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**CATHOLIC CHARITIES
ARCHDIOCESE OF NEW ORLEANS**

**Financial Statements for the Year Ended
June 30, 1998 and Independent Auditors'
Report**

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

Release Date ~~JUN 27 1999~~

CATHOLIC CHARITIES ARCHDIOCESE OF NEW ORLEANS

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INDEPENDENT AUDITORS' REPORT

Most Reverend Francis B. Schulte, D.D., President
Catholic Charities Archdiocese of New Orleans
New Orleans, Louisiana

We have audited the accompanying statement of financial position of Catholic Charities Archdiocese of New Orleans (the "Agency") as of June 30, 1998, and the related statements of activities, cash flows, and functional expenses for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. 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 audit provides a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of Catholic Charities Archdiocese of New Orleans as of June 30, 1998, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Agency's financial statements for the year ended June 30, 1997, from which the summarized information was derived.

Deloitte & Touche LLP

November 25, 1998

CATHOLIC CHARITIES ARCHDIOCESE OF NEW ORLEANS

STATEMENTS OF FINANCIAL POSITION JUNE 30, 1998 AND 1997

ASSETS	1998	1997
Cash	\$ 127,166	\$ 259,943
Investments	3,824,230	3,581,690
Accounts receivable	2,478,192	2,538,307
Prepaid expenses and deferred charges	21,392	44,371
Property and equipment, net	<u>8,542,449</u>	<u>8,641,075</u>
TOTAL ASSETS	<u>\$14,993,429</u>	<u>\$15,065,386</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Managed cash overdraft	\$ 443,820	\$ 475,873
Accounts payable and accrued expenses	982,368	1,236,024
Deferred revenue	531,111	574,939
Funds held for the account of others	2,353,976	2,207,256
Loans payable	<u>2,418,192</u>	<u>2,763,196</u>
Total liabilities	<u>6,729,467</u>	<u>7,257,288</u>
NET ASSETS:		
Unrestricted	7,202,119	7,147,445
Temporarily restricted	<u>1,061,843</u>	<u>660,653</u>
Total net assets	<u>8,263,962</u>	<u>7,808,098</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$14,993,429</u>	<u>\$15,065,386</u>

See notes to financial statements.

CATHOLIC CHARITIES ARCHDIOCESE OF NEW ORLEANS

STATEMENTS OF ACTIVITIES YEAR ENDED JUNE 30, 1998, WITH COMPARATIVE TOTALS FOR JUNE 30, 1997

	Unrestricted	Temporarily Restricted	Total	
			1998	1997
REVENUES:				
Public support:				
Contributions	\$ 1,417,640	\$ 525,703	\$ 1,943,343	\$ 1,061,075
Contributed by associated organizations	102,959		102,959	80,923
Allocated by United Way of St. John Parish	48,000		48,000	48,000
Allocated by United Way of St. Charles Parish	108,500		108,500	108,500
Allocated by United Way for the Greater New Orleans Area	1,465,098		1,465,098	1,513,180
Allocated by United Way for Southeast Louisiana	5,000		5,000	-
Special events (net of direct costs of \$45,383 and \$92,327)	78,539		78,539	156,827
Total public support	<u>3,225,736</u>	<u>525,703</u>	<u>3,751,439</u>	<u>2,968,505</u>
Fees and grants from governmental agencies	<u>13,310,547</u>	-	<u>13,310,547</u>	<u>13,317,857</u>
Other revenue:				
Contributed goods and services	1,038,307		1,038,307	982,660
Program service fees	1,925,006		1,925,006	1,565,993
Investment income	137,690	2,298	139,988	130,815
Miscellaneous	53,332		53,332	123,125
Net assets released from restrictions - operations	126,811	(126,811)	-	-
Total other revenue	<u>3,281,146</u>	<u>(124,513)</u>	<u>3,156,633</u>	<u>2,802,593</u>
Total revenues	<u>19,817,429</u>	<u>401,190</u>	<u>20,218,619</u>	<u>19,088,955</u>
EXPENSES:				
Program services:				
Big brothers/Big sisters	38,439		38,439	184,456
Foster grandparents	357,461		357,461	304,294
Clinical counseling	416,548		416,548	383,302
Maternity	229,829		229,829	225,635
Transitional housing	84,501		84,501	98,599
Adult day health care	975,757		975,757	858,895
Child day care	2,396,869		2,396,869	2,135,300
Emergency assistance	60,441		60,441	61,328
Emergency shelter	711,754		711,754	607,834
Job search	242,870		242,870	206,213
Domestic violence	502,267		502,267	455,768
Aids services	353,758		353,758	376,235
Psychiatric rehap option	(873)		(873)	151,332
Adult residential care	2,548,127		2,548,127	2,363,322
Child residential care	8,873,881		8,873,881	8,593,489
Immigrant/refugee services	594,747		594,747	583,378
Family preservation	106,287		106,287	88,709
In-home services/elderly	-		-	7,761
Deaf action center	556,290		556,290	491,478
Branch offices	243,286		243,286	244,662
Senior groups	25,028		25,028	20,937
Social adjustment	360,961		360,961	361,515
Parish social ministry	83,238		83,238	71,395
Other	1,289		1,289	11,006
Total expenses	<u>19,762,755</u>	<u>-</u>	<u>19,762,755</u>	<u>18,886,843</u>
CHANGE IN NET ASSETS	54,674	401,190	455,864	202,112
NET ASSETS AT BEGINNING OF YEAR	<u>7,147,445</u>	<u>660,653</u>	<u>7,808,098</u>	<u>7,605,986</u>
NET ASSETS AT END OF YEAR	<u>\$ 7,202,119</u>	<u>\$ 1,061,843</u>	<u>\$ 8,263,962</u>	<u>\$ 7,808,098</u>

