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# **LOUISIANA HOUSING AND COMMUNITY DEVELOPMENT CORPORATION**

## **ANNUAL AUDIT**

**DECEMBER 31, 2004**

*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 7-13-05

# Table of Contents

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|   |                |
|---|----------------|
| <b>REPORT ON AUDIT OF FINANCIAL STATEMENTS .....</b>          | <b>Page 1</b>  |
| <b>    Independent Auditor's Report .....</b>                 | <b>Page 2</b>  |
| <b>    Statement of Financial Position .....</b>              | <b>Page 3</b>  |
| <b>    Statement of Activities .....</b>                      | <b>Page 4</b>  |
| <b>    Statement of Cash Flows .....</b>                      | <b>Page 5</b>  |
| <b>    Notes to Financial Statements .....</b>                | <b>Page 6</b>  |
| <b>    Report on Compliance and on Internal Control .....</b> | <b>Page 13</b> |
| <b>    Schedule of Findings and Questioned Cost .....</b>     | <b>Page 15</b> |
| <b>    Schedule of Prior Year Findings .....</b>              | <b>Page 16</b> |
| <b>    Supplemental Information .....</b>                     | <b>Page 17</b> |

**LOUISIANA HOUSING AND  
COMMUNITY DEVELOPMENT CORPORATION**

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**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 2004**

# **BOBBIE L. HOWARD, CPA**

## **A PROFESSIONAL ACCOUNTING CORPORATION**

921 Church St.-Rear Entrance

Houma, LA 70360

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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, 2004, 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, 2004 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 24, 2005 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 24, 2005**

**LOUISIANA HOUSING & COMMUNITY DEVELOPMENT  
CORPORATION**

**STATEMENT OF FINANCIAL POSITION  
FOR THE YEAR ENDED  
DECEMBER 31, 2004**

**ASSETS**

|                                   |                 |
|-----------------------------------|-----------------|
| Cash & Cash Equivalents           | \$ 1,150,289.85 |
| Account Receivable                | 9,501.60        |
| Notes Receivable                  | 736,090.87      |
| Other Receivable                  | 300,000.00      |
| Deposit on Real Property          | 56,084.53       |
| Real Property Held for Investment | 641,985.49      |
| Other Investments                 | 64,214.09       |
| Office Fixtures & Equipment, Net  | 7,625.02        |
| Security Deposit                  | 1,550.00        |
| Deposit                           | <u>500.00</u>   |

**TOTAL ASSETS** **\$ 2,967,841.45**  
=====

**LIABILITIES & NET ASSETS**

**LIABILITIES**

|                           |                 |
|---------------------------|-----------------|
| Notes Payable             | \$ 240,479.99   |
| Other Current Liabilities | <u>2,260.07</u> |

**TOTAL LIABILITIES** **\$ 242,740.06**

**NET ASSETS**

|                        |                   |
|------------------------|-------------------|
| Unrestricted           | \$ 2,225,101.39   |
| Temporarily Restricted | <u>500,000.00</u> |

**TOTAL NET ASSETS** **\$ 2,725,101.39**

**TOTAL LIABILITIES & NET ASSETS** **\$ 2,967,841.45**  
=====

See accompanying notes to Financial Statements.

**LOUISIANA HOUSING & COMMUNITY DEVELOPMENT  
CORPORATION**  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED  
DECEMBER 31, 2004

**UNRESTRICTED & RESTRICTED NET ASSETS**

**REVENUES, GAINS, OTHER SUPPORT**

|   |                    |
|---|--------------------|
| Contributions (Unrestricted)  | \$ 42,599.00       |
| Investment Income (Unrestricted)                                      | 41,431.75          |
| Gain (Loss) on Sale of Property Held for<br>Investment (Unrestricted) | <u>(14,935.82)</u> |

**TOTAL UNRESTRICTED & RESTRICTED REVENUE** **\$ 69,094.93**

**EXPENSES-SUPPORTING SERVICES**

|                               |                     |
|-------------------------------|---------------------|
| Administrative and General    | \$ 313,494.04       |
| <b>Decrease in Net Assets</b> | <b>(244,369.11)</b> |

**ADJUSTMENT** **0**

**NET ASSETS AT BEGINNING OF YEAR** **\$ 2,969,470.50**

**NET ASSETS AT END OF YEAR** **\$ 2,725,101.39**

**=====**

See accompanying notes to Financial Statements.

