

In my prior audit for the year ended June 30, 1996, I noted certain matters involving the internal control structure and other operational matters. These matters have been resolved, except those addressed previously in this report.

This report is intended for the information and use of the Board of Directors, management, Legislative Auditors and Grantors. However, this report is a matter of public record and its distribution is not limited.



Neil Carter
Certified Public Accountant

January 10, 1998

2. Cash Disbursements:

While testing cash disbursements, I noted instances of voided checks not available for examination and instances of invoices not paid on time. Additionally, vendors' outstanding balances were not readily available. For proper control over all checks voided checks should be retained and filed properly. Moreover, invoices should be paid on time to avoid penalties and interest, and for proper control over accounts payable balances, a subsidiary ledger should be maintained and updated periodically. Management stated that procedures are already in place and will be monitored closely for strict adherence.

3. Payroll Testing:

In my payroll testing, I noted the following:

1. Instances of rate per payroll register not agreeing with the rate in the personnel folder.
2. An instance of voided check that was selected for examination was not available.
3. Instances of withholdings per payroll register not agreeing with W-2's and instances of current W-4 not available in the personnel folder.
4. Instances of hours shown as worked, vacation, sick or compensatory on the time sheet were not easily traceable to the total of the actual daily hours.
5. Instances of hours shown on time sheet as vacation, sick and compensatory were not correctly posted to the subsidiary ledger.

Although the above indicate errors in procedures already in place, steps should be taken to ensure that all procedures are consistently followed. Management indicated that periodic reviews will be conducted to ensure compliance with prescribed procedures and responsible employees will be periodically retrained.

I wish to thank the staff of Southern Community Development Corporation for their support and assistance during my audit.

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

CERTIFIED PUBLIC ACCOUNTANT

P.O. Box 3366

New Orleans, Louisiana 70116

Phone: (504) 581-8997

MEMORANDUM

Attention: Attention of Certified Public Accountant

Board of Directors
Southern Community Development Corporation

In planning and performing my audit of the financial statements of Southern Community Development Corporation, hereinafter SCDC (a nonprofit organization), for the year ended June 30, 1997, I considered the Corporation's internal control structure to plan my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control structure.

However, during my audit, I noted certain matters involving the internal control structure and other operational matters that are presented for your consideration. I previously reported on the Corporation's internal control structure in my report dated January 18, 1998. This letter does not affect my report dated January 10, 1998 on the financial statements of SCDC. I will review the status of these comments during my next audit engagement. My comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control structure or result in other operating efficiencies. I will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. My comments are summarized as follows:

1. Bank Reconciliations:

For my examination of bank reconciliations, I noted instances that checks outstanding for a period of time were not investigated to ascertain its current status. Outstanding checks should be reviewed periodically and investigated if outstanding for a period of time. Management indicated that the above recommendations will be implemented.

SOUTHERN COMMUNITY DEVELOPMENT CORPORATION
(A Non-Profit Corporation)

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SOUTHERN COMMUNITY DEVELOPMENT CORPORATION
NEW ORLEANS, LOUISIANA

MANAGEMENT LETTER
FOR THE YEAR ENDED JUNE 30, 1997

ASIF GAFUR MBA, MS
CERTIFIED PUBLIC ACCOUNTANT

441 Rue Poydras
New Orleans, Louisiana 70112
Phone (504) 584-9338

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Account Administrator
Legislative Affairs
By *Asif Gafur*

SOUTHERN COMMUNITY DEVELOPMENT CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 1997

All Programs

5. *Timely Completion of the Audit of the Financial Statements*

The audit was not completed within a six month period of the close of the fiscal year as required by state laws.

To achieve the objective that an audit be completed within six months of the close of its fiscal year, SCDC should engage the auditor and provide him, in a timely manner, with all requested information that is accurate and substantiated.

