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LEGISLATIVE AUDITOR

TOTAL COMMUNITY ACTION, INC.

FINANCIAL STATEMENTS  
AND  
REPORT OF INDEPENDENT  
CERTIFIED PUBLIC ACCOUNTANTS

December 31, 1997

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 ~~Jul 02 1998~~

**TOTAL COMMUNITY ACTION, INC.**

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John C. Todd, Jr., C.P.A., P/C  
Justin J. Scanlan, C.P.A.

CERTIFIED PUBLIC ACCOUNTANTS  
NEW ORLEANS, LOUISIANA  
504-288-0050 • 504-887-8967

INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Total Community Action, Inc.

We have audited the accompanying statement of financial position of Total Community Action, Inc. (a nonprofit corporation) as of December 31, 1997 and the related statements of activities, and cash flows for the year then ended. These financial statements are the responsibility of Total Community Action, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 Total Community Action, Inc. as of December 31, 1997, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements of Total Community Action, Inc. as a whole. The accompanying financial information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of Total Community Action, Inc. The schedule of expenditures of federal awards is required by the U. S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Such information has been subjected to the auditing procedures applied in the examination of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued a report dated May 20, 1998, on our consideration of Total Community Action, Inc.'s internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts, and grants.

New Orleans, Louisiana  
May 20, 1998

*John C. Todd, Jr., C.P.A.*  
*Justin J. Scanlan, CPA*

MEMBER

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

**TOTAL COMMUNITY ACTION, INC.**  
**STATEMENT OF FINANCIAL POSITION**

December 31, 1997

**Total  
Memorandum  
Only  
December 31, 1996**

**ASSETS**

Cash, including certificates of deposit of \$178,642	\$ 728,775	\$ 279,049
Investment securities (Notes A5 and B)	640,431	544,173
Receivables		
Grant (Notes A6 and C)	1,729,202	1,817,470
Travel advances	6,169	19,310
Interest	2,395	1,645
Economic Development Unit, Inc.	68,772	82,952
Other	652	440
Note receivable (Note D)	435,200	441,200
Property and equipment – at cost (Notes A4 and E)	<u>36,095</u>	<u>-</u>
Total assets	<u>\$ 3,647,691</u>	<u>\$ 3,186,239</u>

**LIABILITIES AND NET ASSETS**

Notes payable (Note F)	\$ 116,889	\$ -
Accounts payable and accrued liabilities	976,245	857,429
Pension contribution payable (Note G)	642,910	554,126
Due to delegate agencies	419,915	320,570
Commitments (Note H)	<u>-</u>	<u>-</u>
Total liabilities	2,155,959	1,732,125
Net Assets		
Unrestricted	634,108	599,208
Temporarily restricted	189,545	230,431
Permanently restricted	<u>668,079</u>	<u>624,475</u>
Total net assets	<u>1,491,732</u>	<u>1,454,114</u>
Total liabilities and net assets	<u>\$ 3,647,691</u>	<u>\$ 3,186,239</u>

The accompanying notes are an integral part of this financial statement.

TOTAL COMMUNITY ACTION, INC.

