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**Quad Area Community Action Agency, Inc.
Hammond, Louisiana**

Financial Statements With Auditors' Report

**As of and for the Years Ended December 31, 2003 and 2002
With Supplemental Information Schedules**

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

Release Date 8/18/04

Quad Area Community Action Agency, Inc.
Hammond, Louisiana
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Independent Auditors' Report

To the Board of Directors
Quad Area Community Action Agency, Inc.
Hammond, Louisiana

We have audited the accompanying statements of financial position of Quad Area Community Action Agency, Inc. (a nonprofit organization), as of December 31, 2003 and 2002, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of Quad Area Community Action Agency, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of La Posada Apartments, RHS Project, which statements reflect total assets of \$2,009,834 as of December 31, 2003, and total support and revenues of \$201,554 for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for La Posada Apartments, is based solely on the report of the other auditors.

We conducted our audits 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 we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Quad Area Community Action Agency, Inc., as of December 31, 2003 and 2002, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 28, 2004, on our consideration of Quad Area Community Action Agency, Inc.'s internal control over financial reporting and our 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.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Quad Area Community Action Agency, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing 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.

The accompanying supplemental information schedules shown on pages 19-22, are presented for the purpose of additional analysis and are not a required part of the financial statements of Quad Area Community Action Agency, Inc. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

The accompanying supplemental schedules, listed as "Supplemental Information Schedules For Grants and Contracts Analysis" in the table of contents and shown on pages 24-27, are presented for the purpose of providing various funding sources of Quad Area Community Action Agency, Inc. additional individual grant and contract analysis and are not a required part of the financial statements. The information is prepared on a prescribed basis of the various funding sources of Quad Area Community Action Agency, Inc., and certain schedules are for periods other than the organization's fiscal year. These schedules are not presented in accordance with generally accepted accounting principles. Accordingly, the schedules mentioned previously and shown on pages 24-27 are not intended to present financial position and results of operations in conformity with generally accepted accounting principles. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and in our opinion they are fairly stated on the basis of accounting practices prescribed by the various funding sources.



Cook and Morehart
Certified Public Accountants
May 28, 2004

Quad Area Community Action Agency, Inc.
Hammond, Louisiana
Statements of Financial Position
December 31, 2003 and 2002

Assets	<u>2003</u>	<u>2002</u>
Current assets:		
Cash	\$ 145,411	\$ 243,073
Grant receivables	210,734	359,503
Other receivables	805	
Prepaid expenses	4,393	1,004
Due from other funds	628,437	558,967
Total current assets	<u>989,780</u>	<u>1,162,547</u>
 Restricted deposits and funded reserves	 <u>41,900</u>	 <u>14,307</u>
 Property and equipment	 5,141,514	 5,067,021
Accumulated depreciation	(775,509)	(592,622)
Net property and equipment	<u>4,366,005</u>	<u>4,474,399</u>
 Total Assets	 <u>\$ 5,397,685</u>	 <u>\$ 5,651,253</u>
 Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 135,651	\$ 239,359
Accrued liabilities	55,084	17,192
Due to other funds	628,437	558,967
Current portion of long-term debt	2,129,118	961,377
Refundable advances	63,905	318,110
Total current liabilities	<u>3,012,195</u>	<u>2,095,005</u>
 Deposits and prepayment liabilities:		
Tenant's security deposits	<u>5,400</u>	<u>5,700</u>
 Long-term debt	 <u>1,425,812</u>	 <u>2,603,393</u>
 Total liabilities	 <u>4,443,407</u>	 <u>4,704,098</u>
 Net assets:		
Unrestricted:		
Operating - undesignated	(299,554)	(363,831)
Designated	41,900	14,307
Fixed assets	<u>1,211,932</u>	<u>1,296,679</u>
Total net assets	<u>954,278</u>	<u>947,155</u>
 Total Liabilities and Net Assets	 <u>\$ 5,397,685</u>	 <u>\$ 5,651,253</u>

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

Quad Area Community Action Agency, Inc.
Hammond, Louisiana
Statements of Activities
For the Years Ended December 31, 2003 and 2002

	Unrestricted	
	2003	2002
Revenues and Other Support:		
Contractual revenue - grants	\$ 5,193,518	\$ 5,860,794
Labor Housing Grant		768,830
Rents	6,642	27,395
Rental assistance subsidy	181,000	60,300
Fees earned	140,242	63,444
Miscellaneous revenues	238,619	343,853
	<hr/>	<hr/>
Total revenues and other support	5,760,021	7,124,616
	<hr/>	<hr/>
Expenses:		
Home energy assistance	290,025	2,255,071
Community services	1,323,061	987,049
Weatherization assistance	243,210	226,375
Head start program	1,096,452	1,038,195
St. Amant learning	62,781	8,879
Summer reading		254,810
Children's trust fund	2,505	
Child nutrition	117,882	99,314
Fame 1st	304,674	66,604
After school for all	292,973	78,018
Foster grandparents program	473,856	445,801
Retired senior volunteer program	53,618	56,451
Emergency assistance	55,000	65,828
Rental housing project	170,443	89,267
Teen pregnancy prevention program II	107,872	19,767
Literacy education	65,019	61,435
Emergency shelter grants	68,203	31,965
Man to man	236,369	63,541
Teen pregnancy prevention program	329,495	116,606
EL / Civics	41,030	48,966
General services	418,430	233,431
	<hr/>	<hr/>
Total expenses	5,752,898	6,247,373
	<hr/>	<hr/>
Changes in net assets	7,123	877,243
Net assets, beginning of year	947,155	69,912
	<hr/>	<hr/>
Net assets, end of year	\$ 954,278	\$ 947,155
	<hr/>	<hr/>

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

Quad Area Community Action Agency, Inc.
Hammond, Louisiana
Statements of Cash Flows
For the Years Ended December 31, 2003 and 2002

Operating Activities	2003	2002
Change in net assets	\$ 7,123	\$ 877,243
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	182,884	142,273
(Gain) Loss on retirement of property and equipment	(11,950)	6,642
(Increase) decrease in operating assets:		
Grant receivables	148,769	(274,785)
Other receivables	(805)	
Prepaid expense	(3,389)	57,222
Restricted deposits and funds	(27,593)	(14,307)
Increase (decrease) in operating liabilities:		
Accounts payable	(103,708)	127,051
Accrued liabilities	37,892	(74,269)
Tenants security deposits	(300)	5,700
Refundable advances	(254,205)	98,177
Net cash provided (used) by operating activities	(25,282)	950,947
 Investing Activities		
Withdrawals from restricted funds		217,499
Proceeds from sale of property	80,950	
Payments for property and equipment	(29,406)	(1,146,946)
Net cash provided (used) in investing activities	51,544	(929,447)
 Financing Activities		
Proceeds from notes payable	278,950	508,013
Repayments of long-term debt	(402,874)	(393,060)
Net cash provided (used) by financing activities	(123,924)	114,953
 Net increase (decrease) in cash	(97,662)	136,453
 Cash as of beginning of year	243,073	106,620
 Cash as of end of year	\$ 145,411	\$ 243,073

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

(Continued)

Quad Area Community Action Agency, Inc.
Hammond, Louisiana
Statements of Cash Flows
For the Years Ended December 31, 2003 and 2002
(Continued)