SOUTHERN COMMUNITY DEVELOPMENT CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 1997

State of Louisiana - Governor's Office of Urban Affairs and Development

4. Cost Report Account Balances

For my examination, I noted that the cost report account balances did not agree with amounts per general ledger. The differences were as follows:

Description	Per Cost Report	Per General Ledger	Difference
Salaries	\$ 57,020	\$ 61,422	\$ 4,401
Fringe benefits	5,326	5,245	80
Other support costs	10,082	14,442	4,359
Total	\$ 72,428	\$ 81,109	\$ 8,681

The above resulted from cost report account balances not reconciled periodically with the general ledger account balances. I recommend that cost report account balances periodically be reconciled to the general ledger account balances.

SOUTHERN COMMUNITY DEVELOPMENT CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 1997

State of Louisiana - Governor's Office of Urban Affairs and Development

3. Excess Reimbursed Amount

For my examination, I noted that the amount funded by Governor's Office of Urban Affairs and Development exceeded the total costs per general ledger by \$5,554. The difference was compared as follows:

Total Per General Ledger	Funded Amount	Difference
\$ 81,429	\$ 86,983	\$ 5,554

The above could have resulted from not periodically comparing actual expenses to budgeted. I recommend that actual expenses should be periodically compared to budgeted.

SOUTHERN COMMUNITY DEVELOPMENT CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 1997

State of Louisiana - Shelter Care Assistance Program

2. Excess Reimbursed Account

Per my examination, I noted that the amount reimbursed by the Department of Corrections to SCDC exceeded the total cost per general ledger by \$2,810. The excess amount was computed as follows:

Description	General Ledger <u>Amount</u>
Personnel	\$ 128,738
Fringe benefits	10,885
Personnel travel	180
Operating services	\$1,404
Operating supplies	17,282
Professional services	9,000
Other	<u>488</u>
Total	\$ 247,907
 Amount reimbursed - Department of Corrections	 250,717
Difference	\$ <u>2,810</u>

The above resulted from cost report amounts not periodically reconciled to the general ledger amounts. I recommend that cost report amounts be periodically reconciled to the general ledger balances to ensure accuracy of the cost report.

SOUTHERN COMMUNITY DEVELOPMENT CORPORATION
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 JUNE 30, 1997

State of Louisiana - Shelter Care Assistance Program

1. Cost Report Account Balances

For my examination, I noted that cost report account balances did not agree with amounts per general ledger. The differences were as follows:

Description	Per Cost Report	Per General Ledger	Difference
Personnel	\$ 128,738	\$ 128,738	\$ 0-
Fringe benefits	12,111	10,885	1,226
Personnel travel	385	399	185
Operating services	81,953	81,414	2,559
Operating supplies	16,295	17,282	(987)
Professional services	3,528	3,810	(92)
Other	282	488	(206)
Total	\$ 250,682	\$ 247,917	\$ 2,775

The above resulted from cost report account balances not reconciled periodically with the general ledger account balances. I recommend that cost reports account balances periodically be reconciled to the general ledger account balances.

This report is intended for the information of the Board of Directors, management, Legislative Auditor and grantors. However, this report is a matter of public record, and its distribution is not limited.



Neil Carter
Certified Public Accountant

January 30, 1998

ASIF GAFUR, M.B.A., M.S.
CERTIFIED PUBLIC ACCOUNTANT
J.D. Box 7190
New Orleans, Louisiana 70114
Phone (504) 281-8122

MEMPHIS
Division of Finance of Certified Public Accountants

Schedule I

**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH THE GENERAL REQUIREMENTS
APPLICABLE TO STATE AWARD PROGRAMS**

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, 1997, and have issued my report thereon dated January 16, 1998.

I have applied procedures to test SCDC's compliance with the following requirements applicable to its state programs, which are identified in the schedule of state awards, for the year ended June 30, 1997. The general requirements tested were as follows: Political activity, civil rights, cash management, allowable cost/cost principles, drug-free workplace.

My procedures were limited to the applicable procedures described in the Office of Management and Budget's "Compliance Supplement for Audits of Institutions of Higher Learning and Other Non-Profit Institutions". My procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on SCDC's compliance with the requirements listed in the preceding paragraph. Accordingly, I do not express such an opinion.

