

LOUISIANA HOUSING AND COMMUNITY DEVELOPMENT CORPORATION

ANNUAL AUDIT

DECEMBER 31, 2006

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

10/24/07

Table of Contents

REPORT ON AUDIT OF FINANCIAL STATEMENTS	Page 1
Independent Auditor's Report	Page 2
Consolidated Statement of Financial Position	Page 3
Consolidated Statement of Activities	Page 5
Consolidated Statement of Cash Flows	Page 6
Consolidated Notes to Financial Statements	Page 7
Consolidated Report on Compliance and on Internal Control	Page 16
Consolidated Schedule of Findings and Questioned Cost	Page 18
Consolidated Schedule of Prior Year Findings	Page 19
Additional Information	Page 20
Independent Auditor's Report on consolidating information.....	Page 21
Schedule I-Consolidating Statement of Financial Position.....	Page 22
Schedule II-Consolidating Statement of Activities.....	Page 23

**LOUISIANA HOUSING AND
COMMUNITY DEVELOPMENT CORPORATION**

**REPORT ON AUDIT OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2006**

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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 accompanying consolidated statement of financial positions of Louisiana Housing and Community Development Corporation (LHCDC) (a non-profit organization) and subsidiary as of December 31, 2006 and the related consolidated statements of activities and cash flows for the year then ended. These consolidated financial statements are the responsibility of LHCDC management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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 consolidated financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amount and disclosures in the consolidated 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 and subsidiary as of December 31, 2006 and changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Bobbie L. Howard
Certified Public Accountant
Houma, La
July 7, 2007

**LOUISIANA HOUSING AND COMMUNITY DEVELOPMENT
CORPORATION**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED
DECEMBER 31, 2006**

ASSETS

CURRENT ASSETS

Cash & Cash Equivalents	\$ 56,204.00
Account Receivable	9,502.00
Allowance for doubtful accounts	(9,502.00)
Other Receivables	5,000.00
Property Held for Investment	59,878.00
Property Available for sale	<u>1,052,624.00</u>

TOTAL CURRENT ASSETS **\$ 1,173,706.00**

FIXED ASSETS

Office Fixtures & Equipment, Net	\$ 1,846.00
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TOTAL FIXED ASSETS **\$ 1,846.00**

OTHER NON CURRENT ASSETS

Notes Receivable	779,870.00
Deposits on Real Property	251,085.00
Other Receivables	77,600.00
Security Deposit	1,550.00
Deposit	<u>795.00</u>

TOTAL NON CURRENT ASSETS **\$ 1,110,900.00**

TOTAL ASSETS **\$ 2,286,452.00**
=====

**LOUISIANA HOUSING AND COMMUNITY DEVELOPMENT
CORPORATION**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED
DECEMBER 31, 2006**

LIABILITIES & NET ASSETS

LIABILITIES

CURRENT LIABILITIES

Line of Credit	\$ 139,195.00
Other Current Liabilities	1,648.00
Note payable	<u>408,750.00</u>

TOTAL CURRENT LIABILITIES **\$ 557,293.00**

NET ASSETS

Unrestricted \$ 1,729,159.00

TOTAL NET ASSETS **\$ 1,729,159.00**

TOTAL LIABILITIES & NET ASSETS **\$ 2,286,452.00**
=====

See accompanying notes to Financial Statement.

**LOUISIANA HOUSING AND COMMUNITY DEVELOPMENT
CORPORATION**

**CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED
DECEMBER 31, 2006**

UNRESTRICTED & RESTRICTED NET ASSETS

REVENUES, GAINS, OTHER SUPPORT

Grant	\$ 330,000.00
Program fees	1,000.00
Investment Income (Unrestricted)	47,635.00
Gain (Loss) on Sale of Property Held for Investment (Unrestricted)	<u>1,104.00</u>

TOTAL UNRESTRICTED & RESTRICTED REVENUE **\$ 379,739.00**

EXPENSES-SUPPORTING SERVICES

Administrative and General	\$ 66,010.00
Program expenses	<u>887,021.00</u>

Total Expenses-Supporting Services **\$ 953,031.00**

Decrease in Net Assets **(573,292.00)**

NET ASSETS AT BEGINNING OF YEAR **\$ 2,302,451.00**

NET ASSETS AT END OF YEAR **\$ 1,729,159.00**
=====

See accompanying notes to Financial Statements.

