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JEFFERSON HOUSING FOUNDATION, INC.

FINANCIAL STATEMENTS
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2004

JEFFERSON HOUSING FOUNDATION, INC.
TABLE OF CONTENTS

CURTIS A. MORET
CERTIFIED PUBLIC ACCOUNTANT

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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, 2004, 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 and the statements 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 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, 2004. 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, 2004, accordingly we were unable to determine if Jefferson Housing Foundation's investment in LePlace was fairly stated as of December 31, 2004.

As discussed in Note 15 to the financial statements, on August 29, 2005, Hurricane Katrina struck New Orleans and the surrounding parishes causing catastrophic damage to their infrastructures. The Foundation was significantly affected. The impact of the storm, however, is indeterminable at this present time.

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, 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, 2004, 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 August 26, 2005, 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. That 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.

Curtis A. Moret

Curtis A. Moret
CERTIFIED PUBLIC ACCOUNTANT
August 26, 2005

Jefferson Housing Foundation, Inc.
Statement of Financial Position
December 31, 2004

ASSETS	
Current Assets	
Grants Receivable	11,518
Prepaid Insurance	978
Employee Advances	6,201
Total Current Assets	18,697
Fixed Assets	
Property, Plant and Equipment (Net)	7,546
Other Assets	
Real Property Held for Development	38,589
Investment in LePlace of Jefferson, A Louisiana Partnership in Commendam (LePlace)	2,637,360
Investment in Scottsdale	28,536
Investment in Beechgrove Redevelopment, LLC	7,820,119
Deposit	20,000
Note Recievable	77,506
Due From Related Entities	670,615
Total Other Assets	11,292,725
TOTAL ASSETS	11,318,968
LIABILITIES AND NET ASSETS	
Current Liabilities	
Bank Overdraft	5,667
Accounts Payable and Accrued Liabilities	185,510
Loans Payable	374,798
Due to CHDO Funding Source and Lenders	27,097
Total Current Liabilities/Total Liabilities	593,072
Net Assets:	
Unrestricted Net Assets:	
Operating	502,799
Fixed Assets	7,546
Total Unrestricted Net Assets	510,345
Temporarily Restricted Net Assets	10,215,551
Total Net Assets	10,725,896
TOTAL LIABILITIES AND NET ASSETS	$ 11,318,968

See Accompanying Notes to Financial Statements.

Jefferson Housing Foundation, Inc.
Statement of Activities
For the Year Ended December 31, 2004

	Unrestricted	Temporarily Restricted	Total
Public Support, Revenues, and Reclassifications			
Interest	$ 47,125	$ -	$ 47,125
Community Development Block Grants	-	124,376	124,376
Fees/Services	73,292	-	73,292
Miscellaneous	34	-	34
Net Assets Released From Restrictions			
Satisfaction of Purpose Restrictions	124,376	(124,376)	-
Total Public Support, Revenues, and Reclassifications	244,827	-	244,827
Expenses			
Programs:			
Grant Programs:			
Community Development Block Grants	128,967	-	128,967
Beechgrove	8,548	-	8,548
Scotsdale	4,367		4,367
Total Programs	141,882	-	141,882
Administration	203,163	-	203,163
Total Expenses	345,045	-	345,045
Change in Net Assets	(100,218)	-	(100,218)
Net Assets as of Beginning of Year	610,563	10,215,551	10,826,114
Net Assets as of End of Year	$ 510,345	$ 10,215,551	$10,725,896

See Accompanying Notes to Financial Statements.

Jefferson Housing Foundation, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2004

Operating Activities		
Change in Net Assets	$	(100,218)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation		3,677
Grants Receivable		4,720
Prepaid Insurance		(978)
Employee Advances		(6,201)
Due From Related Entities		(440,156)
Property Held for Development		372,149
Note Recievable		(27,506)
Accounts Payable and Accrued Liabilities		70,287
Net Cash Used in Operating Activities		(124,226)
Investing Activities		
Proceeds From Sale of Investments		192,900
Net Cash Provided by Investing Activities		192,900
Financing Activities		
Repayments on Notes Payable		(533,352)
New Borrowings		342,500
Net Cash Used by Financing Activities		(190,852)
Net Decrease in Cash and Cash Equivalents		(122,178)
Cash and Cash Equivalents as of Beginning of Year		116,511
Bank Overdraft as of End of Year	$	(5,667)

See Accompanying Notes to Financial Statements.