See notes to financial statements.

CATHOLIC CHARITIES ARCHDIOCESE OF NEW ORLEANS

STATEMENTS OF CASH FLOWS YEAR ENDED JUNE 30, 1998 AND 1997

	1998	1997
OPERATING ACTIVITIES:		
Change in net assets	\$ 455,864	\$ 202,112
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation	615,994	528,958
Unrealized gain on investments	(251,815)	(489,945)
Changes in assets and liabilities:		
Accounts receivable	60,115	572,788
Prepaid expenses and deferred charges	22,979	(21,137)
Managed cash overdraft	(32,053)	(217,953)
Accounts payable and accrued expenses	(253,656)	(100,398)
Deferred revenue	(43,828)	64,519
Funds held for the account of others	146,720	206,029
	<u>720,320</u>	<u>744,973</u>
Net cash provided by operating activities		
INVESTING ACTIVITIES:		
Net investment activity	9,275	(135,333)
Purchases of property and equipment	(568,625)	(1,063,584)
Property and equipment disposals	51,257	177,902
	<u>(508,093)</u>	<u>(1,021,015)</u>
Net cash used in investing activities		
FINANCING ACTIVITIES:		
Net (payments) borrowings under line of credit agreement	(261,000)	27,000
Proceeds of loans payable	-	199,520
Repayment of loans payable	(84,004)	(8,750)
	<u>(345,004)</u>	<u>217,770</u>
Net cash (used in) provided by financing activities		
NET DECREASE IN CASH	(132,777)	(58,272)
CASH AT BEGINNING OF YEAR	<u>259,943</u>	<u>318,215</u>
CASH AT END OF YEAR	<u>\$ 127,166</u>	<u>\$ 259,943</u>

See notes to financial statements.

CATHOLIC CHARITIES ARCHDIOCESE OF NEW ORLEANS

STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 1998, WITH COMPARATIVE TOTALS FOR JUNE 30, 1997