**LOUISIANA HOUSING & COMMUNITY DEVELOPMENT  
CORPORATION**  
STATEMENT OF CASH FLOWS  
THE YEAR ENDED  
DECEMBER 31, 2004

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Decrease in Net Assets \$ (244,369.11)

**ADJUSTMENTS TO RECONCILE DECREASE TO NET  
CASH PROVIDED BY OPERATING ACTIVITIES:**

Depreciation 4,168.76

**CHANGES IN OPERATING ASSETS AND LIABILITIES:**

Decrease in Deposits on Real Property \$ 58,000.00

Increase in Notes Receivable (256,661.94)

Decrease in Account Payable (1,261.91)

Increase in Current Liabilities 858.00

Increase in Notes Payable 238,372.52

**Net Cash Provided (Used) By Operating Activities \$ (200,893.68)**

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Construction of Homes (570,724.04)

Sale of Homes 467,460.86

Prior Period Adjustment 589.38

**Net Cash Provided (Used) in Investing Activities \$ (102,673.80)**

**NET DECREASE IN CASH (303,567.48)**

**CASH AT BEGINNING OF YEAR 1,453,857.33**

**CASH AT END OF YEAR \$ 1,150,289.85**  
=====

See accompanying notes to Financial Statements.

**LOUISIANA HOUSING & COMMUNITY DEVELOPMENT  
CORPORATION**

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 2004

**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, 2004**

**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 in fiscal year 2002.

**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, 2004**

**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, 2004**

**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, 2004** **\$ 294,265.59**

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, 2004** **\$ 167,230.95**

Represents a **\$273,000.00** non-revolving construction line of credit to Scotlandville Community Development Corporation located in Baton Rouge, LA., at an interest rate of two percent per annum for twelve months with principal and interest due at maturity. The purpose of this non-revolving line of credit is to provide financing for the acquisition of three (3) vacant residential lots located in Baton Rouge, LA. and for the construction of three (3) affordable single family houses thereon. As of December 31, 2004 **\$32,520.01** principal amount was outstanding and **\$240,479.99** remained available to be drawn down. This non-revolving line of credit is secured by a first mortgage on the real property.

**Balance as of December 31, 2004**  
**(Principal plus Accrued Interest)** **\$ 274,594.33**

**Total Notes Receivable** **\$ 736,090.87**

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**LOUISIANA HOUSING & COMMUNITY DEVELOPMENT  
CORPORATION**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 2004**

**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 LHCDC articles and by-laws. The transfer was facilitated by the action of a former LHCDC board member, and his company, and also LHCDC former President and CEO. A lawsuit has been filed against all parties involved. A default judgment was rendered in favor of LHCDC.

**NOTE 4: REAL PROPERTY HELD FOR INVESTMENTS**

Real Property held for investments as of **December 31, 2004** are summarized as follows:

| <b><u>Description</u></b>   | <b><u>Total Cost</u></b>      |
|---|-------------------------------|
| Balance (December 31, 2003)   | \$ 538,722.31                 |
| Construction of Four Single Family Homes &<br>Purchase of Five Lots                 | 570,724.04                    |
| Sale of Five Single Family Homes & Four Lots<br>(See Supplemental Information)      | <u>(467,460.84)</u>           |
| <b>Balance as of December 31, 2004</b>  | <b>\$ 641,985.49</b><br>===== |
| Twelve Lots —Two in Lake Charles, LA One in Chalmette,<br>LA & Nine in Gonzales, LA | \$ 125,762.75                 |
| One Single Family Home in Monroe, LA  | 59,665.00                     |
| Four Single Family Homes—One in Lake Charles, LA<br>& Three in Gretna, LA           | 456,232.54                    |
| <b>Balance December 31, 2004</b>  | <b>\$ 641,985.49</b><br>===== |

**LOUISIANA HOUSING & COMMUNITY DEVELOPMENT  
CORPORATION**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 2004**

**NOTE 5: OFFICE FIXTURES AND EQUIPMENT**

The following is a summary of office fixtures and equipment as of December 31, 2004.

|                                       |                                  |
|---------------------------------------|----------------------------------|
| <b>Beginning Balance</b>              | <b>\$ 31,148.69</b>              |
| Additions                             | 0                                |
| <b>Less: Accumulated Depreciation</b> | <u>(23,523.67)</u>               |
| <b>Total</b>                          | <b><u><u>\$ 7,625.02</u></u></b> |

**NOTE 6: DEPOSIT ON REAL PROPERTY**

Deposit on Real Property includes a **\$55,000.00** escrow deposit provided by LHCDC in accordance with the terms and conditions of a Purchase Agreement executed by and between LHCDC ("Buyer") and Jefferson Housing Foundation ("Seller") to acquire the Beechgrove Subdivision, a 44 lot residential subdivision development (including 11 single family houses and 33 vacant lots) located in Westwego, Louisiana.

|   |                     |
|---|---------------------|
| <b>Escrow Deposit on Real Property:</b> | <b>\$ 55,000.00</b> |
|---|---------------------|

**NOTE 7: ORGANIZATION COST**

The following is a summary of organization costs as of **December 31, 2004**.

