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**UNIVERSITY COMMUNITY DEVELOPMENT
CORPORATION OF LOUISIANA**

PARISH CLERK OF COURT

LSA-RS 24:516 provides that this report shall be available for public inspection for a period of not less than one year from the date of receipt.

Legislative Auditor

FINANCIAL AND COMPLIANCE AUDIT

TOGETHER WITH

INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED DECEMBER 31, 1998 AND 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.

**Bruno
& Tervalon**

CERTIFIED PUBLIC ACCOUNTANTS

Release Date AUG 11 1999

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& Tervalon

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

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, 1998 and 1997, 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.

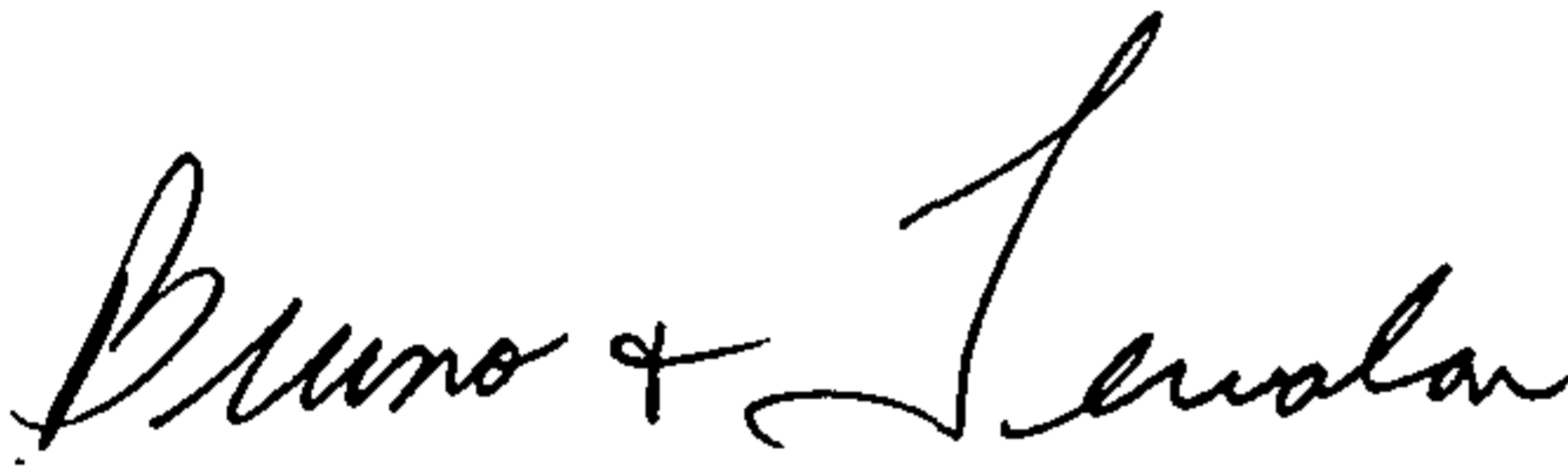
We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain 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 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 **University Community Development Corporation of Louisiana** as of December 31, 1998 and 1997, 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 25, 1999 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
CERTIFIED PUBLIC ACCOUNTANTS

June 25, 1999

**UNIVERSITY COMMUNITY DEVELOPMENT
CORPORATION OF LOUISIANA
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 1998 AND 1997**

ASSETS

	<u>1998</u>	<u>1997</u>
Assets:		
Cash and due from banks	\$173,349	\$ 24,955
Certificate of Deposit	70,727	67,940
Accrued interest on loans	2,168	-0-
Loans receivable, net of allowance for loans losses of \$1,400 (NOTE 2)	227,446	-0-
Real estate held for sale (NOTE 4)	250,340	173,441
Office furniture and equipment, net	13,211	336
Other assets	<u>17</u>	<u>17</u>
Total assets	<u>\$737,258</u>	<u>\$266,689</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable and accrued expenses	\$ 2,577	\$ 1,253
Federal borrowed funds	367,250	-0-
Notes payables	<u>179,441</u>	<u>86,708</u>
Total liabilities	<u>549,268</u>	<u>87,961</u>
CONTINGENCIES (NOTE 7)		
Net Assets:		
Unrestricted	<u>187,990</u>	<u>178,728</u>
Total net assets	<u>187,990</u>	<u>178,728</u>
Total liabilities and net assets	<u>\$737,258</u>	<u>\$266,689</u>