	Big Brothers/ Big Sisters	Foster Grandparents	Clinical Counseling	Maternity	Transitional Housing	Adult Day Health Care	Child Day Care	Emergency Assistance
Salaries and vacation benefits	\$ 24,824	\$ 42,102	\$ 247,912	\$ 77,946	\$ 15,790	\$ 441,213	\$ 1,273,432	\$ 20,418
Employee health and retirement benefits	731	3,371	20,964	6,486	46	15,640	48,613	141
Payroll taxes	2,144	3,639	20,740	6,712	1,134	39,770	110,570	1,544
Total salaries and related expenses	27,699	49,112	289,616	91,144	16,970	496,623	1,432,615	22,103
Professional fees and contract service payments	1,255	214,494	25,874	21,539	5,632	111,333	156,689	2,326
Supplies	1,188	1,685	4,369	8,499	929	163,566	305,608	2,392
Telephone	(263)	33	3,917	3,234		7,561	10,992	(577)
Postage and shipping	187	10	408	896		1,423	85	
Occupancy	2,341	4,540	53,718	44,997	13,235	72,628	194,092	4,207
Travel and transportation	419	989	1,416	3,113	260	10,236	13,465	
Conferences, conventions and meetings	377	90	945	556		4,006	2,619	24
Printing and publications	43	44	740	1,611	87	6,123	6,880	84
Specific assistance to individuals		62,693		28,981	41,544	17,576	17,129	23,544
Organization dues	1,472		330	100		1,085		6,132
Management and general	3,666	23,684	33,829	24,597	5,844	80,268	176,158	
Miscellaneous	55	87		123		380	34,362	
Interest				439		2,949	46,175	206
Depreciation			1,386					
TOTAL EXPENSES	\$ 38,439	\$ 357,461	\$ 416,548	\$ 229,829	\$ 84,501	\$ 975,757	\$ 2,396,869	\$ 60,441

(Continued)

CATHOLIC CHARITIES ARCHDIOCESE OF NEW ORLEANS

STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 1998, WITH COMPARATIVE TOTALS FOR JUNE 30, 1997

	Emergency Shelter	Job Search	Domestic Violence	Aids Services	Psychiatric Rehab Option	Adult Residential Care	Child Residential Care	Immigrant/ Refugee Services
Salaries and vacation benefits	\$347,026	\$142,118	\$234,324	\$171,793	\$ -	\$1,069,264	\$4,930,840	\$333,308
Employee health and retirement benefits	13,107	7,922	13,800	11,750		50,020	196,293	17,556
Payroll taxes	30,792	12,196	20,289	14,920		95,976	379,162	29,239
Total salaries and related expenses	390,925	162,236	268,413	198,463	-	1,215,260	5,506,295	380,103
Professional fees and contract service payments	43,273	8,625	29,030	23,994	(277)	178,889	755,917	35,471
Supplies	85,912	16,410	46,445	5,652		218,967	525,658	30,274
Telephone	4,052	(1,453)	3,596	2,139		13,498	21,689	2,116
Postage and shipping		416	168	1,041		990	4,939	2,456
Occupancy	95,995	26,718	58,641	30,450		289,961	520,209	44,091
Travel and transportation	361	1,030	1,634	14,223		52,516	84,075	10,551
Conferences, conventions and meetings	160	615	1,162	1,076		957	25,952	6,085
Printing and publications	2,519	1,680	1,614	3,161		696	14,246	4,022
Specific assistance to individuals	5,257		1,209	31,096		273,789	339,443	27,146
Organization dues		250	265			2,850	6,456	716
Management and general	58,923	23,937	43,979	33,480	(596)	192,735	669,600	46,732
Miscellaneous	1,840	424	219	831		2,121	4,746	698
Interest						26,123		
Depreciation	22,537	1,982	45,892	8,152		78,775	394,656	4,286
TOTAL EXPENSES	\$711,754	\$242,870	\$502,267	\$353,758	\$(873)	\$2,548,127	\$8,873,881	\$594,747

(Continued)

CATHOLIC CHARITIES ARCHDIOCESE OF NEW ORLEANS

STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 1998, WITH COMPARATIVE TOTALS FOR JUNE 30, 1997

	Family Preservation	Deaf Action Center	Branch Offices	Senior Groups	Social Adjustment	Parish Social Ministry	Other	1998	1997
Salaries and vacation benefits	\$ 62,894	\$ 198,441	\$ 143,263	\$ 9,782	\$ 119,194	\$ 55,357	\$ -	\$ 9,961,241	\$ 9,151,704
Employee health and retirement benefits	1,888	11,602	6,495	494	8,858	3,925		439,702	423,930
Payroll taxes	5,530	16,961	12,390	894	8,012	2,254		814,868	756,021
Total salaries and related expenses	70,312	227,004	162,148	11,170	136,064	61,536	-	11,215,811	10,331,655
Professional fees and contract service payments	9,603	229,794	17,457	5,988	17,942	3,156	8	1,898,012	1,966,902
Supplies	2,676	14,206	9,035	467	110,938	2,083		1,556,959	1,519,498
Telephone	3	1,234	3,417		2,005	61		77,254	110,430
Postage and shipping	128	378	412	317	256	246		14,756	14,781
Occupancy	5,830	23,227	19,655	1,959	38,533	4,651	1,183	1,550,861	1,542,834
Travel and transportation	2,295	12,271	691		8,741	852		219,138	236,191
Conferences, conventions and meetings	168	1,533	1,598	312	527	710		49,472	53,772
Printing and publications		2,511	3,824	323	67	(169)		50,106	53,195
Specific assistance to individuals					10,409			879,816	933,307
Organization dues	400	1,080	180			25		15,209	16,118
Management and general	14,392	41,411	24,172	4,492	30,316	9,085	98	1,546,934	1,501,501
Miscellaneous		424						46,310	50,522
Interest								26,123	27,179
Depreciation	480	1,217	697		5,163	1,002		615,994	528,958
TOTAL EXPENSES	\$ 106,287	\$ 556,290	\$ 243,286	\$ 25,028	\$ 360,961	\$ 83,238	\$ 1,289	\$ 19,762,755	\$ 18,886,843

