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HIBERNIA COMMUNITY DEVELOPMENT CORPORATION, INC.

**FINANCIAL AND COMPLIANCE AUDIT
AND SUPPLEMENTARY INFORMATION
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001**

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 8-6-03

HIBERNIA COMMUNITY DEVELOPMENT CORPORATION, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Hibernia Community Development Corporation, Inc.
New Orleans, Louisiana

We have audited the accompanying statements of financial position of **Hibernia Community Development Corporation, Inc. (Hibernia CDC)** (a non-profit corporation) as of December 31, 2002 and 2001, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of **Hibernia CDC's** management. Our responsibility is to express our opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to *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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Hibernia CDC** as of December 31, 2002 and 2001, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

To the Board of Directors
Hibernia Community Development Corporation, Inc.
New Orleans, Louisiana
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In accordance with Government Auditing Standards, we have also issued our report dated May 27, 2003 on our consideration of Hibernia CDC'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.

Bruno & Tervalon LLP
BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

May 27, 2003

HIBERNIA COMMUNITY DEVELOPMENT CORPORATION, INC.**STATEMENTS OF FINANCIAL POSITION**

December 31, 2002 and 2001

	General Fund	Escrow Fund	Eliminations	2002 Total	2001 Total
Assets					
Cash	\$ 505,336	\$ -		\$ 505,336	\$ 128,426
Accounts receivable	798,831	-		798,831	955,849
Inventory of homes available for sale	229,762	-		229,762	205,729
Construction in progress	122,093	-		122,093	171,943
Grants receivable	-	-		-	21,529
Inventory of land held for development	72,339	-		72,339	116,705
Notes receivable	289,127	-		289,127	276,844
Accrued interest receivable	16,042	-		16,042	3,842
Total assets	\$ 2,033,530	\$ -	\$ -	\$ 2,033,530	\$ 1,880,867
Liabilities					
Accounts payable	\$ 33,256	\$ -	\$ -	\$ 33,256	\$ 26,885
Due to related party	1,521,000	-		1,521,000	1,271,000
Total liabilities	1,554,256	-	-	1,554,256	1,297,885
Contingencies	-	-		-	-
Net Assets - Unrestricted	479,274	-		479,274	582,982
Total liabilities and net assets	\$ 2,033,530	\$ -	\$ -	\$ 2,033,530	\$ 1,880,867

See notes to financial statements.

HIBERNIA COMMUNITY DEVELOPMENT CORPORATION, INC.

STATEMENTS OF ACTIVITIES

Years ended December 31, 2002 and 2001

	General Fund	Escrow Fund	2002 Total	2001 Total
Unrestricted Revenues and Support:				
Sales of homes	\$ 703,200		\$ 703,200	\$ 581,351
Contributed facilities and services	581,741		581,741	597,958
Grants	23,400	43,223	66,623	126,348
Interest income	16,920		16,920	47,590
Rent	3,232		3,232	10,604
Miscellaneous	15,517		15,517	18,492
Total revenues and support	1,344,010	43,223	1,387,233	1,382,343
Expenses:				
Program	865,977	43,223	909,200	752,600
Support	581,741	-	581,741	597,958
Total expenses	1,447,718	43,223	1,490,941	1,350,558
Changes in net assets	(103,708)	-	(103,708)	31,785
Net assets at beginning of year	582,982	-	582,982	551,197
Net assets at end of year	\$ 479,274	\$ -	\$ 479,274	\$ 582,982

See notes to financial statements.

HIBERNIA COMMUNITY DEVELOPMENT CORPORATION, INC.

STATEMENTS OF CASH FLOWS

Years ended December 31, 2002 and 2001

	General Fund	Escrow Fund	Eliminations	2002 Total	2001 Total
Operating Activities:					
Changes in net assets	\$ (103,708)	\$ -	\$ -	\$ (103,708)	\$ 31,785
Adjustments to reconcile changes in net assets to cash provided by (used in) operating activities:					
Losses (gains) on sales of homes	9,515			9,515	(20,134)
Bad debt expense	17,766			17,766	15,300
Decrease in accounts receivable	157,018			157,018	683,717
Increase in accrued interest receivable	(12,200)			(12,200)	(3,842)
Decrease in grants receivable	1,500	20,029		21,529	241,635
(Increase) decrease in interfund receivable	23,790		(23,790)	-	-
Increase (decrease) in accounts payable	22,181	(15,810)		6,371	23,135
Net cash provided by (used in) operating activities	115,862	4,219	(23,790)	96,291	971,596
Investing Activities:					
Costs of construction	(606,106)			(606,106)	(284,325)
Proceeds from sales of homes	703,200			703,200	581,351
Issuance of notes receivable	(35,136)			(35,136)	(257,442)
Repayments of notes receivable	5,087			5,087	19,894
Purchase of land for development	(36,426)			(36,426)	(40,880)
Net cash provided by investing activities	30,619	-	-	30,619	18,598
Financing Activities:					
Proceeds from related party	250,000	25,000	(25,000)	250,000	750,000
Repayments to related party	-	(48,790)	48,790	-	(2,239,000)
Net cash provided by (used in) financing activities	250,000	(23,790)	23,790	250,000	(1,489,000)
Increase (decrease) in cash	396,481	(19,571)	-	376,910	(498,806)
Cash at beginning of year	108,855	19,571	-	128,426	627,232
Cash at end of year	\$ 505,336	\$ -	\$ -	\$ 505,336	\$ 128,426