STATEMENT OF ACTIVITIES

For the year ended December 31, 1997

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL MEMORANDUM ONLY	
				For the year ended December 31, 1997	For the period July 1, 1995 through December 31, 1996
<b>REVENUES</b>					
Government grants	\$ -	\$ 18,568,465	\$ -	\$ 18,568,465	\$ 25,121,833
Interest income	11,964	4,235	21,054	37,253	65,113
Dividend income	-	-	20,249	20,249	19,397
Unrealized appreciation on investments	-	-	12,723	12,723	2,906
Other	11,421	-	43,986	55,407	38,347
Net assets released from restrictions	<u>18,648,799</u>	<u>&lt;18,595,107&gt;</u>	<u>&lt; 53,692&gt;</u>	<u>-</u>	<u>-</u>
<b>TOTAL REVENUES</b>	<u>18,672,184</u>	<u>&lt; 22,407&gt;</u>	<u>44,320</u>	<u>18,694,097</u>	<u>25,247,596</u>
<b>EXPENSES</b>					
Salaries	7,009,530	-	-	7,009,530	8,576,117
Fringe benefits	1,475,763	-	716	1,476,479	1,939,817
Travel	150,269	-	-	150,269	220,724
Contractual	709,395	-	-	709,395	730,557
Supplies	642,088	-	-	642,088	758,831
Food costs	716,156	-	-	716,156	1,019,165
Delegate agency expense	3,330,628	-	-	3,330,628	5,088,173
Equipment expense	365,813	-	-	365,813	482,899
Insurance	136,575	-	-	136,575	315,345
Utility assistance	1,494,043	-	-	1,494,043	2,031,658
Telephone	95,432	-	-	95,432	130,495
Rent	507,943	-	-	507,943	678,186
Utilities	188,252	-	-	188,252	323,687
Vehicle expense	102,530	-	-	102,530	142,440
Postage	17,423	-	-	17,423	31,530
Other Costs	<u>1,695,444</u>	<u>-</u>	<u>-</u>	<u>1,695,444</u>	<u>2,454,564</u>
<b>TOTAL EXPENSES</b>	<u>18,637,284</u>	<u>-</u>	<u>716</u>	<u>18,638,000</u>	<u>24,924,188</u>
Increase <decrease> in net assets	34,900	< 22,407>	43,604	56,097	323,408
Return of funds to funding source	-	< 18,479>	-	< 18,479>	-
Net assets, beginning of year	<u>599,208</u>	<u>230,431</u>	<u>624,475</u>	<u>1,454,114</u>	<u>1,130,706</u>
Net assets, end of year	<u>\$ 634,108</u>	<u>\$ 189,545</u>	<u>\$ 668,079</u>	<u>\$ 1,491,732</u>	<u>\$ 1,454,114</u>

The accompanying notes are an integral part of this financial statement.

**TOTAL COMMUNITY ACTION, INC.**

**STATEMENT OF CASH FLOWS**

**For the year ended December 31, 1997**

Increase (decrease) in cash and cash equivalents

Cash flows from operating activities:

Increase in net assets \$ 56,097

Adjustments to reconcile increase in net  
assets to net cash provided by  
operating activities:

Depreciation	\$ 2,694
Unrealized appreciation on investments	< 12,723>
Gain on sale of securities	< 12,839>
Return of funds to funding source	< 18,479>

Changes in assets and liabilities

Decrease in grant receivable	88,268
Increase in other receivable	< 212>
Increase in interest receivable	< 750>
Decrease in receivable-EDU, Inc.	14,180
Decrease in travel advances	13,141
Increase in accounts payable and accrued liabilities	118,816
Increase in pension contribution payable	88,784
Increase in due delegate agencies	<u>99,345</u>
	<u>380,225</u>

Net cash provided by operating  
activities 436,322

Cash flows from investing activities:

Purchase of investments	< 70,696>
Acquisition of transportation equipment	<u>&lt; 38,789&gt;</u>
Net cash used in investing activities	<u>&lt; 109,485&gt;</u>

Cash flows from financing activities:

Payment of notes payable	< 71,900>
Proceeds from note receivable	6,000
Proceeds from note payable	<u>188,789</u>
Net cash provided by financing activities	<u>122,889</u>

Net increase in cash and cash equivalents 449,726

Cash and cash equivalents, beginning of year 279,049

Cash and cash equivalents, end of year \$ 728,775

The accompanying notes are an integral part of this financial statement.

**TOTAL COMMUNITY ACTION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**December 31, 1997**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

**1. Nature of Activities**

Total Community Action, Inc. was organized to promote and develop economic opportunity in the City of New Orleans to promote the education and welfare of the people of New Orleans, and to mobilize such human and financial resources as may be available to combat poverty in New Orleans.

**2. Presentation of Financial Statements**

The corporation's financial statements are presented in accordance with requirements established by the Financial Accounting Standards Board (FASB) as set forth in the Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-For-Profit Organizations," dated June 1993. Accordingly, the net assets of the corporation are reclassified to present the following classes: (a) unrestricted net assets, (b) temporarily restricted net assets, and (c) permanently restricted net assets.

Net assets of the restricted class are created only by donor-imposed restrictions on their use. All other net assets, including board-designated or appropriated amounts, are legally unrestricted, and are reported as part of the unrestricted class.

**3. Revenue Recognition**

For financial reporting, the corporation recognizes all contributed support as income in the period received. Contributed support is reported as unrestricted or restricted depending on the existence of donor stipulations that limit the use of the support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets and permanently restricted net assets are classified to unrestricted net assets and reported in the statement of activity as net assets released from restrictions.

**4. Property and Equipment**

Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives, principally on the straight-line method. Depreciation expense for the year ended December 31, 1997 totaled \$2,694.

TOTAL COMMUNITY ACTION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 1997

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Property and Equipment - continued

It is the policy of the corporation to capitalize all property, furniture, and equipment with an acquisition cost in excess of \$5,000.