JEFFERSON HOUSING FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

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, 2004, 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.

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.

JEFFERSON HOUSING FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED

Principles of Accounting (continued)

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 AFor-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, 2004

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 Aupfront@ 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

JEFFERSON HOUSING FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

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, 2004

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT

As of December 31, 2004 fixed assets consisted of:

Equipment	$25,739
Furniture & Fixtures	13,345
Accumulated Depreciation	(31,538)
Total	$7,546

NOTE 7 - LOANS PAYABLE

As of December 31, 2004, the Foundation had the following loans payable:

C&I Group LLC	$272,500
Citywide Mortgage	45,000
Dryades - LOC	11,331
Iberia - LOC	30,335
Other	15,632
Total	$374,798

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 $27,097 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 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, 2004, $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, 2004.

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, 2004 has not yet been finalized

JEFFERSON HOUSING FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 12 - 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, 2004:

Year Ending December 31,	Amount
2005	15,529
2006	15,529
2007	6,470
	$ 37,528

NOTE 13 - 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.

NOTE 14 - RELATED PARTY TRANSACTIONS

The Foundation contracted with LePlace of Jefferson, A Louisiana Partnership in Commendam (LePlace), a related party, to provide asset management oversight for a fee of 1% of gross revenue collected on a monthly basis. For the period ended December 31, 2004, asset management oversight revenues totaled $6,580.

The Foundation contracted with Beechgrove Redevelopment, LLC, a related party, to provide asset management oversight at Beechgrove Apartments, Phase I & II for a fee of 1% of grass revenue collected on a monthly basis. For the period ended December 31, 2004, asset management oversight revenue totaled $9,743.

NOTE 15 - SUBSEQUENT EVENTS

On August 29, 2005, Hurricane Katrina struck New Orleans and the Louisiana, Alabama and Mississippi Gulf Coasts. The aftermath of the hurricane resulted in catastrophic damages to the New Orleans and surrounding areas and their infrastructures. The Foundation's administrative offices suffered extensive damage. Many of the Foundation's customers, employees, officers and directors were displaced. Many client and program documents were completely destroyed as well. The Foundation is in the process of performing a risk assessment of the impact of the storm. The extent of the impact on the future operations is indeterminable at this present time.

SUPPLEMENTARY INFORMATION

Jefferson Housing Foundation, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2004

EXPENSE CATEGORY	Community Development Block Grants (See Subschedule 1)	Scottsdale	Beechgrove Development	TOTAL Program Services	SUPPORT SERVICES Management and General	OPERATING EXPENSES
Salaries	$ 80,060	$ 500	$ -	$ 80,560	$ 41,556	$ 122,116
Payroll Taxes	6,896	38	-	6,934	3,180	10,114
Contract Labor		-	-	-	-	-
Professional Fees	7,722	1,960	3,103	12,785	55,891	68,676
Office Supplies / Expense	2,201	-	25	2,226	4,805	7,031
Advertising	4,171	-	13	4,184	(4,171)	13
Rent	7,894	-	-	7,894	6,453	14,347
Postage / Delivery	556	48	1,107	1,711	258	1,969
Printing	-	18	-	18	-	18
Telephone	4,833	-	-	4,833	4,332	9,165
Grant Pass Through	-	-	-	-	-	-
Construction Costs	-	1,225	-	1,225	-	1,225
Property Maintenance	-	-	-	-	6,865	6,865
Repairs & Maintenance	566	300	3,985	4,851	629	5,480
Relocation	-	-	-	-	-	-
Supplies	3,240	-	-	3,240	-	3,240
Training/Education	158	-	-	158	424	582
Insurance	7,152	-	-	7,152	1,027	8,179
Meetings	-	-	-	-	225	225
Meals & Entertainment	73	-	-	73	584	657
Travel	-	-	-	-	-	-
Mileage / Parking / Tolls	315	-	-	315	739	1,054
Utilities	3,130	(45)	218	3,303	1,798	5,101
License & Permits	-	323	60	383	25	408
Property Taxes	-	-	-	-	-	-
Interest	-	-	37	37	53,042	53,079
Bank Charges	-	-	-	-	1,056	1,056
Depreciation	-	-	-	-	3,677	3,677
Taxes	-	-	-	-	19,609	19,609
Miscellaneous	-	-	-	-	1,159	1,159
TOTAL	$ 128,967	$ 4,367	$ 8,548	$ 141,882	$ 203,163	$ 345,045

See Accompanying Notes to Financial Statements.