See notes to financial statements.

(Concluded)

CATHOLIC CHARITIES ARCHDIOCESE OF NEW ORLEANS

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 1998, WITH COMPARATIVE TOTALS FOR JUNE 30, 1997

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - Catholic Charities Archdiocese of New Orleans (the "Agency"), a not-for-profit charitable organization of the Roman Catholic Church of the Archdiocese of New Orleans, operates community social service programs and provides administrative support and financial management services to separately operated charitable programs which it sponsors. The accompanying financial statements include the accounts of all charitable programs which it operates or sponsors.

Basis of Presentation - The Agency classifies its resources for accounting and reporting purposes into three net asset categories according to externally (donor) imposed restrictions. A description of the three net asset categories follows:

Unrestricted - Assets and contributions that are not restricted by donors or for which there are no restrictions.

Temporarily restricted - A donor-imposed restriction that permits the Agency to use the donated assets as specified. The use of the assets is restricted until passage of time or by actions of the organization.

Permanently restricted - A donor-imposed restriction that stipulates that resources be maintained permanently but permits the use of all or part of the income derived.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Contributions - All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

The value of contributed goods and services has been recorded as support and revenue and expense in the period received provided there is an objective basis for measurement of the value of such goods and services and they are significant and form an integral part of the efforts of the program.

Allocation of Costs to Programs - The costs of administrative support that relate to more than one program have been allocated to the separate programs based on units of service, volume of activity or other equitable basis.

Investments - Investments are recorded at market value based on quoted market prices. Gains and losses, both realized and unrealized, are included in the statement of activities.

Property and Equipment - Property and equipment are carried at purchased cost or appraised values when acquired by donation or gift, with subsequent additions at cost. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. Leasehold improvements are amortized over the estimated useful lives of the improvements.

The estimated useful lives used in determining depreciation and amortization follow:

Buildings and improvements	20 - 60 years
Leasehold improvements	10 years
Equipment	5 years
Vehicles	3 years

Income Taxes - The Agency qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code of 1986. Accordingly, no provision for income taxes has been included in the accompanying financial statements.

Prior Year Financial Information - The financial statements include certain prior-year summarized comparative information in total but not by net asset class in the statements of activities and functional expenses. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Agency's financial statements for the year ended June 30, 1997, from which the summarized information was derived.

2. INVESTMENTS

Investments are comprised of the following:

	June 30, 1998		June 30, 1997	
	Cost	Market Value	Cost	Market Value
Certificates of deposit	\$ 96,000	\$ 96,000	\$ 52,000	\$ 52,000
Money market funds	562,315	562,315	660,121	660,121
Mutual funds	2,210,685	3,165,915	2,164,350	2,869,569
Corporate stocks	<u>25,685</u>	<u>-</u>	<u>25,685</u>	<u>-</u>
Total	2,894,685	3,824,230	2,902,156	3,581,690
Less allowance for unrealized losses on corporate stocks	<u>(25,685)</u>	<u>-</u>	<u>(25,685)</u>	<u>-</u>
Total investments	<u>\$2,869,000</u>	<u>\$3,824,230</u>	<u>\$2,876,471</u>	<u>\$3,581,690</u>

The corporate stocks held at June 30, 1998 and 1997 consist of unlisted securities.