5. Investment Securities

Under FASB No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations," investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains or losses are included in the change in net assets. This reclassification had no effect on the changes in net assets.

6. Receivables

The corporation considers accounts receivable to be fully collectable since the balance consists principally of payments due under governmental contracts. If amounts due become uncollectible, they will be charged to operations when that determination is made.

7. Cash Equivalents

For purpose of the statement of cash flows, the corporation considers all investments with original maturities of three months or less to be cash equivalents.

8. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

9. Fair Values of Financial Investments

Cash, and cash equivalent amounts reported in the statement of financial position approximate fair values because of the short maturities of those investments.

The fair values of investment securities are based upon quoted market prices for those or similar investments.



TOTAL COMMUNITY ACTION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 1997

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

10. Total Columns of Combined Statements - Overview

Total columns are captioned "Memorandum Only" to indicate that they are presented only to assist with financial analysis. Data in these columns do not present financial position, activities, or changes in net assets in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

NOTE B - INVESTMENT SECURITIES

Investment securities, cost and approximate market value at December 31, 1997 consist of the following:

	<u>Fair Market Value</u>	<u>Cost</u>
Government securities	\$ 317,672	\$ 319,065
Corporate bonds	5,012	4,817
Mutual funds - equity	93,647	93,378
Mutual funds - fixed income	<u>224,100</u>	<u>206,709</u>
	<u>\$ 640,431</u>	<u>\$ 623,969</u>

The unrealized appreciation for the year ended December 31, 1997 totaled \$12,723. As of December 31, 1997, the cumulative unrealized appreciation totaled \$16,462.

NOTE C - GRANTS RECEIVABLE

The grants receivable consists of the following as of December 31, 1997:

Louisiana Department of Agriculture and Forestry	\$ 2,501
State of Louisiana Department of Social Services	125,256
City of New Orleans - Division of Housing And Urban Affairs	59,418
State of Louisiana - Department of Labor	342,003
State of Louisiana - Department of Education	126,240
U.S. Department of Health and Human Services	<u>1,073,784</u>
	<u>\$ 1,729,202</u>

TOTAL COMMUNITY ACTION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 1997

NOTE D – NOTE RECEIVABLE

On June 21, 1976, Total Community Action, Inc. entered into an agreement with Economic Development Unit, Inc. (EDU, Inc.) to disburse federal funds totaling \$506,245 to further the goals of the EDU, Inc. Total Community Action's CSA grant disbursed these funds during the 1976 and 1977 program years with such disbursements being reported as investment capital expenditures on Total Community Action, Inc.'s CSA Grant financial statements for the years involved.

On July 5, 1979 EDU, Inc. entered into an agreement with Total Community Action, Inc. whereby the substance of the initial transaction (the expenditure of funds in the amount of \$506,245 as investment capital) was altered to indicate the funds previously expended were, in fact, a non-interest bearing loan made by Total Community Action, Inc. to EDU, Inc.

On April 15, 1987 Total Community Action, Inc. and EDU, Inc., agreed upon a new payment schedule relative to the balance of the note \$(468,200) as follows:

January 1, 1987 through December 31, 1987 – no payments were required

January 1, 1988 through November 1, 2037 – 599 principal payments of \$500 each were required

December 1, 2037 – one (1) payment of \$168,700

The agreement also states that activities of EDU, Inc. shall be evaluated and monitored by Total Community Action, Inc. and shall be performed in accordance with Community Services Administration directives.

The aggregate maturities of the note receivable as of December 31, 1997 are as follows:

<u>December 31,</u>	
1998	\$ 6,000
1999	6,000
2000	6,000
2001	6,000
2002	6,000
Thereafter	<u>\$ 405,200</u>
Total	<u>\$ 435,200</u>

TOTAL COMMUNITY ACTION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 1997

NOTE E - PROPERTY AND EQUIPMENT

Property and equipment at December 31, 1997 consist of the following:

Property and equipment	\$ 57,826
Transportation equipment	<u>38,789</u>
	96,615
less accumulated depreciation	<u>&lt; 60,520 &gt;</u>
	<u>\$ 36,095</u>

Total Community Action, Inc. follows the practice of not capitalizing furniture, fixtures, equipment and leasehold improvements with federal or state funds, since the government has a reversionary interest in such assets. These assets totaled \$528,192 at December 31, 1997.