Jefferson Housing Foundation, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2004

EXPENSE CATEGORY	Home-Ownership	Business Development	TOTAL Program Services
Salaries	$ 45,426	$ 34,634	$ 80,060
Payroll Taxes	3,962	2,934	6,896
Contract Labor	-	-	-
Professional Fees	5,497	2,225	7,722
Office Supplies / Expense	1,718	483	2,201
Advertising	4,171	-	4,171
Rent	5,694	2,200	7,894
Postage / Delivery	320	236	556
Printing	-	-	-
Telephone	3,595	1,238	4,833
Inspections	-	-	-
Construction Costs	-	-	-
Property Maintenance	-	-	-
Repairs & Maintenance	333	233	566
Relocation	-	-	-
Supplies	3,240	-	3,240
Training/Education	158	-	158
Insurance	3,543	3,609	7,152
Meetings	-	-	-
Meals & Entertainment	73	-	73
Travel	-	-	-
Mileage / Parking / Tolls	205	110	315
Utilities	2,331	799	3,130
License & Permits	-	-	-
Property Taxes	-	-	-
Interest	-	-	-
Bank Charges	-	-	-
Depreciation	-	-	-
Miscellaneous	-	-	-
TOTAL	$ 80,266	$ 48,701	$ 128,967

Subschedule 1

See Accompanying Notes to Financial Statements.

Jefferson Housing Foundation, Inc.
Schedule of Federal Awards
For the Year Ended December 31, 2004

Federal Grantor/ Pass Through Grantor	CFDA	Federal Expenditures
CDBG	14.228	$ 128,967
Total Expenditures of Federal Awards		$ 128,967

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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, 2004, and have issued our report thereon dated August 26, 2005. 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 2004-1and 2004-2.

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 judgment, 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 2004-03 and 2004-4.

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, Louisiana Legislative Auditor, 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
August 26, 2005

Jefferson Housing Foundation, Inc
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2004

A. Summary of Audit Results

1. A qualified opinion was issued on the financial statements of Jefferson Housing Foundation, Inc.

2. Two reportable conditions disclosed during the audit of the financial statements are reported on the "report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with "Government Auditing Standards". The reportable conditions were not reported as material weaknesses.

3. Two instances of noncompliance material to the financial statements of Jefferson Housing Foundation, Inc. were disclosed during the audit.

B. Findings – Financial Statements Audit of Reportable Conditions

COMPLIANCE

2004-01 Untimely Submission of 2004 Audit Report

Statement of Condition: The auditee is a small non-profit organization with a minimum number of administrative personnel. The organization's chief financial officer handles virtually every aspect of the financial reporting activities. During the spring of 2005, the chief financial officer was hospitalized at the advice of her physician. This resulted in the agency's 2004 year-end financial statements and supporting detailed general ledger not being finalized until late July 2005. Consequently, the 2004 audit report was not submitted to the Legislative Auditor's office on or before the June 30, 2005 statutory completion date.

Criteria: The submission of the audit report after the six-month statutory issue date violates state law.

Effect: The organization is in violation of state law and risks losing future financial assistance from the state.

Recommendation: The organization should implement a system to ensure all future audit reports are timely submitted.

Response: Corrective action plan to follow:

2004-2 Funds passed through Jefferson Parish; First Time Homebuyers Counseling Program and Management Technical Assistance Program – Community Development Block Grant Program (CDBG)

Statement of Condition: Documentation and records were not available to determine if the activities undertaken were eligible activities under the terms of the grant agreement and/or if the participants met the eligibility requirements.

Criteria: Failure to maintain program documentation is a violation of the terms of the grant.

Effect: The lack of program documentation prevents the grantor from assessing the effectiveness of the programs.

