

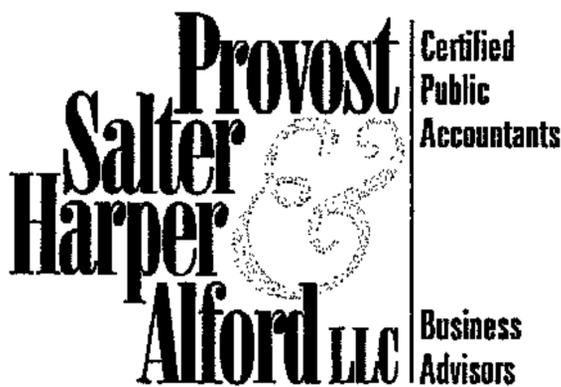
**THE CHURCH UNITED FOR
COMMUNITY DEVELOPMENT**

FINANCIAL REPORT

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 9-1-04



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THE CHURCH UNITED FOR COMMUNITY DEVELOPMENT

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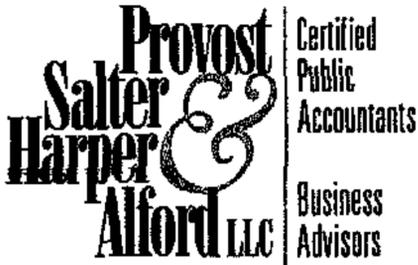
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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

Board of Directors
The Church United for Community Development
Baton Rouge, Louisiana

We have audited the accompanying statements of financial position of The Church United for Community Development (a nonprofit organization) as of December 31, 2003 and 2002 and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 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. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of The Church United for Community Development 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 January 20, 2004 on our consideration of The Church United for Community Development's internal control over financial reporting and on 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 Accounting Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audits were performed for the purpose of forming an opinion on the basic financial statements of The Church United for Community Development 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.

PROVOST, SALTER, HARPER & ALFORD, L.L.C.

Provost, Salter, Harper & Alford, L.L.C.

January 20, 2004

THE CHURCH UNITED FOR COMMUNITY DEVELOPMENT

Statements of Financial Position

December 31, 2003 and 2002

ASSETS	2003	2002
Current Assets		
Cash and cash equivalents	\$ 42,522	\$ 105,207
Contractual reimbursements receivable	80,764	60,130
Prepaid and other	9,233	7,075
Total current assets	<u>132,519</u>	<u>172,412</u>
Land, Buildings and Equipment		
Net of accumulated depreciation and amortization	533,746	242,693
Total Assets	<u>\$ 666,265</u>	<u>\$ 415,105</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Notes payable and current maturities of long term debt	\$ 296,130	\$ 150,000
Accounts payable	20,873	19,884
Accrued expenses	3,633	11,627
Deferred revenue	-	75,910
Total current liabilities	<u>320,636</u>	<u>257,421</u>
Long term debt less current maturities	<u>139,770</u>	<u>-</u>
Net Assets		
Unrestricted net assets		
Undesignated, available for general activities	108,012	44,991
Net investment in fixed assets	97,847	92,693
Total unrestricted	<u>205,859</u>	<u>137,684</u>
Temporarily restricted	-	20,000
Total net assets	<u>205,859</u>	<u>157,684</u>
Total Liabilities and Net Assets	<u>\$ 666,265</u>	<u>\$ 415,105</u>

THE CHURCH UNITED FOR COMMUNITY DEVELOPMENT

Statement of Activities

Year Ended December 31, 2003

	Unrestricted	Temporarily Restricted	Total
Public Support			
Contractual governmental support	\$ -	995,773	\$ 995,773
Contributions and other	145,796	-	145,796
In kind contributions	263,349	-	263,349
Net assets released from restrictions	1,015,773	(1,015,773)	-
Total Public Support	1,424,918	(20,000)	1,404,918
Expenses			
Program services			
Residential center	106,408	-	106,408
After school tutoring	51,460	-	51,460
Character clubs	173,778	-	173,778
Literacy training	532,936	-	532,936
Employment training	243,143	-	243,143
Low income housing	12,844	-	12,844
Total program services	1,120,569	-	1,120,569
Supporting services			
Management and general	236,174	-	236,174
Total Expenses	1,356,743	-	1,356,743
Change in Net Assets	68,175	(20,000)	48,175
Net Assets, Beginning of Year	137,684	20,000	157,684
Net Assets, End of Year	\$ 205,859	\$ -	\$ 205,859