With respect to the items tested, the results of my procedures disclosed no material instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to my attention that caused me to believe that SCDC had not complied, in all material respects, with those requirements. However, the results of my procedures disclosed incidental instances of noncompliance with those requirements, which are described in the accompanying Schedule of Findings and Questioned Costs.



Asif Qadir
Certified Public Accountant

January 18, 1988

SCAP. In my opinion, compliance with the requirement is necessary.

Shelter Care Assistance Program

1. Prior Year Account Expenses Still Outstanding

Payments on some of the accrued expenses for fiscal year ending June 30, 1990, June 30, 1991 and June 30, 1992 are still outstanding. Payments of \$2,825, \$17,250 and \$17,600 are still outstanding from June 30, 1990, June 30, 1991 and June 30, 1992 respectively (See Note 6 to the financial statements).

Management stated that the above are allowable costs and have not been paid because an audit for the Department of Corrections considered them as unallowable costs, and an over-billing of these costs by SCDC to Department of Corrections. The Department of Corrections, based on the audit, was deducting \$1,187, including interest, from the monthly reimbursement to SCDC. This deduction from the monthly reimbursement also made it financially difficult for SCDC to pay these payables. SCDC plans to negotiate these outstanding amounts and settle the debts.

In addition, the results of my audit procedures disclosed immaterial instances of noncompliance with the requirements referred to in the second paragraph, which are described in the accompanying Schedule of Findings and Questioned Costs. I considered these instances of noncompliance in forming my opinion on compliance, which is expressed in the following paragraph.

In my opinion, except for these instances of noncompliance with the requirements applicable to the Shelter Care Assistance Program referred to in the fourth paragraph of this report and identified in the accompanying Schedule of Findings and Questioned Costs, SCDC complied, in all material respects, with the specific requirements referred to in the second paragraph that are applicable to each of its state programs identified in the schedule of state audits for the year ended June 30, 1992.

In my prior audit for the year ended June 30, 1990, I reported findings relating to the Shelter Care Assistance Program. These matters have been resolved, except those previously addressed in this report.

I noted certain other matters involving the operations of SCDC that I have reported to the Board of Directors of SCDC in a separate letter dated January 10, 1998.

This report is intended for the information of the Board of Directors, management, Legislative Auditor and guardians. However, this report is a matter of public record, and its distribution is not limited.

ASIF GAFUR, M.B.A., M.S.
CERTIFIED PUBLIC ACCOUNTANT
P.O. Box 798
New Orleans, Louisiana 70188
Phone: (504) 591-8282

MEMBER

(American Institute of Certified Public Accountants)

Schedule B

**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH SFERS (FIC) REQUIREMENTS APPLICABLE
TO STATE AWARD PROGRAMS**

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, 1993, and have issued my report thereon dated January 10, 1998.

I have also audited SCDC's compliance with the requirements governing types of services allowed or not allowed, eligibility, reporting, claims for advances and reimbursements that are applicable to each of its state programs, which are identified in the schedule of state awards, for the year ended June 30, 1993. The management of SCDC is responsible for the corporation's compliance with these requirements. My responsibility is to express an opinion on compliance with those requirements based on my audit.

I conducted my audit of compliance with these requirements in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and the Office of Management and Budget (OMB) Circular A-133, "Audit of Institutions of Higher Education and Other Nonprofit Institutions". These standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the corporation's compliance with those requirements. I believe that my audit provides a reasonable basis for my opinion.

The results of my audit procedures for Shelter Care Assistance Program, hereafter SCAP, indicated that payments by SCAP are not recoverable under any other contract or agreement. However, my audit procedures disclosed that the corporation did not comply with the following requirement of

I considered these instances of noncompliance in forming my opinion on whether SCDC's June 30, 1997 financial statements are presented fairly, in all material aspects, in conformity with generally accepted accounting principles, and this report does not affect my report dated January 10, 1998, on those financial statements.