NOTE F - NOTES PAYABLE

The notes payable consists of the following as of the December 31, 1997:

Note payable to bank, a \$100,000 revolving line of credit due April, 1998, at a 9% interest rate. The note is secured by a certificate of deposit totaling \$115,836. \$ 80,000

Note payable to Total Community Action Federal credit Union due October, 2000. Payable in monthly installments of \$1,233 including interest at the rate of 9%. The note is secured by transportation equipment totaling \$38,789. 36,889  
\$ 116,889

The interest expense for the year ended December 31, 1997 totaled \$2,186.

The aggregate maturities of the notes payable consist of the following:

<u>Year ended</u> <u>December 31,</u>	
1998	\$ 91,968
1999	13,091
2000	<u>11,830</u>
	<u>\$ 116,889</u>

**TOTAL COMMUNITY ACTION, INC.**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**December 31, 1997**

**NOTE G – PENSION PLAN**

Total Community Action, Inc. sponsors a defined contribution employee pension plan covering all employees twenty-one years or older who have worked for the corporation a minimum of three years. The corporation decides the amount, if anything, to contribute each year to the individual retirement accounts for the eligible employees based on a percentage of annual compensation. The percentage, determined by the Board of Directors, was 9.5% or \$642,910 for the year ended December 31, 1997.

**NOTE H – COMMITMENTS**

The corporation leases its administrative and program offices annually. The rental expense for the year ended December 31, 1997 totaled \$507,943.

**NOTE I – RELATED PARTY TRANSACTIONS**

The principal premises of Total Community Action, Inc. is leased from an affiliated non-profit corporation. Management is of the opinion that rental payments made to this affiliated corporation are comparable with those charged by various business enterprises in the City of New Orleans. The rental payments for the year ended December 31, 1997 totaled \$209,040.

Additionally, Total Community Action, Inc. presently provides administrative and technical assistance to a program it sponsors. This program sells janitorial supplies to the public, its sponsors, and the private sector. Management is of the opinion that the prices charged Total Community Action, Inc. are comparable with those purchased through an outside supplier. The purchases for the year ended December 31, 1997 totaled \$53,635.

In 1997, the corporation borrowed \$38,789 from the Total Community Action Federal Credit Union for the purchase of transportation equipment. Management is of the opinion that the interest rate charged (9%) was comparable to that charged by various financial institutions.

**NOTE J – PERMANENTLY RESTRICTED NET ASSETS**

Effective January 1, 1989 Total Community Action, Inc. became self-insured for employee unemployment compensation claims through the establishment of an unemployment insurance fund.

Transfers of \$31,597 were made from program funds to the unemployment insurance fund for the year ended December 31, 1997, which is accounted for as revenue of the unemployment insurance funds and an expense of the related program. The unemployment insurance fund reimburses the unrestricted fund for all direct costs in administering the program and transfers all net interest income earned on unemployment insurance funds to the unrestricted fund.

All known claims as of December 31, 1997 have been recorded in the financial statements.

**TOTAL COMMUNITY ACTION, INC.**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**December 31, 1997**

**NOTE K – INCOME TAXES**

The corporation is exempt from corporation income taxes under Section 501(c)(3) of the Internal Revenue Code.

**NOTE L – BOARD OF DIRECTORS**

The Board of Directors is a voluntary board; therefore, no compensation has been paid to any member.

**NOTE M – CONTRACT COMPLIANCE – U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES**

The Head Start and Head Start Targeted Cities grants require the corporation to provide non-federal matching funds totaling 20% of the grant. Since these funds consist of in-kind contributions, they do not meet the reporting standards established by the Financial Accounting Standards Board. The in-kind contributions totaled \$4,247,098 for the year ended December 31, 1997.

The corporation was in compliance with the matching requirement of the grants for the year ended December 31, 1997.

**NOTE N – CONCENTRATION OF CREDIT RISK**

The bank balances are comprised of the following, which are not fully secured by federal deposit insurance and securities pledged:

Bank balances, per bank statement	\$ 1,216,144
Cash secured by federal deposit insurance and securities	<u>1,163,956</u>
Unsecured bank balances	<u>\$ 52,188</u>

**NOTE O – CASH FLOW INFORMATION**

The interest paid for the year ended December 31, 1997 totaled \$2,186.

**NOTE P – ECONOMIC DEPENDENCY**

Total Community Action, Inc. receives a majority of its revenues from funds provided through grants administered by the Department of Human Services and the State of Louisiana. The grant amounts are appropriated each year by the federal and state governments. If significant budget cuts are effected at the federal and/or state level, the amount of the funds Total Community Action, Inc. received could be reduced significantly and have an adverse impact on its operations. Management is not aware of any actions that will adversely affect the amount of funds Total Community Action, Inc. will receive in the next fiscal year.