THE CHURCH UNITED FOR COMMUNITY DEVELOPMENT

Statement of Activities

Year Ended December 31, 2002

	Unrestricted	Temporarily Restricted	Total
Public Support			
Public Support			
Contractual governmental support	\$ -	\$ 349,510	\$ 349,510
Contributions and other	106,946	20,300	127,246
In kind contributions	233,287	-	233,287
Net assets released from restrictions	349,810	(349,810)	-
Total public support	690,043	20,000	710,043
Interest income	549	-	549
Total Public Support	690,592	20,000	710,592
Expenses			
Program services			
Residential center	37,230	-	37,230
Character clubs	155,991	-	155,991
Literacy training	268,569	-	268,569
Character camps	44,172	-	44,172
Other community outreach	44,850	-	44,850
Total program services	550,812	-	550,812
Supporting services			
Management and general	140,274	-	140,274
Fund raising	12,898	-	12,898
Total support services	153,172	-	153,172
Total Expenses	703,984	-	703,984
Change in Net Assets	(13,392)	20,000	6,608
Net Assets, Beginning of Year	151,076	-	151,076
Net Assets, End of Year	\$ 137,684	\$ 20,000	\$ 157,684

THE CHURCH UNITED FOR COMMUNITY DEVELOPMENT

Statement of Functional Expenses

Year Ended December 31, 2003

	Program Services							Total	Supporting Services	Totals
	Residential Center	After School Tutoring	Character Clubs	Literacy Training	Employment Training	Low Income Housing	Program Services			
Salaries and Related Benefits										
Salaries	\$ 63,803	\$ 31,948	\$ 76,056	\$ 243,432	\$ 123,436	\$ 140	\$ 538,815	\$ 140,825	\$ 679,640	
Employee health and retirement benefits	1,212	209	3,999	5,247	3,405	-	14,072	17,019	31,091	
Payroll taxes and other	4,881	2,444	5,818	18,623	9,443	11	41,220	1,477	42,697	
Total salaries and related benefits	69,896	34,601	85,873	267,302	136,284	151	594,107	159,321	753,428	
Other Expenses										
Supplies	15,052	7,155	64,094	70,192	35,946	2,592	195,031	10,636	205,667	
Travel and meetings	241	2,767	5,963	9,505	13,101	-	31,577	1,899	33,476	
Rent and utilities	7,838	2,780	-	81,545	-	2,156	94,319	17,787	112,106	
Telephone	2,181	1,170	2,580	18,527	6,588	159	31,205	1,865	33,070	
Insurance	2,432	-	1,326	10,904	4,383	3,357	22,402	13,982	36,384	
Other expenses	6,257	1,041	5,635	49,320	37,861	1,228	101,342	17,430	118,772	
Total other expenses	34,001	14,913	79,598	239,993	97,879	9,492	475,876	63,599	539,475	
Total Expenses Before Depreciation and Amortization	103,897	49,514	165,471	507,295	234,163	9,643	1,069,983	222,920	1,292,903	
Depreciation and amortization	2,511	1,946	8,307	25,641	8,980	3,201	50,586	13,254	63,840	
Total Expenses	\$ 106,408	\$ 51,460	\$ 173,778	\$ 532,936	\$ 243,143	\$ 12,844	\$ 1,120,569	\$ 236,174	\$ 1,356,743	