**LOUISIANA HOUSING AND COMMUNITY DEVELOPMENT
CORPORATION**

**CONSOLIDATED STATEMENT OF CASH FLOWS
THE YEAR ENDED
DECEMBER 31, 2006**

CASH FLOWS FROM OPERATING ACTIVITIES:

Decrease in Net Assets \$ (573,292.00)

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

Depreciation 4,145.00

CHANGES IN OPERATING ASSETS AND LIABILITIES:

Decrease in Accounts Receivable \$ 9,501.00

Increase in Notes Receivables (36,409.00)

Increase in Deposits on Real Property (326.00)

Decrease in Investments 220,000.00

Decrease in Other Receivables 222,400.00

Decrease in Real Property Held for Investment 11,153.00

Increase in Deposits (145.00)

Increase in Accounts Payables 7,700.00

Increase in Construction Loans 50,389.00

Net Cash Provided (Used) By Operating Activities \$ (84,884.00)

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of Computer \$ (2,534.00)

Purchase of Real Property and Apartments (1,032,624.00)

Short Term Loan 408,750.00

Adjustments to Net Assets (133,712.00)

Net Cash Provided (Used) in Investing Activities \$ (760,120.00)

NET DECREASE IN CASH (845,004.00)

CASH AT BEGINNING OF YEAR 901,208.00

CASH AT END OF YEAR \$ 56,204.00
=====

See accompanying notes to Financial Statements.

**LOUISIANA HOUSING AND COMMUNITY DEVELOPMENT
CORPORATION**

**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2006**

**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, fostering and assisting low to moderate income citizens with obtaining safe, decent and affordable housing 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 AND COMMUNITY DEVELOPMENT
CORPORATION**
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2006

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.

Accounts Receivable

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The allowance is based on experience, third-party contracts, and other circumstances. Receivables are considered impaired if full payments are not received in accordance with the contractual terms. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

**LOUISIANA HOUSING AND COMMUNITY DEVELOPMENT
CORPORATION**

**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2006**

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.

Consolidated Financial Statements

The consolidated financial statements include the accounts of the Organization and its wholly owned subsidiary Cindy Place Holding II, LLC.

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 AND COMMUNITY DEVELOPMENT
CORPORATION**

**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2006**

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, 2006 **\$ 276,379.00**

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, 2006 **\$ 156,609.00**

Represents a **\$346,882.00** non-revolving construction line of credit to Scotlandville Community Development Corporation located in Baton Rouge, LA., at a zero percent interest rate for twelve months with principal due at maturity. The purpose of this non-revolving line of credit is to provide financing for the acquisition of four (4) vacant residential lots located in Baton Rouge, LA. and for the construction of three (3) affordable single family houses thereon. As of December 31, 2006 **\$207,687** principal amount was outstanding and **\$139,195** 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, 2006
(Principal) **\$ 346,882.00**

Total Notes Receivable **\$ 779,870.00**

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**LOUISIANA HOUSING AND COMMUNITY DEVELOPMENT
CORPORATION**

**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2006**

NOTE 3: OTHER RECEIVABLES (NON-CURRENT)

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. Management has determine that the cost (attorney fees) exceed the benefit and management deemed that amount uncollectible and was written off.

NOTE 4: REAL PROPERTY HELD FOR INVESTMENTS

Real Property held for investments as of **December 31, 2006** are summarized as follows:

<u>Description</u>	<u>Total Cost</u>
One Single Family Home in Monroe, LA	\$59,878.00

NOTE 5: OFFICE FIXTURES AND EQUIPMENT

The following is a summary of office fixtures and equipment as of December 31, 2006.

