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**UNIVERSITY COMMUNITY DEVELOPMENT
CORPORATION OF LOUISIANA**

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 8-2-00

FINANCIAL AND COMPLIANCE AUDIT

TOGETHER WITH

INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1
STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 1999 AND 1998	3
STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998	4
STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998	5
NOTES TO THE FINANCIAL STATEMENTS	7
<u>SUPPLEMENTARY DATA:</u>	
Independent Auditors' Report on Supplementary Data	19
Schedule of Expenditures of Federal Awards For the Year Ended December 31, 1999	20
Notes to the Schedule of Expenditures of Federal Awards	21
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	22

TABLE OF CONTENTS, CONTINUED

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	25
SUMMARY OF THE INDEPENDENT AUDITORS' RESULTS AND SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 1999 SUMMARY OF AUDITORS' RESULTS	28
SUMMARY OF THE INDEPENDENT AUDITORS' RESULTS AND SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 1999 FINANCIAL STATEMENTS FINDINGS	30
SUMMARY OF THE INDEPENDENT AUDITORS' RESULTS AND SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 1999 FEDERAL AWARD FINDINGS AND QUESTIONED COSTS.....	31
SUMMARY OF THE INDEPENDENT AUDITORS' RESULTS AND SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 1999 STATUS OF PRIOR YEAR FINDINGS	32

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
**University Community Development
Corporation of Louisiana**

We have audited the accompanying statements of financial position of **University Community Development Corporation of Louisiana** (a non-profit corporation) as of December 31, 1999 and 1998, the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the management of the **University Community Development Corporation of Louisiana (UCDC-LA)**. Our responsibility is to express an opinion on these financial statements based on our audits.

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. Those standards require that we plan and perform the audits 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 **University Community Development Corporation of Louisiana** as of December 31, 1999 and 1998, and the changes in its net assets and its cash flows for the years then ended in conformity with generally accepted accounting principles.

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

To the Board of Directors
**University Community Development
Corporation of Louisiana**
Page 2

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2000 on our consideration of **University Community Development Corporation of Louisiana's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Bruno & Tervalon
BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

June 7, 2000

**UNIVERSITY COMMUNITY DEVELOPMENT
CORPORATION OF LOUISIANA
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 1999 AND 1998**

ASSETS

	<u>1999</u>	<u>1998</u>
Assets:		
Cash and due from banks	\$ 130,362	\$173,349
Certificate of deposit	73,162	70,727
Grant receivable	32,500	-0-
Accrued interest on loans	-0-	2,168
Loans receivable, net of allowance for loan losses of \$8,583 at December 31, 1999 and \$1,400 at December 31, 1998 (NOTE 2)	799,372	227,446
Real estate held for sale (NOTE 4)	432,358	250,340
Office furniture and equipment, net	9,524	13,211
Other assets	<u>17</u>	<u>17</u>
Total assets	<u>\$1,477,295</u>	<u>\$737,258</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable and accrued expenses	\$ 24,238	\$ 2,577
Notes payable	206,440	158,241
Loan participation liability (NOTE 5)	58,884	21,200
Other mortgage financing (NOTE 8)	152,483	-0-
Federal borrowed funds (NOTE 6)	<u>1,000,000</u>	<u>367,250</u>
Total liabilities	<u>1,442,045</u>	<u>549,268</u>

CONTINGENCIES AND COMMITMENTS (NOTE 9)

Net Assets:		
Unrestricted	<u>35,250</u>	<u>187,990</u>
Total net assets	<u>35,250</u>	<u>187,990</u>
Total liabilities and net assets	<u>\$1,477,295</u>	<u>\$737,258</u>

The accompanying notes are an integral part of these financial statements.