Supplemental disclosures:	<u>2003</u>	<u>2002</u>
Cash paid for interest	<u>\$ 174,578</u>	<u>\$ 157,341</u>
 Non-cash investing and financing transaction:		
Acquisition of property		
Cost of property and equipment	\$ 143,494	\$ 2,499,586
Property and equipment loans	<u>(114,088)</u>	<u>(1,352,640)</u>
 Cash down payment for property and equipment	 <u>\$ 29,406</u>	 <u>\$ 1,146,946</u>

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

Quad Area Community Action Agency, Inc.
Hammond, Louisiana
Notes to Financial Statements
December 31, 2003 and 2002

(1) Summary of Significant Accounting Policies

A. Nature of Activities

Quad Area Community Action Agency, Inc. (QACAA) is a private nonprofit corporation incorporated under the laws of the State of Louisiana. QACAA is governed by a Board of Directors from the different parishes that QACAA serves. QACAA operates as a community action agency administering various federal and state funded programs designed to provide assistance to the poor and disadvantaged in the following parishes of Louisiana: Ascension, East Feliciana, West Feliciana, Livingston, St. Helena, Tangipahoa, and Washington. The following programs, with their approximate percentage of total revenues indicated, are administered by QACAA:

Home Energy Assistance (6%) – Operates a program designed to assist low income households in offsetting the burden of high energy costs. Funding is provided by federal funds passed through the Louisiana Housing Finance Agency.

Community Services Block Grant (23%) – Administers programs designed to provide services and activities that will have a measurable impact on causes of poverty in the community. Funding is provided by federal funds passed through the Louisiana Department of Labor.

Weatherization Assistance (4%) – Weatherizes (insulates) the dwellings of low-income persons, particularly the elderly and handicapped low-income persons, in order to aid those persons least able to afford higher energy costs and to conserve needed energy. Funding is provided by federal funds passed through the Louisiana Housing Finance Agency.

Head Start Program (19%) – Provides comprehensive early child development for disadvantaged and handicapped preschool children and their families. Funding is provided by federal funds from the U.S. Department of Health and Human Services.

St. Amant Learning (1%) – To assist clients of all ages with literacy skills including reading, writing, and mathematics. Special tutoring schedules will be set up for each client based on their needs towards the goal of self-sufficiency. Funding is provided by various sources.

Children's Trust Fund (1%) – Provides recreational and educational opportunities for families, including tutorial support, music, art, and basketball. Funding is provided by federal funds passed through the Louisiana Department of Social Services.

(Continued)

Quad Area Community Action Agency, Inc.
Hammond, Louisiana
Notes to Financial Statements
December 31, 2003 and 2002
(Continued)

Child Nutrition (2%) – Operates a Child and Adult Care Food Program in coordination with the Head Start Program. Funding is provided by federal funds passed through the Louisiana Department of Education.

Fame 1st (5%) – Provide literacy training to adults 16 years of age or older, in need of adult basic education, paired with appropriate childcare/literacy experiences, for children of the adult participants, ages birth through 12 years of age. Funding is provided by federal funds passed through the Louisiana Department of Education.

After School for All (5%) – To provide youth development programming in the out-of-school hours that includes academics, enrichment, and recreation. Funding is provided by federal funds passed through the Louisiana Department of Education.

Foster Grandparents Program (8%) – Sets up projects which provide one-on-one help to children with special needs or exceptional needs in health, education, welfare and related settings. Foster grandparents must be low-income persons at least 60 years of age. Funding is provided by federal funds from the U.S. Agency The Corporation For National Service.

RSVP Program (1%) – Provides opportunities for retired persons to volunteer their services in order to remain physically and mentally active. Funding is provided by federal funds from the U.S. Agency The Corporation For National Service.

Emergency Assistance (1%) – Provides emergency food and shelter in areas of high need through-out the community to persons based upon their unemployment or poverty status. Funding is provided by federal funds passed through local United Way agencies.

Rental Housing Projects (3%) – La Posada Apartments is a forty-unit apartment project located in Independence, Louisiana, that is owned and operated by QACCA. The project was placed in service during August, 2002, for the purpose of operating a rental housing project. Permanent financing is being provided by the Rural Housing Service (RHS), and the project is regulated by RHS as to rent charges and operating methods.

Teen Pregnancy Prevention II (2%) – Provides teen pregnancy prevention program activities for at-risk youth in Livingston, Ascension, and West Feliciana Parishes. Funding is provided by federal funds passed through the Louisiana Department of Social Services.

Literacy Education (1%) – Develops programs and activities to meet the needs of welfare to work and undereducated non-adolescent adult students to help prepare them for entering the work force. Funding is provided by federal funds passed through the Louisiana Department of Education.

(Continued)

Quad Area Community Action Agency, Inc.
Hammond, Louisiana
Notes to Financial Statements
December 31, 2003 and 2002
(Continued)

Emergency Shelter Grants Program (1%) – Provides funds to meet costs for building rehabilitation, operational/maintenance expenses, and essential services in connection with emergency shelter of homeless persons, as well as costs of eligible homeless prevention activities through three Emergency Shelter Grants funded with federal HUD funds passed through the Parishes of Ascension, Tangipahoa, and Livingston, State of Louisiana.

Man to Man (4%) – A parenting / fatherhood initiative in 7 parishes designed specifically to eliminate emotional, social, financial, and legal barriers which hinder a father's ability to be fully engaged with his children. Funding is provided by federal funds passed through the Louisiana Department of Social Services.

Teen Pregnancy Prevention Program (6%) – Provides teen pregnancy prevention program activities for at-risk youth in Tangipahoa, St. Helena, Livingston, and E. Feliciana Parishes. Funding is provided by federal funds passed through the Louisiana Department of Social Services.

EL / Civics (1%) – To attract, assist and enroll Tangipahoa's Asian and Hispanic ethnic population in English literacy and civics education classes. Funding is provided by federal funds passed through the Louisiana Department of Education.

General Services (6%) – Provides payment of necessary agency expenses not specifically attributable to a grant/contract operated by the agency. Funding is provided by various donations and by management and development fees earned through the operation of three apartment complexes.

B. Basis of Accounting

The financial statements of QACAA have been prepared on the accrual basis of accounting.

C. Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. 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.

D. Income Taxes

QACAA is a nonprofit corporation and is exempt from state and federal income taxes under Section 501 (c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to QACAA's tax-exempt purpose is subject to taxation as unrelated business income. QACAA had no such income for this audit period.

(Continued)

Quad Area Community Action Agency, Inc.
Hammond, Louisiana
Notes to Financial Statements
December 31, 2003 and 2002
(Continued)

E. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could differ from those estimates.

F. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, QACAA considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. QACAA had no cash equivalents during 2003 or 2002.

G. Property and Equipment

Acquisitions of buildings, equipment, and improvements in excess of \$500 and all expenditures for repairs, maintenance, and betterments that materially prolong the useful lives of assets are capitalized. Capitalized assets are stated at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful life of each asset.

The Federal Government has a reversionary interest in property purchased with federal funds; its disposition as well as the ownership of any proceeds therefrom is subject to federal regulations. The use of assets purchased with federal funds is limited to the purposes intended by the funding agency.

H. Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Contractual grant revenue is reported as unrestricted support due to the restrictions placed on those funds by the funding sources being met in the same reporting period as the revenue is earned.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

(Continued)

Quad Area Community Action Agency, Inc.
Hammond, Louisiana
Notes to Financial Statements
December 31, 2003 and 2002
(Continued)

I. Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

J. Tenants' Security Deposit

Tenants' security deposits are held in a separate bank account in the name of the rental housing project. At December 31, 2003, this account was funded in an amount greater than the security deposit liability.

K. Amortization

Insofar as they relate to the La Posada Apartments, mortgage costs are amortized over the term of the mortgage loan using the effective interest method.

L. Rental Income

Rental income is recognized as rentals become due. Rental payments received in advance are deferred until earned. All leases between the corporation and the tenants of the rental housing project are operating leases.

(2) Concentrations of Credit Risk

QACAA maintains its temporary cash investments with financial institutions that are insured by the FDIC up to \$100,000 at each bank. At December 31, 2003, \$226,093 was held at financial institutions. Of this amount, \$223,491 was insured by the FDIC, and the remaining \$2,602 was uninsured. At December 31, 2002, \$380,222 was held at financial institutions. Of this amount, \$297,365 was insured by the FDIC, and the remaining \$82,857 was uninsured.

Concentrations of credit risk with respect to grants receivable were limited due to the balance being comprised of amounts due from governmental agencies under contractual terms. As of December 31, 2003 and 2002, QACAA had *no significant concentrations of credit risk in relation to grants receivable.*

(3) Grants Receivable

Various funding sources provide reimbursement of allowable costs under contracts or agreements. These balances represent amounts due from the funding sources at December 31, 2003 and 2002, but not received until after that date.

(Continued)

Quad Area Community Action Agency, Inc.
Hammond, Louisiana
Notes to Financial Statements
December 31, 2003 and 2002
(Continued)

(4) Due To and Due From Other Funds

Fund	2003		2002	
	Due From Other Funds	Due To Other Funds	Due From Other Funds	Due To Other Funds
Unrestricted	\$ 304,327	\$ 291,023	\$ 233,249	\$ 267,475
Restricted Funds:				
Child and Adult Care Food Program	4,271	14,008	-	16,941
Weatherization Assistance	16,775	43,806	4,321	32,735
Children's Trust Fund	-	549	-	-
Drug-Free and Literacy Education	25	21,528	26	11,597
Emergency Shelter Grants Program	1,995	38,737	-	13,405
Home Energy Assistance	19,071	19,145	-	34,383
Community Services	63,121	40,002	12,082	7,389
Teen Pregnancy Prevention Program	24,548	73,075	-	49,137
St. Amant Learning	115,547	8,522	93,374	507
Summer Reading	-	-	12,190	11,961
Fame 1 st	-	254	21,855	23,092
After School for All	18,158	8,837	7,305	20,470
Emergency Assistance	309	-	7,389	-
Teen Pregnancy Prevention II	4,409	5,302	-	17,551
Man to Man	38,766	43,788	-	44,727
EL / Civics	3,752	14,984	3,752	7,597
Head Start Program	13,363	4,877	163,424	-
	<u>\$ 628,437</u>	<u>\$ 628,437</u>	<u>\$ 558,967</u>	<u>\$ 558,967</u>

(5) Refundable Advances

QACAA records federal funds received in excess of expenditures as a refundable advance until they are expended for the purpose of the contract or until the funds are returned to the appropriate funding source.

(Continued)

Quad Area Community Action Agency, Inc.
Hammond, Louisiana
Notes to Financial Statements
December 31, 2003 and 2002
(Continued)

(6) Unrestricted Operating Net Assets

Unrestricted, undesignated operating net assets at December 31, 2003 and 2002, are detailed by individual program as follows:

	<u>2003</u>	<u>2002</u>
St. Amant Learning	\$ 8,156	\$ 3,327
Home Energy Assistance	-	(40,733)
Summer Reading	-	240
After School for All	-	(10,246)
Rental Housing Project	54,469	34,434
Teen Pregnancy II	-	(125)
Teen Pregnancy	-	(725)
Adult Education	(1,691)	(2,497)
EL / Civics	-	130
Fame 1 st	2	-
General Services	<u>(360,490)</u>	<u>(347,636)</u>
	<u><u>\$(299,554)</u></u>	<u><u>\$(363,831)</u></u>

Designated net assets at December 31, 2003 and 2002 consists of restricted deposits and funded reserves related to the rental housing project.

(7) Property and Equipment

An analysis of the property and equipment at December 31, 2003 is as follows:

	Estimated Depreciable Life	Purchased With Federal Funds	Purchased With Non-Federal Funds	Total
Buildings and improvements	20 - 30 years	\$ 1,280,378	\$ 881,325	\$ 2,161,703
La Posada Apartment buildings	30 years	-	1,941,402	1,941,402
Land		31,500	344,000	375,500
Furniture and equipment	5 - 7 years	249,566	29,131	278,697
Vehicles	5 years	179,219	204,993	384,212
Accumulated depreciation		<u>(465,909)</u>	<u>(309,600)</u>	<u>(775,509)</u>
Net investment in property and equipment		<u><u>\$ 1,274,754</u></u>	<u><u>\$3,091,251</u></u>	<u><u>\$ 4,366,005</u></u>

Depreciation expense for the year ended December 31, 2003 was \$182,884.

(Continued)

Quad Area Community Action Agency, Inc.
Hammond, Louisiana
Notes to Financial Statements
December 31, 2003 and 2002
(Continued)

An analysis of the property and equipment at December 31, 2002 is as follows:

	Estimated Depreciable Life	Purchased With Federal Funds	Purchased With Non-Federal Funds	Total
Buildings and improvements	20 – 30 years	\$ 687,012	\$ 881,325	\$ 1,568,337
La Posada Apartment buildings	30 years	–	1,941,402	1,941,402
Land		31,500	413,000	444,500
Furniture and equipment	5 – 7 years	233,865	29,131	262,996
Vehicles	5 years	179,219	110,819	290,038
Construction in progress		513,965	45,783	559,748
Accumulated depreciation		<u>(386,595)</u>	<u>(206,027)</u>	<u>(592,622)</u>
Net investment in property and equipment		<u>\$ 1,258,966</u>	<u>\$3,215,433</u>	<u>\$ 4,474,399</u>

Depreciation expense for the year ended December 31, 2002 was \$142,273.