I noted certain other matters involving the operation of SCDC that I have reported to the Board of Directors of SCDC in a separate letter dated January 10, 1998.

This report is intended for the information of the Board of Directors, management, Legislative Auditor and grantors. However, this report is a matter of public record, and its distribution is not limited.



Asif Gafar
Certified Public Accountant

January 10, 1998

ASIF GAFUR, M.B.A., M.S.
CERTIFIED PUBLIC ACCOUNTANT
P.O. Box 154
New Orleans, Louisiana 70116
Phone: (504) 584-9999

MEMBER
American Institute of Certified Public Accountants

Schedule 4

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Directors
Southern Community Development Corporation

I have audited the financial statements of Southern Community Development Corporation, hereinafter SCDC (a nonprofit corporation), as of and for the year ended June 30, 1997, and have issued my report thereon dated January 10, 1998.

I conducted my audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. These standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to SCDC is the responsibility of SCDC's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed tests of SCDC's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of my audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, I do not express such an opinion.

The results of my tests disclosed the following instances of noncompliance that are required to be reported herein under Government Auditing Standards for which the ultimate resolution cannot presently be determined. Accordingly, no provision for any liability that may result has been recognized in SCDC's June 30, 1997 financial statements. The reportable noncompliance findings are described in the accompanying Schedule of Findings and Questioned Costs.

This report is intended for the information of the Board of Directors, management, Legislative Audit and grantors. However, this report is a matter of public record, and its distribution is not limited.



Axl Geller
Certified Public Accountant

January 10, 1998

b. Specific Requirements:

1. Types of services allowed or not allowed
2. Eligibility
3. Reporting
4. Claims for advances and reimbursements

For all of the internal control structure categories listed above, I obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and I assessed control risk.

During the year ended June 30, 1997, SCDC expended 100% of its total state awards under state programs identified in the schedule of state awards.

I performed tests of controls, as required by CMB Circular A-133, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that I considered relevant to preventing or detecting material noncompliance with specific requirements and general requirements, that are applicable to each of the corporation's state programs, which are identified in the schedule of state awards. My procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, I do not express such an opinion.

My consideration of the internal control structure policies and procedures used in administering state programs identified in the schedule of state awards would not necessarily disclose all matters in the internal control structure that might constitute material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a state program 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 structure and its operation that I consider to be material weaknesses as defined above.

I noted certain matters involving the internal control structure and its operation that I have reported to the Board of Directors of SCDC in a separate letter dated January 30, 1998.

absolute assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are recorded in accordance with management's authorizations and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles, and that state awards programs identified in the schedule of state awards are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, I have classified the significant internal control structure policies and procedures used in administering state programs identified in the schedule of state awards in the following categories:

Internal Accounting Controls

Cash

Support, receivables and receipts

Service fees, revenues and receivables

Expenses for program and supporting services and accounts payable

Payroll and related liabilities

Fixed Assets

Debt and other liabilities

Fund balance

Internal Administrative Controls

Governmental Financial Assistance Programs

a. General Requirements

1. Political activity
2. Civil rights
3. Cash management
4. Allowable cost/cost principles
5. Drug-Free Workplace Act

ASIF GAFUR, M.B.A., M.S.
CERTIFIED PUBLIC ACCOUNTANT
P.O. Box 1544
New Orleans, Louisiana 70110
Phone: (504) 241-6828

MEMBER
American Institute of Certified Public Accountants

Schedule J

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
STRUCTURE USED IN ADMINISTERING STATE AWARDS**

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, 1997, and have issued my report thereon dated January 10, 1998.

I conducted my audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions". These standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing my audit of SCDC for the year ended June 30, 1997, I considered the internal control structure in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements of SCDC and to report on the internal control structure in accordance with OMB Circular A-133. This report addresses my consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to state programs identified in the schedule of state awards. I have addressed internal control structure policies and procedures relevant to my audit of the financial statements in a separate report dated January 10, 1998.