**TOTAL COMMUNITY ACTION, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**December 31, 1997**

**NOTE P – ECONOMIC DEPENDENCY – CONTINUED**

The corporation is supported primarily through grants from governmental agencies. Approximately 99% of the corporation support for the year ended December 31, 1997 came from these grants.

**SUPPLEMENTAL INFORMATION**

TOTAL COMMUNITY ACTION, INC.

COMBINED STATEMENT OF ACTIVITIES - TEMPORARILY RESTRICTED

For the year ended December 31, 1997

	HEAD START GRANT	CHILD CARE FOOD PROGRAM	HEAD START TARGETED CITIES	EARLY HEAD START	HEAD START SUMMER CHILD CARE PROGRAM
<b>REVENUES</b>					
Grant appropriations	\$ 13,456,921	\$ 792,873	\$ 125,000	\$ 195,571	\$ 78,085
Interest income	3,782	-	-	-	-
Others	-	-	-	-	-
	<u>13,460,703</u>	<u>792,873</u>	<u>125,000</u>	<u>195,571</u>	<u>78,085</u>
<b>EXPENSES</b>					
Salaries	5,033,402	447,799	98,043	-	30,730
Fringe Benefits	1,110,469	106,655	11,082	-	5,250
Travel	110,188	-	5,939	4,232	5,637
Contractual	445,739	1,050	-	-	-
Supplies	457,765	45,420	5,031	-	24,909
Food Costs	535,637	180,519	-	-	-
Delegate agency expense	3,171,310	-	-	159,318	-
Equipment expense	271,775	-	-	-	-
Insurance	96,228	-	-	-	-
Utility assistance	-	-	-	-	-
Telephone	50,449	-	-	-	-
Rent	358,764	-	-	-	-
Utilities	164,500	-	-	-	600
Vehicle expense	60,111	-	-	-	1,132
Postage	7,168	-	-	-	-
Other costs	<u>1,587,198</u>	<u>11,430</u>	<u>4,905</u>	<u>32,021</u>	<u>9,827</u>
	<u>13,460,703</u>	<u>792,873</u>	<u>125,000</u>	<u>195,571</u>	<u>78,085</u>
Increase <decrease> in net assets	-	-	-	-	-
Return of funds to funding source	-	-	-	-	-
Net assets, beginning of year	-	-	-	-	-
Net assets, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



TOTAL COMMUNITY ACTION, INC.

COMBINED STATEMENT OF ACTIVITIES - TEMPORARILY RESTRICTED - CONTINUED

For the year ended December 31, 1997

	HOME ENERGY ASSISTANCE PROGRAM	ELDERLY AND HANDICAPPED ASSISTANCE FUND	TCA YOUTH ENTREPRENEURSHIP PROGRAM	FOOD DISTRIBUTION PROGRAM CITY OF NEW ORLEANS	COMMODITY FOOD DISTRIBUTION PROGRAM
<b>REVENUES</b>					
Grant appropriations	\$ 1,467,859	\$ 287,501	\$ 94,403	\$ 85,000	\$ 135,068
Interest income	453	-	-	-	-
Others	-	-	-	-	-
	<u>1,468,312</u>	<u>287,501</u>	<u>94,403</u>	<u>85,000</u>	<u>135,068</u>
<b>EXPENSES</b>					
Salaries	6,285	-	58,780	54,437	38,400
Fringe Benefits	973	-	10,848	9,604	10,853
Travel	5,707	10	-	-	-
Contractual	-	-	-	14,565	69,162
Supplies	17,622	5,585	11,085	1,698	2,408
Food Costs	-	-	-	-	-
Delegate agency expense	-	-	-	-	-
Equipment expense	5,073	-	-	-	9,362
Insurance	-	-	-	-	-
Utility assistance	1,365,450	128,593	-	-	-
Telephone	1,676	1,471	-	241	2,060
Rent	15,740	-	14,492	2,486	4,068
Utilities	1,966	-	-	-	909
Vehicle expense	5,982	-	-	-	10,897
Postage	697	-	-	142	7,853
Other costs	41,141	3,794	-	-	4,070
	<u>1,468,312</u>	<u>139,453</u>	<u>95,205</u>	<u>83,173</u>	<u>160,042</u>
Increase <decrease> in net assets	-	148,048	<802>	1,827	< 24,974>
Return of funds to funding source	-	-	-	-	-
Net assets, beginning of year	<u>103,780</u>	<u>-</u>	<u>12,465</u>	<u>&lt; 1,827&gt;</u>	<u>-</u>
Net assets, end of year	<u>\$ 103,780</u>	<u>\$ 148,048</u>	<u>\$ 11,663</u>	<u>\$ -</u>	<u>\$ &lt; 24,974&gt;</u>

TOTAL COMMUNITY ACTION, INC.