See notes to financial statements.

HIBERNIA COMMUNITY DEVELOPMENT CORPORATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 Summary of Significant Accounting Policies

Hibernia Community Development Corporation, Inc. (Hibernia CDC) is a non-profit 501(c)(3) corporation which works to revitalize declining neighborhoods and provide affordable housing opportunities for low- and middle-income homebuyers. Hibernia CDC is a joint effort between Hibernia National Bank and various other non-profit organizations and governmental entities working together to stop the decline of neighborhoods, promote community reinvestment and restore community pride and confidence.

The General Fund is used to record all activities of Hibernia CDC except for those relating to the CDC's role as administrative agent for Project Renaissance. During 2001, Hibernia CDC became the administrative agent for Project Renaissance, acting as custodian for funds from homeowners and governmental entities which are to be used to pay for the renovation of homes. These funds are held in escrow until the work is completed, then disbursed to the contractors for payment. As these amounts are held in a custodial capacity, they are segregated in the Escrow Fund. All significant interfund balances and transactions are eliminated. In 2002, the City of New Orleans discontinued the Project Renaissance program. All projects continuing from 2001 were completed in 2002. All contractor and homeowner claims were paid. Currently, the future of the program is being considered by the new city administration.

Financial Statement Presentation: Hibernia CDC complies with the disclosure requirements set forth in Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-for-Profit Organizations". Accordingly, the net assets of Hibernia CDC are classified as unrestricted net assets as the assets are not subject to donor-imposed restrictions.

Revenue Recognition: Hibernia CDC recognizes contributed support as income in the period received. Contributed support is reported as unrestricted or restricted depending on the existence of donor stipulations that limit the use of the support. During 2002 and 2001, Hibernia CDC did not receive any restricted support.

Inventory of Homes Available for Sale: The inventory of homes available for sale is carried at cost not to exceed estimates of net realizable value determined on an individual project basis. These homes were built in accordance with government contracts.

Grants Receivable: Hibernia CDC considers the grants receivable to be fully collectible since the balance consists principally of payments due under governmental contracts. If an amount due becomes uncollectible, it is charged to expense when that determination is made.

Accounts Receivable and Notes Receivable: Hibernia CDC reviews the collectibility of accounts and notes receivable periodically. If an amount due is deemed uncollectible, it is charged to expense when that determination is made.

Contributed Facilities and Services: Contributed facilities and services represent the estimated fair rental value of office space and general corporate services provided by Hibernia National Bank. Contributed services are reflected in the financial statements at fair value of the services received. The contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Cash Equivalents: Hibernia CDC considers demand deposits and short-term investments with original maturities of three months or less to be cash equivalents.

Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Fair Values of Financial Instruments: Generally accepted accounting principles require *disclosure of fair value information about financial instruments for which it is practicable to estimate fair value*, whether or not recognized in the statements of financial position. Cash and cash equivalents carrying amounts reported in the statements of financial position approximate fair values due to the short maturities of those instruments.

Income Taxes: Hibernia CDC is a tax-exempt corporation under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provisions for federal or state income taxes have been recorded in the accompanying financial statements.

NOTE 2 Accounts Receivable

In the normal course of business, Hibernia CDC advances funds to other non-profit organizations to assist in community development projects. These agreements are generally unsecured and provide for repayment of amounts advanced after the construction is completed and the homes are sold. In some instances, the agreements call for the payment of interest on the amount advanced. In those cases where Hibernia CDC believes the interest will be fully collectible, interest income is accrued. If there is doubt about the collectibility of the interest, it is recognized as income upon collection.

Amounts due from individual homeowners represent funds advanced on their behalf for initial costs incurred in the renovation process. These amounts will be reimbursed when the renovations are complete and the loan is funded.