The management of SCDC is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not

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

CERTIFIED PUBLIC ACCOUNTANT

P.O. Box 1588

New Orleans, Louisiana 70181

Phone: (504) 581-8828

MEMBER

American Institute of Certified Public Accountants

Schedule J

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
STRUCTURE BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Southern Community Development Corporation

I have audited the financial statements of Southern Community Development Corporation, hereinafter SCDC (a nonprofit corporation), as of and for the year ended June 30, 1997 and have issued my report thereon dated January 10, 1998.

I conducted my audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. These standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of SCDC is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

SOUTHERN COMMUNITY DEVELOPMENT CORPORATION
 SCHEDULE OF STATE AWARDS
 FOR THE YEAR ENDED JUNE 30, 1997

<u>Grantor/ Program Title</u>	<u>State Grant #</u>	<u>Disbursements/ Expenditures</u>
Louisiana Department of Public Safety and Corrections		
Shelter Care Assistance Program	481-556-7	\$280,792
Total		<u>\$280,792</u>

- * The above amount includes disbursements disallowed and not reimbursed by Department of Corrections, such as interest and certain other charges.



Aul Clarke
Certified Public Accountant

January 10, 1968

ASIF GAFUR, M.B.A., M.S.
CERTIFIED PUBLIC ACCOUNTANT
P.O. Box 708
New Orleans, Louisiana 70181
Phone: (504) 261-8148

MEMBER
American Institute of Certified Public Accountants

Schedule I

**INDEPENDENT AUDITOR'S REPORT ON
SCHEDULE OF STATE AWARDS**

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, 1991 and have issued my report thereon dated January 10, 1992. These financial statements are the responsibility of SCDC's management. My responsibility is to express an opinion on these basic financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-133, "Audit of Institutions of Higher Education and Other Nonprofit Institutions". These standards and OMB Circular A-133 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 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.

My audit was conducted for the purpose of forming an opinion on the basic financial statements of SCDC taken as a whole. The accompanying Schedule of State Awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information in this schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

considered overbilling, by an audit performed by the Department of Corrections, and this amount was recorded as a liability in the prior year's financial statements (see Notes 4 and 5). However, Department of Corrections has not yet notified SCDC if they have included these reimbursed expenses in the past liability to them.

Note 7:

Interprogram Balances

SCDC interprogram receivable and payable balances are as follows as of June 30, 1987:

Program	Bal. (Cat)
Norman House	\$ (1,087)
Thompson	(1,349)
SCVP	(27,127)
Day Care	(3,811)
Administrative 92/93	444
Administrative and Youth Drug and Crime Prevention	33,612
Total	\$ 9,318

This balance of \$9,318 is owed to the unrestricted net assets.

Note 8:

Leasing Arrangement

The corporation leases its buildings from Lower 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 1983.

Rent expenses on buildings and notes for the year ended June 30, 1987 was \$70,668.

Program. The audit was for the period July 1, 1990 through April 30, 1992.

In fiscal year 96/97, SCDC paid \$13,923 of the assessed amount to the Department of Corrections. The payment was in monthly installments of \$1,167.74 including interest at 7 percent. The assessed amount was completely paid in fiscal year 96/97. Consequently SCDC does not have any future obligations.

Note 3:

Deficit

SCDC has \$58,515 of cumulative deficit. This deficit resulted from reductions in grants of Thompson House, Norman House and Day Care Program for fiscal year ending June 30, 1991 and June 30, 1992. Additionally, all prior year expenses incurred by SCAP were not reimbursed by the Department of Corrections, and in FY 92/93, Department of Corrections disallowed \$99,688 of prior period reimbursed expenses (See Note 4). Department of Corrections asserts that these expenses were not in compliance with the stipulations in the contract. The operating results of the programs for fiscal year ending June 30, 1997 were as follows:

Program	Excess (Deficiency)	
Norman House	\$ 17,563	
Thompson House	(5,799)	
SCAP	928	
Youth Drop and Crime Prevention	5,554	
General	(94)	
	<hr/>	
Total	<u>\$18,502</u>	Net Deficiency

This deficiency for FY 96/97 is included in the cumulative deficit.