Recommendation: The organization should implement a control system to accumulate, maintain and safeguard all required data pertaining to grant activities and participants.

Response: Corrective action plan to follow:

REPORTABLE CONDITIONS

2004-3 General Ledger

Statement of Condition: The 2004 general ledger was not completed until seven months after year end.

Criteria: The year end general ledger should be finalized as soon as possible after year end, normally within 90 days.

Effect: Failure to timely complete the general ledger will prevent management from making sound financial decisions. Additionally, the organization may possibly violate federal and state reporting and filing requirements.

Recommendation: The organization should implement procedures to gather all data necessary to complete the year end general ledger within ninety days after year end.

Response: Corrective action plan to follow.

Jefferson Housing Foundation, Inc
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2004

2004-4 Community Development Block Grants (CDBG) – Payroll Reimbursement Request

Statement of Condition: The organization did not maintain employee timesheets to support payroll reimbursements requested.

Criteria: To comply with the requirements of the CDBG grants, all expenditures should be supported by the appropriate documentation.

Effect: The organization is not in compliance with the provisions of the grant.

Recommendation: The organization should maintain time and Attendance sheets for all payroll costs claimed.

Response: Corrective action plan to follow.

C. Status of Prior Year Findings

Finding	Description	Resolved	Unresolved
03-01	HUD Upfront Grant Closeout Audit		X
03-02	General Accounting Unsupported Fund Balance Adjustments		X

2004-01 Untimely Submission of 2004 Audit Report

Statement of Condition: The auditee is a small non-profit organization with a minimum number of administrative personnel. The organization's chief financial officer handles virtually every aspect of the financial reporting activities. During the Spring of 2005, the chief financial officer was hospitalized at the advice of her physician. This resulted in the agency's 2004 year-end financial statements and supporting detailed general ledger not being finalized until late July 2005. Consequently, the 2004 audit report was not submitted to the Legislative Auditor's office on or before the June 30, 2005 statutory completion date.

RESPONSE: Jefferson Housing Foundation has implemented a system to ensure all future audit reports are timely submitted to the Legislative Auditor. We have contracted with a CPA that will assist with a variety of task one of which will be providing accounting oversight in the event our Staff Accountant is on Medical Leave.

2004-02 Funds passed through Jefferson Parish: First Time Homebuyers Counseling Program and Management Technical Assistance Program—Community Development Block Grant Program (CDBG)

Statement of Condition: Documentation and records were not available to determine if the activities undertaken were eligible activities under the terms of the grant agreement and/or if the participants met the eligibility requirements.

RESPONSE: The Auditor was in the process of reviewing the documentation for the First Time Homebuyers Counseling Program and Management Technical Assistance Program at the time that Hurricane Katrina devastated the Metro New Orleans area. Our office suffered roof and flooding damage related to the hurricane as a result we lost access to many storage files, office equipment and the information relative to the First Time Homebuyers Counseling Program and Management Technical Assistance Program. When our Auditor contacted us in December 2005 relative to completing the 2004 Audit, he was informed that the files had been damaged and irretrievable due to roof and flood damage from the hurricane.

As of date we have repaired the damage to our buildings roof, which we believe will prevent further damage to office files and equipment. In addition, we centralized our files on the 2nd floor of the building to prevent damage from possible future flooding.

2004-03 General Ledger

Statement of Condition: The 2004 general ledger was not completed until seven months after the year-end.

Our records show that our general ledger was completed by the beginning of April 2006; however, Jefferson Housing Foundation has engaged a CPA to assist our Staff

Accountant with a variety of tasks one of which will be reviewing our year-end financials.

2004-04 Community Development Block Grants (CDBG)—Payroll Reimbursement Request

Statement of Condition: The organization did not maintain employee timesheets to support payroll reimbursements requested.

RESPONSE: During the time of the audit Jefferson Housing Foundation had 4 employees, 3 of which were salaried employees. Our organization's payroll detail and billing request to Jefferson Parish Community Development for the Community Development Block Grants are in agreement and have the same payroll reimbursement information. In addition, a detail budget had to be submitted and approved by Jefferson Parish Community Development prior to the start of our contract and prior to any financial amendments. Additionally, JHF has engaged a CPA to assist the staff accountant with reporting employee time sheets to support future payroll reimbursement request.