(8) Long-term Debt

Long-term debt at December 31, 2003 and 2002 consisted of the following:

	<u>2003</u>	<u>2002</u>
Note payable to a finance company, due in monthly installments of \$625.22 including interest at 2.90%, secured by a vehicle; final payment due September 15, 2006	\$ 19,963	\$ 26,704
Note payable to a bank, interest of 7.75%, principle due on demand, unsecured	124,948	124,999
Note payable to a finance company, due in monthly installments of \$645.08 including interest at 5.99%, secured by a vehicle; final payment due September, 2008	31,942	–

(Continued)

Quad Area Community Action Agency, Inc.
Hammond, Louisiana
Notes to Financial Statements
December 31, 2003 and 2002
(Continued)

Note payable to a vendor, due in monthly installments of \$645.45 including interest at .9%, secured by a vehicle; final payment due July, 2003	-	5,158
Note payable to a bank, due in monthly installments of \$2,588.70 including interest at 8.75%, secured by a pledge of collateral mortgage note; final payment due August, 2005	134,854	155,752
Note payable to a bank, due in monthly installments of \$3,021.06 including interest at 8.75%, secured by building; final payment due March, 2009	104,361	132,793
Note payable to a bank, due in monthly installments of \$10,228.20 including interest at 8.0%, secured by real estate; final payment due October, 2004. Loan is also guaranteed by the U.S. Department of Agriculture for \$1,080,000 under a loan note guarantee.	1,103,803	1,145,546
Note payable to a bank, due in monthly installments of \$1,317.45, including interest at 9.75%; secured by real estate; final payment due June, 2005	-	84,175
Two notes payable to Rural Housing Service, due in monthly installments of \$3,150 and \$501, including interest at 1.00%, secured by real estate, final payments due August 2035	1,162,051	1,194,069
Note payable to a bank, interest of 9.0%; principal due on demand; unsecured	76,844	87,962
Note payable to a bank, interest of 5.75%; principal due on demand; unsecured	49,992	-

(Continued)

Quad Area Community Action Agency, Inc.
Hammond, Louisiana
Notes to Financial Statements
December 31, 2003 and 2002
(Continued)

Note payable to a bank, interest of 6.75%; principal due on demand; secured by real estate.	100,000	89,916
Note payable to a bank, interest of 5.75%; accrued interest payments due monthly; principle balance due November, 2003; secured by real estate.	646,172	517,696
Total Debt	<u>3,554,930</u>	<u>3,564,770</u>
Less current installments on long-term debt	<u>(2,129,118)</u>	<u>(961,377)</u>
Non-current portion of long-term debt	<u>\$ 1,425,812</u>	<u>\$ 2,603,393</u>

Approximate maturities of long-term debt are summarized as follows:

<u>For the Year Ending December 31,</u>	<u>Approximate Amount</u>
2004	\$ 2,129,118
2005	239,688
2006	109,230
2007	40,491
2008	39,332
2009 – thereafter	<u>997,071</u>
	<u>\$ 3,554,930</u>

Interest expense on these notes for the years ended December 31, 2003 and 2002 was \$174,578 and \$157,341, respectively.

(9) Retirement Obligations

QACAA participates in a tax deferred thrift retirement plan whereby an amount up to 5% of the salary of eligible employees is contributed to interest-earning accounts or mutual funds. The funds are in the employee's name upon funding. The amounts contributed for the years ended December 31, 2003 and 2002 were \$91,900 and \$79,458, respectively.

(Continued)

Quad Area Community Action Agency, Inc.
Hammond, Louisiana
Notes to Financial Statements
December 31, 2003 and 2002
(Continued)

(10) Contractual Revenue – Grants

During the years ended December 31, 2003 and 2002, QACAA received contractual revenue from federal and state grants in the amount of \$5,193,518 and \$5,860,794, respectively. The continued existence of these funds is based on annual contract renewals with various funding sources.

(11) Leases

The agency leases certain buildings and equipment under operating leases. There are no purchase options or renewal terms contained in these leases. They can each be renewed based on the mutual agreement of both parties. Rental costs on these items for the years ended December 31, 2003 and 2002, were as follows:

	2003	2002
Buildings	\$ 94,478	\$ 69,250
Equipment	55,280	40,445
	\$ 149,758	\$ 109,695

There are no commitments under lease agreements having lease terms in excess of one year.

(12) Partnership Investments

QACAA serves as the Managing General Partner for Livingston Housing 1994 Partners, a Louisiana Partnership in Commendam, organized and operated for the construction, ownership and management of a forty-two unit apartment complex in Livingston, Louisiana known as Cedar Ridge Apartments; permanent financing provided with funds from the Home Affordable Rental Housing Program through regulatory agreements with Louisiana Housing Finance Agency.

QACAA serves as the Managing General Partner for Hammond Housing 1994 Partners, a Louisiana Partnership in Commendam, organized and operated for the construction, ownership and management of a forty-eight unit apartment complex in Hammond, Louisiana known as Hammond Square Apartments; permanent financing provided with funds from the Home Affordable Rental Housing Program through regulatory agreements with Louisiana Housing Finance Agency.

QACAA serves as the Managing General Partner for Jackson Place Apartments, a Louisiana Partnership in Commendam, organized and operated for the construction, ownership and management of a forty unit apartment complex in Jackson, Louisiana known as Jackson Place Apartments; permanent financing provided with funds from the Home Affordable Rental Housing Program through regulatory agreements with Louisiana Housing Financing Agency.

(Continued)

Quad Area Community Action Agency, Inc.
Hammond, Louisiana
Notes to Financial Statements
December 31, 2003 and 2002
(Continued)

DACAA entered into Management Sub-Contracts with Calhoun Property Management, Inc., in which they will co-manage all Partnerships. DACAA's ownership percentage of all partnerships is .5%.

(14) Reserve for Replacements

In accordance with the loan agreement with RHS, a reserve for replacements is to be funded \$21,302 annually until the account reaches a balance of \$213,020. The required amount of reserves as of December 31, 2003, amounted to \$30,785. The amount on hand at December 31, 2003, was \$28,878, which was underfunded by \$1,907.

(15) Contingency

Quad has been notified by one of its funding sources that certain expenditures under a weatherization contract have been questioned or could be disallowed. Quad has responded to the items questioned but the ultimate outcome cannot be determined at this time and as such, no amounts have been recorded in the accompanying financial statements.

Quad Area Community Action Agency, Inc.
Hammond, Louisiana
Combining Schedule of Financial Position
December 31, 2003
(With Comparative Totals for 2002)

	Home Energy Assistance	Community Services	Weatherization Assistance	Head Start Program	St. Amant Learning	Children's Trust Fund	Child Nutrition	Fame 1st	After School For All	Foster Grandparents Program	Retired Senior Volunteer Program
Assets											
Current assets:											
Cash	\$ 884	\$ 111	\$ 120	\$ 14,087	\$ 1,131	\$ 549	\$ 23,939	\$ 256	\$ 1,169	\$	\$ 142
Grant receivables			37,981				9,855				
Other receivables											
Prepaid expenses											
Due from other funds	19,071	63,121	16,775	13,363	115,547		4,271		18,158		
Total current assets	19,955	63,232	54,876	27,450	116,678	549	38,065	256	19,327		142
Restricted deposits and funded reserves											
Property and equipment											
Accumulated depreciation											
Net property and equipment											
Total Assets	\$ 19,955	\$ 73,799	\$ 63,493	\$ 1,252,997	\$ 116,678	\$ 549	\$ 38,065	\$ 5,036	\$ 24,927	\$ 224	\$ 2,455
Liabilities and Net Assets											
Current liabilities:											
Accounts payable	\$ 810	\$ 9,238	\$ 832	\$ 9,290	\$	\$	\$ 16,106	\$	\$	\$	\$
Accrued liabilities											
Due to other funds	19,145	40,002	43,806	4,877	8,522	549	14,008	254	8,837		
Current portion long-term debt				649,811	100,000		7,951		10,490		142
Refundable advances		13,992	10,238	13,283							
Total current liabilities	19,955	63,232	54,876	677,261	108,522	549	38,065	254	19,327		142
Deposits and prepayment liabilities:											
Tenants' security deposits				186,503							
Long-term debt											
Total liabilities	19,955	63,232	54,876	863,764	108,522	549	38,065	254	19,327		142
Net assets:											
Unrestricted:											
Operating - undesignated				8,156							
Designated											
Fixed assets		10,567	8,617	389,233				4,780	5,600	224	2,313
Total net assets		10,567	8,617	389,233	8,156			4,782	5,600	224	2,313
Total Liabilities and Net Assets	\$ 19,955	\$ 73,799	\$ 63,493	\$ 1,252,997	\$ 116,678	\$ 549	\$ 38,065	\$ 5,036	\$ 24,927	\$ 224	\$ 2,455