	<u>2005</u>	<u>2006</u>
	\$ 31,149.00	\$ 31,149.00
Additions		2,535.00
Less: Accumulated Depreciation	<u>27,691.00</u>	<u>31,838.00</u>
Total	\$ 3,458.00	\$ 1,846.00
	=====	=====

**LOUISIANA HOUSING AND COMMUNITY DEVELOPMENT
CORPORATION**

**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2006**

NOTE 6: DEPOSIT ON REAL PROPERTY

Deposit on Real Property includes a **\$251,085.00** escrow deposit provided by LHCDC in accordance with the terms and conditions of a Purchase Agreement executed by and between LHCDC (“Buyer”) and Woodlands Development, LLC (“Seller”) to acquire The Woodlands Apartments, 361 unit multi-family complex located in New Orleans, La.

Escrow Deposit on Real Property	\$ 251,085.00
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NOTE 7: ORGANIZATION COST

The following is a summary of organization costs as of **December 31, 2006**.

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

NOTE 8: INVESTMENTS

During fiscal year 2005, Louisiana Housing and Community Development Corporation (“LHCDC”), in keeping with its mission, had under contract to acquire with plans to redevelop the Woodlands Apartments, a 361 unit low income multi-family property located at 3010 Sandra Drive, New Orleans, Louisiana (the “Property”). LHCDC was pursuing the issuance of tax-exempt bonds through the Industrial Development Board of the City of New Orleans (“IDBNO”) along with 4% Low Income Housing Tax Credits pursuant to Section 42 of the Internal Revenue Code of 1986 (the “Code”) to finance the acquisition and redevelopment of the Property. LHCDC had received preliminary approvals from the IDBNO and the Louisiana State Bond Commission for the issuance of the bonds and was in the process of working towards closing the transaction when on August 29, 2005,

**LOUISIANA HOUSING AND COMMUNITY DEVELOPMENT
CORPORATION**

**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2006**

NOTE 8: INVESTMENTS

Hurricane Katrina struck the New Orleans Metropolitan area. The effects of Hurricane Katrina and its aftermath on the Property rendered this project physically and financially unfeasible. As a result, during fiscal year 2005, LHCDC and its wholly owned subsidiaries, LHCDC Sandra Drive, L.L.C. and Sandra Drive Apartments, L.L.C., incurred a loss \$220,000.00 and also program expenses of \$46,922.65 in predevelopment costs associated with this project. That investment was written off in 2006.

NOTE 9: PROPERTY AVAILABLE FOR SALE

On February 23, 2006, Louisiana Housing and Community Development Corporation ("LHCDC") acquired ninety (90) residential apartment units located at 6840, 6847, 6852, 6861, 6866 & 6873 Cindy Place in the New Orleans East neighborhood of the City of New Orleans, Louisiana for a sum of \$585,000. Also, on July 31, 2006, LHCDC acquired an additional 60 residential apartment units located at 6800 & 6801 Cindy Place, New Orleans, Louisiana for a sum of \$440,000. The total purchase price for all Cindy Place properties was \$1,025,000. Regions Bank extended a \$408,750 six month loan (the "Loan") to finance part of the acquisition. The Loan is secured by a first mortgage on all Cindy Place properties. The 150 total apartment units suffered damage as a result of floodwaters from Hurricane Katrina and its aftermath.

LHCDC's intent was to redevelop these properties into affordable rental housing utilizing 9% Low Income Housing Tax Credits ("LIHTC") as defined by Section 42 of the Internal Revenue Code of 1986 (the "Code"). During 2006, LHCDC submitted, through its wholly-owned for-profit subsidiaries, four applications to the Louisiana Housing Finance Agency ("LHFA") for reservations of allocations of LIHTC. These applications were submitted during two funding rounds as authorized by the Agency (the 2006 Second Funding Round, and the 2007 and 2008 Forward Allocation Round). The LIHTC Application submitted for 6840, 6852 & 6866 was approved and received a reservation of LIHTC allocation. The other applications did not receive a reservation of LIHTC allocation, therefore, these properties will either be redeveloped using alternative sources of capital and financing, or will be sold.