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

**UNIVERSITY COMMUNITY DEVELOPMENT
CORPORATION OF LOUISIANA
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997**

	<u>1998</u>	<u>1997</u>
Revenues and Support:		
Grant revenue	\$ 51,560	\$ 230,713
Interest income on loans	15,110	-0-
Gain on sale of assets	64,577	8,602
Other revenue income	<u>4,040</u>	<u>3,703</u>
Total revenue and support	<u>135,287</u>	<u>243,018</u>
Expenses:		
Salaries	68,429	51,207
Employees' benefits	6,723	5,977
Professional fees	10,972	1,225
Occupancy	5,315	1,460
Supplies	167	1,248
Buildings supplies and maintenance	8,537	-0-
Insurance	3,470	917
Other expenses	3,450	2,094
Interest on borrowed funds	5,875	343
Taxes and penalties	7,401	-0-
Depreciation expense	4,286	-0-
Provisions for possible loan losses	<u>1,400</u>	<u>-0-</u>
Total expenses	<u>126,025</u>	<u>64,471</u>
Change in net assets	9,262	178,547
Net assets at beginning of year	<u>178,728</u>	<u>181</u>
Net assets at end of year	<u>\$187,990</u>	<u>\$178,728</u>

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

UNIVERSITY COMMUNITY DEVELOPMENT
CORPORATION OF LOUISIANA
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

	<u>1998</u>	<u>1997</u>
Operating Activities:		
Change in net assets	\$ 9,262	\$178,547
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	4,286	-0-
Provision for possible loan losses	1,400	-0-
Gain on sale of real estates	(64,577)	(8,602)
(Increase) in accrued interest on loans	(2,168)	-0-
Increase in accounts payable and accrued expenses	<u>1,324</u>	<u>1,253</u>
Net cash provided (used) by operating activities	<u>(50,473)</u>	<u>171,198</u>

(CONTINUED)

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

**UNIVERSITY COMMUNITY DEVELOPMENT
CORPORATION OF LOUISIANA**
STATEMENT OF CASH FLOWS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

	<u>1998</u>	<u>1997</u>
Investing Activities:		
Purchase of investment	\$ (2,787)	\$(67,940)
Acquisitions and renovations of real estates held for sales	(476,922)	(169,682)
Sales of real estates	464,600	69,900
Acquisition of office equipment	(17,161)	(336)
Loans originated during the year	(241,000)	-0-
Loan repayments during the year	<u>12,154</u>	<u>-0-</u>
Net cash used in investing activities	<u>(261,116)</u>	<u>(168,058)</u>
Financing Activities:		
Payments on notes payable	(152,762)	(42,846)
Proceeds from Federal borrowed funds	367,250	-0-
Proceeds from notes payable	<u>245,495</u>	<u>64,480</u>
Net cash provided by financing activities	<u>459,983</u>	<u>21,634</u>
Net increase in cash and due from banks	148,394	24,774
Cash and due from banks at the beginning of period	<u>24,955</u>	<u>181</u>
Cash and due from banks at the end of period (NOTE 1)	<u>\$173,349</u>	<u>\$ 24,955</u>
Supplemental Data:		
Interest paid	\$ <u>5,875</u>	\$ <u>343</u>

The accompanying notes are an integral part of the 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.

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.

NOTE 2 - Loans Receivable:

At December 31, 1998, loans receivable consisted of business and mortgage loans with 10 % interest rate and maturity dates through March 20, 2013.

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

NOTE 2 - Loans Receivable, Continued:

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

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

	<u>Amount</u>
Business	\$ 211,397
Mortgage	<u>17,449</u>
Total loans	228,846
Allowance for possible loan losses	<u>(1,400)</u>
	\$ <u>227,446</u>

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

	<u>Amount</u>
Balance at January 1, 1998	\$ -0-
Provision for loan losses	<u>1,400</u>
Balance at December 31, 1998	\$ <u>1,400</u>

UCDC-LA had no loan receivable at December 31, 1997.