(Continued)

Quad Area Community Action Agency, Inc.
Hammond, Louisiana
Combining Schedule of Financial Position
December 31, 2003
(With Comparative Totals for 2002)
(Continued)

	Emergency Assistance	Teen		Emergency Shelter Grants Program	Man to Man	Teen Pregnancy Prevention Program	EL / Civics	General Services	Total	
		Rental Housing Project	Teen Pregnancy Prevention Program						2003	2002
Assets										
Current assets:										
Cash	\$	\$ 43,596	\$ 893	\$ 1,907	\$ 5,022	\$ 2,495	\$ 1,689	\$ 47,371	\$ 145,411	\$ 243,073
Grant receivables		15,596		36,918		52,572	9,543	28,507	210,734	359,503
Other receivables		4,393						805		1,004
Prepaid expenses	309		4,409	1,995	38,766	24,548	3,752	304,327	628,437	558,967
Due from other funds	309	63,585	5,302	40,820	43,788	79,615	14,984	381,010	989,780	1,162,547
Total current assets										
Restricted deposits and funded reserves		41,900							41,900	14,307
Property and equipment		1,977,152		1,716	7,546	15,964	6,861	1,423,700	5,141,514	5,067,021
Accumulated depreciation		(72,803)		(1,716)	(6,287)	(5,150)	(1,830)	(236,796)	(775,509)	(592,622)
Net property and equipment		1,904,349			1,259	10,814	5,031	1,186,904	4,366,005	4,474,399
Total Assets	\$ 309	\$ 2,009,834	\$ 5,302	\$ 40,820	\$ 43,788	\$ 90,429	\$ 20,015	\$ 1,567,914	\$ 5,397,685	\$ 5,651,253
Liabilities and Net Assets										
Current liabilities:										
Accounts payable	\$ 309	\$ 2,748	\$	\$ 814	\$	\$	\$	\$ 95,504	\$ 135,651	\$ 239,359
Accrued liabilities		968						54,116	55,084	17,192
Due to other funds			5,302	38,737	43,788	73,075	14,984	291,023	628,437	558,967
Current portion long-term debt		32,340						1,346,967	2,129,118	961,377
Refundable advances				1,269		6,540			63,905	318,110
Total current liabilities	309	36,056	5,302	40,820	43,788	79,615	14,984	1,787,610	3,012,195	2,095,005
Deposits and prepayment liabilities										
Tenants' security deposits		5,400							5,400	5,700
Long-term debt		1,129,711						109,598	1,425,812	2,603,393
Total liabilities	309	1,171,167	5,302	40,820	43,788	79,615	14,984	1,897,208	4,443,407	4,704,098
Net assets:										
Unrestricted:										
Operating - designated		54,469		(1,691)				(360,490)	(299,554)	(363,831)
Designated		41,900						41,900	41,900	14,307
Fixed assets		742,298		1,259		10,814	5,031	31,196	1,211,932	1,296,679
Total net assets		838,667		(432)		10,814	5,031	(329,294)	954,278	947,155
Total Liabilities and Net Assets	\$ 309	\$ 2,009,834	\$ 5,302	\$ 40,820	\$ 43,788	\$ 90,429	\$ 20,015	\$ 1,567,914	\$ 5,397,685	\$ 5,651,253

Quad Area Community Action Agency, Inc.
Hammond, Louisiana
Combining Schedule of Activities
For the Year Ended December 31, 2003
(With Comparative Totals for 2002)

	Home Energy Assistance	Community Services	Weatherization Assistance	Head Start Program	St. Amant Learning	Children's Trust Fund	Child Nutrition	Fame 1st	After School For All	Foster Grandparents Program	Retired Senior Volunteer Program
Revenues and Other Support:											
Contractual revenue-grant	\$ 330,758	\$ 1,323,023	\$ 241,010	\$ 1,081,108	\$ 55,333	\$ 2,505	\$ 117,882	\$ 303,456	\$ 305,341	\$ 473,557	\$ 55,931
Labor Housing Grant											
Rents											
Rental assistance subsidy											
Fees earned											
Miscellaneous revenues				805	12,277						
Total revenues and other support	330,758	1,323,023	241,010	1,081,913	67,610	2,505	117,882	303,456	305,341	473,557	55,931
Expenses:											
Salaries	20,614	706,896	126,802	628,000	6,769		20,821	175,522	151,887	85,828	32,076
Fringe benefits	3,300	133,948	24,238	118,257	859		4,030	30,627	18,576	12,805	6,791
Travel	911	11,631	9,995	18,626	1,335			19,858	33,318	2,834	952
Space costs	26,110	215,926	7,185	89,371	9,488		2,400		1,050	24,246	4,500
Telephone	425	61,995		19,929	1,500				527	4,678	582
Operating and maintenance					3,090						
Administrative											
Taxes and insurance											
Insurance	671	52,075	5,280	27,624	1,000				1,700		
Equipment expenses	173	35,746	10,225		87			4,716	5,844	2,310	193
Supplies	631	20,125	43,943	32,955	21,513	2,505	2,947	65,552	48,456	1,312	416
Professional services and contract labor				5,000	6,203		6,816		20,787	2,638	1,000
Food and related supplies				2,325			79,433		1,891		
Miscellaneous	18,271	22,265		41,166	10,937		1,435	7,179	7,716		150
Vehicle expenses											
Volunteer expenses										336,906	6,653
Client assistance payments	218,919	48,250									
Interest expense				49,330							
Depreciation expense		5,139	2,200	63,869					1,221	299	305
Total expenses	280,025	1,323,061	243,210	1,096,452	62,781	2,505	117,882	304,674	292,973	473,856	53,618
Changes in net assets	40,733	(38)	(2,200)	(14,539)	4,829		(1,218)	12,368	(299)		2,313
Net assets, beginning of year	(40,733)	10,605	10,817	403,772	3,327			6,000	(6,768)	523	
Net assets, end of year	\$	\$ 10,567	\$ 8,617	\$ 389,233	\$ 8,156	\$	\$	\$ 4,782	\$ 5,600	\$ 224	\$ 2,313

Quad Area Community Action Agency, Inc.
Hammond, Louisiana
Combining Schedule of Activities
For the Year Ended December 31, 2003
(With Comparative Totals for 2002)
(Continued)

