

ROAD HOME CORPORATION D/B/A  
LOUISIANA LAND TRUST

A COMPONENT UNIT OF THE  
STATE OF LOUISIANA



FINANCIAL STATEMENT AUDIT  
FOR THE YEAR ENDED JUNE 30, 2020  
ISSUED MARCH 31, 2021

**LOUISIANA LEGISLATIVE AUDITOR  
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TEMPORARY LEGISLATIVE AUDITOR  
THOMAS H. COLE, CPA, CGMA

March 30, 2021

## Independent Auditor's Report

**LOUISIANA LAND TRUST**  
**STATE OF LOUISIANA**  
Baton Rouge, Louisiana

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Road Home Corporation d/b/a Louisiana Land Trust (LLT), a component unit of the state of Louisiana, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise LLT's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, 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 financial statements 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 financial statements.

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 financial statements referred to above present fairly, in all material respects, the financial position of LLT as of June 30, 2020, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matter**

#### *Required Supplementary Information*

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2021, on our consideration of LLT's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of LLT's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering LLT's internal control over financial reporting and compliance.

Respectfully submitted,



Thomas H. Cole, CPA, CGMA  
Temporary Legislative Auditor

**LOUISIANA LAND TRUST  
STATE OF LOUISIANA**

**Statement of Net Position  
June 30, 2020**

**ASSETS**

Current assets:

Cash (note 2)	\$291,622
Receivables, net (note 3)	2,539,958
Prepaid expenses	109,707
Total current assets	<u>2,941,287</u>

Noncurrent assets - capital assets, net (note 4)	<u>23,303,036</u>
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<b>TOTAL ASSETS</b>	<u><u>26,244,323</u></u>
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**LIABILITIES**

Current liabilities:

Accounts payable and accruals (note 3)	<u>2,774,051</u>
Total current liabilities	2,774,051

Noncurrent liabilities:

Compensated absences (note 5)	<u>57,529</u>
Total noncurrent liabilities	<u>57,529</u>

<b>TOTAL LIABILITIES</b>	<u><u>2,831,580</u></u>
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**NET POSITION**

Net investment in capital assets	23,303,036
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Unrestricted	109,707
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<b>TOTAL NET POSITION</b>	<u><u>\$23,412,743</u></u>
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The accompanying notes are an integral part of this statement.





**LOUISIANA LAND TRUST  
STATE OF LOUISIANA**

**Statement of Revenues, Expenses,  
and Changes in Net Position  
For the Year Ended June 30, 2020**

**OPERATING REVENUES**

Federal grants and contracts	<u>\$15,311,065</u>
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**OPERATING EXPENSES**

Property portfolio expenses (note 8)	937,464
Local government infrastructure program expenses (note 9)	738
Neighborhood Stabilization Program expenses	5,120
Solution 4 property acquisition incentive expenses (note 10)	3,179,477
Pecan Acres property acquisition incentive expenses (note 12)	513,276
Salaries and related benefits	542,753
Rent (note 7)	19,705
Insurance	26,083
Travel	2,411
Depreciation	2,589
Professional services	225,892
Other	104,454
<b>Total operating expenses</b>	<u>5,559,962</u>

<b>OPERATING INCOME</b>	<u>9,751,103</u>
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**NONOPERATING REVENUES**

Federal grants - land donations, Road Home program	175,347
Other land donations	80,000
<b>Net nonoperating revenues</b>	<u>255,347</u>

<b>INCREASE IN NET POSITION</b>	10,006,450
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<b>NET POSITION - BEGINNING OF YEAR</b>	<u>13,406,293</u>
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<b>NET POSITION - END OF YEAR</b>	<u><u>\$23,412,743</u></u>
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The accompanying notes are an integral part of this statement.



**LOUISIANA LAND TRUST  
STATE OF LOUISIANA**

**Statement of Cash Flows  
For the Year Ended June 30, 2020**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Cash payments to suppliers for goods and services	(\$3,148,306)
Cash payments to employees for services	(534,203)
Federal grants and contracts	13,614,505
<b>Net cash provided by operating activities</b>	<u>9,931,996</u>

**CASH FLOWS FROM CAPITAL AND  
RELATED FINANCING ACTIVITIES:**

Purchase of fixed assets	(9,785,826)
<b>Net cash used by capital and related financing activities</b>	<u>(9,785,826)</u>