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

NOTE 3 - Office Furniture and Equipment:

At December 31, 1998 and 1997, office furniture and equipment consisted of the following:

	<u>1998</u>	<u>1997</u>
Office furniture	\$ 8,492	\$ -0-
Office equipment	<u>9,005</u>	<u>336</u>
Sub-total	17,497	336
Less: accumulated depreciation	<u>(4,286)</u>	<u>-0-</u>
Office furniture and equipment, net	<u>\$13,211</u>	<u>\$336</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 four (4) single-family homes and one-to-four family residential properties at December 31, 1998 and 1997 for a total cost of \$250,340 and \$173,441 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 - Notes Payable:

A summary of the notes payable as of December 31, 1998 and 1997 is as follows:

	<u>1998</u>	<u>1997</u>
10 %, note payable in monthly installments of \$128 including principal and interest, through 2003, secured.	\$ 5,317	\$ -0-
10 %, note payable in monthly installments of \$56 including principal and interest, through 2013, secured.	5,090	-0-
10 %, note payable in monthly installments of \$119 including principal and interest, through 20313, secured.	10,793	-0-
8% short-term notes payable to a bank due on various dates expected to be refinanced, secured.	<u>158,241</u>	<u>86,708</u>
Total	\$ <u>179,441</u>	\$ <u>86,708</u>

Scheduled maturities of notes payable at December 31, 1998, are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
1999	\$ 159,781
2000	1,702
2001	1,879
2002	2,075
2003	1,739
Thereafter	<u>12,265</u>
	\$ <u>179,441</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 \$1,000,00 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, 1998 and 1997, UCDC-LA has outstanding balances of \$367,250 and \$-0-, respectively.

Scheduled maturities of borrowed funds at December 31, 1998, are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
1999	\$ -0-
2000	42,450
2001	42,450
2002	42,450
2003	42,450
Thereafter	<u>197,450</u>
	<u>\$ 367,250</u>

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

NOTE 7 - 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>
1999	\$1,908
2000	1,908
2001	1,908
2002	<u>1,128</u>
Total minimum rental payments	<u>\$6,852</u>

UCDC-LA occupied a rent-free space in a building of a bank. The management is in the process of executing a lease agreement.

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

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

NOTE 7 - Contingencies and Commitments, Continued:

Loan Commitments, Continued

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.

NOTE 8 - 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 9 - 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 10 - Grant Awards:

At December 31, 1998 and 1997, 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, 1998</u>		
Intermediary Relending Program	Federal	<u>\$367,250</u>
Community Based Housing Programs/Cooperative Endeavor Agreement pass- through Southern University- Administrative Housing		43,322 <u>8,238</u>
Total state grants		\$ <u>51,560</u>
<u>December 31, 1997</u>		
Community Based Housing Programs/Cooperative Endeavor Agreement pass- through Southern University- Administrative Housing	State	\$ 74,443 <u>156,270</u>
Total state grants		\$ <u>230,713</u>

SUPPLEMENTARY DATA

& Tervalon

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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)** for the years ended December 31, 1998 and 1997, appears on Page 1. That 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
CERTIFIED PUBLIC ACCOUNTANTS

June 25, 1999

SCHEDULE I

UNIVERSITY COMMUNITY DEVELOPMENT
CORPORATION OF LOUISIANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 1998 AND 1997

<u>GRANTOR/ PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>AMOUNT OUTSTANDING</u>
<u>DEPARTMENT OF AGRICULTURE</u>		
Direct Program: Intermediary Relending Program	10.439	<u>\$367,250</u>

See Accompanying Independent Auditors' Report and Notes to Financial Statements.

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.

4) At December 31, 1997, **UCDC-LA** did not draw on the amount approved.

& 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 years ended December 31, 1998 and 1997 and have issued our report thereon dated June 25, 1999. 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.

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 audits 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. 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 judgement, could adversely affect UCDC-LA'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 #98-1 through #98-2.

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

We noted other matters involving the internal control over financial reporting that we have reported to management of UCDC-LA in a separate letter dated June 25, 1999.

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
CERTIFIED PUBLIC ACCOUNTANT

June 25, 1999

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 years ended December 31, 1998 and 1997. 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 audits 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 audits provide a reasonable basis for our opinion. Our audits 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 years ended December 31, 1998 and 1997. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reportable in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as Item #98-1 through #98-2.