**LOUISIANA HOUSING AND COMMUNITY DEVELOPMENT
CORPORATION**

**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2006**

NOTE 10 : SUBSIDIARY

Cindy Place Holdings II, L.L.C. (the "Company") is a wholly-owned for-profit subsidiary of Louisiana Housing and Community Development Corporation established on April 4, 2006 for the purpose of applying for and ultimately receiving a reservation for an allocation of 9% Low Income Housing Tax Credits ("LIHTC") as defined by Section 42 of the Internal Revenue Code of 1986 (the "Code") from Louisiana Housing Finance Agency (the "Agency") in accordance with the Agency's Qualified Allocation Plan for the 2006 Second Funding Round. The reservation for the allocation of tax credits was issued by the Agency on August 17, 2006. The LIHTC allocation will be used to redevelop the real properties located at 6840, 6852 & 6866 Cindy Place in the New Orleans East neighborhood of the City of New Orleans, Louisiana (the "Property"). The new project will be referred to as The Savoy II Apartments (the "Project"). On September 20, 2006, title to the Property was transferred from LHDCDC to Cindy Place Holdings II, L.L.C. and internally financed by LHDCDC through a second mortgage on the Property. This transfer was subject to a first mortgage held by Regions Bank. The title transfer was required in order for the Company to meet the 10% carryover requirement set forth by the Code, which states that 10% of the total eligible cost basis for a project must be incurred by a particular date in order to receive the allocation of tax credits, which in this case was October 1, 2006. The Company met the 10% carryover requirement. As of December 31, 2006, total project design had been completed and construction bids from general contractors were being sought. It is anticipated that the Project will be placed-in-service by December 31, 2008.

**LOUISIANA HOUSING AND COMMUNITY DEVELOPMENT
CORPORATION**

**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2006**

NOTE 11: OTHER RECEIVABLE (NON-CURRENT)

On June 9, 2004, a former employee of Louisiana Housing and Community Development Corporation ("LHCDC"), plead guilty (USAO Number 2002R00367, Court Docket Number: 02-375) to embezzling \$78,000 from LHCDC. On September 8, 2004, the former employee was sentenced by the court to a term of twelve (12) months and one (1) day imprisonment and was ordered to pay restitution. She is now on supervised release for a term of three (3) years and continues to make payment to LHCDC towards satisfying restitution.

NOTE 12: DEBT

Note Payable

LHCDC has an 8.250% interest note that is payable to Regions Bank due in twelve months (short term) secured by Cindy Place lots 6800 & 6801 and has a principal outstanding of **\$408,750** at December 31, 2006.

Revolving Line of Credit

LHCDC has a \$346,882 non-revolving construction line of credit to Scotlandville Community Development Corporation at zero percent interest rate due in twelve months. As of December 31, 2006 **\$207,687** principal amount was outstanding and **\$139,195** remained available to be drawn down.

NOTE 13: GRANT

Received a Grant from Entergy in the amount of **\$330,000** to be used for Low to Moderate income housing.

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**REPORT ON N INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS 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**

I have audited the consolidated financial statements of LHCDC (a non-profit organization) and subsidiary as of and for the year ended December 31, 2006, and have issued my report thereon dated July 7, 2007. I conducted my 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.

