson Housing Foundation, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Foundation's compliance with those requirements.

In our opinion, the Foundation complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year then ended December 31, 2003.

Internal Control Over Compliance

The management of Jefferson Housing Foundation, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Foundation'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.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted matters involving the internal control over compliance and its operation that we consider to be material weaknesses and are described in the accompanying schedule of findings and questioned costs as items 03-1, 03-5 and 03-6.

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

Curtis A. Moret

Curtis A. Moret
CERTIFIED PUBLIC ACCOUNTANT
June 25, 2004

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Jefferson Housing Foundation, Inc.
Schedule of Findings and Questioned Costs
Year Ended December 31, 2003

Section I - Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

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

The major program for the year ended December 31, 2003 was as follows:

CHDO Revitalization

03-1

GRANT NAME: HUD UPFRONT GRANT

QUESTIONED COSTS: $0

CONDITION:

The Foundation received a HUD "Upfront" grant in 1998 totaling $3.4 million designated for the rehabilitation of Jefferson Place Apartments. Substantially all the federal grant amount had been expended during prior years and there were no federal expenditures related to this grant for the year ended December 31, 2003. Although rehabilitation on this project appears substantially completed and the project has been open since 1998, project closeout has not been performed, including a project closeout audit.

CRITERIA:

The Upfront grant required that a project closeout audit be performed on a timely basis upon project completion.

EFFECT:

The Foundation elected to assign the Upfront grant to a related entity for the purposes of redevelopment of the Jefferson Place Apartments. Therefore, even though the Foundation receives an annual audit that included the federal expenditures related to the grant, a complete accounting can not be accomplished until project closeout and a closeout audit is performed.

CAUSE:

We were unable to determine the cause for this condition.

RECOMMENDATION:

We recommend that the Foundation expedite the steps required to closeout the project and provide the closeout report as required.

03-2

GRANT NAME: GENERAL ACCOUNTING

QUESTIONED COSTS: $0

CONDITION:

During our examination of the Foundation's financial statements we noted a fund balance entry was recorded totaling $3,311. We were advised by the Foundation that this adjustment related to corrections of prior year items, however, we were not provided with support for the entries in the fund balance.

CRITERIA:

All accounting entries recorded to the general ledger should be supported by adequate source documentation.

EFFECT:

The fund balance for the year ended December 31, 2003 contains adjustments that lack supporting documentation.

CAUSE:

We were unable to determine the cause for this condition.

RECOMMENDATION:

We recommend that the Foundation maintain supporting documentation related to all entries recorded to the general ledger.

03-3

GRANT NAME: HOMEOWNERHSIP PROGRAM

QUESTIONED COSTS: $0

CONDITION:

This grant program required the Foundation to provide homeownership training to 275 participants and to develop permanent financing sources for a minimum of 75 individuals. Although the Foundation provided training to 275 individuals, the Foundation developed permanent financing for only 24 participants.

CRITERIA:

The program required the Foundation to develop permanent financing for a minimum of 75 individuals.

EFFECT:

The Foundation did not meet the goal for developing permanent financing.

CAUSE:

We were unable to determine the cause for this condition.

RECOMMENDATION:

We recommend that the Foundation increase its effort to achieve its objective.

03-4

GRANT NAME: BUSINESS DEVELOPMENT PROGRAM

QUESTIONED COSTS: $0

CONDITION:

This grant program required the Foundation to provide education on management and technical assistance to 60 owners or developers of micro enterprises. We reviewed the program's accomplishments and noted that 40 participants received these educational services.

CRITERIA:

This program required the Foundation to provide a minimum of 60 clients with all the necessary services to conduct a Management and Technical Assistance Program for low and moderate income persons who may have been owners or developers of micro enterprises. In addition, among those minimum 60 clients, a minimum of 5 new or existing micro enterprise clients were to receive the knowledge needed to develop and implement a new or existing business venture.

EFFECT:

The Foundation did not meet the minimum program training levels.

CAUSE:

We were unable to determine the cause for this condition.

RECOMMENDATION:

We recommend that participant outreach efforts be increased substantially to achieve the required program participation levels.

03-5

GRANT NAME: CHDO REVITALIZATION

QUESTIONED COSTS: $0

CONDITION:

During 2003 the Foundation was awarded grants funds of approximately $ 350,000 to construct a minimum of four homes for individuals of low to moderate income in the Scottsdale area of Jefferson, Louisiana. The Foundation contracted with a construction company approved by Jefferson Parish officials to build these homes. However, the contractor was not selected through a competitive bid process.

CRITERIA:

Procurements exceeding $ 100,000 are subject to a competitive bid process.

EFFECT:

The Foundation is not in compliance with the procurement requirements.

CAUSE:

We were unable to determine the cause for this condition.

RECOMMENDATION:

We recommend that the Foundation implement procedures to ensure compliance with the competitive bid requirements.

03-6

GRANT NAME: CHDO REVITALIZATION

QUESTIONED COSTS: $0

CONDITION:

As stated at finding 03-5, the Foundation received grant funds for the construction of affordable housing during 2003. However, the Foundation did not monitor compliance with the Davis-Bacon Act.

CRITERIA:

All laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of $ 2,000 financed by federal funds must be paid wages not less than those established for the locality of the project (prevailing wages) by the Department of Labor.

EFFECT:

The Foundation is not in compliance with the requirements of the Davis-Bacon Act.

CAUSE:

We were unable to determine the cause for this condition.

RECOMMENDATION:

We recommend that the Foundation implement procedures to monitor and document compliance with Davis-Bacon.

03-7

GRANT NAME (S): HOMEOWNERSHIP PROGRAM AND BUSINESS DEVELOPMENT PROGRAM

QUESTIONED COSTS: $0

CONDITION:

The Foundation receives funding from Community Development Block Grants (CDBG) to provide homeownership training and to provide education on management and technical assistance. These grants are funded on a cost reimbursement basis. During my tests of disbursements, I noted that the Foundation did not maintain employee timesheets to support its payroll reimbursements requested.

CRITERIA:

Costs should be supported by appropriate documentation as contained in the "Basic Guidelines" section of OMB Circular A-87.

EFFECT:

The Foundation is not compliance with the provisions of OMB Circular A-87.

CAUSE:

We were unable to determine the cause for this condition.

RECOMMENDATION:

We recommend that the Foundation maintain time and attendance sheets for all payroll cost reimbursement requests.

JEFFERSON HOUSING FOUNDATION, INC.
STATUS OF PRIOR YEAR FINDINGS
DECEMBER 31, 2003

		Resolved	Unresolved
01-7	HUD Upfront Grant - Closeout Audit		X
01-8	General Accounting - Unsupported Fund Balance Adjustments		X