**UNIVERSITY COMMUNITY DEVELOPMENT
CORPORATION OF LOUISIANA
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998**

	<u>1999</u>	<u>1998</u>
Revenues and Support:		
Grant revenue (NOTE 12)	\$ 75,155	\$ 51,560
Interest income on loans	65,159	12,260
Interest income on deposits	5,231	2,850
Rental income	3,882	-0-
Charges and fees	15,050	-0-
Gain(loss)on sale of assets	(29,445)	64,577
Other income	<u>14,574</u>	<u>4,040</u>
Total revenue and support	<u>149,606</u>	<u>135,287</u>
Expenses:		
Salaries	74,319	68,429
Employees' benefits	18,803	9,211
Professional fees	21,857	2,855
Occupancy	7,103	5,315
Supplies	1,302	167
Building supplies and maintenance	2,315	7,855
Contractual services	19,591	8,117
Insurance	258	982
Provisions for possible loan losses	65,406	1,400
Interest on borrowed funds	6,683	5,875
Taxes and penalties	-0-	7,401
Depreciation expense	4,541	4,286
Other housing expenses	54,037	782
Incentives to buyers	10,500	-0-
Printing and publications	1,217	482
Postage and shipping	1,193	70
Advertising	1,373	302
Lend a helping hand	6,459	-0-
Contributions	800	1,400
Travel and conferences	1,147	673
Other expenses	<u>3,442</u>	<u>423</u>
Total expenses	<u>302,346</u>	<u>126,025</u>
Change in net assets	(152,740)	9,262
Net assets at beginning of year	<u>187,990</u>	<u>178,728</u>
Net assets at end of year	<u>\$ 35,250</u>	<u>\$187,990</u>

The accompanying notes are an integral part of these financial statements.

**UNIVERSITY COMMUNITY DEVELOPMENT
CORPORATION OF LOUISIANA
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998**

	<u>1999</u>	<u>1998</u>
Operating Activities:		
Change in net assets	\$(152,740)	\$ 9,262
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	4,541	4,286
Provision for possible loan losses	65,406	1,400
Gain (loss) on sale of real estate	29,445	(64,577)
(Increase) decrease in accrued interest on loans	2,168	(2,168)
Increase in grant receivable	(32,500)	-0-
Increase in accounts payable and accrued expenses	<u>21,661</u>	<u>1,324</u>
Net cash used in operating activities	<u>(62,019)</u>	<u>(50,473)</u>

(CONTINUED)

The accompanying notes are an integral part of these financial statements.

**UNIVERSITY COMMUNITY DEVELOPMENT
CORPORATION OF LOUISIANA**
STATEMENTS OF CASH FLOWS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

	<u>1999</u>	<u>1998</u>
Investing Activities:		
Purchase of investment	\$ (2,435)	\$ (2,787)
Acquisitions and renovations of real estate held for sale	(634,463)	(476,922)
Sales of real estate	423,000	464,600
Acquisition of office equipment	(854)	(17,161)
Loans originated during the year	(715,000)	(241,000)
Loan payoffs during the year	45,394	-0-
Loan repayments during the year	<u>32,274</u>	<u>12,154</u>
Net cash used in investing activities	<u>(852,084)</u>	<u>(261,116)</u>
Financing Activities:		
Payments on notes payable	(385,660)	(152,762)
Proceeds from Federal borrowed funds	632,750	367,250
Proceeds from other mortgage financing	152,483	-0-
Loan participation liability net of repayment	37,684	-0-
Proceeds from notes payable	<u>433,859</u>	<u>245,495</u>
Net cash provided by financing activities	<u>871,116</u>	<u>459,983</u>
Net increase (decrease) in cash and due from banks	(42,987)	148,394
Cash and due from banks at the beginning of period	<u>173,349</u>	<u>24,955</u>
Cash and due from banks at the end of period (NOTE 1)	<u>\$ 130,362</u>	<u>\$173,349</u>
Supplemental Data:		
Interest paid	<u>\$ 6,683</u>	<u>\$ 5,875</u>

The accompanying notes are an integral part of these financial statements.

**UNIVERSITY COMMUNITY DEVELOPMENT
CORPORATION OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 - Summary of Significant Accounting Policies:

Organization

University Community Development Corporation of Louisiana (UCDC-LA) was organized on January 13, 1995 as a non-profit corporation. The purpose of **UCDC-LA** is to provide educational experiences, job training, and housing opportunities to residents in North Baton Rouge, East Baton Rouge and the State of Louisiana. **UCDC-LA** aims to establish community partnerships that will assist in developing and implementing long-term plans for improving the socio-economic conditions of the residents.