Internal Control over Financial Reporting

In planning and performing my audit, I considered Louisiana Housing and Community Development Corporation and subsidiary internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Louisiana Housing and Community Development and subsidiary internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

My consideration of the internal control over financial reporting was for the limited purpose in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether LHCD and subsidiary financial statements are free of material misstatements, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Bobbie L. Howard
Certified Public Accountant
Houma, La
July 7, 2007

**LOUISIANA HOUSING AND COMMUNITY DEVELOPMENT
CORPORATION
CONSOLIDATED SCHEDULE OF FINDINGS AND QUESTIONED COST
SUMMARY OF THE INDEPENDENT AUDITOR'S RESULTS
FOR THE YEAR ENDED
DECEMBER 31, 2006**

1. The auditor's report expresses an unqualified opinion on the consolidated financial statements of LHCDC and subsidiary.
2. No reportable condition disclosed during the audit of the consolidated financial statements.
3. No instance of noncompliance material to the consolidated financial statements of LHCDC and subsidiary which would be required to be reported in accordance with the Government Auditing Standard 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, 2006**

**Consolidated Schedule of Prior Year
Findings and Questioned Costs
For The Year Ended
December 31, 2006**

There were none.

**LOUISIANA HOUSING AND COMMUNITY DEVELOPMENT
CORPORATION
DECEMBER 31, 2006**

ADDITIONAL INFORMATION

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INDEPENDENT AUDITOR'S REPORT
ON CONSOLIDATING INFORMATION

To the Board of Director of
Louisiana Housing and Community
Development Corporation (LHCDC)
New Orleans, La

Our report on our audits of the consolidated financial statements of Louisiana Housing and Community Development Corporation (a non-profit organization) and subsidiary for December 31, 2006 appears on pages 22 & 23. Those audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information in Schedules I and II is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies. Such information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as whole.

Bobbie L. Howard
Certified Public Accountant
Houma, La
July 7, 2007

SCHEDULE I

LHCDC
Consolidating Statement of Financial Position
12/31/2006

ASSETS	Parent Company	Subsidiary	Consolidating Entries	Consolidated Totals
Current Assets				
Checking/Saving				
Capital One	\$ 57,647.00			\$ 57,647.00
Capital One-Entergy	\$ 76.00			\$ 76.00
Petty Cash	\$ 150.00			\$ 150.00
Regions	\$ (1,669.00)			\$ (1,669.00)
Total Checking/Saving	\$ 56,204.00			\$ 56,204.00
Other Current Assets				
Loan to Operations Hope, Inc	\$ 5,000.00			\$ 5,000.00
Accounts Receivable	\$ 9,502.00			\$ 9,502.00
Allowance for doubtful accounts	\$ (9,502.00)			\$ (9,502.00)
Property Held for Investments 1103 Power St	\$ 59,878.00			\$ 59,878.00
Total Current	\$ 64,878.00			\$ 64,878.00
Real Property Available for Sale				
6800-01 Cindy Place	\$ 443,694.00			\$ 443,694.00
Cindy Place Apartments	\$ 296,430.00		\$ 292,500.00	\$ 588,930.00
Land	\$ 20,000.00			\$ 20,000.00
Total	\$ 760,124.00			\$1,052,624.00
Fixed Assets				
Office Furnitures	\$ 33,684.00			\$ 33,684.00
Accumulated Depreciation	\$ (31,838.00)			\$ (31,838.00)
Property		\$ 292,500.00	\$ (292,500.00)	
Total Fixed Assets	\$ 1,846.00	\$ 292,500.00		\$ 1,846.00
Other Assets				
Investments In Cindy Place Holding, llc	\$ 292,500.00		\$ (292,500.00)	
Due from Cindy Place Holding, llc	\$ 16,145.57		\$ (16,145.57)	
Scotlandville CDC Loan	\$ 346,882.00			\$ 346,882.00
Deposit	\$ 251,085.00			\$ 251,085.00
Due from Katrina Lewis	\$ 77,600.00			\$ 77,600.00
Notes Rec. Congress Sq	\$ 276,379.00			\$ 276,379.00
Notes Rec. Mt. Zion	\$ 156,608.79			\$ 156,608.79
Organization Cost	\$ 50,182.00			\$ 50,182.00
Leas: Amortization	\$ (50,182.00)			\$ (50,182.00)
Security Deposit	\$ 1,550.00			\$ 1,550.00
Utility Depsoit	\$ 795.00			\$ 795.00
Total Other Assets	\$ 1,419,545.36			\$ 1,110,900.00
Total Asset	\$ 2,302,597.00	\$ 292,500.00		\$ 2,286,452.00
Liabilities & Equity				
Current Liabilities				
Accounts payable	\$ 7,700.00			\$ 7,700.00
Due to Scotland CDC	\$ 139,195.00			\$ 139,195.00
Payroll Liabilities	\$ 1,648.00			\$ 1,648.00
Loan-Region Bank	\$ 408,750.00			\$ 408,750.00
Due to LHCDC		\$ 11,241.00	\$ 11,241.00	
Accrued interest payable		\$ 4,904.00	\$ 4,904.00	
Total Current Liabilities	\$ 557,293.00	\$ 16,145.00		\$ 557,293.00
Long-term liabilities				
Loan from LHCDC		\$ 292,500.00	\$ 292,500.00	
Total Liabilities	\$ 557,293.00	\$ 308,645.00		\$ 557,293.00
Net Assets				
Unrestricted	\$ 2,302,451.00			\$ 2,302,451.00
Net income	\$ (557,147.00)	\$ (16,145.00)	\$ 16,145.00	\$ (573,292.00)
Total Net Assets	\$ 1,745,304.00	\$ (16,145.00)	\$ 16,145.00	\$ 1,729,159.00
Total liabilities & Net Assets	\$ 2,302,597.00	\$ 292,500.00		\$ 2,286,452.00