THE CHURCH UNITED FOR COMMUNITY DEVELOPMENT

Statement of Functional Expenses

Year Ended December 31, 2002

	Program Services						Supporting Services			Totals
	Residential Center	Character Clubs	Literacy Training	Character Camps	Community Outreach	Program Services	Management and General	Fund Raising		
Salaries and Related Benefits										
Salaries	\$ 5,843	\$ 99,184	\$ 108,332	\$ 15,079	\$ 22,513	\$ 250,951	\$ 105,492	-	\$ 356,443	
Employee health and retirement benefits	-	3,658	-	2,400	1,076	7,134	-	-	7,134	
Payroll taxes and other	444	5,270	8,237	1,147	1,712	16,810	-	-	16,810	
Total salaries and related benefits	6,287	108,112	116,569	18,626	25,301	274,895	105,492	-	380,387	
Other Expenses										
Supplies	3,654	2,910	3,859	-	1,553	11,976	5,000	-	16,976	
Travel and meetings	773	-	4,716	-	-	5,489	-	-	5,489	
Rent and utilities	4,858	-	70,500	-	-	75,358	5,625	-	80,983	
Telephone	2,218	1,088	5,205	-	564	9,075	-	-	9,075	
Insurance	4,137	2,434	7,861	-	-	14,432	16,800	-	31,232	
Other expenses	14,303	41,447	47,470	25,546	17,432	146,198	7,357	12,898	166,453	
Total other expenses	29,943	47,879	139,611	25,546	19,549	262,528	34,782	12,898	310,208	
Total Expenses Before Depreciation and Amortization	36,230	155,991	256,180	44,172	44,850	537,423	140,274	12,898	690,595	
Depreciation and amortization	1,000	-	12,389	-	-	13,389	-	-	13,389	
Total Expenses	\$ 37,230	\$ 155,991	\$ 268,569	\$ 44,172	\$ 44,850	\$ 550,812	\$ 140,274	\$ 12,898	\$ 703,984	

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Statements of Cash Flows

Year Ended December 31, 2003 and 2002

	2003	2002
Cash Flows From Operating Activities		
Change in net assets	\$ 48,175	\$ 6,608
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation and amortization	63,840	13,389
In kind donation of property	(38,500)	-
Increase (decrease) in:		
Contractual reimbursements receivable	(20,634)	(47,150)
Prepaid and other	(2,157)	(7,075)
(Increase) decrease in:		
Accounts payables	924	16,574
Accrued expenses	(7,994)	11,628
Deferred revenue	(75,910)	75,910
Net Cash (Used in) Provided By Operating Activities	(32,256)	69,884
Cash Flows From Investing Activities		
Purchase of buildings and equipment	(316,329)	(174,022)
Cash Flows From Financing Activities		
Proceeds from notes payable and long term debt	439,520	-
Payments on notes payable and long term debt	(153,620)	150,000
Net Cash Provided By Financing Activities	285,900	150,000
Net Increase (Decrease) In Cash And Cash Equivalents	(62,685)	45,862
Cash And Cash Equivalents		
Beginning	105,207	59,345
Ending	\$ 42,522	\$ 105,207
SUPPLEMENTAL DATA		
Interest Paid	\$ 10,087	\$ 4,982
Property donated	\$ 38,500	\$ -

THE CHURCH UNITED FOR COMMUNITY DEVELOPMENT

Notes to Financial Statements

December 31, 2003

1. Nature of Activities and Significant Accounting Policies

Nature of Activities. The Church United for Community Development is a nonprofit Organization organized under the laws of the State of Louisiana to partner with government, schools, businesses and community organizations to improve the quality of life for its citizens by building strong families, providing education and training and teaching integrity, character and leadership. It operates principally in East Baton Rouge and Ascension Parishes, Louisiana.

Program services are supported through allocations received from contractual governmental support and grants from the State of Louisiana which amounted to \$995,773 and \$349,510 for the years ended December 31, 2003 and 2002, respectively. This amounted to 87% and 73% of total support and revenue excluding in kind contributions for the years ended December 31, 2003 and 2002, respectively. As the Organization depends primarily on contractual governmental support and in kind contributions, future operating results are contingent on the Organization's continuing ability to secure contracts and grants from the State of Louisiana and others.

A summary of the Organization's significant accounting policies follows.

Public Support and Revenue. The financial statements are prepared on the accrual basis of accounting. Financial statements presentation follows the recommendations of the Financial Accounting Standards Board Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, non-profit organizations are required to report information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted Net Assets are net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted Net Assets are net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and /or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets are net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. There are no permanently restricted assets recorded in these financial statements.