COMBINED STATEMENT OF ACTIVITIES – TEMPORARILY RESTRICTED - CONTINUED

For the year ended December 31, 1997

	LITERACY EDUCATION SERVICES	COMMUNITY SERVICES BLOCK GRANT PROGRAM	HSNG, TOTAL COMMUNITY ACTION PROGRAM	WEATHERIZATION PROGRAM	PROJECT INDEPENDENCE PROGRAM
<b>REVENUES</b>					
Grant appropriations	\$ 69,100	\$ 1,476,906	\$ 79,651	\$ 142,993	\$ 72,184
Interest income	-	-	-	-	-
Others	<u>69,100</u>	<u>1,476,906</u>	<u>79,651</u>	<u>142,993</u>	<u>72,184</u>
<b>EXPENSES</b>					
Salaries	-	877,222	5,354	19,870	50,592
Fringe Benefits	-	141,962	1,102	4,435	7,059
Travel	-	13,836	-	-	986
Contractual	60,672	-	49,908	2,112	11,000
Supplies	5,582	50,940	8,886	-	4,651
Food Costs	-	-	-	-	-
Delegate agency expense	-	-	-	-	-
Equipment expense	7,541	51,948	-	3,271	-
Insurance	-	21,454	22	3,416	-
Utility assistance	-	-	-	-	-
Telephone	-	35,001	-	-	-
Rent	-	109,028	-	-	-
Utilities	-	20,277	-	-	-
Vehicle expense	-	12,629	-	-	-
Postage	-	1,563	-	-	-
Other costs	<u>2,088</u>	<u>141,046</u>	<u>34,498</u>	<u>100,589</u>	<u>2,026</u>
	<u>75,883</u>	<u>1,476,906</u>	<u>99,770</u>	<u>133,693</u>	<u>76,314</u>
Increase <decrease> in net assets	< 6,783 >	-	< 20,119 >	9,300	< 4,130 >
Return of funds to funding source	-	-	-	-	-
Net assets, beginning of year	<u>971</u>	<u>-</u>	<u>-</u>	<u>&lt; 3,906 &gt;</u>	<u>2,356</u>
Net assets, end of year	<u>\$ &lt; 5,812 &gt;</u>	<u>\$ -</u>	<u>\$ &lt; 20,119 &gt;</u>	<u>\$ 5,394</u>	<u>\$ &lt; 1,774 &gt;</u>

TOTAL COMMUNITY ACTION, INC.

COMBINED STATEMENT OF ACTIVITIES - TEMPORARILY RESTRICTED - CONTINUED

For the year ended December 31, 1997

	TAPE LIBRARY	TCA PUBLIC COMPLEX	INDIRECT COST ACCOUNT	ELIMINATIONS	TOTAL
<b>REVENUES</b>					
Grant appropriations	\$ -	\$ 9,350	\$ -	\$ -	\$ 18,568,465
Interest income	-	-	-	-	4,235
Others	-	9,350	383,587	A. <383,587>	-
			383,587	<383,587>	18,572,700
<b>EXPENSES</b>					
Salaries	-	-	288,616	-	7,009,530
Fringe Benefits	-	-	55,471	-	1,475,763
Travel	-	-	2,380	-	148,915
Contractual	-	-	55,187	-	709,395
Supplies	-	-	414	-	641,996
Food Costs	-	-	-	-	716,156
Delegate agency expense	-	-	-	-	3,330,628
Equipment expense	-	-	8,542	-	357,512
Insurance	-	-	15,455	-	136,375
Utility assistance	-	-	-	-	1,494,043
Telephone	-	-	4,534	-	95,432
Rent	-	-	3,365	-	507,943
Utilities	-	-	-	-	188,252
Vehicle expense	-	-	11,779	-	102,530
Postage	-	-	-	-	17,423
Other costs	-	9,350	62,618	A. <383,587>	1,663,014
		9,350	508,361	< 383,587>	18,595,107
Increase <decrease> in net assets	-	-	< 124,774>	-	< 22,407>
Return of funds to funding source	-	-	< 18,479>	-	< 18,479>
Net assets, beginning of year	24,698	594	91,300	-	230,431
Net assets, end of year	\$ 24,698	\$ 594	\$ < 51,953>	\$ -	\$ 189,545