	Emergency Assistance	Rental Housing Project	Teen Pregnancy Prevention II Program	Literacy Education	Emergency Shelter Grants Program	Man To Man	Teen Pregnancy Prevention Program	EL / Civics	General Services	Total	
										2003	2002
Revenues and Other Support:											
Contractual revenue-grant	\$ 55,000		\$ 107,997	\$ 64,710	\$ 68,203	\$ 236,369	\$ 331,808	\$ 39,527	\$	\$ 5,193,518	\$ 5,860,794
Labor Housing Grant		6,642								6,642	768,830
Rents		181,000								181,000	27,395
Rental assistance subsidy		13,578							126,664	140,242	60,300
Fees earned		334					475		224,728	238,619	63,444
Miscellaneous revenues											343,853
Total revenues and other support	55,000	201,554	107,997	64,710	68,203	236,369	332,283	39,527	351,392	5,760,021	7,124,616
Expenses:											
Salaries			55,616	49,815	24,651	162,697	203,813	24,950	163,553	2,640,310	2,030,115
Fringe benefits			7,710	7,587	4,753	17,472	35,102	3,067	25,426	454,548	386,871
Travel			2,250			8,527	1,053		38,495	147,535	93,232
Space costs		17,320	1,350			3,900	6,000		1,649	411,395	254,092
Telephone	50	31,325				800	1,594			93,380	64,154
Operating and maintenance		51,387								34,465	17,790
Administrative		10,108								51,387	29,301
Taxes and insurance									1,290	11,398	2,008
Insurance						500			4,800	93,650	93,671
Equipment expenses			4,638			1,790	2,005		2,481	70,208	39,009
Supplies			13,200	922		20,697	26,424		14,581	316,179	219,624
Professional services and contract labor			3,500	5,581		3,000	12,494		21,811	111,237	68,142
Food and related supplies	675		7,853				9,989		1,450	103,616	72,626
Miscellaneous			11,755		1,406	16,747	28,447	11,641	18,268	197,383	149,531
Vehicle expenses						239			8,026	8,265	
Volunteer expenses										343,559	328,125
Client assistance payments	54,275				37,393				29,854	388,681	2,131,658
Interest expense		11,768		1,114			2,574	1,372	31,710	92,808	125,151
Depreciation expense		48,535							55,036	182,884	142,273
Total expenses	55,000	170,443	107,872	65,019	68,203	236,369	329,495	41,030	418,430	5,752,898	6,247,373
Changes in net assets		31,111	125	(309)			2,788	(1,503)	(67,038)	7,123	877,243
Net assets, beginning of year		807,556	(125)	(123)			8,026	6,534	(262,256)	947,155	69,912
Net assets, end of year	\$	\$ 838,667	\$	\$ (432)	\$	\$	\$ 10,814	\$ 5,031	\$ (329,294)	\$ 954,278	\$ 947,155

**Supplemental Information Schedules
For Grants and Contracts Analysis**

Quad Area Community Action Agency, Inc.
 Hammond, Louisiana
 Weatherization Assistance Program
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 For the Contract Period: April 1, 2002 to March 31, 2003

Revenue

Contract revenue	\$ 213,021
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Expenditures:

Administration	18,873
Liability insurance	2,494
Program operations / incidental repairs	187,289
Training / technical assistance	624
Financial audit	3,741
	213,021

Total expenditures	213,021
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Excess revenue (expenditures)

Fund balance, April 1, 2002	_____
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Fund balance, March 31, 2003	\$ _____
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Quad Area Community Action Agency, Inc.
 Hammond, Louisiana
 Head Start Grant No. 06CH0402/12
 U.S. Department of Health and Human Services
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual
 For the Contract Period: December 1, 2002 to November 30, 2003

	Budget	Actual	COB Balances Current Year
Revenues			
Department of Health and Human Services	\$ 1,087,162	\$ 1,087,162	
Grantee's contribution	271,791	271,791	
	1,358,953	1,358,953	
Total revenue			
Expenditures:			
Personnel	640,817	625,893	\$ 14,924
Fringe benefits	138,815	118,776	20,039
Travel	10,000	106	9,894
Supplies	13,648	45,705	(32,057)
Contractual	6,500		6,500
Other	277,382	296,682	(19,300)
	1,087,162	1,087,162	\$
Grantee's share	271,791	271,791	
Total all expenditures	\$ 1,358,953	1,358,953	
Revenue over (under) expenditures			
Fund balance, beginning December 1, 2002			
Fund balance, ending November 30, 2003		\$	

Quad Area Community Action Agency, Inc.
Hammond, Louisiana
Foster Grandparents Program
Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Contract Period: January 1, 2003 to December 31, 2003

Revenue:	Federal	Nonfederal	Total
Contract revenue	\$ 446,333	\$	\$ 446,333
Nonfederal share			
State revenue		27,224	27,224
Total revenue	446,333	27,224	473,557
Expenditures			
Personnel	84,537	1,291	85,828
Fringe benefits	10,872	1,933	12,805
Travel	2,143	691	2,834
Equipment	807	1,503	2,310
Supplies	600	712	1,312
Rent	19,472	4,774	24,246
Contractual	1,500	1,138	2,638
Communications	2,210	2,468	4,678
Total volunteer support expenses	122,141	14,510	136,651
Volunteer stipends	272,907		272,907
Volunteer travel	43,227	2,408	45,635
Volunteer recognition	4,471	6,611	11,082
Volunteer other	3,587	3,695	7,282
Total volunteer expenses	324,192	12,714	336,906
Total expenditures	446,333	27,224	473,557
Excess revenues (expenditures)			
Fund balance, January 1, 2003			
Fund balance, December 31, 2003	\$	\$	\$

Quad Area Community Action Agency, Inc.
Hammond, Louisiana
Retired Senior Volunteer Program
Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Contract Period: July 1, 2002 to June 30, 2003

Revenue:	<u>Federal</u>	<u>Nonfederal</u>	<u>Total</u>
Contract revenue	\$ 44,214		\$ 44,214
Nonfederal share			
State revenue		11,898	11,898
		<u>11,898</u>	<u>11,898</u>
Total revenue	<u>44,214</u>	<u>11,898</u>	<u>56,112</u>
Expenditures			
Personnel	32,814		32,814
Fringe benefits	2,106	4,588	6,694
Travel	720	208	928
Audit		500	500
Equipment	34	159	193
Supplies	127	140	267
Space costs	1,095	3,405	4,500
Communications	671		671
Other	663	2,073	2,736
		<u>2,073</u>	<u>2,736</u>
Total volunteer support expenses	<u>38,230</u>	<u>11,073</u>	<u>49,303</u>
Volunteer travel	3,987		3,987
Volunteer other	1,997	825	2,822
		<u>825</u>	<u>2,822</u>
Total volunteer expenses	<u>5,984</u>	<u>825</u>	<u>6,809</u>
Total expenditures	<u>44,214</u>	<u>11,898</u>	<u>56,112</u>
Excess revenues (expenditures)			
Fund balance, July 1, 2002			
Fund balance, June 30, 2003	<u>\$</u>	<u>\$</u>	<u>\$</u>

Quad Area Community Action Agency, Inc.
 Hammond, Louisiana
 Schedule of Expenditures of Federal Awards
 For the Year Ended December 31, 2003