THE CHURCH UNITED FOR COMMUNITY DEVELOPMENT

Notes to Financial Statements, Continued

December 31, 2003

Expenses. Program services expenses are the direct and indirect costs related to accomplishing the Organization's objectives. Supporting services are expenses for activities not directly related to the purpose for which the organization exists.

Functional Allocation of Expenses. The cost of providing various programs and supporting services have been reported on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the various programs and supporting services based on estimates made by management.

Cash and Cash Equivalents. For purposes of reporting the statement of cash flows, the Organization includes all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with a maturity of three months or less as cash and cash equivalents on the accompanying statement of financial position.

Concentration of Credit Risk. The Organization maintains cash in bank deposit accounts at high credit quality financial institutions. The balances, at times, may exceed federally insured limits. At December 31, 2003, the Organization's bank balances were not in excess of insured limits.

Recognition of Contractual Reimbursements From State Government. The Organization receives most of its program support from state government. The program recovers its costs on a contracted basis with the State of Louisiana based on budgets approved by the State. Revenues are recognized when services are performed.

Deferred Income. Deferred income represents advance payments on grants from the State of Louisiana. These payments are recognized as income over the period earned.

Income Taxes. The Organization qualifies for taxation as a nonprofit Organization under §501(c)(3) of the Internal Revenue Code. Accordingly, no provision has been made for income taxes. In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of §509(a) of the Internal Revenue Code.

Land, Buildings and Equipment. Expenditures for the acquisition of land, buildings and equipment are capitalized at cost. The fair value of donated furniture and equipment is similarly capitalized. Depreciation is computed by the straight line and accelerated methods over the following useful lives.

	Years
Office Equipment	3 - 7
Vehicles	3
Buildings and improvements	25 - 40

THE CHURCH UNITED FOR COMMUNITY DEVELOPMENT

Notes to Financial Statements, Continued

December 31, 2003

Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires the Organization's management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Donated Services and Non-Cash Assets. A significant portion of the Organizations functions are conducted by unpaid board members and volunteers. The value of this contributed time is not reflected in the accompanying financial statements since the volunteers' time does not meet the criteria necessary for recognition. Contributions of donated non-cash assets are recorded at their fair values when received.

2. Contractual Reimbursements

December 31, 2003

	Contract Number	Contract Period	Total Contract	Recognized Support
State Office of Social Services	590262	10/1/02-9/30/03	\$ 76,076	\$ 54,425
	590316	10/1/02-9/30/03	308,939	245,995
	607089	10/1/03-9/30/04	147,361	32,809
	-	10/1/03-9/30/04	510,422	10,293
	589718	9/1/02-8/31/03	204,000	143,532
Maternal & Child Health Bureau	-	7/1/03-6/30/06	316,096	47,383
Department of Education	590489	10/1/02-8/31/03	383,199	258,902
	603641	9/1/03-8/31/04	352,327	202,434
Total				<u>\$ 995,773</u>

December 31, 2002

	Contract Number	Contract Period	Total Contract	Recognized Support
State Office of Social Services	571819	9/1/01-8/31/02	\$ 74,832	\$ 46,877
	572234	9/1/01-8/31/02	74,473	35,349
	590262	10/1/02-9/30/03	76,076	11,414
	590316	10/1/02-9/30/03	308,939	26,649
	589718	9/1/02-8/31/03	204,000	57,301
State Department of Education	590489	10/1/02-8/31/03	383,199	23,559
U.S. Department of Education	V341A010658	10/1/01-12/31/02	208,611	148,361
Total				<u>\$ 349,510</u>

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Notes to Financial Statements, Continued

December 31, 2003

3. Contractual Reimbursements Receivable

	2003	2002
State of Louisiana – Dept. of Education	\$ 15,061	\$ 23,559
State of Louisiana – Office of Social Services	43,103	36,571
Maternal and Child Health Bureau	22,600	-
	\$ 80,764	\$ 60,130

4. Land, Buildings and Equipment

A summary of land, buildings and equipment at December 31, 2003 is as follows.

