

**SOUTHERN COMMUNITY DEVELOPMENT CORPORATION
NEW ORLEANS, LOUISIANA**

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**AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, 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 1-12-00

**ASIF GAFUR MBA, MS
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SOUTHERN COMMUNITY DEVELOPMENT CORPORATION
(A Non-Profit Corporation)

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MEMBER

American Institute of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Southern Community Development Corporation

I have audited the accompanying statement of financial position of Southern Community Development Corporation, hereafter SCDC (a nonprofit organization), as of June 30, 1999, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of SCDC's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit 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. Those standards require that I 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SCDC as of June 30, 1999, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued a report dated December 10, 1999, on my consideration of SCDC's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants.



Asif Gafur
Certified Public Accountant

December 10, 1999

SOUTHERN COMMUNITY DEVELOPMENT CORPORATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 1999

	Net Assets		
	Unrestricted	Temporarily Restricted	Total
Assets			
Current Assets			
Cash	\$ 4,051	\$ 14,924	\$ 18,975
Grants receivable & other (Note 3)	-0-	83,719	83,719
Due from restricted funds	<u>22,589</u>	<u>-0</u>	<u>22,589</u>
Total current assets	26,640	98,643	125,283
Fixed Assets			
Equipment	-0-	51,552	51,552
Furniture	-0-	1,972	1,972
Less: Accumulated depreciation	<u>-0-</u>	<u>(5,721)</u>	<u>(5,721)</u>
Fixed assets, net	<u>-0-</u>	<u>47,803</u>	<u>47,803</u>
Total assets	\$ <u>26,640</u>	\$ <u>146,446</u>	\$ <u>173,086</u>
Liabilities and Net Assets			
Liabilities			
Current Liabilities			
Accounts payable	\$ -0-	\$ 35,152	\$ 35,152
Accrued liabilities	-0-	16,614	16,614
Due to unrestricted fund	-0-	22,589	22,589
Taxes payable and other	<u>-0-</u>	<u>2,212</u>	<u>2,212</u>
Total current liabilities	-0-	76,567	76,567
Net Assets			
Unrestricted	26,640	-0-	26,640
Temporarily restricted	<u>-0-</u>	<u>69,879</u>	<u>69,879</u>
Total net assets	\$ <u>26,640</u>	\$ <u>69,879</u>	\$ <u>96,519</u>
Total liabilities and net assets	\$ <u>26,640</u>	\$ <u>146,446</u>	\$ <u>173,086</u>

The accompanying report and notes are an integral part
of these financial statements

SOUTHERN COMMUNITY DEVELOPMENT CORPORATION
STATEMENT OF ACTIVITIES
FOR YEAR ENDED JUNE 30, 1999

	<u>Restricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue			
Support			
Grants	\$ <u>-0-</u>	\$ <u>965,661</u>	\$ <u>965,661</u>
Total support	<u>-0-</u>	<u>965,661</u>	<u>965,661</u>
Revenue			
Rent	-0-	24,710	24,710
Other	<u>26,500</u>	<u>495</u>	<u>26,995</u>
Total revenue	<u>26,500</u>	<u>25,205</u>	<u>51,705</u>
Total support and revenue	<u>26,500</u>	<u>990,866</u>	<u>1,017,366</u>
Expenses			
Program services			
Therapeutic and medical	-0-	260,917	260,917
Community assistance	<u>-0-</u>	<u>199,907</u>	<u>199,907</u>
Total program services	<u>-0-</u>	<u>460,824</u>	<u>460,824</u>
Supporting services			
Management and general	5,908	271,300	277,208
Facility and household	-0-	162,556	162,556
Dietary	<u>3,270</u>	<u>36,495</u>	<u>39,765</u>
Total supporting services	<u>9,178</u>	<u>470,351</u>	<u>479,529</u>
Total expenses	<u>9,178</u>	<u>931,175</u>	<u>940,353</u>
Change in net assets	17,322	59,691	77,013
Net assets July 1, 1998	<u>9,318</u>	<u>(77,620)</u>	<u>(68,302)</u>
Net assets, prior period adjustment (Note 7)	-0-	87,808	87,808
Net assets June 30, 1999	\$ <u>26,640</u>	\$ <u>69,879</u>	\$ <u>96,519</u>

