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LOUISIANA COMMUNITY DEVELOPERS, INC.

**Independent Auditor's Report and Financial Statements
For the Fiscal Year Ended June 30, 2003**

Deemer CPA and Consulting Services, LLC

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 9-8-04

Louisiana Community Developers, Inc.
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Independent Auditor's Report

To the Board of Directors of Louisiana Community Developers, Inc.:

I have audited the accompanying statement of financial position of Louisiana Community Developers, Inc. (a nonprofit organization) as of June 30, 2003, and the related statement of activities and cash flows for the year then ended. These financial statements are the responsibility of Louisiana Community Developers, Inc. management. My responsibility is to express an opinion of these financial statements based on my audit.

Except as discussed in the following paragraph, I conducted my audit in accordance with auditing standards generally accepted in the United States of America. 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.

Louisiana Community Developers, Inc. was not required to have a prior year audit of their basic financial statements. Consequently I am unable to determine whether or not the beginning net asset balance is accurately reflected.

In my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the beginning net asset balance referred to in the preceding paragraph been audited, the financial statements referred to above present fairly, in all material respects, the financial position of Louisiana Community Developers, Inc. as of June 30, 2003, and the 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 May 28, 2004 on my consideration of Louisiana Community Developers, Inc.'s internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contract, 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 my audit.

My audit was performed for the purpose of forming an opinion on the basic financial statement of Louisiana Community Developers, Inc. taken as a whole. The schedule of functional expenses is presented on page 8 for purposes of additional analysis and is not a required part of the financial statements of the organization.

Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basis financial statements taken as a whole.

Deemer CPA and Consulting Services, LLC
New Orleans, Louisiana
May 28, 2004

Louisiana Community Developers, Inc.
Statement of Financial Position
As of June 30, 2003

<u>Assets</u>	
Cash	\$ 7,282
Grant Receivable	33,439
<u>Fixed Assets</u>	
Property and Equipment	25,814
Accumulated Depreciation	<u>(3,884)</u>
Total Fixed Assets (Net)	21,930
Total Assets	<u>\$ 62,652</u>
<u>Liabilities and Net Assets</u>	
Accrued Expenses and Payroll Liabilities	<u>5,942</u>
Total Liabilities	5,942
<u>Net Assets</u>	
Unrestricted	(60,221)
Temporarily Restricted	<u>116,931</u>
Total Net Assets	56,710
Total Liabilities and Net Assets	<u>\$ 62,652</u>

The accompanying notes are an integral part of these financial statements

Louisiana Community Developers, Inc.
Statement of Activities
For the Fiscal Year Ended June 30, 2003

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, Gains, and Other Support			
Grant Revenues		\$ 469,010	\$ 469,010
Other Income	400		400
Net Assets Released From Restrictions			
Restrictions Satisfied by Depreciation	3,884	(3,884)	0
Restrictions Satisfied by Payments	<u>368,062</u>	<u>(368,062)</u>	<u>0</u>
Total Revenues, Gains, and Other Support	372,348	97,064	469,410
Program Services			
Louisiana Stadium Exposition District	92,925	0	92,925
Urban Affairs & Development	188,653	0	188,653
TANF	<u>90,368</u>	<u>0</u>	<u>90,368</u>
Total Program Expense	371,946	0	371,946
Support Services			
General and Administrative	<u>60,621</u>	<u>0</u>	<u>60,621</u>
Total Expenses	432,567	0	432,567
Change in Net Assets	<u>(60,221)</u>	<u>97,064</u>	<u>36,843</u>
Net Assets At Beginning Of Year	<u>-</u>	<u>19,867</u>	<u>19,867</u>
Net Assets At End Of Year	<u>\$ (60,221)</u>	<u>\$ 116,931</u>	<u>\$ 56,710</u>

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

Louisiana Community Developers, Inc.
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2003

Cash Flows From Operating Activities:

Changes in Net Assets	\$ 36,843
Adjustments to Reconcile Net Revenues over Expenditures to Net Cash Provided by Operating Activities	
Depreciation Expense	3,884
Changes in Operating Assets and Liabilities	
Grant Receivable	(33,439)
Accrued Expenses and Payroll Liabilities	<u>5,942</u>
Net Cash Provided by Operating Activities	13,230
Cash Flows From Investing Activities:	
Purchase/Sales of Fixed Assets	(12,444)
Cash Provided by Financing Activities:	0
Net Cash Increase for Period	786
Cash, At Beginning of Period July 1, 2003	<u>6,496</u>
Cash, At End of Period June 30, 2003	<u>\$ 7,282</u>