	Cost	Depreciation Allowed	Net Book Value
Office Equipment	\$ 115,665	\$ 69,478	\$ 46,186
Buildings	179,205	6,652	172,553
Property held for sale	305,397	2,890	302,507
Land	12,500	-	12,500
	\$ 612,766	\$ 79,020	\$ 533,746

A summary of land, buildings and equipment at December 31, 2002 is as follows.

	Cost	Depreciation Allowed	Net Book Value
Office Equipment	\$ 73,541	\$ 13,105	\$ 60,436
Buildings	171,832	2,075	169,757
Land	12,500	-	12,500
	\$ 257,873	\$ 15,180	\$ 242,693

THE CHURCH UNITED FOR COMMUNITY DEVELOPMENT

Notes to Financial Statements, Continued

December 31, 2003

5. Notes Payable and Long Term Debt

	2003	2002
Note payable to bank collateralized by building and land, interest at 6.5% payable \$1,317 per month for 15 years	\$ 146,380	\$ 150,000
Four notes to bank with interest at 7% collateralized by property	136,760	-
Four notes to individual, with interest at 8% collateralized by property	152,760	-
	<u>435,900</u>	150,000
Less current maturities	<u>296,130</u>	150,000
Long term debt	<u>\$ 139,770</u>	\$ -

In connection with this debt, there was \$10,087 of interest capitalized in construction.

Aggregate maturities required on long term debt as of December 31, 2003 are due in future years as follows:

Years Ending December 31,

2005	\$ 6,935
2006	7,399
2007	7,895
2008	8,414
2009	8,977
Thereafter	<u>100,150</u>
	<u>\$ 139,770</u>

6. Program Services

Residential Center. The Church United for Community Development operates a half way house for men in Gonzales called the "Ascension House". The program is designed to help men get reacclimated into society after being incarcerated or because of addiction to drugs or alcohol. The program teaches fathering skills, financial management, literacy, job skills and life skills

THE CHURCH UNITED FOR COMMUNITY DEVELOPMENT

Notes to Financial Statements, Continued

December 31, 2003

After School Tutoring. The Organization operates an after school tutoring program for students ages 12 to 18. The program is abstinence based and offers a culturally diverse recreation program as well as computer training and similar types of activities.

Character Clubs. The Organization also operates character clubs in high schools and middle schools. The clubs teach the "Character First" curriculum to 5,000 students in East Baton Rouge and Ascension Parish. The "Character First" program teaches good character traits and stresses teen pregnancy prevention.

Literacy Training. The Organization classifies expenditures as literacy training for the cost of operating the "Donaldsonville Dream Center" in Donaldsonville, Louisiana and the "Melrose East Dream Center" in Baton Rouge, Louisiana. The "Dream Center" program teaches computer skills, financial management, adult literacy, provides after school tutoring, a GED program, a wellness program, parenting and child development, music and sewing and other programs for mothers and children.

Employment Training. The Organization also operates a "Support Through Employment Program" (STEP). The program is designed to provide educational and vocational job training and job placement, to teach parenting and character development to improve family connections, and to increase the percentage of fathers who are supporting their children financially.

Low Income Housing. Starting in 2003, the Organization contracted with Baker Enterprises, Inc. (contractor) to purchase and remodel housing to sell to low income families. As of December 31, 2003, eight houses had been purchased and are in the process of being remodeled. Six of the eight houses were purchased directly from the contractor prior to the renovations. Under the terms of the arrangement, the Organization purchases the houses and the contractor performs the remodeling services for a fee. When the home is sold, the net proceeds from the sale will be divided evenly with the contractor. The homes will be rented pending sale.

7. Significant Contributors and Related Party Transactions

The Organization is a diverse coalition of organizations including government, businesses, schools, faith-based organizations and community agencies.

Significant contributors can significantly influence management and operating policies of the organization. One of the most significant supporters of the Organization is the Healing Place Church of Baton Rouge, Louisiana (HPC). An associate pastor of HPC manages the day to day operations of the Organization and his salary is paid by HPC. Also, the Organization's program manager and an instructor in the "Character First" program are paid by HPC. Included in

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Notes to Financial Statements, Continued

December 31, 2003

unrestricted contributions is \$43,189 and \$27,700 of cash contributions from HPC in the years ended December 31, 2003 and 2002, respectively. Included in expenses is \$9,000 of rent paid to HPC for rental of vans used in the Organization's programs.