In addition to receivables from non-profit organizations, amounts are periodically advanced to borrowers on behalf of governmental agencies. These receivables are related to government agency mortgage assistance and generally repaid shortly after loans are closed on properties sold by Hibernia CDC.

Accounts receivable consisted of the following at December 31, 2002 and 2001.

	December 31,	
	2002	2001
Humanitas	\$ 140,909	32,266
Alpha Affordable Housing	130,450	-
St. Mary Community Action	114,544	282,241
Echo, Inc.	101,223	-
Rapides Minority CDC	90,127	35,859
Meadow Estates	77,100	79,600
Intercoastal CDC	48,104	-
Thibodaux Chamber of Commerce	36,338	-
Caleb CDC	17,314	-
Macedonia Housing Education and Economic Developers	12,122	-
Creole Cottage	1,500	1,500
Beaumont Community Housing Development		178,000
Simms Estate		168,974
Bacatown CDC		81,707
Jefferson Housing Foundation		7,631
Total accounts receivable from non-profits	769,731	867,778
Individual homeowners	-	23,400
Government agencies	29,100	64,671
Total accounts receivable	\$ 798,831	\$ 955,849

NOTE 3 Grants Receivable

Grants receivable consisted of the following at December 31, 2001. There were no grants receivable outstanding at December 31, 2002.

	December 31, 2001
City of New Orleans - Division of Neighborhood Development	\$ 20,029
Neighborhood Housing Improvement Fund	1,500
Total grants receivable	\$ 21,529

NOTE 4 Notes Receivable

The following is a summary of notes receivable.

	December 31,	
	2002	2001
New Orleans Community Development Fund	\$ 250,000	\$ 250,000
Velocity Foundation	35,136	-
Growth Enterprises of Marshall, Inc.	3,991	26,844
Total notes receivable	\$ 289,127	\$ 276,844

The note receivable from New Orleans Community Development Fund is unsecured, bears interest at 3%, and matures in 2004. Interest is payable annually, with principal due at maturity.

The notes originated by Growth Enterprises of Marshall, Inc., a community development corporation, are funded in part by Hibernia CDC. These notes are unsecured, bear interest at 7.25%, and are repaid in monthly or quarterly installments with maturity dates through 2004.

The note receivable from the Velocity Foundation, a nonprofit organization, is an unsecured, non-interest bearing note that matures in 2005.

NOTE 5 Due to Related Party

The due to related party consists of notes payable to Hibernia National Bank. These notes payable bear no interest and mature on various dates through 2004. The total amount outstanding at December 31, 2002 and 2001 was \$1,521,000 and \$1,271,000 respectively.

NOTE 6 Expenses

The following is a summary of program and support expenses.

General Fund	Year ended December 31,			
	2002		2001	
	Program Expenses	Support Expenses	Program Expenses	Support Expenses
Cost of homes sold	\$ 712,715		\$ 561,217	
Program administration (contributed)		\$ 581,741		\$ 597,958
Loss on cancelled projects	53,928		-	
Donations	21,500		50,750	
Infeasible Studies/Title Search	23,400		50,188	
Sales commissions	26,260		17,738	
Bad debt expense	17,766		15,300	
Closing costs	6,486		9,924	
Repairs and maintenance	3,916		25	
Miscellaneous expense	6		2,548	
Total expenses	\$ 865,977	\$ 581,741	\$ 707,690	\$ 597,958

Escrow Fund	Year ended December 31,			
	2002		2001	
	Program Expenses	Support Expenses	Program Expenses	Support Expenses
Homeowners Expense	\$ 43,223	\$ -	\$ 44,910	\$ -

NOTE 7 Contingencies

Grant agreements and other contracts with governmental agencies often require fulfillment of certain conditions as set forth in the terms of the agreements. Failure to fulfill the conditions could result in the return of funds to the grantors. Although the return of funds is a possibility, management deems the contingency unlikely, since Hibernia CDC has agreed to comply with the grantor's provisions.



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

To the Board of Directors
Hibernia Community Development Corporation, Inc.
New Orleans, Louisiana

We have audited the financial statements of **Hibernia Community Development Corporation, Inc. (Hibernia CDC)** (a non-profit corporation) as of and for the years ended December 31, 2002 and 2001 and have issued our report thereon dated May 27, 2003. We conducted our audits in accordance with generally accepted 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 **Hibernia CDC'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 audits 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.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AUDITS OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(CONTINUED)

Internal Control Over Financial Reporting

In planning and performing our audits, we considered **Hibernia CDC'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.

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 material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board of Directors, management, regulatory agencies, federal awarding agency and pass-through entity and is not intended to be and should not be used by anyone other than those specified parties.

Bruno & Tervalon LLP
BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

May 27, 2003