The accompanying report and notes are an integral part
of these financial statements

SOUTHERN COMMUNITY DEVELOPMENT CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 1999

	Program Services		Supporting Services			Total Expenses		
	Therapy & Medical	Community Assistance	Total	Management & General	Facility & Household		Dietary	
Salaries	\$ 236,172	\$ 72,805	\$ 308,977	\$ 130,479	\$ -0-	\$ 9,037	\$ 139,516	\$ 448,493
Fringe Benefits	4,177	1,501	5,678	6,831	-0-	-0-	6,831	12,509
Payroll Taxes	20,128	5,457	25,585	10,907	-0-	874	11,781	37,366
Automobile	-0-	-0-	-0-	908	23,500	-0-	24,408	24,408
Bank and Other Charges	-0-	-0-	-0-	485	-0-	-0-	485	485
Client Allowances	-0-	-0-	-0-	2,027	-0-	-0-	2,027	2,027
Dues & Subscriptions	-0-	19	19	86	55	-0-	141	160
Depreciation	-0-	-0-	-0-	3,382	-0-	-0-	3,382	3,382
Education & Training	-0-	868	868	1,091	-0-	-0-	1,091	1,959
Equipment	-0-	-0-	-0-	-0-	543	-0-	543	543
Interest	-0-	-0-	-0-	2,385	-0-	-0-	2,385	2,385
Insurance	65	64	129	65	26,241	-0-	26,306	26,435
Licenses & Permits	-0-	-0-	-0-	614	-0-	-0-	614	614
Meetings & Conferences	-0-	50	50	72	-0-	-0-	72	122
Other	-0-	4,396	4,396	13	21	-0-	34	4,430
Postage	-0-	-0-	-0-	1,558	-0-	-0-	1,558	1,558
Printing	-0-	3,377	3,377	-0-	-0-	-0-	-0-	3,377
Professional fees	-0-	10,000	10,000	43,149	-0-	-0-	43,149	53,149
Rental	-0-	-0-	-0-	60,101	71,658	-0-	131,759	131,759
Repairs & maintenance	-0-	-0-	-0-	1,910	17,663	-0-	19,573	19,573
Seminars	-0-	26,058	26,058	-0-	-0-	-0-	-0-	26,058
Supplies	375	10,771	11,146	8,571	8,225	29,854	46,650	57,796
Telephone	-0-	-0-	-0-	2,574	1,700	-0-	4,274	4,274
Tutors	-0-	64,541	64,541	-0-	-0-	-0-	-0-	64,541
Utilities	-0-	-0-	-0-	-0-	12,950	-0-	12,950	12,950
TOTAL EXPENSES	\$ 260,917	\$ 199,907	\$ 460,824	\$ 277,208	\$ 162,556	\$ 39,765	\$ 479,529	\$ 940,353

The accompanying report and notes are an integral part of these financial statements

SOUTHERN COMMUNITY DEVELOPMENT CORPORATION
STATEMENT OF CASH FLOWS
FOR YEAR ENDED JUNE 30, 1999

CASH FLOWS FROM OPERATING ACTIVITIES:

Increase in net assets	\$ 77,013
Adjustments to reconcile change in net cash provided by operating activities:	
Depreciation	3,382
Prior period adjustments	87,808
Changes in Assets and Liabilities	
Decrease (increase) in:	
Grants receivable	(12,292)
Increase (decrease) in:	
Accounts payable	(80,071)
Taxes payable and other	(1,880)
Note payable	(32,434)
Accrued liabilities	<u>2,321</u>
Net cash provided by operating activities	<u>43,847</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Acquisition of property and equipment	(43,661)
Net cash used in investing activities	(43,661)
Increase in cash	186
Cash, beginning of year	<u>18,789</u>
Cash, end of period	\$ <u>18,975</u>

The accompanying report and notes are an integral part
of these financial statements

SOUTHERN COMMUNITY DEVELOPMENT CORPORATION
Notes to Financial Statements
June 30, 1999

Note 1: Background and General Data

Southern Community Development Corporation, hereafter SCDC, is a non-profit, community based, social service organization that has been in existence since 1980.