Accounting Principles

The **UCDC-LA's** records are maintained on the accrual basis of accounting wherein revenues are recognized in the period in which they are earned. Expenses are generally recognized when incurred.

Cash Equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents are defined as those amounts included in the balance sheet caption "cash and due from banks".

Accrued Interest Receivable

Accrued interest receivable on loans and investments represents interest earned but not yet received. Interest is computed in accordance with generally accepted accounting principles.

**UNIVERSITY COMMUNITY DEVELOPMENT
CORPORATION OF LOUISIANA**
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Summary of Significant Accounting Policies, Continued:

Loans Receivable and Allowance for Possible Loan Losses

Loans receivable are stated at face value net of the allowance for possible loan losses. Interest earned on loans is credited to operations monthly based on the principal amount outstanding and the terms of the loan.

The accrual of interest on impaired loans is discontinued when, in management's opinion, the borrower may be unable to meet payments as they become due. When interest accrual is discontinued, all unpaid accrued interest is reversed. Interest income is subsequently recognized only to the extent cash payments are received.

The allowance for possible loan losses is established through a provision for loan losses charged to expense. Management's judgment in determining the adequacy of the allowance is based on evaluations of the collectibility of the loans. These evaluations take into consideration such factors as changes in the nature and value of the loan portfolio, current economic conditions that may affect the borrower's ability to pay, and overall portfolio quality.

In addition, regulatory agencies, as an integral part of their examination process, periodically review UCDC-LA's allowances for losses on loans. Such agencies may not deem the allowance for possible loan losses as adequate and may require UCDC-LA to recognize additions to the allowance based on their judgments of information available to them at the time of their examination.

Office Furniture and Equipment

Office furniture and equipment are recorded at cost less accumulated depreciation computed using the straight-line method over the estimated useful lives of the related assets. Maintenance and repairs are charged to expense and betterments are capitalized.

**UNIVERSITY COMMUNITY DEVELOPMENT
CORPORATION OF LOUISIANA**
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Summary of Significant Accounting Policies, Continued:

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

UCDC-LA is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been made in the financial statements.

Revenues and Support

Revenues received under government grant programs are recognized when earned. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Financial Statement Presentation

The financial statements are presented in accordance with Statement of Financial Accounting Standards (SFAS) No. 116, "Accounting for Contributions Received and Contributions Made", and SFAS No. 117, "Financial Statements of Not-for-Profit Organizations". SFAS No. 116 requires that unconditional promises to give (pledges) be recorded as receivables and revenues and requires the organization to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. Under SFAS No. 117, UCDC-LA is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets; and permanently restricted net assets. In addition, UCDC-LA is required to

**UNIVERSITY COMMUNITY DEVELOPMENT
CORPORATION OF LOUISIANA**
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Summary of Significant Accounting Policies, Continued:

Financial Statement Presentation, Continued:

present a statement of cash flows. As permitted by this statement, **UCDC-LA** had discontinued its use of fund accounting and had, accordingly, reclassified its financial statements to present the required classes of net assets. At December 31, 1999 and 1998 **UDCD-LA** has no permanently restricted and temporarily restricted net assets.

Certain reclassification have been made to the prior year's financial statements to conform to the current year's presentation.

Fair Value of Financial Investments

The estimated fair value of all significant financial statement amounts have been determined by **UCDC-LA** using available market information and appropriate valuation methodologies.

UCDC-LA considers the carrying amounts to cash and due from banks, certificate of deposit, loan receivable, real estate held for sale, accounts payable, loan participation liability, other mortgage financing and accrued expenses to approximate fair value.

NOTE 2 - Loans Receivable:

At December 31, 1999 and 1998, loans receivable consisted of business and mortgage loans with 10 % interest rate and maturity dates through September 20, 2014.