The Organization also has the free use of other facilities that are used in the various programs. The Ascension Parish School Board is allowing the Organization to use a facility on a temporary basis to operate the "Donaldsonville Dream Center". The Organization has purchased a building which will house the program after renovations are completed.

The Organization also uses facilities in Baton Rouge, Louisiana, some of which were provided at no charge and others that were rented from an organization controlled by a board member. That rent expense amounted to \$11,598 for the year ended December 31, 2003 and is included in operating expenses.

The value of all in kind donations has been estimated by management to be \$263,349 and \$233,287 in the years ended December 31, 2003 and 2002, respectively. This is reflected on the statement of activities as in kind revenue and expense and is reported as:

	2003	2002
Healing Place Church		
Salaries	\$ 121,524	\$ 135,362
Insurance	16,800	16,800
Supplies and other	-	8,600
	<u>138,324</u>	<u>160,762</u>
Ascension Parish School Board		
Rent	49,500	49,500
Utilities	12,000	12,000
	<u>61,500</u>	<u>61,500</u>
Others		
Rent	23,825	9,825
Utilities	1,200	1,200
Assets	38,500	-
	<u>63,525</u>	<u>11,025</u>
	<u>\$ 263,349</u>	<u>\$ 233,287</u>

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Schedule of Expenditures of Federal Awards

Year Ended December 31, 2003

Federal Grants/Program Title	Contract Number	Federal CFDA Number	Program or Award Amount	Accrued (Deferred) Revenue at January 1, 2003	Cash Received	Revenue Recognized	Expenditures	Accrued Revenue at December 31, 2003
U.S. Department of Health and Human Services (HHS)								
Pass-Through - State of Louisiana	590262	93.558	\$ 76,076	\$ 9,922	\$ 64,347	\$ 54,425	\$ 54,425	\$ -
Department of Social Services	590316	93.558	308,939	(10,941)	235,054	245,995	245,995	-
	607089	93.558	147,361	-	-	32,809	32,809	32,809
	400607268	93.558	510,422	-	-	10,294	10,294	10,294
	589718	93.558	204,000	-	143,532	143,532	143,532	-
				(1,019)	442,933	487,055	487,055	43,103
Maternal & Child Health Bureau								
	1H1DPMC016810100	93.110	316,096	-	24,783	47,383	47,383	22,600
U.S. Department of Education								
Department of Education	590489	93.558	383,199	(14,761)	244,141	258,902	258,902	-
Pass-Through - State of Louisiana	603641	93.558	352,327	-	187,372	202,433	202,433	15,061
Department of Education				(14,761)	431,513	461,335	461,335	15,061
				(15,780)	\$ 899,229	\$ 995,773	\$ 995,773	\$ 80,764

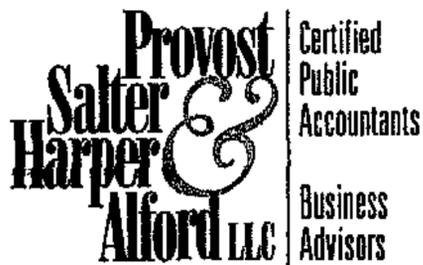
THE CHURCH UNITED FOR COMMUNITY DEVELOPMENT

Notes to Schedule of Expenditures of Federal Awards

December 31, 2003

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of The Church United for Community Development and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



**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**

Board of Directors
The Church United for Community Development
Baton Rouge, Louisiana

We have audited the financial statements of The Church United for Community Development (a nonprofit organization) as of and for the year ended December 31, 2003 and have issued our report thereon dated January 20, 2004. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether The Church United for Community Development'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 The Church United for Community Development'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. 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 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Directors, management, the State of Louisiana Legislative Auditor, 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 Statutes 24:513, this report is distributed by the Legislative Auditor as a public document.

PROVOST, SALTER, HARPER & ALFORD, L.L.C.

Provost, Salter, Harper & Alford, L.L.C.