SCHEDULE II

LHCDC
Consolidating Statement of Activities
12/31/2006

	Parent Company	Subsidiary	Consolidating Entries	Consolidated Total
Income				
Gain/Loss on Sale of Property	\$1,104.00			\$1,104.00
Grant	\$330,000.00			\$330,000.00
Program Fees	1000			1000
Total Income	\$332,104.00			\$332,104.00
Expenses				
Advertising	\$6,285.00			\$6,285.00
Auto	\$1,921.00			\$1,921.00
Bad Debt Expense	\$309,502.00			\$309,502.00
Bank Service Charges	\$1,040.00			\$1,040.00
Filing Fees	\$165.00			\$165.00
Depreciation Expense	\$4,145.00			\$4,145.00
Insurance	\$23,741.00			\$23,741.00
Interest	\$14,841.00	\$ 4,904.00	\$ (4,904.00)	\$14,841.00
Meeting and Conference	\$998.00			\$998.00
Miscellaneous	\$488.00			\$488.00
Office Expense	\$1,781.00			\$1,781.00
Payroll Expense	\$117,491.00			\$117,491.00
Postage and Delivery	\$1,445.00			\$1,445.00
Printing and Reproduction	\$232.00			\$232.00
Professional Fees	\$290,405.00			\$290,405.00
Program Expenses	\$119,578.00		\$ 11,241.00	\$130,819.00
Rent	\$14,600.00			\$14,600.00
Supplies	\$3,302.00			\$3,302.00
Taxes	\$5,323.00	\$ 442.00	\$ (422.00)	\$5,323.00
Telephone	\$9,992.00			\$9,992.00
Training and Educational	\$1,285.00			\$1,285.00
Travel and Entertainment	\$10,677.00			\$10,677.00
Transportation and Parking	\$2,553.00			\$2,553.00
Settlement Charges		\$ 10,799.00	\$ (10,799.00)	
Total Expenses	\$941,790.00			\$953,031.00
Dividend Income	\$194.00			\$194.00
Interest Income	\$50,345.00		\$ (4,904.00)	\$45,441.00
Other	\$2,000.00			\$2,000.00
Total Other Income	\$52,539.00			\$47,635.00
Net Income	(\$557,147.00)			(\$573,292.00)