**UNIVERSITY COMMUNITY DEVELOPMENT
CORPORATION OF LOUISIANA**
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Loans Receivable, Continued

Following is a summary of loans receivable at December 31, 1999 and 1998:

	<u>1999</u>	<u>1998</u>
Business	\$ 807,955	\$ 211,397
Mortgage	<u> -0-</u>	<u> 17,449</u>
Total loans	807,955	228,846
Allowance for possible loan losses	<u> (8,583)</u>	<u> (1,400)</u>
	<u>\$ 799,372</u>	<u>\$ 227,446</u>

At December 31, 1999 and 1998, loans receivable include certain loans having participation arrangements with a local bank. When borrowers make principal payments, the amount of participation is reduced accordingly. The estimated fair value of the participation liability due to the banks at December 31, 1999 and 1998 are \$58,884 and \$21,200 respectively.

An analysis of the change in the allowance for loan losses follows:

	<u>1999</u>	<u>1998</u>
Balance, beginning of year	\$ 1,400	\$ -0-
Provision for loan losses	65,406	1,400
Loan charged off	<u>(58,223)</u>	<u> -0-</u>
Balance, end of year	<u>\$ 8,583</u>	<u>\$ 1,400</u>

**UNIVERSITY COMMUNITY DEVELOPMENT
CORPORATION OF LOUISIANA**
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 3 - Office Furniture and Equipment:

At December 31, 1999 and 1998, office furniture and equipment consisted of the following:

	<u>1999</u>	<u>1998</u>
Office furniture	\$ 9,346	\$ 8,492
Office equipment	<u>9,005</u>	<u>9,005</u>
Sub-total	18,351	17,497
Less: accumulated depreciation	<u>(8,827)</u>	<u>(4,286)</u>
Office furniture and equipment, net	\$ <u>9,524</u>	\$ <u>13,211</u>

NOTE 4 - Real Estate Held for Sale:

UCDC-LA accounts for real estate sales under the full accrual method when certain criteria are met. Under the full accrual method, profit is recorded when a sale has been consummated. Real estate properties acquired and held for sale consist of nine (9) and four (4) single-family homes and one-to-four family residential properties at December 31, 1999 and 1998 for a total cost of \$432,358 and \$250,340 respectively. Valuations of these properties are periodically performed by management and the real estate is carried at the lower of carrying amount or fair value. Net unrealized losses are recognized through a valuation allowance by charges to income. The historical average holding period for such properties is eighteen (18) months.

**UNIVERSITY COMMUNITY DEVELOPMENT
CORPORATION OF LOUISIANA**
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 5 - Loan Participation Liability:

A summary of the loan participation liability as of December 31, 1999 and 1998 is as follows:

	<u>1999</u>	<u>1998</u>
10 %, note payable in monthly installments of \$128 including principal and interest, through 2003, secured.	\$ 4,607	\$ 5,317
10 %, note payable in monthly installments of \$56 including principal and interest, through 2013, secured.	-0-	5,090
10 %, note payable in monthly installments of \$119 including principal and interest, through 2013, secured.	10,448	10,793
Notes payable at rates ranging from 9.5% to 10% through 2014, secured.	<u>43,829</u>	<u>-0-</u>
Total	<u>\$58,884</u>	<u>\$21,200</u>

Scheduled maturities of loan participation liability at December 31, 1999, are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2000	\$ 3,632
2001	4,003
2002	4,367
2003	3,743
Thereafter	<u>43,139</u>
	<u>\$58,884</u>

**UNIVERSITY COMMUNITY DEVELOPMENT
CORPORATION OF LOUISIANA**
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 6 - Federal Borrowed Funds:

In February 1997, UCDC-LA entered into a loan agreement with the United States Department of Agriculture (USDA) Rural Development for \$1,000,000 of Intermediary Relending Program. UCDC-LA uses the proceeds from the Program to provide loan assistance to small businesses in eight rural parishes in the state of Louisiana. This loan is to be drawn upon as needed, with interest at 1%. Certain covenants under the terms of the agreement are restrictive. At December 31, 1999 and 1998, UCDC-LA has outstanding balances of \$1,000,000 and \$367,250, respectively.

Scheduled maturities of borrowed funds at December 31, 1999, are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2000	\$ 42,450
2001	42,450
2002	42,450
2003	42,450
Thereafter	<u>830,200</u>
	<u>\$ 1,000,000</u>

NOTE 7 - Notes Payable:

At December 31, 1999 and 1998 notes payable of \$206,440 and \$158,241 respectively, consist of 8% short-term notes which are payable to a bank and are due on various dates. These notes are expected to be refinanced and are secured by real estate held for sale.