January 20, 2004

THE CHURCH UNITED FOR COMMUNITY DEVELOPMENT

Schedule of Findings and Questioned Costs

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 weakness identified?	No
Reportable condition identified not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards.

Internal Control over major programs:	
Material weakness identified?	No
Reportable condition identified not considered to be material weaknesses?	No
Type of auditor’s report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, § 510(a)?	No
Identification of major programs:	

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.558	Temporary Assistance for Needy Families (TANF)

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 300,000
Auditee qualified as low risk auditee?	No

THE CHURCH UNITED FOR COMMUNITY DEVELOPMENT

Schedule of Findings and Questioned Costs

Year Ended December 31, 2003

Section II – Financial Statement Findings

There are no findings

Section III – Federal Award Findings

There are no findings.

Section IV – Independent Auditor’s Comment on Resolution of Prior Audit Findings

Last year was the first audit of the Organization. The report on the prior year contained three findings related to reportable conditions. The first was an inadequate segregation of duties because the bookkeeper was authorized to sign checks. The Organization restructured responsibilities and removed the bookkeeper from the list of authorized check signers.

Secondly, the Organization did not always retain invoices to support expenditures. Payments were being made based on vendor statements and requisitions. Procedures were modified to require that all payments for goods or services be properly supported by an approved invoice prior to the disbursement of any funds.

It was noted that the Organization authorized payroll transactions without well documented timesheets from employees or authorizations from supervisors. Procedures were modified to require employees to submit a timesheet that is approved by a supervisor prior to the disbursement of any funds.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors
The Church United for Community Development
Baton Rouge, Louisiana

Compliance

We have audited the compliance of The Church United for Community Development, 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. The Church United for Community Development'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 The Church United for Community Development's management. Our responsibility is to express an opinion on The Church United for Community Development'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 The Church United for Community Development'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 The Church United for Community Development's compliance with those requirements.

In our opinion, The Church United for Community Development 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 The Church United for Community Development 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 The Church United for Community Development'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 internal control over compliance and its operation that we consider to be material weakness.

This report is intended for the information and use of the Board of Directors, management, the State of Louisiana Legislative Auditor, and federal and state 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 Statutes 24:513, this report is distributed by the Legislative Auditor as a public document.

PROVOST, SALTER, HARPER & ALFORD, L.L.C.

Provost, Salter, Harper & Alford, L.L.C.

January 20, 2004



To the Board of Directors
The Church United for Community Development
Baton Rouge, Louisiana

We have audited the financial statements of The Church United for Community Development for the year ended December 31, 2003, and have issued our report thereon dated January 20, 2004. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter dated May 28, 2003, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered The Church United for Community Development'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. We also considered 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.

As part of obtaining reasonable assurance about whether The Church United for Community Development'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. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about The Church United for Community Development's compliance with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" applicable to each of its major federal programs for the

purpose of expressing an opinion on The Church United for Community Development's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on The Church United for Community Development's compliance with those requirements.

Other Information in Documents Containing Audited Financial Statements.

We have not been informed of any documents that contain your audited financial statements. If there were such documents we have a responsibility to determine that financial information included in those documents is not materially inconsistent with the audited financial statements of the Organization.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by The Church United for Community Development are described in Note 1 to the financial statements. All of the accounting policies are new because this is the first year the financial statements have been presented in accordance with generally accepted accounting principles. We noted no transactions entered into by the Organization during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were the in kind contributions, functional allocation of expenses and depreciation expense.

Management's estimate of these items is based on its knowledge and experience. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Organization's financial reporting process (that is, cause future financial statements to be materially misstated.) We posted 10 adjustments from the original trial balance that was provided at the beginning of our audit.

Disagreements With Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultation With Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Association's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Association's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered In Performing The Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Material Contingencies

The financial statements reflect no disclosures associated with material contingencies and there were no matters we believe should be disclosed as such.

This information is intended solely for the use of the Board of Directors and management of The Church United for Community Development and is not intended to be and should not be used by anyone other than these specified parties.

PROVOST, SALTER, HARPER & ALFORD, L.L.C.

Provost, Salter, Harper & Alford, L.L.C.

January 20, 2004