Note 4:

Contingencies

SCDC was reimbursed for accrued expenses for fiscal year ending June 30, 1990, June 30, 1991 and June 30, 1992. The payments on these expenses are still outstanding from June 30, 1990, June 30, 1991 and June 30, 1992. SCDC asserts the expenses were for appropriate program needs. The possible outcome of this matter is uncertain at this time.

Accordingly, no provision for any liability to the Department of Corrections for these reimbursed accrued expenses has been made in the financial statements. SCDC asserts the reimbursement on these expenses has been

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 support, revenue and expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

6. Vacation and Sick Leave

SCDC employees earn three hours of vacation time and four hours of sick leave each pay period. Vacation and sick 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.

Note 3:

Grants Receivable

It consisted of amounts due from grantors at June 30, 1991. Grant revenues for the various programs for the fiscal year ended June 30, 1993 were as follows:

<u>Program</u>	<u>Amount</u>
Therapist Honor	\$108,549
Norman Honor	110,723
Youth Drug and Crime Prevention	88,583
SCAP	250,728

Total	<u>\$558,583</u>

Note 4:

Due to Grantor

An audit performed for the Department of Corrections, indicated SCDC has overbilled Department of Corrections \$99,604 for the Shelter Care Assistance

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.

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 \$652.

SOUTHERN COMMUNITY DEVELOPMENT CORPORATION
Notes to Financial Statements
June 30, 1997

Note 3: **Background and General Data**

Southern Community Development Corporation, hereinafter 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 98% home ownership, most people in this district are poor and desperately need the services provided by SCDC.

During the year ended June 30, 1997, 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 Home**

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 Home**

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.

SOUTHERN COMMUNITY DEVELOPMENT CORPORATION
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 1997

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ (8,567)
Adjustments to reconcile net cash provided by operating activities:	
Depreciation expense	653
Changes in operating assets and liabilities:	
Grants receivable	16,691
Accounts payable	1,578
Taxes payable and other	3,870
Accrued expenses and other payables	4,482
Net cash provided by operating activities	<u>15,728</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Payment on note payable	(16,002)
Net cash used in investing activities	<u>(16,002)</u>
Net decrease in cash	(284)
Cash, beginning of period	364
Cash, end of period	<u>\$ <u>-0-</u></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, 1977**

	Program Income		Supportive Services			Total Expenses
	Therapy & Medical	Total	Management & General	Facility & Household	Business	
Salaries	\$ 126,487	\$ 246,548	\$ 83,364	\$ -	\$ 6,679	\$ 136,112
fringe Benefits	21,417	11,647	1,258	-	19	23,331
Payroll Taxes	-	-	-	-	-	-
Accounts	-	-	-	-	-	-
Bank Charge	-	-	712	-	-	712
Chair Allowance	-	-	3,659	-	-	3,659
Dent & Subscriptions	-	-	15,536	-	-	15,536
Depreciation	-	-	175	-	-	175
Education & Training	-	-	652	-	-	652
Ethical	-	-	685	-	-	685
Excavation	-	-	1,035	-	-	1,035
Insurance	-	-	-	25,450	-	25,450
Laundry & Permits	-	-	849	-	-	849
Miscellaneous	-	-	339	11	-	350
Professional Fees	-	-	26,425	-	-	26,425
Rental - Building & Auto	-	-	12,280	50,688	-	62,968
Repairs & Maintenance	-	-	-	4,263	-	4,263
Supplies	-	-	67	-	30,185	30,252
Fuel	-	-	-	4,551	-	4,551
Heating	-	-	-	19	-	19
Medical	-	-	34	-	-	34
Office	-	-	3,092	268	-	3,360
Other	-	-	828	-	-	828
Telephone	-	-	3,179	4,454	-	7,633
Utilities	-	-	-	19,528	-	19,528
TOTAL EXPENSES	\$ 222,086	\$ 271,029	\$ 128,265	\$ 24,686	\$ 36,411	\$ 289,362