SCDC provides social services to the residents of the economically depressed area which is known as the "Lower Ninth Ward" of New Orleans.

The Lower Ninth Ward, a community of about 35,000 residents, is bounded by the Industrial Canal on the west, the St. Bernard Parish line on the east, Florida Avenue on the south and the Mississippi River on the north. Although there is 58% home ownership, most people in this district are poor and desperately need the services provided by SCDC.

During the year ended June 30, 1999, SCDC operated the following governmentally funded programs:

1. Shelter Care Assistance Program

A center for 12 pre-adjudicated status offenders. This program is funded by the Department of Safety and Corrections.

2. Thompson House

A group home to provide residence for six mentally ill adult males. This program is funded by the Department of Health and Hospitals.

3. Norman House

A group home to provide residence for six mentally ill adult males. This program is funded by the Department of Health and Hospitals.

4. Youth Drug and Crime Prevention

SCDC also received funds from the Governor's Office of Urban Affairs and Development. These funds were used to administer a program to educate youth on crime prevention and the dangers of drug usage.

5. Community Assistance Program

This program, funded through the Louisiana State Governor's Office of Urban Affairs and Development, serves as an information clearing house by disseminating information to community residents regarding health care, housing, jobs and other community related needs.

6. Homework Assistance Program - (Also referred to as the Employment Preparation Program)

This program, funded through the Louisiana State Governor's Office of Urban Affairs and Development, provides homework assistance to approximately 180 students in grades kindergarten through sixth, who have difficulty completing homework assignments due to reduced parental assistance, distractions, or lack of student motivation. The Homework Assistance Program is conducted daily at two New Orleans Public Schools for two hours.

7. Economic Development Program

This program funded through the Louisiana Department of Economic Development provides training to employees for the purpose of promoting small business growth.

Note 2:

Summary of Significant Accounting Principles

1. Principles of Accounting

The financial statements of Southern Community Development Corporation (SCDC) are prepared in accordance with generally accepted accounting principles, accordingly, all assets, liabilities, and activities are stated on the accrual basis of accounting.

SCDC is an exempt organization for federal income tax purposes under section 501(c)(4) of the Internal Revenue Code.

SCDC adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations". Under SFAS No. 117, SCDC is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. In addition, SCDC is required to present a statement of cash flows.

2. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates.

3. Fixed Assets

Prior to fiscal year ending June 30, 1993, fixed assets required to be capitalized were expensed. The fair value and depreciation of these assets were not material, and were not included in the financial statements.

Under contractual agreement with the various grantors, certain fixed assets purchased and utilized by the corporation revert to the various grantors upon termination of the contracts. Therefore, these fixed assets are charged to expense upon purchase and no depreciation has been provided. Fixed assets in the amount of \$24,043, which included a vehicle purchased at \$23,500, were expensed for the fiscal year ended June 30, 1999.

Other fixed assets are recorded at cost, and depreciation is calculated on the straight-line method over the estimated useful lives of depreciable assets. The depreciation expense for the year was \$ 3,382.

4. Total Columns

Total columns are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations, in conformity with generally accepted accounting principles. Also, such data is not comparable to a consolidation.

5. Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

6. Vacation and Sick Leave

SCDC employees earn three hours of vacation time and four hours of sick leave each pay period. Vacation leave earned and not taken by the end of the fiscal year are not carried forward to another year, consequently, the accounts do not reflect any accruals. Additionally, sick leave is not accrued, since the amounts cannot be ascertained with certainty.

Note 3: Grants Receivable

It consisted of amounts due from grantors at June 30, 1999. Grant revenues for the various programs for the fiscal year ended June 30, 1999 were as follows:

<u>Program</u>	<u>Amount</u>
Thompson House	\$115,505
Norman House	131,580
Youth Drug and Crime Prevention	133,272
SCAP	250,700
Community Assistance	193,048
Homework Assistance	121,556
Economic Development	20,000
Total	<u>\$965,661</u>

Note 4: Operating Results

The operating results of the programs for fiscal year ending June 30, 1999 were as follows:

<u>Program</u>	
Community Assistance	\$ (1,088)
Norman House	3,546
Thompson House	8,928
SCAP	(1,635)
Youth Drug and Crime Prevention	220
Homework Assistance Program	(559)
Economic Development Program	10,000
Total	<u>\$ 19,412</u> Excess

The above results include payments for property and equipment of \$ 43,661 and excludes the depreciation of \$ 3,382.

