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UNIVERSITY COMMUNITY DEVELOPMENT CORPORATION OF LOUISIANA

INDEPENDENT AUDITOR'S REPORT AND

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 9-16-04

Roslyn J. Allen
Certified Public Accountant

UNIVERSITY COMMUNITY DEVELOPMENT CORPORATION OF LOUISIANA

Consolidated Financial Statements
Year Ended December 31, 2003

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Roslyn J. Allen
Certified Public Accountant

Independent Auditor's Report

Board of Directors
University Community Development
Corporation of Louisiana

I have audited the accompanying consolidated statement of financial position of **University Community Development Corporation of Louisiana (the "organization")** (a nonprofit organization) as of December 31, 2003, the related consolidated statement of activities and cash flows for the year then ended. These consolidated financial statements are the responsibility of the organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the organization as of December 31, 2003, and the consolidated changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated June 30, 2004, on my consideration of the organization's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

My audit was performed for the purpose of forming an opinion on the basic consolidated financial statements of the organization taken as a whole. The accompanying, schedule of expenditures of federal awards as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and the supplemental information

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listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to audit procedures applied in the audit 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.

Roslyn J. Allen
Certified Public Accountant

June 30, 2004

UNIVERSITY COMMUNITY DEVELOPMENT
CORPORATION OF LOUISIANA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2003

ASSETS

Assets	
Cash and due from banks	$ 94,264
Certificate of deposit	85,104
Loans receivable, net of allowance for loan losses of $17,825 at December 31, 2003 (NOTE 2)	194,581
Office furniture, equipment, and leasehold improvements, net of accumulated depreciation (NOTE 3)	68,933
Real estate held for sale (NOTE 4)	846,304
Total assets	$ 1,289,186

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable and accrued expenses	$ 3,067
Loan participation liability (NOTE 5)	31,807
Federal borrowed funds (NOTE 6)	830,200
Notes payable (NOTE 7)	470,315
Other Mortgage financing (NOTE 8)	84,611
Total liabilities	1,420,001
CONTINGENCIES AND COMMITMENTS (NOTE 9)	
Net Assets:	
Unrestricted	(183,110)
Restricted	52,295
Total net assets	(130,816)
Total liabilities and net assets	$ 1,289,186

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

UNIVERSITY COMMUNITY DEVELOPMENT CORPORATION OF LOUISIANA
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2003

Revenues and Support:		
Grant revenue	$	52,987
Rental income		17,113
Charges and fees		10,183
Interest income on loans		1,506
Interest income on deposits		2,197
Gain (loss) on sale of assets		64,018
Total revenue and support		148,004
Expenses:		
Salaries		188,244
Employees' benefits		25,710
Professional fees		16,820
Occupancy		18,300
Office supplies		15,010
Training supplies		32,139
Building supplies and maintenance		30,663
Scholarships and stipends		16,117
Contractual services		34,021
Insurance		4,165
Write-off of receivable		51,700
Provisions for possible loan losses		201,340
Interest on borrowed funds		22,006
Depreciation expenses		31,840
Other housing expenses		51,131
Postage and shipping		827
Utilities		2,374
Advertisements and promotions		4,682
Printing		656
Travel and conferences		5,192
Telephone		7,825
Website		2,600
Memberships and subscriptions		1,646
Other expenses		14,638
Total expenses		779,646
Change in net assets		(631,642)
Net assets at beginning of year		500,825
Net assets at end of year	$	(130,817)

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

UNIVERSITY COMMUNITY DEVELOPMENT CORPORATION OF LOUISIANA
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2003

Operating Activities:	
Change in net assets	$ (631,642)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	31,840
Provision for possible loan losses	201,340
Gain (loss) on sale of real estate	(64,018)
Write-off of grant	51,700
Decrease in grant receivable	579,872
Decrease in accounts payable and accrued expenses	(9,721)
Net cash used in operating activities	159,371
Investing Activities:	
Purchase of investment	$ (1,995)
Acquisitions and renovations of real estate held for sale	(523,478)
Proceeds from sales of real estate	605,360
Acquisition of office equipment	(96,240)
Loan receivable payoffs during the year	132,582
Loans originating during the year	(20,000)
Loan repayments during the year	4,335
Net cash used in investing activities	100,564
Financing Activities:	
Payments on notes payable	(447,616)
Payments on federal borrowed funds	(42,450)
Payments on other mortgage financing	(1,834)
Loan participation liability net of repayment	(6,738)
Proceeds from notes payable	281,919
Net cash provided by financing activities	(216,719)
Net increase (decrease) in cash and due from banks	43,216
Cash and due from banks at the beginning of period	51,048
Cash and due from banks at end of period (note 1)	$ 94,264

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

UNIVERSITY COMMUNITY DEVELOPMENT
CORPORATION OF LOUISIANA
Notes to the Consolidated Financial Statements

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 social-economic conditions of the residents.