**UNIVERSITY COMMUNITY DEVELOPMENT
CORPORATION OF LOUISIANA**
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 8 - Other Mortgage Financing:

Other mortgage financing consist of the following notes payable at December 31, 1999.

Bank	\$130,876
City of Baton Rouge	<u>21,607</u>
	<u>\$152,483</u>

Notes payable to a bank bear interest at rates ranging from 8% to 9% due by May 19, 2005. These notes are secured by real estate notes payable to the City of Baton Rouge are for eligible property improvement expenses at no interest. Each note is secured by a second mortgage on each property.

There are no scheduled mortgage note repayments on these notes during the year ended December 31, 1999.

NOTE 9 - Contingencies and Commitments:

Lease Commitments

UCDC-LA leases certain office equipment under operating lease expiring on July 7, 2002. The annual rental is \$1,908.

The following is a schedule of future minimum lease payments required under this operating lease:

<u>Year Ending December 31,</u>	<u>Amount</u>
2000	1,908
2001	1,908
2002	<u>1,128</u>
Total minimum rental payments	<u>\$ 4,944</u>

UCDC-LA occupied a space in a building of a bank. The annual rental is \$6,600.

**UNIVERSITY COMMUNITY DEVELOPMENT
CORPORATION OF LOUISIANA**
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 9 - Contingencies and Commitments, Continued

Loan Commitments

In the normal course of business, there are outstanding various commitments and contingent liabilities, such as commitments to extend credit, that are not reflected in the accompanying financial statements. Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. UCDC-LA's experience has been that approximately 90 percent of loan commitments are drawn upon by customers. UCDC-LA evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if it is deemed necessary by UCDC-LA upon extension of credit, is based on management's credit evaluation of the counterpart. Collateral held varies but may include accounts receivable, inventory, property, plant and equipment, and income-producing commercial properties. UCDC-LA has not incurred and does not anticipate any material losses as a result of these transactions.

Grants

UCDC-LA is a recipient of grants from the State of Louisiana and the United States Department of Agriculture. In connection with the administration and operation of these grants, UCDC-LA is to expend grant funds, in accordance with the program guidelines and regulations. However, should UCDC-LA have operated/administered these grants/programs in a manner which would be in non-compliance with the guidelines and regulations, UCDC-LA may be required by the funding source to repay some portion or all of the grant award.

**UNIVERSITY COMMUNITY DEVELOPMENT
CORPORATION OF LOUISIANA**
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 10 - Concentration of Credit Risk:

UCDC-LA maintains cash balances at several banks. Accounts at each bank are insured by the Federal Deposit Insurance Corporation up to \$100,000.

NOTE 11 - Risk Management:

UCDC-LA is exposed to various risk of loss related to torts ; theft of; damage to and destruction of assets for which UCDC-LA carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

**UNIVERSITY COMMUNITY DEVELOPMENT
CORPORATION OF LOUISIANA**
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 12 - Grant Awards:

At December 31, 1999 and 1998, federal and state grant awards are reported in the UCDC-LA's financial statements as follows:

<u>Grants</u>	<u>Federal/ State Grantor</u>	<u>Amount Outstanding/ Expenditures</u>
<u>December 31, 1999</u>		
Intermediary Relending Program	Federal	<u>\$1,000,000</u>
Community Based Housing Programs/Cooperative Endeavor Agreement pass- through Southern University- Administrative	State	<u>\$ 75,155</u>
<u>December 31, 1998</u>		
Intermediary Relending Program	Federal	<u>\$ 367,250</u>
Community Based Housing Programs/Cooperative Endeavor Agreement pass- through Southern University- Administrative Housing	State	43,322 <u>8,238</u>
Total state grants		<u>\$ 51,560</u>

SUPPLEMENTARY DATA

& Tervalon

MICHAEL B. BRUNO, CPA
ALCIDE J. TERVALON, JR., CPA
WALDO J. MORET, JR., CPA

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY DATA

To the Board of Directors
**University Community Development
Corporation of Louisiana**