Elimination:

A. Intercompany indirect revenue and expenses were eliminated for financial presentation.

**TOTAL COMMUNITY ACTION, INC.**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**For the year ended December 31, 1997**

<u>PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>EXPENDITURES</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>		
Head Start – Full Year Center & Home Based Parent Child Center & Training and Technical Assistance	93.600	\$ 13,460,703
Head Start Targeted Cities	93.600	125,000
Early Head Start	93.600	195,571
Passed through State of Louisiana:		
Head Start Summer Child Care Program	93.600	78,085
Home Energy Assistance Program	93.568	1,468,312
Community Services Block Grant	93.569	1,476,906
Project Independence	93.561	<u>72,184</u>
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>		<u>16,876,761</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>		
Passed through State of Louisiana:		
Child Care Food Program	10.558	792,873
Needy Family Food Distribution	10.569	<u>135,068</u>
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>		<u>927,941</u>
<b>U.S. DEPARTMENT OF ENERGY</b>		
Passed through State of Louisiana:		
Weatherization Assistance Program	81.042	<u>133,693</u>
<b>TOTAL U.S. DEPARTMENT OF ENERGY</b>		<u>133,693</u>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>		
Passed through City of New Orleans:		
TCA Youth Entrepreneurship Program	14.218	94,403
LES, TCA-AT RISK Program	14.218	69,100
HSNG, Total Community Action	14.218	<u>79,651</u>
<b>TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>		<u>243,154</u>
<b>TOTAL FEDERAL AWARDS</b>		<u>\$ 18,181,549</u>

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

1. The Schedule of Expenditures of Federal Awards was prepared on the accrual basis of accounting.
2. The U.S. Department of Agriculture donated commodities to the Needy Family Food Distribution Program totaling \$450,621 for the year ended December 31, 1997.

**John C. Todd, Jr., C.P.A., P/C**

**Justin J. Scanlan, C.P.A.**

**CERTIFIED PUBLIC ACCOUNTANTS  
NEW ORLEANS, LOUISIANA  
504-288-0050 • 504-887-6967**

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

Board of Directors  
Total Community Action, Inc.

We have audited the financial statements of Total Community Action, Inc. as of and for the year ended December 31, 1997, and have issued our report thereon dated May 20, 1998. 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 Total Community Action, Inc.'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.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Total Community Action, Inc.'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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Total Community Action, Inc.'s ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 97-1, 97-2, and 97-3.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all

**MEMBER**

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reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

This report is intended for the information of the audit committee, management, the Legislative Auditor of Louisiana, federal awarding agencies, and pass-through entities. However, this report is a matter of public record, and its distribution is not limited.

New Orleans, Louisiana  
May 20, 1998

*John Todd, Jr. C.P.A.*  
*Quentin J. Scanlon, CPA*

**John C. Todd, Jr., C.P.A., P/C**  
**Justin J. Scanlan, C.P.A.**

**CERTIFIED PUBLIC ACCOUNTANTS**  
**NEW ORLEANS, LOUISIANA**  
**504-288-0050 • 504-887-6967**

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

Board of Directors  
Total Community Action, Inc.

**Compliance**

We have audited the compliance of Total Community Action, Inc. with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" that are applicable to each of its major federal programs for the year ended December 31, 1997. Total Community Action, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompany schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Total Community Action, Inc.'s management. Our responsibility is to express an opinion on Total Community Action, Inc.'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." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Total Community Action, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Total Community Action, Inc.'s compliance with those requirements.

In our opinion, Total Community Action, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 1997.

**Internal Control Over Compliance**

The management of Total Community Action, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Total Community Action, Inc.'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 the internal control over compliance in accordance with OMB Circular A-133.

**MEMBER**

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We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Total Community Action, Inc.'s ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 97-1 and 97-2.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

This report is intended for the information of the audit committee, management, the Legislative Auditor of Louisiana, federal awarding agencies, and pass-through entities. However, this report is a matter of public record, and its distribution is not limited.