On November 14, 1999, **UCDC-LA** acquired 100% ownership in **Innovative Apparel Manufacturing Corporation (IAM).** Financing of the corporation was solely by funds received from the Department of Health and Human Services, the purpose being to implement and finance program, PROJECT TEAM, that would provide employment and offer career opportunities for low income people through training and commercial business development. Although **IAM** was an incorporated business prior to its acquisition by **UCDC-LA**, no business operation had taken place and no transfer of stack at time of acquisition.

Principles of Consolidation

The consolidated financial statements include the accounts of **UCDC-LA** and its subsidiary **IAM**. The consolidated financial statements 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. All inter-company transactions have been eliminated.

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".

Loans Receivable and Allowance for Possible Loan Losses

Loans receivable are stated at face value net of 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 judgement in determining the adequacy of the allowance is based on evaluation 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 the organization's allowances for losses on loans. Such agencies may not deem the allowance for possible losses as adequate and may require the organization to recognize additions to the allowance based on their judgement of information available to them at the time of their examination.

Office Furniture, Equipment, and Leasehold Improvements

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

Use of Estimates

The preparation of the consolidated 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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The organization is exempt from income taxes under Section 501©(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.

Financial Statement Presentation

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

Fair Value of Financial Investments

The estimated fair value of all significant financial statement amounts have been determined by the organization using available market information and appropriate valuation methodologies.

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

2. LOANS RECEIVABLE

At December 31, 2003, loans receivable consisted of business loans with 10% interest rate and maturity dates through September 2014.

Following is a summary of loans receivable at December 2003:

Business	$ 212,406
Allowance for possible loan losses	(17,825)
	$194,581

At December 2003, loans receivable include certain loans having participation arrangements with a local bank. When borrowers make principal payments, the amount of participation is reduced accordingly. The estimated fair value of the participation liability due to the banks at December 31, 2003 totals $31,807.

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

Balance, beginning of year	$ 6,096
Provision for loan losses	201,340
Loan charged off	(189,611)
Balance, end of year	$ 17,825

3. OFFICE FURNITURE AND EQUIPMENT

At December 2003, office furniture and equipment consisted of the following:

Office furniture	$ 9,346
Office equipment	37,248
Leasehold improvements	79,612
Sub-total	126,206
Less: Accumulated depreciation	(57,273)
Office furniture, equipment, and leasehold improvements, net	$ 68,933

4. REAL ESTATE HELD FOR SALE:

The organization accounts for real estate sales under the full accrual method when certain criteria are met. Under the full accrual method, profit recorded when a sale has been consummated. Real estate properties acquired and held for sale consist of eight (8) residential properties as December 31, 2003 for a total cost of $846,304. 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 valuation allowance by charges to income. The historical average holding period for such properties is eighteen (18) months.

5. LOAN PARTIPATION LIABILITY:

A summary of the loan participation liability as of December 31, 2003 is as follows:

10% note payable in monthly Installments of $84 including principal and interest, through 2004, secured	$ 491
10% note payable in monthly Installments of $320 including principal and interest, through 2004, secured	2,760
10% note payable in monthly installments of $119 including principal and interest, through 2013, secured.	8,581
Note payable at rates ranging from 9.5% to 10% through 2014 secured.	19,975
Total	$ 31,807

Scheduled maturities of loan participation liability at December 31, 2003 are as follows:

Years Ending December 31,	Amount
2004	$ 4,992
2005	1,928
2006	2,126
2007	2,344
Thereafter	20,417
	$ 31,807

6. FEDERAL BORROWED FUNDS:

In February 1997, the organization entered into a loan agreement with the United States Department of Agriculture (USDA) Rural Development for $1,000,000 of Intermediary Relending Program. The organization used the proceeds. At December 31, 2003, the organization has outstanding balances of $ 830,200.