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

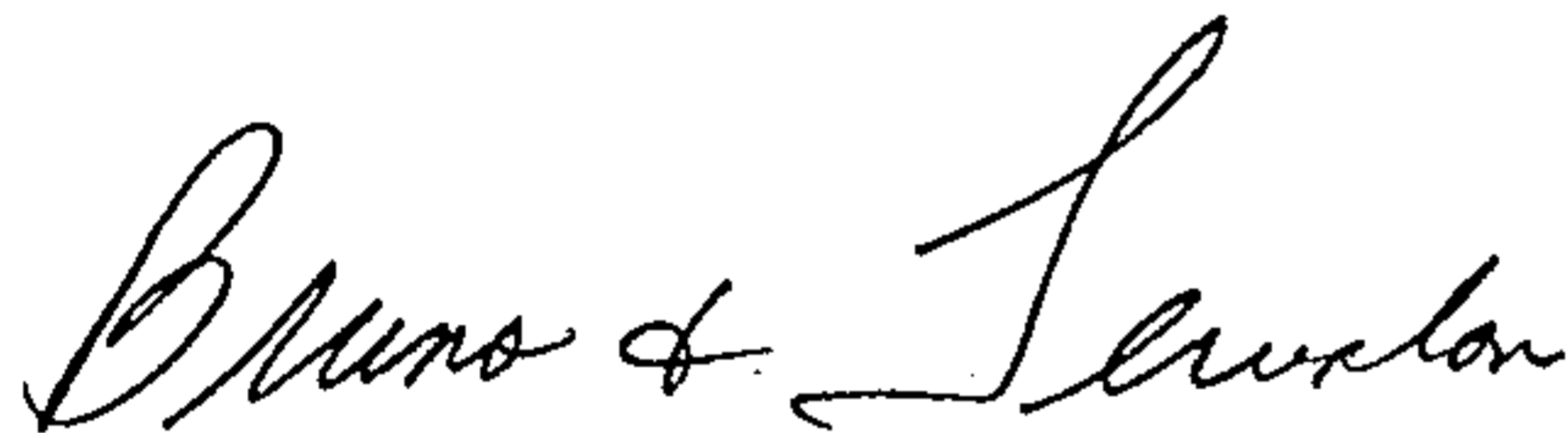
We noted certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect UCDC-LA's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as items #98-1 through 98-2

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 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. Our consideration of the internal control over compliance 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 the reportable condition described above is not a material weakness.

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

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 25, 1999

**UNIVERSITY COMMUNITY DEVELOPMENT
CORPORATION OF LOUISIANA**
SUMMARY OF THE INDEPENDENT AUDITORS' RESULTS AND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

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 YEARS ENDED DECEMBER 31, 1998 AND 1997

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

 X yes no

Identification of major program:

CFDA Number

10-439

Name of Federal Program

Intermediary Relending Program

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

\$300,000

Auditee qualified as low-risk auditee:

 X yes no

**UNIVERSITY COMMUNITY DEVELOPMENT
CORPORATION OF LOUISIANA**
SUMMARY OF THE INDEPENDENT AUDITORS' RESULTS AND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

Section II - Financial Statements Findings

Finding #98-1 UNRECONCILED CASH ITEMS

During our audit of cash transactions, we noted instances whereby the balances appearing on the bank reconciliations were not in agreement with the balances on the general ledger. These differences took a lot of time before they could be finally resolved by the UCDC's accountant.

Management should evaluate internal accounting control over cash transactions on an on-going basis to eliminate the possibility of future occurrence of the above condition.

Management Response:

The problem is noted, and monthly reconciliations and review will be implemented to eliminate future occurrences.

**UNIVERSITY COMMUNITY DEVELOPMENT
CORPORATION OF LOUISIANA**
SUMMARY OF THE INDEPENDENT AUDITORS' RESULTS AND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

Finding #98-2 ACCOUNT CODING AND CLASSIFICATION

We noted some instances of erroneous coding and account misclassifications on the financial records provided to us during our audits. As a result of this condition, we proposed several adjusting and reclassification entries to properly state these transactions. The process was time consuming and cumbersome.

We recommend that **UCDC-LA** evaluate the current system with an aim toward ensuring that all transactions are properly coded and classified in a timely manner.

Management Response:

We have noted the problem, and we will take appropriate precautions to ensure that this problem is eliminated by year end.

**UNIVERSITY COMMUNITY DEVELOPMENT
CORPORATION OF LOUISIANA**
SUMMARY OF THE INDEPENDENT AUDITORS' RESULTS AND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

Section III - Federal Award Findings and Questioned Costs

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

**UNIVERSITY COMMUNITY DEVELOPMENT
CORPORATION OF LOUISIANA
STATUS OF PRIOR YEAR FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997**

1. **INTERNAL CONTROL AND COMPLIANCE WITH
LAWS, REGULATIONS, CONTRACTS AND GRANTS**

No prior year audit findings reported.