Federal Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
U.S. Department of Health and Human Services			
Direct Programs:			\$
Head Start (Fy 11-30-02)	93.600	06CH0402/12	999,428
Head Start (Fy 11-30-03)	93.600	06CH0402/13	81,680
Passed through Louisiana Department of Labor Community Services Block Grant	93.569	Unknown	1,323,024
Passed through Louisiana Department of Social Services			
Teen Pregnancy Prevention Program	93.558	604097; 589922	331,558
Teen Pregnancy Prevention Program II	93.558	590256	107,872
Man to Man	93.558	590351	236,369
Louisiana Children's Trust Fund	93.672	589306	2,505
Passed through Louisiana Department of Education			
After School for All	93.558	Unknown	295,096
Fame 1st	93.558	590511	303,454
Passed through Louisiana Housing Finance Agency			
Home Energy Assistance Program	93.568	Unknown	274,586
Weatherization Assistance Program (Fy 3-31-03)	93.568	Unknown	85,075
Weatherization Assistance Program (Fy 3-31-04)	93.568	Unknown	155,936
Temporary Assistance for Needy Families	93.558	Unknown	15,440
Total U.S. Department of Health and Human Services			<u>4,212,023</u>

(Continued)

Quad Area Community Action Agency, Inc.
Hammond, Louisiana
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2003
(Continued)

Federal Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
<u>U.S. Department of Urban Development</u>			
Passed through The Ascension Parish Council Emergency Shelter Grants Program	14.231	Unknown	\$ 15,836
Passed through Tangipahoa Parish Emergency Shelter Grants Program	14.231	Unknown	25,505
Passed through Livingston Parish Emergency Shelter Grants Program	14.231	Unknown	26,863
Total U.S. Department of Housing and Urban Development			
<u>U.S. Department of Education</u>			
Passed through Louisiana Department of Education Adult Education El Civics	84.002 84.002	Unknown Unknown	63,904 39,657
Total U.S. Department of Education			
<u>The Corporation For National Service</u>			
Direct Programs:			
Foster Grandparent Program (Fy 12-31-03)	94.011	03SF034784	446,333
Retired Senior Volunteer Program (Fy 6-30-03)	94.002	01SRWLA005	24,099
Retired Senior Volunteer Program (Fy 6-30-04)	94.002	01SRWLA005	26,558
Total Corporation For National Service			
			496,990

(Continued)

Quad Area Community Action Agency, Inc.
Hammond, Louisiana
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2003
(Continued)

Federal Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
<u>U.S. Department of Agriculture</u>			
Direct Programs:			
Farm Labor Housing Loan	10.405	Unknown	\$ 1,162,051
Rural Rental Assistance Payment	10.427	Unknown	181,000
Passed through Louisiana Department of Education			
Child Care Food Program	10.558	Unknown	114,587
Total U.S. Department of Agriculture			<u>1,457,638</u>
<u>Federal Emergency Management Agency</u>			
Passed through a local governing board			
Emergency Food and Shelter (FEMA)	83.523	Unknown	<u>55,000</u>
Total Federal Emergency Management Agency			<u>55,000</u>
Total federal expenditures			<u>\$ 6,393,416</u>

NOTE 1: The accompanying schedule of expenditures of federal awards is prepared on the accrual basis of accounting.

COOK & MOREHART

Certified Public Accountants

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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
Quad Area Community Action Agency, Inc.
Hammond, Louisiana

We have audited the financial statements of Quad Area Community Action Agency, Inc. (a nonprofit organization) as of and for the year ended December 31, 2003, and have issued our report thereon dated May 28, 2004. We conducted our 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 Quad Area Community Action Agency, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Quad Area Community Action Agency, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Quad Area Community Action Agency, Inc.'s ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2003-B1 and 2003-B2.

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 over financial reporting that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above are material weaknesses. We also noted other matters involving the internal control over financial reporting which we have reported to management of Quad Area Community Action Agency, Inc. in a separate management letter dated May 28, 2004.

This report is intended solely for the information and use of management, the Board of Directors and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Cook & Morehart
Certified Public Accountants
May 28, 2004

COOK & MOREHART

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

To the Board of Directors
Quad Area Community Action Agency, Inc.
Hammond, Louisiana

Compliance

We have audited the compliance of Quad Area Community Action Agency, Inc. (a nonprofit organization) with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2003. Quad Area Community Action Agency, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Quad Area Community Action Agency, Inc.'s management. Our responsibility is to express an opinion on Quad Area Community Action Agency, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Quad Area Community Action Agency, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Quad Area Community Action Agency, Inc.'s compliance with those requirements.

In our opinion, Quad Area Community Action Agency complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2003.

Internal Control Over Compliance

The management of Quad Area Community Action Agency is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Quad Area Community Action Agency'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.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to 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. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, the Board of Directors and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Cook & Morehart
Certified Public Accountants
May 28, 2004

Quad Area Community Action Program, Inc.
Hammond, Louisiana
Summary Schedule of Prior Audit Findings
December 31, 2003

2002-B1 - REPORTABLE CONDITION

Statement of Condition and Criteria: At December 31, 2002, the agency had a cumulative operating net asset (deficit) of \$349,524.

Recommendation: We recommended that management and the Board of Directors meet on a periodic basis to monitor the agency's financial position and to formulate financial plans to eliminate the deficits.

Current Status: See reportable in current year.

2002-B2 - REPORTABLE CONDITION

Statement of Condition and Criteria: During our audit, we noted that the various programs administered by the agency were loaning money to other programs and to the local / payroll funds. Interagency balances between the various programs were not being balanced on a monthly basis, and amounts due were not being repaid in a timely manner.

Recommendation: We recommended that funds not be loaned between the various programs administered by the agency. We also recommended that the interagency accounts be balanced on a monthly basis and that amounts due be repaid on a timely basis.

Current Status: Interagency accounts were reconciled at December 31, 2003. However, see reportable condition in current year.

2002-C1 - REPORTABLE CONDITION

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Head Start Program - CFDA No. 93.600

Home Energy Assistance and Weatherization Programs - CFDA No. 93.568

Community Services Block Grant - CFDA No. 93.569

Temporary Assistance to Needy Families - CFDA No. 93.558

Reportable Condition: As discussed in Reportable Condition 2002-B2, we noted that the various programs administered by the agency were loaning money to other programs and to the local / payroll funds. Interagency balances between the various programs were not being balanced on a monthly basis, and amounts due were not being repaid in a timely manner.

(Continued)

Quad Area Community Action Program, Inc.
Hammond, Louisiana
Summary Schedule of Prior Audit Findings
December 31, 2003
(Continued)

Recommendation: We recommended that funds not be loaned between the various programs administered by the agency. We also recommended that the interagency accounts be balanced on a monthly basis and that amounts due be repaid on a timely basis.

Current Status: The only interagency receivable of the Head Start Program at December 31, 2003, was an amount due from the Child and Adult Care Food Program (H/S USDA). The Community Services Block Grant had amounts due from other programs at December 31, 2003, of \$23,119. The Home Energy Assistance Program, Weatherization Assistance Program, and Temporary Assistance to Needy Families did not have interagency receivable balances at December 31, 2003.