Scheduled maturities of borrowed funds at December 31, 2003, are as follows:

Years Ending December 31,	Amount
2004	$ 42,450
2005	42,450
2006	42,450
2007	42,450
Thereafter	660,400
	$ 830,200

7. NOTES PAYABLE:

At December 31, 2003 notes payable of $470,315, consist of 8% short-term notes which are payable to a bank and are due on various dates. These notes are expected to be refinanced and are secured by real estate for sale.

8. OTHER MORTGAGE FINANCING

Other mortgage financing consist of the following notes payable at December 31, 2003.

Bank	$74,248
City of Baton Rouge	10,363
	$84,611

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

9. CONTINGENCIES AND COMMITMENTS:

Lease Commitments

UCDC-LA occupied a space in a building of a bank. The annual rental is $6,600. **IAM** occupies leased and renovated a building located at 8408 Scotland Avenue. The annual rental is $8, 400.

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 date of 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. The organization's experience has been that customers draw upon approximately 90 percent of loan commitments. The organization evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the organization upon extension of credit is based on management's credit evaluation of the counterpart. Collateral held varies but may included accounts receivable, inventory, property, plan and equipment, and income-producing commercial properties. The organization has not incurred and does not anticipate any material losses as a result of these transactions.

Grants

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

10. CONCENTRATION OF CREDIT RISK

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

11. RISK MANAGEMENT

The organization is exposed to various risk of loss related to torts; theft of; damage to and destruction of assets for which the organization 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.

12. GRANT AWARDS

At December 31, 2003, federal and state grant awards are reported in the organization's financial statements as follows:

Grants	Federal/ State Grantor	Amount Outstanding/ Expenditures
Southern University Community Economic and Development Project	State	$9,334
Southern University Small Business Incubator Program	State	$43,653
Department of Health and Human Services – Economic Operational Development –Project TEAM	Federal	$475,878

SUPPLEMENTARY DATA

Roslyn J. Allen
Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY DATA

To the Board of Directors
University Community Development
Corporation of Louisiana

My report on my audit of the consolidated financial statements of the organization for the year ended December 31, 2003 appears on Page 1. The audit was 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 audit of the basic financial statements and, in my opinion, is fairly presented in all material respects to the basic financial statements taken as a whole.

June 30, 2004

Roslyn J. Allen,
Certified Public Accountant

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UNIVERSITY COMMUNITY DEVELOPMENT
CORPORATION OF LOUISIANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2003

GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	FEDERAL EXPENDITURES
DEPARTMENT OF HEALTH AND HUMAN SERVICES	93.57	$ 475,878

UNIVERSITY COMMUNITY DEVELOPMENT CORPORATION OF LOUISIANA **Schedule II**

Notes of 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 organization. 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 the organizations consolidated 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.

Report on Compliance and on Internal Control Over Financial Reporting Based on An Audit of Financial Statements Performed In Accordance With *Government Auditing Standards*

Roslyn J. Allen
Certified Public Accountant

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 and Subsidiary

I have audited the consolidated financial statements **of University Community Development corporation of Louisiana,** as of and for the year ended December 30, 2003, and have issued my report thereon dated June 30, 2004. I conducted my audit in accordance with auditing standards generally accepted in the United States of America 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 the organization's consolidated financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the organization's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My 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 considered to be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operations that I consider material weaknesses.

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This report is intended 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.

Roslyn J. Allen
Certified Public Accountant

June 30, 2004

Report on Compliance With
Requirements Applicable to Major Program and on Internal Control
Over Compliance in Accordance with OMB Circular A-133

Roslyn J. Allen
Certified Public Accountant

**Report on Compliance With
Requirements Applicable to 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**

I have audited the compliance **of University Community Development Corporation of Louisiana**, 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 the major federal program for the year ended December 31, 2003. The organization'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 the organization's management. My responsibility is to express an opinion on the organization's compliance based on my audit.

I conducted my 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 I 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 the organization's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of the organization's compliance with those requirements.

In my opinion, the organization complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2003.

Internal Control Over Compliance

The management of the organization is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal program. In planning and performing my audit, I considered the organization's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the

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purpose of expressing my opinion on compliance and to test and report on internal controls over compliance in accordance with OMB Circular A-133.

I noted certain matters involving the internal control over compliance and its operations that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in my judgement, could adversely affect the organizations 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 X3-1, X3-2, and X3-3.

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 noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a 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. My 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 considered to be material weaknesses. However, of the reportable conditions described above, I consider items X3-1, X3-2, and X3-3 to be material weaknesses.