The ownership of the investments at June 30, 1998 and 1997 is as follows:

	1998	1997
Unrestricted net assets	\$1,051,630	\$ 973,724
Temporarily restricted net assets	531,538	528,206
Funds held for the account of others	<u>2,241,062</u>	<u>2,079,760</u>
Total	<u>\$3,824,230</u>	<u>\$3,581,690</u>

3. PROPERTY AND EQUIPMENT, NET

A summary of property and equipment at June 30, 1998 and 1997 follows:

	1998	1997
Buildings and improvements	\$11,046,087	\$10,670,903
Leasehold improvements	1,584,904	1,656,527
Equipment	2,624,699	2,428,500
Vehicles	<u>707,335</u>	<u>650,434</u>
	15,963,025	15,406,364
Less accumulated depreciation and amortization	<u>(7,891,307)</u>	<u>(7,236,020)</u>
	8,071,718	8,170,344
Land	<u>470,731</u>	<u>470,731</u>
Total property and equipment, net	<u>\$ 8,542,449</u>	<u>\$ 8,641,075</u>

4. LOANS PAYABLE

Loans payable at June 30, 1998 and 1997 are summarized as follows:

	1998	1997
Unsecured demand borrowings, pursuant to a line of credit permitting borrowings up to \$2.5 million, bearing interest at the bank's prime rate plus 1/2% (8.25% and 9.00% at June 30, 1998 and 1997, respectively), guaranteed by the Roman Catholic Church of the Archdiocese of New Orleans	\$1,905,000	\$2,166,000
Mortgage notes payable in monthly installments approximating \$33,000, including interest at an annually adjustable rate (ranging from 5.97% to 8.91% in 1998 and 5.83% to 8.91% in 1997); final installments due between December, 2013 and July, 2015; collateralized by real estate with a net book value approximating \$375,000 and \$383,000 at June 30, 1998 and 1997, respectively	313,672	323,026
Unsecured note payable, non-interest bearing, due January, 1998	-	74,650
Promissory note to Roman Catholic Church of the Archdiocese of New Orleans, non-interest bearing, no scheduled repayment	<u>199,520</u>	<u>199,520</u>
Total loans payable	<u>\$2,418,192</u>	<u>\$2,763,196</u>

Annual principal payments on loans payable for each of the next five years and in total thereafter at June 30, 1998 follow:

Year Ending June 30,	
1999	\$2,114,873
2000	11,353
2001	12,353
2002	13,353
2003	14,353
Thereafter	<u>251,907</u>
Total	<u>\$2,418,192</u>

Interest paid during 1998 and 1997, all of which was charged to operations, approximated \$171,000 and \$166,000, respectively.

5. RETIREMENT PLAN

The Agency has a defined contribution retirement plan covering substantially all of its employees. Under the plan, Agency contributions, if any, are determined annually at the discretion of the Agency. The Agency authorized a contribution of \$199,000 and \$197,400, for 1998 and 1997, respectively.

6. RELATED PARTIES

The Archbishop of New Orleans serves as president of Catholic Charities Archdiocese of New Orleans. He also serves as president of all other corporations, boards of trustees and separate organizations sponsored by or operated under the auspices of the Archdiocese of New Orleans.

In the normal course of operations, the Archdiocese of New Orleans has made and will, when necessary, make available to the Agency and its affiliated agencies specific assistance in the form of operating subsidies, loans, loan guarantees, use of facilities and administrative support.

During the fiscal years ended June 30, 1998 and 1997, the Agency purchased computer hardware and software from a related party for approximately \$94,000 and \$146,000, respectively.

7. OPERATING LEASE OBLIGATIONS

The Agency operates a portion of its community social service programs in leased facilities under operating leases expiring at various dates through the fiscal year 2004. The leases are subject to cancellation under certain circumstances, including substantial changes in funding in the Agency's programs. The following is a schedule by years of future minimum rental payments required under those leases and equipment leases that have initial or remaining lease terms in excess of one year as of June 30, 1998:

Year Ending June 30,	
1999	\$ 168,496
2000	78,600
2001	37,668
2002	33,447
2003	20,239
2004	<u>6,921</u>
 Total minimum payments required	 <u>\$ 345,371</u>

Total rental expense for all operating leases for the years ended June 30, 1998 and 1997 approximated \$345,000 and \$323,000, respectively.

8. CONTINGENCIES

The Agency receives a substantial amount of its support from the federal and state government. A significant reduction in the level of this support, if this were to occur, may have a material effect on the Agency's programs and activities.