New Orleans, Louisiana  
May 20, 1998

*John C. Jode, Jr. C.P.A.*  
*Justin J. Scanlon, CPA*



**TOTAL COMMUNITY ACTION, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the year ended December 31, 1997**

**SUMMARY OF THE AUDITOR'S REPORT**

1. An unqualified opinion was issued on the financial statements of the auditee.
2. Reportable conditions in internal control were disclosed by the audit of the financial statements and such conditions were not deemed material weaknesses.
3. The audit disclosed no instances of noncompliance that were material to the financial statements of the auditee.
4. Reportable conditions in internal control over major programs were disclosed by the audit and such conditions were not deemed material weaknesses.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit disclosed no findings, which are required to be reported under Section 510(a) of Circular A-133.
7. The major program for the year ended December 31, 1997 consists of the following:
  1. Head Start-Full Year Center & Home Based Parent Child Center & Training and Technical Assistance – CFDA No. 93.600
  2. Head Start Targeted Cities – CFDA No. 93.600
  3. Early Head Start – CFDA No. 93.600
  4. Head Start Summer Child Care Program – CFDA No. 93.600
  5. Home Energy Assistance Program – CFDA No. 93.568
  6. Community Services Block Grant – CFDA No. 93.569
  7. Child Care Food Program – CFDA No. 10.558
  8. Needy Family Food Distribution – CFDA No. 10.569
8. The dollar threshold to distinguished between Type A and Type B programs was \$558,965.
9. The auditee did not qualify as a low-risk auditee.

**TOTAL COMMUNITY ACTION, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**

**For the year ended December 31, 1997**

**B. SCHEDULE OF FINDINGS RELATED TO THE FINANCIAL STATEMENTS**

The reportable conditions identified in the course of my testing during the current year consist of the following:

**97-1. Cash**

At December 31, 1997, the cash balances exceeded the FDIC insurance limits. The cash balances were not adequately insured and are subject to credit risk.

Recommend the corporation monitor its cash balances monthly to assure they are adequately insured. If the cash balances exceed the FDIC insurance limits, recommend the financial institution pledge securities with the Federal Reserve System to assure the cash balances are adequately insured.

**97-2. Travel advances**

The corporation has travel advances that are outstanding in excess of 90 days.

Recommend the corporation adhere to its established procedures with respect to travel advances.

**97-3. Note Receivable**

A review of the contractual arrangement noted that Economic Development Unit, Inc. has not provided services in accordance with the terms of the contract.

Recommend the parties meet to discuss the terms of the contractual agreement, and amend the contract to include only those services which Economic Development, Inc. is able to provide.

**TOTAL COMMUNITY ACTION, INC.**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**For the year ended December 31, 1997**

**C. SCHEDULE OF FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS**

The reportable conditions identified in the course of my testing during the current year consist of the following:

**97-1. Cash**

At December 31, 1997, the cash balances exceeded the FDIC insurance limits. The cash balances were not adequately insured and are subject to credit risk.

Recommend the corporation monitor its cash balances monthly to assure they are adequately insured. If the cash balances exceed the FDIC insurance limits, recommend the financial institution pledge securities with the Federal Reserve System to assure the cash balances are adequately insured.

**97-2. Travel advances**

The corporation has travel advances that are outstanding in excess of 90 days.

Recommend the corporation adhere to its established procedures with respect to travel advances.

**TOTAL COMMUNITY ACTION, INC.**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**For the year ended December 31, 1997**

The status of the prior year audit findings consist of the following:

	<u>Resolved</u>	<u>Unresolved</u>	<u>Current Year Finding</u>
1. Travel advances		X	97-2
2. Personnel costs	X		
3. Note receivable-EDU, Inc.		X	97-3
4. Financial Status Report	X		
5. Questioned Costs- Weatherization Program	X		



**TOTAL COMMUNITY ACTION, INC.**  
P. O. BOX 13848 NEW ORLEANS, LOUISIANA 70185

**CORRECTIVE ACTION PLAN**

**CASH - FINDING NO. 97-1.**

A bank official at the financial institution has been instructed to pledge securities directly or indirectly with the Federal Reserve to secure the corporation's cash balances. The cash balances in excess of the FDIC insurance limit will be secured to assure the corporation is not subject to any unforeseen risks.

**TRAVEL ADVANCES - FINDING NO. 97-2.**

All employees are to resolve any outstanding travel advances within 90 days from date of travel. The accounting department will inform all individuals after 60 days from date of advance to assure a timely submission of the travel report.

**NOTE RECEIVABLE - FINDING NO. 97-3.**

The corporation has engaged an attorney to resolve the contract compliance issues. It is expected that the contract issues will be resolved this year.



AN EQUAL OPPORTUNITY EMPLOYER