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, 1997

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue			
Support			
Grants	\$ 0	\$ 357,343	\$ 357,343
Total support	0	357,343	357,343
Revenue			
Rent	0	23,119	23,119
Total revenue	0	23,119	23,119
Total support and revenue	0	380,462	380,462
Expenses			
Program services			
Therapeutic and medical	0	377,098	377,098
Total program services	0	377,098	377,098
Supporting services			
Management and general	84	148,308	148,308
Facility and household	0	124,809	124,809
Dietary	0	39,811	39,811
Total supporting services	84	311,928	311,928
Total expenses	84	688,926	688,926
Change in net assets	(84)	(18,471)	(18,555)
Net assets July 1, 1996	3,412	486,762	490,174
Net assets June 30, 1997	\$ 3,328	\$ 468,291	\$ 471,619

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

SOUTHERN COMMUNITY DEVELOPMENT CORPORATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 1997

	Net Assets		
	Unrestricted	Temporarily Restricted	Total
Assets			
Current Assets			
Grants receivable (b) of fees (Note 3)	\$ -0-	\$ 41,973	\$ 41,973
Due from restricted funds	<u>9,318</u>	<u>-0-</u>	<u>9,318</u>
Total current assets	9,318	41,973	51,291
Fixed Assets			
Equipment	-0-	3,361	3,361
Less: Accumulated depreciation	<u>-0-</u>	<u>(1,688)</u>	<u>(1,688)</u>
Fixed assets, net	<u>-0-</u>	<u>1,673</u>	<u>1,673</u>
Total assets	<u>\$ 9,318</u>	<u>\$ 43,646</u>	<u>\$ 52,964</u>
Liabilities and Net Assets			
Liabilities			
Current Liabilities			
Accounts payable and other	\$ -0-	\$ 82,836	\$ 82,836
Accrued liabilities	-0-	16,978	16,978
Due to unrestricted fund	-0-	9,318	9,318
Taxes payable and other	<u>-0-</u>	<u>4,565</u>	<u>4,565</u>
Total current liabilities	-0-	113,737	113,737
Net Assets			
Unrestricted	9,318	-0-	9,318
Temporarily restricted	<u>-0-</u>	<u>(58,235)</u>	<u>(58,235)</u>
Total net assets	<u>9,318</u>	<u>(58,235)</u>	<u>(58,917)</u>
Contingencies (Note 6)			
Total liabilities and net assets	<u>\$ 9,318</u>	<u>\$ (58,235)</u>	<u>\$ (58,917)</u>

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

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

CERTIFIED PUBLIC ACCOUNTANT

P.O. Box 3588

New Orleans, Louisiana 70118

Phone: (504) 835-4328

MSMB09

Successor Journal of Certified Public Accountants

INDEPENDENT AUDITORS' 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, 1991, 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, Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions." These standards and OMB Circular A-133 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 significant estimates made by management, as well as evaluating the overall financial statements 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, 1991, 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 January 10, 1992, on my consideration of the corporation's internal control structure and a report dated January 10, 1992 on its compliance with laws and regulations.



Asif Gafur
Certified Public Accountant

January 10, 1992

SOUTHERN COMMUNITY DEVELOPMENT CORPORATION
(A Non-Profit Corporation)

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SOUTHERN COMMUNITY DEVELOPMENT CORPORATION
NEW ORLEANS, LOUISIANA

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AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1997

ASIF GAFUR MBA, MS
CERTIFIED PUBLIC ACCOUNTANT

101 New P&GE

New Orleans, Louisiana 70006

Phone (504) 581-4330

Under provisions of state law, this report is a public document. A copy of this report has been submitted to the auditor, or reviewed, orally 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: Aug 01, 2000