**NET INCREASE IN CASH** 146,170

**CASH AT BEGINNING OF YEAR** 145,452

**CASH AT END OF YEAR** \$291,622

**RECONCILIATION OF OPERATING INCOME TO  
CASH PROVIDED BY OPERATING ACTIVITIES:**

Operating income	\$9,751,103
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	2,589
Changes in assets and liabilities:	
(Increase) in receivables, net	(1,676,855)
(Increase) in prepayments	(43,752)
Increase in accounts payable and accruals	1,898,130
Increase in compensated absences payable	781
<b>Net cash provided by operating activities</b>	<u><u>\$9,931,996</u></u>

**NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES**

Contributions of fixed assets \$255,347

The accompanying notes are an integral part of this statement.



# NOTES TO THE FINANCIAL STATEMENTS

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## INTRODUCTION

The Road Home Corporation d/b/a Louisiana Land Trust (LLT) is a nonprofit organization formed in 2006 to manage the properties that have been purchased by the state of Louisiana under the current Road Home program and other land programs in accordance with the Louisiana Constitution, Art. VII, Section 21 (B)(1). LLT's programmatic scope expanded over the years and now includes:

- (1) Community service through the acquisition, disposition, renovation, improvement, leasing, development, and redevelopment of property;
- (2) Assisting communities in recovering from natural disasters, relocating to safe sites in the face of natural hazards;
- (3) Reducing blighted conditions in communities; developing property in a resilient, sustainable manner;
- (4) Retaining and protecting the natural, scenic, or open-space values of immovable property;
- (5) Assuring the availability of immovable property for agricultural, forest, recreational, or open-space use;
- (6) Protecting natural resources;
- (7) Maintaining or enhancing air or water quality;
- (8) Preserving the historical, archaeological, or cultural aspects of unimproved immovable property; and
- (9) Assisting local, regional, state, and federal governmental entities and other nonprofit organizations in these and related endeavors.

LLT is governed by a board of directors appointed by the governor. The members of the board serve without compensation.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. BASIS OF PRESENTATION

The accompanying basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the

accepted standard-setting body for establishing governmental accounting principles and financial reporting standards. These principles are found in the *Codification of Governmental Accounting and Financial Reporting Standards* published by GASB. LLT management follows all applicable GASB pronouncements.

## **B. REPORTING ENTITY**

Using the criteria in GASB Codification Section 2100, the Division of Administration, Office of Statewide Reporting and Accounting Policy has defined the governmental reporting entity to be the state of Louisiana. For accounting purposes, LLT is considered a discretely presented component unit of the state of Louisiana because the state exercises oversight responsibility in that the governor appoints the members of the board.<sup>1</sup> The accompanying financial statements present only the activity of LLT. Annually, the state of Louisiana issues a Comprehensive Annual Financial Report, which includes the activity contained in the accompanying financial statements. Those basic financial statements are audited by the Louisiana Legislative Auditor.

### **Blended Component Units**

The LLT Community Service Corporation (LLTCSC), a nonprofit corporation, is considered a blended component unit of LLT and is included in the basic financial statements. LLTCSC is a wholly-owned subsidiary of LLT created on September 9, 2013, for the purpose of minimizing LLT's potential liability exposure associated with ownership of a demolition site located in New Orleans. LLTCSC does not prepare separate financial statements.

The LLT Evergreen, Inc., a nonprofit corporation, is considered a blended component unit of LLT and is included in the basic financial statements. LLT Evergreen, Inc. is a wholly-owned subsidiary of LLT created on December 26, 2018, for the purpose of resettlement of residents of Isle de Jean Charles due to coastal erosion and rising sea levels. LLT Evergreen, Inc. does not prepare separate financial statements.

The LLT Audubon, Inc., a nonprofit corporation, is considered a blended component unit of LLT and is included in the basic financial statements. LLT Audubon, Inc. is a wholly-owned subsidiary of LLT created on March 28, 2020, for the purpose of resettlement of residents of Pecan Acres due to consistent flooding. LLT Audubon, Inc. does not prepare separate financial statements.