2. **INTERNAL CONTROL AND FEDERAL COMPLIANCE**

No prior year audit findings reported.

3. **MANAGEMENT LETTER**

No prior year audit management letter comments.

**UNIVERSITY COMMUNITY DEVELOPMENT
CORPORATION OF LOUISIANA
EXIT CONFERENCE
DECEMBER 31, 1998 AND 1997**

The findings and recommendations mentioned were discussed with representatives of **University Community Development Corporation of Louisiana**. Those persons participating in the discussion were:

**UNIVERSITY COMMUNITY DEVELOPMENT
CORPORATION OF LOUISIANA**

Ms. Jeneal L. Banks	-	Executive Director
Ms. Mamie L. Adams	-	Accountant

BRUNO & TERVALON, CERTIFIED PUBLIC ACCOUNTANTS

Mr. Alcide J. Tervalon, Jr., CPA	-	Partner
Mr. Joseph A. Akanji, CPA	-	Audit Supervisor

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, 1998 and 1997, 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.

Year 2000 Compliant

On January 1, 2000, information technology experts believe that many application systems will fail as a result of erroneous calculations and data integrity problems. The situation, commonly known as the year 2000 issue, will occur because many computers cannot process date information beyond December 31, 1999. That is because many application software products (both commercial and in-house-developed legacy systems) were originally designed to accommodate only a two digit date position to represent the year (for example, 95 for the year 1995).

UCDC-LA must devote the necessary resources to evaluate its systems and make them year 2000 compliant. This will ensure that the systems will be able to process date information on and after January 1, 2000.

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT
(CONTINUED)

We recommend that you modify all applications, particularly mission-critical applications, by September 30, 1999 to allow for complete testing before January 1, 2000. If UCDC-LA is not year 2000 compliant by January 1, 2000, it may experience costly and significant application program failures that could prevent it from performing its normal processing activities. Depending on the extent of system failures, noncompliance may also affect the audit of the December 31, 2000 financial statements and, in extreme situations, could have catastrophic financial consequences for UCDC-LA.

PAYROLL EARNINGS RECONCILIATION

We noted during our audit that the total earnings and employee benefits as reflected on payroll register and supports were not reconciled to the amounts recorded on the general ledger. As such, adjustments were made to resolve the differences.

We recommend that UCDC-LA adhere to established procedures and ensure that all employees earnings records are in agreement.

DONATED ASSETS AND SERVICES

As noted during our audit, UCDC-LA has no formal procedures regarding the accounting for donated assets and services.

We recommend that the management institute written procedures for timely recordation of donated assets and services on an on-going basis.

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
CERTIFIED PUBLIC ACCOUNTANTS

June 25, 1999

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 BATON ROUGE, LA 70807
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AUDIT FINDING – CORRECTIVE ACTION PLAN
 FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

AUDIT FINDING	PROPOSED CORRECTIVE ACTION	PROJECTED COMPLETION DATE	CONTRACT PERSON
Unreconciled Cash Items			
<u>Conditions</u> The balance appearing On the bank reconciliation were not in agreement with the balances on the ledger.	Bank reconciliations will be done monthly, and reconciled to account differences.	December 31, 1999	Ms. Jeneal L. Banks
Account Coding and Classification			
<u>Conditions</u> Some instances of erroneous coding and account misclassifications on the financial records were found during our audits.	Reclassify and recode accounts (where necessary), consistent with expenses.	December 31, 1999	Ms. Jeneal L. Banks
Year 2000 Compliant			
<u>Conditions</u> UCDC-LA must devote the necessary resource to evaluate its systems and make them year 2000 compliant.	The Southern University System Technology Center will evaluate UCDC-LA system to ensure Y2K compliance.	September 30, 1999	Ms. Jeneal L. Banks
Payroll Earnings Reconciliation			
<u>Conditions</u> Total earnings and employee benefits as reflected on payroll register and supports were not reconciled to the amounts recorded on the general ledger.	Payroll reconciliation will be done monthly. Schedules will be prepared monthly and reviewed for reconciliation.	December 31, 1999	Ms. Jeneal L. Banks
Donated Assets and Services			
<u>Conditions</u> UCDC-LA has no formal procedures for timely recording of donated assets and services on an on-going basis.	Inkind forms have been Developed, and will be completed by those persons donating materials and/or services on an on-going basis. Some inkind forms have already been completed.	March, 1999	Ms. Jeneal L. Banks