The Agency is required to submit reports to various funding sources to substantiate the support received. These reports are subject to audit and/or approval by the respective funding sources.

The Agency is a party to various litigation and other claims, the outcome of which cannot be presently determined. Management's opinion is that the outcome of such matters would not have a significant effect on the Agency's financial position.

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CATHOLIC CHARITIES ARCHDIOCESE OF NEW ORLEANS

Independent Auditors' Reports and Information
Required by *Government Auditing Standards*
for the Year Ended June 30, 1998

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

Release Date _____

CATHOLIC CHARITIES ARCHDIOCESE OF NEW ORLEANS

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Most Reverend Francis B. Schulte, D.D., President
Catholic Charities Archdiocese of New Orleans
New Orleans, Louisiana

We have audited the financial statements of Catholic Charities Archdiocese of New Orleans (the "Agency"), as of and for the year ended June 30, 1998, and have issued our report thereon dated November 25, 1998. 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 Agency'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 Agency'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 for the information of the Board of Directors, management, others within the organization and the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.

Delatte & Joubert LLP

November 25, 1998



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE AND ON THE SCHEDULE OF GOVERNMENTAL FINANCIAL ASSISTANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Most Reverend Francis B. Schulte, D.D., President
Catholic Charities Archdiocese of New Orleans
New Orleans, Louisiana

Compliance

We have audited the compliance of Catholic Charities Archdiocese of New Orleans (the "Agency"), 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 June 30, 1998. The Agency's major federal programs are identified in the summary of auditors' 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 Agency's management. Our responsibility is to express an opinion on the Agency's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 Agency'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 Agency's compliance with those requirements.

In our opinion, the 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 June 30, 1998. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 98-1.

Internal Control Over Compliance

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

Schedule of Governmental Financial Assistance

We have audited the financial statements of the Agency as of and for the year ended June 30, 1998, and have issued our report thereon dated November 25, 1998. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of governmental financial assistance is presented for purposes of additional analysis as required by OMB Circular A-133 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.

This report is intended for the information of the Board of Directors, management, others within the organization and the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.

Deloitte & Touche LLP

November 25, 1998

CATHOLIC CHARITIES ARCHDIOCESE OF NEW ORLEANS

SUPPLEMENTARY SCHEDULE OF GOVERNMENTAL FINANCIAL ASSISTANCE YEAR ENDED JUNE 30, 1998

	Federal CFDA #	Revenue on Accrual Basis
Passed through the State of Louisiana and other local agencies:		
Department of Social Services		
Office of Community Service		
- Child Residential Care	93.667	\$ 2,651,680
- Child Day Care	93.667	173,354
- Refugee Social Services	93.566	296,074
- Targeted Assistance	93.566	90,217
- Social Services Block Grant	93.667	102,400
- Residential Supervised Apartment	93.667	90,484
- Independent Living	93.674	<u>257,124</u>
		<u>3,661,333</u>
Department of Health and Hospitals		
Office of the Secretary		
- Adult Residential Care	93.778	1,555,012
- Child Residential Care	93.778	1,611,077
- Adult Day Health Care	93.778	173,493
- Maternity	93.778	<u>8,293</u>
		<u>3,347,875</u>
Department of Public Safety and Corrections -		
Office of Youth Development		
- Child Residential Care	93.Unknown	<u>2,644,972</u>
Total Community Action		
- Child Day Care	93.600	<u>779,471</u>
Department of Education - Special Food Program		
- Child Day Care	10.558	252,189
- Adult Day Health Care	10.558	<u>76,264</u>
		<u>328,453</u>

(Continued)