Our report on our audits of the basic financial statements of the **University Community Development Corporation of Louisiana (UCDC-LA)** for the years ended December 31, 1999 and 1998, appears on Page I. Those audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information in Schedules I and II is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The information in Schedule I, Schedule of Expenditures of Federal Awards, and Schedule II, Notes to the Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Bruno & Tervalon
BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

June 7, 2000

SCHEDULE I

UNIVERSITY COMMUNITY DEVELOPMENT
CORPORATION OF LOUISIANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 1999

<u>GRANTOR/ PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>AMOUNT OUTSTANDING</u>
<u>U. S. DEPARTMENT OF AGRICULTURE</u>		
Direct Program: Intermediary Relending Program	10.439	<u>\$1,000,000</u>

See Accompanying Independent Auditors' Report on Supplementary Data and Notes to the
Schedule of Expenditures of Federal Awards.

SCHEDULE II

**UNIVERSITY COMMUNITY DEVELOPMENT
CORPORATION OF LOUISIANA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

1) **GENERAL**

The Schedule of Expenditures of Federal Awards presents the activity of the federal award program of the **University Community Development Corporation of Louisiana (UCDC-LA)**. The federal award received directly from federal agency is included on the schedule.

2) **BASIS OF ACCOUNTING**

The Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting which is described in Note 1 of **UCDC-LA** financial statements.

3) **RELATIONSHIP TO FEDERAL FINANCIAL REPORTS**

Amount reported in the Schedule of Expenditures of Federal Awards agrees with the amount reported in the related federal financial reports.

& Tervalon

MICHAEL B. BRUNO, CPA
ALCIDE J. TERVALON, JR., CPA
WALDO J. MORET, JR., CPA

INDEPENDENT AUDITORS' 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
**University Community Development
Corporation of Louisiana**

We have audited the financial statements of **University Community Development Corporation of Louisiana (UCDC-LA)**, as of and for the year ended December 31, 1999 and have issued our report thereon dated June 7, 2000. We conducted our 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 UCDC-LA'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 audit 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 AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS
(CONTINUED)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered UCDC-LA'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 misstatement 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.

In connection with our audit, we reviewed the prior year's reportable conditions on the internal control including applicable internal administrative controls to determine whether management had implemented appropriate corrective action to correct the conditions giving rise to those findings. The results of our review with respect to the prior-year reportable conditions are described in the accompanying Status of Prior Year Findings and Questioned Costs.

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

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

Bruno & Tervalon
BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANT

June 7, 2000

& Tervalon

MICHAEL B. BRUNO, CPA
ALCIDE J. TERVALON, JR., CPA
WALDO J. MORET, JR., CPA

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors of
**University Community Development
Corporation of Louisiana**

Compliance

We have audited the compliance of **University Community Development Corporation of Louisiana (UCDC-LA)** with the types of compliance requirements described in the United States Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended December 31, 1999. UCDC-LA's major federal program is identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs - Summary of the Independent Auditors' Results. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of UCDC-LA's management. Our responsibility is to express an opinion on UCDC-LA's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; 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.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133
(CONTINUED)

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 previously that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about UCDC-LA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provide a reasonable basis for our opinion. Our audit do not provide a legal determination on UCDC-LA's compliance with those requirements.

In our opinion, **University Community Development Corporation of Louisiana** complied, in all material respects, with the requirements referred to previously that are applicable to its major federal program for the year ended December 31, 1999.

In connection with our audit, we reviewed the prior year's reportable conditions on the internal control including applicable internal administrative controls to determine whether management had implemented appropriate corrective action to correct the conditions giving rise to those findings. The results of our review with respect to the prior-year reportable conditions are described in the Status of Prior year Findings.

Internal Control Over Compliance

The management of UCDC-LA is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to its federal program. In planning and performing our audit, we considered UCDC-LA's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133
(CONTINUED)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to the major federal program 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 compliance and its operation that we consider to be material weaknesses.

In connection with our audit, we reviewed the prior year's reportable conditions on the internal control including applicable internal administrative controls to determine whether management had implemented appropriate corrective action to correct the conditions giving rise to those findings. The results of our review with respect to the prior-year reportable conditions are described in the Status of Prior year Findings.