LLT Batture, Inc., a nonprofit corporation, is considered a blended component unit of LLT and is included in the basic financial statements. LLT Batture, Inc. is a wholly-owned subsidiary of LLT, created on December 26, 2018, for the purpose of resettlement of residents of Isle de Jean Charles due to coastal erosion and rising

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<sup>1</sup> Although LLT is considered a component unit of the state of Louisiana for *accounting* purposes, by statute [R.S. 40:600.62(3)], LLT "shall not constitute a state agency, board, or commission; nor shall it constitute an instrumentality of the state or of any political subdivision."

sea levels. LLT Batture, Inc. does not prepare separate financial statements. LLT Batture Holding, LLC was also formed on December 26, 2018. In November 2019, LLT Batture Holding, LLC accepted a land donation of the Batture property to be used in conjunction with the Isle de Jean Charles resettlement program. LLT Batture Holding, LLC then transferred the land donation to LLT Batture, Inc. in December 2019. LLT Batture Holding, LLC, does not prepare separate financial statements nor does it hold any assets as of June 30, 2020.

### C. BASIS OF ACCOUNTING

Basis of accounting refers to the timing of recognition of revenues and expenses in the accounts and reporting in the financial statements, and the measurement focus refers to what transactions and events should be recorded. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting in accordance with generally accepted accounting principles. Under this method, revenues are recognized when they are earned, and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows.

Operating revenues and expenses generally result from providing services and/or producing and delivering goods in connection with LLT's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The principal operating revenue of LLT are federal grants received from the Office of Community Development through the Road Home, Restore Homeowners Solution 4, Pecan Acres Resettlement, and Isle De Jean Charles Resettlement programs. Operating expenses include demolition costs, rehab costs, property maintenance, Solution 4 program acquisition incentive payments, and Pecan Acres program acquisition incentive payments. The principal nonoperating revenues and expenses are land donations received through the Road Home program and costs resulting from the disposition of those properties.

### D. CAPITAL ASSETS

Land received through the Road Home program is recorded at its estimated fair value at the time of donation. Land acquired through the Solution 4, Pecan Acres, and Isle De Jean Charles programs is recorded at its estimated fair value at the time of acquisition. Furniture, equipment, and vehicles are valued at historical cost. Depreciation of all exhaustible capital assets of LLT is charged as an expense against operations. Depreciation is computed using the straight-line method based on the estimated useful lives as follows:

	<u>Years</u>
Furniture	7
Equipment	5
Vehicles	5

## E. COMPENSATED ABSENCES

Full-time employees earn vacation leave and sick leave at various rates depending on the employees' number of years of service. There is no limitation on the amount of vacation leave and sick leave that can be accumulated. Upon separation, employees will be compensated for unused vacation leave, up to a maximum of 400 hours. Employees are not paid for accrued sick leave upon termination.

## F. NET POSITION

Net position comprises the various net earnings from revenues and expenses. Net position is classified in the following three components:

- Net investment in capital assets consists of all capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Net position should be reported as restricted when constraints placed on net position use are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net position is the remaining net position that is not included in the other categories previously mentioned.

## 2. CASH

Cash includes noninterest-bearing demand deposits (book balances) of \$291,622 at June 30, 2020.

Custodial risk is the risk that, in the event of a bank failure, LLT's deposits may not be recovered. Under state law, demand deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These pledged securities are held in the name of LLT by a holding or custodial bank that is mutually acceptable to both parties. At June 30, 2020, LLT has \$294,716 in deposits (collective bank balances), of which \$286,288 is secured from risk by federal deposit insurance plus pledged securities. The remaining bank balance of \$8,428 is exposed to custodial credit risk as it is uncollateralized.



### 3. DISAGGREGATION OF RECEIVABLES AND PAYABLES

As reflected on the statement of net position, the receivables as of June 30, 2020, for LLT are as follows:

Due from Office of Community Development	<u>\$2,539,958</u>
Total	<u><u>\$2,539,958</u></u>

As reflected on the statement of net position, the accounts payable and accruals as of June 30, 2020, for LLT are as follows:

Vendors payable	\$2,749,390
Accrued salaries and benefits	22,986
Sales deposits	<u>1,675</u>
Total	<u><u>\$2,774,051</u></u>

### 4. CAPITAL ASSETS

A summary of changes in capital assets and related depreciation for the fiscal year ended June 30, 2020, follows:

	<u>Balance</u> <u>June 30, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2020</u>
Capital assets not being depreciated:				
Construction-in-Progress	\$0	\$3,068,089	\$0	\$3,068,089
Land	13,261,604	6,973,084	0	20,234,688
Total capital assets not being depreciated	<u>13,261,604</u>	<u>10,041,173</u>	<u>0</u>	<u>23,302,777</u>
Capital assets being depreciated:				
Machinery and equipment	107,128	0	0	107,128
Less accumulated depreciation	<u>(104,280)</u>	<u>(2,589)</u>	<u>0</u>	<u>(106,869)</u>
Total capital assets being depreciated	<u>2,848</u>	<u>(2,589)</u>	<u>0</u>	<u>259</u>
Total capital assets, net	<u><u>\$13,264,452</u></u>	<u><u>\$10,038,584</u></u>	<u><u>\$0</u></u>	<u><u>\$23,303,036</u></u>

## 5. COMPENSATED ABSENCES

At June 30, 2020, LLT employees have accumulated vacation leave of \$57,529. These balances were computed in accordance with GASB Codification Section C60. The leave payable is recorded in the accompanying financial statements.

Compensated absences outstanding at June 30, 2020, are as follows:

	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020
Compensated absences	\$56,748	\$15,209	(\$14,428)	\$57,529

## 6. RETIREMENT PLAN

The employees of LLT are members of the Road Home Corporation 401(k) Profit Sharing Plan and Trust (the Plan), a defined-contribution pension plan. LLT is the administrator of the Plan. Contribution requirements for the Plan are established and may be amended by LLT's board of directors. Other benefit terms are established and amended by management. Employees are eligible to become participants in the Plan after completing one month of employment. Participants in the Plan may contribute between 0% and 92% of their eligible compensation up to the limits established by federal law. LLT provides a matching contribution equal to 100% of the first 4% of compensation deferred by each employee. Participants are fully vested immediately. For the fiscal year ended June 30, 2020, employer and employee contributions were \$2,861 and \$2,861, respectively.

LLT may also make Employer Profit Sharing Contributions in amounts determined each year by its board of directors; however, as of June 30, 2020, LLT has not made such contributions. To be eligible for the Employer Profit Sharing Contributions, employees must be contributing to the Plan and must have worked at least 500 hours of service during the plan year or be employed on the last day of the plan year. The vesting schedule for the Employer Profit Sharing Contributions is as follows:

<u>Years of Vesting Service</u>	<u>Nonforfeitable Percentage</u>
Less than 2	0%
2 years, but less than 3	20%
3 years, but less than 4	40%
4 years, but less than 5	60%
5 years, but less than 6	80%
6 years or more	100%

## 7. LEASE OBLIGATIONS

### Operating Leases

LLT has operating leases for office space. Rental expense for the operating leases during the year ended June 30, 2020, totaled \$19,705. The future minimum rental payments applicable to these leases are as follows:

<u>Year Ending June 30:</u>	
2021	<u>\$14,779</u>
Total	<u><u>\$14,779</u></u>

## 8. PROPERTY PORTFOLIO EXPENSES

The following is a summary of property portfolio expenses incurred during the year ended June 30, 2020:

<b>Solution 4 Portfolio Expenses</b>	
Appraisals	\$10,625
Demolitions	633,209
Insurance	20,928
Maintenance	1,845
Property Taxes	88
Title Work	109,313
<b>Pecan Acres Portfolio Expenses</b>	
Insurance	3,451
Maintenance	3,552
<b>Isle De Jean Charles Portfolio Expenses</b>	
Insurance	18,023
Maintenance	1,765
Relocation Costs	79,210
<b>Road Home Portfolio Expenses</b>	
Demolition costs	39,504
Insurance	13,664
Maintenance	1,867
Other property expenses	<u>420</u>
Total	<u><u>\$937,464</u></u>

## 9. LOCAL GOVERNMENT INFRASTRUCTURE PROGRAM EXPENSES

LLT incurred \$738 in expenses during the year ended June 30, 2020, to remove foundation slabs on properties not owned by LLT as part of the local government infrastructure program.

## 10. SOLUTION 4 OF RESTORE HOMEOWNERS PROJECT EXPENSES

The following is a summary of Solution 4 project expenses incurred during the year ended June 30, 2020:

Administration Expenses - Insurance	\$6,169
Administration Expenses - Rent	4,926
Administration Expenses - Travel	597
Administration Expenses - Other	10,503
Portfolio Expenses	776,009
Professional Fees	24,059
Property Acquisition Incentives	3,179,477
Salaries and Related Benefits	<u>148,633</u>
Total	<u><u>\$4,150,373</u></u>

The expenses outlined above are included within the operating expense amounts reported on Statement B.