Note 5: Interprogram Balances

SCDC interprogram receivable and payable balances are as follows as of June 30, 1999:

<u>Program</u>	<u>Rec. (Pay)</u>
Norman House	\$(14,382)
Thompson	9,462
SCAP	(82,057)
Administrative and Youth Drug and Crime Prevention	64,899
Community Assistance	734
Homework Assistance	(1,145)
Economic Development	(<u>100</u>)
Total	<u>\$(22,589)</u>

This balance of \$ 22,589 is owed to the unrestricted net assets.

Note 6: Leasing Arrangement

The corporation leases its buildings and an auto from Ninth Ward Housing Development Corporation. All leases of the corporation are operating leases for a period of one year with renewal options. These leases have been consistently renewed since 1980.

Rent expense for the year ended June 30, 1999 was \$131,759.

Note 7: Prior Period Adjustments:

The following transactions affected the net assets:

Adjustments of prior years rent payable	\$ 81,483
Adjustments of prior years accounts payable	<u>6,325</u>
Total	<u>\$ 87,808</u>

The parties involved mutually agreed to the above amounts.

ASIF GAFUR, M.B.A., M.S.

CERTIFIED PUBLIC ACCOUNTANT

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Phone: (504) 241-9328

MEMBER

American Institute of Certified Public Accountants

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Southern Community Development Corporation

I have audited the financial statements of Southern Community Development Corporation, hereafter SCDC, (a nonprofit corporation), as of and for the year ended June 30, 1999 and have issued my report thereon dated December 10, 1999. I conducted my audit 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 SCDC's financial statements are free of material misstatement, I 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 my audit and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

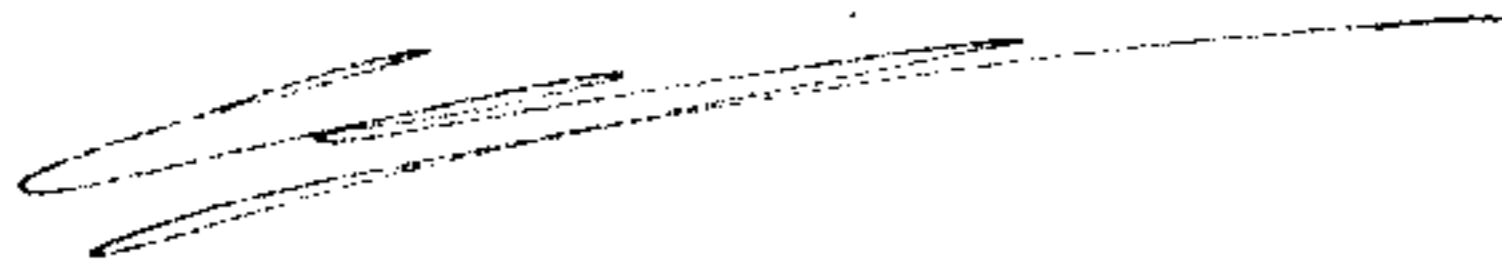
Internal Control Over Financial Reporting

In planning and performing my audit, I considered SCDC's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended for the information of the Board of Directors, management, State of Louisiana, state awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.



Asif Gafur
Certified Public Accountant

December 10, 1999

**SOUTHERN COMMUNITY DEVELOPMENT CORPORATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 1999**

State of Louisiana - Shelter Care Assistance Program - Department of Corrections.

1. Reporting

Cost report accounts balances not reconciled with general ledger accounts balances.

Current Status

The above audit finding has presently been corrected.

State of Louisiana - Youth Drug and Crime Prevention Program - Governor's Office of Urban Affairs
and Development

2. Reporting

Cost report accounts balances not reconciled with general ledger accounts balances.

Current Status

The above audit finding has presently been corrected.