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


BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

June 7, 2000

**UNIVERSITY COMMUNITY DEVELOPMENT
CORPORATION OF LOUISIANA**
SUMMARY OF THE INDEPENDENT AUDITORS' RESULTS AND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 1999

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: **unqualified**

Internal control over financial reporting:

- Material weaknesses identified? yes no
- Reportable conditions identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? yes no
- Reportable conditions identified that are not considered to be material weaknesses? yes none reported

**UNIVERSITY COMMUNITY DEVELOPMENT
CORPORATION OF LOUISIANA**
SUMMARY OF THE INDEPENDENT AUDITORS' RESULTS AND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 1999

Section I - Summary of Auditors' Results, Continued

Type of auditors' report issued on compliance
for major programs:

unqualified

Any audit findings disclosed that are required
to be reported in accordance with section 510(a)
of Circular A-133

___ yes X no

Identification of major program:

CFDA Number

Name of Federal Program

10.439

Intermediary Relending Program

Dollar threshold used to distinguish
between type A and type B programs:

\$300,000

Auditee qualified as low-risk auditee?

___ yes X no

UNIVERSITY COMMUNITY DEVELOPMENT
CORPORATION OF LOUISIANA
SUMMARY OF THE INDEPENDENT AUDITORS' RESULTS AND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 1999

Section II - Financial Statements Findings

There were no reportable conditions, material weaknesses and instances of noncompliance that were required to be reported in accordance with Section 510(a) of OMB Circular A-133.

**UNIVERSITY COMMUNITY DEVELOPMENT
CORPORATION OF LOUISIANA**
SUMMARY OF THE INDEPENDENT AUDITORS' RESULTS AND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 1999

Section III - Federal Award Findings and Questioned Costs

There were no reportable conditions, material weaknesses and instances of noncompliance that were required to be reported in accordance with Section 510(a) of OMB Circular A-133.

**UNIVERSITY COMMUNITY DEVELOPMENT
CORPORATION OF LOUISIANA**
SUMMARY OF THE INDEPENDENT AUDITORS' RESULTS AND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 1999

Section IV- Status of Prior Year Findings

<u>REFERENCE NUMBER</u>	<u>DESCRIPTION</u>	<u>RESOLVED</u>
98-1	Unreconciled Cash Items	X
98-2	Account Coding and Classification	X

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT

To the Board of Directors
**University Community Development
Corporation of Louisiana**

In planning and performing our audits of the financial statements of **University Community Development Corporation of Louisiana (UCDC-LA)** for the years ended December 31, 1999 and 1998, we considered its internal control 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. However, during the course of our audits, the following internal control matters came to our attention. We present our recommendations for your consideration and we would be happy to discuss these comments in further detail.

ALLOWANCE FOR LOAN LOSSES

As part of our test work on allowance for loan losses, we evaluated management's estimates that represent a valuation allowance for possible loan losses at December 31, 1999. We determined that the balance on the books was considered inadequate by approximately \$65,406. This amount, as determined based on our evaluation of all loans considered impaired, was recorded as a year-end audit adjustments. Also, a charge-off on an impaired loan of \$58,223 was recorded as well.

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT
(CONTINUED)

ALLOWANCE FOR LOAN LOSSES, CONTINUED

As noted during our discussions with management, efforts are in effect to ensure the adequacy of allowance for loan losses and constant update of related policies.

Management should intensify all necessary efforts to ensure that an adequate loan allowance is maintained at all times.

Management's Response

Management will review loan portfolio and make adjustments quarterly to ensure adequacy of allowance for loan losses.

STATUS OF PRIOR YEAR COMMENTS

	<u>RESOLVED</u>
Year 2000 Compliant	X
Payroll earnings reconciliation	X
Donated assets and services	X

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT
(CONTINUED)

We will review the status of those comments during our next audit engagement. We have already discussed many of these comments and suggestions with appropriate personnel, and we will be pleased to perform any additional study of these matters, or to assist you in implementing the recommendations.

Bruno & Tervalon
BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

June 7, 2000