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

**LOUISIANA HOUSING & COMMUNITY DEVELOPMENT  
CORPORATION**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 2004**

**NOTE 8: RESTRICTED NET ASSETS**

In August 2001, Louisiana Housing Community Development Corporation (“LHCDC”) and Entergy Louisiana, Inc. (“Entergy Louisiana”) announced a partnership to form a **\$500,000.00** revolving development fund to provide energy efficient affordable housing to low-to-moderate income residents in the 58-parish region in the State of Louisiana served by Entergy Louisiana. LHCDC and Entergy Louisiana contributed **\$250,000.00** each to create a **\$500,000.00** revolving fund the fund the program. This program was established in conjunction with the assistance from the Faith-Based Communities, especially the Louisiana State Baptist Convention, to help identify low-to-moderate income first time homebuyers. The Restricted Cash of **\$205,004.20** represents the amount of cash available to fund related projects. The other **\$294,995.80** is reflected in Real Property Held for Investment.

**NOTE 9: OPERATING LEASE COMMITMENT**

As of February 1, 2004 the corporation entered into a one year non-cancelable operating lease for an office space requiring rent of **\$12,000.00** annually.

**NOTE 10: CONTRIBUTIONS**

St. Catherine of Sienna made an unrestricted charitable contribution of **\$42,599.00** to LHCDC.

## **BOBBIE L. HOWARD, CPA**

A PROFESSIONAL ACCOUNTING CORPORATION

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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, 2004 and have issued our report thereon dated June 24 2005. 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 LH CDC, 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.



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**Bobbie L. Howard**  
**Certified Public Accountant**

**June 24, 2005**



**LOUISIANA HOUSING & COMMUNITY DEVELOPMENT  
CORPORATION**

**SCHEDULE OF FINDINGS AND QUESTIONED COST  
SUMMARY OF THE INDEPENDENT AUDITOR'S RESULTS  
FOR THE YEAR ENDED  
DECEMBER 31, 2004**

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, 2004**

**Schedule of Prior Year  
Findings and Questioned Costs  
For The Year Ended  
December 31, 2004**

**There were none.**

**LOUISIANA HOUSING AND COMMUNITY  
DEVELOPMENT CORPORATION**

FOR THE YEAR ENDED  
DECEMBER 31, 2004

**SUPPLEMENTAL INFORMATION**

LOUISIANA HOUSING & COMMUNITY  
 DEVELOPMENT CORPORATION  
 SCHEDULE OF PROPERTY SOLD  
 DECEMBER 31, 2004

| DATE SOLD    | DESCRIPTION               | COST OF HOMES<br>& LOTS | SELLING<br>PRICE    | SETTLEMENT<br>CHARGES | NET<br>PROCEEDS     | GAIN (LOSS)<br>ON SALE |
|--------------|---------------------------|-------------------------|---------------------|-----------------------|---------------------|------------------------|
| 6/27/2004    | Home in Gonzales, LA      | \$101,493.00            | \$93,455.00         | \$7,166.00            | \$86,289.00         | -\$8,038.00            |
| 2/27/2004    | Home in Monroe, LA        | \$59,665.00             | \$54,520.00         | \$0.00                | \$54,520.00         | -\$5,145.00            |
| 7/19/2004    | Home in Winsboro, LA      | \$85,430.00             | \$84,600.00         | \$150.00              | \$84,450.00         | -\$830.00              |
| 3/04/04      | Home in Ferriday, LA      | \$72,234.00             | \$72,249.00         | \$2.00                | \$72,247.00         | \$15.00                |
| 11/16/2004   | Home in Ferriday, LA      | \$76,735.00             | \$75,797.00         | \$481.00              | \$75,316.00         | -\$938.00              |
| 8/30/2004    | Lots in Baton Rouge, LA   | \$31,332.00             | \$31,332.00         | \$125.00              | \$31,207.00         | \$0.00                 |
| 5/6/2004     | Lot in Donaldsonville, LA | \$40,572.00             | \$40,572.00         | -\$2,027.00           | \$42,599.00         |                        |
| <b>TOTAL</b> |                           | <b>\$467,461.00</b>     | <b>\$452,525.00</b> | <b>\$5,897.00</b>     | <b>\$446,628.00</b> | <b>-\$14,936.00</b>    |