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

Louisiana Community Developers, Inc.
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2003

1. Summary of Significant Accounting Principles

General - Louisiana Community Developers (LCD) is a non-profit agency with a mission to provide students with educational, tutorial, and cultural activities as well as computer readiness. LCD was established in 2001 and serves as a support system to public, private, and parochial schools located throughout New Orleans, LA. The agency is committed to assisting local educational institutions in increasing overall academic performance for the program participants.

Louisiana Community Developers, Inc.'s main source of funding is grants from the Louisiana State Department of Education, the Louisiana Stadium Expedition District, and the Louisiana Department of Education.

Basis of Accounting - Louisiana Community Developers Inc.'s financial statements are prepared on the accrual basis of accounting, whereby revenue is recorded when earned and expenses are recorded when incurred.

Property and Equipment - The straight line method of depreciation is used for the assets owned by Louisiana Community Developers, Inc. The estimated useful lives of these assets range from 3 to 40 years.

Income Taxes - Louisiana Community Developers, Inc. has been given an advanced ruling of tax exempt status under Section 501 (c) 3 of the Internal Revenue Code until June 30, 2006.

Cash - Cash is comprised of cash on hand and in banks.

2. Restrictions on Net Assets

Restrictions placed on net assets are related to the funds received by Louisiana Community Developers, Inc. from federal grant awards. These restrictions are released as grant rules and regulations are met by the organization.

3. Property and Equipment

Property and Equipment consisted of the following at June 30, 2003:

Computers	\$ 3,000
Equipment	<u>22,814</u>
Total	25,814
Less: Accumulated Depreciation	<u>(3,884)</u>
Total Property and Equipment	<u>\$ 21,930</u>

4. Subsequent Event

Louisiana Community Developers, Inc. receives its funding from federal, state, and local grants. Subsequent to June 30, 2003; LCD, Inc. has suffered a loss in funding, which is vital to the existence of funding for the Agency's programs. Management has indicated that they intend to continue to locate alternative funding options to maintain Agency operations.

SUPPLEMENTAL INFORMATION

**Louisiana Community Developers, Inc.
Schedule of Functional Expenses
For the Fiscal Year Ended June 30, 2003**

	Program Services			Supportive Services		
	Louisiana Stadium Exposition District	Urban Affairs & Development	TANF	Total Program Svcs.	Management & General	Total Expenses
Payroll Expenses	\$ 34,819	\$ 38,672	\$ 39,251	\$ 112,742	\$ 37,960	\$ 150,702
Fringe Benefits	-	-	600	600	18,777	18,777
Repairs & Maint.	11,750	-	16,180	27,930	-	27,930
Contractual Services	-	2,745	-	2,745	-	2,745
Accounting & Legal	-	-	-	-	-	0
Utilities	-	777	1,130	2,422	-	2,422
Telephone	515	10,084	25,434	73,443	-	73,443
Supplies	37,925	2,500	-	2,936	-	2,936
Equipment	436	1,876	1,649	4,278	0	4,278
Insurance	753	1,440	2,784	4,504	0	4,504
Food Supplies	280	-	435.00	785	0	785
Travel	350	-	-	-	3,884	3,884
Depreciation	-	-	-	-	-	-
Mini Grants	-	121,643	-	121,643	-	121,643
Rent Expense	4,800	8,880	2,760	16,440	-	16,440
Postage	-	-	37	37	-	37
Miscellaneous	1,297	36	108	1,441	-	1,441
Total Expenses	\$ 92,925	\$ 188,653	\$ 90,368	\$ 371,946	\$ 60,621	\$ 432,567

See Independent Auditor's Report.