CATHOLIC CHARITIES ARCHDIOCESE OF NEW ORLEANS

SUPPLEMENTARY SCHEDULE OF GOVERNMENTAL FINANCIAL ASSISTANCE YEAR ENDED JUNE 30, 1998

	Federal CFDA #	Revenue on Accrual Basis
Department of Social Services Louisiana Rehabilitation Services - Deaf Action Center	84.126A	<u>143,351</u>
Corporation for National Service - Foster Grandparents	94.011	<u>279,184</u>
Office of Mental Health and Substance Abuse - Adult Residential Care	93.Unknown	<u>365,489</u>
Jefferson Parish Community Development Department - Emergency Shelter Care	14.218	<u>324,409</u>
United States Department of Justice - Passed through United States Catholic Conference - Match Grant Program	93.567	<u>25,377</u>
United States Department of State - Passed through United States Catholic Conference - Reception and Placement Program	19.Unknown	<u>19,000</u>
Department of Social Services - Office of Family Support: - Jobs - Job Search	93.561	<u>187,036</u>
Louisiana Office of Women's Services - Domestic Violence	93.671	<u>194,691</u>
City of New Orleans - Special Purpose Grant - Adult Residential Care	14.227	65,889
- Emergency Shelter Care	14.231	50,066
- AIDS Services	14.241	76,607
- Domestic Violence	14.231	<u>51,946</u>
		<u>244,508</u>
Children's Hospital, Ryan White Title IV - Child Day Care	93.153	<u>4,200</u>

(Continued)

CATHOLIC CHARITIES ARCHDIOCESE OF NEW ORLEANS

SUPPLEMENTARY SCHEDULE OF GOVERNMENTAL FINANCIAL ASSISTANCE YEAR ENDED JUNE 30, 1998

	Federal CFDA #	Revenue on Accrual Basis
Department of Education-School Food Service - Child Residential Care	10.558	<u>179,891</u>
Department of Housing and Urban Development, Supportive Housing Grant		
- Transitional Housing	14.235	78,903
- Child Day Care	14.235	<u>72,205</u>
		<u>151,108</u>
Department of Health and Hospitals - Office of Public Health		
- Immigrant/Refugee Services	93.576	<u>59,595</u>
United Way Emergency Food/Shelter Program		
- Emergency Assistance	83.523	27,255
- Emergency Shelter Care	83.523	14,740
- Domestic Violence	83.523	<u>4,236</u>
		<u>46,231</u>
New Orleans Ryan White Title I Comprehensive AIDS Planning Council - City of New Orleans		
- AIDS Services	93.914	<u>144,653</u>
U.S. Department of Agriculture - Homeless Children Nutrition Program		
- Emergency Shelter Care	10.573	29,055
- Domestic Violence	10.573	<u>9,735</u>
		<u>38,790</u>
Louisiana Commission Law Enforcement Assistance Administration, Legal Assistance Program	16.575	
- Domestic Violence		<u>87,967</u>
Miscellaneous Grants	10.558	<u>52,963</u>
TOTAL GOVERNMENTAL FINANCIAL ASSISTANCE		<u>\$13,310,547</u>

CATHOLIC CHARITIES ARCHDIOCESE OF NEW ORLEANS

NOTES TO SUPPLEMENTARY SCHEDULE OF GOVERNMENTAL FINANCIAL ASSISTANCE YEAR ENDED JUNE 30, 1998

1. BASIS OF PRESENTATION

The accompanying Schedule of Governmental Financial Assistance has been prepared on the accrual basis of accounting. Grant revenues are recorded for financial reporting purposes when the Agency has met the cost reimbursement or funding qualifications for the respective grants. The dollar threshold used to distinguish between Type A and Type B programs was \$400,000.

Catholic Charities Archdiocese of New Orleans receives a substantial portion of its funding in the form of governmental financial assistance which is passed through the State of Louisiana. The State is required to report the amount of federal and state dollars it passes to Catholic Charities Archdiocese of New Orleans. However, the State is not able to supply this information. Also, Catholic Charities Archdiocese of New Orleans' accounting system does not maintain separate expense accounts by funding source which details federal and state expenditures. Due to the lack of information, a determination of what dollars are being spent (i.e., government funds, United Way funds, contributions, etc.) cannot be made. Due to these circumstances, a supplementary schedule of expenditures of federal awards cannot be compiled. As a result, a schedule of governmental financial assistance is prepared every year.

2. PAYMENTS TO SUBRECIPIENTS

There were no payments to subrecipients for the fiscal year ended June 30, 1998.

3. CFDA NUMBERS

Contract or catalog of Federal Domestic Assistance (CFDA) Numbers are presented for all individual awards scheduled, where applicable. CFDA Numbers were not available for certain state agency funding sources.