Quad Area Community Action Program, Inc.
Hammond, Louisiana
Schedule of Findings and Questioned Costs
December 31, 2003

A. Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the financial statements of Quad Area Community Action Agency, Inc.
2. Two reportable conditions are reported in the Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. The conditions are not reported as material weaknesses.
3. No instances of noncompliance material to the financial statements of Quad Area Community Action Agency, Inc. were disclosed during the audit.
4. No reportable conditions are reported in the Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for Quad Area Community Action Agency, Inc. expresses an unqualified opinion.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule.
7. The programs tested as major programs included: 1) Head Start Program CFDA #93.600, 2) Home Energy Assistance and Weatherization Programs CFDA# 93.568, 3) Community Services Block Grant CFDA# 93.569, 4) Foster Grandparents Program CFDA# 94.011, 5) Temporary Assistance to Needy Families Program CFDA #93.558, and 6) Farm Labor Housing Loan Program CFDA #10.405.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Quad Area Community Action Agency, Inc. did not qualify as a low-risk auditee.

(Continued)

Quad Area Community Action Program, Inc.
Hammond, Louisiana
Schedule of Findings and Questioned Costs
December 31, 2003
(Continued)

B. Findings – Financial Statements Audit:

2003-B1 - REPORTABLE CONDITION

Statement of Condition and Criteria: During the year ended December 31, 2003, Quad's cumulative operating net asset (deficit) improved from (\$349,524) to (\$299,554).

Cause: The operating net asset (deficit) is the result of the agency's prior years' operations not being properly budgeted for those programs administered by the agency.

Recommendation: We recommend that management and the Board of Directors continue to meet on a periodic basis to monitor the agency's financial position and to formulate financial plans to eliminate the deficits.

Response: Quad Area continues to try to eliminate the deficit.

2003-B2 – REPORTABLE CONDITION

Statement of Condition and Criteria: At December 31, 2003, interagency balances between the various programs totaled \$628,437.

Cause: As described in Reportable Condition 2003-B1, Quad has a cumulative operating net asset (deficit) of (\$299,554) and corrections and repayment between the funds were not done during the year.

Effect: Numerous funds have interagency balances at December 31, 2003.

Recommendation: We recommend that Quad analyze all interagency balances and repay amounts owed between the programs to eliminate the interagency balances.

Response: Quad Area has begun analyzing due to's and from's and will reclassify amounts to reflect due to's and from's from other funds.

C. Findings and Questioned Costs – Major Federal Programs Audit

None

Quad Area Community Action Agency, Inc.
Hammond, Louisiana
Summary Schedule of Prior Audit Findings
Schedule for Louisiana Legislative Auditor
December 31, 2003 and 2002

There were two reportable conditions and one finding for the prior year audit for the year ended December 31, 2002. See accompanying Summary Schedule of Prior Audit Findings.

There were eight management letter comments for the prior year audit for the year ended December 31, 2002. The current status of these comments is shown below.

(1) LIHEAP PROGRAM ADMINISTRATIVE DEFICIT

No current year finding or management letter comment.

(2) COST ALLOCATION PLAN

See current year management letter comment.

(3) DAVIS BACON ACT

No current year finding or management letter comment.

(4) CONSTRUCTION CONTRACTS

No current year finding or management letter comment.

(5) PAYROLL TAX REPORTS

No current year finding or management letter comment.

(6) PAYROLL DEDUCTIONS

No current year finding or management letter comment.

(7) NEPOTISM

Quad did obtain documentation concerning nepotism.

(8) LATE SUBMISSION OF AUDIT REPORT

Audit was submitted timely for the year ended December 31, 2003.

Quad Area Community Action Agency, Inc.
Hammond, Louisiana
Corrective Action Plan for Current Year Audit Findings
Schedule for Louisiana Legislative Auditor
December 31, 2003 and 2002

There are two reportable conditions for the current year audit for the year ended December 31, 2003, listed in the accompanying Schedule of Findings and Questioned Costs as items 2003-B1 and 2003-B2. Management's response is also shown there.

There are three management letter comments for the current year audit for the year ended December 31, 2003. Management's response to those comments is noted below.

(1) PAYMENT OF INVOICES

Quad Area is preparing a policy to pay from originals and we will notify all employees of this procedure. Quad Area covers seven parishes which are very rural and spread out over a large area. We will do our best to uphold this procedure.

(2) ISSUANCE OF CHECKS

Quad Area has already assigned this function to somebody else.

(3) CURRENT FINANCIAL RECORDS

The general ledgers are now current.

COOK & MOREHART

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REISSUED JULY 30, 2004

Management Letter

RECEIVED
LEGISLATIVE AUDITOR
04 AUG - 9 AM 11:34

May 28, 2004

Winnie Sibley, Executive Director
Quad Area Community Action Agency, Inc.
Hammond, Louisiana

We have audited the financial statements of Quad Area Community Action Agency, Inc., for the year ended December 31, 2003, and have issued our report thereon dated May 28, 2004. In planning and performing our audit of the financial statements we considered its 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.

During our audit we noted certain matters involving the internal control over financial reporting that are presented for your consideration. These comments and recommendations have been discussed with the appropriate members of management.

(1) PAYMENT OF INVOICES

During our testing of expenditures, we noted several instances of supporting documentation which consisted of copies rather than original vendor invoices.

We recommend that checks be prepared only from original vendor invoices and not copies.

(2) ISSUANCE OF CHECKS

During our audit, we noted that checks were being returned to the accounting department for mailing after necessary signatures had been obtained.

We recommend that the custody of checks after signature and before mailing be handled by an employee independent of all payable, disbursing, cash, receiving, and general ledger functions

(3) CURRENT FINANCIAL RECORDS

During our audit for the year ended December 31, 2003, we noted much improvement in the accounting records from 2002. However, we noted that, as of May, 2004, some of the programs' general ledgers were not current.

We recommend that all programs' general ledgers be maintained on a current basis to allow for proper monitoring of financial operations.

(4) UTILITY PAYMENTS

Quad Area Community Action Agency, Inc. has identified certain payments to a utility company totaling approximately \$10,935 which may not be proper. These payments were in regards to Quad Area's utility invoices.

We recommend that Quad Area pursue resolution of the payments through legal means and also seek repayment from the utility company.

We express our sincere thanks to the personnel of Quad Area Community Action Agency, Inc., for the cooperation and assistance provided us during our examination. We are available to provide you assistance and consultation in the implementation of the above recommendations. This letter is furnished solely for the use of management and is not to be used for any other purpose.



Cook & Morehart
Certified Public Accountants



QUAD AREA COMMUNITY ACTION AGENCY, INC.
45300 NORTH BAPTIST ROAD
HAMMOND, LOUISIANA 70401

Winnie Sibley
Executive Director

Phone (225) 567-2350
Fax (225) 567-2630

August 2, 2004

Mr. Travis Morehart
Cook & Morehart
Post Office Box 78240
Shreveport, LA 71137-8240

Dear Mr. Morehart:

The following is the response to the management letter, comment 4 - Utility Payments.

1. The Board of Directors of Quad Area Community Action Agency, Inc. voted to authorize the Executive Director to instruct Quad Area's Legal Counsel to turn this matter over to the local District Attorney. As of this date, the Legal Counsel has been notified.
2. The Board of Directors of Quad Area Community Action Agency, Inc. voted for our Legal Counsel to communicate with the utility company concerning this matter. As of this date, the Legal Counsel has been notified.
3. Quad Area Community Action Agency, Inc. has also contacted the agency's insurance company regarding this matter.

If there is anything further needed in this matter, please let me hear from you.

Sincerely,

A handwritten signature in cursive script that reads "Winnie Sibley".

Winnie Sibley, CCAP
Executive Director