## 11. ISLE DE JEAN CHARLES PROJECT EXPENSES

The following is a summary of Isle de Jean Charles project expenses incurred during the year ended June 30, 2020:

Administration Expenses - Insurance	\$6,169
Administration Expenses - Rent	4,926
Administration Expenses - Travel	613
Administration Expenses - Other	13,584
Portfolio Expenses	98,998
Professional Fees	51,483
Salaries and Related Benefits	<u>133,367</u>
Total	<u><u>\$309,140</u></u>

The expenses outlined above are included within the operating expense amounts reported on Statement B.

## 12. PECAN ACRES PROJECT EXPENSES

The following is a summary of Pecan Acres project expenses incurred during the year ended June 30, 2020:

Administration Expenses - Insurance	\$6,169
Administration Expenses - Rent	4,926
Administration Expenses - Travel	457
Administration Expenses - Other	14,096
Portfolio Expenses	7,003
Professional Fees	22,708
Property Acquisition Incentives	513,276
Salaries and Related Benefits	124,894
	<hr/>
Total	<u><u>\$693,529</u></u>

The expenses outlined above are included within the operating expense amounts reported on Statement B.

## 13. BLENDED COMPONENT UNITS

LLTCSC is a blended component unit of LLT, and its capital asset and net position - net investment in capital assets valued at \$53,580 as of June 30, 2020, are included in LLT's basic financial statements. These are the only accounts of LLTCSC as of June 30, 2020.

LLT Evergreen, Inc. is a blended component unit of LLT, and its capital asset and net position – net investment in capital assets valued at \$11,525,000 as of June 30, 2020, are included in LLT's basic financial statements. These are the only accounts of LLT Evergreen, Inc. as of June 30, 2020, in the statement of net position.

LLT Audubon, Inc. is a blended component unit of LLT, and its capital asset and net position – net investment in capital assets valued at \$415,926 as of June 30, 2020, are included in LLT's basic financial statements. These are the only accounts of LLT Audubon, Inc. as of June 30, 2020, in the statement of net position.

LLT Batture, Inc. is a blended component unit of LLT, and its capital asset and net position - net investment in capital assets valued at \$80,000 as of June 30, 2020, are included in LLT's basic financial statements. These are the only accounts of LLT Batture, Inc. as of June 30, 2020, in the statement of net position.



OTHER REPORT REQUIRED BY  
*GOVERNMENT AUDITING STANDARDS*

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Exhibit A

The following pages contain a report on internal control over financial reporting and on compliance with laws and regulations and other matters as required by *Government Auditing Standards* issued by the Comptroller General of the United States. This report is based solely on the audit of the financial statements and includes, where appropriate, any significant deficiencies and/or material weaknesses in internal control or compliance and other matters that would be material to the presented financial statements.







TEMPORARY LEGISLATIVE AUDITOR  
THOMAS H. COLE, CPA, CGMA

March 30, 2021

Report on 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*

Independent Auditor's Report

**LOUISIANA LAND TRUST**  
**STATE OF LOUISIANA**  
Baton Rouge, Louisiana

We have audited, in accordance with the 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, the financial statements of the Road Home Corporation d/b/a Louisiana Land Trust (LLT), a component unit of the state of Louisiana, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise LLT's basic financial statements, and have issued our report thereon dated March 30, 2021.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered LLT's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of LLT's internal control. Accordingly, we do not express an opinion on the effectiveness of LLT's internal control.

A deficiency in internal control 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 and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### **Inaccurate Financial Reporting**

LLT did not have adequate controls over financial reporting to ensure its financial statements were accurate and complete. As a result, LLT submitted an inaccurate Annual Fiscal Report (AFR) to the Division of Administration, Office of Statewide Reporting and Accounting Policy (OSRAP) that contained the following errors requiring adjustment:

- LLT's non-depreciable capital assets balance was understated by \$2,870,760, as a result of LLT expensing \$3,068,089 in construction-in-progress costs rather than capitalizing them; omitting an \$80,000 land donation received by one of LLT's blended component units; recording \$102,069 of Restore Homeowners Solution 4 property acquisition incentive expenses as capital assets; and overstating current year additions by \$175,260 for properties acquired in previous periods that were already included in beginning balances and properties not acquired until the following fiscal year.
- LLT's accounts receivables and operating grants and contributions were understated on the AFR by \$702,126, but corrected through manual adjustments by LLT's contracted CPA during the compilation of the financial statements.
- LLT's accounts payables were overstated by \$39,870, resulting from legal fees recorded based on an inaccurate estimation method.
- As a result of these misstatements, accounts receivable and federal grants and contracts revenues were overstated by \$40,139, expenses were overstated by \$3,005,890, and capital grants and contributions were overstated by \$95,260.