**Independent Auditor's 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 of Louisiana Community Developers, Inc.

I have audited the financial statements of Louisiana Community Developers, Inc. as of June 30, 2003, and for the year then ended, and have issued my report thereon dated May 28, 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 Louisiana Community Developers, Inc.'s 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 one instance of noncompliance that is required to be reported under Government Auditing Standards. It is listed as finding 04-001 in the schedule of findings and questioned costs.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Louisiana Community Developers Inc.'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 over financial reporting 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 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 operation that I consider to be material weaknesses. However, I noted other matters involving the internal control over financial reporting, which I have reported to Louisiana Community Developers, Inc. in a separate letter dated May 29, 2004.

This report is intended solely for the information and use of management, others within Louisiana Community Developers, Inc. 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.

Deemer CPA and Consulting Services, LLC

New Orleans, Louisiana
May 28, 2004

Louisiana Community Developers, Inc.
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2003

03-001 AUDIT NOT ENGAGED TIMELY

CONDITION:

Louisiana Community Developers, Inc. did not timely engage an independent auditor to perform the audit for the fiscal year ended June 30, 2003.

CAUSE:

The predecessor auditor was unable to perform the agency's audit as management had planned; consequently a new auditor had to be found and contracted to perform these services.

EFFECT:

The agency was not in compliance with State of Louisiana Revised Statutes' audit requirements nor were they in compliance with Governor's Office of Urban Affairs requirements.

CRITERIA:

State of Louisiana Revised Statutes and the Governor's Office of Urban Affairs require that an audit be submitted no later than six (6) months following the agency's fiscal year end.

RECOMMENDATION:

I recommend that an auditor be engaged timely and that a completed audit report be submitted to the State of Louisiana Legislative Auditor and the Governor's Office of Urban Affairs no later than six (6) months following the agency's year end.

Louisiana Community Developers, Inc.
Status of Prior Year Findings
For the Fiscal Year Ended June 30, 2003

Louisiana Community Developer's Inc. was not required to have an audit performed for the fiscal year ended June 30, 2002. Therefore, there are no prior year findings to update.

**Louisiana Community Developers, Inc.
Management's Corrective Action Plan
For the Fiscal Year Ended June 30, 2003**

Management's corrective action plan is provided in a separate letter dated June 1, 2004.



Louisiana Community Developers, Inc.

6600 Plaza Drive Suite 501
New Orleans, LA 70127

CORRECTIVE ACTION

June 24, 2004

Office of the Legislative Auditor
1600 N. Third Street
Baton Rouge, Louisiana 70802

To Whom It May Concern:

I am writing this letter in response to my agency's June 30, 2003 audit finding, as noted below:

Current Year Audit Not Engaged Timely

I engaged an auditor in October 2003 to audit Louisiana Community Developer's financial statements, however, after the engagement letter was signed and approved, I was unable to reach the auditor for completion of the project. I was allowed by your office to engage another auditor who has completed and issued our audit report.

Please also note that the new auditor was engaged to complete our June 30, 2004 audit also, and the engagement letter has been approved and is on file at your office. Our agency plans to cooperate fully with the new auditor to ensure timely completion of the June 30, 2004 audit report.

Thank you for your attention to this matter. Please contact me if I can provide additional information.

Sincerely,

Bertha Coleman
Executive Director

May 29, 2004

To the Senior Management and
The Board of Directors of
Louisiana Community Developers, Inc.

In planning and performing my audit of the financial statements of the Louisiana Community Developers, Inc. (LCD, Inc.) for the year ended June 30, 2003, I considered the Organization's internal control in order to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during my audit, I became aware of a certain matter that is an opportunity for strengthening internal controls and operating efficiency. This letter does not affect my report dated May 28, 2004, on the financial statements of the LCD, Inc.

I will review the status of this comment during my next audit engagement. I have already discussed this comment and suggestion with your office personnel, and I will be pleased to discuss this comment in further detail at your convenience, to perform any additional study of this matter, or to assist you in implementing the recommendation. My comment is summarized as follows:

Lack of Segregation of Duties

During my audit, I noted that the Executive Director and agency secretary are the only persons assigned to perform office and accounting functions. Consequently, the accounts receivable, accounts payable, bank reconciliations, and posting of accounting entries are performed by the office secretary with the oversight of the Executive Director. This results in a lack of segregation of duties as desired in an internal control environment.

I recommend that these duties be separated and distributed to other employees of the agency and/or secure the services of an external accountant.

This report is intended solely for the information and use of the Board of Directors, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Deemer CPA and Consulting Services, LLC

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New Orleans, Louisiana**