CATHOLIC CHARITIES ARCHDIOCESE OF NEW ORLEANS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 1998

SUMMARY OF THE AUDITORS' RESULTS

- An unqualified opinion was issued on the financial statements of the auditee.
- The statement that reportable conditions in internal control were disclosed by the audit of the financial statements and whether any such conditions were material weaknesses is not applicable.
- The audit disclosed no instances of noncompliance that were material to the financial statements of the auditee.
- The statement that reportable conditions in internal control over major programs were disclosed by the audit and whether any such conditions were material weaknesses is not applicable.
- An unqualified opinion was issued on compliance for major programs.
- The audit disclosed a finding which is required to be reported under Section 510(a) of Circular A-133 as disclosed in the Schedule of Findings and Questioned Costs related to governmental financial assistance as indicated below.
- *Major programs for the fiscal year ended June 30, 1998 were:*
 1. Department of Social Services - Office of Community Service (CFDA #93.667, 93.566, 93.674)
 2. Department of Health and Hospitals - Office of the Secretary (CFDA #93.778)
 3. Department of Public Safety and Corrections - Office of Youth Development (CFDA #93.Unknown)
 4. Total Community Action (CFDA #93.600)
 5. Catholic Charities Archdiocese of New Orleans receives a substantial portion of its funding in the form of governmental financial assistance which is passed through the State of Louisiana. The State is required to report the amount of federal and state dollars it passes to Catholic Charities Archdiocese of New Orleans. However, the State is not able to supply this information. Also, Catholic Charities Archdiocese of New Orleans' accounting system does not maintain separate expense accounts by funding source which details federal and state expenditures. Due to the lack of information, a determination of what dollars are being spent (i.e., government funds, United Way funds, contributions, etc.) cannot be made. Due to these circumstances, a supplementary schedule of expenditures of federal awards cannot be compiled. As a result, a schedule of governmental financial assistance is prepared every year.
- The dollar threshold used to distinguish between Type A and Type B programs was \$400,000.
- The auditee did not qualify as a low-risk auditee.

SCHEDULE OF FINDINGS RELATED TO THE FINANCIAL STATEMENTS

There were no findings related to the financial statements for the year ended June 30, 1998.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS RELATED TO GOVERNMENTAL FINANCIAL ASSISTANCE

98-1 Hearing, Vision and/or Health Screenings

Condition

In examining twenty-five participants' eligibility at a Child Day Care program, we noted seven instances where the participants records did not contain hearing, vision and/or health screenings within forty-five days after entering the program.

Criteria

The Head Start program requires the Agency to provide health and development screenings for all participants within forty-five days after the start of the program or within forty-five days after the child enters the program.

Effect

The Agency did not provide necessary health screenings within the time frame required by Total Community Action due to the lack of availability of doctors who are mandated to perform the screenings within the forty-five day time frame.

Cause

Although the Agency has procedures for adhering to the performance standards of the program, it appears that in some instances the program does not provide the required screenings timely.

Recommendation

We recommend the Agency adhere to its policies and procedures by providing the required screenings of participants within the required time frame.

Management's Response

Total Community Action (TCA) requires health and vision screenings within forty-five days of a child's entry into a Headstart day care program and there were several children who did not meet this requirement. All eligible participants had the required screenings but not within the forty-five day time limit. TCA offers referrals for these screenings, to a limited list of examiners, during the month of September. If a child comes into the program at sometime other than the start of the day care year, it is the responsibility of the parent to obtain these screenings. Unfortunately, it is difficult to enforce this timetable on the parents after the child is already in the program as there is no formal mechanism for follow-up and enforcement of this requirement.

CATHOLIC CHARITIES ARCHDIOCESE OF NEW ORLEANS

STATUS OF PRIOR YEAR AUDIT FINDINGS YEAR ENDED JUNE 30, 1998

Finding 97-1 - Property Records

We noted that the Agency's property records do not identify the source of funding for the property, the agency that has title to the property or federally owned property.

Status

The Agency can identify the property purchased with governmental funds.

Finding 97-2 - Physical Inventory of Property

We noted that the Agency had not completed a physical inventory of property as required by OMB Circular A-110.

Status

The Agency is in the process of taking a physical inventory of its property.

Finding 97-3 - Hearing, Vision and/or Health Screenings

We noted thirteen instances where participants in the Head Start program did not receive hearing and/or vision screenings within forty-five days after entering the program.

Status

As noted in the accompanying Schedule of Findings and Questioned Costs, instances were noted in the current year where the Program did not receive hearing and/or vision screenings within the required time period.