In addition to the errors identified above, LLT's financial statements and note disclosures required the following adjustments:

- LLT made multiple errors in the presentation of its statement of cash flows, including improper consideration of accrued wages, compensated absences, and certain non-cash transactions.
- Several of LLT's note disclosures were incomplete or contained errors. LLT's cash note disclosure did not include the correct amount of bank balances exposed to custodial credit risk. The reporting entity note disclosure did not include LLT Batture, Inc., a blended component unit of LLT, or a description of its relationship to LLT Batture Holding, LLC. The blended component units note disclosure which presents condensed financial information for blended component units did not include LLT Batture Holding, LLC. In addition, the same note disclosure

overstated the amount of assets held by LLT Audubon, Inc. by \$377,000. The compensated absences note disclosure did not include the correct amount of accumulated vacation leave and referenced the incorrect fiscal year.

- The disaggregation of receivables and payables, capital assets, property portfolio expenses, Restore Homeowners Solution 4 project expenses, Isle De Jean Charles project expenses, and Pecan Acres project expenses note disclosures required adjustments due to misstatements in the financial statement account balances and transaction classes.

These errors occurred because management did not have a process to review journal entries recorded in the general ledger to ensure the entries were accurate, based on sufficient support, and, where applicable, based on reasonable estimation methods. In addition, management did not perform an adequate review of the AFR, financial statements, and note disclosures, which were prepared by a contracted CPA. Failure to implement adequate internal controls over the financial reporting process increases the likelihood that errors and omissions, either intentional or unintentional, may occur and remain undetected.

Good internal control over financial reporting should include adequate procedures and oversight to record, process, and transmit financial data needed to prepare accurate and complete financial statements. In addition, controls should include a review process that will identify preparation errors and correct those errors before submitting the AFR to OSRAP and issuing financial statements and note disclosures.

LLT management should establish and perform adequate procedures to provide oversight of the recorded general ledger entries and perform a thorough review of the AFR, financial statements, and note disclosures to identify and correct errors before issuance. Management's response indicated concurrence with the finding and outlined a corrective action plan (see Appendix A).

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether LLT's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant 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 our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **LLT's Response to the Finding**

LLT's response to the finding identified in our report is attached in Appendix A. LLT's response is not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

A handwritten signature in blue ink that reads "Thomas H. Cole".

Thomas H. Cole, CPA, CGMA  
Temporary Legislative Auditor

KJ:CST:BQD:EFS:aa

LLT 2020

## APPENDIX A

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### Management's Corrective Action Plan and Response to the Finding and Recommendation





Michael B. Taylor

Executive Director

March 22, 2021

Louisiana Legislative Auditors  
1600 North Third Street  
Baton Rouge, Louisiana 70804

Audit Period: Year End June 30, 2020

The Road Home Corporation d/b/a Louisiana Land Trust (LLT) respectfully submits the following corrective action plan for the year ended June 30, 2020.

### **Inaccurate Financial Reporting**

*Condition:* The Louisiana Land Trust (LLT) did not have adequate controls over financial reporting to ensure its financial statements were accurate and complete. As a result, LLT submitted an inaccurate Annual Fiscal Report (AFR) to the Division of Administration, Office of Statewide Reporting and Accounting Policy (OSRAP).

*Cause:* Due to the different number of programs LLT is now engaged in there were some misclassifications of expenses, as the scope of work has changed from the original Road Home program. There were several careless mistakes made from oversight on the contracted CPA's behalf that LLT management should have noticed in their review of the AFR, financial statements, and note disclosures.

*Action Taken:* Management has made the appropriate adjusting journal entries and will resubmit the AFR to the Division of Administration. Management will perform an adequate review of the AFR, financial statements, and note disclosures when received from the CPA to prevent these types of mistakes in the future. Management will work to revise the current review processes in place of journal entries recorded and estimation methods. Management will take additional steps by adding resources devoted to accounting and internal controls.

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If there are any questions regarding the actions taken, please let me know.

A handwritten signature in blue ink that reads "Michael B. Taylor". The signature is written in a cursive style with a blue ink color.

Michael B. Taylor