



LOCAL INITIATIVES SUPPORT CORPORATION
(Parent Only)

Program-Specific Audit
State of Louisiana
Road Home Developer Incentives Program
(107-700941)

Year ended December 31, 2012

(With Independent Auditors' Reports Thereon)

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 NOV 06 2013



KPMG LLP
345 Park Avenue
New York, NY 10154

Independent Auditors' Report

The Board of Directors
Local Initiatives Support Corporation

Report on the Schedule of Expenditures of Federal Awards

We have audited the accompanying schedule of expenditures of federal awards for the State of Louisiana Road Home Developer Incentives Program (107-700941) of Local Initiatives Support Corporation (Parent Only) (the Organization) for the year ended December 31, 2012, and the related notes (the schedule)

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of the schedule in accordance with U S generally accepted accounting principles, this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the schedule that is free from material misstatement, whether due to fraud or error

Auditors' Responsibility

Our responsibility is to express an opinion on the schedule based on our audit We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the schedule is free from material misstatement

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the schedule, whether due to fraud or error In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control Accordingly, we express no such opinion An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the schedule

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion



Opinion

In our opinion, the schedule referred to above presents fairly, in all material respects, the expenditures of federal awards under State of Louisiana Road Home Developer Incentives Program (107-700941) of Local Initiatives Support Corporation (Parent Only) in accordance with U S generally accepted accounting principles

KPMG LLP

June 30, 2013

LOCAL INITIATIVES SUPPORT CORPORATION
 Program-Specific Audit
 State of Louisiana Road Home Developer Incentives Program
 Schedule of Expenditures of Federal Awards
 Year ended December 31, 2012

<u>Grantor/program title</u>	<u>CFDA number</u>	<u>Contract number</u>	<u>Federal expenditures</u>
U S Department of Housing and Urban Development (HUD) Community Development Block Grant Passed through State of Louisiana, Division of Administration, Office of Community Development Road Home Developer Incentives Program	14 228	107-700941	\$ <u><u>35,486</u></u>

See accompanying notes to schedule of expenditures of federal awards

LOCAL INITIATIVES SUPPORT CORPORATION

(Parent Only)

Program-Specific Audit

State of Louisiana Road Home Developer Incentives Program

(107-700941)

Notes to Schedule of Expenditures of Federal Awards

Year ended December 31, 2012

(1) Organization and Basis of Presentation

(a) Organization

Local Initiatives Support Corporation (Parent Only) (LISC), a New York not-for-profit corporation, was incorporated in 1979 to assist community residents throughout urban and rural areas of the United States to transform distressed communities into healthy and sustainable communities – good places to work, do business, and raise children. LISC carries out this charitable purpose by marshaling public and private sector resources to provide local community development organizations with technical and management assistance and financial support in the form of grants, recoverable grants, loans, lines of credit, and equity investments. LISC is helping build sustainable communities by achieving five goals: expanding investment in housing and real estate, increasing family income and wealth, stimulating economic development, improving access to quality education, and supporting healthy environments and lifestyles.

(b) Basis of Presentation

The accompanying schedule of expenditures of federal awards for the year ended December 31, 2012 includes the federal awards activity of the State of Louisiana Road Home Developer Incentives Program of LISC (the Program) and is presented on the accrual basis. The information in this schedule is presented in accordance with the requirements of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

(2) Grant Description

The performance period of the grant is from March 1, 2007 through December 31, 2013. Under the terms of the grant, the State of Louisiana will provide a grant of Community Development Block Grant Funds (CDBG) to LISC in an amount not exceeding \$3,868,962, for the purpose of making loans to eligible non-profit organizations and for-profit developers under the Road Home Developer Incentives Program.

(3) Miscellaneous Receipts

Any income received by LISC from the use of these CDBG grant funds, is to be classified as miscellaneous receipts and held in a restricted account. During or after the term of the agreement, any miscellaneous receipts received shall be used exclusively by LISC to (a) make additional community development loans or grants in Louisiana as specified in the grant agreement, (b) pay the associated administrative costs incurred after December 31, 2011, and (c) provide technical assistance to nonprofit organizations that enables them to produce and/or renovate affordable or mixed income housing in Louisiana. For the year ended December 31, 2012, LISC incurred \$53,101 of administrative costs and has \$850,088 remaining miscellaneous receipts in a restricted account, which will be spent in the future in accordance with the grant agreement. Such administrative costs of \$53,101 are not included in the accompanying schedule of expenditures of federal awards.



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Independent Auditors' Report on Compliance with Requirements that could have a Direct and Material Effect on the Federal Program and on Internal Control Over Compliance in Accordance With the Program-Specific Audit Option Under OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*

The Board of Directors
Local Initiatives Support Corporation

Report on Compliance for the State of Louisiana Road Home Developer Incentives Program (107-700941)

We have audited Local Initiatives Support Corporation's (Parent Only) (the Organization) compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on its State of Louisiana Road Home Developer Incentives Program (107-700941) (the Program) for the year ended December 31, 2012

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to the Program

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Organization's Program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the Program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the Program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion

In our opinion, the Local Initiatives Support Corporation (Parent Only) complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the State of Louisiana Road Home Developer Incentives Program (107-700941) for the year ended December 31, 2012.



Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on the Program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

KPMG LLP

June 30, 2013

LOCAL INITIATIVES SUPPORT CORPORATION
(Parent Only)

Program-Specific Audit
State of Louisiana Road Home Developer Incentives Program
(107-700941)

Schedule of Findings and Questioned Costs

Year ended December 31, 2012

(1) Summary of Auditors' Results

- (a) Type of report issued on the financial statements Unmodified opinion
- (b) Significant deficiencies in internal control disclosed by the audit of the financial statements None reported
Material weaknesses No
- (c) Type of report issued on compliance for major programs Unmodified opinion
- (d) Audit findings that are required to be reported under Section 510(a) of OMB Circular A-133 None
- (e) Program State of Louisiana Road Home Developer Incentives Program (107-700941) (CFDA No 14 228)

(2) Findings and Questioned Costs Relating to Federal Awards

None