

6247

RECEIVED
LEGISLATIVE AUDITOR
04 JUL -7 AM 11:21

HIBERNIA COMMUNITY DEVELOPMENT CORPORATION, INC.

**FINANCIAL AND COMPLIANCE AUDIT
AND SUPPLEMENTARY INFORMATION
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002**

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 9-15-04

HIBERNIA COMMUNITY DEVELOPMENT CORPORATION, INC.

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditors' Report.....	1
Financial Statements	
Statements of Financial Position.....	3
Statements of Activities.....	4
Statements of Cash Flows.....	5
Notes to Financial Statements.....	6
Independent Auditors' Report on Compliance and Internal Control over Financial Reporting.....	11



Member

American Institute of
Certified Public Accountants
Society of Louisiana
Certified Public Accountants

Michael B. Bruno, CPA
Alcide J. Tervalon, Jr., CPA
Waldo J. Moret, Jr., CPA
Paul K. Andoh, Sr., CPA

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, 2003 and 2002, 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, 2003 and 2002, 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
Page 2

In accordance with Government Auditing Standards, we have also issued our report dated June 11, 2004 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

June 11, 2004

HIBERNIA COMMUNITY DEVELOPMENT CORPORATION, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2003 and 2002

	2003	2002
Assets		
Cash	\$ 562,963	\$ 505,336
Accounts receivable	474,032	798,831
Inventory of homes available for sale	-	229,762
Inventory of land held for development	30,115	72,339
Construction in progress	195,692	122,093
Notes receivable	283,952	289,127
Accrued interest receivable	15,247	16,042
Total assets	\$ 1,562,001	\$ 2,033,530
Liabilities		
Accounts payable	\$ 20,323	\$ 33,256
Due to related party	1,021,000	1,521,000
Total liabilities	1,041,323	1,554,256
Contingencies	-	-
Net Assets - Unrestricted	520,678	479,274
Total liabilities and net assets	\$ 1,562,001	\$ 2,033,530

See notes to financial statements.

HIBERNIA COMMUNITY DEVELOPMENT CORPORATION, INC.

STATEMENTS OF ACTIVITIES

Years ended December 31, 2003 and 2002

	2003	2002
Unrestricted Revenues and Support:		
Sales of homes	\$ 663,600	\$ 703,200
Contributed facilities and services	519,288	581,741
Grants	-	66,623
Interest income	35,363	16,920
Rent	-	3,232
Miscellaneous	9,251	15,517
Total revenues and support	1,227,502	1,387,233
Expenses:		
Program	666,810	909,200
Support	519,288	581,741
Total expenses	1,186,098	1,490,941
Changes in net assets	41,404	(103,708)
Net assets at beginning of year	479,274	582,982
Net assets at end of year	\$ 520,678	\$ 479,274

See notes to financial statements.

HIBERNIA COMMUNITY DEVELOPMENT CORPORATION, INC.

STATEMENTS OF CASH FLOWS

Years ended December 31, 2003 and 2002

	2003	2002
Operating Activities:		
Changes in net assets	\$ 41,404	\$ (103,708)
Adjustments to reconcile changes in net assets to cash provided by operating activities:		
Losses (gains) on sales of homes	(68,220)	9,515
Bad debt expense	-	17,766
Decrease in accounts receivable	324,799	157,018
(Increase) decrease in accrued interest receivable	795	(12,200)
Decrease in grants receivable	-	21,529
Increase (decrease) in accounts payable	(12,933)	6,371
Net cash provided by operating activities	285,845	96,291
Investing Activities:		
Costs of construction	(378,948)	(606,106)
Proceeds from sales of homes	663,600	703,200
Issuance of notes receivable	(10,000)	(35,136)
Repayments of notes receivable	15,175	5,087
Purchase of land for development	(18,045)	(36,426)
Net cash provided by investing activities	271,782	30,619
Financing Activities:		
Proceeds from related party	-	250,000
Repayments to related party	(500,000)	-
Net cash provided by (used in) financing activities	(500,000)	250,000
Increase in cash	57,627	376,910
Cash at beginning of year	505,336	128,426
Cash at end of year	\$ 562,963	\$ 505,336

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.

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 2003 and 2002, 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.

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, 2003 and 2002.

	December, 31	
	2003	2002
Alpha Affordable Housing, LLC	\$ 255,911	\$ 130,450
Humanitas	76,608	140,909
Rapides Minority CDC	59,379	90,127
Queensborough Neighborhood Association	46,500	-
Macedonia Housing Education and Econ. Dev., Inc.	18,053	12,122
Terrebonne Parish Consolidated Government	12,185	-
Tulane Canal Neighborhood Development Corporation	5,396	-
Creole Cottage	-	1,500
Education Council for Hope and Opportunity, Inc.	-	101,223
Meadow Estates	-	77,100
St. Mary Community Action	-	114,544
CALEB CDC	-	17,314
Thibodaux Chamber of Commerce	-	36,338
Intercoastal CDC	-	48,104
Total accounts receivable from non-profit organizations	474,032	769,731
Government agencies	-	29,100
Total accounts receivable	\$ 474,032	\$ 798,831

NOTE 3 Notes Receivable

The following is a summary of notes receivable.

	December, 31	
	2003	2002
New Orleans Community Development Fund	\$ 250,000	\$ 250,000
Velocity Foundation	33,136	35,136
Growth Enterprises of Marshall, Inc.	816	3,991
Total notes receivable	\$ 283,952	\$ 289,127

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 note originated by Growth Enterprises of Marshall, Inc., a community development corporation, is funded in part by Hibernia CDC. The note is unsecured, bears interest at 7.25%, and is repaid in monthly installments with a maturity date in 2004.

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

NOTE 4 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, 2003 and 2002 was \$1,021,000 and \$1,521,000 respectively.

NOTE 5 Expenses

The following is a summary of program and support expenses.

General Fund	Period ended December 31			
	2003		2002	
	Program Expenses	Support Expenses	Program Expenses	Support Expenses
Cost of homes sold	\$ 595,380		\$ 712,715	
Program administration (contributed)		\$ 519,288		\$ 581,741
Donations	18,375		21,500	
Infeasible Studies/Title Search	-		23,400	
Sales commissions	29,956		26,260	
Closing costs	8,476		6,486	
Bad debt expense	-		17,766	
Loss on Cancelled Projects	-		53,928	
Repairs and maintenance	-		3,916	
Miscellaneous expense	14,623		6	
Total expenses	\$ 666,810	\$ 519,288	\$ 865,977	\$ 581,741

Escrow Fund	Period ended December 31,			
	2003		2002	
	Program Expenses	Support Expenses	Program Expenses	Support Expenses
Homeowner Expense	\$ -	\$ -	\$ 43,223	\$ -

NOTE 6 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.



Member

American Institute of
Certified Public Accountants
Society of Louisiana
Certified Public Accountants

Michael B. Bruno, CPA
Alcide J. Tervalon, Jr., CPA
Waldo J. Moret, Jr., CPA
Paul K. Andoh, Sr., CPA

**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, 2003 and 2002 and have issued our report thereon dated June 11, 2004. 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. Under revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bruno & Tervalon LLP
BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

June 11, 2004