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.

Roslyn J. Allen
Certified Public Accountant

June 30, 2004

UNIVERSITY COMMUNITY DEVELPOMENT
CORPORATION OF LOUISIANA
Schedule of Findings and Questioned Costs
For Year Ended December 31, 2003

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

- Material weaknesses identified? ____ yes __X__ no
- Reportable conditions identified that is not considered to be Reportable weaknesses? ____ yes __X__ none reported

Noncompliance material to financial Statements noted? ____ yes __X__ no

Federal Awards

Internal control over major programs:

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

Noncompliance material to financial Statements noted? ____ yes __X__ no

Type of auditor's report issued on Compliance for major programs: qualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) Of Circular A-133 ____ yes __X__ no

UNIVERSITY COMMUNITY DEVELPOMENT CORPORATION OF LOUISIANA

Schedule of Findings and Questioned Costs
For Year Ended December 31, 2003

Identification of major program"

CFDA Number	Name of Federal Program
93.570	Economic Development/Operational Project – Project TEAM

Dollar threshold used to distinguish Between type A and Type B programs: $300,000

Auditee qualified as low-risk auditee? ____ yes _X__ no

X-3-1 Process to Track Federal Funds by Budget Categories

Adequate records were not provided to support reported expenditures by federally earmarked budget line item categories. UCDC-LA accounting process did not include the tracking and accounting of federal program disbursements by budget line categories. Lack of appropriate documentation makes it difficult to track funds to ensure compliance with budget line item categories and increase the risk that overcharges may occur and not be detected. It also limits information available to the Board to make decisions regarding management of federal funds.

Recommendation:

Management should implement procedures in its current control processes to require the accounting and tracking of federal disbursements in accordance with budget line item categories.

X-3-2 Process to Verify Accuracy of Financial Status Reports

Expenditures reported on Financial Status Reports could not be validated for accuracy. At time of audit management was unable to provide the support that would identify specific transactions included in the reported amounts on the Financial Status Reports. As a result, we were unable to verify the completeness and accuracy of the amounts reported.

Recommendation:

Management should implement a process to maintain the detail accounting transactions to support amounts reported on the Financial Status Reports.

X-3-3 Questioned Costs

A total of $111,922.65 in funds drawn for the operation of the federal grant is in question for the reporting period of January 1, 2003 through December 31, 2003. These funds are in question for the following reasons:

Management failed to provide documentation of grant related disbursements to support the amount in question..

Disbursement transactions for both related and non-related grant activity were disbursed from the account in which federal funds were deposited.. Although funds were not maintained separate we could not identify disbursements within other administrative accounts to support amounts expended. We based our review on 100% of transactions disbursed from the Federal grant account.

UNIVERITY COMMUNITY DEVELOPMENT CORPOARTION OF LOUISIANA

Schedule of Questioned Costs

Recommendation:

Management should establish controls to ensure all federal grant funds are disburse in accordance with the grant. In addition, grant funds should be maintained in separate accounts and not commingled with other fund sources. We also recommend that because this is a 36-month program that the funds in questioned be returned to the federal grant account to be disbursed as required by the grant.

University Community Development Corporation of Louisiana

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"Building stronger communities"

Executive Board
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Vice Chairman, Michael Adams, Esq.
Treasurer, William Jones
Secretary, Elisa Collins

Directors
Dr. Hugh V. McKnight, Sr.
Mildred Pipes
Rosalie Spann
Calvin L. Thierry
Mary Thomas

Chief Executive Officer
Jeneal L. Banks

June 29, 2004

Reponses to Findings Presented at Exit Conference for 2003 Audit, June 28, 2004

Process to Track Federal Funds by Budget Categories

Consistent with the recommendation of the Finding that management should implement procedures for tracking federal disbursements, University Community Development Corporation of Louisiana (UCDC) will institute a line item budget for tracking all future expenditures from federal funds.

Process to Verify Accuracy of Financial Status Reports

University will implement a procedure for tracking the accuracy and completeness of Financial Status Reports.

Questionable Costs

The funds reported to have been drawn for operation of the federal grant that are questioned will be spent over the life of the grant, which is a 36-month period. The budget period only extends for 17 months, while the project is for 36 months. Funds in question will be set aside to continue UCDC's equity investment in Innovative Apparel Manufacturing, according the approved budget by the Office of Community Services.

Signed Jeneal L. Banks
Chief Executive Officer